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ESR CAYMAN LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1821)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board of directors (the “**Board**” and the “**Directors**” respectively) of ESR Cayman Limited (the “**Company**” or “**ESR**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2021 (the “**Period**” or “**1H2021**”) together with the comparative figures for the six months ended 30 June 2020 (“**1H2020**”), as follows:

FINANCIAL HIGHLIGHTS

	1H2021 (Unaudited) US\$'000	1H2020 (Unaudited) US\$'000	Year-on-Year Change* %
Key financial performance			
Revenue	204,399	197,641	3.4
Profit for the period	229,695	144,656	58.8
EBITDA ⁽ⁱ⁾	373,450	269,426	38.6
Adjusted EBITDA ⁽ⁱ⁾	214,812	151,007	42.3
PATMI	213,947	132,993	60.9
Core PATMI ⁽ⁱ⁾	166,940	121,204	37.7
Revenue by country			
China	58,089	43,727	32.8
Japan	61,615	35,146	75.3
South Korea	22,459	18,667	20.3
Singapore	12,638	11,252	12.3
Australia [#]	46,267	84,915	(45.5)
India	3,331	3,934	(15.3)
	<u>204,399</u>	<u>197,641</u>	3.4

Includes construction revenue.

* Year-on-Year (“**YoY**”) Change % represents a comparison between the first half of current year and the first half of last year.

⁽ⁱ⁾ EBITDA, Adjusted EBITDA and Core PATMI are non-IFRS measures. EBITDA is calculated as profit before tax, adding back depreciation and amortisation and finance costs (net). Refer to Non-IFRS measures in page 15 for calculations of Adjusted EBITDA and Core PATMI.

OPERATIONAL HIGHLIGHTS

The following table summarises Asset Under Management (“**AUM**”) and Gross Floor Area (“**GFA**”) held on Group’s balance sheet and in the funds and investment vehicles that the Group managed as of 30 June 2021, 31 December 2020 and 30 June 2020, respectively:

Country	AUM			GFA		
	30 June	31 December	30 June	30 June	31 December	30 June
	2021	2020	2020	2021	2020	2020
	(US\$’ millions)			(sqm in thousands)		
China	7,380	6,744	6,073	8,946	8,492	7,636
Japan	9,224	7,877	7,982	3,632	3,544	3,350
South Korea	9,441	7,734	7,198	3,686	3,501	3,315
Singapore	3,047	2,974	2,841	1,839	1,786	1,786
Australia	6,094	3,386	1,993	3,018	1,361	1,116
India	1,142	1,165	451	1,433	1,426	1,461
Indonesia	17	N/A	N/A	70	N/A	N/A
	36,345	29,880	26,538	22,624	20,110	18,664

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

ESR has continued its strong momentum and delivered outstanding performance during the six months ended 30 June 2021 (“**1H2021**”). The Covid-19 pandemic continues to accelerate the growth of e-commerce where ESR sits at the heart of the central nervous system delivering the core New Economy infrastructure to its best-in-class clients. ESR’s strong financial results and operational excellence have demonstrated not only the Group’s resilience, but also the strength and power of its business model.

Revenue (excluding construction revenue) for 1H2021 was US\$177.7 million, up 24.7% from US\$142.4 million in 1H2020. EBITDA increased by 38.6% from US\$269.4 million in 1H2020 to US\$373.5 million in 1H2021. Fund Management EBITDA recorded accelerating growth with a 50.9% year-on-year increase from US\$64.4 million in 1H2020 to US\$97.1 million in 1H2021. Net profit attributable to the owners of the Company (“**PATMI**”) grew 60.9% from US\$133.0 million in 1H2020 to US\$213.9 million in 1H2021. Higher PATMI was driven by the growth in the Group’s co-investments in funds, associates, and joint ventures, as well as lower borrowing costs. This is in line with ESR’s asset light strategy and disciplined capital management.

Having witnessed sustained strong capital inflows and leasing demand, the logistics market has solidified its position as the preferred real estate asset class in Asia. It is expected that e-commerce acceleration and supply chain transformation will continue to benefit ESR as it extends the platform deeper into existing markets as well as new markets over the next 12 months.

Accelerating growth of Fund Management segment

ESR’s Fund Management segment achieved stellar performance in 1H2021 with revenue surging 48.2% to US\$123.9 million, buoyed by various key drivers including: the continued growth in the Group’s fund AUM which rose 37.9% year-on-year to US\$32.7 billion; the robust development work-in-progress (“**WIP**”) (in funds) which reached a record US\$5.5 billion; and strong leasing activity with over 1.6 million sqm of space leased across portfolio.

Supported by its well-established fund management platform, together with the continued acceleration in fundraising momentum, the Group’s total AUM continued to grow, reaching US\$36.3 billion, up 36.9% year-on-year.

The Group continues to see strong capital flows into logistics as global institutional investors are seeking to strategically rebalance their portfolios. Underpinned by the strong capital partner relationships and track record ESR has built over the years, the Group raised US\$2.5 billion in committed capital via new and/or upsized vehicles across Japan, South Korea and Australia.

- JPY75 billion (approximately US\$675 million) expansion of ESR Japan Logistics Fund III (“**RJLF3**”) with APG and another global institutional investor;
- US\$500 million upsized investment with CPP Investments in the Korea Income Joint Venture; and
- A\$1.3 billion (approximately US\$1.0 billion) investment partnership with GIC for a newly formed investment vehicle, EMP, for the Milestone Portfolio acquisition in Australia.

The A\$3.8 billion (approximately US\$2.9 billion) acquisition of the Milestone Portfolio and its management platform, which was completed in June 2021, marks the largest-ever logistics property transaction in Australia. The acquisition represents a 80% uplift in ESR Australia’s AUM, which is now valued at US\$6.1 billion, and positions ESR as the third largest logistics and industrial owner in the country, within three years of entering the Australian market.

Fundraising momentum remains strong as the Group continues to deepen its relationships with new and existing capital partners. As of 30 June 2021, the Group had over US\$4.4 billion worth of committed but uncalled capital to invest in new projects going forward.

Robust development activities and leasing performance

ESR has over 19.7 million sqm of GFA in operation and under development across its portfolio and a landbank of over 2.9 million sqm, as of 30 June 2021. Its Asia Pacific (“**APAC**”) wide portfolio achieved outstanding performance across multiple fronts, from new development starts to leasing.

Development demand remained robust with WIP growing by 57% to a record US\$5.5 billion in 1H2021. The Group achieved US\$1.2 billion worth of development starts (vs US\$0.8 billion in 1H2020) and US\$0.9 billion in development completions during the period.

ESR owns one of the largest development pipelines in the region, totalling over 16.1 million sqm across its portfolio. It will continue to leverage third-party capital to fund development starts and exercise a disciplined asset light approach to achieve its targeted development completions.

In addition to strengthening its market leadership position in core markets, the Group has also sought to expand its footprint in Southeast Asia, one of the fastest growing regions in the world.

In May 2021, the Group entered the Vietnamese market via a joint venture with the leading local logistics and industrial developer and operator, BW Industrial, to develop a 240,000 sqm project in Binh Duong, a major industrial development hub in southern Vietnam.

E-commerce acceleration and supply chain resilience have spurred demand for modern, institutional-grade logistics facilities, driving the solid performance of ESR's leasing activities. The Group maintained a healthy occupancy rate of 89% across its entire portfolio¹, and achieved record leasing of over 1.6 million sqm of space.

Strong balance sheet and continued asset light trajectory

As of 30 June 2021, ESR has a robust and well-capitalised balance sheet with US\$1.1 billion in cash, and net debt over total assets of 30.6%.

ESR continues to expand and diversify its funding and capital structure, which is crucial for fuelling the Group's long-term growth. In April 2021, it entered into a US\$400 million (with a US\$100 million incremental option) unsecured term loan facility which consists of a three-year tranche of US\$267 million at Libor plus 2.75% and a five-year tranche of US\$133 million at Libor plus 3.25%. There were 10 banks participating in the new facility which included both international and Asian financial institutions. In March 2021, ESR issued S\$200 million (approximately US\$148.6 million) NC5 fixed rate perpetual resettable step-up subordinated securities at a distribution rate of 5.65% ("**Perpetual Securities NC5 5.65%**") under its US\$2.0 billion Multicurrency Debt Issuance Programme. In June 2021, ESR issued a further tranche within the Perpetual Securities NC5 5.65% amounting to S\$150 million (approximately US\$111.6 million), bringing the aggregate total amount to S\$350 million (approximately US\$260.2 million).

The Group continues its asset light approach focusing on active recycling of capital to scale its business platform for future growth.

In May 2021, ESR-REIT embarked on its maiden overseas acquisition outside Singapore by taking a 10% stake in ESR Australia Logistics Partnership ("**EALP**"), which is an existing Australian core fund managed by ESR's Australian platform. This transaction also marks ESR-REIT's first acquisition from the Group's APAC pipeline.

¹ Based on stabilised assets on balance sheet as at 30 June 2021

In June 2021, ESR Kendall Square REIT also completed the acquisition of the Anseong Logistics Park from the existing core fund managed by ESR's Korean platform.

In July 2021, the Group fully exited its investment in Centuria Capital Group (“CNI”) with A\$272 million (approximately US\$207.4 million) of total proceeds. The investment generated a 23.0% unleveraged IRR².

Strengthened environmental, social and governance (“ESG”) commitments

ESR continues its focus on sustainable growth as it constantly enacts a positive impact on the industry and creates a purpose-driven culture for the communities where it operates.

ESG is at the heart of the Group's business, driving all decisions to maximise value for all stakeholders across the value chain. The Group has undertaken significant sustainability initiatives under its ESG 2025 Roadmap, underscored by sustainable properties and operations as well as best corporate practices.

As the Group expands into new markets and frontiers, it puts great emphasis on supporting local causes to contribute to the well-being of its communities.

In southern Vietnam, the Group recently joined forces with its joint venture partner BW Industrial to accelerate the completion of a 40,000 sqm facility in the My Phuoc 4 Industrial Park in Vietnam, converting it into a makeshift treatment centre in response to the country's evolving Covid-19 pandemic. The Group and its partner worked in close alliance with the People's Committee of Binh Duong, where the facility is located, to provide a safe environment to support the local community in need.

In April 2021, ESR was awarded an MSCI ESG rating of A, recognising its outstanding performance in ESG best practices.

² Includes dividends

OUTLOOK

Asia is projected to recover faster than other regions economically and will be at the centre of all logistics activity — both in growth and investment. Asia will contribute about half of the world's trade growth by 2030 and the Asian e-commerce logistics market will account for 57% of total market growth from 2020 to 2025³. ESR has developed depth and expertise in its asset-light logistics strategy of high quality logistics development that has positioned the Group well for future growth. 2021 has already seen a strong uptick in leasing sentiment and activity, with Asia warehouse net absorption reaching its highest first quarter total in recent years⁴.

Investment Segment

There has been a clear shift towards occupiers engaged in the new economy, with a greater level of take-up and activity from e-commerce retailers and 3PL sector expansion. The Group continues to strengthen its deep tenant relationships across its markets which have seen expansion by repeat tenants, redevelopment opportunities and acquisitions. In June 2021, ESR completed the A\$3.8 billion (approximately US\$2.9 billion) purchase of the Milestone Portfolio and its management platform from Blackstone, propelling ESR Australia as the third largest logistics and industrial owner in the country at an AUM of US\$6.1 billion.

Fund Management Segment

Logistics funds continued to accelerate further in the first half of 2021 as institutional investors started to strategically reallocate their portfolios to enhance diversification⁵, after a year of economic lockdowns and restrictions that has disrupted the traditional real estate asset classes. The new trajectory of logistics real estate is still in its early phase, and institutional investors will look to increase their exposure to logistics assets by 40–50% in the near term⁵.

The Group remains agile to robust customer-led demands, as it adapts to the changing consumption habits and structural shifts in the new economy sector. In 1H2021, ESR continued to see strong capital flows and raised over US\$2.5 billion through the establishment and/or re-ups of new funds across Japan, South Korea and Australia. These include a JPY75 billion (approximately US\$675 million) expansion of RJLF3 with APG and another global institutional investor, a US\$500 million upsize investment with CPP Investments in the Korea Income Joint Venture, and a US\$1 billion investment partnership with GIC for a newly formed investment vehicle, EMP, for the Milestone Portfolio acquisition in Australia. We expect to continue to deepen our strong relationships with new and existing capital partners, while maintaining our asset-light fund management strategy.

³ McKinsey & Company, Asia: The Highway Of Value For Global Logistics, 19 May 2021

⁴ CBRE, Q1 2021 Asia Pacific Industrial & Logistics Trends

⁵ JLL, A New Trajectory For Logistics Real Estate In Asia Pacific, Asia Pacific, July 2021

In August 2021, the Group announced the formation of a US\$1 billion equity new development joint venture, ESR China Development Platform (“**ECDP**”), together with existing capital partners APG and another global institutional investor.

Development Segment

The Group will continue to strengthen its market leadership position across its core markets. As at 30 June 2021, the Group has a development pipeline of over 16.1 million sqm across its portfolio and landbank of over 2.9 million sqm.

As more institutional investors make logistics a core part of their portfolios, they focus on high quality assets anchored by global or regional occupiers with strong credit quality and can commit to long leases⁵. Demand for these assets is primarily driven by multinational e-commerce operators and 3PLs.

Focusing on quality projects with increased scale and higher value, ESR is well-positioned to benefit from a strong pipeline of large scale quality developments to be delivered over the next few years.

- By end-2021, the Group expects the completion of ESR Shanghai Qingpu Yurun Phase I, a high-standard logistics facility with a total planned GFA of over 340,000 sqm which includes cold storage space. Construction of Phase II commenced in Q4 2020 and is expected to be completed by 2023.
- The Dushangang project in Jiaxing, China is scheduled for completion in 2022 with a total planned GFA of over 235,000 sqm.
- In Japan, the Group has commenced construction of the second phase of the master-planned ESR Yokohama Sachiura Logistics Park at over 195,000 sqm and is set to be completed in early 2023. The multi-phase development, at approximately 800,000 sqm over four phases, is set to be the largest logistics park in Japan when fully developed.

Growing Presence in Data Centres

Pandemic-led demand has reinforced the resiliency of the data centre sector, which is driven by strong digital trends and accelerated consumer shift to e-commerce. Total data centre net absorption in Asia Pacific Tier I markets reached 322 MW in 2020, and doubled that of 2019⁶.

⁶ CBRE, Asia Pacific Data Centre Trends H2 2020

With the continued digital transformation, ESR strives to capitalise on this secular trend by scaling up its data centre efforts, building a network of agile and scalable data centres that interconnect businesses and individuals in the digital economy, support customers' expansion in scale and reach, and create value for ESR's ecosystem of New Economy real estate.

In 1H2021, the Group launched its first data centre development by acquiring a key data centre asset in Osaka which will be developed into a US\$2 billion multi-phase data centre campus of up to 78MW IT load. The Group also acquired an asset in Kwai Chung, one of the major data centre clusters in Hong Kong, which will be developed into a 40MW data centre.

The next stage growth

Looking ahead, the Group remains confident in the strong fundamentals and future prospects for New Economy real estate in APAC. E-commerce acceleration and digital transformation will continue to drive demand for logistics infrastructure and data centres. On the capital front, global investors are increasingly consolidating their relationships towards a limited number of large-scale managers and allocating more capital to a smaller roster of platforms.

To capitalise on these prevailing trends, ESR is firmly focused on accelerating its growth in size, scale and offerings. In August 2021, ESR entered into an agreement to acquire 100% of the share capital of ARA Asset Management Limited ("**ARA**") for US\$5.2 billion ("**The Proposed Transaction**"). The Proposed Transaction, which includes ARA's captive logistics and data centre specialist LOGOS, will create the largest real estate and real asset manager in APAC and the 3rd largest listed real estate investment manager globally, powered by the leading New Economy real estate platform. With an enlarged Group New Economy AUM of US\$53 billion, a development WIP of over US\$10 billion and the largest logistics and data centre pipeline of over 7.7 million sqm / >1,200 MW of capacity in Asia Pacific, the Group has even greater conviction and confidence in the power of the combined platform and in delivering the Group's next phase of growth. The Proposed Transaction is subject to ESR's shareholders' approval at an extraordinary general meeting which will be convened in due course, and is subject to customary closing conditions including, amongst others, regulatory approvals.

ESR will continue to actively evaluate opportunities in key markets and new locations to grow its footprint, while strengthening its deep relationships with its quality tenants and best-in-class capital partners.

With its quality portfolio of logistics properties, coupled with its strong underlying business fundamentals and well-capitalised balance sheet, the Group is well-placed to leverage ongoing growth and development opportunities and seize investment opportunities.

FINANCIAL REVIEW

ESR has continued its strong momentum and delivered outstanding performance during the six months ended 30 June 2021 (“**1H2021**”) as below:

- Revenue (excluding construction income) increased by 24.7% from US\$142.4 million in 1H2020 to US\$177.7 million in 1H2021;
- EBITDA increased by 38.6% from US\$269.4 million in 1H2020 to US\$373.5 million in 1H2021;
- Fund management EBITDA (segment result) increased by 50.9% from US\$64.4 million in 1H2020 to US\$97.1 million in 1H2021;
- PATMI increased by 60.9% from US\$133.0 million in 1H2020 to US\$213.9 million in 1H2021;
- Profit for the period increased by 58.8% from US\$144.7 million in 1H2020 to US\$229.7 million in 1H2021;
- Healthy cash balance at US\$1.1 billion with net gearing ratio at 30.6% as of 30 June 2021.

This is attributable to accelerated business performance across all segments (especially fund management) and AUM reached US\$36.3 billion, up 36.9% year-on-year. As of 30 June 2021, the Group has a robust and well-capitalised balance sheet with US\$1.1 billion in cash, and net debt over total assets of 30.6%.

REVENUE

The Group’s revenue (ex-construction) grew 24.7% from US\$142.4 million in 1H2020 to US\$177.7 million in 1H2021, driven by higher fees from fund management segment.

Management fee increased by 48.2% from US\$83.6 million in 1H2020 to US\$123.9 million in 1H2021 contributed by AUM growth across multiple markets, as well as increased recurring fee income base, promote income and higher development activities.

Construction revenue decreased by 51.6% from US\$55.2 million in 1H2020 to US\$26.7 million in 1H2021 which is due to lower construction income from outstanding projects subsequent to ESR Australia’s disposal of its construction arm in September 2020. Accordingly, cost of sales also decreased correspondingly.

Geographically, revenue from the Australia market which made up of 22.6% of the Group's revenue, decreased from US\$84.9 million in 1H2020 to US\$46.3 million in 1H2021 mainly due to disposal of construction arm. Excluding construction revenue, the Australia market revenue made up of 11.0% of the Group's 1H2021 revenue. China, Japan and South Korea markets accounted for 80.0% in aggregate to the Group's 1H2021 revenue (ex-construction). These four markets collectively made up of 91.0% of the Group's revenue. Singapore and India made up of the remaining 9.0% revenue (ex-construction) of the Group.

PATMI AND EBITDA

EBITDA increased by 38.6% from US\$269.4 million in 1H2020 to US\$373.5 million in 1H2021. PATMI grew 60.9% from US\$133.0 million in 1H2020 to US\$213.9 million in 1H2021. Profit for the 1H2021 increased by 58.8% from US\$144.7 million in 1H2020 to US\$229.7 million in 1H2021. Higher PATMI was driven by the growth in the Group's co-investments in funds, associates, and joint ventures, as well as lower borrowing costs. This is in line with ESR's asset light strategy and disciplined capital management

The Group recorded fair value gain on investment properties of US\$165.9 million for 1H2021 (1H2020: US\$125.8 million). The increase contributed from the acquisition of a key data centre asset in Osaka, Japan.

Higher share of profits of US\$78.1 million was recognised from share of joint ventures' results, compared to US\$43.8 million in 1H2020. The increase was mainly driven by asset appreciation of the Group's investments in South Korea.

The Group's weighted average interest rate cost as of 30 June 2021 was 4.6% compared to 5.0% as of 30 June 2020. Accordingly, overall finance cost increased by 11.4% from US\$71.7 million in 1H2020 to US\$79.8 million in 1H2021 despite total borrowings increased by 31.5% year-on-year.

Administrative expenses increased by 13.1% from US\$85.5 million in 1H2020 to US\$96.8 million in 1H2021 primarily due to higher non-recurring professional fees incurred for acquisitions of assets and investments.

SEGMENT RESULTS

Investment segment results increased by 68.7% from US\$108.6 million in 1H2020 to US\$183.1 million in 1H2021. The increase was mainly contributed by fair value gain from the Group's investment properties in Japan and China, higher share of results from its investment in South Korea and US\$3.3 million gain from disposal of one of the Group's interest in an associate.

In 1H2021, the Group recorded dividend income amounted to US\$27.4 million from distributions received Japan co-investments. Accordingly, the Group recorded share of reduction in the carrying value in these co-investments of US\$36.8 million in aggregate. Excluding such amount, the change in carrying value of financial assets and liabilities at fair value through profit or loss would have been a gain of US\$22.8 million.

Fund management segment results increased by US\$32.8 million or 50.9% from US\$64.4 million in 1H2020 to US\$97.1 million in 1H2021. The increase was driven by growth in funds under management such as Australia, Japan and South Korea funds, as well as recurring income base.

Development segment results increased by 6.7% from US\$126.8 million in 1H2020 to US\$135.3 million in 1H2021. Higher segment results were contributed by share of results from the Group's joint venture in South Korea, a gain from the further sell down of the Group's associate and an asset disposal in Australia.

ASSETS

Total assets increased from US\$7.7 billion as of 31 December 2020 to US\$8.6 billion as of 30 June 2021, comprised mainly investment properties, investment in joint ventures and associates, investment in funds (classified as financial assets at fair value through profit or loss), investment in listed securities (classified as financial assets at fair value through other comprehensive income) and cash balances.

Investment properties increased by 35.1% to US\$3.6 billion as of 30 June 2021 (31 December 2020: US\$2.7 billion). The increase contributed by the acquisitions of a key data centre asset Osaka, which will be developed into a multi-phase data centre campus; and an asset in Kwai Chung in Hong Kong, which will be developed into data centre. In addition, the Group acquired Nanko distribution centre 1, a stabilized asset in Osaka which will be injected as seed asset into Japan Income Fund where ESR will be the manager.

Investment in joint ventures and associates increased by 17.6% to US\$1.3 billion as of 30 June 2021 (31 December 2020: US\$1.1 billion) contributed by the Group's acquisition of ESR Milestone Partnership in June 2021, in addition to higher share of results from existing joint ventures in South Korea and China. Increase in goodwill by US\$332.9 million to US\$673.1 million as of 30 June 2021, was contributed by acquisition of Milestone Operation Limited, the manager of the Milestone Portfolio. The Group also recorded an increase in intangibles balances from the acquisition of the Milestone Portfolio.

Investment in listed securities decreased by 18.3% to US\$717.5 million (31 December 2020: US\$878.3 million), which was mainly due to a partial disposal of Centuria Capital Group ("CNI") shares in May 2021. Post 30 June 2021, the Group has fully disposed of its remaining stake in CNI. The above was partially offset with an increase in holding of the Group's existing investments.

LIABILITIES

Total bank and other borrowings as of 30 June 2021 were US\$3.8 billion compared to US\$3.3 billion at December 2020. With cash balance of US\$1.1 billion, the net debt to total assets as at 30 June 2021 were 30.6% (31 December 2020: 23.2%). Additional borrowings were drawn mainly to fund the Group's investments and ongoing development.

During the year, the Company entered into the following borrowings with diversified funding sources:

- In March 2021, ESR issued S\$200 million (approximately US\$148.6 million) NC5 fixed rate perpetual resettable step-up subordinated securities at a distribution rate of 5.65% ("**Perpetual Securities NC5 5.65%**") under its US\$2.0 billion Multicurrency Debt Issuance Programme. In June 2021, ESR issued a further tranche within the Perpetual Securities NC5 5.65% amounting to S\$150 million (approximately US\$111.6 million), bringing the aggregate total amount to S\$350 million (approximately US\$260.2 million).
- In April 2021, ESR entered into US\$400 million (with a US\$100 million incremental option) unsecured term loan facility which consists of a three-year tranche of US\$267 million at Libor plus 2.75% and a five-year tranche of US\$133 million at Libor plus 3.25%.

As of 30 June 2021, the Group's weighted average debt maturity was approximately 4 years (31 December 2020: 3 years).

EVENTS AFTER THE REPORTING DATE

On 4 August 2021, the Company entered into an Acquisition Agreement in relation to a proposed business combination of the Group with ARA Asset Management Limited and its subsidiaries (“**ARA Group**”). Subject to cash consideration adjustment, the total consideration is US\$5,192 million. Completion of the proposed acquisition is conditional upon the satisfaction (or, if applicable, waiver) of certain conditions, and it is currently expected that completion will take place in the fourth quarter of 2021 or the first quarter of 2022. On completion, ARA will become a subsidiary of the Company and accordingly, the financial results of the ARA Group will be consolidated into the accounts of the Company. For details, please refer to the announcement of the Company dated 4 August 2021.

On 13 August 2021, the Group through its wholly-owned subsidiary entered into a co-investment platform agreement with APG and a global institutional investor, to establish ESR China Development Platform (“**ECDP**”). ECDP is a new development fund which will invest in warehousing or warehousing and industrial mixed use properties located in selected markets of China to be sourced, developed and managed by the Group. ECDP consists of three offshore joint ventures of which ESR will hold 20% shareholding. ECDP has an initial capital commitment capped at US\$1 billion in aggregate and if the re-up option is exercised, ESR shall contribute up to an amount equal to 20% of total capital commitment, capped at US\$400 million. Subject to the satisfaction of conditions, it is expected that completion will take place by end of October 2021. For details, please refer to the announcement of the Company dated 13 August 2021.

NON-IFRS MEASURES

Adjusted EBITDA

The following table sets out the reconciliations of Adjusted EBITDA:

	1H2021 US\$'000	1H2020 US\$'000
Profit before tax	287,610	192,403
<i>Add/(less):</i>		
Depreciation and amortisation	8,266	7,133
Finance costs	79,810	71,659
Interest income	(2,236)	(1,769)
EBITDA	373,450	269,426
<i>Add/(less):</i>		
Equity-settled share option expense	5,172	8,078
Exchange loss/(gain)	2,091	(726)
Fair value gains on investment properties	(165,901)	(125,771)
Adjusted EBITDA	214,812	151,007

Core PATMI

The following table sets out the reconciliations of Core PATMI:

	1H2021 US\$'000	1H2020 US\$'000
Profit after tax and minority interest	213,947	132,993
Fair value on completed investment properties	(63,253)	(26,063)
<i>Add:</i>		
Equity-settled share option expense	5,172	8,078
Tax effects of adjustments	11,074	6,196
Core PATMI	166,940	121,204

EBITDA, Adjusted EBITDA and Core PATMI 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. EBITDA, Adjusted EBITDA and Core PATMI 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 EBITDA, Adjusted EBITDA and Core PATMI are not IFRS measures, these may not be comparable to similarly titled measures presented by other companies.

LIQUIDITY AND CAPITAL RESOURCES

	As at 30 June 2021 US\$'000	As at 31 December 2020 US\$'000
Bank and other borrowings		
– Current	1,392,919	733,660
– Non-current	2,359,696	2,561,618
Bank and other borrowings – Total	3,752,615	3,295,278
Less: Cash and bank balances	(1,132,605)	(1,515,430)
Net debts	2,620,010	1,779,848
Total assets	8,549,813	7,687,441
Gearing ratio (net debts/total assets)	30.6%	23.2%
Total equity	4,204,070	3,805,205
Net debts to equity ratio	62.3%	46.8%

Net debts as of 30 June 2021 was US\$2.6 billion compared to US\$1.8 billion as of 31 December 2020. Higher net debts was mainly due to additional borrowings to fund the Group's investments, ongoing development and operations.

Total equity increased from US\$3.8 billion as of 31 December 2020 to US\$4.2 billion as of 30 June 2021, primarily from net profit for the period of US\$229.7 million and US\$256.3 million (net of issuance costs) from the Perpetual Securities NC5 5.65%. In March 2021, the Company issued an aggregate principal amount of S\$200 million (approximately US\$148.6 million) NC5 fixed rate perpetual resettable step-up subordinated securities at a distribution rate of 5.65% under its US\$2.0 billion Multicurrency Debt Issuance Programme. In June 2021, the Company issued a further tranche within the Perpetual Securities NC5 5.65% with an aggregate principal amount of S\$150 million (approximately US\$111.6 million) bringing the aggregate total amount to S\$350 million (approximately US\$260.2 million).

The above increases are partially offset by decreases contributed by: (1) translation exchange difference of US\$36.3 million mainly from the Group's Japan and Korea operations arising from strengthening of US dollars against Japanese Yen and Korean Won during the period; and (2) mark-to-market of US\$20.9 million from the Group's investment in listed securities (classified as financial assets at fair value through other comprehensive income).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Six months ended 30 June 2021 (Unaudited) US\$'000	2020 (Unaudited) US\$'000
REVENUE	3, 4	204,399	197,641
Cost of sales		<u>(30,861)</u>	<u>(60,611)</u>
Gross profit		173,538	137,030
Other income and gains, net	4	212,494	168,794
Administrative expenses		(96,761)	(85,538)
Finance costs	6	(79,810)	(71,659)
Share of profits and losses of joint ventures and associates, net		<u>78,149</u>	<u>43,776</u>
Profit before tax		287,610	192,403
Income tax expense	5	<u>(57,915)</u>	<u>(47,747)</u>
Profit for the period		<u>229,695</u>	<u>144,656</u>
Attributable to:			
Owners of the Company		213,947	132,993
Non-controlling interests		<u>15,748</u>	<u>11,663</u>
		<u>229,695</u>	<u>144,656</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic			
For profit for the period	8	<u>US\$0.07</u>	<u>US\$0.04</u>
Diluted			
For profit for the period	8	<u>US\$0.07</u>	<u>US\$0.04</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(continued)*

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Profit for the period	<u>229,695</u>	<u>144,656</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(36,261)	(13,280)
Share of other comprehensive loss of joint ventures and associates	<u>(7,309)</u>	<u>(11,289)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<u>(43,570)</u>	<u>(24,569)</u>
Other comprehensive loss 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	<u>(20,944)</u>	<u>(69,945)</u>
Other comprehensive loss for the period, net of tax	<u>(64,514)</u>	<u>(94,514)</u>
Total comprehensive income for the period	<u>165,181</u>	<u>50,142</u>
Attributable to:		
Owners of the Company	152,135	41,476
Non-controlling interests	<u>13,046</u>	<u>8,666</u>
	<u>165,181</u>	<u>50,142</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 (Unaudited) US\$'000	31 December 2020 (Audited) US\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		33,042	31,916
Right-of-use assets		11,990	12,475
Investments in joint ventures and associates		1,272,235	1,082,290
Financial assets at fair value through profit or loss		661,622	678,864
Financial assets at fair value through other comprehensive income		717,538	878,300
Investment properties	9	3,598,239	2,663,717
Goodwill		673,131	340,243
Other intangible assets		106,834	86,663
Other non-current assets		74,549	62,555
Deferred tax assets		23,366	24,261
Total non-current assets		7,172,546	5,861,284
CURRENT ASSETS			
Trade receivables	10	125,038	94,673
Prepayments, other receivables and other assets		119,624	209,322
Cash and bank balances		1,132,605	1,515,430
		1,377,267	1,819,425
Assets classified as held for sale		—	6,732
Total current assets		1,377,267	1,826,157
CURRENT LIABILITIES			
Bank and other borrowings	12	1,392,919	733,660
Lease liabilities		5,980	6,568
Trade payables, accruals and other payables	11	199,067	226,314
Income tax payable		22,158	19,120
Total current liabilities		1,620,124	985,662
NET CURRENT (LIABILITIES)/ASSETS		(242,857)	840,495
TOTAL ASSETS LESS CURRENT LIABILITIES (to be continued)			
		6,929,689	6,701,779

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2021

	Note	30 June 2021 (Unaudited) US\$'000	31 December 2020 (Audited) US\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES <i>(continued)</i>		6,929,689	6,701,779
NON-CURRENT LIABILITIES			
Deferred tax liabilities		313,550	280,973
Bank and other borrowings	12	2,359,696	2,561,618
Lease liabilities		6,493	6,825
Other non-current liabilities		45,880	47,158
Total non-current liabilities		2,725,619	2,896,574
NET ASSETS		4,204,070	3,805,205
EQUITY			
Equity attributable to owners of the Company			
Issued capital		3,060	3,060
Perpetual capital securities		259,649	—
Equity components of convertible bonds		48,501	48,501
Other reserves		3,697,321	3,544,648
		4,008,531	3,596,209
Non-controlling interests		195,539	208,996
TOTAL EQUITY		4,204,070	3,805,205

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

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 Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Group is principally engaged in logistics real estate development, leasing, management and fund management platforms in the Asia Pacific region.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 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. Non-current assets held for sale are stated at the lower of their carrying amount and fair values less cost to sell. These financial statements are presented in US\$, with values rounded to nearest thousand except when otherwise indicated.

The interim condensed consolidated financial information does not include all the information and disclosure 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 2020.

2.2 ADOPTION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

The Group has adopted the following revised IFRSs for the first time for the current period's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7,
IFRS 4 and IFRS 16

Interest Rate Benchmark Reform — Phase 2

Amendment to IFRS 16

Covid-19-Related Rent Concessions

The adoption of the revised IFRSs did not have any impact on the Group’s financial positions and performance or result in any significant changes to the Group’s significant accounting policies.

3. OPERATING SEGMENT INFORMATION

The Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) 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 REIT the Group manages, from which the Group derives dividend income, pro rata earnings and/or pro rata value appreciation, and (iii) other investments.
- (b) Fund management segment earns fee income for managing assets on behalf of the Group's capital partners via funds and investment vehicles. 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 rates of return and after the Group's capital partners have received their targeted capital returns.
- (c) 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 the Group's co-investments in those funds and investment vehicles.

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 and corporate expenses are excluded from such measurement.

3. OPERATING SEGMENT INFORMATION (Continued)

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 2021			
	Investment (Unaudited) US\$'000	Fund management (Unaudited) US\$'000	Development (Unaudited) US\$'000	Total (Unaudited) US\$'000
Segment revenue	53,786	123,872	26,741	204,399
Revenue from continuing operations	53,786	123,872	26,741	204,399
Operating expenses	(8,914)	(26,724)	(40,579) [#]	(76,217)
Fair value gains on investment properties	63,253	—	102,648	165,901
Changes in carrying value of financial assets and liabilities at fair value through profit or loss	(13,963)	—	5,958	(8,005)
Share of profits and losses of joint ventures and associates, net	42,700	—	35,449	78,149
Gain on sale of interests in a joint venture and an associate	3,251	—	2,038	5,289
Gain on disposal of asset held for sale	—	—	3,035	3,035
Dividend income	43,006	—	—	43,006
Segment result	183,119	97,148	135,290	415,557
<i>Reconciliation:</i>				
Depreciation and amortisation				(8,266)
Exchange loss				(2,091)
Interest income				2,236
Finance costs				(79,810)
Equity-settled share option expense				(5,172)
Other unallocated gains				1,032
Corporate and other unallocated expenses				(35,876)
Profit before tax from continuing operations				287,610
Other segment information:				
Depreciation and amortisation				(8,266)
Capital expenditure*				817,754
Investments in joint ventures and associates				1,272,235

[#] Included construction cost of US\$26,771,000

3. OPERATING SEGMENT INFORMATION (Continued)

	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 carrying 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 and associates, 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
Finance costs				(71,659)
Equity-settled share option expense				(8,078)
Other unallocated gains				537
Corporate and other unallocated expenses				(23,497)
Profit before tax from continuing operations				192,403
Other segment information:				
Depreciation and amortisation				(7,133)
Capital expenditure*				312,075
Investments in joint ventures and associates				910,505

[#] Included construction cost of US\$54,401,000

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

3. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
China	58,089	43,727
Japan	61,615	35,146
South Korea	22,459	18,667
Singapore	12,638	11,252
Australia	46,267	84,915
India	3,331	3,934
	<u>204,399</u>	<u>197,641</u>

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

Information about major customers

Revenue from continuing operations of approximately US\$20,982,000 was derived from investment segment by a single customer during the financial period ended 30 June 2021. There was no single customer with revenue over 10% of the total revenue of the Group for the financial period ended 30 June 2020.

4. REVENUE AND OTHER INCOME AND GAINS

(a) Revenue

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Rental income	50,648	55,915
Management fee income	123,872	83,578
Construction income	26,741	55,224
Solar energy income	3,138	2,924
	<u>204,399</u>	<u>197,641</u>
Total	<u>204,399</u>	<u>197,641</u>

4. REVENUE AND OTHER INCOME AND GAINS (Continued)

(a) Revenue (Continued)

Timing of revenue recognition

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Rental income	50,648	55,915
Point in time		
Management fee income	38,368	18,400
Over time		
Management fee income	85,504	65,178
Construction income	26,741	55,224
Solar energy income	3,138	2,924
	<u>204,399</u>	<u>197,641</u>

(b) Other income and gains, net

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Fair value gains on completed investment properties	63,253	26,063
Fair value gains on investment properties under construction	102,648	99,708
Changes in carrying value of financial assets and liabilities at fair value through profit or loss	(8,005)	978
Gain on disposal of subsidiaries	–	5,494
Gain on disposal of asset held for sale	3,035	–
Gain on sale of interests in a joint venture and an associate	5,289	–
Dilution of interests in investment in a joint venture	–	(2,320)
Dividend income	43,006	35,839
Interest income	2,236	1,769
Exchange gain	–	726
Others	1,032	537
	<u>212,494</u>	<u>168,794</u>

5. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Current tax	19,908	18,237
Deferred tax	38,007	29,510
	<u>57,915</u>	<u>47,747</u>

6. FINANCE COSTS

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Interest expense on bank loans	42,662	43,663
Interest expense on other borrowings	615	3,160
Interest expense on bonds	31,205	29,115
Interest expense on convertible bonds	2,596	–
Interest accretion on convertible bonds (note (i))	4,782	–
Interest expense on lease liabilities	326	1,200
	<u>82,186</u>	<u>77,138</u>
Less: Interest capitalised	(2,376)	(5,479)
	<u>79,810</u>	<u>71,659</u>

(i) Related to non-cash portion associated with the equity element of the convertible bonds.

7. DIVIDENDS

No dividend has been paid or declared by the Company during the six months ended 30 June 2021 (30 June 2020: nil).

8. EARNINGS PER SHARE

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.

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	<u>213,947</u>	<u>132,993</u>
Weighted average number of ordinary shares in issue, used in the basic earnings per share calculation (in thousands)	<u>3,059,967</u>	<u>3,038,747</u>
Basic earnings per share (US\$)	<u>0.07</u>	<u>0.04</u>
Diluted earnings per share (US\$)	<u>0.07</u>	<u>0.04</u>

9. INVESTMENT PROPERTIES

	Completed investment properties US\$'000	Investment properties under construction US\$'000	Total US\$'000
At 1 January 2020	1,558,752	1,227,174	2,785,926
Additions	20,108	314,169	334,277
Acquisition of subsidiaries	87,648	46,527	134,175
Changes in fair values of investment properties	53,717	170,963	224,680
Transfer from investment properties under construction to completed investment properties	189,772	(189,772)	–
Reclassification to asset held for sale	–	(6,732)	(6,732)
Disposal of subsidiaries	(464,081)	(181,736)	(645,817)
Disposal	(86,174)	(261,006)	(347,180)
Exchange realignment	94,267	90,121	184,388
At 31 December 2020 (Audited) and 1 January 2021	1,454,009	1,209,708	2,663,717
Additions	439,581	122,990	562,571
Acquisition of subsidiaries	226,364	–	226,364
Changes in fair values of investment properties	63,253	102,648	165,901
Transfer from investment properties under construction to completed investment properties	147,295	(147,295)	–
Exchange realignment	3,349	(23,663)	(20,314)
At 30 June 2021 (Unaudited)	2,333,851	1,264,388	3,598,239

10. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at 30 June 2021 and 31 December 2020, based on the invoice date and net of loss allowance, is as follows:

	As at 30 June 2021 (Unaudited) US\$'000	As at 31 December 2020 (Audited) US\$'000
Within 90 days	117,909	93,950
91 to 180 days	3,274	48
Over 180 days	3,855	675
Total	125,038	94,673

11. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

An ageing analysis of trade payables as at 30 June 2021 and 31 December 2020, based on the invoice date, is as follows:

	As at 30 June 2021 (Unaudited) US\$'000	As at 31 December 2020 (Audited) US\$'000
Within 30 days	735	2,061
31 to 60 days	143	64
Over 60 days	3,647	3,657
Total	4,525	5,782

12. BANK AND OTHER BORROWINGS

	As at 30 June 2021		As at 31 December 2020	
	Effective interest rate (%)	(Unaudited) US\$'000	Effective interest rate (%)	(Audited) US\$'000
Current				
Bank loans – secured	0.82-6.18	412,744	0.20-6.18	526,368
Bank loans – unsecured	3.20-4.10	296,698	3.23-4.35	207,292
Bonds – unsecured	6.75-7.88	683,477	–	–
		<u>1,392,919</u>		<u>733,660</u>
Non-current				
Bank loans – secured	0.61-6.18	944,953	1.70-6.77	803,868
Bank loans – unsecured	2.00-3.89	889,959	2.15-3.25	551,584
Other borrowings – unsecured	0.50-10.00	55,354	0.50-10.00	54,859
Bonds – unsecured	5.10	165,651	5.10-7.88	852,310
		<u>2,055,917</u>		<u>2,262,621</u>
Convertible bonds	5.03	303,779	5.03	298,997
		<u>2,359,696</u>		<u>2,561,618</u>
		<u>3,752,615</u>		<u>3,295,278</u>

Debt maturity profile of bank and other borrowings:

	As at 30 June 2021 (Unaudited) US\$'000	As at 31 December 2020 (Audited) US\$'000
Bank loans repayable		
Within one year	709,442	733,660
In the second year	445,184	464,060
In the third to fifth year, inclusive	1,200,365	726,819
Beyond five years	189,363	164,573
	<u>2,544,354</u>	<u>2,089,112</u>
Bonds and other borrowings repayable		
Within one year	683,477	–
In the second year	49,282	685,031
In the third to fifth year, inclusive	475,502	521,135
	<u>1,208,261</u>	<u>1,206,166</u>
	<u>3,752,615</u>	<u>3,295,278</u>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (30 June 2020: nil).

The Board's long-term objective is to deliver returns to shareholders that are sustainable and in line with the long-term growth of the Company. It is expected that the addition of ARA Group, with its perpetual/core capital and asset-light/high return on equity approach, will enhance ESR's earnings resilience and ability to pay dividends post completion of the proposed acquisition. Subject to maintaining an optimal capital structure to ensure that adequate capital resources are available for business growth and investment opportunities, the Board will review the dividend policy upon completion of the proposed acquisition of ARA Group, including the merits and timing of future dividend payments.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices with a view of enhancing the management efficiency of the Company as well as preserving the interests of the shareholders of the Company as a whole. The Company has applied the principles of, and complied with, the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the six months ended 30 June 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") contained in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions of the Company by Directors. The Company has adopted a code of conduct regarding all Directors', officers and employees' securities transactions on terms no less exacting than the required standard set out in the Model Code. In response to specific enquiries made, all Directors confirmed that they have complied with the required standards set out in such code regarding their securities transactions throughout their tenure during the six months ended 30 June 2021.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee comprises Mr. Simon James McDonald (Chairman of the Audit Committee), Mr. Brett Harold Krause and Mr. Robin Tom Holdsworth, all of whom are Independent Non-executive Directors.

The Audit Committee has reviewed the Company's interim condensed consolidated results for the six months ended 30 June 2021 and confirmed that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The Audit Committee has also discussed the auditing, internal control and financial reporting matters.

The interim results for the six months ended 30 June 2021 have been prepared in accordance with IFRSs.

SCOPE OF WORK OF ERNST & YOUNG

Ernst & Young, the Company's external auditor, has been engaged by the Company to conduct review on the Group's interim condensed consolidated financial statements for the Period 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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (<http://www.esr.com>) respectively. The interim report for the six months ended 30 June 2021 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and available on the same websites in due course.

PROPOSED ON-MARKET SHARE REPURCHASE UNDER REPURCHASE MANDATE

The Board is pleased to announce that it intends to exercise the general mandate to repurchase Shares of the Company (the “**Repurchase Mandate**”) granted by the Shareholders pursuant to resolutions of the Shareholders passed on 2 June 2021, to repurchase Shares in the open market from time to time (the “**Share Repurchase**”).

Taking into consideration the Company’s confidence in its financial position, business fundamentals and prospects, the Board believes that the current share price of the Company is well below its intrinsic value. The Share Repurchase in the present conditions will demonstrate the Company’s positive outlook and would, ultimately, benefit the Company and create value to the Shareholders. The Share Repurchase will be 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.

The Share Repurchase will be conducted pursuant to the Repurchase Mandate and in compliance with the Memorandum and Articles of Association of the Company, the Listing Rules, the Takeovers Code, the Companies Law of the Cayman Islands and all other applicable laws and regulations. The Share Repurchase shall not result in the number of the Shares held by the public falling below the relevant minimum percentage prescribed by the Listing Rules. The Company will subsequently cancel the Shares bought back under the Share Repurchase, if any.

Shareholders and potential investors should note that any repurchase of Shares will be subject to market conditions and will be at the Board’s absolute discretion. There is no assurance of the timing, quantity or price of any share repurchase or whether or not the Company will make any repurchases. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares and other securities of the Company.

By Order of the Board
ESR Cayman Limited
Jinchu Shen
Director

Hong Kong, 19 August 2021

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Jinchu Shen and Mr. Stuart Gibson as Executive Directors, Mr. Jeffrey David Perlman as the Chairman and Non-executive Director, Mr. Charles Alexander Portes, Mr. Wei Hu and Mr. David Alasdair William Matheson as Non-executive Directors, Mr. Brett Harold Krause, The Right Honourable Sir Hugo George William Swire, KCMG, Mr. Simon James McDonald, Ms. Jingsheng Liu and Mr. Robin Tom Holdsworth as Independent Non-executive Directors.