



INTERIM REPORT 2020

ESR Cayman Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1821



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The figures in this report may be subject to rounding differences.



**Focused on Solidifying
Market Leading Position in Asia**

Uniquely leverage on the largest secular
growth opportunity in Asia Pacific



Focused on Value Creation

Optimising potential with end-to-end
development capabilities and integrated fund
management platform



Focused on Future Growth

Paving the way forward with a solid portfolio
and strong financial position

1H2020 Financial Highlights



US\$ 269
million
TOTAL EBITDA
+27% YoY



US\$ 133
million
TOTAL PATMI
+75% YoY



US\$ 121
million
CORE PATMI¹
+72% YoY



US\$ 26.5
billion
ASSETS UNDER
MANAGEMENT²
+31% YoY



US\$ 7.2
billion
MARKET
CAPITALISATION²

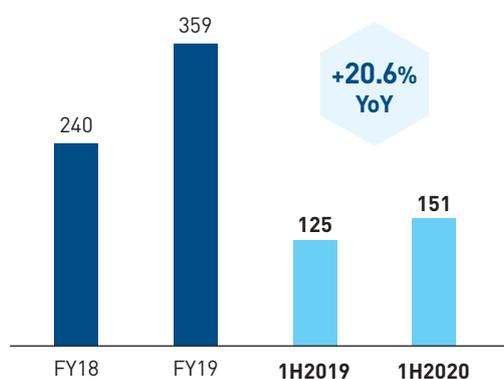
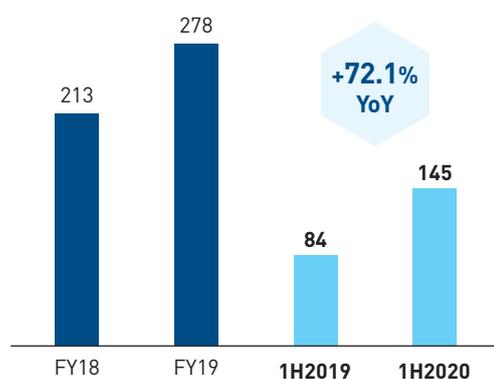


HK\$ 18.32
CLOSING
SHARE PRICE²

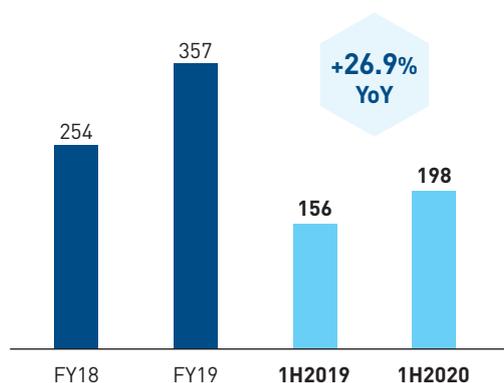
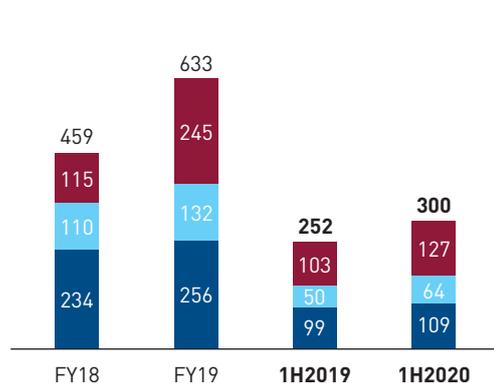
Notes:

1 Core PATMI is calculated as profit after tax and minority interests, adding back equity-settled share option, and less the effect of fair value gains on completed investment properties (net of tax). Refer to non-IFRS measures reconciliation in page 74.

2 As at 30 June 2020.

Adjusted EBITDA¹
(US\$ million)**Profit after Tax**
(US\$ million)

CASH
US\$ 947
million

Revenue
(US\$ million)**Total Segmental Results**
(US\$ million)

● Investment ● Fund Management
● Development

NET DEBT /
TOTAL ASSETS

28.6%

NET DEBT /
EQUITY

59.8%

Balance Sheet (US\$ million)	Full Year Ended 31 December		Six Months Ended 30 June	
	FY2018	FY2019	1H2019	1H2020
Total assets	4,432	6,352	5,946	6,662
Cash and bank balances	581	884	1,010	947
Bank and other borrowings	1,460	2,571	2,804	2,855
Net debt ²	879	1,687	1,793	1,908
Net debt/total assets	19.8%	26.6%	30.2%	28.6%

Notes:

- Adjusted EBITDA is calculated as profit before tax, adding back depreciation and amortisation, exchange loss/(gain), finance costs, equity-settled share option, write-off related to loss of property, plant and equipment and the listing expenses, and eliminating the effect of interest income, one-off insurance compensation and fair value gains on completed investment properties and investment properties under construction.
- Net debt is calculated as bank and other borrowings less cash and bank balances.

* Adjusted EBITDA, Core PATMI and EBITDA are non-IFRS measures. These measures are presented because the Group believes they are useful measures to determine the Group's financial condition and historical ability to provide investment returns. Adjusted EBITDA, Core PATMI and EBITDA and any other measures of financial performance should not be considered as an alternative to cash flows from operating activities, a measure of liquidity or an alternative to net profit or indicators of the Group's operating performance on any other measure of performance derived in accordance with IFRS. Because Adjusted EBITDA, Core PATMI and EBITDA are not IFRS measures, these may not be comparable to similarly titled measures presented by other companies. Refer to non-IFRS measures reconciliation in page 74.

1H2020 Operational Highlights

RAISED

US\$2.4 billion

of new capital from five new funds across China, Australia and South Korea

OVER

US\$3.6 billion

of committed but uncalled capital to invest

LEASED

0.9 million sqm

of space¹ across portfolio

E-commerce remains key driver of demand representing

63% of portfolio leases²

US\$601 million

of assets recycled from balance sheet to ESR managed funds

Fund AUM increased 35% year-on-year to

US\$23.7 billion

Notes:

- 1 Based on assets held on balance sheet and portfolio assets held in funds and investment vehicles.
- 2 Based on leased area for 1H2020.
- 3 Based on stabilised assets on balance sheet as at 30 June 2020.
- 4 Based on assets on balance sheet and portfolio assets in funds and investment vehicles by leased area and by income as at 30 June 2020.
- 5 The largest single-phase, single-asset warehousing project in terms of GFA, as at July 2020. Sources: CBRE data and ESR research.

US\$2.2 billion
of development completions

US\$0.8 billion
of new development starts

High occupancy of
91%
across portfolio³

Well-staged
portfolio WALE of
3.8 YEARS⁴

Strong landbank of
3.8 million sqm
OF GFA



ESR Amagasaki Distribution Centre, Greater Osaka, Japan – the largest logistics warehousing project in Asia Pacific⁵ was completed in June 2020

Overview of ESR

WHO WE ARE

ESR Cayman Limited (“Company “ or “ESR” and together with its subsidiaries, the “Group”) is the largest Asia Pacific focused logistics real estate platform by GFA with the largest development pipeline in aggregate across the major Asia Pacific markets. We develop and manage modern logistics facilities across China, Japan, South Korea, Singapore, Australia and India. Our extensive geographical reach enables our tenants to expand throughout the region as their businesses grow, and provides investment opportunities for our capital partners to tap into the region’s strong growth momentum.



Investment

Our investment platform includes completed properties held on our balance sheet, our co-investments in the funds and investment vehicles and the public REITs we manage, as well as other investments.



Fund Management

We manage a broad range of funds and investment vehicles that invest in a portfolio of premium logistics properties in various stages of the property life cycle, providing a single interface with multiple investment opportunities for our capital partners.



Development

Our development platform with an end-to-end integrated suite of technical capabilities and services covers every stage of the development cycle including land sourcing, design, construction and leasing.

18.7 million

sqm GFA in operation
and under development¹

#1 landlord

of e-commerce companies
in China⁴

#1 development pipeline

in China²,
Greater Tokyo, Greater Osaka
and Seoul³

35

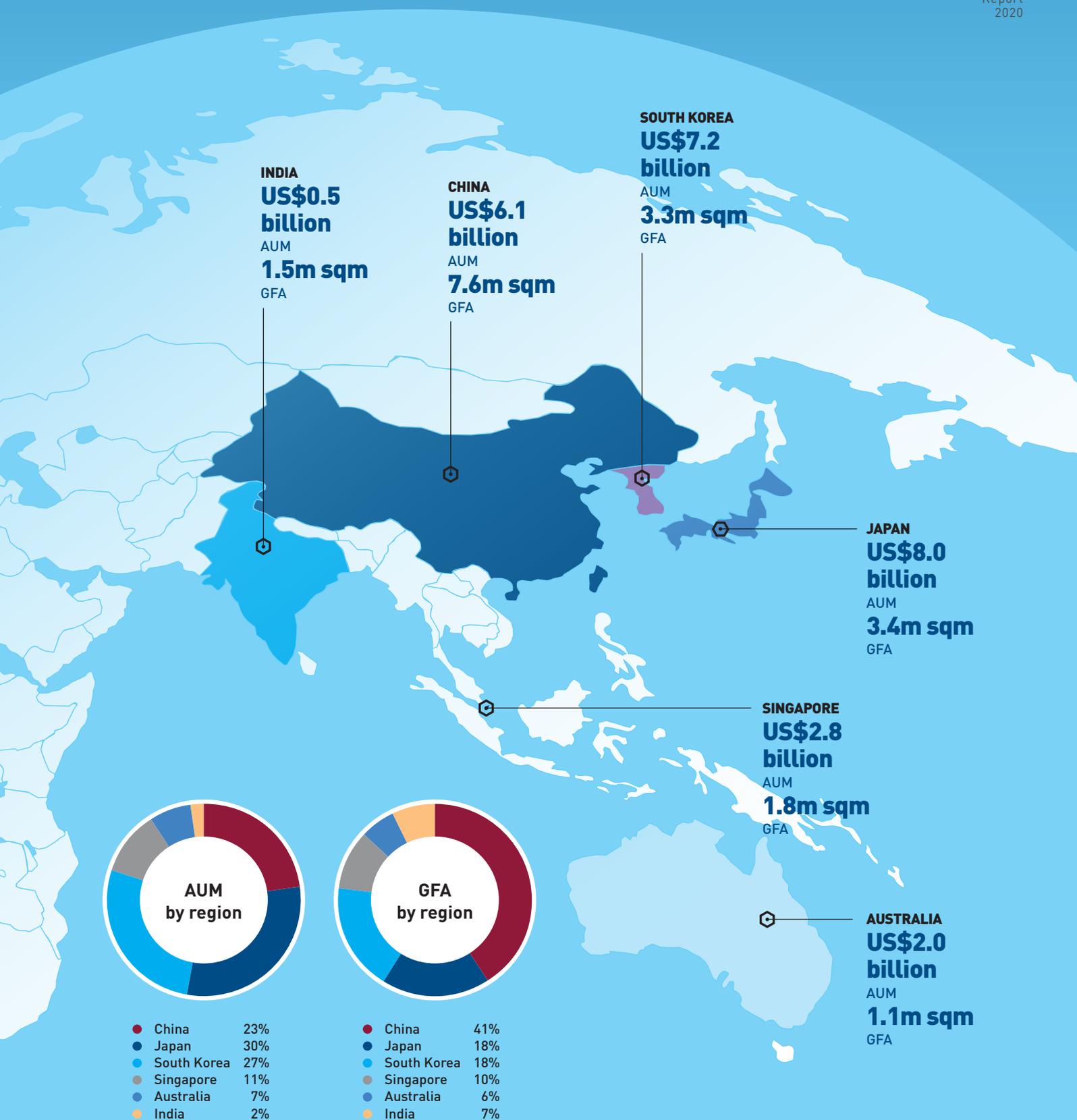
 private third party
investment vehicles
and **2** listed REITs

315 properties⁵

across six regions
in Asia Pacific

Notes:

- 1 Consisting of approximately 10.6 million sqm of GFA of completed properties, approximately 4.3 million sqm of GFA of properties under construction and approximately 3.8 million sqm of GFA to be built on land held for future development as at 30 June 2020.
- 2 In Greater Shanghai, Greater Beijing and Greater Guangzhou from 2020 to 2021.
- 3 In Greater Tokyo, Greater Osaka and Seoul Metropolitan Area, measured by GFA from 2019 to 2020.
- 4 In terms of proportion of total area occupied in China in comparison only to GLP as at September 2017 when GLP was privatised.
- 5 Includes 75 properties held under ESR-REIT and Sabana REIT.



Key Trends to Support Our Growth Strategies

GLOBAL TRENDS

Largest Secular Growth Opportunity in Asia Pacific



COVID-19 Accelerating E-commerce Adoption



Manufacturers and Retailers are Adapting Supply Chains to COVID-19 Challenges



Paradigm Shift in Capital Flows for the Region & Sector



Risk-Reward Continue to Transform Capital Values

OUR COMPETITIVE STRENGTHS

1

Largest Asia Pacific focused logistics real estate platform

Our portfolio is supported by our expansive scale and dynamic growth of the logistics market in Asia Pacific. Complemented by the strength of our balance sheet, our broad network of modern logistics facilities and investment vehicles underpins our value proposition to tenants and capital partners.

2

Integrated development platform with technical capabilities to meet tenants' growing demand

Our capabilities include strong project sourcing and execution, and is complemented by our efficient capital recycling strategy which provides an exit strategy to realise gains for the platform and for our capital partners.

3

Well-established fund management platform that facilitates AUM growth

Designed to provide us with long-term operational control of our assets and sustainable fees across the full asset life-cycle, our fund management platform supports AUM growth and generates multiple sources of fund fee income.

4

Network of high-quality tenants and best-in-class capital partners

The size and scale of our capital partners combined with their long-term approach provide us with access to capital while we maintain strong and long-standing relationships with our network of high quality tenants.

5

Proven ability to grow organically and execute opportunistic M&A transactions to expand our capabilities

Our strategy is to create long-term, scalable logistics platforms with proven development capabilities and we partner with strong local leadership for expansion into new markets.

6

Strong management team and backed by reputable shareholders

We are co-founded and are led by an experienced management team that has pioneered the asset class in every major market in Asia. Our key and strategic shareholders have provided us with the ability to leverage their capabilities, and access to capital, strategic land holdings and tenant relationships.

FOCUS

PRIORITIES

- 1 Capitalise on significant market opportunities across Asia Pacific**

 - Further develop our markets and build logistics infrastructure for the modern economy
 - Build on our network of high quality tenants
 - Leverage on our integrated fund platform by using our robust deal sourcing and development capabilities and capital pool

- 2 Leverage our scale and geographic presence to expand into new growth markets**

 - Actively evaluate opportunities in new markets through potential partnerships and selective acquisitions in high growth markets
 - Deepen our regional connectivity by offering logistics solutions in multiple cities in multiple markets in our portfolio
 - Focused on building and strengthening long-term tenant relationships

- 3 Expand our fund management platform and attract new capital partners while bringing existing capital partners across markets**

 - Global institutional investor base and capital recycling model
 - Inject select completed properties into our core/core-plus funds
 - Pursue acquisition opportunities for listed fund platforms and selectively expand existing REIT vehicles
 - Leverage the network effect to attract capital partners across Asia Pacific

- 4 Strategically explore and expand into adjacent businesses and investment products within Asia Pacific**

 - Leverage our ecosystem of shareholders, capital partners, local teams and tenants to penetrate adjacent businesses

Management Discussion and Analysis

BUSINESS REVIEW

During the six months ended 30 June 2020 (“1H2020”), the Group’s three pillars of business – investment, fund management and development – remained robust, experiencing impressive growth on the back of several key achievements.

Throughout the COVID-19 outbreak, ESR has demonstrated the strength of its resilient business model with solid operating results, disciplined capital management and robust fundraising for our third party vehicles. We are proud that our teams have remained dedicated to supporting our stakeholders and contributing to the Group’s accelerating momentum and performance across each of our business segments and geographies. In fact, the Group is especially proud that it achieved record leasing, fundraising and development completions in 1H2020.

Net profit attributable to the owners of the Company (“PATMI”) grew 75.1% from US\$76.0 million in 1H2019 to US\$133.0 million in 1H2020; and EBITDA increased by 27.3% from US\$211.6 million in 1H2019 to US\$269.4 million in 1H2020. We have a robust and well-capitalised balance sheet as at June 2020 with US\$946.6 million in cash, and a gearing ratio of net debt over total assets of 28.6%.

The Group’s assets under management (“AUM”) recorded a strong growth of US\$6.3 billion or 31.1% from US\$20.2 billion as at June 2019 to US\$26.5 billion as at June 2020, underpinned by new funds raised across China, South Korea and Australia in 1H2020. In China, we entered into a US\$500 million joint venture with GIC¹ and a core fund joint venture with Manulife to invest in China logistics real estate. This was followed by the establishment of ESR Australia Logistics Partnership (“the EALP”) with GIC, a new core-plus fund in Australia with equity commitment up to US\$416 million. In April 2020, together with APG and CPP Investments, ESR launched its second development fund in South Korea, with equity commitments of up to US\$1.0 billion. In Japan, we entered into a US\$257 million joint venture with AXA.

In terms of Gross Floor Area (“GFA”), this grew by 22.4% from 15.3 million square metres (“sqm”) as at June 2019 to 18.7 million sqm as at June 2020, across our six markets. As at 30 June 2020, the Group has further approximately 7.2 million sqm GFA of development pipeline with MOUs signed across our markets with high quality tenant base. Development demand continued to grow and the Group has achieved US\$0.8 billion of development starts and US\$2.2 billion development completions for 1H2020. Many of these developments are landmark projects of the largest scale and most advanced specifications in the industry. The Group remains asset-light as we continue to leverage on third party capital to fund developments under our funds and investment vehicles. As at 30 June 2020, 89% of AUM was under third party funds and REITs.

Notes:

1 GIC is a global investment firm established in 1981 to manage Singapore’s foreign reserves.
2 CBRE Research, Asia Pacific, Real Estate Market Outlook 2020 Mid-Year Review.

In 1H2020, the Group leased 0.9 million sqm (representing over 100 leases) as it experienced increased demand for prime logistics space from both new and repeat customers in the e-commerce, cold chain and manufacturing sectors across our markets. The Group maintained a high occupancy of 91% across its entire portfolio despite challenging market conditions brought on by the onset of COVID-19. E-commerce and third party logistics (“3PLs”) (which largely support e-commerce) remain a key driver of demand representing over 60% of ESR’s tenant portfolio (based on leased area).

OUTLOOK

The logistics sector in Asia Pacific is poised to be a top-performing real estate sector, propelled by the continued surge in e-commerce adoption and usage. Additionally, the market is witnessing a growing demand for more logistics space from supply chains that are evolving from a pre-COVID “just in time” inventory model to a “just in case” inventory model. E-commerce penetration rates across Asia Pacific are expected to continue their steep growth trajectories with greater gains expected from markets that already have relatively high levels of e-commerce sales. Leasing activity remains robust with a resilient performance across ESR’s six markets. Despite the impact of the pandemic, ESR leased 0.9 million sqm in 1H2020. The pandemic has accelerated the shift in consumer purchasing habits to online shopping and the corresponding demand for logistics space remains intense. The pandemic has served as a catalyst for a greater need for modern warehouses from e-commerce related platforms and 3PLs as well as increased demand for cold and/or mixed storage space². There is also a shift by manufacturers and retailers to build greater levels of local inventory and to prepare for the increasing demands generated during periods of lockdown and supply chain disruption. As such, there is an overall net positive impact of the pandemic on the logistics sector as consumer patterns and supply chain activities have changed.

Investment Segment

Competition for prime industrial and logistics space remains strong with growing interest from occupiers across the e-commerce supply chain spectrum. ESR’s diversified geographic presence across the Asia Pacific region in key gateway cities and quality tenant base focused on e-commerce and third party logistics players, continue to provide a resilient performance for the Group with healthy occupancies and rental growth. The Group has experienced increased demand for space from customers in the cold chain, manufacturing and e-commerce sectors. The Group continues to extend its tenant relationships across its markets which has led to meaningful expansion by repeat tenants. This has allowed the Group to fund incremental acquisitions of land and assets to further reinforce its strategic network. ESR actively deployed capital from our balance sheet and third party funds, acquiring assets across various markets. In June 2020, ESR acquired 100% stake in three prime assets in East China’s Jiangsu Province.

Fund Management Segment

The impact of COVID-19 has underscored the importance of investing in resilient and durable assets. As a result, we are seeing investors adjust their weighting towards structural and defensive plays, with recent examples include institutional investors forming partnerships with logistics developers or committing capital to logistics funds². The pandemic has also triggered a second wave of structural change in the logistics sector, with e-commerce distribution centres, cold storage, last mile facilities and the redevelopment of outdated warehouses all attracting a considerable amount of interest from investors. Capitalisation rates are expected to continue to trend downwards with continued strong long-term investor and tenant interest. The Group sees opportunities to grow its fund management business which in turn will continue to contribute to its growth in recurring fee income.

Investors are increasingly looking to boost their exposure into logistics assets on the back of the growing importance of e-commerce. During 1H2020, ESR raised US\$2.4 billion through new vehicles across its platform, demonstrating the strong support of its top-tier capital partners. These include a US\$500 million development joint venture with GIC and a core fund joint venture with Manulife in China; a US\$416 million core-plus partnership in Australia; a US\$1 billion development joint venture with APG and CPP Investments in South Korea; and a separate account of US\$257 million with AXA in Japan.

The Group also actively deployed capital from its balance sheet and third party funds, acquiring assets and deploying over US\$700 million across various markets to fuel its platform expansion. Based on the latest fundraising initiatives, there was also over US\$3.6 billion of committed but uncalled capital in ESR's third party funds as at 30 June 2020.

Development Segment

The Group will continue to strengthen its leadership position in its six markets. As at 30 June 2020, the Group has a development pipeline of over 15.3 million sqm across its portfolio including landbank of over 3.8 million sqm. Development demand continues to increase, and the Group has achieved US\$0.8 billion of development starts for 1H2020. In June 2020, the Group completed the development of ESR Amagasaki Distribution Centre in Greater Osaka, the largest logistics warehousing project in Asia Pacific³ at 388,570 sqm. Several key projects in South Korea held in the development funds are also expected to be completed in 2020 including two modern logistics facilities in Greater Seoul. In China, the Group expects to complete the development of Qingpu Yurun Phase I into a high standard warehouse logistics facilities which includes cold storage with a total planned GFA of over 340,000 sqm; as well as the Dushangang project in Jiaying

which is expected to be completed in 2022 with total planned GFA over 235,000 sqm. We also divested US\$601.3 million worth of assets from our balance sheet with cash/receivable recycled of US\$221 million to help fund future developments on our balance sheet. The Group will continue to leverage on third party capital to fund development starts and exercise a disciplined approach to deliver its targeted development completions slated for 2020 and beyond.

Sustainable Growth Beyond Expansion

Committed to delivering 21st century logistics infrastructure that Asia Pacific needs to succeed in the new economy, ESR looks beyond space to build a sustainable business.

With Environmental, Social and Governance ("ESG") as an integral part of its operations that forms the forefront of ESR's strategic priorities, the Group has set forth a comprehensive ESG framework encompassing clear objectives, policies and procedures led by the Group ESG Committee. This framework guides the Group in evaluating opportunities and advancing industry standards in its operations and governance, ensuring ESR to ever improve its ability to generate long-term shareholder value, and improve the wellbeing for all in the communities that it operates in.

In the second half of 2020, the Group will formally announce its five-year ESG vision as part of its ESG - 2025 plan.

Looking ahead, despite a challenging near-term economic environment, the Group remains confident in the strong fundamentals of the logistics sector and the positive long-term demographic and economic trends within Asia Pacific.

Capital flows are already starting to pivot towards Asia Pacific, which remains under-penetrated. Superior growth prospects coupled with strong demographic and urbanisation trends are fuelling demand for investments in the region.

Notwithstanding the challenges of the prolonged pandemic and geopolitical tensions which may further weigh on business confidence, the Group remains grounded to take advantage of current macroeconomic trends and the structural shift in consumer behaviour. The Group remains mindful of the evolving environment and continues to monitor current global events and potential further market disruptions.

Note:

³ The largest single-phase, single-asset warehousing project in terms of GFA, as at July 2020. Sources: CBRE data and ESR research.

Management Discussion and Analysis

With Asia spearheading new economy development, innovation as well as consumption and supply chain transformation, Asia Pacific logistics real estate is poised to be a robust growth leader for the long term. To continuously stay ahead in this competitive market, innovation, hardware and soft skills – a network with a strong regional presence, quality assets backed by strong tenants, land sourcing ability, capital raising and asset management skills, and a proven track record – are all profoundly important.

The Group will continue to evaluate attractive investment and development opportunities, while remaining prudent in our capital management approach over the rest of the year. ESR is poised to further cement its position not only as the leading logistics real estate platform in Asia Pacific, but as a company that consistently leads the industry with the highest standards of innovation, in order to service the new economy through different market conditions.

FINANCIAL REVIEW

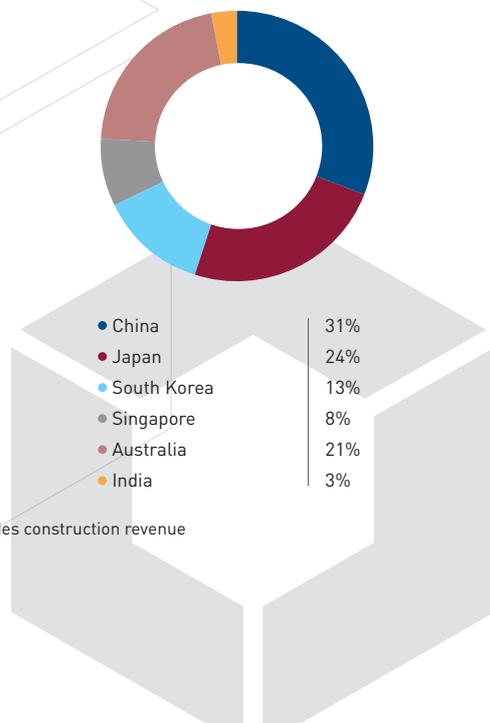
For the 1H2020, the Group achieved solid YoY growths, remained profitable and well capitalised with robust balance sheet and strong liquidity.

This is attributable to strong operating performance across the Group's investment, fund management and development segments across its well-diversified six markets that form the three key pillars of the Group's sustainable business model. It also demonstrated the Group's disciplined capital management approach.

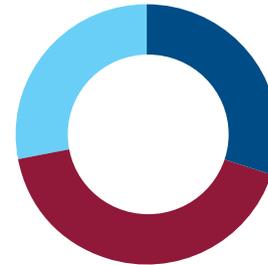
REVENUE

The Group's revenue grew by 26.9% from US\$155.8 million in 1H2019 to US\$197.6 million in 1H2020, driven by strong contributions from fund management and development segments.

1H2020 Revenue by Country*



1H2020 Revenue by Segment



Investment	30%
Fund Management	42%
Development	28%

Management fee increased by 35.3% from US\$61.8 million in 1H2019 to US\$83.6 million in 1H2020 mainly from growth in recurring income base; as well as full half year contributions from consolidation of Propertylink Group acquired from March 2019 and Sabana REIT manager from June 2019, respectively.

Construction revenue increased by 46.6% from US\$37.7 million in 1H2019 to US\$55.2 million in 1H2020 from higher development activities. Correspondingly, construction cost contributed to increase in cost of sales.

Geographically, revenue from Australia market made up of 43.0% of the Group's revenue, representing an increase from US\$53.9 million in 1H2019 to US\$84.9 million in 1H2020. Excluding construction revenue, Australian market revenue increased from US\$16.3 million in 1H2019 to US\$29.7 million in 1H2020; and made up of 20.8% of the Group's 1H2020 revenue. China, Japan and South Korea markets accounted for 68.5% in aggregate to the Group's 1H2020 revenue (ex-construction). These four markets collectively made up of 89.3% of the Group's revenue. Singapore and India made up of the remaining 10.7% revenue (ex-construction) of the Group.

PATMI AND EBITDA

The Group further cemented market leading positions with continued growth in key markets. It registered PATMI of US\$133.0 million and EBITDA of US\$269.4 million. PATMI and EBITDA grew by 75.1% and 27.3% respectively. Profit for the 1H2020 increased by 72.1% from US\$84.1 million in 1H2019 to US\$144.7 million in 1H2020.

The increase was mainly contributed by (i) fair value gains on investment properties under construction; (ii) higher contributions from the Group's investment in South Korea and Australia joint ventures; (iii) lower financing cost; and (iv) lower administrative expenses. Details are as elaborated below.

The Group recorded fair value gain on investment properties of US\$125.8 million for 1H2020 (1H2019: US\$103.6 million). The increase mainly from investment properties under construction from Qingpu Yurun and newly acquired projects from our China portfolio.

In 1H2020, the Group recognised share of profits of US\$43.8 million from its joint ventures, an increase of US\$25.5 million from US\$18.3 million in 1H2019. The increase was mainly driven by appreciation of fair value of underlying assets in the Group's investments in South Korea and Australia.

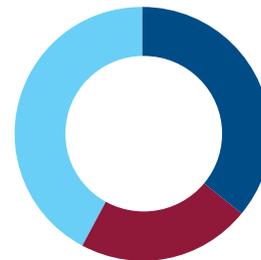
The Group had materially reduced its borrowing costs with lower borrowing rates despite higher borrowings at 30 June 2020. In February 2020, the Company issued S\$225 million (approximately US\$166 million) of five-year fixed rate notes bearing 5.10% interest per annum ("**S\$225 million 5Y 5.10% Notes**"), reducing its borrowing costs by over 150bps. The Company had also drawn down US\$250 million three-year unsecured term loan in March 2020 at Libor plus 3.00% ("**US\$250 million 3Y term loan**"). Closing of these new financings in the 1H2020 strengthened the Group's liquidity position with strong support from international banks and capital markets.

Finance costs had decreased by US\$11.7 million or 14.0% from US\$83.4 million in 1H2019 to US\$71.7 million in 1H2020. Decrease was primarily attributable to nil finance costs from redeemable convertible preference shares ("**Class C Preference Shares**") and Hana Notes totalling US\$36.5 million after full repayments in November 2019. The reduction was mainly offset by additional interest costs from the S\$225 million 5Y 5.10% Notes and US\$250 million 3Y term loan; as well as full half year effect from S\$350 million 3Y 6.75% Notes issued in February 2019 and US\$425 million 3Y 7.875% Notes issued in April 2019.

Administrative expenses declined by US\$6.1 million or 6.6% from US\$91.6 million in 1H2019 to US\$85.5 million in 1H2020 primarily due to lower professional fees and operating expenses. Professional fees dropped by US\$14.9 million as higher non-recurring professional fees were incurred in 1H2019 mainly for the Company's listing on The Stock Exchange of Hong Kong Limited and acquisition of Propertylink Group. The reduction in administrative expenses was offset by higher staff related costs arising from consolidation of Propertylink Group and increased manpower to support growth and expansion of the Group.

SEGMENT RESULTS

1H 2020 Segmental Results (EBITDA)



Investment	36%
Fund Management	22%
Development	42%

Segment Results (EBITDA)

	1H 2020		1H 2019		Variance	
	US\$ million	%	US\$ million	%	US\$ million	%
Investment	109	36%	99	39%	9	9%
Fund Management	64	22%	50	20%	15	29%
Development	127	42%	103	41%	24	24%
Total	300		252		48	19%

Management Discussion and Analysis

Investment segment results increased by US\$9.2 million or 9.3% from US\$99.3 million in 1H2019 to US\$108.6 million in 1H2020. The increase was mainly contributed by the increase of US\$8.9 million in fair value gain from the Group's investment funds (net of dividend income of US\$19.8 million). In 1H2020, the Group recorded higher dividend income mainly from distributions from asset divestment by one of the investment funds held. Accordingly, a corresponding amount of US\$19.8 million fair value loss was recorded relating to the fund asset based on net asset value post-distributions.

Fund management segment results increased by US\$14.5 million or 29.0% from US\$49.9 million in 1H2019 to US\$64.4 million in 1H2020. The increase was driven by higher recurring income base from the Group's funds management platforms in South Korea, Japan and India; as well as full half year effect from consolidation of Propertylink Group and Sabana-REIT manager. Increase in segment result was partially offset by the increase in operating expenses from US\$12.5 million in 1H2019 to US\$19.2 million in 1H2020, largely from increased staff costs in line with fund management growth.

Development segment results increased by US\$24.4 million or 23.8% from US\$102.4 million in 1H2019 to US\$126.8 million in 1H2020. The increase was primarily attributable to the following:

- Higher fair value from investment properties under construction by US\$22.9 million from Qingpu Yurun and newly acquired projects from our China portfolio. In 1H2019, fair value was mainly contributed by the Group's Japan portfolio from Sachiura properties and RW Higashi-Ogashima DC.
- Share of profits and losses of joint ventures and associates increased by US\$25.4 million from US\$0.7 million in 1H2019 to US\$26.2 million in 1H2020. This was mainly from increase in fair value gains on investment properties under construction held by Sunwood Star and e-Shang Star, the Group's joint venture in South Korea and China, respectively.

Increase in development segment results was partially offset by:

- Lower fair value gains from investments in funds (accounted as financial assets at fair value through profit or loss) in 1H2020 mainly due to lower development fair value gain from Amagasaki DC which was completed in June 2020 compared to 1H2019.

- Lower gain on disposal of subsidiaries in 1H2020 of US\$5.5 million compared to 1H2019 of US\$16.5 million. The Group disposed five balance sheet properties to a newly established development joint venture with GIC in 1H2020, in line with the Group's asset light capital recycling strategy. In 1H2019, seven balance sheet properties were disposed to NCI Core Fund.

ASSETS

The Group reported a strong balance sheet for the period ended 30 June 2020 with US\$946.6 million in cash, and healthy net debt over total assets of 28.6%. Total assets as at 30 June 2020 were US\$6.66 billion (31 December 2019: US\$6.35 billion) comprised mainly investment properties, investment in joint ventures, investment in funds (classified as financial assets at fair value through profit or loss) and investment in listed securities (classified as financial assets at fair value through other comprehensive income) and cash balances.

Investment properties decreased by 7.2% to US\$2.59 billion (31 December 2019: US\$2.79 billion) as at 30 June 2020, attributable to the Group's asset-light capital recycling strategy in 1H2020 where it disposed of five balance sheet assets in China to a newly established development joint venture with GIC. In Australia, the Group divested its balance sheet assets to a new core-plus fund joint venture with GIC. Accordingly, the carrying value of these investment properties were deconsolidated as at 30 June 2020.

Correspondingly, the Group's investment in joint ventures has increased to US\$910.5 million (31 December 2019: US\$698.0 million) as at 30 June 2020. It was mainly contributed by re-investments into the above new joint ventures; in addition to higher share of results from existing joint ventures.

LIABILITIES

Total bank and other borrowings as at 30 June 2020 were US\$2.85 billion compared to US\$2.57 billion as at 31 December 2019. With cash balance of US\$946.6 million, the net debt to total assets as at 30 June 2020 was 28.6%. The increase in net debt was primarily due to additional borrowings to fund the Group's investments and ongoing development expenditure. Additional corporate borrowings included issuance of S\$225 million 5Y 5.10% Notes in February 2020 and US\$250 million 3Y term loan in March 2020. Included in borrowings within one-year, was an uncommitted revolver facility of approximately US\$153 million. Of the total borrowings, 80% are due and payable after one-year.

CAPITAL MANAGEMENT

ESR adopts a proactive and disciplined capital management approach to maintain a strong and well-capitalised balance sheet, and regularly review its debt maturity profile and liquidity position on an ongoing basis. The Group maintains a strong balance sheet, and actively diversifies its funding sources through a combination of facilities with both local and international banks, and capital market issuances in optimising its costs of debt financing.

The Group's total borrowings as at 30 June 2020 were US\$2.85 billion. With a cash balance of US\$946.6 million, the net debt to total assets as at 30 June 2020 was 28.6% which was within an acceptable and healthy range.

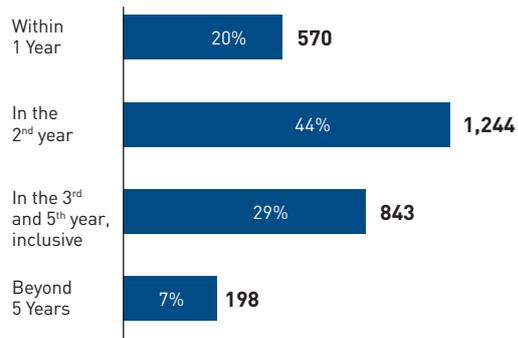
The Group manages its interest rates exposure by maintaining a combination of fixed and floating rate borrowings. As at 30 June 2020, 34% of the Group's borrowings was on fixed rate while the remaining 66% was on floating rate basis. In managing the interest rate profile, the Group considers interest rate outlook and holding periods of its investment profile. The Group's weighted average interest rate was 5% at end June 2020.

In March 2020, the Group entered into an US\$250 million three-year syndicated unsecured term loan with leading international banks at a rate of Libor plus 3.00%, which has been drawn down in full in March 2020. On 26 February 2020, the Group issued a S\$225 million of five-year fixed rate notes bearing 5.10% per annum. With these financing, the Group has demonstrated its clear ability to materially reduce its cost of borrowing post listing by over 150bps.

As at 30 June 2020, the Group's weighted average debt maturity remains at approximately 3 years. The Group monitors its debt maturity profile on an ongoing basis and proactively built up sufficient cash reserves and refinancing existing borrowings to meet its short-term obligations, ongoing development expenditures and opportunistic investments.

Debt Maturity Profile (US\$ million)

As at 30 June 2020



Net debts as at 30 June 2020 was US\$1.9 billion compared to US\$1.7 billion as at 31 December 2019. Higher net debts were mainly due to additional borrowings to fund the Group's investments and ongoing development expenditure.

Total equity had decreased from US\$3.3 billion as at 31 December 2019 to US\$3.2 billion as at 30 June 2020 despite net profit for the period of US\$144.7 million. The reduction was primarily due to redemption of US\$100 million perpetual capital securities in June 2020; and fair value losses of US\$69.9 million from the Group's investments in listed securities (classified as financial assets through other comprehensive income) as a result of quoted market prices volatility as at 30 June 2020 caused by the pandemic. With its well-capitalised balance sheet and focus placed on the fundamentals of its investments, the Group remains well-positioned through this economic cycle.

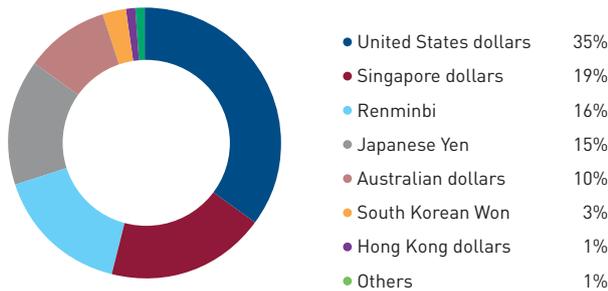
Management Discussion and Analysis

The Group has exposures to foreign exchange rates fluctuations from subsidiaries and joint ventures from China, Japan, South Korea, Australia, Singapore and India. The Group manages its foreign currency exposure via natural hedges at both projects and corporate levels. Operating and development activities of each countries are funded through project level debts and operating income that are in their respective local currencies. At corporate level, the Group currently fund some of its investments through corporate borrowings in the currency of the country in which the investment is located. The Group has not used foreign currency derivatives to hedge its underlying net investments, but will explore doing so in the future if needed.

As at 30 June 2020, currency profile of the Group's cash and bank balances; and bank and other borrowings are as below:

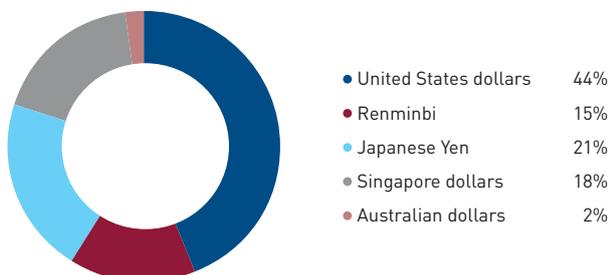
Cash and Bank Balances

As at 30 June 2020



Bank and Other Borrowings

As at 30 June 2020



The Group continues to closely monitor the interest and exchange rates movements and evaluate such impact to its portfolio. The Group will consider using financial derivatives as additional tools when appropriate to manage foreign currency and interest rate exposures.

CHARGE OF ASSETS

As at 30 June 2020, certain of the Group's assets were pledged to secure bank and other borrowings granted to the Group. The details of charged assets are disclosed in Note 15 to the unaudited condensed consolidated financial information. Except for the aforementioned charges, all the Group's assets are free from any encumbrances.

CONTINGENT LIABILITIES

As at 30 June 2020, neither the Group nor the Company had any significant contingent liabilities.

Corporate Governance and Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020 the interests and short positions of the Directors and chief executives of the Company in the ordinary shares (the "Shares"), underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) (i) as recorded in the register required to be kept under section 352 of the SFO; or (ii) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") are as follows:

Name of Director	Capacity/nature of interest	Number of Shares held (Note 1)	Approximate percentage of shareholdings at 30 June 2020
Mr Jinchu Shen	Interest of controlled corporations (Note 2)	285,758,717 (L)	9.37%
Mr Stuart Gibson	Interest of controlled corporations (Note 3)	421,835,167 (L)	
	Interest of spouse	73,000 (L)	
		421,908,167(L)	13.83%
Mr Charles Alexander Portes	Interest of controlled corporations (Note 3)	421,835,167 (L)	13.83%

Notes:

- The Letter "L" denotes the long position in the Shares.
- As at 30 June 2020, Laurels Capital Investments Limited directly held 285,758,717 Shares of the Company (inclusive of the interest in 3,899,928 Shares underlying the share options pursuant to the Tier 1 ESOP), which is wholly owned by The Shen Trust. Rosy Fortune Limited has a deemed interest under the SFO in the Shares held by The Shen Trust in its capacity as settlor and Mr. Jinchu Shen has a deemed interest under the SFO in the Shares held by The Shen Trust solely in his capacity as the sole shareholder of the settlor. Tricor Equity Trustee Limited has a deemed interest under the SFO in the Shares held by The Shen Trust in its capacity as trustee.
- As at 30 June 2020, Redwood Investment Company, Ltd. ("Redwood Investment") held 404,935,480 Shares of the Company, and is owned as to 42.0% and 58.0% by Kurmasana Holdings, LLC and Redwood Investor (Cayman) Limited ("Redwood Investor"), respectively, of which Kurmasana Holdings, LLC is wholly-owned by Redwood Investor and the voting rights of Redwood Investor are controlled as to 50% and 50% by Mr. Charles Alexander Portes and Mr. Stuart Gibson, respectively. Hence, each of Mr. Charles Alexander Portes, Mr. Stuart Gibson, Redwood Investor and Kurmasana Holdings, LLC is deemed to be interested in the Shares held by Redwood Investment. Besides, interest in 16,899,687 Shares underlying the share options pursuant to the Tier 1 ESOP (representing 0.55% of the total issued shares of the Company) were held by Redwood Consulting (Cayman) Limited ("Redwood Consulting") as the beneficial owner. Redwood Consulting is owned as to 50.0% and 50.0% by Mr. Charles Alexander Portes and Mr. Stuart Gibson, respectively. Hence, each of Mr. Charles Alexander Portes and Mr. Stuart Gibson is deemed to be interested in Shares held by Redwood Consulting.

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executives of the Company has any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) (i) as recorded in the register required to be kept under section 352 of the SFO; or (ii) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Corporate Governance and Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, so far as the Directors and chief executives of the Company are aware, other than the interests of the Directors and chief executives of the Company as disclosed in the section titled "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures", the following persons had, or were deemed to have, interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Capacity/nature of interest	Number of ordinary Shares held <i>(Note 1)</i>	Approximate percentage of shareholdings at 30 June 2020
WP OCIM ONE LLC	Beneficial owner	494,769,529(L)	16.22%
WP X Investment VI Ltd.	Interest of controlled corporation <i>(Note 2)</i>	494,769,529(L)	16.22%
Warburg Pincus Private Equity X, L.P.	Interest of controlled corporation <i>(Note 2)</i>	494,769,529(L)	16.22%
Warburg Pincus X, L.P.	Interest of controlled corporation <i>(Note 2)</i>	494,769,529(L)	16.22%
Warburg Pincus X GP L.P.	Interest of controlled corporation <i>(Note 2)</i>	494,769,529(L)	16.22%
WPP GP LLC	Interest of controlled corporation <i>(Note 2)</i>	494,769,529(L)	16.22%
Warburg Pincus Partners, L.P.	Interest of controlled corporation <i>(Note 2)</i>	494,769,529(L)	16.22%
Warburg Pincus Partners GP LLC	Interest of controlled corporation <i>(Note 2)</i>	494,769,529(L)	16.22%
Warburg Pincus & Co.	Interest of controlled corporation <i>(Note 2)</i>	494,769,529(L)	16.22%
Redwood Investment Company, Ltd.	Beneficial owner	404,935,480(L)	13.28%
Kurmasana Holdings, LLC	Interest of controlled corporation <i>(Note 3)</i>	404,935,480(L)	13.28%
Redwood Investor (Cayman) Limited	Interest of controlled corporations <i>(Note 3)</i>	404,935,480(L)	13.28%
SK Holdings Co., Ltd.	Beneficial owner	336,539,292(L)	11.03%
Laurels Capital Investments Limited	Beneficial owner <i>(Note 4)</i>	285,758,717(L)	9.37%
Rosy Fortune Limited	Founder of a discretionary trust <i>(Note 4)</i>	285,758,717(L)	9.37%
Tricor Equity Trustee Limited	Trustee <i>(Note 4)</i>	285,758,717(L)	9.37%
OMERS Administration Corporation	Beneficial owner	273,292,600(L)	8.96%
Jingdong Logistics Group Corporation	Beneficial owner <i>(Note 5)</i>	232,301,861(L)	7.62%
JD Logistics Holding Limited	Interest of controlled corporation <i>(Note 5)</i>	232,301,861(L)	7.62%
Jingdong Technology Group Corporation	Interest of controlled corporation <i>(Note 5)</i>	232,301,861(L)	7.62%
JD.com, Inc.	Interest of controlled corporation <i>(Note 5)</i>	232,301,861(L)	7.62%
Max Smart Limited	Interest of controlled corporation <i>(Note 5)</i>	232,301,861(L)	7.62%
Mr. Richard Qiangdong Liu	Beneficiary of a trust (other than a discretionary interest) <i>(Note 5)</i>	232,301,861(L)	7.62%
Stichting Depository APG Strategic Real Estate Pool	Depository <i>(Note 6)</i>	211,057,897(L)	6.92%
APG Asset Management N.V.	Investment Manager <i>(Note 6)</i>	211,057,897(L)	6.92%
APG Groep N.V.	Investment Manager <i>(Note 6)</i>	211,057,897(L)	6.92%
Stichting Pensioenfonds ABP	Investment Manager <i>(Note 6)</i>	211,057,897(L)	6.92%
The Capital Group Companies, Inc.	Interest of controlled corporations <i>(Note 7)</i>	207,581,200(L)	6.81%

Notes:

1. The letter "L" denotes the long position in the Shares.
2. WP OCIM ONE LLC ("**WP OCIM**") is a wholly-owned subsidiary of WP X Investment VI Ltd. ("**WP X VI**"). WP X VI is 96.9% owned by Warburg Pincus Private Equity X, L.P. ("**Warburg Pincus X**"), the general partner of which is Warburg Pincus X, L.P. ("**WP X LP**"). The general partner of WP X LP is Warburg Pincus X GP L.P. ("**WP X GP**"), the general partner of which is WPP GP LLC ("**WPP GP**"). The managing member of WPP GP is Warburg Pincus Partners, L.P. ("**WPP**"). The general partner of WPP is Warburg Pincus Partners GP LLC, the managing member of which is Warburg Pincus & Co. Accordingly, each of WP X VI, Warburg Pincus X, WP X LP, WP X GP, WPP GP, WPP, Warburg Pincus Partners GP LLC and Warburg Pincus & Co. is deemed to be interested in the Shares held by WP OCIM.
3. As at 30 June 2020, Redwood Investment Company, Ltd. ("**Redwood Investment**") held 404,935,480 Shares of the Company, and is owned as to 42.0% and 58.0% by Kurmasana Holdings, LLC and Redwood Investor (Cayman) Limited ("**Redwood Investor**"), respectively, of which Kurmasana Holdings, LLC is wholly-owned by Redwood Investor and the voting rights of Redwood Investor are controlled as to 50% and 50% by Mr. Charles Alexander Portes and Mr. Stuart Gibson, respectively. Hence, each of Mr. Charles Alexander Portes, Mr. Stuart Gibson, Redwood Investor and Kurmasana Holdings, LLC are deemed to be interested in the Shares held by Redwood Investment. Besides, interest in 16,899,687 Shares underlying the share options pursuant to the Tier 1 ESOP (representing 0.55% of the total issued shares of the Company) were held by Redwood Consulting (Cayman) Limited ("**Redwood Consulting**") as the beneficial owner. Redwood Consulting is owned as to 50.0% and 50.0% by Mr. Charles Alexander Portes and Mr. Stuart Gibson, respectively. Hence, each of Mr. Charles Alexander Portes and Mr. Stuart Gibson is deemed to be interested in Shares held by Redwood Consulting.
4. Laurels Capital Investments Limited directly held 285,758,717 Shares of the Company (inclusive of the interest in 3,899,928 Shares underlying the share options pursuant to the Tier 1 ESOP), which is wholly owned by The Shen Trust. Rosy Fortune Limited has a deemed interest under the SFO in the Shares held by The Shen Trust in its capacity as settlor and Mr. Jinchu Shen has a deemed interest under the SFO in the Shares held by The Shen Trust solely in his capacity as the sole shareholder of the settlor. Tricor Equity Trustee Limited has a deemed interest under the SFO in the Shares held by The Shen Trust in its capacity as trustee.
5. Jingdong Logistics Group Corporation is a wholly owned subsidiary of JD Logistics Holding Limited, which in turn is a wholly owned subsidiary of Jingdong Technology Group Corporation. Jingdong Technology Group Corporation is a wholly owned subsidiary of JD.com, Inc., a Cayman Islands company with its American depository shares listed on the Nasdaq Global Select Market. Max Smart Limited, a BVI company beneficially owned by Mr Richard Qiangdong Liu (劉強東) through a trust, owned 15.2% of the total outstanding ordinary shares and 72.9% of the total outstanding voting power of JD.com, Inc. as of February 28, 2019. Therefore, each of JD Logistics Holding Limited, Jingdong Technology Group Corporation, JD.com, Inc., Max Smart Limited and Mr Richard Qiangdong Liu is deemed to have beneficial ownership over the Shares held by Jingdong Logistics Group Corporation.
6. APG Asset Management N.V. ("**APG-AM**") is the investment manager of Stichting Depository APG Strategic Real Estate Pool ("**APG-Stichting**"), which is the holder of the relevant Shares. APG-AM is wholly-owned by APG Groep N.V., which is 92.16% owned by Stichting Pensioenfonds ABP, which is an investor in APG Strategic Real Estate Pool. Each of Stichting Pensioenfonds ABP, APG-AM and APG Groep N.V., is therefore deemed to be interested in the Shares held by APG-Stichting.
7. Capital International Sarl and Capital International, Inc., both are wholly owned subsidiaries of Capital Group International, Inc., were the beneficial owners of 1,065,000 Shares and 37,729,200 Shares respectively. Capital Group International, Inc. is a wholly owned subsidiary of Capital Research and Management Company (directly holds 168,743,400 Shares), which in turn is a wholly owned subsidiary of The Capital Group Companies, Inc. Besides, Capital Bank and Trust Company, a wholly owned subsidiary of The Capital Group Companies, Inc., was the beneficial owner of 43,600 Shares. By virtue of the SFO, Capital Research and Management Company is deemed to have beneficial ownership over the Shares held by Capital International Sarl and Capital International, Inc.; and The Capital Group Companies, Inc. is deemed to be interested in the Shares held by Capital Research and Management Company and Capital Bank and Trust Company.

Save as disclosed above, as at 30 June 2020, the Directors were not aware of any persons (who were not Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register of the Company referred to therein.

KM ESOP, TIER 1 ESOP AND POST-IPO SHARE OPTION SCHEME

1. KM ESOP

Below is a summary of the principal terms of the KM ESOP of the Company. The terms of the KM ESOP are not subject to the provisions of Chapter 17 of the Listing Rules.

(i) Purpose

The purpose of the KM ESOP is to incentivise or reward eligible participants for their contribution towards our Company's operations, so as to: (a) motivate and encourage recipients to continue to perform well; (b) to retain the services of recipients whose work is vital to the growth and continued success of our Company; and (c) to link the personal interests of members of the Board and the employees with those of the Shareholders.

Corporate Governance and Other Information

(ii) Who may join

The Board may, at its discretion, grant an option to any director or employee of our Group, or any director or employee of any company which is under the control of our Company (an “**Eligible Person**”).

(iii) Classes of shares that may be issued

Under the KM ESOP, ordinary shares may be issued. For the six months ended 30 June 2020, the Company has issued 14,185,966 ordinary shares under the KM ESOP.

(iv) Maximum number of shares

At 30 June 2020, the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the KM ESOP at any time shall not exceed 40,023,071 Shares (approximately 1.31% of the issued share capital of the Company as at 30 June 2020).

(v) Maximum entitlement of each participant

The scheme does not set a limit of maximum entitlement of each participant under the scheme.

(vi) Period within which the securities must be taken up under an option

An option shall lapse automatically (to the extent not already exercised and subject always to the terms and conditions upon which the option was granted) on the earliest of:

- (a) the tenth anniversary of the date of grant;
- (b) the expiry of three months from the date on which the participant ceases to be an Eligible Person;
- (c) If the participant ceases to be an employee by reason of his death, the options may be exercised by his personal representatives within twelve months from the date of death. If the participant ceases to be an employee by reason of his injury, ill-health or disability, the options may be exercised, to the extent it is vested, within six months from the date of cessation of employment. (“**Rights on Death, Retirement, Injury and Disability**”)
- (d) If a participant’s employment with our Company or any member of our Group is terminated by way of: (a) his voluntary resignation within three months from the date of grant; (b) fundamental breach of his employment agreement or a material breach of his non-disclosure undertaking; or (c) his serious misconduct, the option will lapse and cease to be exercisable immediately. If a participant ceases to be employed by our Company by reason of redundancy or dismissal other than by summary dismissal, the option may be exercised to the extent that it is vested within three months from the date of cessation of employment. (“**Effect of Dismissal or Ceasing Employment**”)
- (e) the date on which a participant ceases to be an Eligible Person in any circumstances other than those referred to in “Rights on Death, Retirement, Injury, Disability” and “Effect of Dismissal or Ceasing Employment” above;
- (f) If a notice is given by our Company to its shareholders to convene a general meeting for the purposes of considering or approving a resolution to voluntarily wind-up our Company, to the extent that an option is vested, it may be exercised at any time to the extent that it is vested, before the relevant resolution has been passed or defeated or the meeting adjourned indefinitely, conditionally on the resolution being passed. If our Company is wound up by the court, to the extent that an option is vested and permissible by law, it may be exercised within one month of the winding-up order and will then lapse. This sub-clause does not apply if the winding-up is for the purpose of a reconstruction or amalgamation. (“**Rights on Winding-up**”)

- (g) subject to the paragraph headed "Rights on Winding-Up" above, the passing of an effective resolution for the voluntary winding-up of the Company (except where the winding-up is for the purpose of a reconstruction or amalgamation);
- (h) subject to the paragraph headed "Rights on Winding-Up" above, the expiry of one month following the making of an order by the court for the winding-up of the Company (except where the winding-up is for the purpose of a reconstruction or amalgamation);
- (i) the participant being declared bankrupt;
- (j) the participant transferring, assigning, charging or otherwise disposing of the options unless in breach of the terms of the KM ESOP;
- (k) as soon as any condition of exercise imposed can no longer in the opinion of the Board be met; or
- (l) the participant, who is a Shareholder: (A) being deemed unable or admits inability to pay its debts as they fall due; or (B) there has been a material breach of the provisions of the Articles of Association by the participant which is not capable of remedy, or which is capable of remedy but is not remedied within 30 days after the occurrence of such material breach.

(vii) Minimum period for which an option must be held before it can be exercised

Subject to other conditions of the KM ESOP being satisfied, the options which have been granted shall be vested in accordance with the period as may be determined by our Board and set out in the vesting schedule in the KM ESOP.

(viii) Subscription price for the shares, consideration for the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

An option may be exercised in full or in part in accordance with the terms of the KM ESOP by delivering to the address of the Company a written notice of exercise in the prescribed form. The participant may, to the extent permitted by the Company and any applicable laws or regulations, also elect one of the following:

- (a) provide evidence to the satisfaction of our Company that it has received or will receive as soon as practicable payment in full of the Exercise Price for the aggregate number of Shares over which the option is to be exercised; or
- (b) deliver a written notice to our Company to confirm use of either the net share settlement (i.e. in lieu of the participant paying the exercise price, the participant will receive the greatest number of whole shares as determined by the formula set out in the KM ESOP) or net cash settlement arrangement (i.e. in lieu of the participant paying the exercise price to exercise an option, the participant will receive a payment in cash equal to the value of the shares in respect of which the option is being exercised less the exercise price otherwise payable for those shares).

(ix) Basis of determining the exercise price

The Board decided the option price which was stated at the date of grant. The option price may be nil unless the shares subject to the option are to be subscribed, when the option price cannot be less than the nominal value of a share. The total amount payable on the exercise of an option is the relevant option price multiplied by the number of shares in respect of which the option is exercised.

(x) The remaining life of the scheme and details of exercise of the options

The term of the KM ESOP will terminate on the tenth anniversary of the commencement date being 24 November 2017 or at any earlier time determined by the Board. Termination of the KM ESOP will not affect options granted before termination.

Corporate Governance and Other Information

(xi) Exercise price, grant date and vesting schedule

Exercise price (USD)	Grant date	Vesting Period	Number of options			
			held at 1 January 2020	exercised during the Period	cancelled during the Period	held at 30 June 2020
0.2520	February 2014	All vested	4,189,286	(1,000,000)	-	3,189,286
0.4722	December 2017	Varies from 3 to 4 years and all vested	11,043,171	(8,332,935)	-	2,710,236
0.9445	December 2017	4 years	20,428,178	(6,236,262)	-	14,191,916
0.9445	January 2018	4 years	13,513,611	(804,075)	-	12,709,536
1.1453	August 2018	4 years	873,103	-	-	873,103
0.4722	February 2019	3 years	794,134	(337,500)	-	456,634
0.9445	February 2019	3 years	103,080	-	-	103,080
1.3655	February 2019	4 years	1,098,494	-	-	1,098,494
1.5172	February 2019	4 years	3,660,909	(407,691)	(16,478)	3,236,740
0.9445	May 2019	Varies from 3 to 4 years and all vested	1,111,700	(283,800)	-	827,900
1.5172	May 2019	4 years	659,101	(32,955)	-	626,146
			57,474,767	(17,435,218)	(16,478)	40,023,071

No further options will be issued under the KM ESOP in the future.

Since certain options holders opted for either net cash settlement or net share settlement method in lieu of paying in full the exercise price for the number of shares over which the option was exercised, only a net total of 14,185,966 ordinary shares were issued by the Company for the six months end 30 June 2020 in satisfaction of the 23,139,811 options so exercised, which comprised the exercise of 17,435,218 options as set out above (for the period from 1 January 2020 to 30 June 2020) and the exercise of 5,704,593 options for the period from the Listing Date to 31 December 2019 (due to a delayed settlement arrangement in 2019). The shares were issued at the corresponding exercise price or at nominal value of US\$ 0.001, and the total fund raised was approximately US\$4.59 million which will be used for general working capital.

2. Tier 1 ESOP

Below is a summary of the principal terms of the Tier 1 ESOP of the Company. The terms of the Tier 1 ESOP are not subject to the provisions of Chapter 17 of the Listing Rules.

(i) Purpose

The Tier 1 ESOP is intended to provide our Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to selected participants. By aligning the interests of selected participants with those of the Shareholders, participants will be encouraged and motivated to continue their efforts towards enhancing the value of the Company. The options were granted based on the performance of the option holders who have made important contributions to and are important to the long term growth and profitability of the Group.

(ii) Selected participants

WP OCIM One LLC ("WP OCIM"), Laurels Capital Investments Limited ("Laurels"), and Redwood Consulting (Cayman) Limited ("Redwood Consulting").

(iii) Administration

The Board has full authority to administer the Tier 1 ESOP, including authority to interpret and construe any of its provisions and to adopt any regulations and any documents it thinks necessary or appropriate. The Board's decision on any matter connected with the Tier 1 ESOP will be final and binding on all parties.

(iv) Term of the Tier 1 ESOP

The Tier 1 ESOP will not be terminated while options are outstanding

(v) Classes of shares that may be issued under the Tier 1 ESOP

Under the Tier 1 ESOP, ordinary shares may be issued. For the six months ended 30 June 2020, no ordinary shares were issued.

(vi) Maximum number of shares

The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Tier 1 ESOP at any time shall not exceed 100,068,726 Shares.

(vii) Exercise price

The Exercise Price is US\$0.46 per option.

(viii) Straight-line vesting

36.91% of the options (the "**Vested Percentage**") vested on the date of grant, and the remainder of the options vest daily on a straight line basis until 20 January 2021 (the "**Vesting Period**").

(ix) Conditions of exercise

Conditions are attached to the grant of the options to each participant, which contain specific conditions in the event of a default or other leaver event which apply to the particular participant.

(x) Vesting events

If the following events occur, the options will vest in full:

- (a) a strategic competitor acquires more than 29% of the fully diluted share capital or becomes the largest shareholder in our Company;
- (b) except where a successor company obtains control and exchanges the options under Tier 1 ESOP for new options on economically equivalent terms, any person obtains control of our Company (i.e. acquires the right to exercise more than 50% of the controlling rights in the Company);
- (c) there is a sale of all or substantially all of the shares in our Company by way of a trade sale or by way of a sale to a third party;
- (d) there is a disposal by one or more transactions of all or substantially all of the business of the Company;
- (e) there is a sale of all or substantially all of the shares in a project company or member of the Group to which a senior manager provides services or by which a senior manager is employed, as appropriate, by way of trade sale or by way of sale to a third party or there is a disposal of all or substantially all of the business of the project company or a member of the Group to which a senior manager provides services or by which the relevant senior manager is employed; or
- (f) there is a solvent winding-up of the Company.

Corporate Governance and Other Information

(xi) Lapse of an option

Subject to the date specified in any specific conditions to which the option is subject, an option will lapse to the extent not exercised on the earliest of the following:

- (a) the tenth anniversary of 20 January 2016, being the completion date of the merger between e-Shang Cayman Limited, ESR Singapore Pte. Ltd. and Redwood Asian Investments Ltd., pursuant to the Merger Agreement in January 2016;
- (b) the expiry of six months following the occurrence of the date on which a court sanctions a compromise or arrangement between our Company and its Shareholders which permits exercise of the option;
- (c) the passing of an effective resolution for the voluntary winding-up of our Company (except where the winding-up is for the purpose of a reconstruction or amalgamation or other specified situation);
- (d) the expiry of one month following the making of an order by the court for the winding-up of our Company (except where the winding-up is for the purpose of a reconstruction or amalgamation or other specified situation);
- (e) the participant being deprived of the legal or beneficial ownership of the option by operation of law, or doing or omitting to do anything which causes the participant to be so deprived or being declared bankrupt; or
- (f) the participant having breached the restrictions on transfer contained in the Tier 1 ESOP.

In relation to the options granted to Laurels (the "**Laurels Options**") and in relation to the options granted to Redwood Consulting (the "**Redwood Options**"), if during the Vesting the relevant directors or employees of the Group (in each case the "**Relevant Employee**"):

- (a) resigns within 3 years of the date of grant of the Laurels Options or the part of the Redwood Options which are attributed to the relevant Director (the "**Relevant Options**") or ceases to be employed other than in circumstances specified below, the relevant option holder will retain the Relevant Options to the extent vested as at the date of termination;
- (b) is dismissed for cause, or other specified events occur (including breaches of their relevant service agreements), the Relevant Options will be forfeited to the extent unexercised with certain exceptions; or
- (c) ceases to be employed due to dismissal without cause, the Relevant Options will vest in full.

(xii) Rights on death or ill-health

If the Relevant Employee dies or ceases to be employed by our Company or its affiliates due to ill health, the Relevant Options that are vested as at the date of cessation may be exercised.

(xiii) Rights on a compromise or arrangement

If the court sanctions a compromise or arrangement between the Company and its Shareholders, provided an option is not to be exercised under the paragraph headed "**Rights on Reorganisation or Merger**" in this section below, the option can be exercised up to 20 days before and during the period of six months commencing on the date when the court sanctions the compromise or arrangement.

(xiv) Rights on winding up

If a notice is given by our Company to its Shareholders to convene a general meeting for the purposes of considering or approving a resolution to voluntarily wind-up our Company, to the extent that an option is vested, it may be exercised at any time to the extent that it is vested, before the relevant resolution has been passed or defeated or the meeting adjourned indefinitely, conditionally on the resolution being passed. If our Company is wound up by the court, to the extent that an option is vested and exercise is permissible by law, it may be exercised within one month of the winding-up order and will then lapse. This sub-clause does not apply if the winding-up is for the purpose of a reconstruction or amalgamation.

(xv) Rights on reorganisation or merger

If there is a variation in equity share capital of our Company or upon any consolidation, amalgamation or merger of our Company, the Board may adjust the terms of the Tier 1 ESOP or the option price for outstanding options with effect from the date of the relevant event, so that the value of the shares subject to the options is equal to the value of those shares immediately before the occurrence of the event; and the exercise price payable to exercise an option will be the same as that immediately before the occurrence of the event. No such adjustment can reduce the option price to less than the nominal value of a Share.

(xvi) Outstanding options granted under the Tier 1 ESOP

As at 30 June 2020, options to subscribe for an aggregate of 24,699,543 Shares, representing approximately 0.81% of the issued shares of the Company, are outstanding. Details of the movement of the options and holders are set out below:

Name of Participant	held at 1 January 2020	exercised during the Period	cancelled during the Period	held at 30 June 2020
Executive Director				
Mr Jinchu Shen (<i>Notes a, c</i>)	3,899,928	-	-	3,899,928
Mr Charles Alexander Portes and Mr Stuart Gibson (<i>Notes b, c</i>)	16,899,687	-	-	16,899,687
	20,799,615	-	-	20,799,615
WP OCIM	3,899,928	-	-	3,899,928
	24,699,543	-	-	24,699,543

Notes:

- (a) The options are granted to Laurels Capital Investments Limited. Laurels Capital Investments Limited is wholly owned by The Shen Trust. In respect of The Shen Trust, the settlor is Rosy Fortune Limited (the sole shareholder of which is Mr. Jinchu Shen). Mr. Jinchu Shen has a deemed interest under the SFO in the options held by The Shen Trust solely in his capacity as the sole shareholder of the settlor of The Shen Trust.
- (b) The options are granted to Redwood Consulting (Cayman) Limited. Redwood Consulting (Cayman) Limited is owned as to 50.0% and 50.0% by Mr. Charles Alexander Portes and Mr. Stuart Gibson, respectively. Hence each of Mr. Charles Alexander Portes and Mr. Stuart Gibson is deemed to be interested in options held by Redwood Consulting (Cayman) Limited.
- (c) The options are granted on 20 April 2017 at exercise price of US\$0.46. The vesting period of above outstanding options is vested daily on a straight line basis to 20 January 2021.

No further options will be issued under the Tier 1 ESOP in the future. No share options lapsed or were exercised or cancelled for the six months ended 30 June 2020.

Corporate Governance and Other Information

3. Post-IPO Share Option Scheme

The following is a summary of the principal terms of the Post-IPO Share Option Scheme conditionally adopted by the resolutions of our Shareholders passed at an extraordinary general meeting held on 12 October 2019.

(i) Purpose of the Post-IPO Share Option Scheme

The purpose of the Scheme is to provide incentives to participants to contribute to the Company and to enable the Company to recruit high caliber employees and attract or retain human resources that are valuable to the Group.

(ii) Selected participants to the Post-IPO Share Option Scheme

Any individual, being an employee, executive Director and non-executive Director (including independent non-executive Director), agent or consultant of our Company or its subsidiary who the Board or its delegate(s) considers, at their sole discretion, to have contributed or will contribute to our Group is entitled to be granted options. However, no individual who is resident in a place where the grant, acceptance or exercise of options pursuant to the Post-IPO Share Option Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, is eligible to be offered or granted options.

(iii) Classes of shares that may be issued under the Post-IPO Share Option Scheme

Ordinary shares

(iv) Maximum number of shares

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme is 303,658,464, being no more than 10% of the Shares in issue on completion of the Global Offering.

(v) Maximum entitlement of a grantee

Unless approved by our Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of our Company to each selected participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue (the "Individual Limit").

(vi) Performance target

The Post-IPO Share Option Scheme does not set out any performance targets that must be achieved before the options may be exercised. However, the Board or its delegate(s) may at their sole discretion specify, as part of the terms and conditions of any option, such performance conditions that must be satisfied before the option can be exercised.

(vii) Subscription price

The amount payable for each Share to be subscribed for under an option ("Subscription Price") in the event of the option being exercised shall be determined by the Board but shall be not less than the greatest of:

- (a) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;
- (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and
- (c) the nominal value of the Shares.

(viii) Grant of options

An offer of the grant of an option shall be made to a participant by letter or in such form as the Board may from time to time determine specifying the number of Shares, the subscription price, any condition (including but not limited to imposition of any performance target(s) and/or vesting scale), the Period in respect of which the offer is made, the date by which the option must be applied for being a date not more than 28 days after the offer date (the “**Acceptance Date**”) and further requiring the Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the scheme. Such offer shall be personal to the participant concerned and shall not be transferable.

An option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter or such other form constituting acceptance of the offer of the grant of the option duly signed by the Grantee together with a remittance in favor of the Company of HK\$1.00 (or such equivalent in other currency as the Board may specify) by way of consideration for the grant thereof is received by the Company on or before the relevant Acceptance Date.

Any offer may be accepted in respect of less than the number of options for which it is offered provided that it is accepted in respect of options representing Shares constituting a board lot for dealing in Shares or a multiple thereof. To the extent that the offer is not accepted within 20 business days from the date on which the letter containing the offer is delivered to that selected participant, it shall be deemed to have been irrevocably declined.

As of 30 June 2020, no share options had been granted under the Post-IPO Share Option Scheme.

(ix) Time of exercise of an option

An option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to our Company in such form as the Board may from time to time determine stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

(x) Duration

The Post-IPO Share Option Scheme shall be valid and effective for the period of 10 years commencing on the date of adoption of the Post-IPO Share Option Scheme. The remaining life of the Post-IPO Share Option Scheme is about 9 years and 2 months as at the date of this report.

Save as disclosed above, no other share option schemes were entered into by the Company.

STAFF AND REMUNERATION

The Group had 634 employees as at 30 June 2020. The Group provided competitive remuneration package to its employees and encouraged training programs to improve their knowledge and skills, and promoted cross-market and cross-cultural cooperation to nurture their sense of belonging to the Group.

The remuneration packages are determined with reference to the experience, level of responsibilities, time commitment and contributions of each individual, the Company’s performance and the prevailing market conditions. Any discretionary bonus and other merit payments depend on the profit performance of the Group and individual performance of Directors, senior management and other employees. The remuneration levels are sufficient to attract and retain directors to run the Company successfully without paying more than necessary. The Group reviews its remuneration policy on a regular basis. During the period from 1 January 2020 to 30 June 2020, the remuneration of the Group (including salaries, retirement benefits, other welfares and post employment benefits) to all employees including Directors was amounted to US\$57,329,000, representing an increase of 31% compared to period from 1 January 2019 to 30 June 2019.

We have share option schemes in place to act as incentive to recognise the contributions made by the employees, executives, officers and directors of the Group, to retain them for the continuing operation and development of the Group and to attract suitable personnel for further development of the Group. For further details, please refer to the paragraph “KM ESOP, Tier 1 ESOP and Post-IPO share option scheme” under this section.

Corporate Governance and Other Information

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (30 June 2019: nil).

The Board's long-term objective is to deliver returns to shareholders that is sustainable and in line with the long-term growth of the Company. Subject to maintaining an optimal capital structure to ensure that adequate capital resources are available for business growth and investment opportunities, the Board will continue to evaluate the merits and timing of future dividend payments.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving high corporate governance standards to safeguard the interests of its stakeholders. The Company has applied the principles in the Corporate Governance Code ("**CG Code**") in Appendix 14 of the Listing Rules by conducting its business by reference to the principles of the CG Code and emphasising such principles in the Company's governance framework. It is in the opinion of the Directors that the Company has complied with all the code provisions as set out in the CG Code during the six months ended 30 June 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct ("**Code of Conduct and Business Ethics**") regarding all Directors', officers and employees' securities transactions on terms no less exacting than the required standard set out in the "Model Code for Securities Transactions by Directors of Listed Issuers" ("**Model Code**") in Appendix 10 of the Listing Rules.

Specific enquiries were made of all Directors, and all Directors confirmed that they had complied with all required standard set out in the Model Code during the period, except that in February 2020, the spouse of a Director acquired Shares of the Company unintentionally during the period of 60 days immediately preceding the publication date of the annual results of the Company. Following notification by the Director of the share dealing, the Company has taken remedial actions by sending a reminder to the Directors of the obligations under the Model Code, in particular the prohibitions on dealing, the procedures for clearance and the applicability of the dealing restrictions on the Directors' spouses. The Company also provided additional training to the Directors in relation to restrictions on dealing in March 2020.

DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Changes in the information of directors required to be disclosed under Rule 13.51B(1) of the Listing Rules since the date of annual report 2019 of the Company are set out as follows:

Mr Charles Alexander Portes, being the Company's Group President and executive director, will be re-designated as a non-executive director of the Company with effect from 1 January 2021.

Mr Joseph Raymond Gagnon resigned as a non-executive director of the Company and member of all sub-committees of the board effective from 23 August 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Repurchase

During the six months ended 30 June 2020, the Company repurchased, under the repurchase mandates granted by the shareholders, a total of 536,400 shares ranging from HK\$12.34 to HK\$13.00 per share representing approximately 0.02% of the then issued shares for a consideration of US\$0.9 million (approximately HK\$6.9 million). The repurchased shares have been cancelled.

The share repurchase reflects the Company's confidence in its financial position, business fundamentals and prospects, and would, ultimately, benefit the Company and create value to the Shareholders. The share repurchase was financed by the Company with its existing available cash. The Board believes that the current financial resources of the Company would enable it to implement the share repurchase while maintaining a solid and healthy financial position for the continued growth of the Group's operations.

Redemption of Perpetual Securities ("Perpetual Securities")

By reference to the announcement of the Company dated 8 May 2020, the Company exercised the option to redeem all of the outstanding Perpetual Securities on the Singapore Exchange on 7 June 2020 (the "First Call Date") at 100 percent of the principal amount of US\$100 million together with any distribution accrued to the First Call Date. As the First Call Date was not a business day, the redemption payment with a total sum of US\$104,125,000 was made on 8 June 2020 and the Perpetual Securities were surrendered for cancellation thereafter.

Save as disclosed above, during the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

ISSUE FOR CASH OF EQUITY SECURITIES

Save for the issue of shares pursuant to the exercise of options granted under the KM ESOP as disclosed on page 22, during the six months ended 30 June 2020, there was no other issue of equity securities (including securities convertible into equity securities) of the Company.

USE OF NET PROCEEDS FROM LISTING

The Company's Shares were listed on the Stock Exchange on 1 November 2019 by way of Global Offering and the net proceeds raised (after deduction of the underwriting fees and commissions and relevant expenses) from the listing of the Company on the Stock Exchange was approximately HK\$4,461.5 million (approximately US\$570 million). During the six months ended 30 June 2020, the Company utilized approximately US\$166 million for the development of logistics properties on our own balance sheet and making co-investments in the funds and investment vehicles we manage. We have fully utilized the net proceeds from the Global Offering in accordance with the purposes set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 22 October 2019.

REVIEW OF INTERIM REPORT

The Audit Committee has reviewed the unaudited condensed consolidated financial information for the six months ended 30 June 2020.

Ernst & Young, the Group's external auditor, has carried out a review of the unaudited condensed consolidated financial information for the six months ended 30 June 2020 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Independent Review Report



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To the shareholders of ESR Cayman Limited
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 31 to 73, which comprises the condensed consolidated statement of financial position of ESR Cayman Limited (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2020 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

27 August 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 (Unaudited) US\$'000	2019 (Audited) US\$'000
REVENUE	3,4	197,641	155,763
Cost of sales		(60,611)	(41,808)
Gross profit		137,030	113,955
Other income and gains, net	4	168,794	165,425
Administrative expenses		(85,538)	(91,621)
Finance costs	6	(71,659)	(83,363)
Share of profits and losses of joint ventures and an associate, net		43,776	18,317
Profit before tax	5	192,403	122,713
Income tax expense	7	(47,747)	(38,636)
Profit for the period		144,656	84,077
Attributable to:			
Owners of the Company		132,993	75,950
Non-controlling interests		11,663	8,127
Profit for the period		144,656	84,077
Earnings per share attributable to ordinary equity holders of the Company	9		
Basic earnings per share		US\$0.04	US\$0.03
Diluted earnings per share		US\$0.04	US\$0.03

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (CONTINUED)

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 (Unaudited) US\$'000	2019 (Audited) US\$'000
Profit for the period	144,656	84,077
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(13,280)	(1,133)
Share of other comprehensive loss of joint ventures and an associate	(11,289)	(10,719)
	<u>(24,569)</u>	<u>(11,852)</u>
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of financial assets at fair value through other comprehensive income	(69,945)	31,632
	<u>(94,514)</u>	<u>19,780</u>
Other comprehensive (loss)/income for the period, net of tax		
	<u>50,142</u>	<u>103,857</u>
Total comprehensive income for the period		
Attributable to:		
Owners of the Company	41,476	91,879
Non-controlling interests	8,666	11,978
	<u>50,142</u>	<u>103,857</u>

Condensed Consolidated Statement of Financial Position

30 June 2020

		30 June 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		31,415	31,481
Right-of-use assets		15,116	11,831
Investments in joint ventures	10	910,505	697,996
Financial assets at fair value through profit or loss	11	611,234	589,417
Financial assets at fair value through other comprehensive income	12	533,574	542,925
Investment properties	13	2,585,779	2,785,926
Goodwill		340,243	340,243
Other intangible assets		89,064	92,958
Other non-current assets		33,281	39,811
Deferred tax assets		23,517	23,554
Total non-current assets		5,173,728	5,156,142
CURRENT ASSETS			
Trade and bills receivables	14	103,754	88,897
Prepayments, other receivables and other assets		298,634	129,022
Cash and bank balances		946,647	884,206
		1,349,035	1,102,125
Assets classified as held for sale		139,104	93,931
Total current assets		1,488,139	1,196,056
CURRENT LIABILITIES			
Bank and other borrowings	15	570,193	232,209
Lease liabilities		6,409	5,670
Trade payables, accruals and other payables	16	262,224	211,409
Income tax payable		13,068	18,431
		851,894	467,719
Liabilities directly associated with assets classified as held for sale		47,289	21,257
Total current liabilities		899,183	488,976
NET CURRENT ASSETS		588,956	707,080
TOTAL ASSETS LESS CURRENT LIABILITIES		5,762,684	5,863,222

Condensed Consolidated Statement of Financial Position

30 June 2020

		30 June 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000
	Notes		
NON-CURRENT LIABILITIES			
Deferred tax liabilities		233,863	211,286
Bank and other borrowings	15	2,284,422	2,338,708
Lease liabilities		9,480	17,486
Other non-current liabilities		45,834	44,630
Total non-current liabilities		<u>2,573,599</u>	<u>2,612,110</u>
NET ASSETS		<u>3,189,085</u>	<u>3,251,112</u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	22	3,050	3,037
Perpetual capital securities	24	–	97,379
Other reserves		2,978,736	2,925,838
		<u>2,981,786</u>	<u>3,026,254</u>
Non-controlling interests		207,299	224,858
TOTAL EQUITY		<u>3,189,085</u>	<u>3,251,112</u>

Mr Jeffrey David Perlman
Director

Mr Jinchu Shen
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the Company												
	Issued capital (note 22)	Share premium* (note 22)	Statutory reserve*	Merger reserve*	Share option reserve* (note 23)	Exchange fluctuation reserve*	Retained profits*	Investment reserve (non-recycling)*	Perpetual capital securities (note 24)	Other reserve*	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at 1 January 2020 (audited)	3,037	2,042,526	1,753	56,358	25,801	(132,622)	853,224	49,580	97,379	29,218	3,026,254	224,858	3,251,112
Profit for the period	-	-	-	-	-	-	132,993	-	-	-	132,993	11,663	144,656
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	(67,280)	-	-	(67,280)	(2,665)	(69,945)
Exchange differences on translation of foreign operations	-	-	-	-	-	(12,948)	-	-	-	-	(12,948)	(332)	(13,280)
Share of other comprehensive loss of joint ventures	-	-	-	-	-	(11,289)	-	-	-	-	(11,289)	-	(11,289)
Total comprehensive income/(loss) for the period	-	-	-	-	-	(24,237)	132,993	(67,280)	-	-	41,476	8,666	50,142
Profit attributable to holders of perpetual capital securities (note 24)	-	-	-	-	-	-	(4,125)	-	4,125	-	-	-	-
Distribution paid to holders of perpetual capital securities (note 24)	-	-	-	-	-	-	-	-	(4,125)	-	(4,125)	-	(4,125)
Disposal of subsidiaries (note 18)	-	-	-	-	-	6,623	-	-	-	-	6,623	(1,959)	4,664
Contribution from non-controlling interests	-	-	-	-	-	-	(1,247)	-	-	-	(1,247)	4,267	3,020
Acquisition of non-controlling interests	-	-	-	-	-	-	(369)	-	-	-	(369)	(692)	(1,061)
Dividend distributions to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(27,831)	(27,831)
Redemption of perpetual capital securities (note 24)	-	-	-	-	-	-	(1,221)	-	(97,379)	-	(98,600)	-	(98,600)
Share repurchased and cancellation (note 22)	(1)	(893)	-	-	-	-	-	-	-	-	(894)	-	(894)
Issue of shares upon exercise of share options (note 22)	14	17,350	-	-	(12,774)	-	-	-	-	-	4,580	-	4,580
Transfer of share option reserve upon the forfeiture of share option	-	-	-	-	(4)	-	4	-	-	-	-	-	-
Equity-settled share option arrangement	-	-	-	-	8,078	-	-	-	-	-	8,078	-	8,078
As at 30 June 2020 (unaudited)	3,050	2,058,983	1,753	56,358	21,101	(150,236)	979,259	(17,700)	-	29,218	2,981,786	207,299	3,189,085

* These balances amounted to US\$2,978,736,000 (31 December 2019: US\$2,925,838,000) were presented as "other reserves" in the consolidated statement of financial position.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to owners of the Company												
	Issued capital (note 22)	Share premium (note 22)	Statutory reserve	Merger reserve	Share option reserve (note 23)	Exchange fluctuation reserve	Retained profits	Investment reserve (non-recycling)	Equity component of redeemable convertible preference shares	Perpetual capital securities (note 24)	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at 1 January 2019 (audited)	2,689	1,370,398	935	56,358	25,341	(86,088)	588,788	(893)	37,132	97,379	2,090,039	227,883	2,317,922
Profit for the period	-	-	-	-	-	-	75,950	-	-	-	75,950	8,127	84,077
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	30,684	-	-	30,684	948	31,632
Exchange differences on translation of foreign operations	-	-	-	-	-	(4,036)	-	-	-	-	(4,036)	2,903	(1,133)
Share of other comprehensive loss of joint ventures	-	-	-	-	-	(10,719)	-	-	-	-	(10,719)	-	(10,719)
Total comprehensive income/(loss) for the period	-	-	-	-	-	(14,755)	75,950	30,684	-	-	91,879	11,978	103,857
Transferred from retained profit	-	-	145	-	-	-	(145)	-	-	-	-	-	-
Profit attributable to holders of perpetual capital securities	-	-	-	-	-	-	(4,125)	-	-	4,125	-	-	-
Distribution paid to holders of perpetual capital securities	-	-	-	-	-	-	-	-	-	(4,125)	(4,125)	-	(4,125)
Acquisition of subsidiaries	-	-	-	-	-	-	11,125	(11,125)	-	-	-	798	798
Disposal of subsidiaries	-	-	(724)	-	-	4,901	-	-	-	-	4,177	-	4,177
Contribution from non-controlling interests	-	-	-	-	-	-	21,220	-	-	-	21,220	47,570	68,790
Acquisition of non-controlling interests	-	-	-	-	-	-	(2,306)	-	-	-	(2,306)	(346)	(2,652)
Dividend distributions to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(59,758)	(59,758)
Equity-settled share option arrangement	-	-	-	-	9,885	-	-	-	-	-	-	9,885	9,885
As at 30 June 2019 (audited)	2,689	1,370,398	356	56,358	35,226	(97,942)	690,507	18,666	37,132	97,379	2,210,769	228,125	2,438,894

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 (Unaudited) US\$'000	2019 (Audited) US\$'000
Cash flows from operating activities			
Profit before tax		192,403	122,713
Adjustments for:			
Depreciation of property, plant and equipment	5	1,547	2,063
Amortisation of other intangible assets	5	2,635	3,034
Depreciation of right-of-use assets	5	2,951	2,199
Fair value gains on financial assets and financial liabilities at fair value through profit or loss	4	(978)	(22,818)
Fair value gains on investment properties under construction	4	(99,708)	(76,761)
Fair value gains on completed investment properties	4	(26,063)	(26,800)
Loss on disposal of items of property, plant and equipment	5	53	316
Share of profits and losses of joint ventures and associates, net		(43,776)	(18,317)
Dilution of interests in investment in a joint venture	4	2,320	-
Equity-settled share option expense	5	8,078	9,885
Gain on remeasurement of investment in associate to fair value	4	-	(8,556)
Gains on disposal of subsidiaries	4	(5,494)	(16,495)
Finance costs	6	71,659	83,363
Interest income	4	(1,769)	(1,768)
Dividend income	4	(35,839)	(11,848)
		68,019	40,210
(Increase)/decrease in trade and bills receivables		(15,397)	11,197
Decrease/(increase) in prepayments, other receivables and other assets		17,539	(4,861)
Decrease in trade payables, accruals and other payables		(20,410)	(13,607)
Cash flows generated from operations		49,751	32,939
Income tax paid		(23,600)	(18,572)
Net cash flows generated from operating activities		26,151	14,367

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 (Unaudited) US\$'000	2019 (Audited) US\$'000
Cash flows used in investing activities			
Purchases of property, plant and equipment		(919)	(5,440)
Disposal of property, plant and equipment		38	–
Additions of other intangible assets		(20)	(719)
Additions of investment properties		(173,934)	(242,778)
Prepayments for acquiring land use rights		–	(4,324)
Increase in deposits for bidding of land use rights		–	(4,070)
Purchase of financial assets at fair value through profit or loss		(39,542)	(128,996)
Dividend income from financial assets at fair value through profits or loss		24,356	1,376
Distribution from financial assets at fair value through profits or loss		25,422	83,547
Purchase of financial assets designated at fair value through other comprehensive income		(64,748)	(37,289)
Dividend income from financial assets designated at fair value through other comprehensive income		8,158	10,432
Disposal of financial assets at fair value through other comprehensive income		–	96,463
Acquisition of subsidiaries	17	(16,211)	(444,980)
Disposal of subsidiaries	18	(16,068)	119,383
Proceeds from other financial instruments		1,494	–
Capital injection in joint ventures, net		(63,151)	(42,083)
Dividend income from associates		–	4,221
Addition to investment in associates		–	(126)
Advances to related parties		(21)	(5,673)
Prepayment from a joint venture relating to an asset held for sale		10,051	–
Repayment from a joint venture		59,485	–
Loans to directors of the Company	21	(9,200)	–
Release of non-pledged fixed time deposits with maturity period over three months		881	15,318
Interest received		1,627	1,768
Net cash flows used in investing activities		(252,302)	(583,970)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 (Unaudited) US\$'000	2019 (Audited) US\$'000
Cash flows from financing activities		
Proceeds from bank and other borrowings	599,044	1,606,607
Repayments of bank and other borrowings	(94,091)	(545,976)
Interest of bank and other borrowings paid	(73,680)	(42,711)
Increase in restricted cash	(42,155)	(2,766)
Proceeds from exercise of employee share options	4,590	-
Share repurchased	(894)	-
Interest of redeemable convertible preference shares paid	-	(6,869)
Acquisition of non-controlling interests	-	(2,652)
Capital contributions from non-controlling interests	3,020	68,790
Distribution paid to holders of perpetual capital securities	(4,125)	(4,125)
Redemption of perpetual capital securities, net	(98,600)	-
Increase in pledged bank deposits for bank loans	(198)	-
Proceeds from related parties	-	805
Dividend distributions to non-controlling interests	(26,721)	(59,758)
Principal portion of lease payments	(3,257)	(2,433)
Net cash generated from financing activities	262,933	1,008,912
Net increase in cash and cash equivalents	36,782	439,309
Cash and cash equivalents at beginning of year	826,682	502,056
Effect of foreign exchange rate changes, net	(12,215)	2,254
Cash and cash equivalents at end of period	851,249	943,619
Analysis of balances of cash and cash equivalents		
Cash and bank balances	946,647	1,010,390
Restricted bank balances	(63,193)	(22,060)
Pledged bank deposits	(45,998)	(44,711)
Cash and short term deposits attributable to the disposal group held for sale	13,793	-
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	851,249	943,619

Notes to Condensed Consolidated Financial Information

30 June 2020

1. CORPORATE INFORMATION

ESR Cayman Limited (the "Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Companies Law on 14 June 2011. The address of the registered office is c/o Walkers Corporate Limited, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company and its subsidiaries (together, the "Group") are principally engaged in logistics real estate development, leasing, management and fund management platforms in the Asia Pacific region.

2.1 BASIS OF PREPARATION

The condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through other comprehensive income, and financial assets and liabilities at fair value through profit or loss, which have been measured at fair value. Disposal group held for sale is stated at the lower of its carrying amount and fair value less cost to sell. These financial statements are presented in US dollars, with values rounded to nearest thousand except when otherwise indicated.

The condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

Notes to Condensed Consolidated Financial Information

30 June 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have any impact on the Group's condensed consolidated financial information.
- (d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

For fund management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) The investment segment is divided into three main categories: (i) properties that the Group holds on balance sheet, from which the Group derives total return, including rental income and appreciation in value, (ii) co-investments funds and investment vehicles and the real estate investment trusts ("REITs") the Group manages, from which the Group derives dividend income, pro rata earnings and/or pro rata value appreciation, and (iii) other investments.
- (b) The fund management segment earns fee income for managing assets on behalf of the Group's capital partners via funds and investment vehicles. The Group's fees include base management fees, asset fund management fees, acquisition fees, development fees and leasing fees, as well as promote fees upon reaching or exceeding certain target internal rate of return and after the Group's capital partners have received their targeted capital returns.
- (c) The development segment earns development profit through the development, construction and sale of completed investment properties. The development profit includes construction income, fair value gains on investment properties under construction and gains on disposal of subsidiaries. The Group also derives pro rata earnings and pro rata value appreciation through the development activities of the development funds and investment vehicles managed by the Group in proportion to Group's co-investments in those funds and investment vehicles.

Notes to Condensed Consolidated Financial Information

30 June 2020

3. OPERATING SEGMENT INFORMATION (continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, exchange differences, depreciation and amortisation, equity-settled share option expense, as well as corporate expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	Six months ended 30 June 2020			
	Investment (Unaudited) US\$'000	Fund management (Unaudited) US\$'000	Development (Unaudited) US\$'000	Total (Unaudited) US\$'000
Segment revenue	58,839	83,578	55,224	197,641
- Intersegment sales	-	95	-	95
	58,839	83,673	55,224	197,736
<i>Reconciliation:</i>				
Elimination of intersegment sales	-	(95)	-	(95)
Revenue from continuing operations	58,839	83,578	55,224	197,641
Operating expenses	(19,577)	(19,222)	(68,642)	(107,441)
Fair value gains on investment properties	26,063	-	99,708	125,771
Changes in fair value of financial assets and liabilities at fair value through profit or loss	(10,211)	-	11,189	978
Share of profits and losses of joint ventures, net	17,605	-	26,171	43,776
Gain on disposal of subsidiaries	-	-	5,494	5,494
Dilution of interests in investment in a joint venture	-	-	(2,320)	(2,320)
Dividend income	35,839	-	-	35,839
Segment result	108,558	64,356	126,824	299,738
<i>Reconciliation:</i>				
Depreciation and amortisation				(7,133)
Exchange gain				726
Interest income				1,769
Other unallocated gains				537
Corporate and other unallocated expenses				(23,497)
Finance costs				(71,659)
Equity-settled share option expense				(8,078)
Profit before tax from continuing operations				192,403
Other segment information:				
Depreciation and amortisation				(7,133)
Capital expenditure*				312,075
Investments in joint ventures				910,505

Notes to Condensed Consolidated Financial Information

30 June 2020

3. OPERATING SEGMENT INFORMATION (continued)

	Six months ended 30 June 2019			
	Investment	Fund	Development	Total
	(Audited)	management	(Audited)	(Audited)
	US\$'000	US\$'000	US\$'000	US\$'000
Segment revenue	56,318	61,784	37,661	155,763
- Intersegment sales	-	93	-	93
	56,318	61,877	37,661	155,856
<i>Reconciliation:</i>				
Elimination of intersegment sales	-	(93)	-	(93)
Revenue from continuing operations	56,318	61,784	37,661	155,763
Operating expenses	(13,387)	(12,467)	(51,305)	(77,159)
Fair value gains on investment properties	26,800	-	76,761	103,561
Changes in fair value of financial assets and liabilities at fair value through profit or loss	711	-	22,107	22,818
Share of profits and losses of joint ventures and an associate, net	17,034	557	726	18,317
Gain on disposal of subsidiaries	-	-	16,495	16,495
Dividend income	11,848	-	-	11,848
Segment result	99,324	49,874	102,445	251,643
<i>Reconciliation:</i>				
Depreciation and amortisation				(7,296)
Exchange loss				(1,761)
Interest income				1,768
Other unallocated gains				379
Corporate and other unallocated expenses				(28,772)
Finance costs				(83,363)
Equity-settled share option expense				(9,885)
Profit before tax from continuing operations				122,713
Other segment information:				
Depreciation and amortisation				(7,296)
Capital expenditure*				962,700
Investments in joint ventures				526,085

* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets including assets from the acquisition of a subsidiary.

Notes to Condensed Consolidated Financial Information

30 June 2020

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2020 (Unaudited) US\$'000	2019 (Audited) US\$'000
China	43,727	44,897
Japan	35,146	31,740
South Korea	18,667	15,581
Singapore	11,252	8,614
Australia	84,915	53,915
India	3,934	1,016
	<u>197,641</u>	<u>155,763</u>

The revenue information of continuing operations above is based on the locations of the assets.

(b) Non-current assets

	30 June	31 December
	2020 (Unaudited) US\$'000	2019 (Audited) US\$'000
China	2,185,228	1,862,772
Japan	1,023,358	958,131
South Korea	301,874	281,705
Singapore	124,580	137,885
Australia	324,983	721,024
India	45,380	38,729
	<u>4,005,403</u>	<u>4,000,246</u>

The non-current asset information of continuing operations above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Since no revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the six months ended 30 June 2020 and 2019, no major customer information is presented in accordance with IFRS 8 Operating Segments.

Notes to Condensed Consolidated Financial Information

30 June 2020

4. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020 (Unaudited) US\$'000	2019 (Audited) US\$'000
Rental from investment property operating leases (note (i))	55,915	54,954
Management fee	83,578	61,784
Construction	55,224	37,661
Solar energy	2,924	1,364
Total	197,641	155,763

Timing of revenue recognition

	For the six months ended 30 June	
	2020 (Unaudited) US\$'000	2019 (Audited) US\$'000
Rental from investment property operating leases	55,915	54,954
Point in time		
Management fee	18,400	13,962
Over time		
Management fee	65,178	47,822
Construction	55,224	37,661
Solar energy	2,924	1,364
Total	197,641	155,763

Note:

(i) Rental from investment property operating leases does not include variable lease payments that do not depend on an index or a rate.

Notes to Condensed Consolidated Financial Information

30 June 2020

4. REVENUE, OTHER INCOME AND GAINS, NET (continued)

(b) Other income and gains, net

	Notes	For the six months ended 30 June	
		2020 (Unaudited) US\$'000	2019 (Audited) US\$'000
Fair value gains on completed investment properties	13	26,063	26,800
Fair value gains on investment properties under construction	13	99,708	76,761
Changes in fair value of financial assets and liabilities at fair value through profit or loss		978	22,818
Gain on disposal of subsidiaries	18	5,494	16,495
Gain on remeasurement of an investment in an associate to fair value		–	8,556
Dilution of interests in investment in a joint venture		(2,320)	–
Dividend income		35,839	11,848
Interest income		1,769	1,768
Exchange gain		726	–
Others		537	379
		<u>168,794</u>	<u>165,425</u>

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

(a) Employee benefit expense

	For the six months ended 30 June	
	2020 (Unaudited) US\$'000	2019 (Audited) US\$'000
Wages and salaries (including directors' and chief executive's remuneration)	46,630	31,353
Equity-settled share option expense (note 23)	8,078	9,885
Pension scheme contributions	2,621	2,531
	<u>57,329</u>	<u>43,769</u>

Notes to Condensed Consolidated Financial Information

30 June 2020

5. PROFIT BEFORE TAX (continued)

The Group's profit before tax is arrived at after charging: (continued)

(b) Other items

	For the six months ended 30 June	
	2020	2019
	(Unaudited) US\$'000	(Audited) US\$'000
Construction cost*	54,401	36,978
Other tax expenses	5,713	4,608
Professional fees	5,032	19,910
Auditor's remuneration	725	442
Exchange losses	–	1,761
Depreciation of property, plant and equipment	1,547	2,063
Amortisation of other intangible assets	2,635	3,034
Depreciation of right-of-use assets	2,951	2,199
Loss on disposal of items of property, plant and equipment	53	316

* Construction costs for the six months ended 30 June 2020 and 2019 are included in "Cost of sales" in the condensed consolidated statement of profit or loss and other comprehensive income.

6. FINANCE COSTS

	For the six months ended 30 June	
	2020	2019
	(Unaudited) US\$'000	(Audited) US\$'000
Interest expense on bank loans	43,663	34,843
Interest expense on other borrowings (note (i))	3,160	12,231
Interest expense on bonds	29,115	11,102
Interest expense on lease liabilities	1,200	701
Interest on redeemable convertible preference shares (note (ii))	–	26,101
	77,138	84,978
Less: Interest capitalised	(5,479)	(1,615)
	71,659	83,363

Notes:

- (i) For the six months ended 30 June 2019, interest expense on other borrowings included interest expense for US\$300 million notes issued by the Company to Hana Private Real Estate Investment Trust No. 16 and No. 17 ("Hana Notes") amounted to US\$10,388,000. The Company had fully repaid Hana Notes on 6 November 2019.
- (ii) For the six months ended 30 June 2019, interest on redeemable convertible preference shares included dividend amounting to US\$6,480,000, and costs associated with the equity element of the Class C Preference Shares amounting to US\$19,621,000. The Company had redeemed in full previously unconverted Class C Preference Shares on 6 November 2019.

Notes to Condensed Consolidated Financial Information

30 June 2020

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2020 (Unaudited) US\$'000	2019 (Audited) US\$'000
Current tax	18,237	17,577
Deferred tax	29,510	21,059
	<u>47,747</u>	<u>38,636</u>

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Islands Companies Law and is exempted from the payment of Cayman Islands income tax.

During the period, Hong Kong profits tax was provided at the rate of 16.5% (30 June 2019: 16.5%) on the estimated assessable profits arising in Hong Kong.

During the period, subsidiaries incorporated in China are subject to China income tax at the rate of 25% (30 June 2019: 25%).

Taxes on estimated assessable profits elsewhere were calculated at the rates of taxation prevailing in the respective jurisdictions in which the Group operates.

8. DIVIDENDS

No dividend has been paid or declared by the Company during the six months ended 30 June 2020 (30 June 2019: nil).

Notes to Condensed Consolidated Financial Information

30 June 2020

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period. The weighted average number of ordinary shares of 3,038,747,000 (30 June 2019: 2,688,920,000) in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2020 (Unaudited) US\$'000	2019 (Audited) US\$'000
Earnings:		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	132,993	75,950
	'000	'000
Number of shares:		
Weighted average number of ordinary shares in issue, used in the basic earnings per share calculation	3,038,747	2,688,920
Share options	54,064	71,697
	3,092,811	2,760,617

Notes to Condensed Consolidated Financial Information

30 June 2020

10. INVESTMENTS IN JOINT VENTURES

	30 June 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000
Share of net assets	857,649	697,994
Goodwill on retaining interests in joint ventures	2	2
	857,651	697,996
Shareholder loan to a joint venture	52,854	-
	910,505	697,996

Shareholder loan to a joint venture is unsecured and interest-free. It is part of capital commitment to the joint venture and is only repayable upon mutually agreed by all joint venture parties. Accordingly, the shareholder loan is considered as part of the Group's investments in the joint venture.

Particulars of the Group's material joint ventures are as follows:

Name	Share capital	Place of registration and business	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
e-Shang Star Cayman Limited ("e-Shang Star")	US\$5,145,167	Cayman Islands	25.62%	33.33%	25.62%	Investment holding
Sunwood Star Pte. Ltd. ("Sunwood Star")	US\$812,905,879	Singapore	20.00%	33.33%	20.00%	Investment holding
ESR Australia Logistics Partnership ("EALP")	A\$329,500,000	Australia	55.00%	50.00%	55.00%	Investment holding

The joint ventures are accounted for using equity method.

Unanimous agreements from all joint venture parties are required for the above entities.

Investment in joint ventures with carrying amount of US\$116,444,000 (31 December 2019: nil) were pledged to secure bank and other borrowings granted to the Group (note 15).

Notes to Condensed Consolidated Financial Information

30 June 2020

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000
Unquoted equity interests, at fair value ⁽ⁱ⁾	611,234	589,417

Note:

- (i) The fair value of these investments is estimated based on the Group's share of the net asset value of the investment funds and associates.

In accordance with the exemption in IAS 28 Investments in associates, the Group does not account for its investments in associates and joint venture using equity method if the Group acts as investment fund managers. Instead, the Group has elected to measure its investments in associates and joint ventures at fair value through profit or loss in accordance with IFRS 9. This exemption is related to the fact that fair value measurement provides more useful information for users of the financial statements than application of the equity method. This is an exemption from the requirement to measure interests in associates using the equity method, rather than an exception to the scope of IAS 28 for the accounting for associates and a joint venture.

Particulars of the material associates and a joint venture are summarised below:

Name of associates and joint venture	Principal activity	Country of incorporation/ registration	Effective ownership interest	
			30 June 2020 %	31 December 2019 %
Redwood Fujiidera Pte. Ltd.	Investment holding	Singapore	33.18	33.18
RW Midori-Ku Pte. Ltd.	Investment holding	Singapore	40.00	40.00
RW Noda Pte. Ltd.	Investment holding	Singapore	40.00	40.00
RW Chigasaki Pte. Ltd.	Investment holding	Singapore	20.10	20.10
Redwood Kawasaki Pte. Ltd.	Investment holding	Singapore	20.10	20.10
RW Moriya Pte. Ltd.	Investment holding	Singapore	20.10	20.10
ESR Japan Core Fund Limited Partnership	Investment holding	Singapore	29.10	29.10
ESR India Logistics Fund Pte. Ltd. ⁽ⁱⁱ⁾	Investment holding	Singapore	50.00	100.00
Jiangsu Yitian Warehousing Service Co., Ltd.	Warehousing business	China	16.25	16.25
Taicang Mingzhan Logistics Company Limited	Warehousing business	China	16.25	16.25
Shanghai Fengyuan Logistic Co., Ltd.	Warehousing business	China	16.25	16.25

Note:

- (ii) On 10 June 2020, ESR India Logistics Fund Pte Ltd completed 50% share allotment to the other joint venture partner.

Financial assets at fair value through profit or loss of US\$41,776,000 (31 December 2019: nil) were pledged to secure bank and other borrowings granted to the Group (note 15).

Notes to Condensed Consolidated Financial Information

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12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000
Listed equity investments, at market value	533,574	542,925

Listed equity investments at fair value represent the Group's investments in publicly listed companies and REITs, which are quoted in an active market.

During the period, the loss in respect of the Group's listed equity investments recognised in other comprehensive loss amounted to US\$69,945,000 (30 June 2019: gain of US\$31,632,000).

During the period, the dividend income in respect of the Group's listed equity investments amounted to US\$10,196,000 (30 June 2019: US\$10,472,000).

The listed equity investments comprise:

Listed on	Fair value as at 30 June 2020 (Unaudited) US\$'000
Australian Securities Exchange ("ASX")	
• Investment A	119,090
Hong Kong Exchanges and Clearing Limited ("HKEX")	
• Investment B	189,839
Singapore Exchange Securities Trading Limited ("SGX")	
• Investment C	92,657
• Investment D	76,682
• Investment E	55,306

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

Listed equity investments at market value with fair value of US\$237,844,000 as at 30 June 2020 (31 December 2019: US\$205,505,000) had been pledged to secure bank and other borrowings granted to the Group (note 15).

Notes to Condensed Consolidated Financial Information

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13. INVESTMENT PROPERTIES

	Completed investment properties US\$'000	Investment properties under construction US\$'000	Total US\$'000
At 1 January 2019 (audited)	1,583,059	302,443	1,885,502
Additions	56,555	472,869	529,424
Acquisition of subsidiaries	767,380	7,155	774,535
Changes in fair values of investment properties	68,568	157,515	226,083
Transfer from investment properties under construction to completed investment properties	101,598	(101,598)	-
Transfer from completed investment properties to investment properties under construction for redevelopment	(392,285)	392,285	-
Reclassification to asset held for sale	(83,519)	-	(83,519)
Disposal of subsidiaries	(276,711)	-	(276,711)
Disposal	(231,110)	-	(231,110)
Exchange realignment	(34,783)	(3,495)	(38,278)
At 31 December 2019 (audited) and 1 January 2020	1,558,752	1,227,174	2,785,926
Additions	18,978	167,971	186,949
Acquisition of subsidiaries (note 17)	87,648	36,539	124,187
Changes in fair values of investment properties	26,063	99,708	125,771
Transfer from investment properties under construction to completed investment properties	5,816	(5,816)	-
Reclassification to asset held for sale	-	(42,281)	(42,281)
Disposal of subsidiaries (note 18)	(464,081)	(137,263)	(601,344)
Exchange realignment	(5,471)	12,042	6,571
At 30 June 2020 (unaudited)	1,227,705	1,358,074	2,585,779

- (a) All completed investment properties and investment properties under construction of the Group were revalued at 30 June 2020 based on valuation performed by independent professionally qualified valuers, Beijing Colliers International Real Estate Valuation Co., Ltd., CBRE Valuation Pty Limited and Cushman & Wakefield K.K. at fair value. They are industry specialists in investment property valuation.

In determining fair value, a combination of approaches and methods were used, including the Direct Comparison Method and Discounted Cash Flow Method. The Direct Comparison Method is applied based on the market prices of comparable properties. Comparable properties with similar sizes, characters and locations were analysed, and weighted against relevant factors to arrive at the fair value of the property. The Discounted Cash Flow Method measures the value of a property by the present worth of the net economic benefit to be received over the life of the asset.

Notes to Condensed Consolidated Financial Information

30 June 2020

13. INVESTMENT PROPERTIES (continued)

- (b) Completed investment properties leased out under operating leases

The Group leases out completed investment properties under operating lease arrangements. All leases run for a period of one to ten years, with an option to renew the leases after the expiry dates, at which time all terms will be renegotiated. The Group's total future minimum lease receivables under non-cancellable operating leases generated from completed investment properties are as follows:

	30 June 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000
Within one year	70,791	103,453
After one year but within two years	57,412	89,430
After two years but within three years	35,121	68,636
After three years but within four years	17,105	43,894
After four years but within five years	4,722	27,326
After five years	2,071	59,130
	<u>187,222</u>	<u>391,869</u>

- (c) Certain of the Group's completed investment properties and investment properties under construction with a fair value of US\$2,194,577,000 (31 December 2019: US\$1,899,602,000) were pledged to secure bank and other borrowings granted to the Group as disclosed in note 15.

- (d) Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	For the six months ended 30 June	
	2020 (Unaudited) US\$'000	2019 (Audited) US\$'000
Significant observable inputs (Level 2)	75,456	44,790
Significant unobservable inputs (Level 3)	2,510,323	2,611,717
	<u>2,585,779</u>	<u>2,656,507</u>

During the period, there were no transfers of fair value measurement between Level 1 and Level 2 (30 June 2019: nil).

Notes to Condensed Consolidated Financial Information

30 June 2020

13. INVESTMENT PROPERTIES (continued)

(d) Fair value hierarchy (continued)

The movement in fair value measurements within Level 3 during the six months ended 30 June 2020 and 2019 are as follows:

	For the six months ended 30 June	
	2020 (Unaudited) US\$'000	2019 (Audited) US\$'000
At 1 January	2,552,837	1,865,300
Additions	152,127	245,545
Acquisition of subsidiaries	96,035	672,022
Changes in fair value of investment properties	117,777	98,316
Transfer from Level 2 to Level 3	212,115	–
Reclassification to asset held for sale	(42,281)	–
Disposal of subsidiaries	(585,075)	(276,711)
Exchange realignment	6,788	7,245
At 30 June	2,510,323	2,611,717

The valuation of investment properties categorised within Level 2 of the fair value hierarchy are based on comparable market transactions that consider sales of similar properties that have been transacted in the open market.

Notes to Condensed Consolidated Financial Information

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13. INVESTMENT PROPERTIES (continued)

(d) Fair value hierarchy (continued)

Below is a summary of the valuation techniques used and the key unobservable inputs to the valuation of investment properties categorised within Level 3 of the fair value hierarchy:

Investment property details	Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Warehouse properties	Income capitalisation	Capitalisation rate: China: 5.70% to 7.10% (2019: 5.25% to 6.50%) Japan: 4.10% to 4.40% (2019: 4.20% to 4.50%) Australia: 5.25% to 7.75% (2019: 5.25% to 7.75%)	The estimated fair value varies inversely against the capitalisation rate
	Discounted cash flow	Discount rate: China: 8.5% to 9.25% (2019: 8.5% to 9.0%) Japan: 3.90% to 4.20% (2019: 3.90% to 4.50%) Australia: 5.75% to 8.00% (2019: 5.75% to 8.00%)	The estimated fair value varies inversely against the discount rate
		Terminal capitalisation rate: China: 5.25% to 6.50% (2019: 5.25% to 6.50%) Japan: 4.20% to 4.50% (2019: 4.20% to 4.50%) Australia: 5.25% to 7.75% (2019: 5.25% to 7.75%)	The estimated fair value varies inversely against the terminal capitalisation rate

Notes to Condensed Consolidated Financial Information

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14. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables related to various diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade and bills receivables are non-interest-bearing.

An aging analysis of the trade and bills receivables as at 30 June 2020 and 31 December 2019, based on the invoice date and net of loss allowance, is as follows:

	30 June 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000
Within 90 days	95,996	81,069
91 to 180 days	3,701	4,324
Over 180 days	4,057	3,504
Total	103,754	88,897

15. BANK AND OTHER BORROWINGS

	30 June 2020			31 December 2019		
	Effective interest rate(%)	Maturity	US\$'000 (Unaudited)	Effective interest rate(%)	Maturity	US\$'000 (Audited)
Current						
Bank loans – secured	0.20-5.88	2020-2021	370,677	0.20-5.88	2020	37,631
Bank loans – unsecured	4.35	2021	152,750	3.60	2020	148,998
Other borrowings – unsecured	12.00	2020	46,766	12.00	2020	45,580
			570,193			232,209
Non-current						
Bank loans – secured	0.49-5.88	2021-2036	1,082,458	0.20-6.77	2021-2036	1,538,128
Bank loans – unsecured	3.31	2022-2023	346,479	4.80	2022	99,053
Other borrowings – secured	9.00	2023	18,399	9.00	2023	18,548
Other borrowings – unsecured	10.00	2024	5,562	10.00	2024	5,607
Bonds – unsecured	5.10-7.875	2022-2025	831,524	6.75-7.875	2022	677,372
			2,284,422			2,338,708
			2,854,615			2,570,917

Notes to Condensed Consolidated Financial Information

30 June 2020

15. BANK AND OTHER BORROWINGS (continued)

Debt maturity profile of bank and other borrowings:

	30 June 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000
Bank loans repayable		
Within one year	523,427	186,629
In the second year	571,872	691,754
In the third to fifth year, inclusive	659,245	796,396
Beyond five years	197,820	149,031
	1,952,364	1,823,810
Bonds and other borrowings repayable		
Within one year	46,766	45,580
In the second year	671,950	–
In the third to fifth year, inclusive	183,535	701,527
	902,251	747,107
	2,854,615	2,570,917

Notes:

- (a) As at 30 June 2020, certain of the Group's completed investment properties and investment properties under construction in total fair value of US\$2,194,577,000 (31 December 2019: US\$1,899,602,000), property, plant and equipment with a carrying amount of US\$26,480,000 (31 December 2019: US\$26,546,000), pledged bank deposits with an amount of US\$45,998,000 (31 December 2019: US\$45,800,000), listed equity interests at market value with a fair value of US\$237,844,000 (31 December 2019: US\$205,505,000), investments in joint ventures with carrying amount of US\$116,444,000 (31 December 2019: nil), financial assets at fair value through profit or loss US\$41,776,000 (31 December 2019: nil), and equity interests of certain subsidiaries were pledged to secure bank and other borrowings granted to the Group.

Notes to Condensed Consolidated Financial Information

30 June 2020

16. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

Trade payables, accruals and other payables balance comprise of:

	30 June 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000
Trade payables	5,443	12,837
Accruals and other payables	256,781	198,572
Total	<u>262,224</u>	<u>211,409</u>

An aging analysis of the trade payables as at 30 June 2020 and 31 December 2019, based on the invoice date, is as follows:

	30 June 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000
Within 30 days	743	1,319
31 to 60 days	1,147	8,174
Over 60 days	3,553	3,344
Total	<u>5,443</u>	<u>12,837</u>

The amounts due to related parties are non-trade in nature, unsecured, interest-free and payable on demand.

Notes to Condensed Consolidated Financial Information

30 June 2020

17. BUSINESS COMBINATION

Acquisition of subsidiaries that are not business

The Group acquired the following subsidiaries during the six months ended 30 June 2020 for a total consideration of US\$60,775,000:

Name of subsidiaries acquired	Equity interest acquired	Month of acquisition
Chung-Kang Steel Structure (Kunshan) Co., Ltd.	100%	May 2020
Jurong Xiexin Yuncang Technology Co., Ltd.	100%	June 2020
Xuzhou Xiexin Yuncang Logistics Technology Development Co., Ltd.	100%	June 2020

On the acquisition date, there were no other material assets and liabilities other than those disclosed in the table below. The transactions were accounted for as an assets acquisitions.

	Net assets acquired US\$'000
Net assets acquired:	
Cash and bank balances	1,972
Trade receivables	2,662
Prepayments, other receivables and other assets	34,637
Investment properties	124,187
Bank and other borrowings	(58,636)
Trade payables, accruals and other payables	(44,047)
	60,775
Satisfied by:	
Cash	18,183
Receivable from previous shareholder of the acquired subsidiary	(30,429)
Consideration payable	73,021
	60,775

An analysis of the cash flows in respect of the acquisition of subsidiaries are as follows:

	Cashflow on acquisition US\$'000
Cash consideration	(18,183)
Cash and bank balances acquired	1,972
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(16,211)

Notes to Condensed Consolidated Financial Information

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18. DISPOSAL OF SUBSIDIARIES

During the six months ended 30 June 2020, the Group through its wholly-owned subsidiaries, Gamma Offshore Holdings (BVI) Limited and Destiny offshore Holdings (BVI) Limited, entered into certain agreements with a joint venture of the Group to dispose of 100% interests in three operating subsidiaries namely Jieyang Yian Warehousing Services Co., Ltd., Wenzhou Yirui Warehousing Services Co., Ltd., and Pinghu Yixing Warehousing Services Co., Ltd.; 95% interests of Qingyuan Anqing Information Technology Development Co., Ltd., a subsidiary; and 90% interests of Fujian Pingfu Technology Development Company Limited, a subsidiary.

	US\$'000
Net assets disposed of:	
Cash and bank balances	21,601
Prepayments, trade and other receivables and other assets	5,163
Investment properties	92,864
Deferred tax assets	329
Trade payables, accruals, other payables and income tax payable	(107,414)
Deferred tax liabilities	(4,590)
Non-controlling interests	(1,969)
	<hr/>
	5,984
Exchange fluctuation reserve	6,623
Gain on disposal of subsidiaries	5,494
	<hr/>
	18,101
Satisfied by:	
Cash	19,812
Consideration payable	(1,711)
	<hr/>
	18,101

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	US\$'000
Cash consideration	19,812
Cash and bank balances of disposed subsidiaries	(21,601)
Net outflow of cash and cash equivalents included in cash flows used in investing activities	<hr/> (1,789) <hr/>

* Subsequent to the disposal, the Group holds 51% interest in the disposed subsidiaries, which is accounted as investment in joint venture.

Notes to Condensed Consolidated Financial Information

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18. DISPOSAL OF SUBSIDIARIES (continued)

During the six months ended 30 June 2020, the Group has, through its wholly-owned subsidiary ESR Queensland Hold Trust, entered into an agreement with a global institutional investor to dispose of the 45% interests in a subsidiary, which is ESR Australia Logistics Partnership.

	US\$'000
Net assets disposed of:	
Cash and bank balances	14,279
Prepayments, trade and other receivables and other assets	1,458
Investment properties	508,480
Trade payables, accruals, other payables and income tax payable	(13,758)
Bank and other borrowings	(270,588)
Lease liabilities	(11,494)
	<u>228,377</u>
Gain on disposal of subsidiaries	-
	<u>228,377</u>
Satisfied by:	
Consideration receivable ⁺	102,770
Investments in joint venture*	125,607
	<u>228,377</u>

⁺ Received in July 2020.

* Subsequent to the disposal, the Group holds 55% interest in the disposed subsidiary, which is accounted as investment in joint venture.

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	US\$'000
Cash consideration	-
Cash and bank balances of disposed subsidiaries	(14,279)
Net outflow of cash and cash equivalents included in cash flows used in investing activities	<u>(14,279)</u>

19. CONTINGENT LIABILITIES

As at 30 June 2020, neither the Group nor the Company had any significant contingent liabilities.

Notes to Condensed Consolidated Financial Information

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20. COMMITMENTS

(a) Operating lease commitments

As lessor

The Group leases out its completed investment properties under operating lease arrangements on terms ranging from one to ten years and with an option for renewal after the expiry dates, at which time all terms will be renegotiated.

At 30 June 2020 and 31 December 2019, the Group had total future minimum lease receivable under non-cancellable operating leases with its tenants falling due as stated in note 13.

(b) Capital commitments

	30 June 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000
Contracted, but not provided for investment properties	275,843	377,558
Authorised, but not contracted for investment properties	–	10,855
Undrawn capital calls to real estate investment funds	844,046	360,179
	1,119,889	748,592

21. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the financial information, the Group had the following material transactions with related parties during the six months ended 30 June 2020 and 2019:

(a) Transactions with related parties:

	For the six months ended 30 June	
	2020 (Unaudited) US\$'000	2019 (Audited) US\$'000
Associates:		
– Management fee income (note(i))	7,509	1,839
Joint ventures:		
– Management fees income (note(i))	16,986	10,786
– Advances to joint ventures (note(ii))	(21)	(4,408)
– Advances from joint ventures (note(ii))	–	805
– Prepayment from a joint venture relating to an asset held for sale (note(iii))	10,051	–
– Repayment from a joint venture (note (iv))	59,485	–
– Construction revenue	24,678	–
Directors:		
– Loan to Directors (note 21(d))	9,200	–
– Interest receivables from Directors (note 21(d))	142	–

Notes to Condensed Consolidated Financial Information

30 June 2020

21. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties: (continued)

Notes:

- (i) The Group and its subsidiaries entered into agreements with joint ventures (including their operating subsidiaries) and some associates in provisions of management services, which comprised the followings:
 - a) Land acquisition fee at certain percentage of the net land cost;
 - b) Development fee at certain percentage of total budget of project development cost during the construction period;
 - c) Asset management fee at certain percentage of the aggregate costs of the project before stabilisation or fair value after stabilisation; and
 - d) Leasing fee in respect of each new lease entered into.
- (ii) Advances to/from joint ventures are unsecured, interest-free and repayable on demand. The maximum amounts due from related parties outstanding during the six months ended 30 June 2020 is US\$54,468,000 (30 June 2019: US\$11,513,000).
- (iii) During the six months ended 30 June 2020, the Group through its subsidiary Gamma Offshore Holdings (BVI) Limited, received prepaid consideration from a joint venture of the Group for disposal of 100% interest in Xian Yihong Warehousing Services Co., Ltd ("Xian Yihong"). The assets and liabilities relating to Xian Yihong are included in asset held for sale and liabilities held for sale balances as of 30 June 2020. The disposal was completed after 30 June 2020.
- (iv) During the six months ended 30 June 2020, the Group received repayment of USD59,485,000 from the disposed subsidiaries (note 18) which are now a joint venture of the Group. The amount was paid to the Group after disposal was completed.

(b) Commitments with related parties

The Group expects total capital commitment to associates and joint ventures to be US\$18,918,000 and US\$664,422,000, respectively.

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2020 (Unaudited) US\$'000	2019 (Audited) US\$'000
Short term employee benefits	3,312	2,600
Post-employment benefits	6	16
Share based payment	2,812	3,309
Total compensation paid to key management personnel	6,130	5,925

Notes to Condensed Consolidated Financial Information

30 June 2020

21. RELATED PARTY TRANSACTIONS (continued)

(d) Loans to Directors

Loans to Directors, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	At 1 January 2019 US\$'000	Maximum amount outstanding during the period US\$'000	At 31 December 2019 and 1 January 2020 US\$'000	Maximum amount outstanding during the period US\$'000	At 30 June 2020 US\$'000
Mr. Stuart Gibson	-	-	-	4,600	4,600
Mr. Charles Alexander Portes	-	-	-	4,600	4,600

Loans granted to directors bear interest at 5.5% per annum, unsecured and repayable in year 2021. Loans to Directors and related interest receivables were included in prepayments, other receivables and other assets balance as of 30 June 2020.

22. SHARE CAPITAL

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Authorised number of shares	8,000,000,000	8,000,000,000
	30 June 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000
Issued and fully paid	3,050	3,037

Notes to Condensed Consolidated Financial Information

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22. SHARE CAPITAL (continued)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital US\$'000	Share premium account US\$'000	Total US\$'000
At 1 January 2019 (audited)	2,688,919,875	2,689	1,370,398	1,373,087
Share options exercised (note (i))	18,452,806	19	7,584	7,603
Conversion of redeemable convertible preference shares (note (ii))	49,071,962	49	75,498	75,547
Issue of new shares pursuant to Global Offering (note (iii))	280,140,000	280	601,004	601,284
Share issue expenses (note (iii))	–	–	(11,958)	(11,958)
At 31 December 2019 (audited) and 1 January 2020	3,036,584,643	3,037	2,042,526	2,045,563
Share options exercised (note (iv))	14,185,966	14	17,350	17,364
Share repurchased and cancellation (note (v))	(536,400)	(1)	(893)	(894)
At 30 June 2020 (unaudited)	3,050,234,209	3,050	2,058,983	2,062,033

Notes:

- (i) 18,452,806 share options were exercised at the exercise price of US\$0.46 per share (note 23), resulting in the issue of 18,452,806 shares for a total cash consideration, before expenses, of US\$19,000. An amount of US\$7,603,000 was transferred from the share option reserve to share capital and share premium upon the exercise of the share options.
- (ii) 32,714,642 and 16,357,320 redeemable convertible preference shares were converted to ordinary shares on 18 September 2019 and 1 November 2019 respectively.
- (iii) On 1 November 2019, the Company issued a total of 280,140,000 ordinary shares of US\$0.001 each at HK\$16.8 per share by way of Global Offering. The expenses attributable to the issue of shares of approximately US\$11,958,000 were recognised in the share premium account of the Company. On the same date, the Company's shares were listed on the Main Board of the Hong Kong Stock Exchange.
- (iv) 14,185,966 shares were issued by the Company for a total cash consideration, before expenses, of US\$4,590,000 in satisfaction of 17,435,218 share options exercised in the six months ended 30 June 2020 at the exercise price of US\$0.68 per share and 5,704,593 share options exercised in 2019 at the exercise price of USD0.66 per share (note 23). An amount of US\$12,774,000 was transferred from the share option reserve to share capital and share premium upon the exercise of the share options.
- (v) The Company repurchased 536,400 of its own shares on the Hong Kong Stock Exchange for a consideration of approximately US\$894,000. The repurchased shares have been cancelled and the amount paid for the purchase of the shares has been charged to share capital and share premium.

Notes to Condensed Consolidated Financial Information

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23. SHARE OPTION PLAN

The following share options were outstanding under the share option plans including KM ESOP, Tier 1 ESOP and Post-IPO Share Option Scheme (the "Plans") during the six months ended 30 June 2020:

	Weighted average exercise price US\$	Number of options '000
At 1 January 2020		82,174
Granted during the period		–
Forfeited during the period	1.52	(16)
Exercised during the period	0.68	(17,435)
At 30 June 2020 (unaudited)		64,723

The weighted average share price at the date of exercise for share options exercised during the six months ended 2020 was HK\$16.86 per share.

The exercise prices and exercise periods of the share options outstanding as at 30 June 2020 and 31 December 2019 are as follows:

Number of options ('000)		Exercise price (US\$ per share)	Exercise period
30 June 2020	31 December 2019		
3,189	4,189	0.2520	01-02-19 to 31-01-24
24,700	24,700	0.4600	20-04-17 to 20-01-26
27,832	11,837	0.9445	01-01-23* to 31-12-27
3,167	35,157	0.4722	01-01-23* to 22-02-29
873	873	1.1453	16-08-23* to 15-08-28
1,099	1,098	1.3655	16-02-24* to 25-02-29
3,863	4,320	1.5172	16-02-24* to 25-02-29
64,723	82,174		

* Participants will have an unconditional right to exercise an option to the extent that it is vested after the earliest of the followings:

- a) an IPO;
- b) an Early Vesting Event;
- c) 5 years of the date of grant.

If there is (i) a sale of all or substantially all of the shares in; or (ii) a disposal of all or substantially all of the business of the member of the Group of which a participant is a director or by which the participant is employed, as appropriate, by way of trade sale or by way of sale to a third party (an "Early Vesting Event"), any options granted to the participant will vest in full on the occurrence of the Early Vesting Event.

Notes to Condensed Consolidated Financial Information

30 June 2020

23. SHARE OPTION PLAN (continued)

There are no granted share options during the six months ended 30 June 2020.

The 17,435,218 share options exercised during the six months ended 30 June 2020 and 5,704,593 share options exercised during 2019 resulted in the issue of 14,185,966 ordinary shares of the Company during the six months ended 30 June 2020.

At the 30 June 2020, the Company had 64,723,000 share options outstanding under the Plans. The exercise in full of the outstanding share options by conventional exercise method would, under the present capital structure of the Company, result in the issue of 64,723,000 additional ordinary shares of the Company and additional share capital and share premium of US\$48,309,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 64,723,000 share options outstanding under the Plans, which represented approximately 2.12% of the Company's shares in issue as at that date.

24. PERPETUAL CAPITAL SECURITIES

On 7 June 2017, the Company issued subordinated perpetual capital securities with aggregate net proceeds equivalent to US\$98,845,000. The perpetual capital securities was fully redeemed on 7 June 2020. Movements of the perpetual capital securities are as follows:

	Principal US\$'000	Distribution US\$'000	Total US\$'000
At 1 January 2019 (audited)	97,379	–	97,379
Profit attributable to holders of perpetual capital securities	–	8,250	8,250
Distribution to holders of perpetual capital securities	–	(8,250)	(8,250)
At 31 December 2019 (audited) and 1 January 2020	97,379	–	97,379
Profit attributable to holders of perpetual capital securities	–	4,125	4,125
Distribution to holders of perpetual capital securities	–	(4,125)	(4,125)
Redemption of perpetual capital securities	(97,379)	–	(97,379)
At 30 June 2020 (unaudited)	–	–	–

Notes to Condensed Consolidated Financial Information

30 June 2020

25. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 30 June 2020 and 31 December 2019 are as follow:

30 June 2020

Financial assets	Financial assets at fair value through profit or loss (Unaudited) US\$'000	Financial assets at amortised cost (Unaudited) US\$'000	Financial assets at fair value through other comprehensive income (Unaudited) US\$'000	Total (Unaudited) US\$'000
Financial assets at fair value through profit or loss	611,234	-	-	611,234
Financial assets at fair value through other comprehensive income	-	-	533,574	533,574
Trade and bills receivables	-	103,754	-	103,754
Other non-current assets	5,982	19,553	-	25,535
Financial assets included in prepayments, other receivables and other assets	-	258,702	-	258,702
Pledged bank deposits	-	45,998	-	45,998
Restricted bank balances	-	63,193	-	63,193
Cash and bank balances	-	837,456	-	837,456
	617,216	1,328,656	533,574	2,479,446
Financial liabilities			Financial liabilities at amortised cost (Unaudited) US\$'000	Total (Unaudited) US\$'000
Financial liabilities included in trade payables, accruals and other payables			228,372	228,372
Interest-bearing bank and other borrowings			2,854,615	2,854,615
Lease liabilities			15,889	15,889
Other non-current liabilities			45,834	45,834
			3,144,710	3,144,710

Notes to Condensed Consolidated Financial Information

30 June 2020

25. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

31 December 2019

Financial assets	Financial assets at fair value through profit or loss (Audited) US\$'000	Financial assets at amortised cost (Audited) US\$'000	Financial assets at fair value through other comprehensive income (Audited) US\$'000	Total (Audited) US\$'000
Financial assets at fair value through profit or loss	589,417	-	-	589,417
Financial assets at fair value through other comprehensive income	-	-	542,925	542,925
Trade receivables	-	88,897	-	88,897
Other non-current assets	6,036	10,542	-	16,578
Financial assets included in prepayments, other receivables and other assets	1,494	74,037	-	75,531
Pledged bank deposits	-	45,800	-	45,800
Restricted bank balances	-	21,038	-	21,038
Cash and bank balances	-	816,487	-	816,487
Non-pledged fixed time deposits with maturity period over three months	-	881	-	881
	596,947	1,057,682	542,925	2,197,554

Financial liabilities	Financial liabilities at amortised cost (Audited) US\$'000	Total (Audited) US\$'000
Financial liabilities included in trade payables, accruals and other payables	181,126	181,126
Interest-bearing bank and other borrowings	2,570,917	2,570,917
Lease liabilities	23,156	23,156
Other non-current liabilities	44,630	44,630
	2,819,829	2,819,829

Notes to Condensed Consolidated Financial Information

30 June 2020

26. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The management is responsible for determining the policies and procedures for the fair value management of financial instruments. At each reporting date, the management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The Group reviews with independent valuers on valuation inputs every half yearly, in line with its half year and annual reporting dates.

Management has assessed that the fair values of cash and bank balances, amounts due from related parties, trade receivables, financial assets included in prepayments, other receivables and other assets, current interest-bearing bank and other borrowings, amounts due to related parties, trade payables, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted financial assets at fair value through profit or loss have been estimated based on the Group's share of the net asset value of the investment funds. The net asset value of the investment funds comprise mainly their investment properties whose fair values were determined by an external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. Therefore, management has determined that the net asset value of the investment funds represent fair value as at periods end.

The summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2020 and 31 December 2019 is as follows.

	Valuation technique	Key unobservable input	Range	Sensitivity of the fair value to the input
Unlisted financial assets at fair value through profit or loss	Net asset value	Net asset value	2020: US\$411,000 to US\$534,669,000 2019: US\$356,000 to US\$638,960,000	1% increase (decrease) in net asset value would result in increase (decrease) in fair value by 1%
Investment in CCD at fair value	Discounted cash flow	Cost of equity	2020: 9.75% to 10.59% 2019: 9.75% to 10.05%	1% increase (decrease) in cost of equity would result in (decrease) increase in estimated fair value by 0.007%

Notes to Condensed Consolidated Financial Information

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26. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

	Quoted prices in active market (Level 1) US\$'000	Significant unobservable inputs (Level 3) US\$'000	Total US\$'000
30 June 2020 (unaudited)			
Financial assets at fair value through profit or loss	–	617,216	617,216
Financial assets at fair value through other comprehensive income	533,574	–	533,574
	533,574	617,216	1,150,790
31 December 2019 (audited)			
Financial assets at fair value through profit or loss	1,494	595,453	596,947
Financial assets at fair value through other comprehensive income	542,925	–	542,925
	544,419	595,453	1,139,872

The movements in fair value measurements within Level 3 during the period are as follows:

	30 June 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000
Financial assets at fair value through profit or loss – unlisted		
At 1 January	595,453	335,771
Total gain recognised in profit or loss included in other income	989	73,610
Interest receivable	276	–
Distribution	(25,422)	(22,438)
Purchases	39,509	208,513
Exchange realignment	6,411	(3)
	617,216	595,453

During the six months ended 30 June 2020, there were no transfers of fair values measurements into or out of Level 3 for financial liabilities.

Notes to Condensed Consolidated Financial Information

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27. EVENTS AFTER THE REPORTING DATES

On 6 July 2020, the Group completed disposal of four institutional-grade logistics properties from Redwood China Logistics Fund and Redwood Phoenix China Investment Fund Pte Ltd to a newly established joint venture between ESR and Manulife, for approximately RMB1.7 billion (equivalent to US\$243 million).

On 6 August 2020, the Group completed disposal of ESR Kuki Distribution Centre from Redwood Japan Logistics Fund II ("RJLF II") to a newly established joint venture between ESR and AXA Investment Managers – Real Assets, for approximately JPY39 billion (equivalent to US\$368 million).

28. APPROVAL OF THE FINANCIAL INFORMATION

The condensed consolidated financial information was approved and authorised for issue by the board of directors on 27 August 2020.

Non-IFRS Measures

Adjusted EBITDA, Core PATMI and EBITDA are non-IFRS measures. These measures are presented because the Group believes they are useful measures to determine the Group's financial condition and historical ability to provide investment returns. Adjusted EBITDA, Core PATMI and EBITDA and any other measures of financial performance should not be considered as an alternative to cash flows from operating activities, a measure of liquidity or an alternative to net profit or indicators of the Group's operating performance on any other measure of performance derived in accordance with IFRS. Because Adjusted EBITDA, Core PATMI and EBITDA are not IFRS measures, these may not be comparable to similarly titled measures presented by other companies.

The following table sets out the reconciliations of EBITDA, Adjusted EBITDA and Core PATMI:

Financial Year (in US\$'000)	FY2018	FY2019	1H2019	1H2020
Profit before tax	270,587	360,334	122,713	192,403
Add/(less):				
Depreciation and amortisation	10,226	16,363	7,296	7,133
Finance costs	104,929	180,368	83,363	71,659
Interest income	(1,530)	(7,974)	(1,768)	(1,769)
EBITDA	384,212	549,091	211,604	269,426
Add/(less):				
Exchange (gain)/loss	869	1,111	1,761	(726)
Equity-settled share option expense	23,157	18,469	9,885	8,078
Write-off related to loss of property, plant and equipment	9,632	-	-	-
Listing expenses	2,521	16,345	5,478	-
One-off insurance compensation	(8,338)	-	-	-
Fair value gains on investment properties	(172,467)	(226,083)	(103,561)	(125,771)
Adjusted EBITDA	239,586	358,933	125,167	151,007
Profit after tax and minority interests	203,042	245,177	75,950	132,993
Add/(less):				
Fair value gains on completed investment properties	(109,688)	(68,568)	(26,800)	(26,063)
Tax effect of adjustments	28,587	15,300	5,984	6,196
Listing expenses	2,521	16,345	5,478	-
Equity-settled share option expense	23,157	18,469	9,885	8,078
Core PATMI	147,619	226,723	70,497	121,204

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Corporate Information

EXECUTIVE DIRECTORS

Mr Jinchu SHEN *(Co-CEO)*
Mr Stuart GIBSON *(Co-CEO)*
Mr Charles Alexander PORTES
(President)

NON-EXECUTIVE DIRECTORS

Mr Jeffrey David PERLMAN
(Chairman of the Board)
Mr Joseph Raymond GAGNON
(until 23 August 2020)
Mr Zhenhui WANG
Mr Ho Jeong LEE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Brett Harold KRAUSE
The Right Honourable Sir Hugo
George William SWIRE, KCMG
Mr Simon James MCDONALD
Ms Jingsheng LIU
Mr Robin Tom HOLDSWORTH

COMPANY SECRETARY

Mr Richard Kin-sing LEE

MEMBERS OF AUDIT COMMITTEE

Mr Simon James MCDONALD
(Chairman)
Mr Ho Jeong LEE
Mr Brett Harold KRAUSE
Mr Robin Tom HOLDSWORTH
Mr Joseph Raymond GAGNON
(until 23 August 2020)

MEMBERS OF NOMINATION COMMITTEE

The Right Honourable Sir Hugo
George William SWIRE, KCMG
(Chairman)
Mr Brett Harold KRAUSE
Ms Jingsheng LIU

MEMBERS OF REMUNERATION COMMITTEE

Mr Brett Harold KRAUSE *(Chairman)*
Mr Jeffrey David PERLMAN
Mr Simon James MCDONALD

AUTHORISED REPRESENTATIVES

Mr Jinchu SHEN
Mr Richard Kin-sing LEE

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China Merchants Bank
Citibank N.A., Singapore Branch
Crédit Agricole Corporate and
Investment Bank, Hong Kong branch
Credit Suisse AG
DBS Bank Ltd.
Deutsche Bank AG Singapore Branch
Goldman Sachs Bank USA
MUFG Bank
Mizuho Bank, Ltd.
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SRCB Shanghai
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