

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page (the “**Offering Circular**”), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED IN THE OFFERING CIRCULAR.

Confirmation of your Representation: This Offering Circular is being sent at your request and by accepting the e-mail and accessing this Offering Circular, you shall be deemed to have represented to us (1) that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, and (2) that you consent to delivery of such Offering Circular and any amendments or supplements thereto by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in this Offering Circular.

The materials relating to the offering of securities to which this Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuers and the Guarantor (as defined in this Offering Circular) in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuers, the Guarantor, Credit Suisse (Singapore) Limited, DBS Bank Ltd. or The Hongkong and Shanghai Banking Corporation Limited (the “**Arrangers**”), the Dealers (as defined in this Offering Circular), any person who controls any of them, or any director, officer, employee, adviser or agent of any of them, or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arrangers and the Dealers.

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail to this notice, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your email software, will be ignored or rejected.

You are responsible for protecting against viruses and other destructive items. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



ESR CAYMAN LIMITED

(Incorporated with limited liability in the Cayman Islands)

(Company Registration Number: 257877)

(as Issuer and as Guarantor in relation to any Securities by an Issuer other than ESR Cayman Limited)

U.S.\$2,000,000,000 Multicurrency Debt Issuance Programme

Under the Multicurrency Debt Issuance Programme described in this Offering Circular (the “**Programme**”), ESR Cayman Limited (“**ESR**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue euro medium term notes (the “**Notes**”) or perpetual securities (the “**Perpetual Securities**”) and, together with the Notes, the “**Securities**”). The Perpetual Securities may rank as senior obligations (the “**Senior Perpetual Securities**”) or subordinated obligations (the “**Subordinated Perpetual Securities**”) of the relevant Issuer. The aggregate nominal amount of Securities outstanding will not at any time exceed U.S.\$2,000,000,000 (or the equivalent in other currencies), subject to increase as described herein.

The Dealer Agreement, the Trust Deed and the Agency Agreement each contain provisions enabling additional issuers to accede as issuers under the Programme. In such event, ESR and such additional issuers (together, the “**Issuers**”, and each, an “**Issuer**”) shall make available a supplementary Offering Circular in relation to such accession. Securities issued by an Issuer other than ESR (the “**Guaranteed Securities**”) will be guaranteed (the “**Guarantee**”) by ESR (in such capacity, the “**Guarantor**”). Securities issued by ESR will not be guaranteed. References in this Offering Circular to the Guarantor and the Guarantee shall only apply to any Guaranteed Securities that are issued under the Programme.

The Securities may be issued by each Issuer on a continuing basis to one or more of the Dealers appointed under the Programme from time to time (each a “**Dealer**” and together the “**Dealers**”), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the “**relevant Dealer**” shall, in the case of an issue of Securities being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Securities.

Application has been made to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for permission to deal in and for the listing of any Securities which are agreed at the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Securities have been admitted to the Official List of the SGX-ST. Unlisted series of Securities may also be issued pursuant to the Programme and Securities may also be listed on stock exchanges other than the SGX-ST. The relevant pricing supplement (each, a “**Pricing Supplement**”) in respect of any series of Securities will specify whether or not such Securities will be listed on the SGX-ST or on any other stock exchange. There is no assurance that the application to the Official List of the SGX-ST for the listing of the Securities will be approved. Admission to the Official List of the SGX-ST and listing of any Securities on the SGX-ST is not to be taken as an indication of the merits of the Issuers, the Guarantor, the Group (as defined below) or such Securities. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Circular.

The Securities may be issued in bearer form (“**Bearer Securities**”) or in registered form (“**Registered Securities**”) only. Each Series (as defined in the terms and conditions of the Notes or, as the case may be, the Perpetual Securities) in bearer form will be represented on issue by a temporary global security in bearer form (each a “**Temporary Global Security**”). Interests in a Temporary Global Security will be exchangeable, in whole or in part, for interests in a permanent global security in bearer form (each a “**Permanent Global Security**”) and, together with the Temporary Global Securities, the “**Global Securities**”) on or after the date falling 40 days after the later of the commencement of the offering and the relevant issue date, upon certification as to non-U.S. beneficial ownership. Each Series of Registered Securities will be represented by registered certificates (each a “**Certificate**”), without coupons, one Certificate being issued in respect of each Securityholder’s entire holding of Registered Securities of one Series. Registered Securities will initially be represented by a registered global certificate (each a “**Global Certificate**”) without interest coupons.

Global Securities and Global Certificates may be: (i) deposited on the relevant issue date with a common depository (the “**Common Depository**”) on behalf of Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”); (ii) deposited on the relevant issue date with The Central Depository (Pte) Limited (“**CDP**”); or (iii) delivered outside a clearing system, as agreed between the Issuer, the Issuing and Paying Agent (as defined below), the Trustee (as defined below) and the relevant Dealer. Beneficial interests in Global Securities or Global Certificates held in book-entry form through Euroclear, Clearstream, Luxembourg and/or CDP will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg or CDP, as the case may be. The provisions governing the exchange of interests in Global Securities for other Global Securities and Global Securities and Global Certificates for Securities in definitive form (the “**definitive Securities**”) are described in “*Summary of Provisions Relating to the Securities while in Global Form*”.

Unless otherwise stated in a relevant Pricing Supplement, Tranches of Securities to be issued under the Programme will be unrated.

The Securities and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Securities may include Bearer Securities that are subject to U.S. tax law requirements and restrictions. Subject to certain exceptions, the Securities may not be offered, sold, or, in the case of Bearer Securities, delivered within the United States. Registered Securities are subject to certain restrictions on transfer, see “*Subscription and Sale*”.

Investing in Securities issued under the Programme involves certain risks. Prospective investors should have regard, inter alia, to the factors described under the section headed “*Risk Factors*” in this Offering Circular.

Arrangers

Credit Suisse

DBS Bank Ltd.

HSBC

Dealers

Credit Suisse

DBS Bank Ltd.

HSBC

NOTICE TO INVESTORS

The Issuers and the Guarantor accept responsibility for the information contained in this Offering Circular. The Issuers and the Guarantor, having made all reasonable enquiries, confirm that (i) this Offering Circular contains all information with regard to the Issuers, the Guarantor and any subsidiaries of the Guarantor taken as a whole (together, the “**Group**”), the Securities and the Guarantee which is material in the context of the issue and offering of the Securities and the giving of the Guarantee, (ii) the statements contained in this Offering Circular relating to each Issuer, the Guarantor and the Group are in every material particular true and accurate and not misleading, (iii) the opinions, expectations and intentions expressed in this Offering Circular with regard to each Issuer, the Guarantor and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other facts in relation to any Issuer, the Guarantor, the Group, the Securities or the Guarantee the omission of which would make any statement in this Offering Circular misleading in any material respect, and (v) all reasonable enquiries have been made by each Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements in this Offering Circular.

This Offering Circular is to be read in conjunction with all documents which are incorporated herein by reference (see “*Documents Incorporated by Reference*”). This Offering Circular shall be read and construed on the basis that such documents are incorporated in, and form part of, this Offering Circular.

This Offering Circular has been prepared by the Issuers and the Guarantor for use in connection with the offer and sale of the Securities outside the United States. The Issuers, the Guarantor, the Arrangers and the Dealers reserve the right to reject any offer to purchase the Securities, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States. Distribution of this Offering Circular to any person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuers and the Guarantor of any of its contents to any person within the United States, is prohibited.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular and the relevant Pricing Supplement in connection with the issue or sale of the Securities and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuers, the Guarantor, any of the Dealers or the Arrangers, DB International Trust (Singapore) Limited as trustee (the “**Trustee**”) or any of the Agents (as defined in the Agency Agreement referred to herein).

Save as expressly stated in this Offering Circular, nothing contained herein is, or may be relied upon as, a promise or representation as to the future performance or policies of the Issuers, the Guarantor or the Group. Neither the delivery of this Offering Circular (or any part thereof) nor any sale, offering or purchase made in connection herewith shall, under any circumstances, create any implication that there has been no change in the prospects, results of operation or general affairs of the Issuers, the Guarantor or the Group since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuers, the Guarantor or the Group since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution and publication of this Offering Circular or any such other document or information and the offering or sale of the Securities in certain jurisdictions may be restricted by law. Persons who distribute or publish this Offering Circular or any such other document or

information or into whose possession this Offering Circular or any such other document or information comes are required by the Issuers, the Guarantor, the Dealers and the Arrangers to inform themselves about and to observe any such restrictions and all applicable laws, orders, rules and regulations. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Securities in the United States, the European Economic Area, the United Kingdom, Hong Kong, Singapore, Japan, the PRC and the Cayman Islands (see “*Subscription and Sale*”).

THE SECURITIES AND THE GUARANTEE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE SECURITIES MAY INCLUDE BEARER SECURITIES (AS DEFINED HEREIN) THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE SECURITIES MAY NOT BE OFFERED, SOLD, OR, IN THE CASE OF BEARER SECURITIES, DELIVERED WITHIN THE UNITED STATES. REGISTERED SECURITIES ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER, SEE “*SUBSCRIPTION AND SALE*”. THE SECURITIES ARE BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS, SALES AND TRANSFERS OF SECURITIES AND DISTRIBUTION OF THIS OFFERING CIRCULAR, SEE “*SUBSCRIPTION AND SALE*”. THE ATTENTION OF RECIPIENTS OF THIS OFFERING CIRCULAR IS DRAWN TO THE RESTRICTIONS ON RESALE OF THE SECURITIES SET OUT UNDER THE SECTION “*SUBSCRIPTION AND SALE*”.

THE SECURITIES AND GUARANTEE HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF SECURITIES OR THE ACCURACY OR THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

This Offering Circular and/or any other document or information (or any part thereof) delivered or supplied under or in relation to the Programme shall not be deemed to constitute an offer of, or an invitation by or on behalf of the Issuers, the Guarantor or the Dealers to subscribe for, or purchase, any Securities.

Any person(s) who is invited to purchase or subscribe for the Securities or to whom this Offering Circular is sent shall not make any offer or sale, directly or indirectly, of any Securities or distribute or cause to be distributed any document or other material in connection therewith in any country or jurisdiction except in such manner and in such circumstances as will result in compliance with any applicable laws and regulations.

This Offering Circular and any other documents or materials in relation to the issue, offering or sale of the Securities have been prepared solely for the purpose of the initial sale by the relevant Dealer(s) of the Securities from time to time to be issued pursuant to the Programme. This Offering Circular and any such other documents or materials are made available to the recipients thereof solely on the basis that they are persons falling within the ambit of Section 274 and/or Section 275 of the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”) and may not be relied upon by any person other than persons to whom the Securities are sold or with whom they are placed by the relevant Dealer(s) as aforesaid or for any other purpose. Recipients of this Offering Circular shall not reissue, circulate or distribute this Offering Circular or any part thereof in any manner whatsoever.

The Arrangers, the Dealers, the Trustee and the Agents have not separately verified the information contained in this Offering Circular. None of the Arrangers, any of the Dealers, the Trustee, the Agents or any person who controls any of them, or any of their respective officers, employees, advisers or agents, or any affiliate of any such person is making any representation or warranty expressed or implied as to the merits of the Securities or the subscription for, purchase or acquisition thereof, the creditworthiness or financial condition or otherwise of the Issuers, the Guarantor or the Group. Further, none of the Arrangers, any of the Dealers, the Trustee or the Agents or any person who controls any of them, or any of their respective officers, employees, advisers or agents, or any affiliate of any such person makes any representation or warranty as to the Issuers, the Guarantor or the Group or as to the accuracy, reliability or completeness of the information set out herein (including the legal and regulatory requirements pertaining to Sections 274, 275 and 276 or any other provisions of the SFA) and the documents which are incorporated by reference in, and form part of, this Offering Circular.

To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Trustee, the Agents or any of their respective officers, employees, advisers or agents accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by the Arrangers, the Dealers, the Trustee or the Agents or on their behalf in connection with the Issuers, the Guarantor, the Group, the Programme or the issue and offering of the Securities. Each of the Arrangers, each Dealer, the Trustee and each Agent and each person who controls any of them, and each of their respective officers, employees, advisers and agents, and each affiliate of any such person accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

Neither this Offering Circular nor any other document or information (or any part thereof) delivered and supplied under or in relation to the Programme or any Securities is intended to provide the basis of any credit or other evaluation of the Issuers, the Guarantor or the Group and should not be considered as a recommendation by any of the Issuers, the Guarantor, the Arrangers, the Dealers, the Trustee, the Agents or any person who controls any of them, or any of their respective officers, employees, advisers or agents, or any affiliate of any such person that any recipient of this Offering Circular or any other financial statements should purchase the Securities. Each potential purchaser of Securities shall make its own assessment of the foregoing and other relevant matters including the financial condition and affairs and its appraisal of the creditworthiness of the Issuers, the Guarantor and the Group, and obtain its own independent legal or other advice thereon, and its investment shall be deemed to be based on its own independent investigation of the financial condition and affairs and its appraisal of the creditworthiness of the Issuers, the Guarantor and the Group. Accordingly, notwithstanding anything herein, none of the Arrangers, any of the Dealers, the Trustee, the Agents or any person who controls any of them, or any of their respective officers, employees, advisers or agents, or any affiliate of any such person shall be held responsible for any loss or damage suffered or incurred by the recipients of this Offering Circular or such other document or information (or such part thereof) as a result of or arising from anything expressly or implicitly contained in or referred to in this Offering Circular or such other document or information (or such part thereof) and the same shall not constitute a ground for rescission of any purchase or acquisition of any of the Securities by a recipient of this Offering Circular or such other document or information (or such part thereof). None of the Dealers, the Arrangers, the Trustee or the Agents or any person who controls any of them, or any of their respective officers, employees, advisers or agents, or any affiliate of any such person undertakes to review the financial condition or affairs of the Issuers, the Guarantor or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Securities of any information coming to the attention of any of the Dealers, the Arrangers, the Trustee, the Agents or any person who controls any of them, or any of their respective officers, employees, advisers or agents, or any affiliate of any such person.

IMPORTANT — EEA RETAIL INVESTORS — The Securities, are not intended, from 1 January 2018, to be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“**MiFID II**”); (ii) a customer within the meaning of Directive 2002/92/EC (“**IMD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “**Prospectus Directive**”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Any purchase or acquisition of the Securities is in all respects conditional on the satisfaction of certain conditions set out in the Dealer Agreement and the issue of the Securities by the Issuers pursuant to the Dealer Agreement. Any offer, invitation to offer or agreement made in connection with the purchase or acquisition of the Securities or pursuant to this Offering Circular shall (without any liability or responsibility) on the part of the Issuers, the Guarantor, any of the Arrangers or the Dealers lapse and cease to have any effect if (for any other reason whatsoever) the Securities are not issued by the Issuers pursuant to the Dealer Agreement.

This Offering Circular does not describe all of the risks and investment considerations (including those relating to each investor’s particular circumstances) of an investment in Securities of a particular issue. Each potential purchaser of Securities should refer to and consider carefully the relevant Pricing Supplement for each particular issue of Securities, which may describe additional risks and investment considerations associated with such Securities. The risks and investment considerations identified in this Offering Circular and the relevant Pricing Supplement are provided as general information only.

Investors should consult their own financial, tax, accounting and legal advisers as to the risks and investment considerations arising from an investment in an issue of Securities and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

Securities issued under the Programme may be denominated in Renminbi. Renminbi is currently not freely convertible and conversion of Renminbi is subject to certain restrictions. Investors should be reminded of the conversion risk with Renminbi products. In addition, there is a liquidity risk associated with Renminbi products, particularly if such investments do not have an active secondary market and their prices have large bid/offer spreads.

STABILISATION

In connection with the issue of any Tranche of Securities, the Dealer or Dealers (if any) named as the stabilising manager(s) (the “**Stabilising Manager(s)**”) (or any person acting on behalf of any Stabilising Manager(s)) in the applicable Pricing Supplement may over-allot Securities or effect transactions with a view to supporting the market price of the Securities at a level higher than that which might otherwise prevail. However, stabilisation may not occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of the Securities is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Securities and 60 days after the date of the allotment of the Securities. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws, rules and regulations.

ROUNDING OF AMOUNTS

Certain monetary amounts and percentages in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them. Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding.

INDUSTRY AND MARKET DATA

Market data and certain industry forecasts used throughout this Offering Circular have been obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Issuers, the Guarantor, the Arrangers, the Dealers, the Trustee or the Agents or any person who controls any of them, or any of their respective officers, employees, advisers or agents, or any affiliate of any such person makes any representation as to the accuracy of that information.

The information relating to the China and Japan industrial data analyses under “Description of the Company” was extracted from Jones Lang LaSalle’s (“JLL”) publications available on JLL’s website and the publicly-available slide-deck “China Industrial Market Overview — Demand, Supply, and Trend Review” as of 4Q2016 (“**Publications**”) and was not prepared, and has not been updated, for this Offering Circular. JLL does not and will not accept any responsibility, and shall not be liable to anyone, for the inclusion of the Publications in this Offering Circular or for the contents of this Offering Circular or for any other statement made or inference drawn with respect to market conditions as a result of the inclusion of the Publications in this Offering Circular.

CERTAIN DEFINED TERMS AND CONDITIONS

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to “**Singapore dollars**” and “**S\$**” are to the lawful currency for the time being of Singapore, all references to “**U.S. dollars**”, “**U.S.\$**” and “**US\$**” are to the lawful currency for the time being of the United States of America, all references to “**Euro**” and “**€**” are to the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty establishing the European Community, as amended from time to time, all references to “**Renminbi**” and “**RMB**” are to the lawful currency for the time being of the PRC and all references to “**KRW**” are to the lawful currency for the time being of South Korea.

References in this Offering Circular to the “**United States**” are to the United States of America, references to the “**PRC**” are to the People’s Republic of China, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.

Unless otherwise specified in this Offering Circular, references to “**Conditions**” are to the Terms and Conditions of the Notes and the Terms and Conditions of the Perpetual Securities together.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes forward-looking statements regarding, amongst other things, the Group’s business, results of operations, financial conditions, cash flow, future expansion plans and business strategy. These forward-looking statements can be identified by the use of forward-looking terminology, including the words and terms “**believe**”, “**expect**”, “**plan**”,

“anticipate”, “intend”, “aim”, “project”, “seek”, “should”, “will”, “would”, “could”, “schedule”, “estimate” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Offering Circular and include statements regarding the Issuers’ and the Guarantor’s intentions, beliefs or current expectations concerning, among other things, the Group’s results of operations, financial condition, liquidity, prospectus, growth, strategies and the industries in which the Group operates.

By their nature, forward-looking statements are subject to numerous assumptions, risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Investors are cautioned that forward-looking statements are not guarantees of the Group’s future performance and their actual results of operations, financial condition and liquidity, and the development of the industries in which they operate, may differ materially from those made in or suggested by the forward-looking statements contained in this Offering Circular. In addition, even if the Group’s results of operations, financial condition and liquidity and the development of the industries in which the Group operate are consistent with the forward-looking statements contained in this Offering Circular, those results or developments may not be indicative of results or developments in subsequent periods.

The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that ESR or persons acting on their behalf may issue. ESR does not undertake any obligation to review or confirm analysts’ expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this Offering Circular.

Investors should read the factors described in the “*Risk Factors*” section of this Offering Circular to better understand the risks and uncertainties inherent in the Issuers’ and the Guarantor’s business and underlying any forward-looking statements.

Any forward-looking statements that the Issuers and/or the Guarantor make in this Offering Circular speak only as at the date of this Offering Circular, and the Issuers and the Guarantor undertake no obligation to update such statements. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, and should only be viewed as historical data.

FINANCIAL STATEMENTS

The Group’s audited consolidated financial statements for the financial years ended 31 December 2015 and 2016 (the “**Audited Financial Statements**”) contained in this Offering Circular were prepared and presented in accordance with International Financial Reporting Standards (“**IFRS**”). Unless the context otherwise requires, financial information in this Offering Circular is presented on a consolidated basis. Unless otherwise noted, all consolidated financial information in relation to ESR presented in this Offering Circular in relation to the financial year ended 31 December 2015 (other than the unaudited pro forma financial information described below) have been extracted or derived from the Group’s audited financial statements for the financial year ended 31 December 2016.

Selected unaudited pro forma consolidated statement of financial position as of 31 December 2015 is derived from the audited consolidated statement of financial position of the Group, ESR Singapore Pte. Ltd. (the “**Target Company A**”) and Redwood Asia Investment Ltd. (the “**Target Company B**”, and together with Target Company A, the “**Target Companies**”) as of 31 December 2015 included in this Offering Circular and should be read together with such financial statements and the notes thereto, and has been prepared to give effect to the acquisition by the Group of 100% of the share capital of Target Company A and Target Company B (the “**Acquisition**”) as if the Acquisition had occurred on 31 December 2015.

The selected unaudited pro forma consolidated statement of profit or loss for the year ended 31 December 2015 is derived from the audited consolidated statement of profit or loss of the Group, Target Company A and Target Company B for the year ended 31 December 2015 and has been prepared to give effect to the Acquisition as if the Acquisition had occurred on 1 January 2015.

The unaudited pro forma consolidated financial information appearing in the section entitled “*Selected Financial Information*” should be read in conjunction with the historical audited financial statements of the Group, Target Company A and Target Company B included elsewhere in this Offering Circular.

The selected unaudited pro forma consolidated financial information is based on the consolidated statement of financial position and consolidated statement of profit or loss prepared in accordance with IFRS, subject to the assumptions described in the notes appearing in the section entitled “*Selected Financial Information*” of this Offering Circular. The objective of the unaudited pro forma information is to provide information about the impact of the Acquisition by indicating how the Acquisition might have affected historical consolidated financial statements of the Group had it occurred as of 31 December 2015, with respect to the consolidated statement of financial position, and 1 January 2015, with respect to the consolidated statement of profit or loss. The unaudited pro forma consolidated statement of financial position and consolidated statement of profit or loss comprise historical financial information which has been retroactively combined to reflect the effect of the Acquisition as described in the notes thereto and does not reflect any adjustments to reflect significant trends or other factors that may be of relevance in considering future performance.

The unaudited pro forma consolidated financial information has been prepared for illustrative purposes only and does not purport to be indicative of what the operating results of the Group would have been had the Acquisition actually taken place on 31 December and 1 January 2015. In addition, the unaudited pro forma financial information in this Offering Circular may not be directly comparable to the corresponding financial information for the year ended 31 December 2016 and the financial information of the Group in future years. Consequently, such unaudited pro forma consolidated financial information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review by an independent auditor. None of the Arrangers, the Dealers or any of their respective affiliates, directors or advisors makes any representation or warranty, express or implied, regarding the accuracy or completeness of such unaudited pro forma consolidated financial information or their sufficiency for an assessment of, and investors are cautioned not to place undue reliance on the unaudited pro forma consolidated financial information appearing below. See “*Risk Factors — Risks Relating to the Presentation of the Financial Information in the Offering Circular — The pro forma financial information included in the Offering Circular is not comparable to the corresponding financial information of the Group for the year ended 31 December 2016 and of future years.*” for further details.

For convenience only and unless otherwise noted, all translations from RMB into U.S. dollars in this Offering Circular in relation to the financial information or data (i) for the financial year ended 31 December 2015 were made at the exchange rate of U.S.\$1:RMB6.49; (ii) for the financial year ended 31 December 2016 were made at the exchange rate of U.S.\$1:RMB6.94 and (iii) as of 31 March 2017 were made at the exchange rate of U.S.\$1:RMB6.89. All translations from JPY into U.S. dollars in this Offering Circular in relation to the financial information or data as of 31 March 2017 were made at the exchange rate of U.S.\$1:JPY111.23. All translations from KRW into U.S. dollars in this Offering Circular in relation to the financial information or data as of 31 March 2017 were made at the exchange rate of U.S.\$1:KRW1,111.11. All translations from Singapore dollars into U.S. dollars in this Offering Circular in relation to the financial information or data as of 31 December 2016 were made at

the exchange rate of U.S.\$1:S\$1.45. No representation is made that the RMB, JPY, KRW, S\$ or U.S. dollar amounts referred to in this Offering Circular could have been made or could be converted into RMB; JPY, KRW, S\$ dollar or U.S. dollars, as the case may be, at any particular rate or at all.

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with (i) each relevant Pricing Supplement, (ii) the most recently published audited consolidated annual financial statements and any interim financial statements (whether audited or unaudited) published subsequently to such annual financial statements of ESR from time to time (if any), (iii) all amendments and supplements from time to time to this Offering Circular, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents. Any statement that is modified or superseded in this manner will no longer be part of this Offering Circular, except as modified or superseded.

Copies of all such documents which are so deemed to be incorporated by reference herein (which, for the avoidance of doubt, shall exclude financial statements that are not published publicly by ESR), and to form part of, this Offering Circular are available for inspection at the specified office of the Trustee during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) set out at the end of this Offering Circular.

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SUMMARY OF THE COMPANY

Overview

ESR Cayman Limited (formerly known as e-Shang Cayman Limited) (“**ESR**”) was incorporated in the Cayman Islands as an exempted company on 14 June 2011.

Headquartered in Hong Kong, ESR is one of the leading “pure-play” pan-Asia logistics real estate platforms, focusing on developing and managing institutional-quality logistics facilities that cater to third-party logistics (“**3PLs**”) providers, e-commerce companies, bricks-and-mortar retailers, cold-chain logistics providers and industrial companies. As of 31 March 2017, ESR owns, manages and/or leases a portfolio of 132 properties across the Asia Pacific region, with a competitive presence in China, Japan, South Korea and Singapore. It has a robust development pipeline in each of its markets of operation, servicing a clientele of approximately 260 customers, including leading multi-national and e-commerce corporations such as Cainiao, H&M, JD.com, Askul and Carrefour, with which ESR has cultivated long-standing relationships. As of 31 March 2017, ESR’s assets under management (“**AUM**”) as well as its wholly-owned assets exceed eight million square metres (“**sqm**”) of gross floor area (“**GFA**”) with an aggregate open market value of over US\$7.8 billion and US\$1 billion, respectively, of which approximately four million sqm are under development. The majority of ESR’s properties are strategically located within major gateway cities and key logistics hubs, near major seaports, airports, transportation hubs and/or industrial zones in the greater metropolitan areas of China, Japan, South Korea and Singapore.

In 2011, e-Shang Cayman Limited (“**e-Shang**”), a fully integrated development and investment management business, was co-founded by an affiliate of Warburg Pincus LLC (“**Warburg Pincus**”) and two entrepreneurs, Sun Dongping and Shen Jinchu, and grew to become one of the main developers, owners and operators of modern logistics facilities in China, with an emerging business in South Korea. Redwood Group Asia Pte. Ltd. (“**Redwood**”) was founded in 2006 by Stuart Gibson and Charles de Portes, both of whom are considered pioneers in the development of institutional-quality warehouses in Asia, having founded both Prologis and the AMB BlackPine platforms in Japan in 1999 and 2003, respectively. Redwood is a specialised logistics real estate firm with recognised knowledge and experience that includes in-house development, lease and asset management services, with a primary focus on the identification and execution of logistics, warehousing and transportation real estate solutions for some of the largest end users and 3PLs providers operating both within Asia and around the world. In January 2016, e-Shang and Redwood completed their all stock merger to form ESR, effectively (i) gaining scale by expanding the development pipelines in China, Japan and South Korea, (ii) enhancing business relationships with leading multinational corporate tenants who carry out business across the Asia Pacific region and (iii) deepening capital relationships with a well-diversified, blue-chip institutional capital partner base, including but not limited to APG Asset Management N.V., PGGM, Canada Pension Plan Investment Board (“**CPPIB**”), Morgan Stanley AIP and Goldman Sachs. Importantly, the merger enabled ESR to benefit from the complementary and differentiated geographic footprints of e-Shang and Redwood, resulting in enhanced operational capabilities and business relationships to cater to the needs of leading e-commerce players, modern bricks-and-mortar retailers and 3PLs players in China, Japan and South Korea. Leveraging on e-Shang and Redwood’s experience, ESR now has the benefit of the capabilities of the two companies under one platform, with the goal of identifying and delivering integrated logistics warehousing solutions in strategic locations across the Asia Pacific region for its clients.

ESR's fund management business continues to be an important source of growth and a vehicle for capital recycling for ESR. As of 31 March 2017, ESR manages 19 third-party pooled investment vehicles and one real estate investment trust listed on the SGX-ST (being Cambridge Industrial Trust ("**CIT**")), representing an aggregate of US\$7.8 billion of AUM when fully leveraged and invested. As of 31 March 2017, US\$2.0 billion of equity capital has been invested with a further US\$1.3 billion of uncalled capital to be deployed.

For the financial years ended 31 December 2015 and 31 December 2016, ESR's revenue was RMB336.2 million (US\$51.8 million) and RMB649.6 million (US\$93.6 million), respectively. For the financial years ended 31 December 2015 and 31 December 2016, ESR recorded net profits of RMB58.9 million (US\$9.1 million) and RMB705.2 million (US\$101.6 million), respectively. As of 31 December 2015 and 31 December 2016, the total assets of ESR amounted to RMB6.9 billion (US\$1.1 billion) and RMB14.5 billion (US\$2.1 billion), respectively.

ESR's Strengths

- One of the leading "pure-play" pan-Asia logistics real estate platforms with a strong presence in Tier 1 cities across Asia
- Fully integrated value-added solutions with tenant driven model for built-to-suit projects
- Best-in-class management team backed by strong sponsors
- Well-established funds management platform in logistics with a highly scalable business model
- Strong portfolio growth coupled with proven track record and high quality tenant base

ESR's Strategies

- Continue to provide customers with best-in-class logistics warehousing facilities
- Take advantage of the increasing opportunities in ESR's existing markets
- Strengthen ESR's leadership positions in its existing markets and selectively explore new markets in Asia
- Supporting its growth plans through its funds management platform and closely-coordinated development effort from various departments
- High priority on operating and governing with best business practice standards

SUMMARY OF THE PROGRAMME

The following summary is qualified in its entirety by the remainder of this Offering Circular. This summary must be read as an introduction to this Offering Circular and any decision to invest in the Securities should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. Phrases used in this summary and not otherwise defined shall have the meanings given to them in the sections entitled “Terms and Conditions of the Notes” and “Terms and Conditions of the Perpetual Securities” or elsewhere in this Offering Circular.

Issuers	ESR and any additional issuer that may acceded as an Issuer to the Programme.
Accession of Additional Issuers	The Dealer Agreement, the Trust Deed (as defined in the Conditions) and the Agency Agreement (as defined in the Conditions) contain provisions enabling additional Issuers to accede as an Issuer under the Programme. In such event, the Issuers, the Guarantor and such additional issuers shall publish a supplement to this Offering Circular.
Guarantor (in the case of Guaranteed Securities only)	Securities issued by Issuers other than ESR will be guaranteed by ESR. References in this Offering Circular to the Guarantor and the Guarantee shall only apply to any Guaranteed Securities that are issued under the Programme.
Description	U.S.\$2,000,000,000 Multicurrency Debt Issuance Programme.
Size	The maximum aggregate principal amount of the Securities to be issued, when added to the aggregate principal amount of all Securities outstanding, shall be U.S.\$2,000,000,000 (or its equivalent in other currencies) or such higher amount as may be increased in accordance with the terms of the Dealer Agreement.
Arrangers	Credit Suisse (Singapore) Limited, DBS Bank Ltd. and The Hongkong and Shanghai Banking Corporation Limited.
Dealers	<p>Credit Suisse (Singapore) Limited, DBS Bank Ltd. and The Hongkong and Shanghai Banking Corporation Limited and such other Dealers as may be appointed by the Issuers in accordance with the Dealer Agreement.</p> <p>Each Issuer and the Guarantor (in the case of Guaranteed Securities only) may from time to time appoint one or more additional Dealers in accordance with the terms of the Dealer Agreement. Any such appointment of a Dealer may be in respect of a single Series, Tranche or the whole Programme. References in this Offering Circular to “Permanent Dealers” are to all Dealers other than those appointed as such solely in respect of one or more specified Tranches (and whose appointment has not been terminated) and references to “Dealers” are to all Permanent Dealers and any other Dealer that is appointed to the Programme.</p>

Trustee	DB International Trust (Singapore) Limited.
Issuing and Paying Agent, Non-CDP Transfer Agent, Non-CDP Registrar and (where appointed as contemplated in the Agency Agreement) Non-CDP Calculation Agent (in respect of Securities cleared through Euroclear / Clearstream, Luxembourg)	Deutsche Bank AG, Hong Kong Branch.
CDP Paying Agent, CDP Transfer Agent, CDP Registrar and (where appointed as contemplated in the Agency Agreement) CDP Calculation Agent (in respect of Securities cleared through CDP)	Deutsche Bank AG, Singapore Branch.
Method of Issue	<p>The Securities may be issued from time to time under the Programme on a syndicated or non-syndicated basis. The Securities will be issued in series (each a “Series”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest (in the case of Notes) or the first payment of distribution (in the case of Perpetual Securities), as applicable), the Securities of each Series being intended to be interchangeable with all other Securities of that Series.</p> <p>Each Series may be issued in tranches (each a “Tranche”) on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest (in the case of Notes) or the first payment of distributions (in the case of Perpetual Securities), as applicable), and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in the relevant Pricing Supplement.</p>

Issue Price

The Securities may be issued at par or at a discount, or premium, to par.

Form and Denomination and Trading of the Securities

The Securities will be issued in bearer form or registered form and in such denominations as may be agreed between the relevant Issuer and the relevant Dealer(s). Each Tranche or Series of bearer Securities may initially be represented by a Temporary Global Security or a Permanent Global Security. Each Temporary Global Security may be deposited on the relevant issue date with CDP, a common depository for Euroclear and Clearstream, Luxembourg (the “**Common Depository**”) and/or any other agreed clearing system and will be exchangeable, upon request as described therein, either for a Permanent Global Security or definitive Securities (as indicated in the relevant Pricing Supplement). Each Permanent Global Security may be exchanged, unless otherwise specified in the applicable Pricing Supplement, upon request as described therein, in whole (but not in part) for definitive Securities upon the terms therein. Each Tranche or Series of registered Securities will initially be represented by a Global Certificate. Each Global Certificate may be registered in the name of, or in the name of a nominee of CDP, a Common Depository and/or any other agreed clearing system. Each Global Certificate may be exchanged, upon request as described therein, in whole (but not in part) for Certificates upon the terms therein. Save as provided in the Conditions of the Notes and the Conditions of the Securities, as applicable, a Certificate shall be issued in respect of each Securityholder’s entire holding of registered Securities of one Series.

Clearing Systems

Clearstream, Luxembourg, Euroclear, CDP and, in relation to any Tranche, such additional or alternative clearing system approved by the relevant Issuer, the Guarantor, the Trustee, the relevant Registrar and the Issuing and Paying Agent.

Initial Delivery of Securities

On or before the issue date for each Tranche, the Global Security representing Bearer Securities or the Global Certificate representing Registered Securities may be deposited with a Common Depository, or with CDP. Global Securities or Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the relevant Issuer, the Trustee, the Issuing and Paying Agent and the relevant Dealer. Registered Securities that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee for, such clearing systems.

Currencies

Subject to compliance with all relevant laws, regulations and directives, Securities may be issued in any currency agreed between the relevant Issuer, the Guarantor (in the case of Guaranteed Securities only), the relevant Dealer(s), the Issuing and Paying Agent and the relevant Registrar.

Payments in respect of the Notes may, subject to such compliance, be made in and/or linked to any currency or currencies other than the currency in which such Notes are denominated and as will be set out in the relevant Pricing Supplement.

Denomination Amount

Definitive Securities will be in such denominations as may be specified in the relevant Pricing Supplement save that unless otherwise permitted by then current laws and regulations, Securities (including Securities denominated in Sterling) in respect of which the issue proceeds are to be accepted by the relevant Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

Listing and Admission to Trading

Each Series of the Securities may, if so agreed between the relevant Issuer and the relevant Dealer(s), be listed on the SGX-ST or any stock exchange(s) as may be agreed between the relevant Issuer and the relevant Dealer(s), subject to all necessary approvals having been obtained. Unlisted Series of Securities may also be issued pursuant to the Programme.

Selling Restrictions

The United States, the Public Offer Selling Restriction under the Prospectus Directive (in respect of Securities having a denomination amount of less than €100,000 or its equivalent in any other currency as at the date of issue of the Notes), the United Kingdom, Hong Kong, Singapore, Japan, PRC and the Cayman Islands.

The Securities will be issued in compliance with U.S. Treas. Reg. §.163-5(c)(2)(i)(D) (the “**D Rules**”) unless:

- (i) the relevant Pricing Supplement states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the “**C Rules**”); or
- (ii) the Securities are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “**registration required obligations**” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“**TEFRA**”), which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable.

For a description of certain restrictions on offers, sales and deliveries of the Securities and the distribution of offering material relating to the Securities, see the section on “**Subscription and Sale**” herein. Further restrictions may apply in connection with any particular Series or Tranche of Securities.

Notes Maturities

Subject to compliance with all relevant laws, regulations and directives, Notes may have maturities of such tenor as may be agreed between the relevant Issuer and the relevant Dealer(s).

Interest Basis

Notes may bear interest at fixed, floating, variable, index linked or hybrid rates or may not bear interest.

Fixed Rate Notes

Fixed Rate Notes will bear a fixed rate of interest which will be payable in arrear on specified dates and at maturity.

Floating Rate Notes

Floating Rate Notes will bear interest determined separately for each Series as follows:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the Relevant Currency governed by an agreement incorporating the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc.; or
- (ii) by reference to SOR, SIBOR, HIBOR, CHN HIBOR, LIBOR or EURIBOR,

(or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin. Interest periods will be specified in the relevant Pricing Supplement.

Variable Rate Notes

Variable Rate Notes will bear interest at a variable rate determined in accordance with the Conditions of the Notes. Interest periods in relation to the Variable Rate Notes will be agreed between the relevant Issuer and the relevant Dealer(s) prior to their issue.

Hybrid Notes

Hybrid Notes will bear interest, during the fixed rate period to be agreed between the relevant Issuer and the relevant Dealer(s), at a fixed rate of interest which will be payable in arrear on specified dates and, during the floating rate period to be agreed between the relevant Issuer and the relevant Dealer(s), at the rate of interest to be determined by reference to S\$ SIBOR or S\$ Swap Rate (or such other benchmark as may be agreed between the relevant Issuer and the relevant Dealer(s)), as adjusted for any applicable margin (provided that if the Hybrid Notes are denominated in a currency other than Singapore dollars, such Hybrid Notes will bear

interest to be determined separately by reference to such benchmark as may be agreed between the relevant Issuer and the relevant Dealer(s)), in each case payable at the end of each interest period to be agreed between the relevant Issuer and the relevant Dealer(s).

Zero Coupon Notes

Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest other than in the case of late payment.

Index Linked Notes

Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as the relevant Issuer and the relevant Dealer(s) may agree.

Credit Linked Notes

Notes with respect to which payment of principal and interest is linked to the credit of a specified entity or entities will be issued on such terms as may be agreed between the relevant Issuer and the relevant Dealer(s) (as indicated in the applicable Pricing Supplement).

Interest Periods and Interest Rates

The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.

Redemption

Unless previously redeemed or purchased and cancelled, each Note will be redeemed at its redemption amount on the maturity date shown on its face. Unless permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

Optional Redemption

If so provided on the face of the Note and the relevant Pricing Supplement, Notes may be redeemed (either in whole or in part) prior to their stated maturity at the option of the relevant Issuer and/or the holders of the Notes.

Tax Redemption

If so provided on the face of the Notes and the relevant Pricing Supplement, the Notes may be redeemed at the option of the relevant Issuer in whole, but not in part, on any Interest Payment Date or, if so specified thereon, at any time on giving not less than 30 nor more than 60 days' notice to the Securityholders (which notice shall be irrevocable), at their Redemption Amount or (in the case of Zero Coupon Notes) their Early Redemption Amount (together with interest accrued to (but excluding) the date fixed for redemption), if:

- (i) the relevant Issuer (or, if the Guarantee was called, the Guarantor) satisfies the Trustee immediately prior to the giving of such notice that the relevant Issuer (or if the Guarantee was called, the Guarantee) has or will become obliged to pay additional amounts as provided or referred to in Condition 8 of the Notes, or increase the payment of such additional amounts, as a result of any change in, or amendment to, the laws (or any regulations, rulings or other administrative pronouncements promulgated thereunder) of the jurisdiction of incorporation of the relevant Issuer or the Guarantor, as the case may be, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations, rulings or other administrative pronouncements, which change or amendment is made public on or after the Issue Date or any other date specified in the relevant Pricing Supplement; and
- (ii) such obligations cannot be avoided by the relevant Issuer or, as the case may be, the Guarantor taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the relevant Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Redemption in the case of Minimal Outstanding Amount

If so provided on the face of the Notes and the relevant Pricing Supplement, the Notes may be redeemed at the option of the relevant Issuer in whole, but not in part, on any Interest Payment Date or, if so specified thereon, at any time on giving not less than 30 nor more than 60 days' notice to the Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with interest accrued to (but excluding) the date fixed for redemption) if, immediately before giving such notice, the aggregate principal amount of the Notes outstanding is less than 10 per cent. of the aggregate principal amount originally issued (including any further Notes issued pursuant to Condition 14 of the Notes and consolidated and forming a single series with the Notes).

Status of Notes and the Guarantee

The Notes and Coupons of all Series constitute direct, unconditional, unsubordinated and unsecured obligations of the relevant Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the relevant Issuer.

The payment obligations of the Guarantor under the Guarantee and the Trust Deed constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and shall rank *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Guarantor.

Negative Pledge

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), neither the relevant Issuer nor the Guarantor will, and each will ensure that none of ESR's Principal Subsidiaries (as defined in Condition 4 of the Notes) will, create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, other than a Permitted Security Interest (as defined in Condition 4 of the Notes), upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness (as defined in Condition 4 of the Notes) or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Notes and the Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Securityholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Securityholders.

Events of Default

For more details on the Events of Default in relation to the Notes, please see Condition 10 of the Notes.

Taxation

All payments in respect of the Notes and the Coupons by the relevant Issuer or, as the case may be, the Guarantor shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the jurisdiction of incorporation of the relevant Issuer or the Guarantor or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the relevant Issuer or, as the case may be, the

Guarantor shall pay such additional amounts as will result in the receipt by the Securityholders and the Couponholders of such amounts as would have been received by them had no such deduction or withholding been required, save for certain exceptions. For further details, please see Condition 8 of the Notes.

Governing Law

English law.

**Perpetual Securities
Maturities**

The Perpetual Securities are perpetual securities in respect of which there is no fixed redemption date and the relevant Issuer shall only have the right (but not the obligation) to redeem or purchase them in accordance with the provisions of the terms and conditions of the Perpetual Securities.

Distribution Basis

Perpetual Securities may confer a right to receive distribution at fixed or floating rates.

**Fixed Rate Perpetual
Securities**

Fixed Rate Perpetual Securities will confer a right to receive distribution at a fixed rate which will be payable in arrear on specified dates. If so provided on the face of the Fixed Rate Perpetual Securities, the distribution rate may be reset on such dates and bases as may be set out in the relevant Pricing Supplement.

**Floating Rate Perpetual
Securities**

Floating Rate Perpetual Securities will bear interest determined separately for each Series as follows:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the Relevant Currency governed by an agreement incorporating the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc.; or
- (ii) by reference to SOR, SIBOR, HIBOR, CHN HIBOR, LIBOR or EURIBOR,

(or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin. Interest periods will be specified in the relevant Pricing Supplement.

**Distribution Periods and
Distribution Rates**

The length of the distribution periods for the Perpetual Securities and the applicable distribution rate or its method of calculation may differ from time to time or be constant for any Series. Perpetual Securities may have a maximum distribution rate, a minimum distribution rate, or both. The use of distribution accrual periods permits the Perpetual Securities to allow distribution at different rates in the same distribution period. All such information will be set out in the relevant Pricing Supplement.

Distribution Deferral

If Distribution Deferral is provided on the face of the Perpetual Security and the relevant Pricing Supplement, the relevant Issuer may, at its sole discretion, elect not to pay a distribution (or to pay only part of a distribution) which is scheduled to be paid on a Distribution Payment Date (as defined in the Conditions of the Perpetual Securities) by giving notice to the Trustee, the Issuing and Paying Agent and the Perpetual Securityholders (in accordance with Condition 14 of the Perpetual Securities) not more than 20 nor less than five business days (or such other notice period as may be specified on the face of the Perpetual Security and the relevant Pricing Supplement) prior to a scheduled Distribution Payment Date.

If Dividend Pusher is so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the relevant Issuer may not elect to defer any distribution if during the Reference Period (as specified in the relevant Pricing Supplement) ending on the day before that scheduled Distribution Payment Date, either or both of the following have occurred:

- (i) a discretionary dividend, distribution or other payment has been declared or paid on or in respect of the Issuer's Junior Obligations (as defined in the Conditions of the Perpetual Securities) or (except on a *pro rata* basis) Parity Obligations (as defined in the Conditions of the Perpetual Securities) or (in the case where the Issuer is not ESR) the Guarantor's Junior Obligations or (except on a *pro rata* basis) Parity Obligations; or
- (ii) any of the Issuer's or (in the case where the Issuer is not ESR) the Guarantor's Junior Obligations or (except on a *pro rata* basis) Parity Obligations has been redeemed, reduced, cancelled, bought back or acquired for any consideration on a discretionary basis; and/or
- (iii) as otherwise specified in the applicable Pricing Supplement,

in each case, other than (1) in connection with any employee benefit plan or similar arrangements with or for the benefit of the employees, directors or consultants of the Group or (2) as a result of the exchange or conversion of Parity Obligations of ESR or (in the case where the Issuer is not ESR) Parity Obligations of the Issuer for Junior Obligations of ESR or the Issuer and/or as otherwise specified in the relevant Pricing Supplement.

Non-Cumulative Deferral and Cumulative Deferral

If Non-Cumulative Deferral is so provided on the face of the Perpetual Security and the relevant Pricing Supplement, any distribution deferred pursuant to Condition 4(IV) of the Perpetual Securities is non-cumulative and will not accrue interest. The relevant Issuer is not under any obligation to pay that or any other distributions that have not been paid in whole or in part. The relevant Issuer may, at its sole discretion, and at any time, elect to pay an amount up to the amount of distribution which is unpaid (an “**Optional Distribution**”) (in whole or in part) by complying with the notice requirements in Condition 4(IV)(e) of the Perpetual Securities. There is no limit on the number of times or the extent of the amount with respect to which the relevant Issuer can elect not to pay distributions pursuant to Condition 4(IV) of the Perpetual Securities. Any partial payment of outstanding Optional Distribution by the relevant Issuer shall be shared by the holders of all outstanding Perpetual Securities and the Coupons related to them on a pro rata basis.

If Cumulative Deferral is so provided on the face of the Perpetual Security and the relevant Pricing Supplement, any distribution deferred pursuant to Condition 4(IV) of the Perpetual Securities shall constitute “**Arrears of Distribution**”. The relevant Issuer may, at its sole discretion, elect (in the circumstances set out in Condition 4(IV)(a) of the Perpetual Securities) to further defer any Arrears of Distribution by complying with the notice requirement applicable to any deferral of an accrued distribution. The relevant Issuer is not subject to any limit as to the number of times distributions and Arrears of Distribution can or shall be deferred pursuant to Condition 4(IV) of the Perpetual Securities except that Condition 4(IV)(c) of the Perpetual Securities shall be complied with until all outstanding Arrears of Distribution have been paid in full.

If Additional Distribution is so provided on the face of the Perpetual Security and the relevant Pricing Supplement, each amount of Arrears of Distribution shall bear interest as if it constituted the principal of the Perpetual Securities at the Distribution Rate and the amount of such interest (the “**Additional Distribution Amount**”) with respect to Arrears of Distribution shall be due and payable pursuant to Condition 4 of the Perpetual Securities and shall be calculated by applying the applicable Distribution Rate to the amount of the Arrears of Distribution and otherwise mutatis mutandis as provided in the provisions of Condition 4 of the Perpetual Securities. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added, for the purpose of calculating the Additional Distribution

Amount accruing thereafter, to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

**Restrictions in the case of
Non-Payment**

If Dividend Stopper is so provided on the face of the Perpetual Security and the relevant Pricing Supplement and on any Distribution Payment Date, payments of all distribution scheduled to be made on such date are not made in full by reason of Condition 4(IV) of the Perpetual Securities, the relevant Issuer and the Guarantor shall not and ESR shall procure that none of ESR's subsidiaries shall:

- (i) declare or pay any dividends, distributions or make any other payment on, and will procure that no dividend, distribution or other payment is made on, any of the Issuer's or (in the case where the Issuer is not ESR) the Guarantor's Junior Obligations or (except on a *pro rata* basis) Parity Obligations; or
- (ii) redeem, reduce, cancel, buy-back or acquire for any consideration, and will procure that no redemption, reduction, cancellation, buy-back or acquisition for any consideration is made in respect of, any of the Issuer's or (in the case where the Issuer is not ESR) the Guarantor's Junior Obligations or (except on a *pro rata* basis) Parity Obligations,

in each case other than (1) in connection with any employee benefit plan or similar arrangements with or for the benefit of the employees, directors or consultants of the Group or (2) as a result of the exchange or conversion of Parity Obligations of ESR or (in the case where the Issuer is not ESR) Parity Obligations of the Issuer for Junior Obligations of ESR or the Issuer, unless and until (A) (if Cumulative Deferral is specified as being applicable in the relevant Pricing Supplement) the relevant Issuer has satisfied in full all outstanding Arrears of Distribution, (B) (if Non-Cumulative Deferral is specified as being applicable in the relevant Pricing Supplement) a redemption of all the outstanding Perpetual Securities has occurred, the next scheduled distribution has been paid in full or an Optional Distribution equal to the amount of a distribution payable with respect to the most recent Distribution Payment Date that was unpaid in full or in part, has been paid in full or (C) the relevant Issuer or, as the case may be, the Guarantor, is permitted to do so by an Extraordinary Resolution of the Perpetual Securityholders and/or as otherwise specified in the relevant Pricing Supplement.

**Status of the Senior
Perpetual Securities and the
Senior Guarantee**

The Senior Perpetual Securities and Coupons relating to them constitute direct, unconditional, unsubordinated and unsecured obligations of the relevant Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the relevant Issuer.

The obligations of the Guarantor under the Senior Guarantee are contained in the Trust Deed. The payment obligations of the Guarantor under the Senior Guarantee and the Trust Deed constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and shall rank *pari passu* with all other unsecured obligations (other than subordinated obligations and priorities created by law) of the Guarantor.

**Status of the Subordinated
Perpetual Securities and the
Subordinated Guarantee**

The Subordinated Perpetual Securities and Coupons relating to them constitute direct, unconditional, subordinated and unsecured obligations of the relevant Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with any Parity Obligations of (in the case where the Issuer is not ESR) the Issuer or (in the case where the Issuer is ESR) ESR.

The obligations of the Guarantor under the Subordinated Guarantee are contained in the Trust Deed. The payment obligations of the Guarantor under the Subordinated Guarantee constitute direct, unconditional, subordinated and unsecured obligations of the Guarantor and shall rank *pari passu* with any Parity Obligations of ESR.

**Subordination of
Subordinated Perpetual
Securities and the
Subordinated Guarantee**

Subject to the insolvency laws of the relevant Issuer's jurisdiction of incorporation and other applicable laws, in the event that a final and effective order or resolution for the winding-up of the relevant Issuer is passed, the rights of the Perpetual Securityholders and Couponholders in respect of Subordinated Perpetual Securities to payment of principal of and distribution on the Subordinated Perpetual Securities and the Coupons relating to them are expressly subordinated and subject in right of payment to the prior payment in full of all claims of senior creditors of the relevant Issuer but at least *pari passu* with all other subordinated obligations of the relevant Issuer that are not expressed by their terms to rank junior to the Subordinated Perpetual Securities and in priority to the claims of shareholders of the Issuer and/or as otherwise specified in the relevant Pricing Supplement.

Subject to the insolvency laws of the Cayman Islands and other applicable laws, in the event that a final and effective order or resolution for the winding-up of the Guarantor is passed, the rights of the Perpetual Securityholders and Couponholders in respect of the Subordinated Guarantee to payment of principal of and distribution on the Subordinated Perpetual Securities and the Coupons relating to them are expressly subordinated and subject in right of payment to the prior payment in full of all claims of senior creditors of the Guarantor but at least *pari passu* with all other subordinated obligations of the Guarantor that are not expressed by their terms to rank junior in respect of the Subordinated Guarantee and in priority to the claims of shareholders of the Guarantor and/or as otherwise specified in the relevant Pricing Supplement.

No set-off in relation to Subordinated Perpetual Securities and the Subordinated Guarantee

Subject to applicable law, no holder of Subordinated Perpetual Securities or any Coupons relating to them may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the relevant Issuer in respect of, or arising under or in connection with the Subordinated Perpetual Securities or Coupons relating to them and each holder of Subordinated Perpetual Securities or any Coupons relating to them shall, by virtue of his holding of any Subordinated Perpetual Securities or Coupons relating to them, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the relevant Issuer. Notwithstanding the preceding sentence, if any of the amounts owing to any holder of Subordinated Perpetual Securities or any Coupons relating to them by the relevant Issuer in respect of, or arising under or in connection with the Subordinated Perpetual Securities or Coupons relating to them is discharged by set-off, such holder of Subordinated Perpetual Securities or any Coupons relating to them shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the relevant Issuer (or, in the event of the winding-up or administration of the relevant Issuer, the liquidator or, as appropriate, administrator of the relevant Issuer) and, until such time as payment is made, shall hold such amount in trust for the relevant Issuer (or the liquidator or, as appropriate, administrator of the relevant Issuer) and accordingly any such discharge shall be deemed not to have taken place.

Subject to applicable law, no holder of Subordinated Perpetual Securities or any Coupons relating to them may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Guarantor in respect of, or arising under or in connection with, the Subordinated Guarantee, and each holder of Subordinated Perpetual Securities or any Coupons relating to them shall, by virtue of his holding of any Subordinated Perpetual Securities or Coupons relating to them, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Guarantor. Notwithstanding the preceding sentence, if any of the amounts owing to any holder of Subordinated Perpetual Securities or any Coupons relating to them by the Guarantor in respect of, or arising under or in connection with, the Subordinated Guarantee is discharged by set-off, such holder of Subordinated Perpetual Securities or any Coupons relating to them shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Guarantor (or, in the event of its winding-up or administration, the liquidator or, as appropriate, administrator of the Guarantor) and, until such time as payment is made, shall hold such amount in trust for the Guarantor (or the liquidator or, as appropriate, administrator of the Guarantor) and accordingly any such discharge shall be deemed not to have taken place.

Optional Redemption

If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the relevant Issuer may, on giving not less than 30 nor more than 60 days' irrevocable notice to the Perpetual Securityholders (or such other notice period as may be specified hereon), redeem all or, if so provided, some of the Perpetual Securities at their Redemption Amount or integral multiples thereof and on the date or dates so provided. Any such redemption of Perpetual Securities shall be at their Redemption Amount, together with distribution accrued (including any Arrears of Distribution and any Additional Distribution Amount) to (but excluding) the date fixed for redemption.

Tax Redemption

If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the relevant Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified thereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount, (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption), if:

- (i) the Issuer receives a ruling by the Comptroller of Income Tax in Singapore (or other relevant authority) which confirms that: (1) the Perpetual Securities will not be regarded as “debt securities” for the purposes of Section 43N(4) of the Income Tax Act, Chapter 134 of Singapore (“ITA”) and Regulation 2 of the Income Tax Act (Qualifying Debt Securities) Regulations; or (2) the distributions (including any Arrears of Distribution and any Additional Distribution Amount) will not be regarded as interest payable by the Issuer for the purposes of the withholding tax exemption on interest for “qualifying debt securities” under the ITA; or
- (ii) the relevant Issuer (or, if the Guarantee was called, the Guarantor) satisfies the Trustee immediately prior to the giving of such notice that the relevant Issuer (or if the Guarantee was called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 7 of the Perpetual Securities, or increase the payment of such additional amounts, as a result of any change in, or amendment to, the laws (or any regulations, rulings or other administrative pronouncements promulgated thereunder) of the jurisdiction of incorporation of the relevant Issuer or the Guarantor, as the case may be, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations, rulings or other administrative pronouncements, which change or amendment is made public on or after the Issue Date or any other date specified in the Pricing Supplement and such obligations cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the relevant Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Perpetual Securities then due.

Redemption for Accounting Reasons

If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the relevant Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified thereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption) if, on such Distribution Payment Date or any time after that Distribution Payment Date, as a result of any changes or amendments to International Financial Reporting Standards, as amended from time to time (the "IFRS") or any other accounting standards that may replace IFRS for the purposes of the consolidated financial statements of ESR (the "**Relevant Accounting Standard**"), the Perpetual Securities and/or the Guarantee will not or will no longer be recorded as "equity" of the relevant Issuer or, as the case may be, the Guarantor pursuant to the Relevant Accounting Standard.

Redemption for Tax Deductibility

If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the relevant Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified thereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption),

- (i) if the relevant Issuer or, as the case may be, the Guarantor, satisfies the Trustee immediately before giving such notice that, as a result of:
 - (1) any amendment to, or change in, the laws (or any rules or regulations thereunder) of the jurisdiction of incorporation of the relevant Issuer or the Guarantor or any political subdivision or any taxing authority thereof or therein which is enacted, promulgated, issued or becomes effective otherwise on or after the issue date of such Perpetual Securities;
 - (2) any amendment to, or change in, an official and binding interpretation of any such laws, rules or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or

regulatory determination) which is enacted, promulgated, issued or becomes effective otherwise on or after the issue date of such Perpetual Securities; or

- (3) any applicable official interpretation or pronouncement (which, for the avoidance of doubt, includes any ruling) which is issued or announced on or after the Issue Date that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position which is announced on or after the issue date of such Perpetual Securities,

payments by the Issuer or, as the case may be, the Guarantor, which would otherwise have been tax deductible to ESR, are no longer, or would in the Distribution Period immediately following that Distribution Payment Date no longer be, fully deductible by ESR for income tax purposes in the jurisdiction where it is tax domiciled; or

- (ii) if the Issuer receives a ruling by the Comptroller of Income Tax in Singapore (or other relevant authority) which confirms that the distributions (including any Arrears of Distribution and any Additional Distribution Amount) will not be regarded as sums “payable by way of interest upon any money borrowed” for the purpose of tax deduction under Section 14(1)(a) of the ITA.

**Redemption in the case of
Minimal Outstanding Amount**

If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities redeemed at the option of the relevant Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified thereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption) if, immediately before giving such notice, the aggregate principal amount of the Perpetual Securities outstanding is less than 10 per cent. of the aggregate principal amount originally issued (including any further Perpetual Securities issued pursuant to Condition 12 of the Perpetual Securities and consolidated and forming a single series with the Perpetual Securities).

Limited right to institute proceedings in relation to Perpetual Securities

Notwithstanding any of the provisions in Condition 9 of the Perpetual Securities, the right to institute proceedings for winding-up is limited to circumstances where payment has become due. In the case of any distribution, such distribution will not be due if the relevant Issuer has elected not to pay that distribution in accordance with Condition 4(IV) of the Perpetual Securities.

Proceedings for Winding-Up

If (i) a final and effective order is made or an effective resolution is passed for the winding-up of the relevant Issuer and/ or the Guarantor or (ii) the relevant Issuer fails to make payment in respect of the Perpetual Securities when due or the Guarantor fails to pay any amount under the Guarantee when due and, in each case, such failure continues for a period of more than 15 business days the relevant Issuer or, as the case may be, the Guarantor shall be deemed to be in default under the Trust Deed and the Perpetual Securities or, as the case may be, the Guarantee and the Trustee may, subject to the provisions of Condition 9(d) of the Perpetual Securities, institute proceedings for the winding-up of the relevant Issuer and/or the Guarantor and/or prove in the winding-up of the relevant Issuer and/or the Guarantor and/or claim in the liquidation of the relevant Issuer and/or the Guarantor for such payment of the Perpetual Securities at their principal amount together with any distributions accrued (including any Arrears of Distribution and any Additional Distribution Amount).

Taxation

All payments in respect of the Perpetual Securities and the Coupons by the relevant Issuer or, as the case may be, the Guarantor shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the jurisdiction of incorporation of the relevant Issuer or the Guarantor or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the relevant Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in the receipt by the Securityholders and the Couponholders of such amounts as would have been received by them had no such deduction or withholding been required, save for certain exceptions specified in the condition of the Perpetual Securities.

For the avoidance of doubt, neither the Issuer, the Guarantor nor any other person shall be required to pay any additional amounts or otherwise indemnify a holder for any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code as amended or otherwise imposed pursuant to Sections

1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement).

Governing Law

English law, except that the subordination provisions set out in Condition 3(b) of the Perpetual Securities applicable to (i) the relevant Issuer shall be governed by and construed in accordance with the laws of such Issuer's jurisdiction of incorporation and (ii) the Guarantor shall be governed by and construed in accordance with the laws of the Cayman Islands.

SELECTED FINANCIAL INFORMATION

The following tables set forth the selected consolidated financial information of the Group as at and for the periods indicated.

The selected audited consolidated financial information of the Group as of and for the financial years ended 31 December 2015 and 2016 have been derived from the audited financial statements of the Group included in this Offering Circular and should be read together with such financial statements and the notes thereto.

*The selected unaudited pro forma consolidated statement of financial position as of 31 December 2015 is derived from the audited consolidated statement of financial position of the Group, ESR Singapore Pte. Ltd. (formerly known as Redwood Group Asia Pte. Ltd.) (the “**Target Company A**”) and Redwood Asian Investments, Ltd. (the “**Target Company B**”, and together with Target Company A, the “**Target Companies**”) as of 31 December 2015 included in this Offering Circular and should be read together with such financial statements and the notes thereto, and has been prepared to give effect to the acquisition by the Group of 100% of the share capital of Target Company A and Target Company B (the “**Acquisition**”) as if the Acquisition had occurred on 31 December 2015.*

The selected unaudited pro forma consolidated statement of profit or loss for the year ended 31 December 2015 is derived from the audited consolidated statement of profit or loss of the Group, Target Company A and Target Company B for the year ended 31 December 2015 and has been prepared to give effect to the Acquisition as if the Acquisition had occurred on 1 January 2015.

The unaudited pro forma consolidated financial information appearing below should be read in conjunction with the historical audited financial statements of the Group, Target Company A and Target Company B included elsewhere in this Offering Circular.

The selected unaudited pro forma consolidated financial information is based on the consolidated statement of financial position and consolidated statement of profit or loss prepared in accordance with International Financial Reporting Standards, subject to the assumptions described in the notes appearing below. The objective of the unaudited pro forma information is to provide information about the impact of the Acquisition by indicating how the Acquisition might have affected historical consolidated financial statements of the Group had it occurred as of 31 December 2015, with respect to the consolidated statement of financial position, and 1 January 2015, with respect to the consolidated statement of profit or loss. The unaudited pro forma consolidated statement of financial position and consolidated statement of profit or loss comprise historical financial information which has been retroactively combined to reflect the effect of the Acquisition as described in the notes thereto and does not reflect any adjustments to reflect significant trends or other factors that may be of relevance in considering future performance.

The unaudited pro forma consolidated financial information has been prepared for illustrative purposes only and does not purport to be indicative of what the operating results of the Group would have been had the Acquisition actually taken place on 31 December and 1 January 2015. In addition, the unaudited pro forma financial information in this Offering Circular may not be directly comparable to the corresponding financial information for the year ended 31 December 2016 and the financial information of the Group in future years. Consequently, such unaudited pro forma consolidated financial information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review by an independent auditor. None of the Arrangers, the Dealers or any of their respective affiliates, directors or advisors makes any representation or warranty, express or implied, regarding the accuracy or completeness of such unaudited pro forma consolidated financial information or their sufficiency for an assessment of, and investors are cautioned not

to place undue reliance on the unaudited pro forma consolidated financial information appearing below. See “Risk Factors — Risks Relating to the Presentation of the Financial Information in the Offering Circular — The pro forma financial information included in the Offering Circular is not comparable to the corresponding financial information of the Group for the year ended 31 December 2016 and of future years.” for further details.

SELECTED STATEMENT OF FINANCIAL POSITION

	The Group	The Target Company A as of 31 December 2015	The Target Company B	Unaudited Pro Forma	Adjustments	The Group Pro Forma Financial Information as of 31 December 2015	The Group as of 31 December 2016
				RMB'000 (Note 1)	(Note 2)	(Note 3)	
NON-CURRENT ASSETS							
Property, plant and equipment	7,168	2,502	—	—	—	—	9,670
Investment in joint ventures	566,781	—	—	—	—	—	566,781
Financial assets at fair value through profit or loss	—	—	337,099	—	—	—	337,099
Available-for-sale investments	—	1,116	6,689	—	—	—	7,805
Investment properties	4,404,750	—	—	—	—	—	4,404,750
Goodwill	—	—	—	—	—	1,380,288	1,380,288
Other intangible assets	66	2	—	—	—	186,243	186,311
Other non-current assets	397,683	3,613	—	—	—	—	401,296
Deferred tax assets	41,284	3,424	—	—	—	—	44,708
Total non-current assets	5,417,732	10,657	343,788	—	—	1,566,531	7,338,708
CURRENT ASSETS							
Trade receivables	34,771	—	—	—	—	—	34,771
Prepayments, deposits and other receivables	227,730	32,325	34,867	(30,588)	—	—	264,334
Derivative financial instruments	1,688	—	—	—	—	—	1,688
Pledged bank deposits	243,641	—	—	—	—	—	243,641
Cash and cash equivalents	937,152	18,355	268,720	—	—	—	1,224,227
Total current assets	1,444,982	50,680	303,587	(30,588)	—	—	1,768,661
CURRENT LIABILITIES							
Bank loans and other borrowings	232,750	—	—	—	—	—	232,750
Trade payables, accruals and other payables	343,262	157,131	158,811	(30,588)	(200,117)	—	428,499
Derivative financial instruments	78,845	—	—	—	—	—	78,845
Tax payable	9,707	513	—	—	—	—	10,220
Total current liabilities	664,564	157,644	158,811	(30,588)	(200,117)	—	750,314

	The Group	The Target Company A as of 31 December 2015	The Target Company B	Unaudited Pro Forma Adjustments			The Group Pro Forma Financial Information as of 31 December 2015	The Group December 2016
				RMB'000				
				(Note 1)	(Note 2)	(Note 3)		
NET CURRENT ASSETS	780,418	(106,964)	144,776	—	200,117	—	1,018,347	2,836,380
TOTAL ASSETS LESS CURRENT LIABILITIES	6,198,150	(96,307)	488,564	—	200,117	1,566,531	8,357,055	13,718,961
NON-CURRENT LIABILITIES								
Deferred tax liabilities	468,945	—	—	—	—	55,873	524,818	762,737
Bank loans and other borrowings	3,023,937	—	5,778	—	—	—	3,029,715	5,267,979
Redeemable convertible preference shares	—						—	1,707,587
Financial liabilities at fair value through profit or loss	—	—	269,938	—	—	—	269,938	87,351
Other non-current liabilities	53,828	—	—	—	—	—	53,828	73,960
Total non-current liabilities	3,546,710	—	275,716	—	—	55,873	3,878,299	7,899,614
NET ASSETS	2,651,440	(96,307)	212,848	—	200,117	1,510,658	4,478,756	5,819,347
EQUITY								
Equity attributable to owners of the parent								
Issued capital	9,752	61,656	—	—	200,117	(259,355)	12,170	12,170
Equity component of redeemable convertible instruments	—						—	453,676
Reserves	2,636,043	(157,963)	44,762	—	—	1,770,013	4,292,855	4,794,093
	2,645,795	(96,307)	44,762	—	200,117	1,510,658	4,305,025	5,259,939
Non-controlling interests	5,645	—	168,086	—	—	—	173,731	559,408
Total equity	2,651,440	(96,307)	212,848	—	200,117	1,510,658	4,478,756	5,819,347

Notes:

- (1) The pro forma adjustments reflect the elimination of intercompany balances between the newly acquired subsidiaries.
- (2) Pursuant to an agreement dated January 2016, Redwood Investment Company, Ltd. (“**RIC**”), shareholder of the Target Companies, converted its debt of the Target Companies into capital. The pro forma adjustments represent the debt-for-equity swaps transaction of US\$30,818,000 (the spot exchange rate for US\$ on 31 December 2015 was used to translate the increased equity from US\$ to RMB, which is RMB200,117,000) as if it had been completed on 31 December 2015.
- (3) Pursuant to the Share Subscription and Merger Agreement dated 20 January 2016, ESR issued 19.865% ordinary shares to RIC in exchange for the 100% equity interests of the Target Companies. The acquisition of Target Companies from RIC is considered as a business combination in accordance with IFRS 3 “Business Combinations”.

For the purpose of the unaudited pro forma consolidated financial information, the directors of ESR had assumed that the acquisition deal occurred on 31 December 2015 and the carrying values of the identifiable assets and liabilities of the Target Companies at 31 December 2015 approximated to their fair values, which will be reassessed on the completion date of the proposed acquisition together with the fair value assessment of the intangible assets and deferred tax impact in relation to such fair value adjustments.

The existing management contracts between Redwood and the funds LPs amounting to US\$28,681,000 (the spot exchange rate for US\$ on 31 December 2015 was used to translate the management contracts from US\$ to RMB, which is RMB186,243,000) was identified arising from the business combination, which is recognised as other intangible assets. Deferred tax liabilities of US\$8,604,000 (the spot exchange rate for US\$ on 31 December 2015 was used to translate the management contracts from US\$ to RMB, which is RMB55,873,000) represents the applicable tax rate of 30 per cent. on fair value adjustment in management contracts, in accordance with the Japan income tax regulation.

Goodwill represents the excess of the cost of the proposed acquisition over the estimated fair value of the identifiable net assets of the Target Companies. For the purpose of this section, the directors of ESR had assumed that: (1) the consideration of the proposed acquisition of the Target Companies was 19.865% of the ordinary shares of ESR, with fair value of US\$253,179,000 (the spot exchange rate for US\$ on 31 December 2015 was used to translate the value from US\$ to RMB, which is RMB1,664,045,000); (2) the management contracts amounting to US\$28,681,000 (the spot exchange rate for US\$ on 31 December 2015 was used to translate the management contracts from US\$ to RMB, which is RMB186,243,000) arising from the business combination; (3) the deferred tax liabilities of US\$8,604,000 (the spot exchange rate for US\$ on 31 December 2015 was used to translate the management contracts from US\$ to RMB, which is RMB55,873,000) on the fair value adjustment in management contracts and (4) the estimated fair value of the identifiable net assets of the Target Companies as of 31 December 2015.

SELECTED STATEMENT OF PROFIT OR LOSS

		The Target	The Target	Unaudited	The Group	
	The Group	Company A	Company B	Pro Forma	Pro Forma	The Group
	for the year ended 31 December			Adjustments	Information	for the year ended 31 December
	2015				2015	2016
				RMB'000		
				(Note 1)		
Revenue	336,195	85,031	—	—	421,226	649,620
Cost of sales	(21,032)	—	—	—	(21,032)	(17,826)
Gross profit	315,163	85,031	—	—	400,194	631,794
Other income and gains	229,014	1,678	22,545	—	253,237	907,538
Administrative expenses	(151,833)	(120,955)	(5,685)	(26,605)	(305,078)	(387,135)
Fair value loss on derivative financial instrument	(2,312)	—	—	—	(2,312)	(81,474)
Finance costs	(251,614)	(6,460)	(259)	—	(258,333)	(375,352)
Share of profits and losses of joint ventures	3,378	—	—	—	3,378	244,112
Profit before tax	141,796	(40,706)	16,601	(26,605)	91,086	939,483
Income tax expense	(82,925)	(364)	—	(6,652)	(89,941)	(234,284)
Profit for the year	58,871	(41,070)	16,601	(33,257)	1,145	705,199
Profit attributable to:						
— Owners of the Company	59,237	(41,070)	15,003	(33,257)	(87)	593,881
— Non-controlling interests	(366)	—	1,598	—	1,232	111,318
	58,871	(41,070)	16,601	(33,257)	1,145	705,199

Note:

- (1) The pro forma adjustments reflect the amortisation of management contract and related defer tax expenses during the year 2015.

RISK FACTORS

Prior to making any investment decision, investors should consider carefully all of the information in this Offering Circular, including any documents incorporated by reference herein and the risks and uncertainties described below. Any of the risks described below could materially and adversely affect any Issuer's and/or the Guarantor's ability to satisfy its obligations, including those under the Securities and/or the Guarantee, as the case may be, and have a material adverse effect on such Issuer's, the Guarantor's and/or the Group's business, financial condition or results of operations. In that event, the market price of the Securities could decline and investors may lose all or part of their investment in the Securities. The risks and uncertainties described below are not the only risks and uncertainties the Issuers, the Guarantor and the Group face. In addition to the risks described below, there may be other risks and uncertainties not currently known to the Issuers, the Guarantor or the Group or that the Issuers, the Guarantor or the Group currently deem to be immaterial which may in the future become material risks. The risks discussed below may also include forward-looking statements and the Issuers', the Guarantor's and the Group's actual results may differ substantially from those discussed in these forward-looking statements. Sub-headings are for convenience only and risk factors that appear under a particular sub-heading may also apply to one or more other sub-headings.

RISKS RELATING TO THE BUSINESS AND INDUSTRY OF ESR GENERALLY

ESR may pursue transformative acquisitions of other major businesses, including businesses which could be significantly larger in scale compared to ESR.

As part of its growth strategy, ESR may pursue acquisitions of other major businesses, including businesses which could be significantly larger in scale compared to ESR and may at any time be at various relevant stages of evaluating any potential bid or acquisition. Any such acquisition, if undertaken, may result in a major transformation of the Group's business including potentially in the nature and location of its business and assets, the markets and customers it services, the risks it is vulnerable to or the competitive advantages it will have, the composition and drivers of its revenue, costs and profitability and its credit profile and level of debt. This would likely result in a vastly different financial profile for the Group that could also result in the Group assuming significant levels of structurally senior and/or secured debt. Any additional indebtedness that ESR incurs to finance its acquisitions may also adversely affect the Group's ability to pay interest or distributions and service the Securities and its financial condition and cash flows. In addition, if such an acquisition were to occur, there is no assurance that the integration of the acquired business could proceed smoothly, the anticipated benefits and synergies of the acquisition would be realised or that the Group's anticipated profitability and cash flows post acquisition would not be adversely impacted, particularly if the acquisition target were to be of a significant size or a key player in the same industry. See *"ESR may face difficulties in realising the benefits of any acquisitions."* In addition, ESR may participate in acquisition processes that are ultimately unsuccessful but which may result in significant costs and management time being spent considering the potential transaction. If any acquisition were to occur, it may thus have a significant impact on ESR's business, financial condition, results of operation and prospects and there can be no assurance that in the event any such acquisition takes place, it will not have a material adverse impact on the Group's business, financial condition, results of operations and prospects.

ESR may face difficulties in realising the benefits for any acquisitions.

One component of ESR's growth strategy is to make business acquisitions, some of which have historically been transformative to the Group's business. For example, in January 2016, E-Shang Cayman Limited and Redwood Group Asia were merged to form ESR to provide enhanced operational capabilities and business relationships to cater to the needs of logistics players in China, Japan and South Korea. In addition, in January 2017, ESR

obtained control of the Cambridge Industrial Trust Management Limited and Cambridge Industrial Property Management Pte. Ltd., the manager and property manager, respectively, of Cambridge Industrial Trust. See “*Description of the Group — History and Background*” and “*Corporate Milestones and Recent Developments*”. ESR continues to and continually evaluates potential acquisition opportunities. Prior to completing any acquisition, ESR identifies expected synergies, cost savings and growth opportunities but, due to legal, regulatory and business limitations, ESR may not have access to all necessary information and, as a result, will face the operational and financial risks inherent in such acquisitions. The integration process, in particular in relation to a transformative acquisition, may be complex, costly and time-consuming. The potential difficulties of integrating the operations of an acquired business and realising ESR’s expectations for an acquisition, including the benefits that may be realised, include, among other things:

- failure to implement the business plan for the combined business;
- delays or difficulties in completing the integration of acquired companies or assets;
- higher than expected costs, lower than expected cost savings and/or a need to allocate resources to manage unexpected operating difficulties;
- unanticipated issues in integrating logistics, information, communications and other systems;
- unanticipated changes in applicable laws and regulations;
- unanticipated changes in the combined business due to potential divestitures or other requirements imposed by antitrust regulators;
- failure to maintain the continuity or assimilation of operations or employees,
- retaining key customers, suppliers and employees;
- retaining and obtaining required regulatory approvals, licenses and permits;
- operating risks inherent in the acquired business and ESR’s existing business;
- diversion of the attention and resources of management;
- assumption of liabilities not identified in due diligence;
- the impact on ESR’s or an acquired business’ internal controls and compliance with the requirements; and
- other unanticipated issues, expenses and liabilities.

There can be no assurance that in the event any such acquisition takes place, it will not have a material adverse impact on the Group’s business, financial condition, results of operations and prospects.

The Group’s performance is dependent on the PRC, Japan, Korean and Singapore property markets.

The Group has interests in a number of real estate properties, which are situated in the People’s Republic of China (the “**PRC**”), Japan, Korea and Singapore. Consequently, ESR’s business, financial condition and results of operations are dependent on the operational and financial performance of these properties (see “*Description of the Group*”). The property interests of ESR are subject to certain risks inherent in the ownership of, investment in and

development of real estate properties. These risks include, but are not limited to, the cyclical nature of property markets, changes in general economic, business and credit conditions, changes in government policies or regulations affecting real estate, building and other raw materials shortages, fluctuations in interest rates and the costs of labour and materials. The Group's property interests are also affected by the strength of the PRC, Japan, Korean and Singapore property market.

In the past, the PRC, Japanese, Korean and Singaporean property values have been affected by supply and demand of comparable properties, the rate of economic growth in Japan, Korea and Singapore and political and economic developments in the PRC, as well as the condition of the global economy. Economic developments outside Japan, Korea and Singapore, such as the economy in the PRC and the interest rate movements and unemployment rate in the United States and other countries, could also adversely affect the property market in Japan, Korea and Singapore. In the event of economic decline, the Group may experience market pressures that affect companies with significant interests in the PRC, Japanese, Korean and Singapore property markets, such as pressures from tenants or prospective tenants to provide rent reductions or reduced market prices for sale properties. Rental values are also affected by factors such as supply and demand of comparable properties, political developments, governmental regulations and changes in planning or tax laws, interest rate fluctuations and inflation. Any decline in rental yields or property values could have a material adverse effect on the Group's business, financial condition, results of operations, performance and prospects. There can be no assurance that rental and property values will not decline, the amount of bank credit available to the business of the Group will not decrease or that interest rates will not rise in the future. Any adverse developments with respect to the property markets in the PRC, Japan, Korean and Singapore could have a material adverse effect on ESR's business, financial condition, results of operations, performance and prospects.

The Group's business may be affected by global and regional economic developments.

The economies of Asian and other countries may be adversely impacted by actual or expected decreases in the rate of growth of the global and the PRC's economy, consumption and investment, and concerns over the volume and quality of credit. These global and regional economic factors may adversely affect economic growth in the PRC, Japan, Korea, Singapore and elsewhere. There can be no assurance that a recession or slower economic growth in the PRC, the United States or in other economies will not result in reduced demand or a decrease in consumers' or investors' confidence in the property markets or lower property prices in Japan, Korea and Singapore.

Notwithstanding the countries referred to in this Offering Circular, the Group may expand its businesses to include other countries in the future. The risk profile of the Group will therefore encompass the risks involved in each of the countries or businesses that the Group operates in. The business, financial condition, performance or prospects of the Group may be adversely affected by any of such risks. Adverse economic and/or property and property-related developments locally and/or globally may also have a material adverse effect on its business, financial condition, results of operations, performance and prospects of the Group.

Changes in the global credit and financial markets have in recent years affected the availability of credit and led to an increase in the cost of financing. The Group may consequently find it difficult to the future in accessing the financial markets, which could make it more difficult or expensive to obtain funding. There can be no assurance that the Group will be able to continue to raise finance at a reasonable cost, or at all, which may have a material adverse effect on its business, financial condition, results of operations, performance and prospects.

In addition, most of the Group's business activities are concentrated in the Asia Pacific region. As a result, the Group's revenue and results of operations and future growth depend, to a large extent, on the continued growth of the markets in, and general economic conditions of, the Asia Pacific region. Over the past five years, currency fluctuations, interest rates and other factors have materially and adversely affected the economies of many countries in the Asia Pacific region. The effect of further economic decline in the Asia Pacific region could adversely affect the Group's results of operations and future growth. Moreover, some of the countries in the Asia Pacific region in which the Group operates and has investments have experienced or continued to experience political instability. The continuation or re-emergence of such political instability in the future could have a material adverse effect on economic and social conditions in those countries.

Uncertainties and instability in global market conditions could adversely affect the business, financial condition and results of operations of the Group.

Concerns about the outlook of the PRC economy, United Kingdom's impending exit from the European Union, the political situation within the European Union and the recent interest rate hikes in the United States have impacted global equity markets and commodity prices.

In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. The referendum was advisory, and the terms of any withdrawal are subject to a negotiation period that could last at least two years after the government of the United Kingdom formally initiates a withdrawal process. Nevertheless, the referendum has created significant uncertainty about the future relationship between the United Kingdom and the European Union, including with respect to the laws and regulations that will apply when the United Kingdom leaves the European Union. The referendum has also given rise to calls for the governments of other European Union member states to consider withdrawal. In April 2017, the British Prime Minister Theresa May called for an early snap general election to be held in 8 June 2017, in seeking a strong mandate in talks over leaving the European Union. These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. In addition, there are also still lingering concerns about sovereign debt in certain European nations which have continued to have a significant impact on the global credit and financial markets as a whole.

Furthermore, the slide in oil prices has also resulted in depressed growth in many resource-dependent economies. Economic factors including, without limitation, changes in interest rates and inflation, changes in gross domestic product, economic growth, employment levels and consumer spending, consumer and investment sentiment, property market volatility and availability of debt and equity capital could adversely affect the business, financial condition and results of operations of the Group.

The Group's overseas business is subject to the macro-economic policies and austerity measures of foreign governments, in both Asia and abroad.

The property sectors in the countries in which the Group has business are subject to the macro-economic policies and austerity measures of the respective governments. Any action by the respective governments concerning the economy or the real estate sector in particular could have a material adverse effect on the Group's business, financial condition, results of operations, performance and prospects. Policies and measures introduced and which may be introduced by the respective government may lead to changes in market conditions, including price instability and an imbalance between supply of and demand for properties in the

respective countries. The authorities may continue to adjust interest rates, tax rates and other economic policies or impose other regulations or restrictions that may have an adverse effect on the property market in the respective countries, which may adversely affect the Group's business.

The real property portfolio of the Group and the returns from its investments could be adversely affected by fluctuations in the value and rental income of its properties and other factors.

Returns from an investment in real estate depend largely upon the amount of rental income generated from the property and the expenses incurred in the operation of the property, including the management and maintenance of the property, as well as changes in the market value of the property.

Rental income and the market value of properties may be adversely affected by a number of factors including:

- the overall conditions in the economies in which ESR operates, such as growth or contraction in gross domestic product, consumer sentiment, employment trends and the level of inflation and interest rates;
- local real estate conditions, such as the level of demand for, and supply of, industrial property and business space;
- the Group's ability to collect rent on a timely basis or at all;
- defects affecting the properties in the Group's portfolio which could affect the ability of the relevant tenants to operate on such properties;
- the perception of prospective customers of the usefulness and convenience of the relevant property;
- the Group's ability to provide adequate management, maintenance or insurance;
- the financial condition of customers and the possible bankruptcy of customers;
- high or increasing vacancy rates;
- changes in tenancy laws; and
- external factors including major world events, such as war and terrorist attacks, and acts of God such as floods and earthquakes.

In addition, other factors may adversely affect a property's value without necessarily affecting its current revenues and operating income, including:

- changes in laws and governmental regulations, including tenancy, zoning, planning, environmental or tax laws;
- potential environmental or other legal liabilities;
- unforeseen capital expenditure;
- the supply and demand for industrial properties or business space;
- loss of anchor tenants;

- the availability of financing; and
- changes in interest rates.

Consequently, ESR's operating results and financial condition may be materially adversely impacted by economic conditions.

Reduction in the maximum loan-to-value ratio for mortgages and increases in interest rates in the PRC, Japan, Korea and Singapore where ESR has property interests may also adversely affect the availability of loans on terms acceptable to purchasers, and hence the amount of other income ESR may be able to generate should it wish to dispose of any property interests. ESR may also be subject to third party solvency and other risks in relation to its financial investments and arrangements.

The Group's business may require substantial capital investment.

The Group may in the future require additional financing to fund its capital expenditure, to support the future growth of its business, particularly if significant expansion is undertaken, and/or to refinance existing debt obligations. ESR's ability to arrange external financing and the cost of such financing is dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence in ESR, the success of ESR's business, provisions of relevant tax and securities laws and political and economic conditions in the PRC, Japan, Korea and Singapore. There can be no assurance that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favourable to ESR.

The inability to refinance its indebtedness at maturity or meet its payment obligations could adversely affect the cash flows and the financial condition of ESR. In such circumstances, ESR may require equity financing, which would be dependent on the appetite and financial capacity of its shareholders. In addition, equity financing may result in a different taxation treatment to debt financing, which may result in an adverse impact on the business, financial condition and results of operation of ESR.

The Group has a significant amount of secured indebtedness and the claims of holders of the Securities would rank behind claims of secured creditors of the Group. ESR is a holding company and payments with respect to the Securities are structurally subordinated to liabilities, contingent liabilities and obligations of its subsidiaries.

The Group has a significant amount of secured indebtedness, which has been primarily incurred by ESR's subsidiaries. As of 31 December 2016, the Group has total secured indebtedness of RMB5.8 billion (U.S.\$834.9 million). The Securities and the Guarantee are unsecured obligations of the relevant Issuer and the Guarantor, as the case may be, and, in the event of any foreclosure, dissolution, winding up, liquidation, reorganisation, administration or other bankruptcy or insolvency proceeding of the relevant Issuer or the Guarantor, holders of secured indebtedness will have prior claims to the assets of the Group that constitute their collateral and the claims of holders of the Securities would rank behind claims of such secured creditors of the Group. In the event that any of the secured indebtedness of the relevant Issuer or the Guarantor becomes due or the creditors thereunder proceed against the assets that secure such indebtedness, the relevant Issuer's or the Guarantor's assets remaining after repayment of such secured indebtedness may not be sufficient to repay all amounts owing in respect of the Securities or under the Guarantee. As a result, holders of the Securities may receive less than holders of such secured indebtedness.

Furthermore, ESR is a holding company with no material operations of its own and conducts operations of the Group primarily through its subsidiaries. The Securities will not be guaranteed by any current or future subsidiaries of ESR. ESR's primary assets are ownership interests in its operating subsidiaries, which are held through certain subsidiaries. Accordingly, ESR's ability to pay principal, interest and/or distributions on the Securities (whether as an issuer or pursuant to the Guarantee) will depend upon its receipt of principal and interest payments on intercompany loans and distributions of dividends from its subsidiaries. ESR's subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts due on the Securities or to provide ESR with funds in respect of its payment obligations, whether by dividends, distributions, loans or other consideration. Payments to ESR by its subsidiaries are contingent upon such subsidiaries' earnings and cash flows. Creditors, including trade creditors of subsidiaries and holders of preferred shares in such entities would have a claim on such subsidiaries' assets that would be superior to the claims of holders of the Securities. As a result, ESR's payment obligations under the Securities are structurally subordinated to all existing and future obligations of ESR's subsidiaries, including their obligations under guarantees it has issued or will issue in connection with its business operations. All the claims of creditors of ESR's subsidiaries will have priority as to the assets of such entities over ESR's claims and those of ESR's creditors, including holders of the Securities.

In addition, subject to the terms of its financing agreements, the Group may incur significant additional indebtedness, whether to finance acquisitions or otherwise, which would increase the risks associated with its existing indebtedness as described above. If the Group incurs any additional indebtedness that ranks equally with the Securities, the relevant creditors will be entitled to share rateably with the Securityholders in any proceeds distributed in connection with any insolvency, liquidation, reorganisation, dissolution or other winding-up of the relevant Issuer or the Guarantor. This may have the effect of significantly reducing the amount of proceeds paid to the Securityholders.

Covenants in ESR's credit agreements limit ESR's flexibility and breaches of these covenants could adversely affect its financial condition.

The terms of ESR's various credit arrangements require compliance with a number of restrictive as well as financial covenants, including, among other things, a negative pledge, maintaining interest coverage, total leverage and unsecured leverage covenants. These covenants limit flexibility in ESR's operations, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness and the acceleration of repayment of such indebtedness. Certain of ESR's credit agreements also contain cross-default or cross-acceleration provisions that would permit the lenders thereunder to accelerate repayments of indebtedness in the event of a default or acceleration of repayment of other material indebtedness. Any breaches of such covenants could have a material adverse impact on ESR's financial condition.

Fixed costs associated with ESR's assets could adversely affect the financial performance and the value of an asset if the income from that asset declines and related expenses remain unchanged.

There are fixed costs associated with ESR's assets, which could adversely affect the financial performance and the value of an asset if the income from that asset declines and other related expenses remain unchanged. Costs associated with ESR's ownership and management of properties are often fixed in nature. Fixed expenditure such as maintenance costs, rates and taxes are generally not reduced when circumstances cause a reduction in income from the investment. As a result, ESR has only limited opportunity to manage these costs to mitigate falls in profitability when its income falls.

The amount of cash flow available to the Group could be adversely affected if property and other operating expenses increase without a corresponding increase in revenue.

Factors which could increase property expenses and other operating expenses include any:

- increase in the amount of maintenance and sinking fund contributions payable to the management corporations of the properties;
- increase in agent commission expenses for procuring new customers;
- increase in property tax assessments and other statutory charges;
- change in statutory laws, regulations or government policies which increase the cost of compliance with such laws, regulations or policies;
- increase in sub-contracted service costs;
- increase in the rate of inflation;
- increase in insurance premiums; and
- increase in costs relating to adjustment of the tenant mix.

Furthermore, the Group may potentially incur expenditures to restore its facilities to its original state should a customer or tenant fail to remove its equipment fully or adequately at the end of its lease term

The illiquidity of property investments could limit ESR's ability to respond to adverse changes in the performance of its properties.

Besides the Group's investment in listed real securities, its logistics real estate investments are generally illiquid, and ESR's ability to sell them in response to changing economic, financial and investment conditions may be limited. The real estate market is affected by many factors beyond the Group's control, such as general economic conditions, availability of financing, interest rates, supply and demand of properties. The Group cannot predict whether it will be able to sell any of its investment properties or other assets for the price or on the terms set by it, or whether any price or other terms offered by a prospective purchaser would be acceptable to it. The Group also cannot predict the length of time needed to find a purchaser or to close a sale in respect of an investment property or other assets.

In addition, the Group may be required to expend funds to maintain properties, correct defects, or make improvements before an investment property or certain other asset can be sold. There is no assurance that the Group will have funds available for these purposes. These factors and any other factors that would impede the Group's ability to respond to adverse changes in the performance of its investment properties and/or certain other assets could affect its ability to retain customers and to compete with other market participants, as well as negatively affecting its business, financial condition and results of operations.

ESR may be unable to complete acquisitions and successfully operate acquired properties.

ESR intends to continue to pursue acquisitions of property assets in the PRC, Japan, Korea and Singapore as opportunities arise. Such acquisitions involve a number of risks inherent in assessing the values, strengths, weaknesses and profitability of the property assets. While ESR's policy is to undertake appropriate due diligence in order to assess these risks, unexpected problems and latent liabilities or contingencies such as existence of hazardous substances, for example asbestos or other environmental liabilities, may still emerge.

Acquisition activities also include the following risks:

- the acquired properties may not achieve anticipated rental rates or occupancy levels;
- assumptions or judgments with respect to improvements to the financial returns (including the occupancy rates and rents of a completed project) of acquired properties may prove inaccurate;
- ESR may abandon acquisition opportunities in respect of which it has incurred costs to explore; and
- in relation to ESR's interests in properties held through joint venture arrangements, necessary joint venture partner approvals in connection with operations or expansions, if applicable, may not be granted in a timely manner or at all.

Furthermore, there has been significant competition from other real estate investors for attractive investment opportunities, particularly for industrial properties in the Asia Pacific region. These real estate investors include other industrial REITs, commercial property development companies and private investment funds, both foreign and domestic, which may be larger in terms of assets and revenue or have greater financial resources, better quality of assets and stronger relationships with potential vendors and tenants compared to ESR. There can be no assurance that ESR will be able to compete effectively against such entities.

The Group is subject to credit risk arising from defaulting counterparties.

Credit risk may arise when counterparties default on their contractual obligations resulting in financial loss to the Group. Although the Group adopts a policy of only dealing with creditworthy counterparties and the Group regularly reviews its credit exposure to its customers, credit risks may nevertheless arise from events or circumstances that are difficult to anticipate or detect, including, but not limited to, political, social, legal, economic and foreign exchange risks that may have an impact on its customers' ability to make timely payment and render the Group's enforcement for payments ineffective.

The Group's financial condition and results of operations could be adversely affected by the loss of customers.

The Group's turnover principally comprises rental income and income from its funds management business. As a result, the Group's performance depends on its ability to renew leases as they expire, to re-let properties subject to non-renewed leases and to lease newly developed properties on economically favourable terms. Some of ESR's leases are up for renewal each year and the rents charged are typically adjusted based upon prevailing market rates. Accordingly, it is possible to have a concentration of renewal of leases or rent adjustments in a given year, and that a slowdown in the rental market in a given year could adversely affect the rental income of the Group. If a significant number of expiring or terminated leases are unable to be either promptly renewed or ESR is not able to promptly re-let the space covered by such leases, or if the rental rates upon renewal or re-letting were significantly lower than the current rates or higher lease incentives are required (in order to attract or retain customers), ESR's results of operations and cash flows would be adversely affected.

The availability of suitable land for investment as well as regulations adopted from time to time by the government of the PRC, Japan, Korea and Singapore which affect the real estate market could slow down the industry's rate of growth or cause the real estate market to decline.

ESR's business and results from operations from time to time may be dependent, in part, on the availability of land and properties suitable for development or investment. The limited

supply of, and competition for, land in the PRC, Japan, Korea and Singapore has, in the past, made it increasingly difficult to locate suitable property to acquire at reasonable prices for development. The PRC, Japan, Korea and Singapore real estate market is also subject to regulations from time to time promulgated by the relevant authorities.

ESR may be adversely affected if a significant number of its customers or a major customer is unable to meet their, or its, lease obligations.

At any time, customers may experience a downturn in their business that may weaken their financial condition. As a result, customers may relocate, fail to make rental payments when due, require a restructure of their lease terms, declare bankruptcy or enter into liquidation, any of which may reduce cash flow from their lease. In particular, the loss of anchor tenants may significantly reduce, both directly and indirectly, the future cash flows of the Group. The ability to lease properties and the value of those properties may be adversely affected when an anchor tenant departs as it generally reduces the number of visitors to the property. In addition, as some of the Group's anchor tenants may be related to each other, the risk of such loss is concentrated and could affect the Group's other properties if it should occur.

Changes to local, regional and global economic conditions may cause companies to downsize and even close their operations in the PRC, Japan, Korea and Singapore and the demand and rental rates for industrial property and business space may greatly reduce. In the event of a default by a significant number of the Group's customers or a default by any of its major customers on all or a significant portion of their leases, the Group would suffer decreased rents and incur substantial costs in enforcing its rights as a landlord, which could adversely affect its results of operations and cash flows.

Competition with other logistics, warehouse and industrial businesses in the PRC, Japan, Korea and Singapore and elsewhere in the region could have an adverse impact on the Group's business.

The PRC, Japan, Korea and Singapore markets for properties in the logistics, warehouse and industrial sectors is competitive and new competition in the form of other property groups, commercial organisations or new facilities may emerge both generally and in those sectors. Increased competition in the property market may lead to, among other things:

- an increased supply of business or industrial premises from time to time through over-development, which could lead to downward pressure on rental rates;
- volatile supply of tenants and occupants, which may affect the Group's ability to maintain high occupancy levels and rental rates; and
- inflation of prices for existing properties or land for development through competing bids by potential purchasers and developers, which could lead to the inability to acquire properties or development land at satisfactory cost.

Moreover, the performance of the Group's investment portfolio depends in part on the volumes of trade flowing through the PRC, Japan, Korea and Singapore that drives the demand for logistics and warehousing space, and factors such as more favourable regulatory taxation and tariff regimes, cheaper terminal costs and cost competitiveness of competing ports compared to the PRC, Japan, Korea and Singapore that might divert trade to such alternative ports.

In addition, if the Group's competitors sell assets similar to those that the Group intends to divest in the same markets and/or at lower prices, the Group may not be able to divest its assets on expected terms or at all. Furthermore, competitors selling similar assets at lower

prices than comparable assets held by the Group will have an adverse impact on the Group's property valuations. Likewise, the existence of such competition for lettable properties may have a material adverse impact on the Group's ability to secure customers for its properties at satisfactory rental rates and on a timely basis.

The valuations of the Group's properties contain assumptions that may not materialise and may fluctuate from time to time.

Real estate assets are inherently difficult to value. Valuations are subject to subjective judgments and are made on the basis of assumptions which may not necessarily materialise. Additionally, the inspections of the Group's properties and other work undertaken in connection with a valuation exercise may not identify all material defects, breaches of contracts, laws and regulations, and other deficiencies and factors that could affect the valuation. There can be no assurance that the Group's investment in its properties will be realised at the valuations or property values recorded or reflected in its financial statements or in this Offering Circular. The Group applies fair value accounting for all its investment properties. Independent valuations are carried out on the Group's investment properties at least once every year. The Group assesses the valuation of its properties to ensure that the carrying amount of each investment property reflects the market conditions at the relevant financial reporting date. The value of the properties in the Group's portfolio may fluctuate from time to time due to market and other conditions. There is no assurance that the Group's properties will retain the price at which they may be valued or that the Group's investment in such properties will be realised at the valuations or property values it has recorded or reflected in its financial statements, and the price at which the Group may sell or lease any part or the whole of the properties may be lower than the valuation for those properties. Such adjustments to the fair value of the properties in the portfolio could have an adverse effect on the Group's net asset value and profitability. It may also affect the Group's ability to obtain more borrowings, or result in the Group having to reduce debt, if the financial covenants in its financing and other agreements require the Group to maintain a level of debt relative to asset value, and such covenants are triggered as a result of adjustments made to the fair value of the Group's properties.

The Group's profitability may be affected by revaluation of its investment properties as required by International Financial Reporting Standards.

The Group measures its investment properties initially at cost. Subsequent to initial recognition, the Group is required to reassess the fair value of its investment properties at every reporting date for which it issues financial statements. The valuations will be based on market prices or alternative valuation methods, such as discounted cash flow analysis based on estimated future cash flows. In accordance with IFRS, the Group recognises changes to the fair value of its investment properties as a gain or loss (as applicable) in its consolidated statement of profit or loss in the period in which they arise. The profits attributable to equity holders of the Group may include gains and losses that arise from revaluation of the Group's investment properties. The amount of revaluation adjustments have been, and may continue to be, significantly affected by the prevailing property market conditions and may be subject to market fluctuations. There is no assurance that the fair value of its investment properties will not decrease in the future. Any such decrease in the fair value of the Group's investment properties will reduce the Group's profits, which in turn may have a material adverse effect on its business, financial condition, results of operations, performance and prospects.

The Group may be involved in legal and other proceedings arising from its operations from time to time.

The Group may be involved from time to time in disputes with various parties involved in the development and lease of its properties such as contractors, sub-contractors, suppliers, construction companies, purchasers and tenants. These disputes may lead to legal or other

proceedings, and may cause the Group to incur additional costs and delays. In addition, the Group may have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings and unfavourable orders, directives or decrees that result in financial losses and delay the construction or completion of its projects.

The Group is subject to risks relating to foreign currency exchange rate fluctuations.

Because of the geographic diversity of its business, the Group receives income and incurs expenses in a variety of currencies, including Singapore dollars, Chinese Renminbi, Japanese Yen and U.S. dollars. Consequently, the Group's costs, profit margins and asset values are affected by fluctuations in the exchange rates among the above-mentioned currencies. It is not possible to predict the effect of future exchange rate fluctuations on the Group's assets, liabilities, income, cost of sales and margins. Some of the currencies used by the Group may not be readily convertible or exchangeable or may be subject to exchange controls. Fluctuations in currency exchange rates could materially affect ESR's reported financial results.

Where necessary, the Group may enter into foreign exchange contracts to hedge and minimise net foreign exchange risk exposures. The Group may also use various derivative financial instruments to provide some protection against interest rate risks. These instruments involve risks, such as the risk that the counterparties may fail to honour their obligations under these arrangements, that these arrangements may not be effective in reducing the Group's exposure to foreign exchange rate and interest rate changes and that a court could rule that such agreements are not legally enforceable. In addition, the nature and timing of hedging transactions may influence the effectiveness of the Group's hedging strategies. There can be no assurance that the Group's hedging strategies and the derivatives that it uses will adequately offset the risk of foreign exchange rate or interest rate volatility, or that the Group's hedging transactions will not result in losses. Losses on hedging transactions could materially affect the Group's reported financial results.

A large proportion of ESR's equity capital shareholders comprise institutional investors and private equity investors

ESR is a private company incorporated with limited liability in the Cayman Islands and a large proportion of its shares is currently held by institutional investors and private equity investors including Warburg Pincus, APG and a consortium of PRC financial institutions in the nature of strategic investments in the Group (see "*Description of the Company — Best-in-class management team backed by strong sponsors*".) The nature of such investments by these shareholders and other investors in ESR may mean that, should a suitable opportunity arise which allows them to meet their investment objectives in relation to their respective shareholdings in the Group, they may divest all or some of their shares to other parties including but not limited to other existing shareholders. In addition, ESR may in the future seek to raise additional equity capital funding from new or existing institutional and/or private equity investors or shareholders or from financial or other investors, which could result in a change in the composition of shareholders of ESR and/or result in a dilution to existing shareholders, and which may be material. There can be no assurance that the composition of the shareholders in ESR will not change or that the proportion of existing shareholders' holdings in ESR will not be materially different in the future. Shareholders may from time to time exert, or attempt to exert, influence over the business of the Group to achieve their own economic objectives, or other objectives which may otherwise not be in the best interest of the holders of the Securities.

The Group depends on certain key personnel and the loss of any key personnel may adversely affect its operations.

The Group's success depends, in part, upon the continued service and performance of members of ESR's senior management team and certain key senior personnel. These key personnel may leave the Group in the future and compete with the Group. The Group has experienced significant growth in recent years and as a consequence would require more personnel with specific skill-sets as it continues to expand its operations. However, the competition for talent and skilled personnel is intense, especially for those who have the relevant skill-set and experience in the industry that the Group operates in. Although the Group has in place succession planning policies and strategies, and while it believes that the salaries offered to its employees are competitive with respect to, and are in line with, salaries offered by its competitors, the loss of any of these key employees, or the inability to attract skilled employees, could have a material adverse effect on its business, financial condition, results of operations, performance and prospects.

The Group may suffer substantial losses in the event of a natural or man-made disaster, such as an earthquake or other casualty event in Japan, China, Korea or Singapore.

Natural disasters, severe weather conditions, the outbreak of epidemics, catastrophe or other events, all of which are beyond the Group's control, may adversely affect the economy and infrastructure of China, Japan, Korea and Singapore and/or result in severe personal injury, property damage and environmental damage, which may curtail ESR's operations and materially adversely affect its cash flows and, accordingly, adversely affect its ability to service debt. Some cities where the Group operates are under the threat of typhoon, flood, earthquake, storm, sandstorm, snowstorm, fire, drought. If any of ESR's properties are damaged by severe weather or any other disaster, accident, catastrophe or other event, ESR's operations may be significantly interrupted and its business and financial condition adversely affected. The occurrence or continuance of any of these or similar events could increase the costs associated with ESR's operations and reduce its ability to operate its businesses at their intended capacities, thereby reducing revenues and debt serviceability.

Past occurrences of such phenomena, for instance the Sichuan province earthquake in May 2008, have caused varying degrees of harm to business and the national and local economies. Japan has experienced several large earthquakes that have caused extensive property damage. On 11 March 2011, an earthquake measuring 9.0 degrees on the Richter scale occurred in Tohoku district, which adversely affected the Group's operations in Japan. As a result of the earthquake and following an initiative to save electricity by the Japanese government due to the nuclear crisis in Fukushima Prefecture as well as the cessation and further possible cessation of operation of nuclear plants thereby creating concerns over the supply of electricity, there has been great uncertainty in the Japanese economy. It is anticipated that such uncertainty will continue over the short-term until the potential problems associated with the earthquake (such as the possibility of aftershocks, further leakage of radioactive materials and initiatives by the Japanese government to conserve electricity) have stabilised or settled.

ESR anticipates that the Japanese economy may remain volatile until the potential consequential events (such as the possibility of nuclear leakage) as a result of the earthquake and nuclear crisis have stabilised or settled in Japan. Any events resulting from the earthquake or a similar earthquake or nuclear crisis, such as aftershock, tsunami, nuclear power plant explosion, or radiation leakage could have a catastrophic effect on the Group's facilities in Japan, the businesses of the Group's customers in Japan, the Japanese economy in general and the global supply chain. This in turn, could have a material adverse effect on the Group's business, financial condition and results of operations and prospects.

The due diligence exercise on the Group's properties, tenancies, buildings and equipment may not have identified all material defects and other deficiencies.

The Group believes that reasonable due diligence investigations with respect to the Group's properties have been conducted prior to their acquisition. However, there is no assurance that the Group's properties will not have defects or deficiencies requiring repair or maintenance (including design, construction or other latent property or equipment defects or asbestos contamination in the Group's properties which may require additional capital expenditure, special repair or maintenance expenses). Such undisclosed and undetected defects or deficiencies may require significant capital expenditure or trigger obligations to third parties and involve significant and unpredictable patterns and levels of expenditure which may have a material adverse effect on the Group's business, financial condition, results of operations, performance and prospects.

The experts' due diligence reports that the Group relies upon as part of its due diligence process may be subject to inaccuracies and deficiencies. This may be because certain building defects and deficiencies are difficult or impossible to ascertain due to limitations inherent in the scope of the inspections, the technologies or techniques used and other factors. Any inadequacies in the due diligence investigations may result in an adverse impact on the Group's business, financial condition, performance and prospects.

Adverse economic conditions could negatively affect the Group's business

The Group could be affected by market and economic challenges which may arise from a continued or exacerbated general economic slowdown experienced by the global markets, the local economies where its facilities are located, or the logistics industry. Accordingly, the Group's business could face challenges including, among others:

- an economic slowdown affecting consumer behaviour, which may in turn negatively affect the businesses of the Group's customers and their demand for logistics facilities;
- poor economic conditions resulting in customers defaulting on leases, or increasing vacancy rates;
- reduced demand that requires the Group to lower rents or make other contractual concessions under new and existing leases;
- adverse capital and credit market conditions that restrict the Group's development and redevelopment activities including development of its existing land bank; and
- restricted access to credit that results in the inability of potential buyers to acquire the Group's facilities offered for sale, including facilities held through joint ventures.

The pervasive and fundamental disruptions in the global financial markets in recent years have led to extensive and unprecedented governmental intervention in those markets. It is not possible to predict when governmental intervention will end or what, if any, additional temporary or permanent restrictions and/or increased regulation governments may impose on the financial markets. Any further government intervention, restrictions or regulation could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. It is not possible to predict with any certainty the likelihood or duration of any economic slowdown or downturn, and any such economic slowdown or downturn could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Some of the Group's properties are owned through joint ventures.

ESR has partnered with, or acquired interests in, joint ventures to acquire some of its investment properties. Co-operation and agreement among ESR and its joint venture partners on its existing or future projects is an important factor for the smooth operation and financial success of such projects. In fact, certain corporate actions of these joint ventures require approval of all partners. Such joint ventures may involve special risks associated with the possibility that ESR's joint venture partners may:

- have economic or business interests or goals that are inconsistent with those of ESR;
- take action contrary to the instructions or requests of ESR or contrary to ESR's policies or objectives with respect to its investments;
- be unable or unwilling to fulfil their obligations under the joint venture agreements;
- experience financial or other difficulties; or
- have disputes with the Group as to the scope of their responsibilities and obligations.

Although ESR has not experienced any significant problems with respect to its joint venture partners to date which could not be resolved, should such problems occur in the future, they could have a material adverse effect on the success of these joint ventures. In addition, a disposal of ESR's interests in joint ventures is subject to certain pre-emptive rights on the part of the other joint venture partners or certain restrictions. As a result, a disposal of ESR's interests in its joint ventures may require a longer time to complete, if at all, than a disposal of a wholly owned asset.

ESR is subject to risks relating to events, accidents or other incidents which may not be covered by insurance.

ESR maintains insurance coverage on all of its properties in accordance with what it believes to be industry standards. However, insurance policies generally do not cover certain types of losses such as war, civil disorder and acts of terrorism and/or ESR's business interruption risks under certain circumstances and the claim amounts under insurance policies are subject to limits, which may not cover the total amount of any loss or liability incurred. Furthermore, whilst every care is taken by ESR in the selection and supervision of its independent contractors, accidents and other incidents, such as theft, may occur from time to time. Such accidents may expose ESR to liability or other claims by its customers and other third parties. Although ESR believes that it has adequate insurance arrangements in place to cover such eventualities, it is possible that accidents or incidents could occur which are not covered by these arrangements. Any substantial losses arising from the occurrence of any such accidents or incidents which are not covered by insurance could adversely affect the business and results of operations of ESR.

ESR's business is subject to various laws and regulations.

The operations of ESR are subject to various laws and regulations of the PRC, Japan, Korea and Singapore. ESR's activities on its properties are limited by planning ordinances, the terms of the relevant government land leases and other regulations enacted by the authorities in the PRC, Japan, Korea and Singapore. Developing properties, refurbishment, other re-development projects and the operation of properties require government permits, some of which may take longer to obtain than others. From time to time, the authorities in the PRC,

Japan, Korea and Singapore may impose new regulations on landlords such as mandatory retrofitting of upgraded safety and fire systems in all buildings. ESR's properties are subject to routine inspections by the authorities in the PRC, Japan, Korea and Singapore with regard to various safety and environmental issues.

From time to time, changes in laws and regulations or the implementation thereof may require ESR to obtain additional approvals and licences from the relevant authorities for the conduct of its operations in the PRC, Japan, Korea and Singapore. In such event, ESR may incur additional expenses to comply with such requirements. This will in turn affect ESR's financial performance as its business costs will increase. Furthermore, there can be no assurance that such approvals or licences will be granted to ESR promptly or at all. If ESR experiences delays in obtaining, or is unable to obtain, such required approvals or licences, it may have a material adverse impact on the business, financial condition or results of operations of ESR.

In addition, ESR may, in the future, decide to engage in property development activities which require it to obtain various permits, certificates, relevant approvals from the relevant administrative authorities at various stages of development. Such permits, certificates or approvals may be dependent on the satisfactory compliance with certain requirements or conditions. There can be no assurance that ESR will not encounter material delays or other impediments in fulfilling the conditions precedent to obtain such permits, certificates or approvals.

Some of Group's investments are in entities that are structured to achieve tax transparency, such as REITs. In the event that the tax efficiency or transparency is not available, whether as a result of a loss or revocation of a tax ruling by a competent tax authority, or a change in or in the interpretation of applicable tax laws or otherwise, this could reduce the return on its investments and increase its operating costs and expenses, and in turn could have a material adverse impact on its business, financial condition, results of operations and prospects. Some of the Group's investments, such as in the CIT, are investments in entities which are listed or traded on a securities exchange. There can be no assurance that the market price of the securities of any entity the Group has invested in reflects accurately to any degree the underlying value of the business, or the assets owned by it, or that it will be able to realise the Group's investment in such entity at the then prevailing market price, or at all.

The Group is subject to restrictions in repatriation of funds.

The Group may be subject to foreign exchange controls that may adversely affect the ability to repatriate the income or proceeds of sale arising from the Group's properties. Repatriation of income, capital and the proceeds of sale may require the consent of, and may be subject to taxation by, the relevant governments. Delays in or a refusal to grant any such approval, a revocation or variation of consents previously granted, or the imposition of additional taxes or new restrictions may adversely affect the Group's business, results of operations and financial condition.

The Group relies on independent service providers for the provision of essential services.

The Group engages contractors and independent third-party service providers in connection with its business and its investment portfolio. There is no assurance that the services rendered by any contractors or independent service providers engaged by ESR will always be satisfactory or match the level of quality expected by ESR or required by the relevant contractual arrangements, or that such contractual relationships will not be breached or terminated.

Furthermore, there can be no assurance that ESR's contractors and service providers will always perform to contractual specifications, or that such providers will continue their contractual relationships with ESR under commercially reasonable terms, if at all, and ESR may be unable to source adequate replacement services in a timely or cost efficient manner.

There is also a risk that ESR's major contractors and service providers may experience financial or other difficulties which may affect their ability to discharge their obligations, thus delaying the completion of their work in connection with ESR's ordinary business or development projects and may result in additional costs for ESR. The timely performance of these contractors and service providers may also be affected by natural and human factors such as natural disasters, calamities, outbreak of wars and strikes which are beyond the control of ESR. Moreover, such contractors and service providers depend on the services of experienced key senior management and it would be difficult to find and integrate replacement personnel in a timely manner or at all if such contractors and service providers lost their services. Any of these factors could adversely affect the business, financial condition or results of operations of the Group.

ESR may be exposed to operational and other external risk that could negatively impact its business and results of operations.

ESR faces a risk of loss resulting from, among other factors, inadequate or flawed processes or systems, theft and fraud. Operational risk of this kind can occur in many forms including, among others, errors, business interruptions, inappropriate behaviour of, or misconduct by, employees of ESR or those contracted to perform services for ESR, and third parties that do not perform in accordance with their contractual agreements. These events could result in financial losses or other damage to ESR. Furthermore, ESR relies on internal and external information technology systems to manage its operations and is exposed to risk of loss resulting from breaches in the security, or other failures, of these systems.

Any failure, inadequacy and security breach in the Group's computer systems and servers may adversely affect the Group's business.

The Group's operations depend on its ability to process a large number of transactions on a daily basis across its network of offices, most of which are connected through computer systems and servers to its head office. The Group's financial, accounting or other data processing systems may fail to operate adequately or become disabled as a result of events that are beyond its control, including a disruption of electrical or communications services. The Group's ability to operate and remain competitive will depend in part on its ability to maintain and upgrade its information technology systems on a timely and cost-effective basis. The information available to, and received by, the Group's management through its existing systems may not be timely and sufficient to manage risks or to plan for and respond to changes in market conditions and other developments in its operations. The Group may experience difficulties in upgrading, developing and expanding its systems quickly enough to accommodate changing times.

The Group's operations also rely on the secure processing, storage and transmission of confidential and other information in its computer systems and networks. The Group's computer systems, servers and software, including software licensed from vendors and networks, may be vulnerable to unauthorised access, computer viruses or other malicious code and other events that could compromise data integrity and security and result in identity theft, including customer data, employee data and proprietary business data, for which it could potentially be liable. Any failure to effectively maintain, improve or upgrade its management information systems in a timely manner could adversely affect its competitiveness, financial position and results of operations. Moreover, if any of these systems do not operate properly, are disabled or if there are other shortcomings or failures in its internal processes or systems,

it could affect the Group's operations or result in financial loss, disruption of its businesses, regulatory intervention or damage to its reputation. In addition, the Group's ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports its business.

The occurrence of a contagious disease or any other serious public health concerns in Asia could affect ESR's business, financial condition or results of operations.

Some cities where the Group operates have previously been or may be under the threat of Severe Acute Respiratory Syndrome, H5N1 avian flu, H1N1 human swine flu, Middle East respiratory syndrome coronavirus (MERS-CoV) and the Zika virus. In 2003, there was an outbreak of SARS in Hong Kong, the PRC and other Asian countries. The SARS outbreak in 2003 had a significant adverse impact on the economies of many of the affected countries. There have also been sporadic outbreaks of the H5N1 virus or "Avian Influenza A" among birds, in particular poultry, as well as some isolated cases of transmission of the virus to humans. In 2009 and 2010, there have also been outbreaks among humans of the human swine flu, also known as influenza A/H1N1 virus globally.

There can be no assurance that there will not be another significant outbreak of a highly contagious disease in the future in the PRC, Japan, Korea and Singapore or other markets which may affect ESR. Nor can there be any assurance that any precautionary measures taken against infectious diseases will be effective. If such an outbreak were to occur, together with any resulting restrictions on travel and/or imposition of quarantines, it could have a negative impact on the economy and business activities in Asia. This could affect the demand and could thereby have a material adverse impact on the business, financial condition or results of operations of ESR.

Terrorist attacks, other acts of violence or war and adverse political developments may affect the business, results of operations and financial condition of the Group.

Terrorist activities in the region have contributed to the substantial and continuing economic volatility and social unrest in Asia. Any developments stemming from these events or other similar events could cause further volatility. Any significant military or other response by the U.S. and/or its allies or any further terrorist activities could also materially and adversely affect international financial markets and the PRC, Japan, Korean and Singapore economies and may adversely affect the operations, revenues and profitability of the Group. The consequences of any of these terrorist attacks or armed conflicts are unpredictable, and the Group may not be able to foresee events that could have a material adverse effect on its business, financial condition, results of operations, performance and prospects.

The Group is subject to extensive health and safety and environmental regulations, which could impose significant costs or liabilities on it.

The Group maintains insurance coverage in respect of all of its properties, third-party liabilities and employer's liabilities in accordance with what it believes to be industry standards. However, as an owner and lessor of real property, the Group is subject to various laws and regulations concerning the protection of health and safety and the environment, including, among others, laws and regulations related to environmental pollution, chemical processing, hazardous substances and waste storage. The particular environmental laws and regulations which apply to any given project site vary greatly according to the site's location, its environmental condition, the present and former uses of the site, as well as the presence of any adjoining properties. Environmental laws and conditions may adversely affect the Group's operations and developments, and may cause the Group to incur compliance and other costs and can prohibit or severely restrict project development activity in environmentally-sensitive regions or areas.

The Group generally conducts environmental reviews of assets that it acquires. However, these reviews may fail to identify all environmental problems. Based on these reviews and past experience, the Group is not aware of any environmental claims or other liabilities that would require material expenditure. However, the Group could become subject to such claims or liabilities in the future.

Occupational health and safety regulations could impose significant costs on ESR.

ESR, in its capacity as owner of investment properties has obligations under the various occupational health and safety regulations in the PRC, Japan, Korea and Singapore. While appropriate risk management procedures, training and induction programmes (for employees and third party contractors) are in place at all of ESR's assets, an adverse event such as an injury, death or permanent disability of an employee or contractor could have an adverse impact on the results of operations of ESR as a result of monetary penalties imposed, litigation costs and damages and/or the reputational damage associated with such an incident.

Legal proceedings filed by or against ESR and adverse outcomes may harm its business.

ESR cannot predict with certainty the cost of prosecution, the cost of defence or the ultimate outcome of litigation and other proceedings filed by or against it, including remedies and damage awards. ESR has been, and in the future may be, involved in litigation and other proceedings relating to commercial arrangements, environmental, health and safety, labour and employment or other harms, including claims resulting from the actions of individuals or entities outside of its control. Litigation based on environmental contamination or exposure to hazardous substances in its logistics facilities could result in material liability for ESR. Adverse outcomes in any litigation or other proceedings could have a material adverse effect on ESR's business, results of operations, financial condition or prospects.

Certain construction risks may arise during the building of any new property.

Construction of new developments entails significant risks, including shortages of materials or skilled labour, unforeseen engineering, environmental or geological problems, work stoppages, litigation, weather interference, floods and unforeseen cost increases, any of which could give rise to delayed completions or cost overruns. Difficulties in obtaining any requisite licences, permits, allocations or authorisations from regulatory authorities could also increase the cost, or delay the construction or opening of, new developments. All of these factors may affect the Group's business, results of operations, financial condition and the future cash flows of the Group.

RISKS RELATING TO THE BUSINESS AND INDUSTRY OF ESR IN JAPAN

The expert appraisals and reports upon which the Group relies are subject to significant uncertainties.

The Group may obtain appraisals as well as engineering, environmental and seismic reports to help it assess whether to acquire new logistics facilities, and how to operate logistics facilities it already owns. However, these reports cannot give a precise assessment of the past, present or future value or engineering, environmental or seismic conditions of the relevant logistics facilities. Furthermore, the appraisers and other experts use a variety of different review methodologies or different sets of assumptions, which could affect the results of such appraisals, reports and the conclusions that the appraisers, other experts and the Group can draw from them. Thus, different experts reviewing the same logistics facility could reach significantly different conclusions.

Although the engineering, environmental and seismic reports the Group has obtained for its logistics facilities have not revealed any material risks or liabilities, because such risks are often hidden or difficult to evaluate, the reports the Group has obtained may not be an accurate reflection of such risks. If the Group were to discover any significant, unidentified engineering, environmental or seismic liabilities, the value of the affected logistics facility could fall, it may be required to incur additional costs and discharge of the liability could be time consuming.

In addition, in accordance with customary practice in Japan, the Group discloses certain information relating to a logistics facility's probable maximum loss ("**PML**") based on reports it receives from third parties. PML percentages are based on numerous assumptions. The Group is not an expert in assessing earthquake risk, and cannot independently verify the PML percentages provided to it, and the uncertainties inherent in such reports limit the value of them to the Group. While all of the Group's buildings in Japan are designed and built to the highest seismic amelioration standards and are compliant with the relevant statutory seismic design codes, the Group does not insure earthquake risks, which is not uncommon in Japan for companies operating in its industry, as such insurance is generally unavailable to cover all of the Group's assets in Japan. An earthquake could severely damage or otherwise adversely offset the Group's logistics facilities and if its customers were to suffer significant uninsured losses due to earthquake damage to one or more of the Group's facilities, it could reduce their demand for the Group's facilities and therefore have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Two of the Group's facilities in Japan are in port areas, and are subject to regulation by the Port Labour Law.

Two of the Group's facilities in Japan are located in port areas as defined by the Port Labour Law, and are therefore subject to regulation by the Port Labour Law and other related laws and regulations, and are also affected by certain business practices. For example, employers face constraints on the workers they may hire to work in affected facilities, and as a result, the Group's customers' labour and other operational costs for affected facilities may be higher than for unaffected facilities. There can be no assurance that such port area regulations will not affect the businesses of the Group's customers, which could consequently have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Climate change regulation could increase the Group's capital and operating expenses.

The national and various local governments in Japan have adopted (and may adopt further) regulations intended to limit activities they deem to contribute to global warming. For example, in April 2010, the Tokyo Metropolitan Government amended the Tokyo Metropolitan Ordinance on Environmental Preservation to impose on owners of large properties an obligation to decrease carbon dioxide emissions. The Group's capital and operating expenses could increase in the future by, for example, the imposition of stricter energy efficiency standards for buildings or the cost of environmentally-friendly building materials. The Group's customers' businesses are heavily reliant on trucks to transport their goods. Increased regulation, such as municipal restrictions on vehicular emissions of nitrogen oxide and particulate matters, could increase its customers' costs and consequently reduce demand for the Group's facilities.

The Japanese real property registration system may not accurately reflect the ownership of the real property-related title or right.

Japan has a system of registering the ownership of real property (which includes land and buildings) as well as certain other real property-related rights, such as security rights over real property and easements, pursuant to which an unregistered owner of real property or an unregistered holder of certain other rights cannot assert its title or such rights against a third party. However, the real property register does not necessarily reflect the true owner of the real

property-related title or right. In practice, parties who plan to enter into a real property transaction usually rely upon the register, as it is generally the best indication of the true owner of the real property-related title or right. However, a party has no recourse to anyone but the seller if, relying on the register, it purchases the property or a related right from a seller and the information contained in the register turns out to be incorrect. The purchaser may claim for damages against the seller pursuant to statutory warranties or contractual warranties, but, in general, cannot acquire the ownership of or title to the real property. Imperfect title to one or more of the Group's facilities in Japan could have a material adverse effect on its business, financial condition, results of operations and prospects.

RISKS RELATING TO THE BUSINESS AND INDUSTRY OF ESR IN KOREA

While real property registration creates a strong presumptive evidence of valid ownership, it may not be conclusive in exceptional circumstances.

The Korean title registry for the real estate (i.e. the land and the buildings on it) will be effective upon registration in the relevant registry of real estate managed by the court office which has jurisdiction over such real estate. Therefore, the registration as an owner on the relevant real estate registry will provide a strong presumption for the valid title of the owner.

The existence of a registration legally presumes that there exists a corresponding substantive right as well as a corresponding relationship between the former owner and the current owner as recorded within the registry. The current owner may defend his or her ownership, which is presumptively valid against the former owner as well as any third party who challenges his or her registered ownership. The party who challenges title holds the burden of proof, i.e. the challenging party must prove non-existence of rights or grounds of nullity of such registration of previous transactions, while the current owner only needs to prove the existence of its registration. The court precedents acknowledged some cases of the reversal of presumption, such as (i) registration with the name of the dead or non-existing person, (ii) when it is proved that the registered person is not the same as the actual purchaser of the real estate, or (iii) when it is obvious that there is an impediment in the registration procedure. In addition to this strong presumption, the Korean Civil Code provides for a certain prescription period whereby a purchaser may be protected if certain requirements are duly satisfied. Under the Korean Civil Code, if a person who has been registered as an owner of the property has occupied the property peacefully, publicly, in good faith and without any fault for ten (10) years with an intention to own such property, he/she will acquire the title to such property.

The level of risk associated with the ownership of real estate can thus be assessed to a certain extent based on the review of the current entry of the registry and the chain of preceding acquisitions. Sellers of all the Korean properties (other than Bucheon PFV, where the seller was designated as a developer of a logistics complex development project pursuant to the relevant law, such designee has legal authority to acquire title to the land through expropriation with respect to the parcels that cannot be obtained through mutual agreements with former owner of the parcel) match with the entry of the registry at the time of signing and closing of the relevant transactions. The Company is not aware of any challenges that have been brought against its title to the Korean properties.

The Korean properties are located in Korea, thus if economic conditions in Korea deteriorate or if there is any changes in Korean laws and regulations, the Group's current business and future growth could be materially and adversely affected.

The Group has properties located in, and operations based in, Korea. As a result, the Group is subject to political, economic, legal and regulatory risks specific to Korea. The economic indicators in Korea in recent years have shown mixed signs of growth and uncertainty, and future growth of the Korean economy is subject to many factors beyond ESR's control.

Difficulties affecting the U.S. and global financial sectors, adverse conditions and volatility in the worldwide credit and financial markets, fluctuations in oil and commodity prices and the general weakness of the U.S. and global economy in recent years have increased the uncertainty of global economic prospects in general and have adversely affected, and may continue to adversely affect, the Korean economy. Any future deterioration of the Korean or global economy could adversely affect the Group's business, financial condition and results of operations.

Developments that could hurt Korea's economy in the future include:

- difficulties in the housing and financial sectors in the United States and elsewhere and the resulting adverse effects on the global financial markets;
- adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of the U.S. dollar or Korean won exchange rates), interest rates and stock markets;
- adverse conditions in the economies of countries that are important export markets for Korea, such as the United States, Japan and China, or in emerging market economies in Asia or elsewhere;
- substantial decreases in the market prices of Korean real estate;
- increasing delinquencies and credit defaults by retail and small- and medium-sized enterprise borrowers;
- declines in consumer confidence and a slowdown in consumer spending;
- the continued emergence of the Chinese economy, to the extent its benefits (such as increased exports to China) are outweighed by its costs (such as competition in export markets or for foreign investment and the relocation of the manufacturing base from Korea to China);
- social and labour unrest;
- a decrease in tax revenues and a substantial increase in the Korean government's expenditures for unemployment compensation and other social programs that, together, would lead to an increased government budget deficit;
- financial problems or lack of progress in the restructuring of Korean conglomerates, other large troubled companies, their suppliers or the financial sector;
- loss of investor confidence arising from corporate accounting irregularities and corporate governance issues at certain Korean conglomerates;
- the economic impact of any pending or future free trade agreements; geo-political uncertainty and risk of further attacks by terrorist groups around the world;
- natural disasters that have a significant adverse economic or other impact on Korea or its major trading partners, such as the earthquake and tsunami that recently occurred in the northeast part of Japan and any resulting radiation leaks from damaged nuclear power plants in the area;
- the recurrence of SARS or an outbreak of swine or avian flu in Asia and other parts of the world;

- deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from trade disputes or disagreements in foreign policy;
- political uncertainty or increasing strife among or within political parties in Korea;
- hostilities or political turmoil involving oil producing countries in the Middle East and Northern Africa and any material disruption in the supply of oil or increase in the price of oil; and
- an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States.

The Korean properties will also be subject to the laws, regulations and policies from time to time adopted by the respective government authorities. Any amendment or change in the existing legal regime may adversely and directly affect the business, operations and financial condition of the Group.

Escalations in tensions with North Korea could have an adverse effect on the Group and the market value of the Securities.

Relations between Korea and North Korea have been tense throughout Korea's modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events. In recent years, there have been heightened security concerns stemming from North Korea's nuclear weapons and long-range missile programs and increased uncertainty regarding North Korea's actions and possible responses from the international community.

In addition, there recently has been increased uncertainty with respect to the future of North Korea's political leadership and concern regarding its implications for economic and political stability in the region. Since the death of Kim Jong-il in December 2011, there has been increased uncertainty with respect to the future of North Korea's political leadership and concern regarding its implications for political and economic stability in the region. Although Kim Jong-un has officially succeeded his father Kim Jong-il, the future of North Korea and its political and economic stability remain uncertain. In addition, North Korea's economy faces severe challenges. For example, in November 2009, the North Korean government redenominated its currency at a ratio of 100 to 1 as part of a currency reform undertaken in an attempt to control inflation and reduce income gaps. In tandem with the currency redenomination, the North Korean government banned the use or possession of foreign currency by its residents and closed down privately run markets, which led to severe inflation and food shortages. In April 2013, the North Korean government blocked access to the Kaesong industrial region to all Korean citizens and removed all 53,000 North Korean workers from the Kaesong industrial park as a result of the tensions between Korea and North Korea, which effectively shut down all activities. In August 2013, Korea and North Korea held joint committee meetings to discuss normalization of Kaesong industrial park activities and management, although a formal agreement was not reached and the status of such reconciliation remains uncertain. In 2017, the stationing of a Terminal High Altitude Area Defence battery in South Korea, which was provided by the United States, to guard Korea against any missile threats from North Korea, has escalated tensions between the two countries. In 2017, North Korea test-fired several missiles from its eastern port and naval base in Sinpo, as well as from its Pukchang airfield, into the Sea of Japan, which led to Korea convening a meeting of the National Security Council. Kim Jong-un has also issued various threats, including "total war" on the United States, after United States bombers carried out a training drill with Korean and Japanese forces in 2017. Further adverse developments may further aggravate social and political tensions within North Korea.

There can be no assurance that the level of tension on the Korean peninsula will not escalate in the future. Any further increase in tensions, which may occur, for example, if North Korea experiences a leadership crisis, high-level contacts between Korea and North Korea break down or military hostilities occur, could have a material adverse effect on the Group's operations.

There are limited avenues to search for the existence and current progress of pending lawsuits of a third party in Korea.

As specific details of cases, such as the relevant case number, identification number of parties involved are required to search for the existence of pending lawsuits in Korea, due diligence investigations regarding the existence and current progress of lawsuits of the third parties are limited to interviewing the relevant parties under the Personal Information Protection Act. There is a risk that such information is not accurate or complete, and due diligence investigations may fail to reveal disputes which have arisen, any such pending disputes may have a material adverse effect on the business, financial condition, results of operation or cash flow of the Company and its subsidiaries.

Transparency of the Korean real estate market.

The Korean retail leasing market may be less transparent than other real estate sectors. Property owners are not required by law to disclose information such as rents, vacancy and lease expiry dates. Owners of prime retail prefer to deal directly with tenants without the involvement of brokers. For higher grade properties, due to high levels of demand, many vacancies never enter the market and commercial terms are set on a case-by-case basis for prospective tenants. Leasing data for lower grade properties is disclosed to the market more openly, but is inconsistent due to the greater diversification and lower overall level of professionalism of owners. The analysis of the leasing market is based on the information drawn from a variety of sources throughout the Group's network and anecdotal evidence via broker opinion and may not be accurate.

The Korean properties or parts thereof may be acquired compulsorily.

The Korean government has the power to compulsorily acquire any land in Korea for the public interest pursuant to the provisions of applicable legislation. The amount of compensation to be awarded for compulsory acquisition of property in Korea is assessed pursuant to the relevant laws and regulations. If any of the Korean properties is acquired compulsorily by the Korean government, the level of compensation paid to the Group pursuant to this calculation method may be less than the acquisition price which the Group paid for such Properties.

RISKS RELATING TO THE BUSINESS AND INDUSTRY OF ESR IN THE PRC

The PRC government may require the Group to forfeit its land use rights or penalise the Group if it were to fail to comply with the terms of land grant contracts.

Under PRC laws and regulations, if a property owner fails to develop land according to the terms of the land grant contract (including those relating to payment of fees, designated use of land and time for commencement and completion of the development of the land), or to obtain the relevant governmental approval to extend the development period, the relevant government authorities may issue a warning to, or impose a penalty on, the property owner or require the property owner to forfeit the land. Specifically, according to the Rules on Treatment of Idle Lands (閒置土地處置辦法) effective as of 28 April 1999, if the Group were to fail to commence development for one year or more but less than two years from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may serve a notice on it and impose an "idle" land fee on the land of up to 20 per cent. of the land premium. If the Group were to fail to commence development for two years or more from the commencement

date stipulated in the land grant contract, and the relevant government authority did not grant it an extension of time, the land use right would be subject to forfeiture by the PRC government without compensation unless the delay in development were caused by government actions, force majeure or necessary preparatory work. The policy was reinforced in the “Notice on Enhancing the Economical and Intensive Use of Land” promulgated by the State Council on 3 January 2008 which states, among other things, that (i) policies in relation to the forfeiture of land use rights without compensation for land which has remained “idle” for two years or more shall be strictly implemented; (ii) if any land remains “idle” for one year or more but less than two years, an “idle” land fee of 20 per cent. of the relevant land premium will be levied; and (iii) financial institutions are required to exercise caution when approving financing for any property owner who, after one year from the commencement date stipulated in the land grant contract, fails to complete at least one-third of the development of the land or provide at least 25 per cent. of the total funds for investment in the project. Some of the Group’s land grant contracts stipulate a minimum amount it has to invest in the relevant project, which may exceed the amount the Group deems commercially reasonable.

In response to the principles set forth in the “Notice on Enhancing the Economical and Intensive Use of Land”, the Ministry of Land and Resources promulgated the amended Rules on Treatment of Idle Lands, effective as of 1 July 2012, which sets forth clearer definitions on idle lands. Pursuant to the new rules, “idle lands” refer to state-owned construction lands (i) for which development has failed to commence for at least one year from the commencement date stipulated in the land grant contract or (ii) for which development has commenced but the developed land accounts for less than one-third of the total land obligated for development or the invested amount accounts for less than 25 per cent. of the total investment amount, and the development has been suspended for at least one year. According to the new rules, “commencement of development” means, subject to the issuance of the construction permit, the completion of the excavation of foundation for projects requiring foundation pit, or the driving of all piles for projects using pile foundation, or the completion of one-third of the foundation for other projects. In addition, the new rules require that the land premium, relevant taxes and governmental charges shall be excluded from the invested amount and the total investment amount when calculating whether the investment commitment for the land has been satisfied. Further, according to the new rules, where land remains idle for at least one year but less than two years, the idle land fee shall be 20% of the land premium, as opposed to “up to 20%” under the previous rules promulgated in 1999. In addition, a holder of land use right cannot count the idle land fee into its production costs. There is no assurance that ESR’s PRC subsidiaries and joint ventures will commence and/or complete a development within the time limits prescribed in its respective land grant contracts. This particularly applies to subsidiaries and joint ventures acquired by ESR where the land held by such subsidiaries or joint ventures became idle before ESR’s acquisition.

There can be no assurance that the government will not impose the “idle” land fee and/or forfeit the land in respect of which the Group did not begin timely construction. If the relevant government authorities impose the “idle” land fee and/or forfeit the land, it may have an adverse effect on the Group’s business, financial condition, results of operations and prospects.

In addition, any other breach of the terms of the land grant contracts, including without limitation, failure to adhere to the commencement date of the development of the land or the development period may subject the Group to further liabilities and penalties under the land grant contracts. If the government authorities impose penalties or other liabilities on it for failure to adhere to the strict terms and conditions of the land grant contracts, it may have an adverse effect on the Group’s business, financial condition, results of operations and prospects.

ESR may not always be able to acquire land reserves that are suitable for development.

ESR derives the majority of its revenue from the leasing of the logistics facilities that it has developed. This revenue stream depends on the completion of, and its ability to lease, its developments. To have a steady stream of developed facilities available for lease and a continuous growth in the long term, ESR needs to replenish and increase its land reserves that are suitable for development and at a commercially acceptable cost. ESR's ability to identify and acquire suitable development sites is subject to a number of factors, some of which are beyond its control and there can be no assurance that it can identify and undertake suitable future land development projects.

The PRC government controls the supply of land in the PRC and regulates the transfer of land use rights in the secondary market. As a result, the policies of the PRC government have a direct impact on ESR's ability to acquire the land use rights it seeks and could increase its costs of acquisition. Furthermore, most of ESR's land use rights are for a fixed duration of time. There can be no assurance that ESR will be able to renew its land use rights at commercially acceptable terms, or at all. In recent years, the PRC central and local governments have also implemented various measures to regulate the means by which companies obtain land for development and the manner in which land may be developed. The PRC government also controls land supply through zoning, land usage regulations and other measures. All these measures further intensify the competition for land in the PRC among companies. As the PRC economy continues to grow and demand for property remains relatively strong, ESR expects competition among developers for land supply to intensify. If ESR fails to acquire sufficient land reserves suitable for development in a timely manner and at acceptable prices, its prospects and competitive position may be adversely affected and its business strategies, growth potential and performance may be materially and adversely affected.

ESR may fail to contribute to the registered capital of its PRC subsidiaries or joint ventures or experience material delays in contributing to the registered capital of its PRC subsidiaries and despite recent amendments to ESR Law of PRC, there is no clear PRC law or regulation on governmental penalties in connection with the failure of making such capital contribution and more stringent requirements and liabilities may be imposed in the future.

Following the recent amendments to ESR Law of the PRC, which came into force on 1 March 2014, foreign invested enterprises ("FIEs") are no longer subject to any major statutory restrictions in terms of capital contribution, except for companies in certain industries which are subject to special requirements in respect of paid-in capital. For FIEs established before 1 March 2014, the shareholders are entitled to amend the constitutional documents (e.g. joint venture contracts and articles of association) if such constitutional documents set forth any time schedule in connection with capital contribution. In contrast, for FIEs in specially-regulated industries, the failure to contribute capital pursuant to legal requirements may still subject ESR to governmental penalties.

Some of ESR's PRC subsidiaries were established before 1 March 2014. Such companies may apply to the competent subordinates of the Ministry of Commerce of the PRC (the "MOC") to amend their joint venture contracts and/or articles of association in respect of the schedule for capital contribution. For those PRC subsidiaries which are or will be established after 1 March 2014, it is possible that local government authorities may still request that the joint venture contracts and/or articles of association specify time limits and/or minimum amount for capital contribution.

Currently, there is no clear PRC law or regulation on governmental penalties in connection with failure of making capital contribution pursuant to joint venture contracts and/or articles of association for companies outside the specially-regulated industries. It is possible that new PRC laws or regulations may be promulgated in the future imposing more stringent requirements and liabilities, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The PRC government may redesignate the usage of land that has been granted to the Group.

The Group is subject to the Urban and Rural Planning Law of the PRC, pursuant to which relevant local governments may, from time to time, redesignate the usage of certain land for local planning and development purposes. When a government re-zones land that has been granted to the Group, it may be required to exchange its original land use right for the land use right of another parcel of land or accept a refund from the local government for the land premium that it paid for the original land use right, thereby affecting the Group's original development plans. There can be no assurance that relevant local governments will not change the zoning of certain land that the Group has already acquired, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The actual or intended usage of some land or properties may not be in full compliance with legal zoning or usage requirements.

Part of the land held by some of ESR's PRC subsidiaries and joint ventures for developing the logistic facilities are zoned for "industrial use" or other usages rather than "logistic use", and part of the properties owned by some of ESR's PRC subsidiaries and joint ventures, although categorised as "factory building" or "others" rather than "warehouse", are actually used by the relevant subsidiaries and joint ventures or by the tenants for logistics and warehousing purposes. Such intended development or actual use may be found by the government to be incompatible with the zoning or other legal designation. The value of land zoned or permitted for use as a warehouse or logistics facility may in some cases be greater than land that is designated for general manufacturing, agricultural, residential or other forms of use. As such, loss of such designation may have an immediate economic impact on the value of such property. Moreover, fines or other penalties may be imposed on the relevant subsidiaries and joint ventures, including administrative actions taken by relevant government departments to prevent continued non-conforming uses.

The Group may fail to obtain, or experience material delays in obtaining, requisite governmental approvals, licences and filings.

To establish a logistics facility in China, ESR's PRC subsidiaries and joint ventures must go through various PRC governmental approval and filing processes and obtain the requisite approvals and licences for its investment in such logistics facility and related business operations. To construct a logistics facility, ESR's relevant PRC subsidiaries and joint ventures must obtain permits, licences, certificates and other approvals from the relevant administrative authorities at various stages of land acquisition and construction, including land use rights certificates, construction land planning permits, construction works planning permits, construction works commencement permits and filing forms of completion inspection. Each approval is dependent on the satisfaction of a set of conditions.

There can be no assurance that the Group will not encounter significant problems in satisfying the conditions to the approvals necessary for the development of its logistics facilities, or that the Group will be able to adapt itself to new laws, regulations or policies, or the particular processes related to the granting of the approvals. There may also be delays on the part of the administrative bodies in reviewing the Group's applications and granting approvals. If the

Group were to fail to obtain, or experience material delays in obtaining, the requisite governmental approvals, licences and filings, ESR's investment in its PRC subsidiaries and joint ventures and the schedule of development and commencement of the Group's leasing operations could be substantially disrupted, resulting in a material adverse effect on the Group's business, financial condition and results of operations.

The Group may not have obtained all the land use rights certificates and building ownership certificates for certain of its facilities.

Some of the PRC subsidiaries of ESR have not obtained the land use rights certificates and/or building ownership certificates for certain properties. Due to the lack of land use rights certificates and/or building ownership certificates and the related title defects for the relevant facilities, (i) the users of the relevant facilities may claim against the Group for losses they suffer, (ii) the Group may be required to vacate the relevant facilities which, to the extent that any of the relevant facilities are leased to its customers, may also affect the Group's ability to continue to perform its obligations under the lease agreements and/or (iii) the relevant PRC government authority may demolish the buildings or foreclose on the relevant properties. In addition, if the failure to obtain such certificate is due to violation of any other law or regulation, the competent PRC government authority may impose liabilities on the relevant PRC subsidiaries pursuant to the applicable law or regulation. Any such consequences could have an adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group may face penalties for the non-registration of its lease agreements with customers in China.

Non-registration does not affect the Group's rights or entitlements to lease out the facilities to customers, or the legality and effectiveness of the lease agreements between the parties to the agreements. However, pursuant to the requirements of the PRC Administrative Measures of Commodity Property Leases and relevant local rules, the Group may be subject to penalties for the non-registration of lease agreements imposed by the local authorities and/or requests by the local authorities to complete the registration formalities. The Group intends to register lease agreements to the extent practicable. Nevertheless, there can be no assurance that the Group would not be subject to such penalties and/or requests for undertaking the registration formalities in the future, any of which could increase its costs.

The PRC logistics facility industry is susceptible to the macro-economic policies and austerity measures of the PRC government.

The PRC government has exercised and continues to exercise significant influence over the PRC's economy. From time to time, the PRC government adjusts its monetary and economic policies to prevent and curtail the overheating of the national and provincial economies, which may affect the markets in which the Group operates. Any action by the PRC government concerning the economy or the real estate industry in particular could have a material adverse effect on the business, financial condition and results of operations of the Group.

Macroeconomic policies and austerity measures previously implemented by the PRC government in respect of the PRC real estate market have focused on the residential property market. Such measures have included regulations to limit mortgage loans on residential properties and increases in residential mortgage interest rates. There can be no assurance that macroeconomic policies and austerity measures introduced in the future will not adversely affect the Group's ability to fund future acquisitions of land upon which to build new logistics facilities, or to service or refinance its existing financing obligations.

The People's Bank of China ("PBOC") has adjusted the deposit reserve ratio for commercial banks several times commencing from 1 January 2008. The deposit reserve refers to the amount of funds that banks must hold in reserve against deposits made by their customers. The increase of the deposit reserve ratio may negatively impact the amount of funds available to be lent to business, including the Group, by commercial banks in the PRC. The central and local authorities in the PRC may continuously adjust interest rates and other economic policies or impose other regulations or restrictions which may adversely affect the business, financial condition and results of operations of the Group.

RISKS RELATING TO THE BUSINESS AND PROPERTIES OF CIT

CIT's borrowing limit may be exceeded if there is a downward revaluation of properties.

CIT is subject to the aggregate leverage limit of 45% as defined in the Property Funds Appendix. As of 31 March 2017, CIT's aggregate leverage is approximately 37.8%.

CIT may, from time to time, require further debt financing to achieve its investment strategy. A substantial decline in the value of the Deposited Property may affect CIT's ability to make further borrowings due to the aggregate leverage limit under the Property Funds Appendix.

Adverse business consequences of this limit on borrowings may include:

- an inability to fund acquisitions by CIT of further properties or to fund capital expenditure requirements, refurbishments, renovation and improvements, asset enhancement initiatives and development works in relation to the properties held by CIT;
- an inability to fund working capital requirements which may further constrain CIT's operational flexibility; and
- cash flow shortage which may have an adverse impact on CIT's ability to satisfy its obligations in respect of the Securities.

CIT may have a higher level of gearing than certain other types of unit trusts.

CIT may, from time to time, require additional debt financing to achieve its investment strategies and to fund working capital requirements and/or to refinance existing debt obligations.

CIT's level of borrowings may represent a higher level of gearing as compared to certain other types of unit trusts, such as non-specialised collective investment schemes which invest in equities and/or fixed income instruments. This could affect CIT's ability to make timely interest payments or otherwise comply with applicable debt covenants, and this may in turn affect ESR's ability to fulfil its payment obligations under the Securities.

CIT faces risks associated with its existing debt financing arrangements.

CIT is subject to risks associated with debt financing, including the risk that its cash flow will be insufficient to make the required principal and interest payments under such financing.

CIT's borrowings are also subject to covenants, representations and warranties in favour of the lenders, relating to, among other things, CIT, the CIT Manager, the CIT Trustee and the Properties. Certain of these borrowings also require CIT to indemnify the lenders in relation to any breach of such covenants, representations and warranties. In the event that the lenders, or any party entitled to enforce the covenants, representations, warranties and indemnities make a claim in respect of any of them, the assets of CIT may be used to satisfy such a claim and this could have a material adverse effect on CIT.

CIT may seek to repay maturing debt with funds from additional debt or equity financings or both. There can be no assurance that such financing will be available on acceptable terms, or at all.

CIT is also subject to the risk that its existing borrowings may have their repayment accelerated or be terminated by the lenders upon the occurrence of certain events. Even if CIT is able to refinance part of such existing debt, it remains subject to the risk that the terms of such refinancing will not be as favourable as the terms of its existing debt. In addition, CIT may be subject to certain covenants in connection with any future borrowings that may limit or otherwise adversely affect its operations. Such covenants may also restrict CIT's ability to acquire future properties or to undertake other capital expenditures or may require it to set aside funds for maintenance or repayment of security deposits.

In addition to the risks set out above, if prevailing interest rates or other factors at the time of refinancing its debt (such as the possible reluctance of lenders to make loans in relation to industrial properties) result in CIT having to bear higher interest rates upon refinancing its debt, the interest expense relating to such refinanced borrowings would increase, and this may adversely affect CIT's cash flow. The occurrence of such events may adversely affect the financial condition of CIT, which may in turn affect ESR's ability to fulfil its payment obligations under the Securities.

Additionally, a proportion of CIT's expected cash flow may be required to be dedicated to the payment of interest on its borrowings, thereby reducing the funds available to CIT for use in its general business operations. Such indebtedness may also restrict CIT's ability to obtain additional financing for capital expenditure, acquisitions or general corporate purposes and may cause it to be vulnerable in the event of a general economic downturn.

CIT's strategy of investing in industrial properties may entail a higher level of risk compared to other types of trusts that have a more diverse range of permitted investments and that are spread over more diverse geographical locations.

All of the Properties are used predominantly for industrial purposes and are located in Singapore. This concentration of investments in a portfolio of industrial real estate assets in Singapore may cause CIT to be susceptible to a downturn in the industrial real estate market in Singapore. A downturn in the industrial real estate market may lead to a decline in the rental income in CIT's properties and/or a decline in the capital value of such properties, either of which will have an adverse impact on the results of operations and the financial condition of CIT, and this may in turn affect ESR's ability to fulfil its payment obligations under the Securities.

The CIT Manager may not be able to implement its investment strategy.

The CIT Manager's investment strategy includes expanding CIT's portfolio of industrial properties in Singapore and expanding its portfolio to include industrial properties in overseas markets. There can be no assurance that the CIT Manager will be able to expand CIT's portfolio further, or at any specified rate or to any specified size. The CIT Manager may not be able to make investments or acquisitions on favourable terms in a desired time frame.

CIT relies on external sources of funding to expand its portfolio, and there is no assurance that such funding will be available on favourable terms, or at all. Even if CIT were able to complete additional property investments successfully, there is no assurance that CIT will achieve its intended return on such investments. As the amount of debt CIT can incur to finance acquisitions is limited (for example, by the Property Funds Appendix and various financial and restrictive covenants in CIT's loan facilities), such acquisitions may be dependent on CIT's ability to raise equity capital. Potential vendors may also view the necessity of raising equity capital to fund any such purchase negatively and may prefer other potential purchasers.

Furthermore, there has been significant competition from other real estate investors for attractive investment opportunities, particularly for industrial properties both in Singapore and regionally. These real estate investors include other industrial REITs, commercial property development companies and private investment funds, both foreign and domestic, which may be larger in terms of assets and revenue or have greater financial resources, better quality of assets and stronger relationships with potential vendors and tenants compared to CIT. There can be no assurance that CIT will be able to compete effectively against such entities.

The CIT Manager may invest overseas and may be subject to associated risks.

The CIT Manager may venture to invest in yield accretive properties overseas to enhance CIT's value. There may be operational and currency risks involved in expanding the business overseas.

The CIT Manager's strategy to initiate asset enhancement and/or development works on the properties held by CIT from time to time may not materialise.

The CIT Manager may from time to time initiate asset enhancement and/or development works on some of the properties held by CIT at the request of existing or pre-committed tenants or to attract new tenants. There is no assurance that such plans for asset enhancement and/or development works will materialise, or in the event that they do materialise and are completed, that they will be able to achieve their desired results. The proposed asset enhancement initiatives are also subject to CIT obtaining the approvals of the relevant authorities. Furthermore, the CIT Manager may not be able to carry out the proposed asset enhancement initiatives within a desired timeframe, and any benefit or return which may arise from such asset enhancement initiatives may be reduced or lost. Despite the significant costs that may have been incurred by CIT in the course of such asset enhancement and/or development works, such properties may still be unable to attract new tenants or retain existing tenants and pre-committed tenants may default on their pre-commitment obligations. This may adversely affect the financial condition of CIT, which may in turn affect ESR's ability to fulfil its payment obligations under the Securities.

If the Capital Markets Services Licence of the CIT Manager is cancelled or not renewed by MAS, the operations of CIT may be adversely affected.

The Capital Markets Services Licence issued to the CIT Manager is subject to certain conditions. If the Capital Markets Services Licence of the CIT Manager is cancelled or revoked by MAS, CIT will need to expend time and resources searching for a replacement manager. This could adversely affect the operations of CIT and hence ESR's ability to fulfil its payment obligations under the Securities.

The Properties are held pursuant to leases from JTC and HDB and/or the President of Singapore, and these land leases contain certain provisions that may have an adverse effect on CIT's financial condition and results of operations.

The CIT Trustee, on behalf of CIT, owns the Properties pursuant to land leases from JTC, HDB and/or the President of Singapore. Each of the Properties which is held under a lease from JTC contains certain standard terms and conditions ordinarily found in building agreements or agreements for lease entered into or leases granted by JTC requiring the lessee:

- to pay a yearly rent to JTC;
- not to demise, assign, mortgage, let, sublet, underlet or grant a licence or part with or share the possession or occupation of the whole or part of the relevant property without first obtaining JTC's prior written consent; and
- not to use or permit the relevant property to be used other than for such purposes as approved by JTC.

Each of the Properties which are held under a lease from HDB contains certain standard terms and conditions requiring the lessee:

- to pay yearly rent to HDB;
- not to demise, transfer, assign, mortgage, let, sublet or underlet or licence or part with possession of the relevant property or any part thereof and not to effect any form of reconstruction including any form of amalgamation or merger with or take-over by another company or body without first obtaining the consent of HDB in writing; and
- not to use or permit the relevant property to be used other than for such purposes as approved by HDB.

Each of the Properties which are held under a lease from the President of Singapore contains certain terms and conditions, several of the more material and pertinent ones of which include:

- preventing the lessee, without the written approval of the lessor, from using or permitting the relevant property to be used otherwise than as permitted by the terms of the lease from the President of Singapore or in accordance with the approval obtained from the lessor and the competent planning authority;
- granting the lessor the right of re-entry if the lessee fails to perform or observe any of the terms and conditions of the lease from the President of Singapore. Upon re-entry, the term of the lease from the President of Singapore will cease without prejudice to any right of action or other remedy that the lessor may have; and
- requiring the lessee to surrender to the Government of Singapore, without compensation, such portions of the relevant property which may be required from time to time for roads, drainage, or any other public purpose as may be declared or notified to the lessee.

Compliance with the terms of such leases may restrict CIT's ability to respond to changing real estate market conditions, re-let a property to different tenants or perform asset enhancements. In addition, any current or future breaches of its land leases may require rectification. These restrictions may have an adverse effect on CIT's financial condition and results of operations, which may in turn affect the ability of ESR to fulfil its payment obligations under the Securities.

JTC has announced that all new leases from JTC as well as transfers of JTC properties by owners should give JTC the right to buy the relevant property should the owner decide to sell the property in the future.

In order to facilitate overall land use planning and development needs in Singapore, JTC has announced that all new leases from JTC as well as transfers/assignments and lease renewals of JTC properties by owners should give JTC the right to buy the relevant property should the owner decide to sell the property in the future (excluding sale and lease-back transactions and mortgagee sales). According to the announcement, the reason behind this policy is that land in Singapore is scarce and the constant rejuvenation of land use is essential to optimise land use in Singapore. This policy may have an impact on CIT's ability to acquire properties to be leased under JTC or to dispose of its properties which are held under JTC leases.

CIT may not be able to extend the terms of the underlying land leases of certain of the properties held by CIT which contain options to renew.

The underlying leases of certain of the properties held by CIT contain a covenant by the relevant lessor thereof to grant a further term following the expiry of the current lease term subject to the satisfaction of certain conditions, such as there being no breach of any terms and conditions of the underlying leases and certain fixed investment criteria in respect of these properties being fulfilled.

While CIT had, where applicable, required the vendors, at the time of the acquisition of such properties, to provide written confirmation of the relevant head lessor (namely, JTC or HDB, as the case may be) that the pertinent fixed investment criteria had been fulfilled, there can be no assurance that such conditions for extension have been or will be satisfied or that CIT's tenants, while in occupation of the premises, have not been or will not be in breach of the terms and conditions of the underlying leases or that any such breach has been or will be rectified in time, or at all.

If CIT, for whatever reason, is not able to extend the lease term of the underlying leases of any of such properties held by CIT, CIT may have to surrender such property to its lessor upon expiry of the original lease term. The value of the properties held by CIT may be substantially reduced upon such surrender. Any potential income expected after the expiry of the original lease term will not be realised. In addition, CIT may be required to incur substantial amounts of money to reinstate a property to a state and condition acceptable to the relevant lessor.

CIT's properties or parts thereof may be acquired compulsorily.

The Land Acquisition Act, Chapter 152 of Singapore gives the Government of Singapore the power to acquire any land in Singapore:

- for any public purpose;
- where the acquisition is of public benefit or of public utility or in the public interest; or
- for any residential, commercial or industrial purposes.

The compensation to be awarded pursuant to any compulsory acquisition would be based on, among other factors:

- the market value of the property as of the date of the publication in the Government Gazette of the notification of the likely acquisition of the land (provided that within six months from the date of publication, a declaration of intention to acquire is made by publication in the Government Gazette); or
- the market value of the property as of the date of publication in the Government Gazette of the declaration of intention to acquire.

Accordingly, if the market value of a property (or part thereof) is greater than the market values referred to above, the compensation paid in respect of the property would be less than its market value. In such cases, compulsory acquisitions would have an adverse effect on the revenue of CIT and the value of the properties held by CIT.

Further, CIT may, in the future, acquire properties that are located in other countries. The laws of these countries may also provide for a right by the governments of these countries to compulsorily acquire any land or property with no compensation to the owner or with compensation which is below market value. Such compulsory acquisitions would have an adverse effect on the revenue of CIT and the value of such properties.

Amenities and transportation infrastructure near the CIT properties may be closed, relocated or terminated, or the commencement of their operations may be delayed.

The proximity of amenities and transportation infrastructure such as train stations and bus interchanges to the properties held by CIT influence the demand for and hence the occupancy of the properties.

There is no assurance that the amenities, transportation infrastructure and shuttle services near the properties held by CIT will not be closed, relocated or terminated in the future, or that the commencement of their operations will not be delayed. If such an event were to occur, it would adversely impact the accessibility of the affected properties and their attractiveness and marketability to tenants. This may have a negative impact on their occupancy rates and may consequently affect CIT's financial condition and results of operations.

RISKS RELATING TO THE GROUP'S FUND MANAGEMENT BUSINESS

A portion of the Group's revenue and income is derived from its funds management business which would be adversely affected if the performance of the funds and CIT which it manages deteriorates.

The Group currently manages private real estate funds, programmatic project joint ventures, co-investments and a public REIT, including the Cambridge Industrial REIT ("CIT") (the "Managed Assets"). The Group's fees from the management of each of these Managed Assets generally comprise (1) base, asset and development management fees, (2) property and facility management fees which are generally based on the net operating income generated by the properties, (3) reimbursement of certain administrative and other costs, (4) acquisition and divestment fees and (5) leasing fees. In some cases, the Group is also entitled to earn an incentive fee of a certain percentage of the investment return on the aggregate of contributed capital in excess of a specified net internal rate of return and there is no assurance that this fee will be earned at all. These fees may be pegged to certain indices of the listed funds and certain financial valuations and a decrease in the value of properties, gross revenue or net property income of the properties held by the listed funds and the other Managed Assets could result in a corresponding decrease in the fees payable to the Group. A decrease in the values of some of the properties held or the gross revenue and net property incomes would result in a corresponding decrease in such fees. Any condition which might have a material adverse effect of the operating performance or financial condition of the Group's Managed Assets, or termination of the Group's management services, could materially reduce its revenue derived from managing these Managed Assets.

The Group's existing contracts for the provision of fund management services are for the life of the private real estate funds unless the Group resigns or is removed as manager. Some of the Group's private fund agreements specifically provide that the Group's property and fund management services may be terminated generally as a result of its wilful default, gross negligence or material violation of the provisions of the applicable agreement. In the event that the Group's services are terminated prior to the expiry of the applicable contract, or the Group is removed as a manager in accordance with the terms of the applicable contracts or applicable law, or the Group is unable to renew contracts that have expired, and on terms that are commercially reasonable to the Group, this would adversely affect the Group's business, financial condition, results of operations and prospects.

Additionally, the Group may grow its fee-based income through the establishment of new private real estate funds or REITs or through the expansion of the capital base of its existing private real estate funds and REIT. There can be no assurance that the Group will be successful in raising capital to establish such funds or that the Group is able to compete against other funds, REITs or REIT managers to raise funds and find new investors for new or its existing private real estate funds or REITs, or that the level of fees that the Group may generate from such new funds or REITs will be comparable to those of its existing private real estate funds or REIT.

Fund management is subject to significant regulation and supervision by the regulatory authorities in certain jurisdictions, and compliance failures and changes in regulation could adversely affect the Group.

The fund management industry is subject to significant regulation and supervision by regulatory authorities in certain jurisdictions. The Group may also be adversely affected if new or revised legislation or regulations are enacted, or if there are changes in the interpretation or enforcement of existing rules and regulations that apply to the Group. Such events could increase the Group's costs of doing business, require the Group to restructure the way in which it carries on its business, or render the Group unable to continue all or part of its business, which in turn could adversely affect the Group's business, financial condition, results of operations and prospects.

RISKS RELATING TO THE PRESENTATION OF THE FINANCIAL INFORMATION IN THE OFFERING CIRCULAR

The pro forma financial information included in the Offering Circular is not comparable to the corresponding financial information of the Group for the year ended 31 December 2016 and of future years.

This Offering Circular contains unaudited pro forma consolidated financial information to reflect the merger (the **"Merger"**) of E-Shang Cayman Limited (**"E-Shang"**) and Redwood Group Asia, Pte. Ltd. (**"RGA"**) as if it had occurred on 1 January 2015, prepared on the basis of each of the 2015 audited consolidated financial statements of RGA and E-Shang. The unaudited pro forma consolidated financial information is based on estimates and assumptions which the Group believes to be reasonable and is being furnished solely for illustrative purposes. The unaudited pro forma consolidated financial information set forth in this Offering Circular is based on available information and certain assumptions and estimates that may differ materially from the actual amounts that would have been achieved had the Merger occurred on 1 January 2015. Accordingly, the unaudited pro forma consolidated financial information included in this Offering Circular does not purport to indicate the results that would have actually been achieved had the transactions been completed on the assumed date or for the periods presented, or which may be realised in the future, nor does the unaudited pro forma consolidated financial information give effect to any events other than those discussed in the unaudited pro forma consolidated financial information and related notes. In addition, the unaudited pro forma financial information in this Offering Circular may not be directly comparable to the corresponding financial information for the year ended 31 December 2016 and the financial information of the Group in future years. As a result, investors should not place undue reliance on the unaudited pro forma consolidated financial information presented in this Offering Circular.

RISKS RELATING TO THE SECURITIES ISSUED UNDER THE PROGRAMME

The Securities may not be a suitable investment for all investors

Each potential investor in any Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Securities, the merits and risks of investing in the relevant Securities and the information contained or incorporated by reference in this Offering Circular, any applicable supplement to this Offering Circular or any Pricing Supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Securities and the impact such investment will have on its overall investment portfolio;

- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Securities, including where principal, interest or distribution is payable in one or more currencies, or where the currency for principal, interest or distribution payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the relevant Securities and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Securities may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Securities which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of such Securities and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Securities are legal investments for it, (2) the Securities can be used as collateral for various types of borrowing, and (3) other restrictions apply to its purchase of any Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Securities under any applicable risk-based capital or similar rules.

Modification and waivers

The Conditions contain provisions for calling meetings of Securityholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Securityholders including Securityholders who did not attend and vote at the relevant meeting and Securityholders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of holders of the Securities may be adverse to the interests of an individual Securityholder.

The Conditions also provide that the Trustee may (but is not obliged to) agree, without the consent of the Securityholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed which in the opinion of the Trustee is of a formal, minor or technical nature, is made to correct a manifest error or to comply with any mandatory provision of law or as required by Euroclear and/or Clearstream, Luxembourg, CDP and/or any other clearing system in or through which the Securities may be held, and (ii) any other modification (except as mentioned in the Trust Deed) which is in the opinion of the Trustee not materially prejudicial to the interests of the Securityholders, and (iii) any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, the Agency Agreement or the Conditions which is in the opinion of the Trustee not materially prejudicial to the interests of the Securityholders. Any such modification shall be binding on the Securityholders and the Couponholders and, unless the Trustee otherwise agrees, such modification, waiver or authorisation shall be notified by the relevant Issuer to the Securityholders as soon as practicable.

Singapore taxation

The Securities to be issued from time to time under the Programme during the period from the date of this Offering Circular to 31 December 2018 are intended to be “qualifying debt securities” for the purposes of the ITA, subject to the fulfilment of certain conditions more particularly described in the section “*Taxation — Singapore Taxation*”. However, there is no assurance that such Securities will continue to enjoy the tax concessions for “qualifying debt securities” should the relevant tax laws be amended or revoked at any time.

A change in the law which governs the Securities may adversely affect Securityholders

The Conditions of the Notes will be governed by English law. The Conditions of the Perpetual Securities will be governed by English law (except that the provisions relating to Subordinated Perpetual Securities in Condition 3(b) of the Perpetual Securities applicable to (i) the relevant Issuer shall be governed by and construed in accordance with the laws of such Issuer’s jurisdiction of incorporation and (ii) the Guarantor shall be governed by and construed in accordance with the laws of the Cayman Islands). No assurance can be given as to the impact of any possible judicial decision or change to English law, Cayman Islands law or such other laws of the relevant Issuer’s jurisdiction of incorporation, as applicable, or administrative practice after the date of the date of issue of the relevant Tranche of Securities.

The Guarantee provided by the Guarantor will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defences that may limit its validity and enforceability

The Guarantee given by the Guarantor provides holders of Securities with a direct claim against the Guarantor in respect of each Issuer’s obligations under the Securities. Enforcement of the Guarantee would be subject to certain generally available defences. Local laws and defences may vary, and may include those that relate to corporate benefit (*ultra vires*), fraudulent conveyance or transfer (*action pauliana*), voidable preference, financial assistance, corporate purpose, liability in tort, subordination and capital maintenance or similar laws and concepts. They may also include regulations or defences which affect the rights of creditors generally.

If a court were to find the Guarantee given by the Guarantor, or a portion thereof, void or unenforceable as a result of such local laws or defence, or to the extent that agreed limitations on guarantees apply, holders would cease to have any claim in respect of the Guarantor and would be creditors solely of the relevant Issuer(s) and, if payment had already been made under the Guarantee, the court could require that the recipient return the payment to the Guarantor.

Performance of contractual obligations

The ability of the relevant Issuer and/or the Guarantor to make payments in respect of the Securities may depend upon the due performance by the other parties to the transaction documents of the obligations thereunder including the performance by the Issuing and Paying Agent, the CDP Paying Agent, each Transfer Agent, the relevant Registrar and/or the relevant Calculation Agent of their respective obligations. Whilst the non-performance of any relevant parties will not relieve the relevant Issuer and/or the Guarantor of its obligations to make payments in respect of the Securities, the relevant Issuer and/or the Guarantor may not, in such circumstances, be able to fulfil their respective obligations to the Securityholders and the Couponholders.

The Securities may be represented by Global Securities or Global Certificates and holders of a beneficial interest in a Global Security or Global Certificate must rely on the procedures of the relevant Clearing System(s)

Securities issued under the Programme may be represented by one or more Global Securities or Global Certificates. Such Global Securities will be deposited with a common depository for Euroclear and Clearstream, Luxembourg or CDP (each of Euroclear, Clearstream, Luxembourg and CDP, a “**Clearing System**”). Except in the circumstances described in the relevant Global Security or Global Certificate, investors will not be entitled to receive definitive Securities or Certificates. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Securities or Global Certificates. While the Securities are represented by one or more Global Securities or Global Certificates, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Securities are represented by one or more Global Securities or Global Certificates, the relevant Issuer or, as the case may be, the Guarantor will discharge its payment obligations under the Securities by making payments to or to the order of the relevant Clearing System for distribution to their account holders. A holder of a beneficial interest in a Global Security or Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Securities. Neither the relevant Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Securities or Global Certificates (as the case may be).

Holders of beneficial interests in the Global Securities or Global Certificates will not have a direct right to vote in respect of the relevant Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Securities or Global Certificates will not have a direct right under the respective Global Securities or Global Certificates to take enforcement action against the relevant Issuer or the Guarantor in the event of a default under the relevant Securities but will have to rely upon their rights under the Trust Deed.

Securityholders should be aware that definitive Securities and Certificates which have a denomination that is not an integral multiple of the minimum Denomination Amount may be illiquid and difficult to trade

In relation to any issue of Securities which have a denomination consisting of a minimum Denomination Amount (as defined in the relevant Pricing Supplement) plus a higher integral multiple of another smaller amount, it is possible that the Securities may be traded in amounts in excess of the minimum Denomination Amount that are not integral multiples of such minimum Denomination Amount. In such a case a Securityholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Denomination Amount will not receive a definitive Security or Certificate in respect of such holding (should definitive Securities or Certificates be printed) and would need to purchase a principal amount of Securities such that it holds an amount equal to one or more Denomination Amounts. If definitive Securities or Certificates are issued, holders should be aware that definitive Securities or Certificates which have a denomination that is not an integral multiple of the minimum Denomination Amount may be illiquid and difficult to trade. Definitive Securities will in no circumstances be issued to any person holding Securities in an amount lower than the minimum denomination and such Securities will be cancelled and holders will have no rights against the relevant Issuer (including rights to receive principal or interest (in respect Notes) or distributions (in respect of Perpetual Securities) or to vote or attend meetings of Securityholders) in respect of such Securities.

The relevant Issuer may be unable to pay interest or distribution on, or redeem, the Securities

On certain dates, including the occurrence of any early redemption event specified in the relevant Pricing Supplement or otherwise and at maturity of the Securities, the relevant Issuer or (failing which) the Guarantor may, and at maturity, will, be required to pay interest or, as the case may be, distribution on, or redeem, all of the Securities. If such an event were to occur, the relevant Issuer or (failing which) the Guarantor may not have sufficient cash on hand (whether due to a serious decline in net operating cash flows or otherwise) and may not be able to arrange financing to make such payment or redeem the Securities in time, or on acceptable terms, or at all. The ability to make interest or distribution payments or redeem the Securities in such event may also be limited by the terms of other debt instruments. Failure to pay interest or distribution on the Securities or to repay, repurchase or redeem tendered Securities by the relevant Issuer or (failing which) the Guarantor would constitute an event of default or an enforcement event, as applicable, under the relevant Securities, which may also constitute a default under the terms of other indebtedness of the Group.

The Trustee may request that the Securityholders provide an indemnity and/or security and/or prefunding to its satisfaction

In certain circumstances (including without limitation the giving of notice to the relevant Issuer and the Guarantor pursuant to Condition 10 of the Notes and the taking of enforcement steps pursuant to Condition 11 of the Notes or, as the case may be, Condition 9(c) of the Perpetual Securities), the Trustee may (at its sole discretion) request the Securityholders to provide an indemnity and/or security, and/or prefunding to its satisfaction before it takes actions on behalf of Securityholders. The Trustee shall not be obliged to take any such actions if not first indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions notwithstanding the provision of an indemnity or security or prefunding to it in breach of the terms of the Trust Deed constituting the Securities and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the Securityholders to take such actions directly.

RISKS RELATING TO THE PERPETUAL SECURITIES

Perpetual Securities may be issued for which investors have no right to require redemption

The Issuers may issue Perpetual Securities under the Programme. The Perpetual Securities are perpetual and have no fixed final maturity date. Perpetual Securityholders have no right to require the relevant Issuer to redeem Perpetual Securities at any time, and an investor who acquires Perpetual Securities may only dispose of such Perpetual Securities by sale. Perpetual Securityholders who wish to sell their Perpetual Securities may be unable to do so at a price at or above the amount they have paid for them, or at all. Therefore, holders of Perpetual Securities should be aware that they may be required to bear the financial risks of an investment in Perpetual Securities for an indefinite period of time.

If specified in the relevant Pricing Supplement, Perpetual Securityholders may not receive distribution payments if the relevant Issuer elects not to pay all or a part of a distribution under the terms and conditions of the Perpetual Securities

If Deferral Election is specified in the relevant Pricing Supplement, the relevant Issuer may, at its sole discretion, elect not to pay any scheduled distribution on the Perpetual Securities in whole or in part for any period of time. The relevant Issuer and the Guarantor (where

applicable) is subject to certain restrictions in relation to the declaration or payment of distributions on its Junior Obligations and its Parity Obligations and the redemption and repurchase of its Junior Obligations and its Parity Obligations in the event that it does not pay a distribution in whole or in part.

The relevant Issuer is not subject to any limit as to the number of times or the amount with respect to which the relevant Issuer can elect not to pay distributions under the Perpetual Securities. While the relevant Issuer may, at its sole discretion, and at any time, elect to pay an Optional Distribution, being an optional amount equal to the amount of distribution which is unpaid in whole or in part, there is no assurance that the relevant Issuer will do so, and distributions which are not paid in whole or in part may remain unpaid for an indefinite period of time. Any non-payment of a distribution in whole or in part shall not constitute a default for any purpose. Any election by the relevant Issuer not to pay a distribution in whole or in part, will likely have an adverse effect on the market price of the Perpetual Securities. In addition, as a result of the potential non-cumulative distribution feature of the Perpetual Securities and the relevant Issuer's ability to elect not to pay a distribution in whole or in part, the market price of the Perpetual Securities may be more volatile than the market price of other debt securities on which original issue discount or interest accrues that are not subject to such election not to pay and may be more sensitive generally to adverse changes in the Group's financial condition.

If specified in the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the relevant Issuer's option on the date(s) specified in the relevant Pricing Supplement or on the occurrence of certain other events

The Perpetual Securities are perpetual securities and have no fixed final redemption date. If specified in the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the relevant Issuer on certain date(s) specified in the relevant Pricing Supplement at their principal amount (or such other redemption amount stated in the relevant Pricing Supplement) together with all outstanding Arrears of Distribution, Additional Distribution Amounts and distribution accrued to the date fixed for redemption. In addition, if specified on the relevant Pricing Supplement, the relevant Issuer may, at its option, redeem the Perpetual Securities in whole, but not in part, on any Distribution Payment Date, or any time after such Distribution Payment Date, upon the occurrence of certain other events. See "*Terms and Conditions of the Perpetual Securities — Redemption and Purchase*".

The date on which the relevant Issuer elects to redeem the Perpetual Securities may not accord with the preference of individual Perpetual Securityholders. This may be disadvantageous to Perpetual Securityholders in light of market conditions or the individual circumstances of the holder of Perpetual Securities. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Perpetual Securities.

There are limited remedies for default under the Perpetual Securities and the Guarantee

Any scheduled distribution will not be due if the relevant Issuer elects not to pay all or a part of that distribution pursuant to the Terms and Conditions of the Perpetual Securities. Notwithstanding any of the provisions relating to non-payment defaults, the right to institute winding-up proceedings is limited to circumstances where payment has become due and the relevant Issuer or, as the case may be, the Guarantor fails to make the payment when due. The only remedy against the relevant Issuer and/ or the Guarantor available to any Perpetual Securityholder for recovery of amounts in respect of the Perpetual Securities following the occurrence of a payment default after any sum becomes due in respect of the Perpetual

Securities and/or the Guarantee will be proving in such winding-up and/or claiming in the liquidation of the relevant Issuer and/or the Guarantor in respect of any payment obligations of the relevant Issuer or, as the case may be, the Guarantor arising from the Perpetual Securities and/or the Guarantee.

The relevant Issuer may raise or redeem other capital which affects the price of the Perpetual Securities

The relevant Issuer may raise additional capital through the issue of other securities or other means. There is no restriction, contractual or otherwise, on the amount of securities or other liabilities which the relevant Issuer may issue or incur and which rank senior to, or *pari passu* with, the Perpetual Securities. The issue of any such securities or the incurrence of any such other liabilities or the redemption of any such securities may reduce the amount (if any) recoverable by holders of Perpetual Securities on a winding-up of the relevant Issuer, and may increase the likelihood of a deferral of distribution under the Perpetual Securities. The issue of any such securities or the incurrence of any such other liabilities or the redemption of any such securities might also have an adverse impact on the trading price of the Perpetual Securities and/or the ability of holders of Perpetual Securities to sell their Perpetual Securities.

The Subordinated Perpetual Securities and the Subordinated Guarantee are subordinated obligations

The obligations of the relevant Issuer under the Subordinated Perpetual Securities, and the Guarantor under the Subordinated Guarantee, will constitute unsecured and subordinated obligations of the relevant Issuer and the Guarantor respectively. In the event of the winding-up of the relevant Issuer or the Guarantor, the rights of the holders of Subordinated Perpetual Securities to receive payments in respect of the Subordinated Perpetual Securities or the Subordinated Guarantee will rank senior to the holders of all Junior Obligations and *pari passu* with the holders of all Parity Obligations, but junior to the claims of all other creditors, including, for the avoidance of doubt, the holders of Senior Perpetual Securities and/ or Notes. In the event of a shortfall of funds or a winding-up, there is a real risk that an investor in the Subordinated Perpetual Securities will lose all or some of its investment and will not receive a full return of the principal amount or any unpaid Arrears of Distribution, Additional Distribution Amounts or accrued distribution.

In addition, subject to the limit on the aggregate principal amount of Securities that can be issued under the Programme (which can be amended from time to time by the relevant Issuer and the Guarantor without the consent of the Securityholders), there is no restriction on the amount of unsubordinated securities or other liabilities which the relevant Issuer may issue or incur and which rank senior to, or *pari passu* with, the Subordinated Perpetual Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by holders of Subordinated Perpetual Securities on a winding-up of the relevant Issuer or the Guarantor and/or may increase the likelihood of a non-payment of distribution under the Subordinated Perpetual Securities and/or the Subordinated Guarantee.

Singapore tax treatment of Perpetual Securities may be unclear

It is not clear whether any particular tranche of the Perpetual Securities (the “**Relevant Tranche of the Perpetual Securities**”) will be regarded as debt securities by the IRAS for the purposes of the ITA or that distribution payments made under the Relevant Tranche of the Perpetual Securities will be regarded as interest payable on indebtedness and whether the tax concessions available for qualifying debt securities under the qualifying debt securities scheme (as set out in the section “Singapore Taxation”) would apply to the Relevant Tranche of the Perpetual Securities.

If the Relevant Tranche of the Perpetual Securities is not regarded as debt securities for the purposes of the ITA or the distribution payments made under each Tranche of the Perpetual Securities are not regarded as interest payable on indebtedness and holders thereof are not eligible for the tax concessions under the qualifying debt securities scheme, the tax treatment to holders may differ. Investors and holders of the Relevant Tranche of the Perpetual Securities should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding and disposal of the Relevant Tranche of the Perpetual Securities.

For further details on the tax treatment of the Perpetual Securities, see “*Taxation — Singapore Taxation*”.

Risks relating to the structure of a particular issue of Securities

A wide range of Securities (other than Perpetual Securities) may be issued under the Programme. A number of these Securities may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Securities subject to optional redemption by the relevant Issuer may have a lower market value than Securities that cannot be redeemed

Unless in the case of any particular Tranche of Securities the relevant Pricing Supplement specifies otherwise, in the event that the relevant Issuer or the Guarantor would be obliged to increase the amounts payable in respect of any Securities due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the jurisdiction of incorporation of the relevant Issuer or the Guarantor or any political subdivision thereof or any authority therein or thereof having power to tax, the relevant Issuer may redeem all outstanding Securities in accordance with the Conditions.

An optional redemption feature is likely to limit the market value of Securities. During any period when the relevant Issuer may elect to redeem Securities, the market value of those Securities generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The relevant Issuer may be expected to redeem Securities when its cost of borrowing is lower than the interest rate on the Securities. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Securities being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Inverse Floating Rate Securities are typically more volatile than conventional floating rate debt

Inverse Floating Rate Securities have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the London Interbank Offered Rate (“**LIBOR**”). The market values of such Securities typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Securities are more volatile because an increase in the reference rate not only decreases the interest rate of the Securities, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Securities.

Securities carrying an interest rate which may be converted from fixed to floating interest rates and vice-versa, may have lower market values than other Securities

Fixed/Floating Rate Securities may bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The relevant Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Securities since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/ Floating Rate Securities may be less favourable than then prevailing spreads on comparable Floating Rate Securities tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Securities. If the relevant Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Securities.

The market prices of Securities issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities

The market values of Securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the Securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Investors may lose part or all of their investment in any Index-Linked Notes issued

If, in the case of a particular Tranche of Securities, the relevant Pricing Supplement specifies that the Securities are Index-Linked Notes, there is a risk that the investor may lose the value of its entire investment or part of it.

RISKS RELATED TO RENMINBI-DENOMINATED SECURITIES

Securities denominated in RMB ("**RMB Securities**") may be issued under the Programme. RMB Securities contain particular risks for potential investors.

RENMINBI IS NOT FREELY CONVERTIBLE; THERE ARE SIGNIFICANT RESTRICTIONS ON REMITTANCE OF RENMINBI INTO AND OUTSIDE THE PRC

Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies despite the significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts.

Remittance of RMB by foreign investors into the PRC for the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of RMB into the PRC for settlement of capital account items are developing gradually.

On 12 October 2011, the Ministry of Commerce of the PRC (the “**MOC**”) promulgated the *Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment* (the “**MOC RMB FDI Circular**”). Pursuant to the MOC RMB FDI Circular, prior written consent from the appropriate office of MOC and/or its local counterparts (depending on the size and the relevant industry of the investment) is required for Renminbi foreign direct investments (“**RMB FDI**”). The MOC RMB FDI Circular also requires that the proceeds of RMB FDI may not be used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investments in PRC domestic listed companies through private placements or share transfers by agreement. On 13 October 2011, *Measures on Administration of Renminbi Settlement in relation to Foreign Direct Investment* (the “**PBOC RMB FDI Measures**”) issued by the People’s Bank of China (“**PBOC**”) set out operating procedures for PRC banks to handle Renminbi settlement relating to RMB FDI and borrowing by foreign invested enterprises of offshore Renminbi loans. On 14 June 2012, the PBOC further promulgated the *Circular on Clarifying the Operating Rules for RMB Settlement in Relation to Foreign Direct Investment*. Prior to the PBOC RMB FDI Measures, cross-border Renminbi settlement for RMB FDI required approvals from the PBOC on a case-by-case basis. These new rules replaced the PBOC approval requirement with a less onerous post-event registration and filing requirement. Under the new rules, foreign invested enterprises (whether established or acquired by foreign investors) need to:

- (i) register their corporate information after the completion of a RMB FDI transaction; and
- (ii) make post-event registration or filing with the PBOC of any changes in registration information or in the event of increase or decrease of registered capital, equity transfer or replacement, merger, division or other material changes.

On 3 December 2013, the MOC promulgated the Announcement on Issues Concerning Cross-border RMB Direct Investment (the “**New MOC Announcement**”), which became effective from 1 January 2014. The New MOC Announcement further eased rules on cross-border RMB foreign direct investments by further simplifying and streamlining the applicable regulatory framework. Pursuant to the New MOC Announcement, a direct investment using offshore Renminbi will be approved by MOC and/or its local counterparts in accordance with the existing PRC laws and regulations regarding foreign investment, and MOC and its local counterparts will specify in its approvals that the direct investment is in Renminbi and the amount of capital contribution required for each FDI. Moreover, if a foreign investor intends to change the investment currency from a certain foreign currency to Renminbi, no additional approval is required. In any event, a cross-border RMB direct investment is subject to the relevant laws, regulations and requirements on foreign investment and shall comply with the national industry policies in terms of foreign investment and the relevant rules on security review of merger and acquisitions and anti-monopoly review. In addition, the proceeds of RMB FDI may not be used towards investment in securities, financial derivatives (except for strategic investment in PRC listed companies) or entrusted loans.

As the above measures and circulars are still relatively new, how they will be applied in practice still remain subject to the interpretation and application by the relevant PRC authorities. Although starting from 1 October 2016, the Renminbi was added to the Special Drawing Rights basket created by the International Monetary Fund, there is no assurance that the PRC government will continue to liberalise its control over cross-border Renminbi remittances in the future, that any pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the relevant Issuer to source Renminbi to finance its obligations under the Securities denominated in Renminbi. Each investor should consult its own advisors to obtain a more detailed explanation of how the PRC regulations and rules may affect their investment decisions.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of RMB Securities and the relevant Issuer's ability to source Renminbi outside the PRC to service such RMB Securities

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside of the PRC is limited. Since February 2004, in accordance with arrangements between the PRC Central Government and the Hong Kong government, licensed banks in Hong Kong may offer limited Renminbi-denominated banking services to Hong Kong residents and designated business customers. The PBOC has also established a Renminbi clearing and settlement system for participating banks in Hong Kong. On 19 July 2010, further amendments were made to the Settlement Agreement on the Clearing of RMB Business (the “**Settlement Agreement**”) between the PBOC and Bank of China (Hong Kong) Limited (the “**RMB Clearing Bank**”) to further expand the scope of RMB business for participating banks in Hong Kong. Pursuant to the revised arrangements, all corporations are allowed to open RMB accounts in Hong Kong; there is no longer any limit on the ability of corporations to convert RMB and there is no longer any restriction on the transfer of RMB funds between different accounts in Hong Kong. In addition, the PBOC has now established Renminbi clearing and settlement systems in other major global financial centres (each also a “**RMB Clearing Bank**”), including London, Frankfurt and Singapore to further internationalise the Renminbi.

However, the current size of Renminbi-denominated financial assets outside the PRC is limited. Each RMB Clearing Bank only has access to its own onshore liquidity support from PBOC to square open positions of its relevant participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement. Each RMB Clearing Bank is not obliged to square for its relevant participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from the offshore market to square such open positions. Moreover, the offshore Renminbi clearing and settlement system operated by one RMB Clearing Bank is currently not linked to the offshore Renminbi clearing and settlement system operated by other RMB Clearing Banks resulting in the segmentation of the offshore Renminbi market.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreement with each RMB Clearing Bank will not be terminated or amended in the future, which will have the effect of restricting or availability of Renminbi offshore. The limited availability of Renminbi outside the PRC may affect the liquidity of its RMB Securities. To the extent the relevant Issuer is required to source Renminbi in the offshore market to service its RMB Securities, there is no assurance that the relevant Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Investment in RMB Securities is subject to exchange rate risks

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions and by many other factors. Recently, the PBOC implemented changes to the way it calculates the Renminbi's daily mid-point against the U.S. dollar to take into account market-maker quotes before announcing such daily mid-point. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. All payments of interest (in respect of Notes) or distributions (in respect of Perpetual Securities) and principal will be made with respect to RMB Securities in Renminbi. As a result, the value of these Renminbi payments may vary in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the RMB Securities in that foreign currency will

decline. If an investor measures its investment returns by reference to a currency other than Renminbi, an investment in the RMB Securities entails foreign exchange related risks, including possible significant changes in the value of Renminbi relative to the currency by reference to which the investor measures its investment returns. Depreciation of the Renminbi against such currency could cause a decrease in the effective yield of the RMB Securities below their stated coupon rates and could result in a loss when the return on the RMB Securities is translated into such currency. In addition, there may be tax consequences for the investor, as a result of any foreign currency gains resulting from any investment in RMB Securities.

Payments in respect of RMB Securities will only be made to investors in the manner specified in such RMB Securities

All payments to investors in respect of RMB Securities will be made solely:

- (i) when RMB Securities are represented by global certificates, transfer to a Renminbi bank account maintained in Hong Kong in accordance with the prevailing rules and procedures of the relevant clearing systems (other than CDP);
- (ii) when RMB Securities are represented by global certificates, transfer to a Renminbi bank account maintained in Singapore in accordance with prevailing CDP rules; or
- (iii) when RMB Securities are in definitive form, transfer to a Renminbi bank account maintained in Hong Kong or Singapore, as the case may be, in accordance with prevailing rules and regulations.

The relevant Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

RISKS RELATING TO THE MARKET GENERALLY

Securities issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity

Securities issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Securities which is already issued). If the Securities are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the relevant Issuer and/or the Guarantor. If the Securities are trading at a discount, investors may not be able to receive a favourable price for their Securities, and in some circumstances investors may not be able to sell their Securities at all or at their fair market value. Although an application has been made for the Securities issued under the Programme to be admitted to listing on the SGX-ST, there is no assurance that such application will be accepted, that any particular Tranche of Securities will be so admitted or that an active trading market will develop. In addition, the market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Securities issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Securities.

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected

The relevant Issuer will pay principal and interest on the Securities in the currency specified in the relevant Pricing Supplement (the “**Specified Currency**”). This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Specified Currency would decrease (1) the Investor’s Currency equivalent yield on the Securities, (2) the Investor’s Currency equivalent value of the principal payable on the Securities and (3) the Investor’s Currency equivalent market value of the Securities.

Governmental and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest (in respect of Notes), no distributions (in respect of Perpetual Securities), as applicable, or principal.

The market value of the Securities may fluctuate

The price and trading volume of the Securities may be highly volatile. Trading prices and volume of the Securities are influenced by numerous factors, including the operating results, business and/or financial condition of the Group, political, economic, financial and any other factors that can affect the capital markets, the industry and/or the Group generally. Adverse economic developments, acts of war and health hazards in countries in which the Group operates in could have a material adverse effect on the Group’s operations, operating results, business, financial position and performance which in turn result in large and sudden changes in the volume and price at which the Securities will trade. There can be no assurance that these developments will not occur in the future.

Developments in other markets may adversely affect the market price of the Securities

The market price of the Securities may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Securities is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors’ reaction to developments in one country could affect the securities markets and the securities of issuers in other countries, including Singapore. Since the global financial crisis of 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Securities could be adversely affected.

Changes in market interest rates may adversely affect the value of Fixed Rate Securities

Investment in Fixed Rate Securities involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Securities.

The credit ratings assigned to the Securities may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Securities. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Interest rate risk

Securityholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the price of the Securities, resulting in a capital loss for the Securityholders. However, the Securityholders may reinvest the interest payments (in respect of Notes) or the distribution payments (in respect of Perpetual Securities), as applicable, at higher prevailing interest rates. Conversely, when interest rates fall, the price of the Securities may rise. The Securityholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

Inflation risk

Securityholders may suffer erosion on the return of their investments due to inflation. Securityholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Securities. An unexpected increase in inflation could reduce the actual returns.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, save for the words in italics and subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, will be endorsed on the Notes in definitive form issued in exchange for the Global Security(ies) or the Global Certificate(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Notes. Those definitions will be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme, details of the relevant Series being shown on the face of the relevant Notes and in the relevant Pricing Supplement.

The Notes are issued by ESR Cayman Limited (“**ESR**”) or any other entity specified in the applicable Pricing Supplement as being the issuer of the Notes (each, in relation to Notes issued by it, the “**Issuer**”) pursuant to the Trust Deed (as defined below). Issues of Notes by the Issuer (except where the Issuer of the Notes is ESR) will be guaranteed by ESR (in such capacity, the “**Guarantor**”). References in these Conditions to the Guarantor and the Guarantee shall only apply to Notes issued by an Issuer which is not ESR.

The Notes are constituted by a trust deed dated 12 May 2017 (as amended or supplemented as at the date of issue of the Notes (the “**Issue Date**”), the “**Trust Deed**”) made between (1) ESR and (2) DB International Trust (Singapore) Limited (the “**Trustee**”, which expression shall wherever the context so admits include such company and all other persons for the time being the trustee or trustees of the Trust Deed), as trustee for the Securityholders (as defined below).

These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. ESR has entered into an agency agreement dated 12 May 2017 made between (1) ESR, (2) Deutsche Bank AG, Hong Kong Branch, as issuing and paying agent (the “**Issuing and Paying Agent**”), (3) Deutsche Bank AG, Singapore Branch, as CDP paying agent in respect of Notes cleared through CDP (the “**CDP Paying Agent**” and, together with the Issuing and Paying Agent and any other paying agents that may be appointed, the “**Paying Agents**”), (4) Deutsche Bank AG, Hong Kong Branch, as transfer agent in respect of Notes cleared through Euroclear (as defined below) or Clearstream, Luxembourg (as defined below) and Deutsche Bank AG, Singapore Branch, as transfer agent in respect of Notes cleared through CDP (as defined below) (each a “**Transfer Agent**” and, together with any other transfer agents that may be appointed, the “**Transfer Agents**”), (5) Deutsche Bank AG, Hong Kong Branch, as registrar in respect of Notes cleared through Euroclear or Clearstream, Luxembourg and Deutsche Bank AG, Singapore Branch, as registrar in respect of Notes cleared through CDP (each in such capacity, the “**Registrar**”), (6) Deutsche Bank AG, Hong Kong Branch, as calculation agent in respect of Notes cleared through Euroclear or Clearstream, Luxembourg and Deutsche Bank AG, Singapore Branch, as calculation agent in respect of Notes cleared through CDP (each in such capacity, the “**Calculation Agent**”) and (8) the Trustee, as trustee in relation to the Notes (as amended or supplemented as at the Issue Date, the “**Agency Agreement**”). The Securityholders and the holders (the “**Couponholders**”) of the coupons (the “**Coupons**”) appertaining to the interest-bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “**Talons**”) are bound by and are deemed to have notice of all of the provisions of these Conditions, all the provisions of the Trust Deed and the applicable Pricing Supplement, and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

Copies of the Trust Deed and the Agency Agreement are available for inspection at the principal office of the Trustee for the time being and at the specified office of the Issuing and Paying Agent for the time being.

1 Form, Denomination and Title

(a) Form and Denomination

- (i) The Notes of the Series of which this Note forms part (in these Conditions, the “**Notes**”) are issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”), in each case in the Denomination Amount shown thereon or on the Certificates.
- (ii) This Note is a Fixed Rate Note, a Floating Rate Note, a Variable Rate Note, a Hybrid Note, a Zero Coupon Note, an Index Linked Interest Note, a combination of any of the foregoing or any other type of Note (depending upon the Interest Basis shown on its face) and this Note may be an Index Linked Redemption Note, a Credit Linked Note, a combination of any of the foregoing or any other type of Note (depending upon the Redemption/Payment Basis shown on its face).
- (iii) Bearer Notes are serially numbered and issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to default interest referred to in Condition 7(h)), Coupons and Talons in these Conditions are not applicable.
- (iv) Registered Notes are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

(b) Title

- (i) Title to the Bearer Notes and the Coupons and Talons appertaining thereto shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”).
- (ii) Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note, Coupon or Talon shall be deemed to be and shall be treated as the absolute owner of such Note, Coupon or Talon, as the case may be, for the purpose of receiving payment thereof or on account thereof and for all other purposes, whether or not such Note, Coupon or Talon shall be overdue and notwithstanding any notice of ownership, theft, loss or forgery thereof or any writing thereon made by anyone, and no person shall be liable for so treating the holder.
- (iii) For so long as any of the Notes is represented by a Global Security (as defined below) or, as the case may be, a Global Certificate (as defined below) and such Global Security or Global Certificate is held by a common depository for Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking S.A. (“**Clearstream, Luxembourg**”) and/or The Central Depository (Pte) Limited (“**CDP**”), each person who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg and/or CDP as the holder of a particular principal amount of such Notes (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg and/or CDP as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor, the Issuing and Paying Agent, the CDP Paying Agent, the other Paying Agents, the Calculation

Agents, the Registrars, the Transfer Agents and all other agents of the Issuer and the Trustee as the holder of such principal amount of Notes other than with respect to the payment of principal, premium, interest, distribution, redemption, purchase and/or any other amounts in respect of the Notes, for which purpose the bearer of the Global Security or, as the case may be, the person whose name is shown on the Register shall be treated by the Issuer, the Guarantor, the Issuing and Paying Agent, the CDP Paying Agent, the other Paying Agents, the Calculation Agents, the Registrars, the other Transfer Agents, all other agents of the Issuer and the Trustee as the holder of such Notes in accordance with and subject to the terms of the Global Security or, as the case may be, the Global Certificate (and the expressions **"Securityholder"** and **"holder of Notes"** and related expressions shall be construed accordingly). Notes which are represented by the Global Security or, as the case may be, the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg and/or CDP. For so long as any of the Notes is represented by a Global Security or a Global Certificate and such Global Security or, as the case may be, Global Certificate is held by CDP, the record date for purposes of determining entitlements to any payment of principal, interest and any other amounts in respect of the Note shall, unless otherwise specified by the Issuer, be the date falling five (5) business days prior to the relevant payment date (or such other date as may be prescribed by CDP).

- (iv) In these Conditions, **"Global Security"** means the relevant Temporary Global Security representing each Series or the relevant Permanent Global Security representing each Series, **"Global Certificate"** means the relevant Global Certificate representing each Series that is registered in the name of, or in the name of a nominee of, (1) a common depositary for Euroclear and/or Clearstream, Luxembourg, (2) CDP and/or (3) any other clearing system, **"Securityholder"** means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be) and **"holder"** (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be), **"Series"** means (A) (in relation to Notes other than Variable Rate Notes) a Tranche, together with any further Tranche or Tranches, which are (aa) expressed to be consolidated and forming a single series and (bb) identical in all respects (including as to listing) except for their respective issue dates, issue prices and/or dates of the first payment of interest and (B) (in relation to Variable Rate Notes) Notes which are identical in all respects (including as to listing) except for their respective issue prices and rates of interest and **"Tranche"** means Notes which are identical in all respects (including as to listing).
- (v) Words and expressions defined in the Trust Deed or used in the applicable Pricing Supplement (as defined in the Trust Deed) shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

2 No Exchange of Notes and Transfers of Registered Notes

- (a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Denomination Amount may not be exchanged for Bearer Notes of another Denomination Amount. Bearer Notes may not be exchanged for Registered Notes.
- (b) **Transfer of Registered Notes:** Subject to Conditions 2(e) and 2(f) below, one or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any other Transfer Agent) of the Certificate representing

such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or such other Transfer Agent may require to prove the title of the transferor and the authority of the individuals that have executed the form of transfer. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, and by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Securityholder upon request.

- (c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of the Issuer's or Securityholders' option in respect of, or a partial redemption of, a holding of Registered Notes, represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any other Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.
- (d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) or 2(c) shall be available for delivery within five business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(c)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or such other Transfer Agent (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the Registrar or the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day (other than a Saturday or Sunday) on which banks are open for business in the place of the specified office of the Registrar or the other relevant Transfer Agent (as the case may be).
- (e) **Transfers Free of Charge:** Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the relevant Transfer Agent may require) in respect of such tax or charges.

- (f) **Closed Periods:** No Securityholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(b), (ii) after any such Note has been called for redemption or (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(b)(ii)).

3 Status and Guarantee

(a) Status

The Notes and Coupons of all Series constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Issuer.

(b) Guarantee

The payment of all sums which are due and payable by the Issuer (where the Issuer is not ESR) under the Trust Deed, the Notes and the Coupons are unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under the Guarantee (as defined in the Trust Deed) are contained in the Trust Deed. The payment obligations of the Guarantor under the Guarantee constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and shall rank *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Guarantor.

4 Negative Pledge

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, and will ensure that none of ESR's Principal Subsidiaries will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest (each a "**Security Interest**"), other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Notes and the Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Securityholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Securityholders.

In these Conditions:

"Japan Funds" means the funds and other investment vehicles through which the Group's properties in Japan are from time to time held;

"Permitted Security Interest" means a Security Interest over any present and future assets or revenues or any part thereof in connection with any Structured Finance Transaction (including, without limitation, any issue of TMK Bonds);

"Principal Subsidiary" means any Subsidiary of ESR:

- (i) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent not less than five per cent. of the consolidated total assets

of ESR and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited consolidated financial statements of ESR; or

- (ii) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Principal Subsidiary, whereupon (1) in the case of a transfer by a Principal Subsidiary, the transferor Principal Subsidiary shall immediately cease to be a Principal Subsidiary and (2) the transferee Subsidiary shall immediately become a Principal Subsidiary, provided that on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined pursuant to the provisions of sub-paragraph (i) above,

provided that, in relation to paragraphs (i) and (ii) above of this definition:

- (a) in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated financial statements of ESR relate for the purpose of applying each of the foregoing tests, the reference to ESR's latest audited consolidated financial statements shall be deemed to be a reference to such financial statements as if such Subsidiary had been shown therein by reference to its then latest relevant financial statements, adjusted as deemed appropriate by the auditors for the time being after consultation with ESR;
- (b) if at any time in relation to ESR or any Subsidiary which itself has Subsidiaries no consolidated financial statements are prepared and audited, total assets of ESR and/or any such Subsidiary shall be determined on the basis of pro forma consolidated financial statements prepared for this purpose by ESR;
- (c) if at any relevant time in relation to any Subsidiary, no financial statements are audited, its total assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by ESR; and
- (d) if the financial statements of any subsidiary (not being a Subsidiary referred to in proviso (a) above) are not consolidated with those of ESR, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements (determined on the basis of the foregoing) of ESR.

A report by two directors of ESR who are also Authorised Signatories of ESR or by one director of ESR who is also an Authorised Signatory of ESR and by another Authorised Signatory of ESR that in their opinion (making such adjustments (if any) as they shall deem appropriate) a Subsidiary is or is not or was or was not at any particular time or during any particular period a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on ESR, the Trustee and the Securityholders.

"Relevant Indebtedness" means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

"Structured Finance Transaction" means any securitisation or other structured finance transaction involving the transfer of any assets, revenues, undertakings or risks associated with any such assets, revenues or undertakings to, and the issue of securities

or other indebtedness by, a special purpose company (a “**Special Purpose Company**”) and provided that (i) none of the obligations of the Special Purpose Company in respect of the transaction is subject to any recourse whatsoever in respect thereof to the Issuer, the Guarantor and/or the Principal Subsidiaries, (ii) recourse to the Special Purpose Company for amounts owing under the transactions is limited to the income or cashflow of the assets or collateral comprising the Security Interest for such transaction, (iii) the transaction is conducted on arm’s length terms and (iv) the benefit of the transaction accrues, directly or indirectly, to the Issuer and/or the Guarantor;

“**subsidiary**” means in relation to any company or corporation, any company or corporation:

- (i) which is controlled, directly or indirectly, by the first mentioned company or corporation; or
- (ii) more than half of the issued equity share capital of which is beneficially owned, directly or indirectly, by the first mentioned company or corporation; or
- (iii) which is a subsidiary of another subsidiary of the first mentioned company or corporation,

and, for these purposes, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or to control the composition of its board of directors or equivalent body;

“**TMK**” means a special purpose securitisation vehicle established under the TMK Law;

“**TMK Bonds**” means asset-backed securities issued by any TMK subsidiary of the Japan Funds; and

“**TMK Law**” means the Law concerning the Liquidation of Assets of Japan (Law No. 105 of 1998).

5 (I) Interest on Fixed Rate Notes

(a) Interest Rate and Accrual

Each Fixed Rate Note bears interest on its Calculation Amount (as defined in Condition 5(II)(e)) from the Interest Commencement Date in respect thereof and as shown on the face of such Note at the rate per annum (expressed as a percentage) equal to the Interest Rate shown on the face of such Note payable in arrear on each Interest Payment Date or Interest Payment Dates shown on the face of such Note in each year and on the Maturity Date shown on the face of such Note if that date does not fall on an Interest Payment Date.

The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date (and if the Interest Commencement Date is not an Interest Payment Date, will amount to the Initial Broken Amount shown on the face of such Note), unless the Maturity Date falls before the date on which the first payment of interest would otherwise be due. If the Maturity Date is not an Interest Payment Date, interest from the preceding Interest Payment Date (or from the Interest Commencement Date, as the case may be) to the Maturity Date will amount to the Final Broken Amount shown on the face of the Note.

Interest will cease to accrue on each Fixed Rate Note from the due date for redemption thereof unless, upon due presentation of that Fixed Rate Note if it is a

Bearer Note or, in the case of a Registered Note, the Certificate representing that Fixed Rate Note and subject to the provisions of the Trust Deed, payment of principal is improperly withheld or refused, in which event interest at such rate will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 5(I) to the Relevant Date (as defined in Condition 8).

(b) **Calculations**

In the case of a Fixed Rate Note, interest in respect of a period of less than one year will be calculated on the Day Count Fraction specified hereon. The amount of interest payable per Calculation Amount in respect of any Note shall be calculated by multiplying the product of the Interest Rate and the Calculation Amount, by the Day Count Fraction shown on the Note.

(II) **Interest on Floating Rate Notes, Variable Rate Notes or Index Linked Interest Notes**

(a) **Interest Payment Dates**

Each Floating Rate Note, Index Linked Interest Note or Variable Rate Note bears interest on its Calculation Amount from the Interest Commencement Date in respect thereof and as shown on the face of such Note, and such interest will be payable in arrear on each interest payment date ("**Interest Payment Date**"). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Date(s) or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which (save as mentioned in these Conditions) falls the number of months specified as the Interest Period on the face of the Note (the "**Specified Number of Months**") after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date (and which corresponds numerically with such preceding Interest Payment Date or the Interest Commencement Date, as the case may be) provided that the Agreed Yield (as defined in Condition 5(II)(c)) in respect of any Variable Rate Note for any Interest Period relating to that Variable Rate Note shall be payable on the first day of that Interest Period.

If any Interest Payment Date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a business day (as defined below), then if the Business Day Convention specified is (1) the Floating Rate Business Day Convention, such date shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event (i) such date shall be brought forward to the immediately preceding business day and (ii) each subsequent such date shall be the last business day of the month in which such date would have fallen had it not been subject to adjustment, (2) the Following Business Day Convention, such date shall be postponed to the next day that is a business day, (3) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a business day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding business day or (4) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding business day.

The period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is herein called an "**Interest Period**".

Interest will cease to accrue on each Floating Rate Note, Index Linked Interest Note or Variable Rate Note from the due date for redemption thereof unless, upon due presentation of that Floating Rate Note if it is a Bearer Note or, in the case of a Registered Note, the Certificate representing that Floating Rate Note and subject to the provisions of the Trust Deed, payment of the principal is improperly withheld or refused, in which event interest will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 5(II) to the Relevant Date.

- (b) **Rate of Interest for Floating Rate Notes:** The Rate of Interest in respect of Floating Rate Notes for each Interest Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

- (i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this paragraph (i), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (A) the Floating Rate Option is as specified hereon;
- (B) the Designated Maturity is a period specified hereon; and
- (C) the relevant Reset Date is the first day of that Interest Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (i), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

- (ii) Screen Rate Determination for Floating Rate Notes where the Reference Rate is not specified as being SIBOR or SOR

- (A) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (I) the offered quotation; or
- (II) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m. (in the case of CNH HIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR, EURIBOR, HIBOR or CNH HIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon;

- (B) If the Relevant Screen Page is not available or if, sub-paragraph (A)(I) above applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (A)(II) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR or CNH HIBOR, the principal Hong Kong office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m. on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and
- (C) If sub-paragraph (B) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or if the Reference Rate is HIBOR at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m. on the relevant Interest Determination Date, deposits in the Relevant Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Relevant Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Relevant Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or if the Reference Rate is HIBOR at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is CNH HIBOR, at

approximately 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m. on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, *provided that*, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period).

(iii) Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SIBOR or SOR

(A) Each Floating Rate Note where the Reference Rate is specified as being SIBOR (in which case such Note will be a SIBOR Note) or SOR (in which case such Note will be a Swap Rate Note) bears interest at a floating rate determined by reference to a Benchmark as specified hereon or in any case such other Benchmark as specified hereon;

(B) The Rate of Interest payable from time to time in respect of each Floating Rate Note under this Condition 5(II)(b)(iii) will be determined by the Calculation Agent on the basis of the following provisions:

(I) in the case of Floating Rate Notes which are SIBOR Notes:

(aa) the Calculation Agent will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period which shall be the offered rate for deposits in Singapore dollars for a period equal to the duration of such Interest Period which appears on the Reuters Screen ABSIRFIX1 Page under the caption "ABS SIBOR FIX — SIBOR AND SWAP OFFER RATES — RATES AT 11.00 A.M. SINGAPORE TIME" and the column headed "SGD SIBOR" (or such other replacement page thereof or such other Relevant Screen Page);

(bb) if no such rate appears on the Reuters Screen ABSIRFIX1 Page (or such other replacement page thereof or, if no rate appears, on such other Relevant Screen Page) or if Reuters Screen ABSIRFIX1 page (or such other replacement page thereof or such other Relevant Screen Page) is unavailable for any reason, the Calculation Agent will request the principal Singapore offices of each of the Reference Banks to provide the Calculation Agent with the rate at which deposits in Singapore dollars are offered by it at approximately the Relevant Time on the Interest Determination Date to prime banks in the Singapore inter-bank market for a period equivalent to the duration of such Interest

Period commencing on such Interest Payment Date in an amount comparable to the aggregate nominal amount of the relevant Floating Rate Notes. The Rate of Interest for such Interest Period shall be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of such offered quotations, as determined by the Calculation Agent;

- (cc) if on any Interest Determination Date, two but not all the Reference Banks provide the Calculation Agent with such quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with sub-paragraph (bb) above on the basis of the quotations of those Reference Banks providing such quotations; and
- (dd) if on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with such quotations, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines to be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the rates quoted by the Reference Banks or those of them (being at least two in number) to the Calculation Agent at or about the Relevant Time on such Interest Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Interest Period, an amount equal to the aggregate nominal amount of the relevant Floating Rate Notes for such Interest Period by whatever means they determine to be most appropriate or if on such Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with such quotation, the rate per annum which the Calculation Agent determines to be arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about the Relevant Time on such Interest Determination Date;

(II) in the case of Floating Rate Notes which are Swap Rate Notes:

- (aa) the Calculation Agent will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period as being the rate which appears on the Reuters Screen ABSFIX1 Page under the caption "SGD SOR rates as of 11:00 hrs London Time" under the column headed "SGD SOR" (or such replacement page thereof for the purpose of displaying the swap rates of leading reference banks) at or about the Relevant Time on such Interest Determination Date and for a period equal to the duration of such Interest Period;
- (bb) if on any Interest Determination Date no such rate is quoted on Reuters Screen ABSFIX1 Page (or such other replacement page as aforesaid) or Reuters Screen ABSFIX1 Page (or such other replacement page as aforesaid) is unavailable for any reason, such Calculation Agent will determine the Rate of Interest for

such Interest Period as being the rate (or, if there is more than one rate which is published, the arithmetic mean of those rates (rounded up, if necessary, to the nearest four decimal places)) for a period equal to the duration of such Interest Period published by a recognised industry body where such rate is widely used (after taking into account the industry practice at that time), or by such other relevant authority as such Calculation Agent may select; and

- (cc) if on any Interest Determination Date such Calculation Agent is otherwise unable to determine the Rate of Interest under paragraphs (bb) and (cc) above, the Rate of Interest shall be determined by such Calculation Agent to be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to four decimal places) of the rates quoted by the Reference Banks or those of them (being at least two in number) to such Calculation Agent at or about 11.00 a.m. (Singapore time) on the first business day following such Interest Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Interest Period, an amount equal to the aggregate principal amount of the relevant Floating Rate Notes for such Interest Period by whatever means they determine to be most appropriate, or if on such day one only or none of the Reference Banks provides such Calculation Agent with such quotation, the Rate of Interest for the relevant Interest Period shall be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to four decimal places) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about 11.00 a.m. (Singapore time) on such Interest Determination Date.
- (iv) On the last day of each Interest Period, the Issuer will pay interest on each Floating Rate Note to which such Interest Period relates at the Rate of Interest for such Interest Period.
- (v) If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR, EURIBOR, HIBOR, CNH HIBOR, SIBOR or SOR, the Interest Rate in respect of such Notes will be determined as provided in the applicable Pricing Supplement.
- (vi) For the avoidance of doubt, in the event that the Rate of Interest in relation to any Interest Period is less than zero, the Rate of Interest in relation to such Interest Period shall be equal to zero.

(c) Rate of Interest — Variable Rate Notes

- (i) Each Variable Rate Note bears interest at a variable rate determined in accordance with the provisions of this Condition 5(II)(c). The interest payable in respect of a Variable Rate Note on the first day of an Interest Period relating to that Variable Rate Note is referred to in these Conditions as the “**Agreed Yield**” and the rate of interest payable in respect of a Variable Rate Note on the last day of an Interest Period relating to that Variable Rate Note is referred to in this Condition 5(II)(c) as the “**Rate of Interest**”.

- (ii) The Agreed Yield or, as the case may be, the Rate of Interest payable from time to time in respect of each Variable Rate Note for each Interest Period shall, subject as referred to in sub-paragraph (iv) below of this Condition 5(II)(c), be determined as follows:
- (1) not earlier than 9.00 a.m. (Singapore time) on the ninth business day nor later than 3.00 p.m. (Singapore time) on the third business day prior to the commencement of each Interest Period, the Issuer and the Relevant Dealer (as defined below) shall endeavour to agree on the following:
 - (A) whether interest in respect of such Variable Rate Note is to be paid on the first day or the last day of such Interest Period;
 - (B) if interest in respect of such Variable Rate Note is agreed between the Issuer and the Relevant Dealer to be paid on the first day of such Interest Period, an Agreed Yield in respect of such Variable Rate Note for such Interest Period (and, in the event of the Issuer and the Relevant Dealer so agreeing on such Agreed Yield, the Interest Amount (as defined below) for such Variable Rate Note for such Interest Period shall be zero); and
 - (C) if interest in respect of such Variable Rate Note is agreed between the Issuer and the Relevant Dealer to be paid on the last day of such Interest Period, a Rate of Interest in respect of such Variable Rate Note for such Interest Period (an “**Agreed Rate**”) and, in the event of the Issuer and the Relevant Dealer so agreeing on an Agreed Rate, such Agreed Rate shall be the Rate of Interest for such Variable Rate Note for such Interest Period; and
 - (2) if the Issuer and the Relevant Dealer shall not have agreed either an Agreed Yield or an Agreed Rate in respect of such Variable Rate Note for such Interest Period by 3.00 p.m. (Singapore time) on the third business day prior to the commencement of such Interest Period, or if there shall be no Relevant Dealer during the period for agreement referred to in (1) above of this sub-paragraph (ii), the Rate of Interest for such Variable Rate Note for such Interest Period shall automatically be the rate per annum equal to the Fall Back Rate (as defined below) for such Interest Period.
- (iii) The Issuer has undertaken to the Issuing and Paying Agent and the Calculation Agent pursuant to the Agency Agreement that it will as soon as possible after the Agreed Yield or, as the case may be, the Agreed Rate in respect of any Variable Rate Note is determined but not later than 10.30 a.m. (Singapore time) on the next following business day:
- (1) notify the Guarantor, the Issuing and Paying Agent and the Calculation Agent of the Agreed Yield or, as the case may be, the Agreed Rate for such Variable Rate Note for such Interest Period; and
 - (2) cause such Agreed Yield or, as the case may be, Agreed Rate for such Variable Rate Note to be notified by the Issuing and Paying Agent to the relevant Securityholder at its request.
- (iv) For the purposes of sub-paragraph (ii) above of this Condition 5(II)(c), the Rate of Interest for each Interest Period for which there is neither an Agreed Yield nor Agreed Rate in respect of any Variable Rate Note or no Relevant Dealer in respect of the Variable Rate Note(s) shall be the rate (the “**Fall Back Rate**”)

determined by reference to a Benchmark as stated on the face of such Variable Rate Note(s), being (in the case of Variable Rate Notes which are denominated in Singapore dollars) SIBOR (in which case such Variable Rate Note(s) will be SIBOR Note(s)) or Swap Rate (in which case such Variable Rate Note(s) will be Swap Rate Note(s)) or (in any other case or in the case of Variable Rate Notes which are denominated in a currency other than Singapore dollars) such other Benchmark as is set out on the face of such Variable Rate Note(s).

Such rate may be adjusted by adding or subtracting the Spread (if any) stated on the face of such Variable Rate Note. The "Spread" is the percentage rate per annum specified on the face of such Variable Rate Note as being applicable to the rate of interest for such Variable Rate Note. The rate of interest so calculated shall be subject to Condition 5(V)(a).

The Fall Back Rate payable from time to time in respect of each Variable Rate Note will be determined by the Calculation Agent in accordance with the provisions of Condition 5(II)(b) (*mutatis mutandis*) and references therein to "**Rate of Interest**" shall mean "**Fall Back Rate**".

- (v) If interest is payable in respect of a Variable Rate Note on the first day of an Interest Period relating to such Variable Rate Note, the Issuer will pay the Agreed Yield applicable to such Variable Rate Note for such Interest Period on the first day of such Interest Period. If interest is payable in respect of a Variable Rate Note on the last day of an Interest Period relating to such Variable Rate Note, the Issuer will pay the Interest Amount (as defined below) for such Variable Rate Note for such Interest Period on the last day of such Interest Period.
- (vi) For the avoidance of doubt, in the event that the Rate of Interest in relation to any Interest Period is less than zero, the Rate of Interest in relation to such Interest Period shall be equal to zero.

(d) **Rate of Interest — Index Linked Interest Notes**

Interest will accrue on each Index Linked Interest Note by reference to an index or formula as specified hereon.

(e) **Definitions**

As used in these Conditions:

"**Benchmark**" means the rate specified as such in the applicable Pricing Supplement;

"**business day**" means:

- (i) in the case of Notes denominated in Singapore dollars, a day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks and foreign exchange markets are open for business in Singapore;
- (ii) in the case of Notes denominated in Euro, a day on which the TARGET System is operating (a "**Target Business Day**");
- (iii) in the case of Notes denominated in Renminbi, (A) if cleared through Euroclear and Clearstream Luxembourg, a day (other than a Saturday or Sunday or gazetted public holiday) on which commercial banks and foreign exchange

markets settle payments in Hong Kong or such other location outside the People's Republic of China as may have been agreed between the Issuer and the Issuing and Paying Agent prior to the issue of the Notes and specified in the applicable Pricing Supplement and (B) if cleared through CDP, a day other than a Saturday or Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for business in Singapore; and

- (iv) in the case of Notes denominated in a currency other than Singapore dollars, Euro and Renminbi, a day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks and foreign exchange markets are open for business in the principal financial centre for that currency;

"Calculation Amount" means the amount specified as such on the face of any Note, or if no such amount is so specified, the Denomination Amount of such Note as shown on the face thereof;

"Day Count Fraction" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the **"Calculation Period"**):

- (i) if **"Actual/Actual"** or **"Actual/Actual — ISDA"** is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if **"Actual/365 (Fixed)"** is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365;
- (iii) if **"Actual/360"** is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 360;
- (iv) if **"30/360"**, **"360/360"** or **"Bond Basis"** is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and **D₁** is greater than 29, in which case **D₂** will be 30;

- (v) if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case **D₂** will be 30;

- (vi) if “**30E/360 (ISDA)**” is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30;

(vii) if “**Actual/Actual — ICMA**” is specified in the applicable Pricing Supplement,

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(B) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

“**Determination Date**” means the date(s) specified as such in the applicable Pricing Supplement or, if none is so specified, the Interest Payment Date(s); and

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

“**Euro**” means the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty establishing the European Community, as amended from time to time;

“**Euro-zone**” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended;

“**Interest Commencement Date**” means the Issue Date or such other date as may be specified as the Interest Commencement Date on the face of such Note;

“**Interest Determination Date**” means, in respect of any Interest Period, that number of business days prior thereto as is set out in the applicable Pricing Supplement or on the face of the relevant Note;

“ISDA Definitions” means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. (as the same may be updated, amended or supplemented from time to time), unless otherwise specified hereon;

“Rate of Interest” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon;

“Reference Banks” means the institutions specified in the applicable Pricing Supplement or, if none, three major banks selected by the Issuer in the interbank market that is most closely connected with the Benchmark;

“Reference Rate” means the rate specified as such hereon;

“Relevant Currency” means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated;

“Relevant Dealer” means, in respect of any Variable Rate Note, the Dealer party to the Dealer Agreement referred to in the Agency Agreement with whom the Issuer has concluded or is negotiating an agreement for the issue of such Variable Rate Note pursuant to the Dealer Agreement;

“Relevant Financial Centre” means, in the case of interest to be determined on an Interest Determination Date with respect to any Floating Rate Note, Index Linked Interest Note or Variable Rate Note, the financial centre with which the relevant Benchmark is most closely connected or, if none is so connected, Singapore;

“Relevant Screen Page” means such page, section, caption, column or other part of a particular information service (including, but not limited to, the Bloomberg agency and Reuters) as may be specified hereon for the purpose of providing the Benchmark, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Benchmark;

“Relevant Time” means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Relevant Currency in the inter-bank market in the Relevant Financial Centre;

“Renminbi” means the lawful currency for the time being of the People’s Republic of China;

“Singapore dollars” means the lawful currency for the time being of the Republic of Singapore; and

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(III) Interest on Hybrid Notes

(a) Interest Rate and Accrual

Each Hybrid Note bears interest on its Calculation Amount from the Interest Commencement Date in respect thereof and as shown on the face of such Note.

(b) Fixed Rate Period

- (i) In respect of the Fixed Rate Period shown on the face of such Note, each Hybrid Note bears interest on its Calculation Amount from the first day of the Fixed Rate Period at the rate per annum (expressed as a percentage) equal to the Interest Rate shown on the face of such Note payable in arrear on each Interest Payment Date or Interest Payment Dates shown on the face of the Note in each year and on the last day of the Fixed Rate Period if that date does not fall on an Interest Payment Date.
- (ii) The first payment of interest will be made on the Interest Payment Date next following the first day of the Fixed Rate Period (and if the first day of the Fixed Rate Period is not an Interest Payment Date, will amount to the Initial Broken Amount shown on the face of such Note), unless the last day of the Fixed Rate Period falls before the date on which the first payment of interest would otherwise be due. If the last day of the Fixed Rate Period is not an Interest Payment Date, interest from the preceding Interest Payment Date (or from the first day of the Fixed Rate Period, as the case may be) to the last day of the Fixed Rate Period will amount to the Final Broken Amount shown on the face of the Note.
- (iii) Where the due date of redemption of any Hybrid Note falls within the Fixed Rate Period, interest will cease to accrue on the Note from the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of principal is improperly withheld or refused, in which event interest at such rate will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 5(III) to the Relevant Date.
- (iv) In the case of a Hybrid Note, interest in respect of a period of less than one year will be calculated on the Day Count Fraction specified hereon during the Fixed Rate Period.

(c) Floating Rate Period

- (i) In respect of the Floating Rate Period shown on the face of such Note, each Hybrid Note bears interest on its Calculation Amount from the first day of the Floating Rate Period, and such interest will be payable in arrear on each interest payment date ("**Interest Payment Date**"). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Date(s) or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which (save as mentioned in these Conditions) falls the number of months specified as the Interest Period on the face of the Note (the "**Specified Number of Months**") after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the first day of the Floating Rate Period (and which corresponds numerically with such preceding Interest Payment Date or the first day of the Floating Rate Period, as the case may be). If any Interest Payment Date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a business day, then if the Business Day Convention specified is (1) the Floating Rate Business Day Convention, such date shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event (i) such date shall be brought forward to the immediately preceding business day and (ii) each subsequent such date shall be the last business day of the month in which such date would have fallen had it not been subject to adjustment, (2)

the Following Business Day Convention, such date shall be postponed to the next day that is a business day, (3) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a business day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding business day or (4) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding business day.

- (ii) In this Condition 5(III), the period beginning on (and including) the first day of the Floating Rate Period and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is herein called an **"Interest Period"**.
- (iii) Where the due date of redemption of any Hybrid Note falls within the Floating Rate Period, interest will cease to accrue on the Note from the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of principal is improperly withheld or refused, in which event interest will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 5(III) to the Relevant Date.
- (iv) The provisions of Condition 5(II)(b) shall apply to each Hybrid Note during the Floating Rate Period as though references therein to Floating Rate Notes are references to Hybrid Notes.

(IV) Zero Coupon Notes

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note (determined in accordance with Condition 6(g)). As from the Maturity Date, the rate of interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as defined in Condition 6(g)).

(V) Calculations

(a) Margin, Maximum/Minimum Rates of Interest and Rounding

- (i) If any Margin is specified hereon (either (A) generally, or (B) in relation to one or more Interest Periods), an adjustment shall be made to all Rates of Interest, in the case of (A), or the Rates of Interest for the specified Interest Periods, in the case of (B), calculated in accordance with Condition 5(II) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin, subject always to the next paragraph.
- (ii) If any Maximum Rate of Interest or Minimum Rate of Interest is specified hereon, then any Rate of Interest shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (A) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (B) all figures shall be rounded to seven significant figures (with halves being rounded up) and (C) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes, “unit” means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.

(b) Determination of Rate of Interest and Calculation of Interest Amounts

The Calculation Agent will, as soon as practicable after the Relevant Time on each Interest Determination Date, determine the Rate of Interest and calculate the amount of interest payable (the “**Interest Amounts**”) in respect of each Calculation Amount of the relevant Floating Rate Notes, Index Linked Interest Notes, Variable Rate Notes or (where applicable) Hybrid Notes for the relevant Interest Period. The amount of interest payable per Calculation Amount in respect of any Floating Rate Note, Index Linked Interest Note Variable Rate Note or (where applicable) Hybrid Note shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount, by the Day Count Fraction shown on the Note. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

(c) Notification

The Calculation Agent will cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date to be notified to the Issuing and Paying Agent, the Trustee, the Issuer and the Guarantor as soon as possible after their determination but in no event later than the fourth business day thereafter. In the case of Floating Rate Notes, if so required by the Issuer, the Calculation Agent will also cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date to be notified to Securityholders in accordance with Condition 16 as soon as possible after their determination. The Interest Amounts and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period by reason of any Interest Payment Date not being a business day. If the Floating Rate Notes, Index Linked Interest Notes, Variable Rate Notes or, as the case may be, Hybrid Notes become due and payable under Condition 10, the Rate of Interest and Interest Amounts payable in respect of the Floating Rate Notes or, as the case may be, Index Linked Interest Notes, Variable Rate Notes or, as the case may be, Hybrid Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest and Interest Amounts need to be made unless the Trustee requires otherwise.

(d) Determination or Calculation by the Trustee

If the Calculation Agent does not at any material time determine or calculate the Rate of Interest for an Interest Period or any Interest Amount, the Trustee may, but shall not be obliged to, do so (or may, but shall not be obliged to, appoint an agent on its behalf to do so). If it does so, the Trustee or such agent shall apply the provisions of this Condition 5, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(e) Calculation Agent and Reference Banks

The Issuer will procure that, so long as any Floating Rate Note, Variable Rate Note or Hybrid Note remains outstanding, there shall at all times be three Reference Banks (or such other number as may be required) and, so long as any Floating Rate Note, Index Linked Interest Note, Variable Rate Note, Hybrid Note or Zero Coupon Note remains outstanding, there shall at all times be a Calculation Agent. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank or the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for any Interest Period or to calculate the Interest Amounts, the Issuer will appoint another bank with an office in the Relevant Financial Centre to act as such in its place. The Calculation Agent may not resign from its duties without a successor having been appointed as aforesaid.

6 Redemption and Purchase

(a) Final Redemption

Unless previously redeemed or purchased and cancelled as provided below, this Note (including each Index Linked Redemption Note and Credit Linked Note) will be redeemed at its Redemption Amount shown on its face on the Maturity Date shown on its face ("**Redemption Amount**") (if this Note is shown on its face to be a Fixed Rate Note, Hybrid Note (during the Fixed Rate Period) or Zero Coupon Note) or on the Interest Payment Date falling in the Redemption Month shown on its face (if this Note is shown on its face to be a Floating Rate Note, Index Linked Interest Note, Variable Rate Note or Hybrid Note (during the Floating Rate Period)).

(b) Redemption at the Option of the Issuer

If so provided hereon, the Issuer may, on giving not less than 30 nor more than 60 days' irrevocable notice to the Securityholders (or such other notice period as may be specified hereon), redeem all or, if so provided, some of the Notes at their Redemption Amount or integral multiples thereof and on the date or dates so provided. Any such redemption of Notes shall be at their Redemption Amount, together with interest accrued (but excluding) to the date fixed for redemption.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6(b).

In the case of a partial redemption of the Notes, (i) in the case of Notes represented by definitive Notes, the notice to Securityholders shall also contain the certificate numbers of the Bearer Notes or, in the case of Registered Notes, shall specify the principal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn by or on behalf of the Issuer in such place and in such manner as may be agreed between the Issuer and the Trustee and (ii) in the case of Notes represented by a Global Security or a Global Certificate, the Notes to be redeemed will be selected in accordance with the rules of the relevant clearing systems, in each case, subject to compliance with any applicable laws or other relevant authority requirements. So long as the Notes are listed on any Stock Exchange, the Issuer shall comply with the rules of such Stock Exchange in relation to the publication of any redemption of such Notes.

(c) Redemption at the Option of Securityholders

If so provided hereon, the Issuer shall, at the option of the holder of any Note, upon the holder of such Note giving not less than 30 nor more than 60 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the date or dates so provided at its Redemption Amount, together with interest accrued to (but excluding) the date fixed for redemption.

To exercise such option, the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with the Issuing and Paying Agent or any other Paying Agent at its specified office or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any other Transfer Agent at its specified office, together with a duly completed option exercise notice (an **"Exercise Notice"**) in the form obtainable from any Paying Agent, the Registrar, any other Transfer Agent or the Issuer (as applicable) within the Securityholders' Redemption Option Period shown on the face hereof. Any Note or Certificate so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(d) Redemption for Taxation Reasons

If so provided hereon, the Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Securityholders (which notice shall be irrevocable), at their Redemption Amount or (in the case of Zero Coupon Notes) Early Redemption Amount (as defined in Condition 6(g)) below (together with interest accrued to (but excluding) the date fixed for redemption), if (i) the Issuer (or, if the Guarantee was called, the Guarantor) satisfies the Trustee immediately prior to the giving of such notice that the Issuer (or if the Guarantee was called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 8, or increase the payment of such additional amounts, as a result of any change in, or amendment to, the laws (or any regulations, rulings or other administrative pronouncements promulgated thereunder) of the jurisdiction of incorporation of the Issuer or the Guarantor, as the case may be, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations, rulings or other administrative pronouncements, which change or amendment is made public on or after the Issue Date or any other date specified in the Pricing Supplement, and (ii) such obligations cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition 6(d), the Issuer (or the Guarantor, as the case may be) shall deliver or procure that there is delivered to the Issuing and Paying Agent and the Trustee:

- (i) a certificate signed by two directors of the Issuer who are also Authorised Signatories of the Issuer or by one director of the Issuer who is also an Authorised Signatory of the Issuer and by another Authorised Signatory of the Issuer or, as the case may be, by two directors of the Guarantor who are also Authorised Signatories of the Guarantor or by one director of the Guarantor who is also an Authorised Signatory of the Guarantor and by another Authorised Signatory of the Guarantor, as the case may be, is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer or the Guarantor, as the case may be, so to redeem have occurred; and

- (ii) an opinion of independent tax or legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or is likely to become obliged to pay such additional amounts as a result of such change or amendment.

The Trustee shall be entitled to accept any such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) of this Condition 6(d) above without further enquiry and without liability to any Securityholder, Couponholder or any other person, in which event the same shall be conclusive and binding on Securityholders and Couponholders.

Upon the expiry of any such notice as is referred to in this Condition 6(d), the Issuer shall be bound to redeem all the Notes in accordance with this Condition 6(d).

(e) Redemption in the case of Minimum Outstanding Amount

If so provided hereon, the Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with interest accrued to (but excluding) the date fixed for redemption) if, immediately before giving such notice, the aggregate principal amount of the Notes outstanding is less than 10 per cent. of the aggregate principal amount originally issued (including any further Notes issued pursuant to Condition 14 and consolidated and forming a single series with the Notes).

Upon expiry of any such notice as is referred to in this Condition 6(e), the Issuer shall be bound to redeem all the Notes in accordance with this Condition 6(e).

(f) Purchases

The Issuer, the Guarantor or any of the subsidiaries of ESR may at any time purchase Notes at any price (provided that they are purchased together with all unmatured Coupons and unexchanged Talons relating to them) in the open market or otherwise, provided that in any such case such purchase or purchases is or are in compliance with all relevant laws, regulations and directives.

Notes purchased by the Issuer, the Guarantor or any of the subsidiaries of ESR may be surrendered by the purchaser through the Issuer to the Issuing and Paying Agent and, in the case of Registered Notes, the Registrar for cancellation or may at the option of the Issuer, the Guarantor or the relevant subsidiary of ESR be held or resold. The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any of the subsidiaries of ESR, shall not entitle the holder to vote at any meetings of the Securityholders and shall not be deemed to be outstanding for the purposes of calculating any quorum at meetings of the Securityholders or for the purposes of Conditions 10, 11 and 12.

For the purposes of these Conditions, “**directive**” includes any present or future directive, regulation, request, requirement, rule or credit restraint programme of any relevant agency, authority, central bank department, government, legislative, minister, ministry, official public or statutory corporation, self-regulating organisation, or stock exchange.

(g) Early Redemption of Zero Coupon Notes

- (i) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or formula, upon redemption of such Note pursuant to Condition 6(d) or upon it becoming due and payable as provided in Condition 10, shall be the **“Amortised Face Amount”** (calculated as provided below) of such Note unless otherwise specified hereon.
- (ii) Subject to the provisions of paragraph (iii) below of this Condition 6(g), the Amortised Face Amount of any such Note shall be the scheduled Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (iii) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(d) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in paragraph (ii) above of this Condition 6(g), except that such paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph will continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Redemption Amount of such Note on the Maturity Date together with any interest which may accrue in accordance with Condition 5(IV).
- (iv) Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(h) Credit Linked Notes

Provisions relating to the redemption of Credit Linked Notes will be set out in the applicable Pricing Supplement.

(i) Cancellation

All Notes purchased by or on behalf of the Issuer, the Guarantor or any of the subsidiaries of ESR may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Issuing and Paying Agent at its specified office and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes or Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

7 Payments

(a) Principal and Interest in respect of Bearer Notes

Payments of principal and interest (which shall include the Redemption Amount and the Early Redemption Amount) in respect of Bearer Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Notes or Coupons, as the case may be:

- (i) in the case of a currency other than Renminbi, at the specified office of any Paying Agent by a cheque drawn in the currency in which payment is due on, or, at the option of the holders, by transfer to an account maintained by the holder in that currency with, a Bank in the principal financial centre for that currency; and
- (ii) in the case of Renminbi, by transfer to a Renminbi account maintained by or on behalf of a Securityholder with a bank in Singapore, Hong Kong or such other location outside the PRC as specified in the applicable Pricing Supplement.

“Bank” means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) Principal and Interest in respect of Registered Notes

- (i) Payments of principal in respect of Registered Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 7(b)(ii).
- (ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the **“Record Date”**). Payments of interest on each Registered Note shall be made:
 - (x) in the case of a currency other than Renminbi, by a cheque drawn in the currency in which payment is due on and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account maintained by the holder in that currency with, a bank in the principal financial centre for that currency; and
 - (y) in the case of Renminbi, by transfer to the registered account of the Securityholder. For the purposes of this Condition 7(b)(ii)(y), **“registered account”** means the Renminbi account maintained by or on behalf of the Securityholder in Singapore, Hong Kong or such other location outside the PRC as specified in the applicable Pricing Supplement, details of which appear on the Register at the close of business on the fifth business day before the due day for payment.

(c) Payments subject to Law

All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **“Code”**) or otherwise

imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Securityholders or Couponholders in respect of such payments.

(d) Appointment of Agents

The Issuing and Paying Agent, the CDP Paying Agent, the other Paying Agents, the Calculation Agents, the Transfer Agents and the Registrars initially appointed by the Issuer and their specified offices are listed below. The Issuing and Paying Agent, the CDP Paying Agent, the other Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Securityholder or Couponholder. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of the Issuing and Paying Agent, the CDP Paying Agent, any other Paying Agent, the Calculation Agent, any Transfer Agent and either Registrar and to appoint additional or other Paying Agents, Calculation Agents, Transfer Agents and Registrars, provided that they will at all times maintain (i) an Issuing and Paying Agent, (ii) a Calculation Agent, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CDP Paying Agent in relation to Notes cleared through CDP, (v) a Registrar in relation to Registered Notes, (vi) a Paying Agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the Global Security(ies) are exchanged for definitive Notes, for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require and (vii) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee.

Notice of any such change or any change of any specified office will promptly be given to the Securityholders in accordance with Condition 16.

Subject to the provisions of the Agency Agreement, the Agency Agreement may be amended by the Issuer, the Guarantor, the Issuing and Paying Agent, the CDP Paying Agent, the Calculation Agent, the Transfer Agent, the Registrar and the Trustee, without the consent of the holder of any Note or Coupon, for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained therein or in any manner which all of the Issuer, the Guarantor, the Issuing and Paying Agent, the CDP Paying Agent, the Calculation Agent, the Transfer Agent, the Registrar and the Trustee may mutually deem necessary or desirable, provided in each case that such amendment does not, in the opinion of each of the Issuer, the Guarantor and the Trustee, adversely affect the interests of the holders of the Notes or the Coupons. Any such amendment shall be binding on the holder of any Note or Coupon.

(e) Unmatured Coupons and Unexchanged Talons

- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Index Linked Redemption Notes and Credit Linked Notes) and Hybrid Notes, such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating to such Notes (and, in the case of Hybrid Notes, relating to interest payable during the Fixed Rate Period), failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the Redemption Amount due for payment. Any amount so deducted will be paid in the manner mentioned above against surrender of such missing Coupon within a period of five years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

- (ii) Subject to the provisions of the relevant Pricing Supplement upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Variable Rate Note or Hybrid Note, unmatured Coupons relating to such Note (and in the case of Hybrid Notes, relating to interest payable during the Floating Rate Period) (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Where any Bearer Note comprising a Floating Rate Note, Index Linked Interest Note, Variable Rate Note, Index Linked Redemption Note, Credit Linked Note or Hybrid Note is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it (and, in the case of Hybrid Notes, relating to interest payable during the Floating Rate Period), redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (v) If the due date for redemption or repayment of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate.

(f) Talons

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent on any business day in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(g) Non-business Days

Subject as provided in the relevant Pricing Supplement or subject as otherwise provided in these Conditions, if any date for the payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day and shall not be entitled to any further interest or other payment in respect of any such delay.

(h) Default Interest

If on or after the due date for payment of any sum in respect of the Notes, payment of all or any part of such sum is not made against due presentation of the Notes (in the case of Bearer Notes) or the Certificates representing the Notes or, as the case may be, the Coupons, the Issuer shall pay interest on the amount so unpaid from such due date up to the day of actual receipt by the relevant Securityholders or, as the case may be, Couponholders (as well after as before judgment) at a rate per annum determined by the Issuing and Paying Agent to be equal to one per cent. per annum above (in the case of a Fixed Rate Note or a Hybrid Note during the Fixed Rate Period) the Interest Rate applicable to such Note or (in the case of a Floating Rate Note or a Hybrid Note during the Floating Rate Period) the Rate of Interest applicable to such Note or (in the case of a Variable Rate Note) the variable rate by which the Agreed Yield applicable to such Note is determined or, as the case may be, the Rate of Interest applicable to such Note, or in the case of an Index Linked Interest Note or a Zero Coupon Note, as provided for in the

relevant Pricing Supplement. So long as the default continues then such rate shall be re-calculated on the same basis at intervals of such duration as the Issuing and Paying Agent may select, save that the amount of unpaid interest at the above rate accruing during the preceding such period shall be added to the amount in respect of which the Issuer is in default and itself bear interest accordingly. Interest at the rate(s) determined in accordance with this Condition 7(i) shall be calculated on the Day Count Fraction specified hereon and the actual number of days elapsed, shall accrue on a daily basis and shall be immediately due and payable by the Issuer.

8 Taxation

All payments in respect of the Notes and the Coupons by the Issuer or, as the case may be, the Guarantor shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the jurisdiction of incorporation of the Issuer or the Guarantor or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in the receipt by the Securityholders and the Couponholders of such amounts as would have been received by them had no such deduction or withholding been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented (or in respect of which the Certificate representing it is presented) for payment:

- (a) **Other connection:** by or on behalf of a holder who is subject to such taxes, duties, assessments or governmental charges by reason of his being connected with the jurisdiction of incorporation of the Issuer or the Guarantor, otherwise than by reason only of the holding of such Note or Coupon or the receipt of any sums due in respect of such Note or Coupon (including, without limitation, the holder being a resident of, or a permanent establishment in the jurisdiction of incorporation of the Issuer or the Guarantor); or
- (b) **Presentation more than 30 days after the Relevant Date:** more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days; or
- (c) **Lawful avoidance:** to, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Perpetual Security (or the Certificate representing it), or Coupon is presented for payment.

For the avoidance of doubt, neither the Issuer, the Guarantor nor any other person shall be required to pay any additional amounts or otherwise indemnify a holder for any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code as amended or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement).

As used in these Conditions, “**Relevant Date**” in respect of any Note or Coupon means the date on which payment in respect thereof first becomes due or (if any amount of the

money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Securityholders in accordance with Condition 16 that, upon further presentation of the Note (or relative Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon presentation, and references to “**principal**” shall be deemed to include any premium payable in respect of the Notes, all Redemption Amounts, Early Redemption Amounts and all other amounts in the nature of principal payable pursuant to Condition 6, “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 and any reference to “**principal**” and/or “**premium**” and/or “**Redemption Amounts**” and/or “**interest**” and/or “**Early Redemption Amounts**” shall be deemed to include any additional amounts which may be payable under these Conditions.

9 Prescription

Claims against the Issuer for payment in respect of the Notes and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10 Events of Default

If any of the following events (each an “**Event of Default**”) shall have occurred and is continuing, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (provided in any such case that the Trustee shall first have been indemnified and/or secured and/or prefunded to its satisfaction), give notice in writing to the Issuer and the Guarantor that the Notes are immediately repayable, whereupon the Redemption Amount of such Notes or (in the case of Zero Coupon Notes) the Early Redemption Amount of such Notes together with accrued interest to the date of payment shall become immediately due and payable:

- (a) the Issuer or the Guarantor does not pay any principal or interest payable under any of the Notes and in the case of such interest, such default continues for a period of seven days in the case of principal or 14 days in the case of interest after the due date, at the place at and in the currency expressed to be payable; or
- (b) the Issuer or the Guarantor does not perform or comply with any one or more of its obligations (other than the payment obligation of the Issuer or the Guarantor referred to in Condition 10(a)) under the Trust Deed or any of the Notes and, if that default is in the opinion of the Trustee capable of remedy, it is not remedied within 30 days after the date of the notice from the Trustee to the Issuer or, as the case may be, the Guarantor requiring the same to be remedied; or
- (c)
 - (i) any other present or future indebtedness of the Issuer, the Guarantor or any of ESR’s Principal Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (however described); or
 - (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period; or

- (iii) the Issuer, the Guarantor or any of ESR's Principal Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised,

provided that no Event of Default will occur under this Condition 10(c) unless and until the aggregate amount of the indebtedness in respect of which one or more of the events mentioned above in this Condition 10(c) has/have occurred equals or exceeds U.S.\$25 million or its equivalent in other currency or currencies; or

- (d) any of the Issuer, the Guarantor or any of ESR's Principal Subsidiaries is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts (other than those contested in good faith and by appropriate proceedings), takes any proceeding under any law for the rescheduling, readjustment or deferment of all or a material part of its indebtedness (or of any material part which it will otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or a material part of the debts of the Issuer, the Guarantor or any of ESR's Principal Subsidiaries; or
- (e) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or a material part of the property, assets or revenues of the Issuer, the Guarantor or any of ESR's Principal Subsidiaries and is not discharged or stayed within 30 days; or
- (f) any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any of ESR's Principal Subsidiaries over all or a material part of the property, assets or revenues of the Issuer, the Guarantor or any of their respective subsidiaries, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person) and such enforcement action is not discharged or stayed within 45 days; or
- (g) any petition or originating summons is presented, or any order is made or any resolution is passed or any other similar legal process or procedure is taken by any person for the winding-up (as defined in the Trust Deed) of the Issuer, the Guarantor or any of ESR's Principal Subsidiaries, or the Issuer, the Guarantor or any of ESR's Principal Subsidiaries ceases to carry on all or a material part of its business or operations (except (i) for the purposes of a reconstruction, amalgamation, merger, consolidation or reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Securityholders or (ii) in the case of a Principal Subsidiary of ESR, whereby the undertaking and assets of the Principal, Subsidiary of ESR are transferred to or otherwise vested in the Issuer, the Guarantor or another of their respective subsidiaries or a real estate investment trust, property trust fund, joint venture, investment vehicle or similar entity (A) established by the Issuer or any of its related companies or (B) in which the Issuer holds a direct or indirect investment of at least 10 per cent.);
- (h) any step is taken by any person (including any government authority or agency) with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer, the Guarantor or any of ESR's Principal Subsidiaries; or
- (i) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or

registration) at any time which is required to be taken, done, fulfilled or performed in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights under and perform the obligations expressed to be assumed by them under and in respect of the Notes and the Trust Deed, (ii) to ensure that those obligations are legal, valid, binding and enforceable or (iii) to make the Notes, the Coupons and the Trust Deed admissible in evidence in the courts of England and Wales is not taken, done, fulfilled or performed;

- (j) it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of their obligations under the Trust Deed or any of the Notes; or
- (k) the Trust Deed or any of the Notes ceases for any reason (or is claimed by the Issuer or the Guarantor not) to be the legal and valid obligations of the Issuer or the Guarantor, binding upon it in accordance with its terms (subject to equitable principles and insolvency laws affecting creditors' rights generally); or
- (l) any event occurs which, under the law of any relevant jurisdiction, has an analogous or equivalent effect to any of the events referred to in Conditions 10(d) to 10(h) (both inclusive).

11 Enforcement of Rights

At any time after the Notes shall have become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer or the Guarantor as it may think fit to enforce repayment of the Notes, together with accrued interest, but it shall not be bound to take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution of the Securityholders of such Notes or so requested in writing by Securityholders holding not less than 25 per cent. in principal amount of such Notes outstanding and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Securityholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound to do so, fails or neglects to do so within a reasonable period and such failure or neglect shall be continuing.

12 Meeting of Securityholders and Modifications

- (a) **Meetings of Securityholders:** The Trust Deed contains provisions for convening meetings of Securityholders of a Series to consider any matter affecting their interests, including modification by Extraordinary Resolution of the Notes of such Series (including these Conditions insofar as the same may apply to such Notes) or any of the provisions of the Trust Deed.

The Trustee, the Issuer or the Guarantor at any time may, and the Trustee upon the request in writing by Securityholders holding not less than 10 per cent. of the principal amount of the Notes of any Series for the time being outstanding and after being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses shall, convene a meeting of the Securityholders of that Series. An Extraordinary Resolution duly passed at any such meeting shall be binding on all the Securityholders of the relevant Series, whether present or not and on all relevant Couponholders, except that any Extraordinary Resolution proposed, *inter alia*, (a) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (b) to reduce or cancel the principal amount of, or any premium payable on redemption of, the Notes, (c) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates of interest or the basis for calculating any Interest Amount in respect of the Notes, (d) to vary any method of, or basis for, calculating

the Redemption Amount or the Early Redemption Amount including the method of calculating the Amortised Face Amount, (e) to vary the currency or currencies of payment or denomination of the Notes, (f) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, (g) to modify the provisions concerning the quorum required at any meeting of Securityholders or the majority required to pass the Extraordinary Resolution or (h) to modify or cancel the Guarantee, will only be binding if passed at a meeting of the Securityholders of the relevant Series (or at any adjournment thereof) at which a special quorum (provided for in the Trust Deed) is present.

These Conditions may be amended, modified, or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

- (b) **Modification of the Trust Deed:** The Trustee may (but is not obliged to) agree, without the consent of the Securityholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed which in the opinion of the Trustee is of a formal, minor or technical nature, is made to correct a manifest error or to comply with any mandatory provision of law or is required by Euroclear, Clearstream, Luxembourg, CDP and/or any other clearing system in which the Notes may be held, (ii) any other modification (except as mentioned in the Trust Deed) which is in the opinion of the Trustee not materially prejudicial to the interests of the Securityholders, and (iii) any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, the Agency Agreement or these Conditions which is in the opinion of the Trustee not materially prejudicial to the interests of the Securityholders. Any such modification, authorisation or waiver shall be binding on the Securityholders and the Couponholders and, unless the Trustee otherwise agrees, such modification, waiver or authorisation shall be notified by the Issuer to the Securityholders as soon as practicable.
- (c) **Substitution:** The Trust Deed contains provisions permitting (but not obliging) the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Securityholders or the Couponholders, to the substitution of the Issuer's successor in business or any subsidiary of the Issuer or its successor in business or any subsidiary of the Guarantor or its successor in business, as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Securityholders or the Couponholders, to a change of the law governing the Notes, the Receipts, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Securityholders.
- (d) **Entitlement of the Trustee:** In connection with the exercise of its functions and/or exercise of its rights, powers and/or discretions (including but not limited to those in relation to any proposed modification, waiver or authorisation), the Trustee shall have regard to the interests of the Securityholders as a class and shall not have regard to the consequences of such exercise for individual Securityholders or Couponholders.

13 Replacement of Notes, Certificates, Coupons and Talons

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates), or at the specified office of such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the

purpose and notice of whose designation is given to Securityholders in accordance with Condition 16, on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, undertaking, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment, there will be paid to the Issuer on demand the amount payable by the Issuer in respect of such Note, Certificate, Coupon or Talon) and otherwise as the Issuer and/or the Guarantor may require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

14 Further Issues

The Issuer may from time to time without the consent of the Securityholders or Couponholders create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that the same shall be consolidated and form a single Series with such Notes. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition 14 and forming a single Series with the Notes.

15 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including without limitation provisions relieving it from taking proceedings to enforce repayment unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trust Deed also contains a provision entitling the Trustee to enter into business transactions with the Issuer, the Guarantor or any of their respective related entities without accounting to the Securityholders or Couponholders for any profit resulting from such transactions.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer or the Guarantor or any other person appointed by the Issuer or the Guarantor in relation to the Notes of the duties and obligations on their part expressed in respect of the same and, unless it has express written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Securityholder or Couponholder, the Issuer, the Guarantor or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Securityholders.

The Trustee shall be entitled to rely on any direction, request or resolution of Securityholders given by holders of the requisite principal amount of Notes outstanding or passed at a meeting of Securityholders convened and held in accordance with the Trust Deed.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, these Conditions or any other transaction document to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions from the Securityholders by way of an Extraordinary Resolution, and the Trustee is not responsible or liable to any person for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions or in the event that no such directions are received.

The Trustee shall not be under any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions.

The Trustee may rely without liability to Securityholders, Couponholders, the Issuer, the Guarantor or any other person on any report, confirmation, opinion or certificate from or any advice of any legal advisers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise, and, in such event, such report, confirmation, opinion, certificate or advice shall be binding on the Securityholders and the Couponholders.

Each Securityholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of each of the Issuer and the Guarantor, and the Trustee shall not at any time have any responsibility for the same and each Securityholder shall not rely on the Trustee in respect thereof.

16 Notices

Notices to the holders of Registered Notes shall be valid if mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notwithstanding the foregoing, notices to the holders of Notes will be valid if published in a daily newspaper of general circulation in Singapore (or, if the holders of any Series of Notes can be identified, notices to such holders will also be valid if they are given to each of such holders). It is expected that such publication will be made in *The Business Times*. Notices will, if published more than once or on different dates, be deemed to have been given on the date of the first publication in such newspaper as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice to the holders of Bearer Notes in accordance with this Condition 16.

So long as the Notes are represented by a Global Security or a Global Certificate and such Global Security or Global Certificate is held in its entirety on behalf of Euroclear, Clearstream, Luxembourg and/or CDP, there may be substituted for such publication in such newspapers (i) the delivery of the relevant notice to Euroclear, Clearstream, Luxembourg and/or (subject to the agreement of CDP) CDP for communication by it to the Securityholders or (ii) in the case of CDP, the recorded delivery of the relevant notice to the persons shown in the latest record received from CDP as holding interests in such Global Security or Global Certificate, except that if the Notes are listed on any Stock Exchange and the rules of such Stock Exchange so require, notice will in any event be published in accordance with the preceding paragraphs. Any such notice shall be deemed to have been given to the Securityholders on the day on which the said notice was given to Euroclear, Clearstream, Luxembourg and/or CDP or the date of despatch of such notice to the persons shown in the records maintained by CDP.

Notices to be given by any Securityholder pursuant hereto (including to the Issuer) shall be in writing and given by lodging the same with the Issuing and Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) or such other Agent as may be specified in these Conditions. Whilst the Notes are represented by a Global Security or a Global Certificate, such notice may be given by any Securityholder to the Issuing and Paying Agent or, as the case may be, the Registrar or, as the case may be,

such other Agent through Euroclear, Clearstream, Luxembourg and/or CDP in such manner as the Issuing and Paying Agent or, as the case may be, the Registrar or, as the case may be, such other Agent and Euroclear, Clearstream, Luxembourg and/or CDP may approve for this purpose.

Notwithstanding the other provisions of this Condition 16, in any case where the identities and addresses of all the Securityholders are known to the Issuer, notices to such holders may be given individually by recorded delivery mail to such addresses and will be deemed to have been given when received at such addresses.

17 Contracts (Rights of Third Parties) Act

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

18 Governing Law and Jurisdiction

- (a) **Governing Law:** The Trust Deed, the Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The Courts of England are to have non-exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Coupons, Talons or the Guarantee and accordingly any legal action or proceedings arising out of or in connection with any Notes, Coupons, Talons or the Guarantee ("**Proceedings**") may be brought in such courts. Each of the Issuer and the Guarantor has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.
- (c) **Service of Process:** Each of the Issuer and the Guarantor has in the Trust Deed irrevocably appointed an agent in England, where applicable, to receive, for it and on its behalf, service of process in any Proceedings in England.

TERMS AND CONDITIONS OF THE PERPETUAL SECURITIES

*The following is the text of the terms and conditions which, save for the words in italics and subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, will be endorsed on the Perpetual Securities in definitive form issued in exchange for the Global Security(ies) or the Global Certificate(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Perpetual Securities. Those definitions will be endorsed on such Bearer Perpetual Securities or on the Certificates relating to such Registered Perpetual Securities. References in the Conditions to “**Perpetual Securities**” are to the Perpetual Securities of one Series only, not to all Perpetual Securities that may be issued under the Programme, details of the relevant Series being shown on the face of the relevant Perpetual Securities and in the relevant Pricing Supplement.*

The Perpetual Securities are issued by ESR Cayman Limited (“**ESR**”) or any other entity specified in the applicable Pricing Supplement as being the issuer of the Perpetual Securities (each, in relation to Perpetual Securities issued by it, the “**Issuer**”) pursuant to the Trust Deed (as defined below). Issues of Perpetual Securities by the Issuer (except where the issuer of the Perpetual Securities is ESR) will be guaranteed by ESR (in such capacity, the “**Guarantor**”). References in these Conditions to the Guarantor and the Guarantee shall only apply to Perpetual Securities issued by an Issuer which is not ESR.

The Perpetual Securities are constituted by a trust deed dated 12 May 2017 (as amended or supplemented as at the date of issue of the Perpetual Securities (the “**Issue Date**”), the “**Trust Deed**”) made between (1) ESR and (2) DB International Trust (Singapore) Limited (the “**Trustee**”, which expression shall wherever the context so admits include such company and all other persons for the time being the trustee or trustees of the Trust Deed), as trustee for the Perpetual Securityholders (as defined below).

These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Perpetual Securities, Certificates, Coupons and Talons referred to below. ESR has entered into an agency agreement dated 12 May 2017 made between (1) ESR, (2) Deutsche Bank AG, Hong Kong Branch, as issuing and paying agent (the “**Issuing and Paying Agent**”), (3) Deutsche Bank AG, Singapore Branch, as CDP paying agent in respect of Perpetual Securities cleared through CDP (as defined below) (the “**CDP Paying Agent**” and, together with the Issuing and Paying Agent and any other paying agents that may be appointed, the “**Paying Agents**”), (4) Deutsche Bank AG, Hong Kong Branch, as transfer agent in respect of Perpetual Securities cleared through Euroclear (as defined below) or Clearstream, Luxembourg (as defined below) and Deutsche Bank AG, Singapore Branch, as transfer agent in respect of Perpetual Securities cleared through CDP (each a “**Transfer Agent**” and, together with any other transfer agents that may be appointed, the “**Transfer Agents**”), (5) Deutsche Bank AG, Hong Kong Branch, as registrar in respect of Perpetual Securities cleared through Euroclear or Clearstream, Luxembourg and Deutsche Bank AG, Singapore Branch, as registrar in respect of Perpetual Securities cleared through CDP (each in such capacity, the “**Registrar**”), (6) Deutsche Bank AG, Hong Kong Branch, as calculation agent in respect of Perpetual Securities cleared through Euroclear or Clearstream, Luxembourg and Deutsche Bank AG, Singapore Branch, as calculation agent in respect of Perpetual Securities cleared through CDP (each in such capacity, the “**Calculation Agent**”) and (7) the Trustee, as trustee in relation to the Perpetual Securities (as amended or supplemented as at the Issue Date, the “**Agency Agreement**”). The Perpetual Securityholders and the holders (the “**Couponholders**”) of the distribution coupons (the “**Coupons**”) appertaining to the Perpetual Securities in bearer form and, where applicable

in the case of such Perpetual Securities, talons for further Coupons (the “**Talons**”) are bound by and are deemed to have notice of all of the provisions of these Conditions, all the provisions of the Trust Deed and the applicable Pricing Supplement, and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

Copies of the Trust Deed and the Agency Agreement are available for inspection at the principal office of the Trustee for the time being and at the specified office of the Issuing and Paying Agent for the time being.

1 Form, Denomination and Title

(a) Form and Denomination

- (i) The Perpetual Securities of the Series of which this Perpetual Security forms part (in these Conditions, the “**Perpetual Securities**”) are issued in bearer form (“**Bearer Perpetual Securities**”) or in registered form (“**Registered Perpetual Securities**”), in each case in the Denomination Amount shown hereon.
- (ii) This Perpetual Security is a Fixed Rate Perpetual Security or a Floating Rate Perpetual Security (depending upon the Distribution Basis shown on its face).
- (iii) Bearer Perpetual Securities are serially numbered and issued with Coupons (and, where appropriate, a Talon) attached.
- (iv) Registered Perpetual Securities are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Perpetual Securities by the same holder.

(b) Title

- (i) Title to the Bearer Perpetual Securities and the Coupons and Talons appertaining thereto shall pass by delivery. Title to the Registered Perpetual Securities shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”).
- (ii) Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Perpetual Security, Coupon or Talon shall be deemed to be and shall be treated as the absolute owner of such Perpetual Security, Coupon or Talon, as the case may be, for the purpose of receiving payment thereof or on account thereof and for all other purposes, whether or not such Perpetual Security, Coupon or Talon shall be overdue and notwithstanding any notice of ownership, theft, loss or forgery thereof or any writing thereon made by anyone, and no person shall be liable for so treating the holder.
- (iii) For so long as any of the Perpetual Securities is represented by a Global Security (as defined below) or, as the case may be, a Global Certificate (as defined below) and such Global Security or Global Certificate is held by a common depositary for Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking S.A. (“**Clearstream, Luxembourg**”) and/or The Central Depository (Pte) Limited (“**CDP**”), each person who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg and/or CDP as the holder of a particular principal amount of such Perpetual Securities (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg and/or CDP as to the principal amount of such Perpetual Securities standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor, the Issuing and Paying Agent, the CDP Paying

Agent, the other Paying Agents, the Calculation Agents, the Registrars, the Transfer Agents and all other agents of the Issuer and the Trustee as the holder of such principal amount of Perpetual Securities other than with respect to the payment of principal, premium, distribution, redemption, purchase and/or any other amounts in respect of the Perpetual Securities, for which purpose the bearer of the Global Security or, as the case may be, the person whose name is shown on the Register shall be treated by the Issuer, the Guarantor, the Issuing and Paying Agent, the CDP Paying Agent, the other Paying Agents, the Calculation Agents, the Registrars, the other Transfer Agents, all other agents of the Issuer and the Trustee as the holder of such Perpetual Securities in accordance with and subject to the terms of the Global Security or, as the case may be, the Global Certificate (and the expressions **“Perpetual Securityholder”** and **“holder of Perpetual Securities”** and related expressions shall be construed accordingly). Perpetual Securities which are represented by the Global Security or, as the case may be, the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg and/or CDP. For so long as any of the Perpetual Securities is represented by a Global Security or a Global Certificate and such Global Security or, as the case may be, Global Certificate is held by CDP, the record date for purposes of determining entitlements to any payment of principal, interest and any other amounts in respect of the Perpetual Security shall, unless otherwise specified by the Issuer, be the date falling five (5) business days prior to the relevant payment date (or such other date as may be prescribed by CDP).

- (iv) In these Conditions, **“Global Security”** means the relevant Temporary Global Security representing each Series or the relevant Permanent Global Security representing each Series, **“Global Certificate”** means the relevant Global Certificate representing each Series that is registered in the name of, or in the name of a nominee of, (1) a common depositary for Euroclear and/or Clearstream, Luxembourg, (2) CDP and/or (3) any other clearing system, **“Perpetual Securityholder”** means the bearer of any Bearer Perpetual Security or the person in whose name a Registered Perpetual Security is registered (as the case may be) and **“holder”** (in relation to a Perpetual Security, Coupon or Talon) means the bearer of any Bearer Perpetual Security, Coupon or Talon or the person in whose name a Registered Perpetual Security is registered (as the case may be), **“Series”** means a Tranche, together with any further Tranche or Tranches, which are (A) expressed to be consolidated and forming a single series and (B) identical in all respects (including as to listing) except for their respective issue dates, issue prices and/or dates of the first payment of distribution and **“Tranche”** means Perpetual Securities which are identical in all respects (including as to listing).
- (v) Words and expressions defined in the Trust Deed or used in the applicable Pricing Supplement (as defined in the Trust Deed) shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

2 No Exchange of Perpetual Securities and Transfers of Registered Perpetual Securities

- (a) **No Exchange of Perpetual Securities:** Registered Perpetual Securities may not be exchanged for Bearer Perpetual Securities. Bearer Perpetual Securities of one Denomination Amount may not be exchanged for Bearer Perpetual Securities of another Denomination Amount. Bearer Perpetual Securities may not be exchanged for Registered Perpetual Securities.

- (b) **Transfer of Registered Perpetual Securities:** Subject to Conditions 2(e) and 2(f) below, one or more Registered Perpetual Securities may be transferred upon the surrender (at the specified office of the Registrar or any other Transfer Agent) of the Certificate representing such Registered Perpetual Securities to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer) duly completed and executed and any other evidence as the Registrar or such other Transfer Agent may require to prove the title of the transferor and the authority of the individuals that have executed the form of transfer. In the case of a transfer of part only of a holding of Registered Perpetual Securities represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Perpetual Securities and entries on the Register will be made subject to the detailed regulations concerning transfers of Perpetual Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, and by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Perpetual Securityholder upon request.
- (c) **Exercise of Options or Partial Redemption in Respect of Registered Perpetual Securities:** In the case of an exercise of the Issuer's option in respect of, or a partial redemption of, a holding of Registered Perpetual Securities represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Perpetual Securities of the same holding having different terms, separate Certificates shall be issued in respect of those Perpetual Securities of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any other Transfer Agent. In the case of a transfer of Registered Perpetual Securities to a person who is already a holder of Registered Perpetual Securities, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.
- (d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) or 2(c) shall be available for delivery within five business days of receipt of the form of transfer and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or such other Transfer Agent (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the Registrar or the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day (other than a Saturday or Sunday) on which banks are open for business in the place of the specified office of the Registrar or the other relevant Transfer Agent (as the case may be).
- (e) **Transfers Free of Charge:** Transfers of Perpetual Securities and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Guarantor, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the relevant Transfer Agent may require) in respect of such tax or charges.

- (f) **Closed Periods:** No Perpetual Securityholder may require the transfer of a Registered Perpetual Security to be registered (i) during the period of 15 days prior to any date on which Perpetual Securities may be called for redemption by the Issuer at its option pursuant to Condition 5(b), (ii) after any such Perpetual Security has been called for redemption or (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 6(b)(ii)).

3 Status and Guarantee

- (a) **Senior Perpetual Securities:** This Condition 3(a) applies to Perpetual Securities that are Senior Perpetual Securities (being the Perpetual Securities that specify their status as senior in the applicable Pricing Supplement).

(i) **Status of Senior Perpetual Securities**

The Senior Perpetual Securities and Coupons relating to them constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Issuer.

(ii) **Guarantee of Senior Perpetual Securities**

The payment of all sums which are due and payable by the Issuer (where the Issuer is not ESR) under the Trust Deed, the Senior Perpetual Securities and the Coupons relating to them are unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under the Senior Guarantee (as defined in the Trust Deed) are contained in the Trust Deed. The payment obligations of the Guarantor under the Senior Guarantee constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and shall rank *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Guarantor.

- (b) **Subordinated Perpetual Securities:** This Condition 3(b) applies to Perpetual Securities that are Subordinated Perpetual Securities (being the Perpetual Securities that specify their status as subordinated in the applicable Pricing Supplement).

(i) **Status of Subordinated Perpetual Securities**

The Subordinated Perpetual Securities and Coupons relating to them constitute direct, unconditional, subordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with any Parity Obligations of (in the case where the Issuer is not ESR) the Issuer or (in the case where the Issuer is ESR) ESR. The rights and claims of the Perpetual Securityholders and Couponholders in respect of the Subordinated Perpetual Securities are subordinated as provided in this Condition 3(b).

In these Conditions, “**Parity Obligation**” means:

- (i) in the case where the Issuer is not ESR, any instrument or security (including without limitation any preference shares) issued, entered into or guaranteed by the Issuer (1) which ranks or is expressed to rank, by its

terms or by operation of law, *pari passu* with the Subordinated Perpetual Securities of the Issuer and (2) the terms of which provide that the making of payments thereon or distributions in respect thereof are fully at the discretion of the Issuer and/or, in the case of an instrument or security guaranteed by the Issuer, the issuer thereof; and

(ii) in the case of ESR, any instrument or security (including without limitation any preference shares) issued, entered into or guaranteed by ESR (1) which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with (where the Issuer is ESR) the Subordinated Perpetual Securities or (where the Guarantor is ESR) the Subordinated Guarantee and (2) the terms of which provide that the making of payments thereon or distributions in respect thereof are fully at the discretion of ESR and/or, in the case of an instrument or security guaranteed by ESR, the issuer thereof; or

(iii) as otherwise specified in the applicable Pricing Supplement.

(ii) Ranking of claims on winding-up — Issuer

Subject to the insolvency laws of the Issuer's jurisdiction of incorporation and other applicable laws, in the event that a final and effective order or resolution for the winding-up of the Issuer is passed, the rights of the Perpetual Securityholders and Couponholders in respect of Subordinated Perpetual Securities to payment of principal of and distribution on the Subordinated Perpetual Securities and the Coupons relating to them are expressly subordinated and subject in right of payment to the prior payment in full of all claims of senior creditors of the Issuer but at least *pari passu* with all other subordinated obligations of the Issuer that are not expressed by their terms to rank junior to the Subordinated Perpetual Securities and in priority to the claims of shareholders of the Issuer and/or as otherwise specified in the applicable Pricing Supplement.

In these Conditions, "**winding-up**" means bankruptcy, termination, winding-up, liquidation, receivership or similar proceedings.

(iii) No set-off — Issuer

Subject to applicable law, no holder of Subordinated Perpetual Securities or any Coupons relating to them may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Subordinated Perpetual Securities or Coupons relating to them, and each holder of Subordinated Perpetual Securities or any Coupons relating to them shall, by virtue of his holding of any Subordinated Perpetual Securities or Coupons relating to them, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Issuer. Notwithstanding the preceding sentence, if any of the amounts owing to any holder of Subordinated Perpetual Securities or any Coupons relating to them by the Issuer in respect of, or arising under or in connection with the Subordinated Perpetual Securities or Coupons relating to them is discharged by set-off, such holder of Subordinated Perpetual Securities or any Coupons relating to them shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of the winding-up or administration of the Issuer, the liquidator

or, as appropriate, administrator of the Issuer) and, until such time as payment is made, shall hold such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of the Issuer) and accordingly any such discharge shall be deemed not to have taken place.

(iv) Guarantee of Subordinated Perpetual Securities

The payment of all sums which are payable by the Issuer (where the Issuer is not ESR) under the Trust Deed, the Subordinated Perpetual Securities and the Coupons relating to them are unconditionally and irrevocably guaranteed on a subordinated basis by the Guarantor. The obligations of the Guarantor under the Subordinated Guarantee are contained in the Trust Deed. The payment obligations of the Guarantor under the Subordinated Guarantee constitute direct, unconditional, subordinated and unsecured obligations of the Guarantor and shall rank *pari passu* with any Parity Obligations of ESR. The rights and claims of the Perpetual Securityholders in respect of the Subordinated Guarantee are subordinated as provided in this Condition 3(b).

(v) Ranking of claims on winding up — Guarantor

Subject to the insolvency laws of the Cayman Islands and other applicable laws, in the event that a final and effective order or resolution for the winding-up of the Guarantor is passed, the rights of the Perpetual Securityholders and Couponholders in respect of the Subordinated Guarantee to payment of principal of and distribution on the Subordinated Perpetual Securities and the Coupons relating to them are expressly subordinated and subject in right of payment to the prior payment in full of all claims of senior creditors of the Guarantor but at least *pari passu* with all other subordinated obligations of the Guarantor that are not expressed by their terms to rank junior in respect of the Subordinated Guarantee and in priority to the claims of shareholders of the Guarantor and/or as otherwise specified in the applicable Pricing Supplement.

(vi) No set-off — Guarantor

Subject to applicable law, no holder of Subordinated Perpetual Securities or any Coupons relating to them may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Guarantor in respect of, or arising under or in connection with, the Subordinated Guarantee, and each holder of Subordinated Perpetual Securities or any Coupons relating to them shall, by virtue of his holding of any Subordinated Perpetual Securities or Coupons relating to them, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Guarantor. Notwithstanding the preceding sentence, if any of the amounts owing to any holder of Subordinated Perpetual Securities or any Coupons relating to them by the Guarantor in respect of, or arising under or in connection with, the Subordinated Guarantee is discharged by set-off, such holder of Subordinated Perpetual Securities or any Coupons relating to them shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Guarantor (or, in the event of its winding-up or administration, the liquidator or, as appropriate, administrator of the Guarantor) and, until such time as payment is made, shall hold such amount in trust for the Guarantor (or the liquidator or, as appropriate, administrator of the Guarantor) and accordingly any such discharge shall be deemed not to have taken place.

4 Distribution and other Calculations

(I) Distribution on Fixed Rate Perpetual Securities

(a) Distribution Rate and Accrual

Each Fixed Rate Perpetual Security confers a right to receive distribution on its Calculation Amount (as defined in Condition 4(II)(c)) from the Distribution Commencement Date in respect thereof and as shown on the face of such Perpetual Security at the rate per annum (expressed as a percentage) equal to the Distribution Rate shown on the face of such Perpetual Security payable in arrear on each Distribution Payment Date or Distribution Payment Dates shown on the face of such Perpetual Security in each year.

The first payment of distribution will be made on the Distribution Payment Date next following the Distribution Commencement Date (and if the Distribution Commencement Date is not a Distribution Payment Date, will amount to the Initial Broken Amount shown on the face of such Perpetual Security).

Distribution will cease to accrue on each Fixed Rate Perpetual Security from the due date for redemption thereof unless, upon due presentation thereof and subject to the provisions of the Trust Deed, payment of principal is improperly withheld or refused, in which event distribution at such rate will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 4(I) to the Relevant Date (as defined in Condition 7).

(b) Distribution Rate

The Distribution Rate applicable to each Fixed Rate Perpetual Security shall be:

- (i) (if no Reset Date is specified in the applicable Pricing Supplement),
 - (1) if no Step-Up Margin is specified in the applicable Pricing Supplement, the rate shown on the face of such Perpetual Security; or
 - (2) if a Step-Up Margin is specified in the applicable Pricing Supplement, (A) for the period from (and including) the Distribution Commencement Date to (but excluding) the Step-Up Date specified in the applicable Pricing Supplement, the rate shown on the face of such Perpetual Security and (B) for the period from (and including) the Step-Up Date specified in the applicable Pricing Supplement, the rate shown on the face of such Perpetual Security plus the Step-Up Margin (as specified in the applicable Pricing Supplement); and
- (ii) (if a Reset Date is specified in the applicable Pricing Supplement), (1) for the period from (and including) the Distribution Commencement Date to (but excluding) the First Reset Date specified in the applicable Pricing Supplement, the rate shown on the face of such Perpetual Security and (2) for the period from (and including) the First Reset Date and each Reset Date (as shown in the applicable Pricing Supplement) falling thereafter to (but excluding) the immediately following Reset Date, the Reset Distribution Rate (as specified in the applicable Pricing Supplement).

(c) Calculation of Reset Distribution Rate

The Calculation Agent will, on the second business day prior to each Reset Date, calculate the applicable Reset Distribution Rate payable in respect of each

Perpetual Security. The Calculation Agent will cause the applicable Reset Distribution Rate to be notified to the Issuing and Paying Agent, the Trustee, the Registrar, the Issuer and the Guarantor as soon as possible after its determination but in no event later than the fourth business day thereafter. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Issuing and Paying Agent, the other Paying Agents, the Registrar, the Transfer Agent and the Perpetual Securityholders and (except as provided in the Agency Agreement) no liability to any such person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(d) **Publication of Relevant Reset Distribution Rate**

The Issuer shall cause notice of the then applicable Reset Distribution Rate to be notified to the Perpetual Securityholders in accordance with Condition 14 as soon as possible after determination thereof.

(e) **Determination or Calculation by Trustee**

If the Calculation Agent does not at any material time determine or calculate the applicable Reset Distribution Rate, the Trustee may, but shall not be obliged to appoint an agent to do so. If it does so, such agent shall apply the provisions of this Condition 4(l), with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(f) **Calculations**

In the case of a Fixed Rate Perpetual Security, distribution in respect of a period of less than one year will be calculated on the Day Count Fraction specified hereon. The amount of distribution payable per Calculation Amount in respect of any Perpetual Security shall be calculated by multiplying the product of the Distribution Rate and the Calculation Amount, by the Day Count Fraction shown on the Perpetual Security.

(II) **Distribution on Floating Rate Perpetual Securities**

(a) **Distribution Payment Dates**

Each Floating Rate Perpetual Security confers a right to receive distribution on its Calculation Amount from the Distribution Commencement Date in respect thereof and as shown on the face of such Perpetual Security, and such distribution will be payable in arrear on each distribution payment date ("**Distribution Payment Date**"). Such Distribution Payment Date(s) is/are either shown hereon as Specified Distribution Payment Date(s) or, if no Specified Distribution Payment Date(s) is/are shown hereon, Distribution Payment Date shall mean each date which (save as mentioned in these Conditions) falls the number of months specified as the Distribution Period on the face of the Perpetual Security (the "**Specified Number of Months**") after the preceding Distribution Payment Date or, in the case of the first Distribution Payment Date, after the Distribution Commencement Date (and which corresponds numerically with such preceding Distribution Payment Date or the Distribution Commencement Date, as the case may be).

If any Distribution Payment Date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a business day (as defined below), then if the Business Day Convention specified is (1) the Floating Rate Business Day Convention, such date shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event (i) such date shall be brought forward to the immediately preceding business day and (ii) each subsequent such date shall be the last business day of the month in which such date would have fallen had it not been subject to adjustment, (2) the Following Business Day Convention, such date shall be postponed to the next day that is a business day, (3) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a business day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding business day or (4) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding business day.

The period beginning on (and including) the Distribution Commencement Date and ending on (but excluding) the first Distribution Payment Date and each successive period beginning on (and including) a Distribution Payment Date and ending on (but excluding) the next succeeding Distribution Payment Date is herein called a **"Distribution Period"**.

Distribution will cease to accrue on each Floating Rate Perpetual Security from the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of the Redemption Amount is improperly withheld or refused, in which event distribution will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 4(II) to the Relevant Date.

- (b) **Distribution Rate for Floating Rate Perpetual Securities:** The Distribution Rate in respect of Floating Rate Perpetual Securities for each Distribution Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

- (i) ISDA Determination for Floating Rate Perpetual Securities

Where ISDA Determination is specified hereon as the manner in which the Distribution Rate is to be determined, the Distribution Rate for each Distribution Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (i), **"ISDA Rate"** for a Distribution Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (A) the Floating Rate Option is as specified hereon;
- (B) the Designated Maturity is a period specified hereon; and
- (C) the relevant Reset Date is the first day of that Distribution Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (i), **"Floating Rate"**, **"Calculation Agent"**, **"Floating Rate Option"**, **"Designated Maturity"**, **"Reset Date"** and **"Swap Transaction"** have the meanings given to those terms in the ISDA Definitions.

(ii) Screen Rate Determination for Floating Rate Perpetual Securities where the Reference Rate is not specified as being SIBOR or SOR

(A) Where Screen Rate Determination is specified hereon as the manner in which the Distribution Rate is to be determined, the Distribution Rate for each Distribution Period will, subject as provided below, be either:

(I) the offered quotation; or

(II) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m. (in the case of CNH HIBOR) on the Distribution Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Perpetual Securities is specified hereon as being other than LIBOR, EURIBOR, HIBOR or CNH HIBOR, the Distribution Rate in respect of such Perpetual Securities will be determined in accordance with the Pricing Supplement;

(B) If the Relevant Screen Page is not available or if, sub-paragraph (A)(I) above applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (A)(II) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR or CNH HIBOR, the principal Hong Kong office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m., on the Distribution Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Distribution Rate for such Distribution Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

- (C) If sub-paragraph (B) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Distribution Rate shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m., on the relevant Distribution Determination Date, deposits in the Relevant Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Relevant Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Relevant Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m., on the relevant Distribution Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, *provided that*, if the Distribution Rate cannot be determined in accordance with the foregoing provisions of this paragraph, the Distribution Rate shall be determined as at the last preceding Distribution Determination Date (though substituting, where a different Margin or Maximum or Minimum Distribution Rate is to be applied to the relevant Distribution Period from that which applied to the last preceding Distribution Period, the Margin or Maximum Distribution Rate or Minimum Distribution Rate relating to the relevant Distribution Period, in place of the Margin or Maximum Distribution Rate or Minimum Distribution Rate relating to that last preceding Distribution Period).

- (iii) Screen Rate Determination for Floating Rate Perpetual Securities where the Reference Rate is specified as being SIBOR or SOR
 - (A) Each Floating Rate Perpetual Security where the Reference Rate is specified as being SIBOR (in which case such Perpetual Security will be a SIBOR Perpetual Security) or SOR (in which case such Perpetual Security will be a Swap Rate Perpetual Security) confers a right to receive distribution at a floating rate determined by reference to a Benchmark as specified hereon or in any case such other Benchmark as specified hereon;
 - (B) The Distribution Rate payable from time to time in respect of each Floating Rate Perpetual Security under this Condition 4(II)(b)(iii) will be determined by the Calculation Agent on the basis of the following provisions:
 - (I) in the case of Floating Rate Perpetual Securities which are SIBOR Perpetual Securities:
 - (aa) the Calculation Agent will, at or about the Relevant Time on the relevant Distribution Determination Date in respect of each Distribution Period, determine the Distribution Rate for such Distribution Period which shall be the offered rate for deposits in Singapore dollars for a period equal to the duration of such Distribution Period which appears on the Reuters Screen ABSIRFIX1 Page under the caption “ABS SIBOR FIX — SIBOR AND SWAP OFFER RATES — RATES AT 11.00 A.M. SINGAPORE TIME” and the column headed “SGD SIBOR” (or such other replacement page thereof or such other Relevant Screen Page);
 - (bb) if no such rate appears on the Reuters Screen ABSIRFIX1 Page (or such other replacement page thereof or, if no rate appears, on such other Relevant Screen Page) or if Reuters Screen ABSIRFIX1 page (or such other replacement page thereof or such other Relevant Screen Page) is unavailable for any reason, the Calculation Agent will request the principal Singapore offices of each of the Reference Banks to provide the Calculation Agent with the rate at which deposits in Singapore dollars are offered by it at approximately the Relevant Time on the Distribution Determination Date to prime banks in the Singapore inter-bank market for a period equivalent to the duration of such Distribution Period commencing on such Distribution Payment Date in an amount comparable to the aggregate nominal amount of the relevant Floating Rate Perpetual Securities. The Distribution Rate for such Distribution Period shall be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of such offered quotations, as determined by the Calculation Agent;
 - (cc) if on any Distribution Determination Date two but not all the Reference Banks provide the Calculation Agent with such quotations, the Distribution Rate for the relevant Distribution Period shall be determined in accordance with sub-paragraph (bb) above on the basis of the quotations of those Reference Banks providing such quotations; and

- (dd) if on any Distribution Determination Date one only or none of the Reference Banks provides the Calculation Agent with such quotations, the Distribution Rate for the relevant Distribution Period shall be the rate per annum which the Calculation Agent determines to be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the rates quoted by the Reference Banks or those of them (being at least two in number) to the Calculation Agent at or about the Relevant Time on such Distribution Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Distribution Period, an amount equal to the aggregate nominal amount of the relevant Floating Rate Perpetual Securities for such Distribution Period by whatever means they determine to be most appropriate or if on such Distribution Determination Date one only or none of the Reference Banks provides the Calculation Agent with such quotation, the rate per annum which the Calculation Agent determines to be arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about the Relevant Time on such Distribution Determination Date;
- (II) in the case of Floating Rate Perpetual Securities which are Swap Rate Perpetual Securities
- (aa) the Calculation Agent will, at or about the Relevant Time on the relevant Distribution Determination Date in respect of each Distribution Period, determine the Distribution Rate for such Distribution Period as being the rate which appears on the Reuters Screen ABSFIX1 Page under the caption "SGD SOR rates as of 11:00 hrs London Time" under the column headed "SGD SOR" (or such replacement page thereof for the purpose of displaying the swap rates of leading reference banks) at or about the Relevant Time on such Distribution Determination Date and for a period equal to the duration of such Distribution Period;
- (bb) if on any Distribution Determination Date no such rate is quoted on Reuters Screen ABSFIX1 Page (or such other replacement page as aforesaid) or Reuters Screen ABSFIX1 Page (or such other replacement page as aforesaid) is unavailable for any reason, such Calculation Agent will determine the Distribution Rate for such Distribution Period as being the rate (or, if there is more than one rate which is published, the arithmetic mean of those rates (rounded up, if necessary, to the nearest four decimal places)) for a period equal to the duration of such Distribution Period published by a recognised industry body where such rate is widely used (after taking into account the industry practice at that time), or by such other relevant authority as such Calculation Agent may select;
- (cc) if on any Distribution Determination Date such Calculation Agent is otherwise unable to determine the Distribution Rate under paragraphs (bb) and (cc) above, the Distribution Rate shall be

determined by such Calculation Agent to be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to four decimal places) of the rates quoted by the Reference Banks or those of them (being at least two in number) to such Calculation Agent at or about 11.00 a.m. (Singapore time) on the first business day following such Distribution Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Distribution Period, an amount equal to the aggregate principal amount of the relevant Floating Rate Perpetual Securities for such Distribution Period by whatever means they determine to be most appropriate, or if on such day one only or none of the Reference Banks provides such Calculation Agent with such quotation, the Distribution Rate for the relevant Distribution Period shall be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to four decimal places) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about 11.00 a.m. (Singapore time) on such Distribution Determination Date.

- (iv) On the last day of each Distribution Period, the Issuer will pay distribution on each Floating Rate Perpetual Security to which such Distribution Period relates at the Distribution Rate for such Distribution Period.
- (v) If the Reference Rate from time to time in respect of Floating Rate Perpetual Securities is specified in the applicable Pricing Supplement as being other than LIBOR, EURIBOR, HIBOR, CNH HIBOR, SIBOR or SOR, the Distribution Rate in respect of such Perpetual Securities will be determined as provided in the applicable Pricing Supplement.
- (vi) For the avoidance of doubt, in the event that the Distribution Rate in relation to any Distribution Period is less than zero, the Distribution Rate in relation to such Distribution Period shall be equal to zero.

(c) **Definitions**

As used in these Conditions:

“Benchmark” means the rate specified as such in the applicable Pricing Supplement;

“business day” means:

- (i) in the case of Perpetual Securities denominated in Singapore dollars, a day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks and foreign exchange markets are open for business in Singapore;
- (ii) in the case of Notes denominated in Euro, a day on which the TARGET System is operating (a **“Target Business Day”**);
- (iii) in the case of Perpetual Securities denominated in Renminbi, (A) if cleared through Euroclear and Clearstream Luxembourg, a day (other than a Saturday or Sunday or gazetted public holiday) on which commercial banks and foreign exchange markets settle payments in Hong Kong or such other location outside the PRC as may have been agreed between the Issuer and the Issuing and

Paying Agent prior to the issue of the Perpetual Securities and specified in the applicable Pricing Supplement and (B) if cleared through CDP, a day other than a Saturday or Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for business in Singapore; and

- (iv) in the case of Perpetual Securities denominated in a currency other than Singapore dollars, Euro or Renminbi, a day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks and foreign exchange markets are open for business in the principal financial centre for that currency;

“Calculation Amount” means the amount specified as such on the face of any Perpetual Security, or if no such amount is so specified, the Denomination Amount of such Perpetual Security as shown on the face thereof;

“Day Count Fraction” means, in respect of the calculation of an amount of distribution on any Perpetual Security for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting a Distribution Period, the **“Calculation Period”**):

- (i) if **“Actual/Actual”** or **“Actual/Actual — ISDA”** is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if **“Actual/365 (Fixed)”** is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365;
- (iii) if **“Actual/360”** is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 360;
- (iv) if **“30/360”**, **“360/360”** or **“Bond Basis”** is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and **D₁** is greater than 29, in which case **D₂** will be 30;

- (v) if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case **D₂** will be 30;

- (vi) if “**30E/360 (ISDA)**” is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30; and

(vii) if “**Actual/Actual — ICMA**” is specified in the applicable Pricing Supplement,

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(B) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“**Determination Date**” means the date(s) specified as such in the applicable Pricing Supplement or, if none is so specified, the Distribution Payment Date(s); and

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date;

“**Distribution Commencement Date**” means the Issue Date or such other date as may be specified as the Distribution Commencement Date on the face of such Perpetual Security;

“**Distribution Determination Date**” means, in respect of any Distribution Period, that number of business days prior thereto as is set out in the applicable Pricing Supplement or on the face of the relevant Perpetual Security;

“**Distribution Rate**” means the distribution rate payable from time to time in respect of this Perpetual Security and that is either specified or calculated in accordance with the provisions hereon;

“**Euro**” means the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty establishing the European Community, as amended from time to time;

“**Euro-zone**” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended;

“ISDA Definitions” means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. (as the same may be updated, amended or supplemented from time to time), unless otherwise specified hereon;

“Reference Banks” means the institutions specified in the applicable Pricing Supplement or, if none, three major banks selected by the Issuer in the interbank market that is most closely connected with the Benchmark;

“Reference Rate” means the rate specified as such hereon;

“Relevant Currency” means the currency specified as such hereon or, if none is specified, the currency in which the Perpetual Securities are denominated;

“Relevant Financial Centre” means, in the case of distribution to be determined on a Distribution Determination Date with respect to any Floating Rate Perpetual Security, the financial centre with which the relevant Benchmark is most closely connected or, if none is so connected, Singapore;

“Relevant Screen Page” means such page, section, caption, column or other part of a particular information service (including, but not limited to, the Bloomberg agency and Reuters) as may be specified hereon for the purpose of providing the Benchmark, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Benchmark;

“Relevant Time” means, with respect to any Distribution Determination Date, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Relevant Currency in the inter-bank market in the Relevant Financial Centre;

“Renminbi” means the lawful currency for the time being of the People’s Republic of China;

“Singapore dollars” means the lawful currency for the time being of the Republic of Singapore; and

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(III) Calculations

(a) Margin, Maximum/Minimum Distribution Rates and Rounding

- (i) If any Margin is specified hereon (either (A) generally, or (B) in relation to one or more Distribution Periods), an adjustment shall be made to all Distribution Rates, in the case of (A), or the Distribution Rates for the specified Distribution Periods, in the case of (B), calculated in accordance with Condition 4(II) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin, subject always to the next paragraph.

- (ii) If any Maximum Distribution Rate or Minimum Distribution Rate is specified hereon, then any Distribution Rate shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (A) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (B) all figures shall be rounded to seven significant figures (with halves being rounded up) and (C) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.

(b) **Determination of Distribution Rate and Calculation of Distribution Amounts**

The Calculation Agent will, as soon as practicable after the Relevant Time on each Distribution Determination Date determine the Distribution Rate and calculate the amount of distribution payable (the “**Distribution Amounts**”) in respect of each Calculation Amount of the relevant Floating Rate Perpetual Securities for the relevant Distribution Period. The amount of distribution payable per Calculation Amount in respect of any Floating Rate Perpetual Security shall be calculated by multiplying the product of the Distribution Rate and the Calculation Amount, by the Day Count Fraction shown on the Perpetual Security. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

(c) **Notification**

The Calculation Agent will cause the Distribution Rate and the Distribution Amounts for each Distribution Period and the relevant Distribution Payment Date to be notified to the Issuing and Paying Agent, the Trustee, the Issuer and the Guarantor as soon as possible after their determination but in no event later than the fourth business day thereafter. In the case of Floating Rate Perpetual Securities, if so required by the Issuer, the Calculation Agent will also cause the Distribution Rate and the Distribution Amounts for each Distribution Period and the relevant Distribution Payment Date to be notified to Perpetual Securityholders in accordance with Condition 14 as soon as possible after their determination. The Distribution Amounts and the Distribution Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Distribution Period by reason of any Distribution Payment Date not being a business day. If an Enforcement Event occurs in relation to the Floating Rate Perpetual Securities, the Distribution Rate and Distribution Amounts payable in respect of the Floating Rate Perpetual Securities shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Distribution Rate and Distribution Amounts need to be made unless the Trustee requires otherwise.

(d) **Determination or Calculation by the Trustee**

If the Calculation Agent does not at any material time determine or calculate the Distribution Rate for a Distribution Period or any Distribution Amount, the Trustee may, but shall not be obliged to, appoint an agent to do so. If it does so, such agent

shall apply the provisions of this Condition 4, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(e) **Calculation Agent and Reference Banks**

The Issuer will procure that, so long as any Floating Rate Perpetual Security remains outstanding (as defined in the Trust Deed), there shall at all times be three Reference Banks (or such other number as may be required) and, so long as any Floating Rate Perpetual Security remains outstanding, there shall at all times be a Calculation Agent. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank or the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Distribution Rate for any Distribution Period or to calculate the Distribution Amounts, the Issuer will appoint another bank with an office in the Relevant Financial Centre to act as such in its place. The Calculation Agent may not resign from its duties without a successor having been appointed as aforesaid.

(IV) **Distribution Discretion**

(a) **Distribution Deferral**

If Distribution Deferral is set out hereon, the Issuer may, at its sole discretion, elect not to pay a distribution (or to pay only part of a distribution) which is scheduled to be paid on a Distribution Payment Date by giving notice (an “**Deferral Election Notice**”) to the Trustee, the Issuing and Paying Agent and the Perpetual Securityholders (in accordance with Condition 14) not more than 20 nor less than five business days (or such other notice period as may be specified hereon) prior to a scheduled Distribution Payment Date.

If Dividend Pusher is set out hereon, the Issuer may not elect to defer any distribution if during the Reference Period (as specified in the applicable Pricing Supplement) ending on the day before that scheduled Distribution Payment Date, either or both of the following have occurred:

- (i) a discretionary dividend, distribution or other payment has been declared or paid on or in respect of the Issuer’s Junior Obligations or (except on a *pro rata* basis) Parity Obligations or (in the case where the Issuer is not ESR) the Guarantor’s Junior Obligations or (except on a *pro rata* basis) Parity Obligations; or
- (ii) any of the Issuer’s or (in the case where the Issuer is not ESR) the Guarantor’s Junior Obligations or (except on a *pro rata* basis) Parity Obligations has been redeemed, reduced, cancelled, bought back or acquired for any consideration on a discretionary basis; and/or
- (iii) as otherwise specified in the applicable Pricing Supplement,

in each case, other than (1) in connection with any employee benefit plan or similar arrangements with or for the benefit of the employees, directors or consultants of the Group (as defined in the Trust Deed) or (2) as a result of the exchange or conversion of Parity Obligations of ESR or (in the case where the Issuer is not ESR) Parity Obligations of the Issuer for Junior Obligations of ESR or the Issuer (a “**Compulsory Distribution Payment Event**”) and/or as otherwise specified in the applicable Pricing Supplement.

In these Conditions, “**Junior Obligation**” means:

- (i) in the case where the Issuer is not ESR, any of its ordinary shares and any class of its share capital and any other instruments or securities (including without limitation any preference shares or subordinated perpetual securities) issued, entered into or guaranteed by the Issuer that ranks or is expressed to rank, whether by its terms or by operation of law, junior to the Perpetual Securities; and
- (ii) in the case of ESR, any of its ordinary shares and any class of its share capital and any instruments or securities (including and without limitation any preference shares or subordinated perpetual securities) issued, entered into or guaranteed by ESR that ranks or is expressed to rank, whether by its terms or by operation of law, junior to the Perpetual Capital Securities or, as the case may be, the Senior Guarantee or the Subordinated Guarantee, as applicable; or
- (iii) as otherwise specified in the applicable Pricing Supplement.

Each Deferral Election Notice shall be accompanied, in the case of the notice to the Trustee and the Issuing and Paying Agent, by a certificate signed by two directors of the Issuer who are also Authorised Signatories of the Issuer or by one director of the Issuer who is also an Authorised Signatory of the Issuer and by another Authorised Signatory of the Issuer or, in the case where the Issuer is ESR, a certificate signed by two directors of ESR who are also Authorised Signatories of ESR or by one director of ESR who is also an Authorised Signatory of ESR and by another Authorised Signatory of ESR confirming that no Compulsory Distribution Payment Event has occurred. Any such certificate shall be conclusive evidence that no Compulsory Distribution Payment Event has occurred and the Trustee and the Issuing and Paying Agent shall be entitled to rely without any obligation to verify the same and without liability to any Perpetual Securityholder or any other person on any Deferral Election Notice or any certificate as aforementioned. Each Deferral Election Notice shall be conclusive and binding on the Perpetual Securityholders.

(b) No Obligation to Pay

If Distribution Deferral is set out hereon and subject to Condition 4(IV)(c) and Condition 4(IV)(d), the Issuer shall have no obligation to pay any distribution on any Distribution Payment Date and any failure to pay a distribution in whole or in part shall not constitute a default of the Issuer in respect of the Perpetual Securities or of the Guarantor in respect of the Senior Guarantee or the Subordinated Guarantee, as the case may be.

(c) Non-Cumulative Deferral and Cumulative Deferral

- (i) If Non-Cumulative Deferral is set out hereon, any distribution deferred pursuant to this Condition 4(IV) is non-cumulative and will not accrue interest. The Issuer is not under any obligation to pay that or any other distributions that have not been paid in whole or in part. The Issuer may, at its sole discretion, and at any time, elect to pay an amount up to the amount of distribution which is unpaid (“**Optional Distribution**”) (in whole or in part) by complying with the notice requirements in Condition 4(IV)(e). There is no limit on the number of times or the extent of the amount with respect to which the Issuer can elect not to pay distributions pursuant to this Condition 4(IV).

Any partial payment of outstanding Optional Distribution by the Issuer shall be shared by the holders of all outstanding Perpetual Securities and the Coupons related to them on a *pro rata* basis.

- (ii) If Cumulative Deferral is set out hereon, any distribution deferred pursuant to this Condition 4(IV) shall constitute “**Arrears of Distribution**”. The Issuer may, at its sole discretion, elect to (in the circumstances set out in Condition 4(IV)(a)) further defer any Arrears of Distribution by complying with the foregoing notice requirement applicable to any deferral of an accrued distribution. The Issuer is not subject to any limit as to the number of times distributions and Arrears of Distribution can or shall be deferred pursuant to this Condition 4(IV) except that this Condition 4(IV)(c) shall be complied with until all outstanding Arrears of Distribution have been paid in full.
- (iii) If Additional Distribution is set out hereon, each amount of Arrears of Distribution shall bear interest as if it constituted the principal of the Perpetual Securities at the Distribution Rate and the amount of such interest (the “**Additional Distribution Amount**”) with respect to Arrears of Distribution shall be due and payable pursuant to this Condition 4 and shall be calculated by applying the applicable Distribution Rate to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the foregoing provisions of this Condition 4. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added, for the purpose of calculating the Additional Distribution Amount accruing thereafter, to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

(d) **Restrictions in the case of Non-Payment**

If Dividend Stopper is set out hereon and on any Distribution Payment Date, payments of all distribution scheduled to be made on such date are not made in full by reason of this Condition 4(IV), the Issuer and the Guarantor shall not and ESR shall procure that none of ESR’s subsidiaries shall:

- (i) declare or pay any dividends, distributions or make any other payment on, and will procure that no dividend, distribution or other payment is made on, any of the Issuer’s or (in the case where the Issuer is not ESR) the Guarantor’s Junior Obligations or (except on a *pro rata* basis) Parity Obligations; or
- (ii) redeem, reduce, cancel, buy-back or acquire for any consideration, and will procure that no redemption, reduction, cancellation, buy-back or acquisition for any consideration is made in respect of, any of the Issuer’s or (in the case where the Issuer is not ESR) the Guarantor’s Junior Obligations or (except on a *pro rata* basis) Parity Obligations,

in each case other than (1) in connection with any employee benefit plan or similar arrangements with or for the benefit of the employees, directors or consultants of the Group or (2) as a result of the exchange or conversion of Parity Obligations of ESR or (in the case where the Issuer is not ESR) Parity Obligations of the Issuer for Junior Obligations of ESR or the Issuer, unless and until (A) (if Cumulative Deferral is specified as being applicable in the applicable Pricing Supplement) the Issuer has satisfied in full all outstanding Arrears of Distribution, (B) (if Non-Cumulative Deferral is specified as being applicable in the applicable Pricing Supplement) a redemption of all the outstanding Perpetual Securities has occurred, the next scheduled distribution has been paid in full or an Optional Distribution equal to the amount of a distribution payable with respect to the most recent Distribution Payment Date that

was unpaid in full or in part, has been paid in full or (C) the Issuer or, as the case may be, the Guarantor, is permitted to do so by an Extraordinary Resolution (as defined in the Trust Deed) of the Perpetual Securityholders and/or as otherwise specified in the applicable Pricing Supplement.

(e) Satisfaction of Optional Distribution or Arrears of Distribution

The Issuer:

- (i) may, at its sole discretion, satisfy an Optional Distribution or Arrears of Distribution, as the case may be (in whole or in part) at any time by giving notice of such election to the Trustee, the Issuing and Paying Agent and the Perpetual Securityholders (in accordance with Condition 14) not more than 20 nor less than 10 business days (or such other notice period as may be specified hereon) prior to the relevant payment date specified in such notice (which notice is irrevocable and shall oblige the Issuer to pay the relevant Optional Distribution or Arrears of Distribution on the payment date specified in such notice); and
- (ii) in any event shall satisfy any outstanding Arrears of Distribution (in whole but not in part) on the earliest of:
 - (A) the date of redemption of the Perpetual Securities in accordance with the redemption events set out in Condition 5 (as applicable);
 - (B) the next Distribution Payment Date on the occurrence of a breach of Condition 4(IV)(d) or (if Dividend Pusher is specified as being applicable in the relevant Pricing Supplement) the occurrence of a Compulsory Distribution Payment Event; and
 - (C) the date such amount becomes due under Condition 9 or on a winding-up of the Issuer or the Guarantor.

Any partial payment of an Optional Distribution or Arrears of Distribution, as the case may be, by the Issuer shall be shared by the Perpetual Securityholders of all outstanding Perpetual Securities on a *pro-rata* basis.

(f) No Default

Notwithstanding any other provision in these Conditions, the non-payment of any distribution payment in accordance with this Condition 4(IV) shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 9) on the part of the Issuer under the Perpetual Securities or the Guarantor under the Guarantee.

5 Redemption and Purchase

(a) No Fixed Redemption Date

The Perpetual Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 3 and without prejudice to Condition 9) only have the right (but not the obligation) to redeem or purchase them in accordance with the following provisions of this Condition 5.

(b) Redemption at the Option of the Issuer

If so provided hereon, the Issuer may, on giving not less than 30 nor more than 60 days' irrevocable notice to the Perpetual Securityholders (or such other notice period as may be specified hereon), redeem all or, if so provided, some of the Perpetual Securities at their Redemption Amount or integral multiples thereof and on the date or dates so provided. Any such redemption of Perpetual Securities shall be at their Redemption Amount, together with distribution accrued (including any Arrears of Distribution and any Additional Distribution Amount) to (but excluding) the date fixed for redemption.

All Perpetual Securities in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption of the Perpetual Securities, (i) in the case of Perpetual Securities represented by definitive Perpetual Securities, the notice to Perpetual Securityholders shall also contain the certificate numbers of the Bearer Perpetual Securities or, in the case of Registered Perpetual Securities, shall specify the principal amount of Registered Perpetual Securities drawn and the holder(s) of such Registered Perpetual Securities, to be redeemed, which shall have been drawn by or on behalf of the Issuer in such place and in such manner as may be agreed between the Issuer and the Trustee and (ii) in the case of Perpetual Securities represented by a Global Security or a Global Certificate, the Perpetual Securities to be redeemed will be selected in accordance with the rules of the relevant clearing systems, in each case subject to compliance with any applicable laws or other relevant authority requirements. So long as the Perpetual Securities are listed on any Stock Exchange, the Issuer shall comply with the rules of such Stock Exchange in relation to the publication of any redemption of such Perpetual Securities.

(c) Redemption for Taxation Reasons

If so provided hereon, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount, (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption), if:

- (i) the Issuer receives a ruling by the Comptroller of Income Tax in Singapore (or other relevant authority) which confirms that:
 - (1) the Perpetual Securities will not be regarded as "debt securities" for the purposes of Section 43N(4) of the Income Tax Act, Chapter 134 of Singapore ("ITA") and Regulation 2 of the Income Tax Act (Qualifying Debt Securities) Regulations; or
 - (2) the distributions (including any Arrears of Distribution and any Additional Distribution Amount) will not be regarded as interest payable by the Issuer for the purposes of the withholding tax exemption on interest for "qualifying debt securities" under the ITA; or
- (ii) the Issuer (or, if the Guarantee was called, the Guarantor) satisfies the Trustee immediately prior to the giving of such notice that the Issuer (or if the Guarantee was called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 7, or increase the payment of

such additional amounts, as a result of any change in, or amendment to, the laws (or any regulations, rulings or other administrative pronouncements promulgated thereunder) of the jurisdiction of incorporation of the Issuer or the Guarantor, as the case may be, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations, rulings or other administrative pronouncements, which change or amendment is made public on or after the Issue Date or any other date specified in the Pricing Supplement and such obligations cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Perpetual Securities then due.

Prior to the publication of any notice of redemption pursuant to this Condition 5(c), the Issuer (or the Guarantor, as the case may be) shall deliver or procure that there is delivered to the Issuing and Paying Agent and the Trustee:

- (i) a certificate signed by two directors of the Issuer who are also Authorised Signatories of the Issuer or by one director of the Issuer who is also an Authorised Signatory of the Issuer and by another Authorised Signatory of the Issuer or, as the case may be, by two directors of the Guarantor who are also Authorised Signatories of the Guarantor or by one director of the Guarantor who is also an Authorised Signatory of the Guarantor and by another Authorised Signatory of the Guarantor, as the case may be, is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer or the Guarantor, as the case may be, so to redeem have occurred; and
- (ii) an opinion of independent tax or legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or is likely to become obliged to pay such additional amounts as a result of such change or amendment.

The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) of this Condition 5(c) above without further enquiry and without liability to any Perpetual Securityholder, Couponholder or any other person, in which event the same shall be conclusive and binding on Securityholders and Couponholders.

Upon the expiry of any such notice as is referred to in this Condition 5(c), the Issuer shall be bound to redeem all the Perpetual Securities in accordance with this Condition 5(c).

(d) Redemption for Accounting Reasons

If so provided hereon, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption) if, on such Distribution Payment Date or any time after that Distribution Payment Date, as a result of any changes or amendments to International Financial

Reporting Standards, as amended from time to time (the “**IFRS**”) or any other accounting standards that may replace IFRS for the purposes of the consolidated financial statements of ESR (the “**Relevant Accounting Standard**”), the Perpetual Securities and/or the Guarantee will not or will no longer be recorded as “**equity**” of the Issuer or, as the case may be, the Guarantor pursuant to the Relevant Accounting Standard.

Prior to the publication of any notice of redemption pursuant to this Condition 5(d), the Issuer shall deliver or procure that there is delivered to the Trustee and the Issuing and Paying Agent:

- (i) a certificate, signed by two directors of the Issuer who are also Authorised Signatories of the Issuer or by one director of the Issuer who is also an Authorised Signatory of the Issuer and by another Authorised Signatory of the Issuer or, as the case may be, by two directors of the Guarantor who are also Authorised Signatories of the Guarantor or by one director of the Guarantor who is also an Authorised Signatory of the Guarantor and by another Authorised Signatory of the Guarantor, as the case may be, stating that the circumstances referred to above prevail and setting out the details of such circumstances; and
- (ii) an opinion of ESR’s independent auditors stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to the Relevant Accounting Standard is due to take effect.

Upon the expiry of any such notice as is referred to in this Condition 5(d), the Issuer shall be bound to redeem the Perpetual Securities in accordance with this Condition 5(d) provided that such date for redemption shall be no earlier than 90 days prior to the earliest date on which the Perpetual Securities and/or the Guarantee must not or must no longer be recorded as “**equity**” of ESR pursuant to the Relevant Accounting Standard.

(e) Redemption for Tax Deductibility

If so provided hereon, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days’ notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption),

- (i) if the Issuer or, as the case may be, the Guarantor, satisfies the Trustee immediately before giving such notice that, as a result of:
 - (1) any amendment to, or change in, the laws (or any rules or regulations thereunder) of the jurisdiction of incorporation of the Issuer or the Guarantor or any political subdivision or any taxing authority thereof or therein which is enacted, promulgated, issued or becomes effective otherwise on or after the Issue Date;
 - (2) any amendment to, or change in, an official and binding interpretation of any such laws, rules or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination) which is enacted, promulgated, issued or becomes effective otherwise on or after the Issue Date; or

- (3) any applicable official interpretation or pronouncement (which, for the avoidance of doubt, includes any ruling) which is issued or announced on or after the Issue Date that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position which is announced on or after the Issue Date,

payments by the Issuer or, as the case may be, the Guarantor, which would otherwise have been tax deductible to ESR, are no longer, or would in the Distribution Period immediately following that Distribution Payment Date no longer be, fully deductible by ESR for income tax purposes in the jurisdiction where it is tax domiciled; or

- (ii) if the Issuer receives a ruling by the Comptroller of Income Tax in Singapore (or other relevant authority) which confirms that the distributions (including any Arrears of Distribution and any Additional Distribution Amount) will not be regarded as sums “payable by way of interest upon any money borrowed” for the purpose of tax deduction under Section 14(1)(a) of the ITA.

Prior to the publication of any notice of redemption pursuant to this Condition 5(e), the Issuer shall deliver or procure that there is delivered to the Trustee and the Issuing and Paying Agent:

- (1) a certificate, signed by two directors of the Issuer who are also Authorised Signatories of the Issuer or by one director of the Issuer who is also an Authorised Signatory of the Issuer and by another Authorised Signatory of the Issuer or, as the case may be, by two directors of the Guarantor who are also Authorised Signatories of the Guarantor or by one director of the Guarantor who is also an Authorised Signatory of the Guarantor and by another Authorised Signatory of the Guarantor, as the case may be, stating that the circumstances referred to above prevail and setting out the details of such circumstances; and
- (2) an opinion of the Issuer or, as the case may be, the Guarantor’s independent tax or legal adviser of recognised standing stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to the tax regime is due to take effect.

Upon the expiry of any such notice as is referred to in this Condition 5(e), the Issuer shall be bound to redeem all the Perpetual Securities in accordance with this Condition 5(e).

(f) Redemption in the case of Minimal Outstanding Amount

If so provided hereon, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days’ notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption) if, immediately before giving such notice, the aggregate principal amount of the Perpetual Securities outstanding is less than 10 per cent. of the aggregate principal amount originally issued (including any further Perpetual Securities issued pursuant to Condition 12 and consolidated and forming a single series with the Perpetual Securities).

Upon expiry of any such notice as is referred to in this Condition 5(f), the Issuer shall be bound to redeem all the Perpetual Securities in accordance with this Condition 5(f).

(g) **Purchases**

The Issuer, the Guarantor or any of the subsidiaries of ESR may at any time purchase Perpetual Securities at any price (provided that they are purchased together with all unmatured Coupons and unexchanged Talons relating to them) in the open market or otherwise, provided that in any such case such purchase or purchases is or are in compliance with all relevant laws, regulations and directives.

Perpetual Securities purchased by the Issuer, the Guarantor or any of the subsidiaries of ESR may be surrendered by the purchaser through the Issuer to, in the case of Bearer Perpetual Securities, the Issuing and Paying Agent and, in the case of Registered Perpetual Securities, the Registrar for cancellation or may at the option of the Issuer, the Guarantor or the relevant subsidiary of ESR be held or resold. The Perpetual Securities so purchased, while held by or on behalf of the Issuer, the Guarantor or any of the subsidiaries of ESR, shall not entitle the holder to vote at any meetings of the Perpetual Securityholders and shall not be deemed to be outstanding for the purposes of calculating any quorum at meetings of the Perpetual Securityholders or for the purposes of Conditions 9 and 10.

For the purposes of these Conditions, “**directive**” includes any present or future directive, regulation, request, requirement, rule or credit restraint programme of any relevant agency, authority, central bank department, government, legislative, minister, ministry, official public or statutory corporation, self-regulating organisation, or stock exchange.

(h) **Cancellation**

All Perpetual Securities purchased by or on behalf of the Issuer, the Guarantor or any of the subsidiaries of ESR may be surrendered for cancellation, in the case of Bearer Perpetual Securities, by surrendering each such Perpetual Security together with all unmatured Coupons and all unexchanged Talons to the Issuing and Paying Agent at its specified office and, in the case of Registered Perpetual Securities, by surrendering the Certificate representing such Perpetual Securities to the Registrar and, in each case, if so surrendered, shall, together with all Perpetual Securities redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Perpetual Securities or Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Perpetual Securities shall be discharged.

6 Payments

(a) **Principal and Distribution in respect of Bearer Perpetual Securities**

Payments of principal and distribution in respect of Bearer Perpetual Securities will, subject as mentioned below, be made against presentation and surrender of the relevant Perpetual Securities or Coupons, as the case may be:

- (i) in the case of a currency other than Renminbi, at the specified office of any Paying Agent by a cheque drawn in the currency in which payment is due on, or, at the option of the holders, by transfer to an account maintained by the holder in that currency with, a Bank in the principal financial centre for that currency; and
- (ii) in the case of Renminbi, by transfer to a Renminbi account maintained by or on behalf of a Perpetual Securityholder with a bank in Singapore, Hong Kong or such other location outside the PRC as specified in the applicable Pricing Supplement.

“Bank” means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) Principal and Distribution in respect of Registered Perpetual Securities

- (i) Payments of principal in respect of Registered Perpetual Securities will, subject as mentioned below, be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 6(b)(ii).
- (ii) Distribution on Registered Perpetual Securities shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the **“Record Date”**). Payments of distribution on each Registered Perpetual Security shall be made:
 - (x) in the case of a currency other than Renminbi, by a cheque drawn in the currency in which payment is due on and mailed to the holder (or to the first named of joint holders) of such Perpetual Security at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of distribution may be made by transfer to an account maintained by the payee in that currency with, a bank in the principal financial centre for that currency; and
 - (y) in the case of Renminbi, by transfer to the registered account of the Perpetual Securityholder. For the purposes of this Condition 6(b)(ii)(y), **“registered account”** means the Renminbi account maintained by or on behalf of the Perpetual Securityholder in Singapore, Hong Kong or such other location outside the PRC as specified in the applicable Pricing Supplement, details of which appear on the Register at the close of business on the fifth business day before the due day for payment.

(c) Payments subject to Law

All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 7 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **“Code”**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Perpetual Securityholders or Couponholders in respect of such payments.

(d) Appointment of Agents

The Issuing and Paying Agent, the CDP Paying Agent, the other Paying Agents, the Calculation Agents, the Transfer Agents and the Registrars initially appointed by the Issuer and their specified offices are listed below. The Issuing and Paying Agent, the CDP Paying Agent, the other Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Securityholder or Couponholder. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of the Issuing and Paying Agent, the CDP Paying Agent, any other Paying Agent, the Calculation Agent, any Transfer Agent and either Registrar and to appoint additional or other Paying Agents,

Calculation Agents, Transfer Agents and Registrars, provided that they will at all times maintain (i) an Issuing and Paying Agent, (ii) a Calculation Agent, (iii) a Transfer Agent in relation to Registered Perpetual Securities, (iv) a CDP Paying Agent in relation to Perpetual Securities cleared through CDP, (v) a Registrar in relation to Registered Perpetual Securities and (vi) a Paying Agent in Singapore, where the Perpetual Securities may be presented or surrendered for payment or redemption, in the event that the Global Security(ies) are exchanged for definitive Perpetual Securities, for so long as the Perpetual Securities are listed on the SGX-ST and the rules of the SGX-ST so require and (vii) such other agents as may be required by any other stock exchange on which the Perpetual Securities may be listed in each case, as approved by the Trustee. Notice of any such change or any change of any specified office will promptly be given to the Perpetual Securityholders in accordance with Condition 14.

Subject to the provisions of the Agency Agreement, the Agency Agreement may be amended by the Issuer, the Guarantor, the Issuing and Paying Agent, the CDP Paying Agent, the Calculation Agent, the Transfer Agent, the Registrar and the Trustee, without the consent of the holder of any Perpetual Security or Coupon, for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained therein or in any manner which all of the Issuer, the Guarantor, the Issuing and Paying Agent, the CDP Paying Agent, the Calculation Agent, the Transfer Agent, the Registrar and the Trustee may mutually deem necessary or desirable, provided that in each case such amendment does not, in the opinion of each of the Issuer, the Guarantor and the Trustee, adversely affect the interests of the holders of the Perpetual Securities or the Coupons. Any such amendment shall be binding on the holder of any Perpetual Security or Coupon.

(e) Unmatured Coupons and Unexchanged Talons

- (i) Upon the due date for redemption of Bearer Perpetual Securities which comprise Fixed Rate Perpetual Securities, such Perpetual Securities should be surrendered for payment together with all unmaturing Coupons (if any) relating to such Perpetual Securities, failing which an amount equal to the face value of each missing unmaturing Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmaturing Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the Redemption Amount due for payment. Any amount so deducted will be paid in the manner mentioned above against surrender of such missing Coupon within a period of five years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 8).
- (ii) Subject to the provisions of the relevant Pricing Supplement, upon the due date for redemption of any Bearer Perpetual Security comprising a Floating Rate Perpetual Security, unmaturing Coupons relating to such Perpetual Security (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Perpetual Security, any unexchanged Talon relating to such Perpetual Security (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

- (iv) Where any Bearer Perpetual Security comprising a Floating Rate Perpetual Security is presented for redemption without all unmatured Coupons, and where any Bearer Perpetual Security is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (v) If the due date for redemption or repayment of any Perpetual Security is not a due date for payment of distribution, distribution accrued from the preceding due date for payment of distribution or the Distribution Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Perpetual Security or Certificate.

(f) **Talons**

On or after the Distribution Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Perpetual Security, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent on any business day in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 8).

(g) **Non-business Days**

Subject as provided in the relevant Pricing Supplement or subject as otherwise provided in these Conditions, if any date for the payment in respect of any Perpetual Security or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day and shall not be entitled to any further distribution or other payment in respect of any such delay.

7 **Taxation**

All payments in respect of the Perpetual Securities and the Coupons by the Issuer or, as the case may be, the Guarantor shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the jurisdiction of incorporation of the Issuer or the Guarantor or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in the receipt by the Perpetual Securityholders and the Couponholders of such amounts as would have been received by them had no such deduction or withholding been required, except that no such additional amounts shall be payable in respect of any Perpetual Security or Coupon presented (or in respect of which the Certificate representing it is presented) for payment:

- (a) **Other connection:** by or on behalf of a holder who is subject to such taxes, duties, assessments or governmental charges by reason of his being connected with the jurisdiction of incorporation of the Issuer or the Guarantor otherwise than by reason only of the holding of such Perpetual Security or Coupon or the receipt of any sums due in respect of such Perpetual Security or Coupon (including, without limitation, the holder being a resident of, or a permanent establishment in, the jurisdiction of incorporation of the Issuer or the Guarantor); or
- (b) **Presentation more than 30 days after the Relevant Date:** more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days; or

- (c) **Lawful avoidance:** to, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Perpetual Security (or the Certificate representing it), or Coupon is presented for payment.

For the avoidance of doubt, neither the Issuer, the Guarantor nor any other person shall be required to pay any additional amounts or otherwise indemnify a holder for any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code as amended or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement).

As used in these Conditions, “**Relevant Date**” in respect of any Perpetual Security or Coupon means the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Perpetual Securityholders in accordance with Condition 14 that, upon further presentation of the Perpetual Security (or relative Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon presentation, and references to “**principal**” shall be deemed to include any premium payable in respect of the Perpetual Securities, all Redemption Amounts and all other amounts in the nature of principal payable pursuant to Condition 5, “**distribution**” shall be deemed to include all Distribution Amounts and all other amounts payable pursuant to Condition 4 and any reference to “**principal**” and/or “**premium**” and/or “**Redemption Amounts**” and/or “**distribution**” shall be deemed to include any additional amounts which may be payable under these Conditions.

8 Prescription

Claims against the Issuer for payment in respect of the Perpetual Securities and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of distributions) from the appropriate Relevant Date in respect of them.

9 Non-payment

(a) Non-payment when Due

Notwithstanding any of the provisions below in this Condition 9, the right to institute proceedings for winding-up is limited to circumstances where payment has become due. In the case of any distribution, such distribution will not be due if the Issuer has elected not to pay that distribution in accordance with Condition 4(IV). In addition, nothing in this Condition 9, including any restriction on commencing proceedings, shall in any way restrict or limit the rights of the Trustee or any of its directors, officers, employees or agents to claim from or to otherwise take any action against the Issuer and/or the Guarantor in respect of any costs, charges, fees, expenses or liabilities incurred by such party pursuant to or in connection with the Perpetual Securities, the Guarantee or the Trust Deed.

(b) Proceedings for Winding-Up

If (i) a final and effective order is made or an effective resolution is passed for the winding-up of the Issuer and/or the Guarantor or (ii) the Issuer fails to make payment in respect of the Perpetual Securities when due or the Guarantor fails to pay any amount under the Guarantee when due and, in each case, such failure continues for a period of more than 15 business days (together, the “**Enforcement Events**”), the Issuer or, as the case may be, the Guarantor shall be deemed to be in default under the Trust Deed and the Perpetual Securities or, as the case may be, the Guarantee and the Trustee may, subject to the provisions of Condition 9(d), institute proceedings for the winding-up of the Issuer and/or the Guarantor and/or prove in the winding-up of the Issuer and/or the Guarantor and/or claim in the liquidation of the Issuer and/or the Guarantor for such payment of the Perpetual Securities at their principal amount together with any distributions accrued (including any Arrears of Distribution and any Additional Distribution Amount).

(c) Enforcement

Without prejudice to Condition 9(b) but subject to the provisions of Condition 9(d), the Trustee may without further notice to the Issuer or the Guarantor institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce any term or condition binding on the Issuer and/or the Guarantor under the Perpetual Securities, the Guarantee or the Trust Deed, as the case may be, (other than any payment obligation of the Issuer or the Guarantor under or arising from the Perpetual Securities or the Guarantee, including, without limitation, payment of any principal or premium or satisfaction of any distributions (including any Arrears of Distribution and any Additional Distribution Amount), including any damages awarded for breach of any obligations) and in no event shall the Issuer or the Guarantor, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

(d) Entitlement of Trustee

The Trustee shall not, and shall not be obliged to take any of the actions referred to in Condition 9(b) or Condition 9(c) against the Issuer and/or the Guarantor to enforce the terms of the Trust Deed, the Guarantee or the Perpetual Securities unless (i) it shall have been so directed by an Extraordinary Resolution of the Perpetual Securityholders or so requested in writing by Perpetual Securityholders holding not less than 25 per cent. in principal amount of the Perpetual Securities outstanding and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

(e) Right of Perpetual Securityholders or Couponholder

No Perpetual Securityholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor or to institute proceedings for the winding-up or claim in the liquidation of the Issuer and/or the Guarantor or to prove in such winding-up unless the Trustee, having become so bound to proceed or being able to prove in such winding-up or claim in such liquidation, fails or neglects to do so within a reasonable period and such failure or neglect shall be continuing, in which case the Perpetual Securityholder or Couponholder shall have only such rights against the Issuer and/or the Guarantor as those which the Trustee is entitled to exercise as set out in this Condition 9.

(f) **Extent of Perpetual Securityholders' Remedy**

No remedy against the Issuer or the Guarantor, other than as referred to in this Condition 9, shall be available to the Trustee or the Perpetual Securityholders or Couponholders, whether for the recovery of amounts owing in respect of the Trust Deed, the Perpetual Securities or the Guarantee or in respect of any breach by the Issuer or the Guarantor of any of its other obligations under or in respect of the Trust Deed, the Perpetual Securities or the Guarantee (as applicable).

10 Meeting of Perpetual Securityholders and Modifications

- (a) **Meetings of Securityholders:** The Trust Deed contains provisions for convening meetings of Perpetual Securityholders of a Series to consider any matter affecting their interests, including modification by Extraordinary Resolution of the Perpetual Securities of such Series (including these Conditions insofar as the same may apply to such Perpetual Securities) or any of the provisions of the Trust Deed.

The Trustee, the Issuer or the Guarantor at any time may, and the Trustee upon the request in writing by Perpetual Securityholders holding not less than 10 per cent. of the principal amount of the Perpetual Securities of any Series for the time being outstanding and after being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses shall, convene a meeting of the Perpetual Securityholders of that Series. An Extraordinary Resolution duly passed at any such meeting shall be binding on all the Perpetual Securityholders of the relevant Series, whether present or not and on all relevant Couponholders, except that any Extraordinary Resolution proposed, *inter alia*, (a) to amend the dates of redemption of the Perpetual Securities or any date for payment of distribution or Distribution Amounts on the Perpetual Securities, (b) to reduce or cancel the principal amount of, or any premium payable on redemption of, the Perpetual Securities, (c) to reduce the rate or rates of distribution in respect of the Perpetual Securities or to vary the method or basis of calculating the rate or rates of distribution or the basis for calculating any Distribution Amount in respect of the Perpetual Securities, (d) to vary any method of, or basis for, calculating the Redemption Amount, (e) to vary the currency or currencies of payment or denomination of the Perpetual Securities, (f) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, (g) to modify the provisions concerning the quorum required at any meeting of Perpetual Securityholders or the majority required to pass the Extraordinary Resolution or (h) to modify or cancel the Guarantee, will only be binding if passed at a meeting of the Perpetual Securityholders of the relevant Series (or at any adjournment thereof) at which a special quorum (provided for in the Trust Deed) is present.

These Conditions may be amended, modified, or varied in relation to any Series of Perpetual Securities by the terms of the relevant Pricing Supplement in relation to such Series.

- (b) **Modification of the Trust Deed:** The Trustee may (but is not obliged to) agree, without the consent of the Perpetual Securityholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed which in the opinion of the Trustee is of a formal, minor or technical nature, is made to correct a manifest error or to comply with any mandatory provision of law or is required by Euroclear, Clearstream, Luxembourg, CDP and/or any other clearing system in which the Perpetual Securities may be held, (ii) any other modification (except as mentioned in the Trust Deed) which is in the opinion of the Trustee not materially prejudicial to the interests of the Perpetual Securityholders, and (iii) any waiver or authorisation

of any breach or proposed breach, of any of the provisions of the Trust Deed, the Agency Agreement or these Conditions which is in the opinion of the Trustee not materially prejudicial to the interests of the Perpetual Securityholders. Any such modification, authorisation or waiver shall be binding on the Perpetual Securityholders and the Couponholders and, unless the Trustee otherwise agrees, such modification, waiver or authorisation shall be notified by the Issuer to the Perpetual Securityholders as soon as practicable.

- (c) **Substitution:** The Trust Deed contains provisions permitting (but not obliging) the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Perpetual Securityholders or the Couponholders, to the substitution of the Issuer's successor in business or any subsidiary of the Issuer or its successor in business or any subsidiary of the Guarantor, as principal debtor under the Trust Deed and the Perpetual Securities. In the case of such a substitution the Trustee may agree, without the consent of the Perpetual Securityholders or the Couponholders, to a change of the law governing the Perpetual Securities, the Receipts, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Perpetual Securityholders.
- (d) **Entitlement of the Trustee:** In connection with the exercise of its functions and/or exercise of its rights, powers and/or discretions (including but not limited to those in relation to any proposed modification, waiver, authorisation or substitution), the Trustee shall have regard to the interests of the Perpetual Securityholders as a class and shall not have regard to the consequences of such exercise for individual Perpetual Securityholders or Couponholders.

11 Replacement of Perpetual Securities, Certificates, Coupons and Talons

If a Perpetual Security, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws, at the specified office of the Issuing and Paying Agent (in the case of Bearer Perpetual Securities, Coupons or Talons) and of the Registrar (in the case of Certificates), or at the specified office of such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Perpetual Securityholders in accordance with Condition 14, on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, undertaking, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Perpetual Security, Certificate, Coupon or Talon is subsequently presented for payment, there will be paid to the Issuer on demand the amount payable by the Issuer in respect of such Perpetual Security, Certificate, Coupon or Talon) and otherwise as the Issuer may require. Mutilated or defaced Perpetual Securities, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

12 Further Issues

The Issuer may from time to time without the consent of the Perpetual Securityholders or Couponholders create and issue further perpetual securities having the same terms and conditions as the Perpetual Securities in all respects (or in all respects except for the first payment of Distribution on them) and so that the same shall be consolidated and form a single Series with such Perpetual Securities. References in these Conditions to the Perpetual Securities include (unless the context requires otherwise) any other securities issued pursuant to this Condition 12 and forming a single Series with the Perpetual Securities.

13 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including without limitation provisions relieving it from taking proceedings to enforce repayment unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trust Deed also contains a provision entitling the Trustee to enter into business transactions with the Issuer, the Guarantor or any of their or any of the respective related entities without accounting to the Perpetual Securityholders or Couponholders for any profit resulting from such transactions.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer or the Guarantor or any other person appointed by the Issuer or the Guarantor in relation to the Perpetual Securities of the duties and obligations on their part expressed in respect of the same and, unless it has express written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Perpetual Securityholder or Couponholder, the Issuer, the Guarantor or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Perpetual Securityholders.

The Trustee shall be entitled to rely on any direction, request or resolution of Perpetual Securityholders given by holders of the requisite principal amount of Perpetual Securities outstanding or passed at a meeting of Perpetual Securityholders convened and held in accordance with the Trust Deed.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, these Conditions or any other transaction document to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions from the Perpetual Securityholders by way of an Extraordinary Resolution, and the Trustee is not responsible or liable to any person for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions or in the event that no such directions are received.

The Trustee shall not be under any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions.

The Trustee may rely without liability to Perpetual Securityholders, Couponholders, the Issuer, the Guarantor or any other person on any report, confirmation, opinion or certificate from or any advice of any legal advisers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise, and, in such event, such report, confirmation, opinion, certificate or advice shall be binding on the Perpetual Securityholders and the Couponholders.

Each Perpetual Securityholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of each of the Issuer and the Guarantor, and the Trustee shall not at any time have any responsibility for the same and each Perpetual Securityholder shall not rely on the Trustee in respect thereof.

14 Notices

Notices to the holders of Registered Perpetual Securities shall be valid if mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notwithstanding the foregoing, notices to the holders of Perpetual Securities will be valid if published in a daily newspaper of general circulation in Singapore (or, if the holders of any Series of Perpetual Securities can be identified, notices to such holders will also be valid if they are given to each of such holders). It is expected that such publication will be made in *The Business Times*. Notices will, if published more than once or on different dates, be deemed to have been given on the date of the first publication in such newspaper as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice to the holders of Bearer Perpetual Securities in accordance with this Condition 14.

So long as the Perpetual Securities are represented by a Global Security or a Global Certificate and such Global Security or Global Certificate is held in its entirety on behalf of Euroclear, Clearstream, Luxembourg and/or CDP, there may be substituted for such publication in such newspapers (i) the delivery of the relevant notice to Euroclear, Clearstream, Luxembourg and/or (subject to the agreement of CDP) CDP for communication by it to the Perpetual Securityholders or (ii) in the case of CDP, the recorded delivery of the relevant notice to the persons shown in the latest record received from CDP as holding interests in such Global Security or Global Certificate, except that if the Perpetual Securities are listed on any Stock Exchange and the rules of such Stock Exchange so require, notice will in any event be published in accordance with the preceding paragraphs. Any such notice shall be deemed to have been given to the Perpetual Securityholders on the day on which the said notice was given to Euroclear, Clearstream, Luxembourg and/or CDP or the date of despatch of such notice to the persons shown in the records maintained by CDP.

Notices to be given by any Perpetual Securityholder pursuant hereto (including to the Issuer) shall be in writing and given by lodging the same, together with the relative Perpetual Security or Perpetual Securities, with the Issuing and Paying Agent (in the case of Bearer Perpetual Securities) or the Registrar (in the case of Certificates) or such other Agent as may be specified in these Conditions. Whilst the Perpetual Securities are represented by a Global Security or a Global Certificate, such notice may be given by any Perpetual Securityholder to the Issuing and Paying Agent or, as the case may be, the Registrar or, as the case may be, such other Agent through Euroclear, Clearstream, Luxembourg and/or CDP in such manner as the Issuing and Paying Agent or, as the case may be, the Registrar or, as the case may be, such other Agent and Euroclear, Clearstream, Luxembourg and/or CDP may approve for this purpose.

Notwithstanding the other provisions of this Condition, in any case where the identities and addresses of all the Perpetual Securityholders are known to the Issuer, notices to such holders may be given individually by recorded delivery mail to such addresses and will be deemed to have been given when received at such addresses.

15 Contracts (Rights of Third Parties) Act

No person shall have any right to enforce any term or condition of the Perpetual Securities under the Contracts (Rights of Third Parties) Act 1999.

16 Governing Law and Jurisdiction

- (a) **Governing Law:** The Trust Deed, the Perpetual Securities, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, except that the subordination provisions set out in Condition 3(b) applicable to (i) the Issuer shall be governed by and construed in accordance with the laws of the Issuer's jurisdiction of incorporation; and (ii) the Guarantor shall be governed by and construed in accordance with the laws of the Cayman Islands.
- (b) **Jurisdiction:** The Courts of England are to have non-exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Perpetual Securities, Coupons, Talons or the Guarantee and accordingly any legal action or proceedings arising out of or in connection with any Perpetual Securities, Coupons, Talons or the Guarantee ("**Proceedings**") may be brought in such courts. Each of the Issuer and the Guarantor has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.
- (c) **Service of Process:** Each of the Issuer and the Guarantor has in the Trust Deed irrevocably appointed an agent in England, where applicable, to receive, for it and on its behalf, service of process in any Proceedings in England.

SUMMARY OF PROVISIONS RELATING TO THE SECURITIES WHILE IN GLOBAL FORM

Terms used in this section that are not otherwise defined shall have the meanings given to them in the “Terms and Conditions of the Notes” and the “Terms and Conditions of the Perpetual Securities” as applicable.

1 Initial Issue of Securities

Global Securities and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depositary (as defined hereinafter).

Upon the initial deposit of a Global Security with a common depositary for Euroclear and Clearstream, Luxembourg (the “**Common Depositary**”), CDP or registration of Registered Securities in the name of (i) any nominee for the Common Depositary and/or (ii) CDP, the relevant clearing system will credit each subscriber with a nominal amount of Securities equal to the nominal amount thereof for which it has subscribed and paid.

Securities that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Securities that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

2 Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, CDP or any other clearing system (each an “**Alternative Clearing System**”) as the holder of a Security represented by a Global Security or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg, CDP or such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Security or the holder of the underlying Registered Securities, as the case may be, and in relation to all other rights arising under the Global Securities or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, CDP or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the relevant Issuer in respect of payments due on the Securities for so long as the Securities are represented by such Global Security or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Security or the holder of the underlying Registered Securities, as the case may be, in respect of each amount so paid.

3 Exchange

3.1 Temporary Global Securities

Each Temporary Global Security will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (i) if the relevant Pricing Supplement indicates that such Global Security is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “*Summary of the Programme — Selling Restrictions*”), in whole, but not in part, for the Definitive Securities defined and described below; and

- (ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a Permanent Global Security or, if so provided in the relevant Pricing Supplement, for Definitive Securities.

3.2 Permanent Global Securities

Each Permanent Global Security will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 3.4 below, in part for Definitive Securities:

- (i) if the Permanent Global Security is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or
- (ii) if the Permanent Global Security is held by or on behalf of CDP and (a) in the case of Notes, an Event of Default (as defined in “*Terms and Conditions of the Notes*”) has occurred and is continuing, (b) in the case of Perpetual Securities, an Enforcement Event (as defined in “*Terms and Conditions of the Perpetual Securities*”) has occurred and is continuing, (c) CDP has closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise), (d) CDP has announced an intention to permanently cease business and no alternative clearing system is available or (e) CDP has notified the relevant Issuer that it is unable or unwilling to act as depository for the Securities and to continue performing its duties as set out in the relevant CDP application form made between the relevant Issuer and CDP and no alternative clearing system is available.

In the event that a Global Security is exchanged for Definitive Securities, such Definitive Securities shall be issued in Denomination Amount(s) only. A Securityholder who holds a principal amount of less than the minimum Denomination Amount will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Securities such that it holds an amount equal to one or more Denominations Amount(s).

3.3 Global Certificates

If the Pricing Supplement states that the Securities are to be represented by a Global Certificate on issue, the following will apply in respect of transfers of Securities held in Euroclear or Clearstream, Luxembourg, CDP or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Securities within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Securities may be withdrawn from the relevant clearing system.

Transfers of the holding of Securities represented by any Global Certificate pursuant to Condition 2(b) of the Notes (in the case of Notes) or Condition 2(b) of the Perpetual Securities (in the case of Perpetual Securities) may only be made:

- (i) if the Global Certificate is cleared through Euroclear and/or Clearstream, Luxembourg, if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

- (ii) if the Global Certificate is cleared through CDP and:
 - (a) in the case of Notes, an Event of Default has occurred and is continuing; or
 - (b) in the case of Perpetual Securities, an Enforcement Event has occurred and is continuing; or
 - (c) CDP has closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise); or
 - (d) CDP has announced an intention to permanently cease business and no alternative clearing system is available; or
 - (e) CDP has notified the Issuer that it is unable or unwilling to act as depository for the Securities and to continue performing its duties as set out in the relevant CDP application form made between the relevant Issuer and CDP and no alternative clearing system is available,

provided that, in the case of a transfer pursuant to paragraph 3.3(i) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

3.4 Partial Exchange of Permanent Global Securities

For so long as a Permanent Global Security is held on behalf of a clearing system and the rules of that clearing system permit, such Permanent Global Security will be exchangeable in part on one or more occasions for Definitive Securities if so provided in, and in accordance with, the relevant Conditions.

3.5 Delivery of Securities

On or after any due date for exchange the holder of a Global Security may surrender such Global Security or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Security, or the part thereof to be exchanged, the relevant Issuer will (i) in the case of a Temporary Global Security exchangeable for a Permanent Global Security, deliver, or procure the delivery of, a Permanent Global Security in an aggregate nominal amount equal to that of the whole or that part of a Temporary Global Security that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Global Security to reflect such exchange or (ii) in the case of a Global Security exchangeable for Definitive Securities, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Securities. In this Offering Circular, **"Definitive Securities"** means, in relation to any Global Security, the definitive Bearer Securities for which such Global Security may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest that have not already been paid on the Global Security and a Talon). Definitive Securities will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each Permanent Global Security, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Securities.

3.6 Exchange Date

"Exchange Date" means, in relation to a Temporary Global Security, the day falling after the expiry of 40 days after its issue date and, in relation to a Permanent Global Security,

a day falling not less than 60 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

4 Amendment to Conditions

The Temporary Global Securities, Permanent Global Securities and Global Certificates contain provisions that apply to the Securities that they represent, some of which modify the effect of the terms and conditions of the Securities set out in this Offering Circular. The following is a summary of certain of those provisions:

4.1 Payments

No payment falling due after the Exchange Date will be made on any Global Security unless exchange for an interest in a Permanent Global Security or for Definitive Securities is improperly withheld or refused. Payments on any Temporary Global Security issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Securities represented by a Global Security will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Securities, surrender of that Global Security to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Securityholders for such purpose. A record of each payment so made will be endorsed on each Global Security, which endorsement will be prima facie evidence that such payment has been made in respect of the Securities.

All payments in respect of Securities represented by a Global Certificate (other than a Global Certificate held through CDP) will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the date for payment, where “**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January.

4.2 Meetings

The holder of a Permanent Global Security or of the Securities represented by a Global Certificate shall (unless such Permanent Global Security or Global Certificate represents only one Security) be treated as being two persons for the purposes of any quorum requirements of a meeting of Securityholders and, at any such meeting, the holder of a Permanent Global Security or of the Securities represented by a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the relevant Currency of the Securities. All holders of Registered Securities are entitled to one vote in respect of each integral currency unit of the relevant Currency of the Securities comprising such Securityholder's holding, whether or not represented by a Global Certificate.

4.3 Cancellation

Cancellation of any Security represented by a Permanent Global Security that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant Permanent Global Security or its presentation to or to the order of the Issuing and Paying Agent for endorsement in the

relevant schedule of such Permanent Global Security or in the case of a Global Certificate, by reduction in the aggregate principal amount of the Certificates in the Register, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

4.4 Purchase

Securities represented by a Permanent Global Security may only be purchased by the relevant Issuer, the Guarantor or any subsidiaries of ESR if they are purchased together with the rights to receive all future payments of interest and distributions, as applicable, thereon.

4.5 Issuer's Option

Any option of the relevant Issuer provided for in the Conditions of any Securities while such Securities are represented by a Permanent Global Security shall be exercised by the relevant Issuer giving notice to the Securityholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Securities drawn in the case of a partial exercise of an option and accordingly no drawing of Securities shall be required.

In the event of a partial redemption of Securities of any Series, Securities will be redeemed pro rata and the Calculation Amount of the Notes shall be determined in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg or CDP or any other clearing system (as the case may be) and the rights of accountholders with a clearing system in respect of the Securities will be governed by the standard procedures of such clearing system.

4.6 Securityholders' Options

Any option of the Securityholders provided for in the Terms and Conditions of the Notes while such Notes are represented by a Permanent Global Security may be exercised by the holder of the Permanent Global Security giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of the Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised and the option may be exercised in respect of the whole or any part of such Permanent Global Security, and stating the principal amount of the Notes in respect of which the option is exercised and at the same time presenting the Permanent Global Security to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent, for notation.

4.7 Trustee's Powers

In considering the interests of Securityholders while any Global Security is held on behalf of, or Registered Securities are registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Security or Registered Securities and may consider such interests as if such accountholders were the holders of the Securities represented by such Global Security or Global Certificate.

4.8 Notices

So long as any Securities are represented by a Global Security or a Global Certificate and such Global Security or Global Certificate is held on behalf of:

- (i) Euroclear and/or Clearstream, Luxembourg or any other clearing system (except as provided in (ii) below of this paragraph 4.8), notices to the holders of Securities of

that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Security or Global Certificate; or

- (ii) CDP, subject to the agreement of CDP, notices to the holders of Securities of that Series may be given by delivery of the relevant notice to CDP for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Security or Global Certificate.

USE OF PROCEEDS

The net proceeds arising from the issue of Securities under the Programme will be used for the refinancing of existing borrowings, financing of potential acquisition and investment opportunities which the Group may pursue in the future as well as working capital requirements and the general corporate purposes of the Group, or as otherwise specified in the relevant Pricing Supplement.

CAPITALISATION AND INDEBTEDNESS

The table below sets out the capitalisation and indebtedness of the Group as of 31 December 2016. The information set out in this table has been extracted from and should be read in conjunction with the Group's audited financial statements appearing elsewhere in this Offering Circular:

	As of 31 December 2016
	RMB'000
Bank loans and other borrowings	
Current	526,253
Non-current	<u>5,267,979</u>
<i>Total bank loans and other borrowings</i>	<u>5,794,232</u>
Redeemable convertible preference shares (non-current)	1,707,587
Financial liabilities at fair value through profit or loss (non-current)	<u>87,351</u>
Total indebtedness	<u>7,589,170</u>
Equity	
Equity attributable to owners of ESR	
Issued capital	12,170
Equity component of redeemable convertible instruments	453,676
Other reserves	<u>4,794,093</u>
	<u>5,259,939</u>
Total capitalisation⁽¹⁾	<u><u>12,322,856</u></u>

There has been no significant change to the total capitalisation and indebtedness of the Group since 31 December 2016.

Note:

- (1) "Total capitalisation" is defined as long-term indebtedness (non-current) and equity attributable to owners of ESR.

DESCRIPTION OF THE COMPANY

OVERVIEW

ESR Cayman Limited (formerly known as e-Shang Cayman Limited) (“**ESR**”) was incorporated in the Cayman Islands as an exempted company on 14 June 2011.

Headquartered in Hong Kong, ESR is one of the leading “pure-play” pan-Asia logistics real estate platforms, focusing on developing and managing institutional-quality logistics facilities that cater to third-party logistics (“**3PLs**”) providers, e-commerce companies, bricks-and-mortar retailers, cold-chain logistics providers and industrial companies. As of 31 March 2017, ESR owns, manages and/or leases a portfolio of 132 properties across the Asia Pacific region, with a competitive presence in China, Japan, South Korea and Singapore. It has a robust development pipeline in each of its markets of operation, servicing a clientele of approximately 260 customers, including leading multi-national and e-commerce corporations such as Cainiao, H&M, JD.com, Askul and Carrefour, with which ESR has cultivated long-standing relationships. As of 31 March 2017, ESR’s assets under management (“**AUM**”) as well as its wholly-owned assets exceed eight million square metres (“**sqm**”) of gross floor area (“**GFA**”) with an aggregate open market value of over US\$7.8 billion and US\$1 billion, respectively, of which approximately four million sqm are under development. The majority of ESR’s properties are strategically located within major gateway cities and key logistics hubs, near major seaports, airports, transportation hubs and/or industrial zones in the greater metropolitan areas of China, Japan, South Korea and Singapore.

In 2011, e-Shang Cayman Limited (“**e-Shang**”), a fully integrated development and investment management business, was co-founded by an affiliate of Warburg Pincus LLC (“**Warburg Pincus**”) and two entrepreneurs, Sun Dongping and Shen Jinchu, and grew to become one of the main developers, owners and operators of modern logistics facilities in China, with an emerging business in South Korea. Redwood Group Asia Pte. Ltd. (“**Redwood**”) was founded in 2006 by Stuart Gibson and Charles de Portes, both of whom are considered pioneers in the development of institutional-quality warehouses in Asia, having founded both Prologis and the AMB BlackPine platforms in Japan in 1999 and 2003, respectively. Redwood is a specialised logistics real estate firm with recognised knowledge and experience that includes in-house development, lease and asset management services, with a primary focus on the identification and execution of logistics, warehousing and transportation real estate solutions for some of the largest end users and 3PLs providers operating both within Asia and around the world. In January 2016, e-Shang and Redwood completed their all stock merger to form ESR, effectively (i) gaining scale by expanding the development pipelines in China, Japan and South Korea, (ii) enhancing business relationships with leading multinational corporate tenants who carry out business across the Asia Pacific region and (iii) deepening capital relationships with a well-diversified, blue-chip institutional capital partner base, including but not limited to APG Asset Management N.V., PGGM, Canada Pension Plan Investment Board (“**CPPIB**”), Morgan Stanley AIP and Goldman Sachs. Importantly, the merger enabled ESR to benefit from the complementary and differentiated geographic footprints of e-Shang and Redwood, resulting in enhanced operational capabilities and business relationships to cater to the needs of leading e-commerce players, modern bricks-and-mortar retailers and 3PLs players in China, Japan and South Korea. Leveraging on e-Shang and Redwood’s experience, ESR now has the benefit of the capabilities of the two companies under one platform, with the goal of identifying and delivering integrated logistics warehousing solutions in strategic locations across the Asia Pacific region for its clients.

ESR's fund management business continues to be an important source of growth and a vehicle for capital recycling for ESR. As of 31 March 2017, ESR manages 19 third-party pooled investment vehicles and one real estate investment trust listed on the SGX-ST (being Cambridge Industrial Trust ("**CIT**")), representing an aggregate of US\$7.8 billion of AUM when fully leveraged and invested. As of 31 March 2017, US\$2.0 billion of equity capital has been invested with a further US\$1.3 billion of uncalled capital to be deployed.

For the financial years ended 31 December 2015 and 31 December 2016, ESR's revenue was RMB336.2 million (US\$51.8 million) and RMB649.6 million (US\$93.6 million), respectively. For the financial years ended 31 December 2015 and 31 December 2016, ESR recorded net profits of RMB58.9 million (US\$9.1 million) and RMB705.2 million (US\$101.6 million), respectively. As of 31 December 2015 and 31 December 2016, the total assets of ESR amounted to RMB6.9 billion (US\$1.1 billion) and RMB14.5 billion (US\$2.1 billion), respectively.

CORPORATE MILESTONES AND RECENT DEVELOPMENTS

Corporate Milestones

Calendar Year	Event
2006	Mr. Charles de Portes and Mr. Stuart Gibson founded The Redwood Group to invest in logistics in Japan and China, with funds management and capital raising operations based in Singapore.
2011	An affiliate of Warburg Pincus co-founded e-Shang with Mr. Sun Dongping and Mr. Shen Jinchu.
2012	In July 2012, PGGM alongside with Redwood committed approximately US\$74 million into Redwood's opportunistic China logistics real estate fund, which was increased to approximately US\$440 million by December 2015.
2013	In August 2013, Redwood raised one of the first post-tsunami Japan logistics funds totalling US\$208 million.
2013	e-Shang secured US\$120 million of offshore financing from Goldman Sachs.
2014	e-Shang secured US\$650 million of commitments from an investment pooling vehicle for a number of Dutch pension funds which is managed by APG Asset Management N.V., a Dutch pension fund asset manager from the Netherlands (" APG "), for an interest at the corporate level and the creation of a joint venture for China developments at the project level.
2014	e-Shang expanded into South Korea and secured over 0.8 million sqm of GFA of development pipeline between 2014 and 2017.
2014	e-Shang entered into the cold storage sector with the successful acquisition of over 0.5 million sqm of sale and leaseback projects in Chengdu and Wuhan.
2014	In July 2014, PGGM committed approximately US\$33 million in a separate account vehicle to co-invest into some pre-identified Japan logistics projects, which was subsequently increased to approximately US\$90 million in July 2015, and a further increase to approximately US\$255 million in January 2017.

2015	Goldman Sachs increased its financing in e-Shang by US\$100 million to further grow the platform.
2015	e-Shang received an additional US\$200 million of equity commitment from APG for investments in China and US\$500 million from APG and CPPIB for investments in South Korea.
2015	In March 2015, Redwood closed the acquisition of land for construction of Redwood Nanko Distribution Centre, which is strategically located at the port of Osaka with targeted GFA of approximately 250,000 sqm.
2015	In July 2015, Redwood Japan Logistics Fund Limited Partnership and PGGM RJLC LP committed approximately US\$133 million alongside Redwood for the Fujiidera project. The project is located at Fujiidera and Matsubara City, Osaka, with targeted GFA of approximately 158,000 sqm.
2016	Merger between e-Shang and Redwood to form ESR completed on 20 January 2016.
2016	ESR launched its second Japan logistics fund and closed US\$200 million with an institutional investor in March 2016.
2016	ESR received more than US\$300 million of equity commitment from Ping An Real Estate in April 2016 and an additional US\$220 million from institutional investors in August 2016 for co-investments in Japan alongside the second Japan logistics fund.
2016	In June 2016, the Group acquired land parcels with an area of 143,839 sqm at Higashi Ogijima, Kawasaki-city, Kanagawa Prefecture, Japan, for the development of three state-of-the-art multi storey warehouses with a total GFA of 574,971 sqm.
2016	In July 2016 and April 2017, ESR received LEED Gold Certification for two environmentally friendly projects in the Greater Shanghai Area.
2016	ESR closed US\$100 million with the State Oil Fund of Azerbaijan in September 2016 into the second Japan logistics fund.
2016	ESR closed US\$10.8 million with another institutional investor in December 2016 into the second Japan logistics fund.
2016	ESR obtained a US\$300 million facility from a private sector bank.
2016	ESR received US\$300 million of pre-IPO preferred equity investment by a consortium of Chinese financial institutions which includes GF Investments (Hong Kong) Company Limited.
2016	ESR received a Governor's recognition as a leading foreign investor in the Gyeonggi Province, South Korea.
2016	ESR came in third place for the "Deal of the Year" award in the 2016 Global PERE Awards relating to the merger of e-Shang and Redwood. PERE is a leading publication for the world's private real estate markets.
2017	ESR expanded into the Singapore market and obtained control of the CIT Manager and subsequently became the second largest unitholder of CIT.

Recent Developments

In November 2014, e-Shang acquired its first cold storage project in Chengdu, with total expected GFA at completion of 150,000 sqm. In the same year, it acquired its first project in Tianjin with total expected GFA of 105,000 sqm, all leased to one of the leading e-commerce companies in China supplying to its customers in the Beijing area.

In January 2016, e-Shang acquired its biggest cold storage project in Wuhan, with 150,000 sqm of GFA of cold storage space in operation and another 210,000 sqm to be developed in Phase II. The project serves one of the major meat and seafood trading wholesale markets in the central China region.

In 2016, ESR closed a project in Suzhou, with expected GFA of 200,000 sqm at completion. The project will be developed in two phases.

In July 2016 and April 2017, ESR completed two environmentally friendly projects in the Greater Shanghai Area which received Leadership in Energy and Environmental Design (“**LEED**”) Gold Certification. LEED is the world’s most widely recognised and used standard for measuring the performance of green buildings. In line with a continuing industry trend where environmentally friendly buildings are increasingly favoured by clients and investors, ESR endeavours to construct more LEED certified buildings.

In January 2017, ESR announced that it will develop a large scale, multi-tenant logistics facility in Ichikawa City, Chiba prefecture (“**Greater Tokyo**”), Japan, with an expected value of over US\$1.0 billion upon completion. The ESR Ichikawa Distribution Centre will have a GFA of 229,000 sqm built on a land site of 103,000 sqm, and will represent one of the largest single asset logistics developments in Greater Tokyo to date. Construction of the expansive four-storey building is scheduled to commence in September 2017 with completion in December 2018.

In January 2017, ESR entered the Singapore market by completing the acquisition of an 80 per cent. stake in the manager (the “**CIT Manager**”) and a 100 per cent. stake in the property manager (the “**CIT Property Manager**”) of Cambridge Industrial Trust (“**CIT**”), one of the leading Singapore-listed industrial and logistics real estate investment trusts (“**REIT**”), holding a portfolio of 49 industrial and warehousing properties in Singapore. ESR subsequently completed the acquisition of 10.65 per cent. in CIT from three existing unitholders through the exercise of the option agreement announced in October 2016. ESR continued to add to and increase its stake in CIT and, by March 2017, became its second largest unitholder with a 12.01 per cent. stake.

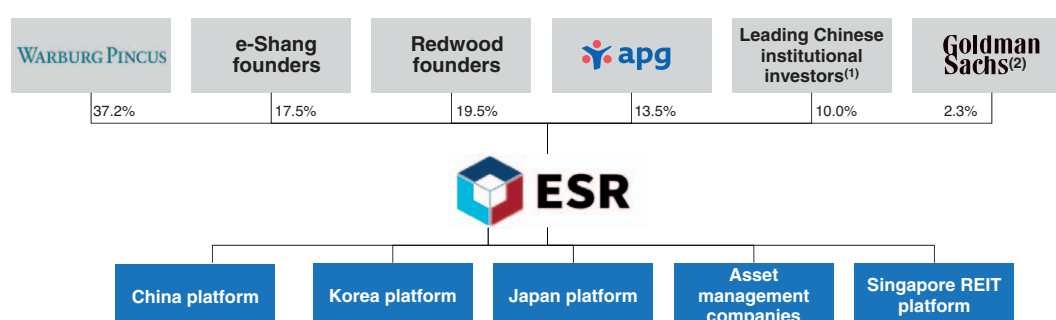
In March 2017, ESR announced that it had acquired a 5.01 per cent. stake in Sabana Shari’ah Compliant Industrial Real Estate Investment Trust, a Singapore-listed REIT (“**Sabana REIT**”). Sabana REIT owns a portfolio of 21 quality industrial and warehousing properties located in Singapore.

In March 2017, ESR announced that it had acquired a prime development site of 194,000 sqm in Amagasaki City, Hyogo prefecture (“**Greater Osaka**”), Japan, on which it will develop a state-of-the-art, multi-tenant logistics facility. The ESR Amagasaki Distribution Centre which will have a GFA of 390,000 sqm and represents one of the largest logistics facilities built in Japan. Construction of the large-scale, six-storey, double-ramped building is scheduled to commence in January 2018 with completion in early 2020.

Since the merger between e-Shang and Redwood in January 2016, ESR has successfully integrated its operation and made significant progress for its land and asset acquisition activities. As of March 2017, post-merger, ESR has acquired approximately 2.7 million sqm GFA of new projects in China, Japan and South Korea with a total development cost of US\$1.9 billion. ESR has successfully raised approximately US\$1.1 billion of third party equity capital from international institutional investors. Through the acquisition of the CIT Manager, ESR has further expanded its business into the Singapore market with an established asset and property management team.

The Company continues to consider further acquisitions including possible transformative transactions. Please see “*Risk Factors — Risks relating to the Business and Industry of ESR Generally — ESR may pursue transformative acquisitions of other major businesses, including businesses which could be significantly larger in scale compared to ESR.*”

STRUCTURE OF ESR



Note: Shareholding is shown on diluted basis with conversion of warrants and before management ESOP.

- (1) Comprised leading regional asset managers with Asian expertise, such as GF Investments (Hong Kong) Company Limited.
- (2) Assumed conversion of warrants by Goldman Sachs

ESR'S STRENGTHS

One of the leading “pure-play” pan-Asia logistics real estate platforms with a strong presence in Tier 1 cities across Asia

ESR is one of the leading “pure-play” pan-Asia logistics real estate platforms with operations in China, Japan, South Korea and Singapore, focusing on developing and managing modern, institutional-quality logistics facilities that cater to 3PLs providers, e-commerce companies, bricks-and-mortar retailers and cold-chain logistics providers. As of 31 March 2017, ESR manages over eight million sqm of projects that have been completed or are under development, including 4.5 million sqm in China, 2.0 million sqm in Japan, 0.8 million sqm in South Korea and 0.8 million sqm in Singapore. Approximately 75 per cent. of ESR's projects that are completed or under development in China are located in China's Tier 1 cities, including Greater Beijing, Shanghai, and Guangzhou. These projects include the municipal areas that are adjacent to the abovementioned cities. The remaining projects in China are located in key gateway cities such as Chengdu and Wuhan, where demand for modern logistics is supported by high growth in local GDP and consumption. Additionally, 100 per cent. of ESR's projects in Japan, South Korea and Singapore that are either completed or under development are located in the Tier 1 cities of the aforementioned countries.

ESR utilises an institutional construction standard for its projects across Asia, and its facilities are characterised by large floor plates, high ceilings, wide column spacing, advanced loading docks and levellers, as well as enhanced safety systems and other value-added features. In Japan, ESR is building projects to grade A certificate standards under the CASBEE (Comprehensive Assessment System for Built Environmental Efficiency) green building management system. In China, ESR recently achieved its second LEED Gold Certification and is targeting additional certifications for its projects under development.

Additionally, ESR has completed 4.75 megawatts of solar power panels on the rooftops of its Japanese assets and is developing a further 9.85 megawatts, all under the government-sponsored feed-in tariff programme whereby Japanese utilities commit to purchase the generated electricity of qualifying developments over 20 years. With additional pipeline assets undergoing permitting, the ESR rooftop solar programme will be one of the largest new rooftop solar programmes in Japan, sufficient to power on average between 10,000 to 15,000 homes at peak generation.

ESR believes that being a pan-Asia leading logistics real estate platform creates additional strategic benefits:

- **Broad offering to customers:** the geographic reach of ESR's network and the number, size, location and quality of its facilities introduces synergies to its customers by providing comprehensive logistics solutions, affording customers with expansion opportunities either at a specific location or across the platform's network locations as their businesses grow across the region.
- **Diversified earning profile:** the scale of ESR's network helps it to achieve revenue and geographical diversity, with over 260 established customers as of 31 March 2017, spread over various industry sectors, including e-commerce, logistics services, 3PLs providers, retail and manufacturing, and with a geographic presence across China, Japan, South Korea and Singapore.
- **Economies of scale:** being one of the leading providers of modern logistics facilities in China, Japan, South Korea and Singapore offers ESR synergies and cost efficiencies in terms of negotiating construction contracts and facility management contracts, as well as optimising personnel resources and information systems.

Fully integrated value-added solutions with tenant driven model for built-to-suit projects

ESR has a fully-integrated platform with end-to-end integrated suite of capabilities and services to meet its customer's growing demand in key markets. Its extensive and experienced in-house teams, coupled with in-depth knowledge of its tenants, allow it to swiftly cater to the business needs of the tenants in delivering integrated value-added solutions, helping them optimise their supply chain efficiency and fulfil their strategic expansion goals. ESR collaborates very closely with its tenants right from the start, from e-sourcing and project identification, initial project development and to the leasing and management stage offering tailored solutions where needed. ESR is committed to providing its customers with best-in-class, state-of-the-art distribution facilities.

The early involvement of and effective coordination among ESR's various departments with existing and prospective tenants enables the design and construction process to be adjusted based on the latest market demand and needs. This results in further cost efficiency and on-time delivery of projects along with guaranteed customer satisfaction. The site selection and project design process is also adjusted and customised to take into account the specific requirements and needs of the tenants. Where merited, built-to-suit ("**BTS**") logistics solutions

are developed with a tenant driven model based on the customers' specific requirements. ESR's BTS service includes customised site selection, land acquisition, construction, and management of dedicated distribution facilities according to an individual tenant's unique requirements.

ESR also provides sale-and-leaseback logistics facilities, where existing logistics facilities owned by customers are acquired and then leased back to them in order to meet their financial objectives.

ESR is providing not just warehouses but integrated, value-added solutions to maximise its customers' logistics efficiency and support their further expansion in each of their target markets.

Best-in-class management team backed by strong sponsors

ESR was co-founded by a best-in-class management team with a strong and reputable global track record. The co-founders and key management have on average over 20 years of international and domestic experience in the industry. ESR's management team possesses deep competencies and experience in various aspects of the logistics real estate industry and vast management experience in multiple geographies.

- Shen Jinchu, Co-Founder and Co-CEO, has approximately 21 years of industrial experience in China, and was formerly Senior Vice President of Global Logistic Properties (formerly Prologis) in China.
- Stuart Gibson, Co-Founder and CEO, has approximately 25 years of development and investment experience and was formerly President of Prologis Japan, as well as Co-Founder and Co-CEO of AMB BlackPine.
- Charles de Portes, Co-Founder and President, has approximately 21 years of real estate investment experience and was formerly Head of Acquisitions and Capital for Asia at Prologis, as well as Co-Founder and Co-CEO of AMB BlackPine.
- Sunwoo Thomas Nam, South Korea Platform CEO, has approximately 26 years of experience and was formerly CEO of Prologis South Korea.
- Jihun Kang, South Korea Platform CIO, has approximately 18 years of experience and was formerly Vice President of Prologis South Korea.
- Wee Peng Cho, Group CFO, has approximately 20 years of experience and was formerly CFO of SATS and Hyflux (both listed on the SGX-ST).
- Adrian Chui, CEO of the CIT Manager, has approximately 17 years of experience and was formerly Managing Director and Head of Real Estate Singapore & Southeast Asia (Investment Banking) at Standard Chartered.

As of 31 March 2017, ESR has a fully integrated team of 258 real estate professionals spanning all major logistics real estate development, investment and management functions with principal offices in Hong Kong, Singapore, Shanghai, Tokyo and Seoul.

The senior management in place has a proven track record working together, as demonstrated by (i) growing the business to 132 properties with a total GFA of eight million sqm in China, Japan, South Korea, and having entered the Singapore market via CIT, as of 31 March 2017, and (ii) raising capital from institutional investors, having raised more than US\$3 billion in equity from inception to 31 March 2017.

Furthermore, the legacy teams from both e-Shang and Redwood bring together the expertise, customer base, capital resources and global connections of two leading companies. This allows ESR to possess the scale and experience to participate in large-scale, complex logistic facilities projects, providing best-in-class logistics solutions that are tailored to support customers as they look for value-added solutions to improve operational efficiency.

ESR believes that it is backed by strong sponsors at the various levels of its capital structure. ESR's international institutional shareholders include co-founder Warburg Pincus, which is one of the largest logistics private equity investors in Asia and has been a leading global private equity investor since 1966. The firm invests in a range of industries, including real estate, consumer, healthcare, business services, energy, financial services and technologies, media and telecommunications. Since its formation, Warburg Pincus has invested over US\$60 billion in 780 companies across 40 countries, of which more than 140 companies have been listed on internationally recognised stock exchanges.

As a global investor, Warburg Pincus was among the first international private equity firms to invest in Asia in 1994. Since then, it has invested in nearly 150 companies with an aggregate investment amount of over US\$11 billion in Asia. Of these portfolio companies, over 40 have been listed on major stock exchanges. Since its initial real estate investment in 2005, Warburg Pincus has subsequently invested in a total of over 25 companies at both the project and entity-level and committed approximately US\$4 billion of equity in China, India, and Southeast Asia. In logistics, Warburg Pincus has been investing in all aspects of the value chain, from start-ups to more mature businesses. To date, Warburg Pincus has invested nearly US\$2 billion in more than 27 logistics companies across the US, Brazil, China, India and Southeast Asia.

ESR's shareholders also include APG and a group of leading Chinese financial institutions, which includes GF Investments (Hong Kong) Company Limited.

Importantly, having strong sponsors provide the following key benefits for ESR:

- the ability to leverage the sponsors' capabilities to strengthen its value proposition in originating, developing and providing innovative logistics solutions to its clients;
- continued access to capital to support execution of a long-term growth and vision; and
- continued access to strategic land holdings, strong relationships with current and potential customers, and other players within the broader logistics ecosystem, enabling ESR to cement its position as one of the leading pan-Asia logistics platforms.

Well-established funds management platform in logistics with a highly scalable business model

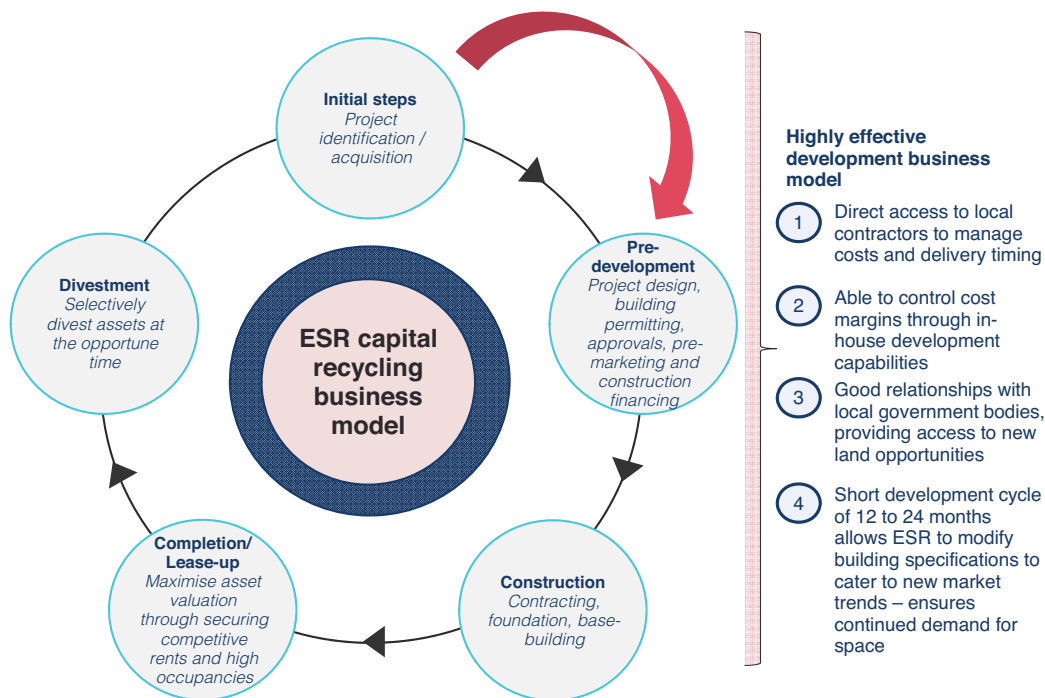
ESR has a strong funds management platform, based on ESR's longstanding relationships with numerous global institutional investors and its senior management's many years of experience in private capital management. As of 31 March 2017, ESR managed 19 third-party pooled investment vehicles and one publicly-listed REIT (being CIT), representing in aggregate over US\$7.8 billion of AUM when fully leveraged and invested and US\$3.3 billion in total equity commitments. ESR believes that it has a profitable and sustained high margin fee business, with long-term commitments from blue-chip institutional investors through a variety of funding sources such as opportunistic funds, programmatic project joint ventures, co-investments and a public REIT. The ESR funds management business contributes to a well-balanced financial profile, enhancing the cash flow attributable to its owned and operating property assets.

Through the successful acquisition of the CIT Manager, ESR has broadened its pan-Asia presence with an established REIT management team in Singapore. The transaction has also created an attractive capital recycling vehicle for ESR, as it now has the ability to inject stabilised assets into CIT and realise development gains in its balance sheet and the various fund platforms that it currently manages.

Through its longstanding experience in the various markets, ESR has developed a highly effective return driven business model that allows it to rapidly replicate its success as ESR expands across the region. It has established a comprehensive set of standardised procedures from the initial project development to the leasing and management stage. ESR's deep understanding of the local markets in which it operates, rooted in its comprehensive market research, coupled with its established on-the-ground presence, allows it to strategically plan nationwide networks and rapidly expand into new markets as soon as the timing is appropriate and opportunities arise. Furthermore, the early involvement of and effective coordination among its various departments and teams as well as existing and prospective tenants allow it to nimbly adjust its design and construction process based on the latest market demand and trends, which helps to lower its overall costs while maximising tenant satisfaction. ESR also possesses long-term and established relationships with its contractors and consultants to ensure the success in development of its logistic projects, and with institutional buyers to provide a successful investment exit. The high scalability of its business model can be evidenced by its rapid and successful expansion across Asia.

ESR's efficient development practices and the inherent logistics real estate industry characteristics enable it to shorten its project development and cash conversion cycles as compared with commercial real estate product development. It typically takes approximately 12 to 24 months from land acquisition to substantially full occupancy of its logistics facilities compared to up to 48 months for the complete development cycles of other types of large-scale commercial real estate. Meanwhile, ESR is able to pre-lease a substantial portion of its logistics facilities, and it typically takes approximately six to nine months to substantially lease-up a new logistics project after its completion. The short duration necessary to convert initial cash investments into realised profits allows ESR to attain quicker and more attractive returns on capital as well as maintaining a healthy balance sheet; the recurring cash flows

derived from its swiftly stabilised properties can then be re-invested into new developments, opportunistic acquisitions or to create financial flexibility for ESR to acquire assets in the future to spur expansion and growth. The short cash conversion cycle also enables ESR to mitigate exposure to business cycles and the risks of being caught up in a downturn.



Strong portfolio growth coupled with proven track record and high quality tenant base

ESR experienced significant growth through (i) development, (ii) single asset and portfolio acquisitions, and (iii) via the merger of e-Shang and Redwood. Over the past six years, both e-Shang and Redwood significantly expanded their portfolios and ESR now has over eight million sqm of projects that are completed or under development as of 31 March 2017. Furthermore, ESR also has operations in South Korea and Singapore, with established fund management offices in Singapore. Aside from its sizeable China and Japan portfolios, ESR also believes that it will be one of the largest modern warehouse developers in South Korea upon completion of the projects under development, with one of the longest standing logistics development teams in the country led by Sunwoo Thomas Nam, former country head of Prologis Korea.

ESR leases its facilities to a broad range of large and mid-sized, multi-national and domestic customers, including e-commerce companies, 3PL providers, retailers, manufacturers, importers/exporters and others. These customers serve end-users in a large variety of industries, including electronics, fast-moving consumer goods, retail, food and beverage, general logistics services, auto and parts, pharmaceuticals, medical instruments and machinery. In China, ESR is a major landlord for e-commerce companies, with approximately one million sqm, or 64 per cent. of its leased area, occupied by leading e-commerce tenants such as Alibaba and JD.com. In Japan, ESR is a leading landlord for 3PLs providers, with approximately 102,000 sqm, or 19.7 per cent. of its leased area, occupied by these providers.

ESR's extensive experience and in-depth knowledge of its tenants allows it to deliver integrated value-added solutions. ESR works closely with its existing and potential tenants early in its project development process and can provide tailored solutions as and when needed and adhere to high safety, security and environmental standards. As a result of its close collaboration with its tenants and its dedication in providing integrated value-added solutions, ESR has built a distinguished and well-recognised brand image in the premium logistics facilities industry.

STRATEGY

Continue to provide customers with best-in-class logistics warehousing facilities

ESR has built a distinguished brand image with high quality logistics facilities and is committed to providing its customers with best-in-class, state-of-the-art distribution facilities. ESR believes that its research driven and disciplined investment process has enabled it to build facilities in strategic locations which meet the evolving needs of its customers. ESR is committed to developing intelligent, energy efficient and environmentally friendly facilities, with features such as energy efficient lighting and equipment, waste water management systems, expansive green areas and clean energy generation through rooftop solar plants.

Furthermore, ESR also has BTS development expertise, which includes customised site selection, land acquisition, construction, and management of dedicated distribution facilities according to an individual customer's unique requirements.

The core strengths of ESR's logistics facilities include (i) strict compliance with premium logistics facilities design specifications, including loading capacity, area size, structure, fire protection and security measurements; (ii) proprietary logistics park design with an aim at maximising the efficiency of its tenants' operations; (iii) national coverage with standardised design, allowing its tenants to easily replicate and expand across different locations; (iv) convenient locations with established transportation infrastructure such as highways, railways, ports and airports; and (iv) professional property management services to support the operations of tenants on a 24 hours a day, seven days a week basis.

ESR is also focused on building long term relationships and delivering solutions that meet its tenants' business needs, helping them to improve their supply chain efficiency and fulfil their strategic expansion goals. ESR maintains constant dialogue with both existing and prospective tenants to manage lease renewals and fill up vacancies at its existing and newly developed logistics facilities in a timely and efficient manner. In particular, ESR promotes the broad product and geographic offering of its logistics facilities portfolio to attract existing and prospective tenants with a view to expanding their national footprint in the region. For its existing tenants, ESR leverages its ability to provide integrated value-added solutions that cater to their specific needs to attract renewal of the leases. It also continues to work closely with its existing tenants early in its project development process to secure lease commitments in the tenant's expansion process. In addition, ESR attracts prospective tenants that have never leased its logistics facilities with its strong brand reputation and broad product and geographic offering of its logistics facilities. In particular, ESR utilises the industry-specific sales force it has established in view of its future expansion. Currently, ESR has leasing teams specialising in (i) e-commerce companies, (ii) 3PLs providers and (iii) retailers, manufacturers and others, all comprising personnel with relevant industry background. ESR believes these specialised teams understand the needs of prospective tenants and are therefore able to devise and execute effective sales strategies.

Take advantage of the increasing opportunities in ESR's existing markets

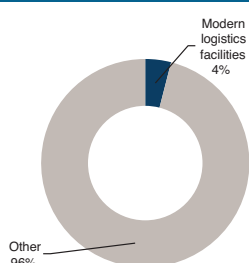
ESR is focused on selectively pursuing high quality opportunities and acquiring prime development sites in strategic logistics locations in Asia where it sees immediate value and long-term growth. Since its merger in January 2016, ESR has accelerated its expansion in its four existing markets, and is actively evaluating new market opportunities in Southeast Asia and Australia.

For China, a market where ESR has an established presence in 19 cities as of 31 March 2017, ESR seeks to focus on strengthening the performance of its existing assets and the timely

delivery of its development projects. It will continue to pursue growth opportunities in existing and new cities to anchor its presence in Tier 1 and selected Tier 1.5 and Tier 2 “gateway” cities in China. The modern logistics industry in China is nascent but fast-growing, driven by strong demand for supply of modern logistics facilities:

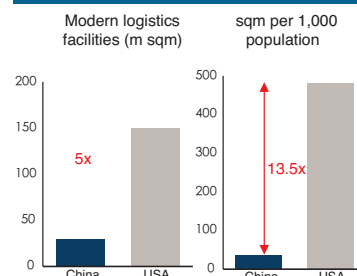
- **Favourable local macroeconomic dynamics translate into strong and sustainable demand for logistics facilities:** Underpinned by a strong growth in real GDP, private consumption as well as a large and rapidly growing middle-income population, China is becoming one of the world’s largest consumer markets. Accordingly, rental payments in the logistics sector have increased steadily over the recent years and are expected to continue to increase, while the vacancy rates have significantly decreased over the past decade and are expected to continue to decrease, according to JLL Research, translating to sustainable rental value creation.
- **Strong demand for logistics facilities support new development projects in China:** According to JLL Research, the current supply of logistics facilities in China is insufficient, in terms of both quantity and quality, to address the strong demand - by comparison, the current supply of logistics facilities in terms of GFA per capita in the United States is currently approximately 13.5 times that of China. Additionally, as of 2015, major modern logistics facility providers accounted for less than 5 per cent. of the total supply of logistics facilities in China.
- **Booming e-Commerce in China creating opportunities:** Growth in e-commerce in China continues to drive demand for modern logistics facilities. China’s e-commerce gross merchandise value growth is expected to grow significantly over the next five years, which is also expected to be significantly higher than the United States and the global industry as a whole. In China, as well as elsewhere globally, e-commerce clients require much more space than traditional bricks-and-mortar retailers, and this enlarged e-commerce demand is one of the key drivers of growth in the industry.

Limited modern logistics supply in China



Source: JLL Research — China Industrial Market Overview (Demand, Supply, and Trend Review) — 4Q2016

Grade A logistics space: China vs USA



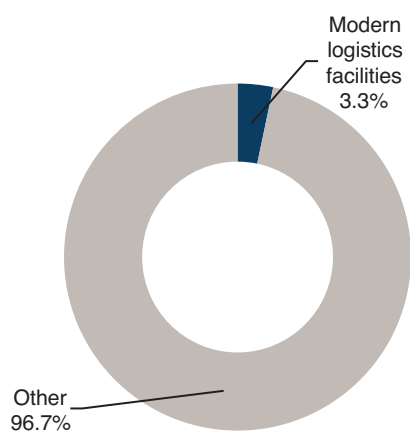
Source: JLL research — China Industrial Market Overview (Demand, Supply, and Trend Review) — 4Q2016

For Japan, a market where ESR has an established meaningful presence in both Tokyo and Osaka, ESR will continue to grow its current presence through acquisitions of quality assets and development projects in key locations in Greater Tokyo, Osaka and Nagoya. In Japan, there is also an under-supply and a growing demand for modern logistics facilities:

- **Limited modern logistics facilities:** According to JLL Research, modern logistics facilities account for 3.3 per cent. of the total market stock as of March 2017. Modern logistics facilities represent 10 per cent. of the total logistics facilities in Tokyo with 7.6 million sqm as of March 2017. A majority of the current stock of logistics warehouses is old generation properties that often provide less efficient warehousing conditions. In

contrast, modern logistics warehouses carry features such as large floor areas, high ceilings, high load tolerances, elevators with large capacities, wide column spacing within the warehousing area, modern loading docks and enhanced safety systems which provide greater accessibility and efficiency.

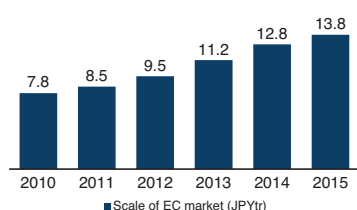
Limited availability of modern facilities in Japan



Source: JLL Research — Mar 2017.

- Continued demand in the 3PL market and expanded e-commerce growth creating secular opportunity:** Between 2010 and 2015 alone, Japan's e-commerce industry has shown a CAGR of approximately 12 per cent., with total sales of approximately JPY13.8 trillion in 2015 according to the Japan Ministry of Economy, Trade and Industry. Currently, 3PLs are the most dominant occupier of large scale logistics centres and a JLL Research report December 2015 estimated that around 71 per cent. of tenant demand to 2020 will be from 3PLs and e-commerce customers in Tokyo.

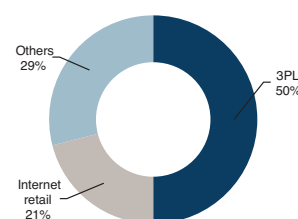
Robust ecommerce growth in Japan



Source: Japan Ministry of Economy, Trade and Industry ("METI").

Note: EC refers to B2C e-commerce.

Take-up of new Tokyo logistics facilities stock over 2015-2020E



Source: JLL Research — Dec 2015 - Breaking the stalemate.

For the developed market of South Korea, ESR will focus on expanding its portfolio of modern logistics facilities in the greater Seoul and Busan markets, supported by the funds platform. Lastly, within the Singapore market, ESR intends to focus on injecting stabilised assets into CIT to deliver significant value for its unitholders while attaining sufficient scale for large institutional investors.

Strengthen ESR's leadership positions in its existing markets and selectively explore new markets in Asia

ESR intends to continue to focus on its core markets of China, Japan, South Korea and Singapore. ESR's strategy in these and other potential markets is as follows:

- **Continue to expand on ESR's product and geographic offering:** ESR has an extensive base of multi-national and domestic customers, many of whom are lessees in more than one of its logistics facilities. With a growing presence in more than 20 cities across Asia as of 31 March 2017, including all of the largest cities in each of its four countries of operation, ESR's customers can benefit from ESR's ability to offer them logistics solutions in multiple cities to which they plan to expand. This allows ESR to expand together with its clients to achieve greater customer loyalty and higher occupancy rates for ESR's properties. ESR expects a significant part of this growth to be driven by the expansion of ESR's customer base, creating an advantage compared to other operators that lack its diverse and high-quality customer base. ESR's projects are located in the core Tier 1, 1.5 and 2 major cities in Asia, which are amongst the most valuable logistics real estate markets.
- **Focus on stability, asset enhancements and selective acquisition and development opportunities in Japan:** ESR intends to continue to focus its activities in Japan on maintaining high lease ratios for its institutional quality facilities and proactively managing debt to secure stable cash flows. Further, ESR intends to continue to capitalise on the strong demand for supply of modern logistics facilities, the continued growth of the 3PLs provider and e-commerce industries, and the expansion of specific sectors such as internet and mail order services. When ESR deems the market conditions appropriate, it will consider developing new facilities in Japan in locations that ESR believes would enhance ESR's current network and complement its customers' business and expansion plans.
- **Further develop ESR's portfolio to leverage on the rapid growth in domestic consumption in China:** ESR intends to expand its business by developing new facilities in accordance with its research driven, disciplined investment process as well as its planned approach to development. ESR plans to acquire additional land bank in strategic locations and cities, targeting logistics hubs in both developed and high growth areas in order to capture the growth in China's domestic consumption.
- **Focus on developing the institutional warehousing platform in South Korea:** ESR intends to continue to expand its institutional warehousing platform, and will aim to be the largest warehouse facilities supplier upon completion of its near term pipeline, supported by its funds management platform.
- **Focus on strategic acquisitions of industrial assets and explore development opportunities in Singapore and potentially other parts of Asia:** ESR intends to pursue acquisition opportunities in Singapore to enhance the geographical spread and improve the profile of land lease expiries and tenant base of properties held by CIT. In addition, the CIT Manager, together with the CIT Property Manager, intends to maximise returns from CIT's industrial properties through the prudent control of property outgoings, active marketing and leasing of any vacant tenancies or tenancies whose leases are expiring and asset enhancement projects to maintain competitiveness.
- **Exploring growth opportunities in other parts of Asia:** ESR is also exploring the possibility of expanding its growth to other parts of Asia, through selective developments and acquisitions in high growth markets such as South East Asia and Australia, leveraging on its strong management expertise and diverse existing network of customer relationships.

- **Continue to attract and retain talented employees and management:** Talent management is a cornerstone to ESR's successful journey and long-term strategy. ESR greatly values its employees and will continue to attract, train and retain talents. ESR recruits both domestic and international talents with a diversity of backgrounds.

Supporting its growth plans through its funds management platform and closely-coordinated development effort from various departments

The funds management platforms are integral in the support of ESR's growth plans through both the listed fund platform as a holding vehicle for mature, income-yielding assets and the private funds platform for core-plus assets and short-gestation development projects. ESR plans to strategically recycle capital to create and enhance shareholder value. In addition, ESR intends to utilise the strong recurring income streams from its completed facilities, to drive near-term expansion and growth. ESR also intends to continue to leverage its fund management platform by establishing new and enlarged funds with third-party investors, capitalising on ESR's development capabilities to expand its fee-based income. This will also provide an additional source of funds to spur ESR's growth. In the medium to long term, subject to market conditions, ESR aims to launch private and listed core funds for stabilised assets, establish listed investment vehicles and create private joint ventures through which it can selectively monetise portions of its portfolio.

Key decisions regarding a development project, including project assessment and feasibility study, land acquisition and project planning and design, are primarily made at ESR's regional headquarters. ESR has established various departments at the regional headquarters level to carry out a coordinated effort for each major step of its project developments. ESR involves its various internal departments as well as its existing and prospective tenants at the pre-construction period. Such early involvement of and effective coordination among its various departments and teams as well as existing and prospective tenants allow it to nimbly adjust its design and construction process based on the latest market demand and trend, which helps to lower its overall cost while maximising tenant satisfaction. ESR has also formed individual project companies to execute the headquarters' instructions and manage the day-to-day development and operational activities of individual projects.

High priority on operating and governing with best business practices standards

ESR places a high priority on operating with best business practices standards, with a well-governed platform based on transparency and with consideration for social, environmental, and corporate responsibilities to its customers and communities.

- **Sustainability:** ESR optimises sustainability of its new developments through green design initiatives, positioning its properties to minimise their environmental impact while providing long-term benefits to its customers and the local community. In Japan, ESR is building in compliance with CASBEE requirements, and it has completed two environmentally friendly projects in China which recently received the LEED Gold Certification. In addition, to reduce its customers' costs and contribute to a greener environment, ESR's warehouses are equipped with energy efficient technology, such as energy efficient lighting, waste water management systems, expansive green areas, and solar panels on the rooftops of its buildings.
- **Social responsibility:** throughout the development, construction and operational phases of each ESR property, ESR is careful to guard against any breaches of human rights and ensure that its work conditions are of standard. ESR also selects its partners carefully and mitigates social risks through constant and thorough monitoring of activities on its sites. The management believes that financial and reputational risk to its customers, properties and investors are reduced while its image is enhanced when prioritising societal considerations throughout its operations.

- **Governance and transparency:** ESR believes that effective corporate governance is critical to its success. Hence, ESR establishes robust processes and standard operating procedures to minimise the risk of errors while remaining transparent and accountable to its investment partners. Wherever possible, ESR minimises conflicts of interest through the use of both technology and independent third parties, such as fund administrators.

PRINCIPAL BUSINESS ACTIVITIES

As depicted in the map and table below, the size and geographic reach of ESR's portfolio allows it to meet its customers' business and expansion needs in multiple locations



Summary of ESR's Portfolio by Geography

Country	Total GFA (‘000 sqm)	Completed (‘000 sqm)	Under development (‘000 sqm)
China	4,526	1,916	2,610
Japan	1,952	967	985
South Korea	798	25	773
Singapore	780	780	—

The principal business activities of ESR consist of three main categories: logistics facilities development and investment, real estate services, and fund management, each as detailed below. ESR's interests in its logistics facilities are held through a combination of direct holdings and associated entities such as a wholly-owned entities, REIT, private real estate funds and joint ventures.

ESR is a leading developer and provider of institutional-quality logistics facilities in China, South Korea, Japan and Singapore. The properties that ESR develops are primarily modern logistics facilities, characterised by large floor plates, high ceilings, wide column spacing, spacious and modern loading docks as well as enhanced safety systems and other value-added features. They are designed for high-throughput and to allow flexibility and adaptability to add multiple tenants or provide a platform for expansion of a single tenant. In most cases, ESR's products are also designed with energy-efficient technology and features to reduce its customers' costs. ESR also provides a BTS service that includes site selection, construction and management of dedicated facilities customised to a single customer's specifications. ESR oversees the construction and management of its facilities and hires sub-contractors for the various aspects of construction and management where appropriate.

Beyond the development of and investment in real estate, ESR also provides real estate asset and funds management services to its investors. These include property and facilities management and fit-out services in some facilities that ESR operates in China.

Real Estate Development

Logistics Facilities

As of 31 March 2017, ESR's portfolio consisted of the following in China: 28 completed logistics and light assembly facilities with a GFA of approximately 1.9 million sqm; approximately 1.4 million sqm of GFA under development or being repositioned, and approximately 1.2 million sqm of GFA under land held for future development across 19 major cities.

The following table summarises the logistics facilities portfolios (excluding land reserves) as of 31 March 2017:

Portfolio overview as of 31 March 2017

Direct Holdings

	Number of Properties	GFA ('000 sqm)	Total Valuation (RMB Millions)	Total Valuation (US\$ Millions) ⁽²⁾	Proportion of Total GFA (per cent.)
China					
Completed and Stabilised properties	17	1,171	5,910	858	62
Properties under development or pending repositioning	3	375	718	104	20
Land held for future development ⁽¹⁾	2	322	546	79	18
Total	22	1,868	7,174	1,041	100

Notes:

- (1) "Land held for future development" refers to land which ESR has signed the land grant contract and/or ESR has obtained the land certificate.
- (2) Financial information is converted at the exchange rate of US\$1:RMB6.89.

Indirect Holdings through Funds

	Number of Properties	GFA (‘000 sqm)	Effective Interest GFA (‘000 sqm) ⁽¹⁾	Total Valuation (RMB Millions)	Total Valuation (US\$ Millions)	Effective Interest Valuation (US\$ Millions) ⁽¹⁾	Proportion of Total GFA (per cent.)
China							
Completed and Stabilised properties	11	745	131	4,209	611	115	28
Properties under development or pending repositioning	17	1,024	218	2,768	402	83	38
Land held for future development ⁽²⁾	10	889	178	634	92	20	34
China total	38	2,658	527	7,611	1,105	218	100

	Number of Properties	GFA (‘000 sqm)	Effective Interest GFA (‘000 sqm) ⁽¹⁾	Total Valuation (JPY Millions)	Total Valuation (US\$ Millions)	Effective Interest Valuation (US\$ Millions) ⁽¹⁾	Proportion of Total GFA (per cent.)
Japan							
Completed and Stabilised properties	4	481	71	73,273	659	76	25
Completed and Pre-Stabilised properties	6	486	22	97,340	875	40	25
Properties under development or pending repositioning	3	272	24	24,536	221	15	14
Land held for future development ⁽²⁾	3	713	83	47,624	428	50	36
Japan total	16	1,952	200	242,773	2,183	181	100

	Number of Properties	GFA (‘000 sqm)	Effective Interest GFA (‘000 sqm) ⁽¹⁾	Total Valuation (KRW Millions)	Total Valuation (US\$ Millions)	Effective Interest Valuation (US\$ Millions) ⁽¹⁾	Proportion of Total GFA (per cent.)
South Korea							
Completed and Stabilised properties	1	25	5	33,543	30	6	3
Properties under development or pending repositioning	6	773	155	416,041	374	74	97
South Korea total	7	798	160	449,584	404	80	100

Notes:

- (1) Effective Interest GFA: Adjusted for ESR’s effective interest in non-wholly owned entities.
- (2) “Land held for future development” refers to land which ESR has signed the land grant contract and/or ESR has obtained the land certificate.

As of 31 December 2016, ESR has a robust average duration and lease expiry profile for its portfolio as detailed below:

Leases expiring in the financial year ending	per cent.
2017	5
2018	25
2019	4
2020	2
2021	24
2022 and after	40
	<hr/>
	100
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The ESR Japan platform was commenced in 2006, the ESR China platform in 2011 and ESR South Korea (“**Kendall Square**”) development platform in 2014. ESR has since built up a significant land bank of strategically located sites in each country within key logistics hubs and near major seaports, airports, transportation hubs or industrial zones. The China portfolio is focused on the cities of Shanghai, Guangzhou, Tianjin, Beijing, Wuhan, Chengdu and surrounding satellite cities; the Japan portfolio is focused entirely on Tokyo, Osaka and Nagoya; and the South Korea portfolio on greater Seoul and Busan. Each of the above represents the major hubs of trade, urbanisation and economic activity in each country.

In each country, ESR endeavours to acquire the best locations available to build logistics facilities. On occasion, it also purchases existing facilities, generally with a view towards refurbishing, expanding, modernising or replacing them. At times, ESR has also acquired and leased out facilities without additional renovation.

Most of ESR’s properties offer the following key features that ESR believes characterises modern logistics facilities:

- **Storage safety:** Security and surveillance features, proper ventilation and basic fire-fighting features such as sprinkler systems.
- **Optimal space utilisation:** Large floor plates, high ceilings and wide column spacing.
- **High operating efficiency:** Spacious loading and parking areas equipped with modern loading docks.
- **Flexibility to provide customised features:** such as office space, air-conditioning and refrigeration/freezing.

ESR holds substantially all of its properties in Japan and South Korea on freehold land and in China and Singapore under long-term land use rights granted by the Chinese government that convey the right to derive profit from and dispose of the property and the land use rights.

Built-to-suit development

ESR’s BTS solutions cater to its customers’ need for customised logistics environments. ESR understands that every business today has different requirements for space, from logistics to warehousing. By offering a BTS package, ESR is able to provide seamless services throughout the project development cycle and develop space that is customised to efficiently meet the customer’s unique operational needs.

As of 31 March 2017, ESR's portfolio of BTS properties in China and Japan comprised seven properties with a total GFA area of over 380,000 sqm. All BTS properties are 100 per cent. occupied.

Name of Building/Project	Location	Tenure (years)	Total GFA (sqm)	Effective Stake as of 31 March 2017
Guangzhou Mingyue I	Guangzhou	10	37,094	3.64 per cent.
Guangzhou Mingyue II	Guangzhou	7	13,902	3.64 per cent.
Changsha Dala	Changsha	10	50,138	2.27 per cent.
Hongmei I	Dongguan	5-10	62,343	100.00 per cent.
Fengxian	Shanghai	8	111,391	100.00 per cent.
Gedian	Wuhan	5-8	47,810	30.00 per cent.
Namamugi	Yokohama	10	60,536	2.17 per cent.

Real Estate Services

ESR is a premier provider of the following services:

- **Development and project management:** This includes feasibility studies, master planning, project cost analysis and project management.
- **Property and estate management:** This includes facilities management, lease administration, customer care programmes, operations management, energy efficiency initiatives, budgeting, as well as contracts and procurement management.
- **Marketing and customer solutions:** This includes partnering its customers to provide comprehensive real estate solutions and business network connections to meet their market expansion and investment plans.
- **Fit-out services:** This includes space planning, interior design, project management, consultancy, design and build and reinstatement management.

Fund Management

ESR holds a substantial portion of its property interests through its investments in both CIT and the private real estate funds and joint ventures that it manages. Through its fund management platform, ESR invests a relatively small percentage of equity interest. ESR manages and controls these funds and earns income from asset management fees, acquisition and development fees, leasing fees as well as performance incentive fees. This platform, with global long-term investors produces high margins and returns, enables ESR to have a well-balanced financial profile when taken with cash flows coming from owning and operating property assets in other parts of its business as a whole.

ESR's fund management platform covers 20 funds. As of 31 March 2017, total AUM stood at approximately US\$7.8 billion, an increase of four per cent. from US\$7.5 billion as of 31 December 2016. Total equity commitment in these 20 funds is US\$3.3 billion, in which US\$2.0 billion has been invested, with a further US\$1.3 billion of uncalled capital to be deployed.

Fund management revenue in the financial year ended 31 December 2016 was RMB312.3 million (US\$45.0 million), a significant increase from RMB15.0 million of fund management revenue in the prior year.

As of 31 March 2017, details of ESR's fund management vehicles are as follows:

Investment Vehicle	Number of Investment Vehicles	Investment Region	Investment Mandate	AUM (US\$ millions)
Funds	5	China, Japan, South Korea	Industrial, warehousing, distributions or logistics properties	4,056
Club deals	11	China, Japan	Industrial, warehousing, distributions or logistics properties	1,043
Separate Accounts	3	Japan	Industrial, warehousing, distributions or logistics properties	1,737
Real estate investment trust	1	Singapore	Industrial, warehousing, distributions or logistics properties	965
	<u>20</u>			<u>7,801</u>

China Funds

e-Shang Star Cayman Limited

As of 31 March 2017, ESR had an interest of 30 per cent. in e-Shang Star Cayman Limited ("**e-Shang Star**"), which was established in May 2014. e-Shang Star is a China-focused real estate joint venture, with RMB9,063.9 million (approximately US\$1,315.3 million) of AUM as of 31 March 2017. ESR formed the joint venture with APG to develop modern logistics facilities in China with ESR as the developer, asset and investment manager. As of 31 March 2017, RMB2,947.2 million (approximately US\$427.7 million) under e-Shang Star has been called from its shareholders.

Redwood China Logistics Fund Limited Partnership

Redwood China Logistics Fund Limited Partnership ("**RCLF**") is a Singapore-based exempted limited partnership. It is a China-focused real estate fund, with the investment objective to develop and invest in a diversified portfolio of distribution and logistics real estate in mainland China focusing on key ports and infrastructure hubs in Tier 1 and 2 cities. As of 31 March 2017, RCLF had a total capital commitment of US\$440.0 million and an AUM of US\$548.2 million. ESR is the investment manager and retains a 2.27 per cent. stake in RCLF. ESR is partnering with PGGM to develop these modern logistics facilities in China over a period of 10 years. As of 31 March 2017, US\$263.2 million has been called, representing 60 per cent. of its total commitment.

Japan Funds

Redwood Japan Logistics Fund Limited Partnership

Redwood Japan Logistics Fund Limited Partnership ("**RJLF**") is a Singapore-based exempted limited partnership. It is a Japan-focused real estate fund, created to invest in grade A logistics properties and distributions centres mainly in Greater Tokyo, with a focus on the Tokyo Bay area and to a lesser extent, in Osaka and Nagoya. As of 31 March 2017, RJLF had a committed capital of JPY23.1 billion (approximately US\$207.6 million) and an AUM of JPY60.4 billion (approximately US\$542.6 million). Currently, five leading global institutions are partnering with

ESR to develop modern logistics facilities in Japan over an eight-year period from the fund's initial closing in August 2013. ESR is the developer, asset and investment manager and retains a 4.33 per cent. stake in RJLF. As of 31 March 2017, JPY22.9 billion (approximately US\$206.0 million) has been called, representing 99 per cent. of its total commitment.

Redwood Japan Logistics Fund II Limited Partnership

Redwood Japan Logistics Fund II LP ("**RJLF II**") is a Singapore-based exempted limited partnership, with its initial closing in March 2016 at US\$200 million. RJLF II, being a Japan-focused real estate fund, principally invests in development real estate used primarily for industrial, warehousing and logistics purpose located in the recognised industrial submarkets of Greater Tokyo (with a focus on the Tokyo Bay area), Greater Osaka and Nagoya. As of 31 March 2017, RJLF II has a committed capital of US\$310.8 million and an AUM of JPY79.1 billion (approximately US\$711.5 million). Currently, three leading global institutions have closed their commitments in RJLF II to partner with the Group in developing modern logistics facilities in Japan over a 5-year period. The Fund is targeted to close on a maximum committed capital of US\$750 million by 30 September 2017. ESR is the developer, asset and investment manager and invests alongside the fund in each investment (there is flexibility of varying percentages, usually between two per cent. to 20 per cent., depending on the project and LP co-investor mix). As of 31 March 2017, US\$157.5 million representing 50.7 per cent. of RJLF II's current commitment has been called.

Separate Accounts

The Group manages three separate accounts.

One of the separate accounts relates to PGGM RJLC LP ("**PGGM RJLC**"), which is a Singapore-based exempted limited partnership. PGGM RJLC is a Japan-focused real estate fund, with the objective to co-invest alongside RJLF and RJLF II in selected development real estate used primarily for industrial, warehousing and logistics purpose in the recognised industrial submarkets of Greater Tokyo (with a focus on the Tokyo Bay area) and Greater Osaka, over a period of seven years. As of 31 March 2017, PGGM RJLC has a committed capital of JPY28.4 billion (approximately US\$254.9 million) and an AUM of JPY69.7 billion (approximately US\$626.9 million). While ESR is the investment manager, the interest of PGGM RJLC is wholly owned by a leading global institution from the Netherlands. As of 31 March 2017, JPY17.1 billion (approximately US\$153.3 million) has been called, representing 60 per cent. of its total commitment.

Another separate account relates to Ping An Real Estate's commitment amounting to more than US\$300 million for co-investment in Japan logistics development projects.

The last separate account, representing US\$205 million, relates to funds committed by US institutional investors.

Club Deals³

ESR manages a total of 11 club deals to invest in logistics real estate development projects in recognised industrial submarket of Japan or China. The total equity commitment in these projects amount to US\$395.2 million, with global leading institutional investors partnering with ESR to develop these modern logistics facilities in Japan and China. As of 31 March 2017, the

³ The numbers disclosed for club deals exclude the stakes of investments by the funds and separate accounts as disclosed above.

club deals have a total AUM of US\$1.0 billion. ESR is the developer, asset and investment manager and retains a stake ranging from 1.4 per cent. to 20.0 per cent. in each club deal. As of 31 March 2017, a total of US\$323.5 million has been called from these club deals, representing 81.8 per cent. of the total equity commitment.

South Korea Fund

Sunwood Star Pte Ltd (“Sunwood Star”), a joint venture investment vehicle with APG and CPPIB

As of 31 March 2017, ESR has an interest of 20 per cent. in Sunwood Star, which was established in November 2015. Sunwood Star is a South Korea-focused real estate joint venture, with KRW1,042.2 billion (approximately US\$938.0 million) of AUM as of 31 March 2017. ESR formed the joint venture with two leading global institutions, APG from the Netherlands and CPPIB from Canada to develop modern logistics facilities in South Korea over an 8-year period. ESR is the developer, asset and investment manager for the joint venture. As of 31 March 2017, KRW 290.1 billion (approximately US\$261.1 million) under Sunwood Star has been invested.

Singapore REIT

CIT

CIT is a Singapore-based industrial REIT, principally investing directly or indirectly in income-producing real estate and real estate related assets in Singapore used primarily for industrial, warehousing and logistics purposes. CIT was listed on the SGX-ST on 25 July 2006. As of 31 December 2016, CIT has a diversified portfolio of 49 properties located across Singapore with a tenant base across the following business sectors: logistics, warehousing, light industrial, general industrial properties, car showroom and workshop and business park. CIT's portfolio has an appraised value of approximately S\$1.4 billion (approximately US\$1.0 billion), a total GFA of approximately 780,000 sqm and a total net lettable area of approximately 716,000 sqm. ESR retains an interest of approximately 12.01 per cent. in CIT and continues to manage the assets as CIT's property and asset manager.

CIT has been assigned an issuer rating of “Baa3” by Moody's on 16 November 2015.

The key objectives of the CIT Manager are to deliver secure and stable distributions to unitholders and to achieve long-term growth in net asset value per unit in order to provide unitholders with a competitive rate of return for their investment.

The CIT Manager's strategies to achieve these objectives include:

- Proactively managing CIT's property portfolio to maximise returns;
- Selectively acquiring properties that meet its investment criteria and enhance unitholders' value;
- Divesting non-core properties; and
- Adopting prudent capital and risk management strategies.

BUSINESS REVIEW

As of 31 March 2017, ESR has grown its AUM to approximately US\$7.8 billion and maintained an approximately 89:11 split between AUM assets held via funds and fair value of assets held on the balance sheet. This is in line with its business model and strategy to grow via third-party funds. With the portfolio of investment properties carried on its balance sheet, ESR generated revenue of RMB649.6 million (approximately US\$93.6 million). Rental income contributed RMB337.3 million (approximately US\$48.6 million) or 52 per cent. of revenue. The asset base held via funds in China and Japan generated recurring fund management, property management and agency fees which totalled RMB312.3 million (approximately US\$45.0 million) or 48 per cent. of revenue for the financial year ended 31 December 2016.

ESR's revenue by country

The following table summarises the revenue breakdown of ESR by country for the financial year ended 31 December 2016:

Revenue by Country	As of 31 December 2016 RMB'000	As of 31 December 2016 per cent.
China	416,481	64
Japan	164,252	25
South Korea	68,887	11
	<u>649,620</u>	<u>100</u>

Note: the acquisition of stakes in CIT was completed in early 2017, and is therefore not included in ESR's financial results for the financial year ended 31 December 2016.

China

China is a mainstay of ESR's business and contributed RMB416.5 million (approximately US\$60.0 million) to ESR's total revenue for the financial year ended 31 December 2016. ESR believes that it is a major landlord for leading e-commerce companies in China, with 64 per cent. of its leased area in China occupied by e-commerce companies. ESR's operations in China span multiple cities, including Beijing, Shanghai, Guangzhou, Chengdu and surrounding satellite cities, and also include the management of joint venture anchored by APG and PGGM. On the supply side, ESR's ability to respond to changes and flexibility in accommodating these changes in the land supply markets, both first-hand and second-hand, enabled it to secure a large volume of prime location lands in Tier-1 and Tier-1.5 cities, especially Shanghai and surrounding satellite cities like Kunshan. On the demand side, China has also seen growth and consolidation in the e-commerce and retail industries, and again ESR's quick movement in response to the industrial changes resulted in robust high occupancy rate and remarkable pre-leasing success. Rental income from its various investment properties and fee income from private funds under its management make up the bulk of the revenue from China.

Japan

Founded over 10 years ago in Japan in 2006, ESR capitalised on its strong local presence by commencing the first class-A Tokyo logistics development post the 2011 tsunami and raised one of the first logistics funds in 2013, after the global financial crisis. After the shutdown of Japan's nuclear energy reactors in 2011, ESR Japan focusing on renewable energy buildings with solar power production sufficient to sell excess energy back to the grid, and creation of

one of the largest rooftop solar power programmes in Japan. In addition, ESR manages a total of 11 logistics funds and other investment vehicles which focus on the development of integrated real estate projects in Japan, with investments from institutional investors such as PGGM and Ping An. Revenue streams from Japan comprised mainly of asset management, acquisition, construction, consulting, leasing and property management services derived from the portfolio contributed 25 per cent. to ESR's total revenue for the financial year ended 31 December 2016.

South Korea

ESR's revenue streams from its operations in South Korea are primarily derived through its logistics property development joint venture platforms with APG and CPPIB. Rental income flows from its subsidiary stake in the joint venture, while fee income is sourced from the management of assets held by this joint venture. The revenue stream from South Korea comprises mainly of asset management, acquisition, development, leasing and property management services derived from the portfolio of assets held by the venture and contributed 11 per cent. to ESR's total revenue for the financial year ended 31 December 2016.

CUSTOMERS

ESR leases its facilities to a broad range of large and mid-sized, multi-national and domestic customers which require logistics and distribution facilities, including e-commerce, 3PLs providers, retailers, manufacturers, importers and exporters and others. The 3PLs serve end-users in a large variety of industries, including e-commerce, electronics, fast-moving consumer goods, retail and fast food chains, general logistics services, auto and parts, pharmaceuticals and medical instruments and machinery. ESR seeks to be a partner and a "one-stop shop" for its customers, with a goal to be the single point of contact to design and build a multi-market distribution network for customers within or throughout China, Japan, South Korea and Singapore.

China

As of 31 March 2017, 100 per cent. of the leased area of ESR's logistics facilities in China catered to domestic demand, and ESR expects that domestic consumption will be the primary driver of growth for ESR's Chinese operations. In recent years ESR has focused increasingly on the domestic customer market (in particular domestic 3PLs) in order to track the growing domestic consumption market, which is, and ESR believes will continue to be, an increasing driver of economic growth in China. In addition, ESR expects that the continued growth of the e-commerce industry, a portion of which ESR serves, will be another driver of growth for ESR's Chinese operations. Approximately 5.3 per cent. (by leased area) of ESR's customers in China are 3PLs, while another 9.4 per cent. are retailers, 8.8 per cent. are manufacturers, 10.9 per cent. are cold chain and 63.8 per cent. are e-commerce companies. These customers serve end-users in a large variety of industries, including electronics, fast-moving consumer goods, retail, autos and auto parts and others.

Japan

ESR's customers in Japan comprise primarily of large Japanese companies that operate across a wide variety of industries, as well as other multi-national companies. There has been a growing emphasis by corporates on core operations and cost reductions, resulting in an overall growth in the 3PLs market from 2010 to 2017. Approximately 19.7 per cent. (by leased area) of its customers in Japan are 3PLs, while another 11.0 per cent. are retailers and 69.3 per cent. are manufacturers. These customers serve end-users in a large variety of industries, including fast-moving consumer goods, electronics, retail, general logistics services, pharmaceutical and medical instruments, auto and parts, and others.

INSURANCE

ESR maintains insurance policies covering both its assets and employees, with policy specifications and insured limits that are commercially reasonable and appropriate for a Company of its size and activities in the logistics business. This is in line with industry practice in the logistics industries in China, Japan, South Korea and Singapore, respectively. ESR's insurances are arranged with reputable insurers and cover risks such as fire, flood, lightning, explosion, strike, riot, civil disorder, accidental or malicious damage, natural disasters, theft and business interruption. ESR also insures for potential public liability claims made by third parties in respect of bodily injury and third-party property damage arising out of properties and other assets owned by ESR. ESR further maintains liability insurance policies for its directors and officers, as well as Professional Indemnity Insurance for its property and lease management, project management and fund management businesses.

China

The Group's insurance policies in China cover property all risks (natural disasters, accidents, other material damage to property and development sites), business interruption (loss of rental) and public liability (including third parties' property damage and/or personal injury). ESR also maintains other insurance policies for its employees in accordance with applicable laws and regulations, including workmen's compensation and personal accident insurance, as well as company hospitalisation insurance. There are certain types of risks that are not covered by these insurance policies, including acts of war, environmental damage and breaches of environmental laws and regulations.

Japan

The Group's insurance policies in Japan cover damage to facilities and business interruption caused by fire, windstorm, electrical breakdown, public liability (including personal injury), corporate asset insurance and movables insurance. ESR also maintains other insurance policies for its employees in accordance with applicable laws and regulations, including social insurance and health.

South Korea

The Group's insurance policies in South Korea for properties under construction cover material damage, third party liability and advanced loss of profit during construction including third parties' property damage and/or personal injury. Upon completion of development, properties would be insured in accordance with industry practice and regulatory requirements. ESR also maintains other insurance policies for its employees in accordance with applicable laws and regulations, including workmen's compensation.

Singapore

The properties are insured in accordance with industry practice and regulatory requirements in Singapore. These insurance policies cover buildings from physical loss, damage and destruction and consequential loss arising from business interruption, terrorism and public liability.

SOURCES OF FUNDS AND CERTAIN KEY CONTRACTS

ESR generated a surplus of cash from operations amounting to RMB137.7 million (US\$19.8 million) during the financial year ended 31 December 2016.

ESR maintains a diversified and balanced source of funding from reputable banks and institutional investors. ESR's long term funding strategy is to diversify both its sources of financing as well as the instruments through which ESR can borrow funds. Accessing different sources of funds enables ESR to meet its asset liability management needs. Furthermore, having multiple sources and instruments of funds, including the establishment of this Programme, reduces its dependability on, while at same time providing it with the ability to take benefit of, various sources which can reduce its interest costs.

On 11 November 2016, ESR entered into a notes subscription agreement (the "**Subscription Agreement**") with certain subscribers (together, the "**Note Purchasers**") for the issuance of US\$300,000,000 in aggregate principal amount of fixed rate senior notes (the "**Notes**") at 6.3 per cent. per annum. The Notes are interest bearing, will be issued in registered form and have a scheduled maturity date of 3 years from the issue date, unless as extended by ESR in accordance with the Subscription Agreement. The Notes contain certain covenants, including (but not limited to) ESR not being able to, and shall ensure that no member of the Group will be able to, incur any additional financial indebtedness, save for certain exceptions as set out in the Subscription Agreement. In addition, the Notes have the benefit of, *inter alia*, security (or equivalent undertakings) granted by all of the ordinary shareholders of ESR over all of their respective shares in ESR, as well as security granted by ESR over the shares owned by ESR directly in certain members of the Group.

On 30 December 2016, ESR issued 245,359,810 Class C redeemable, convertible, preferred shares with a par value of US\$0.001 in the capital of ESR (the "**C Preference Shares**") to a group of independent third parties for an aggregate consideration of US\$300,000,000. Holders are entitled to convert the C Preference Shares into ESR's ordinary shares based on a conversion ratio of 1:1 under certain circumstances, and which shall be subject to adjustments from time to time as set out under the articles of association of ESR.

Total secured borrowings as of 31 December 2016 were RMB5.8 billion (US\$834.9 million), of which nine per cent. are due within one year. ESR reviews its debt maturity profile on an on-going basis and proactively works with reputable banks to refinance existing borrowings. ESR's weighted average debt maturity remains long at 4.82 years.

The following table sets out the debt maturity profile for the Group as of 31 December 2016:

	Within 1 year Due in 2017		1-2 years due in 2018		2-3 years due in 2019		3-4 years due in 2020		4-5 years due in 2021		More than 5 years due in 2022 or later	
	(RMB'000)	(US\$'000)*	(RMB'000)	(US\$'000)*	(RMB'000)	(US\$'000)*	(RMB'000)	(US\$'000)*	(RMB'000)	(US\$'000)*	(RMB'000)	(US\$'000)*
Bank Loans	526,253	75,829	445,277	64,161	707,060	101,882	2,243,768	323,310	403,185	58,096	1,468,689	211,627
Redeemable convertible preference shares [#]	—	—	—	—	1,707,587	246,050	—	—	—	—	—	—
Total	<u>526,253</u>	<u>75,829</u>	<u>445,277</u>	<u>64,161</u>	<u>2,414,647</u>	<u>347,932</u>	<u>2,243,768</u>	<u>323,310</u>	<u>403,185</u>	<u>58,096</u>	<u>1,468,689</u>	<u>211,627</u>

Notes:

* Converted at an exchange rate of U.S.\$1:RMB6.94

[#] On the assumption that there is no event of conversion that will take place in accordance with the schedule indicated in the table above, the redeemable convertible preference shares would be redeemed at a pre-determined minimum return. The table above reflects only the debt liability component.

DESCRIPTION OF PRINCIPAL SUBSIDIARIES

The following table sets out ESR's principal subsidiaries as of 31 December 2016. Except for Sunwood Singapore Limited, in which ESR has a 95 per cent. effective equity interest, ESR owns a 100 per cent. effective equity interest in all other of the subsidiaries as listed in the table below.

Name	Place of incorporation	Nominal value of issued ordinary/ registered and share capital	Principal activities
Baraki 2 Investor Pte. Ltd.	Singapore	JPY5,636,926	Investment and Management
Dongguan Hongshang Warehouse Service Co., Ltd.	Mainland China	US\$63,000,000	Warehousing Business
Dongguan Huishang e-commerce Service Co., Ltd.	Mainland China	US\$20,000,000	Warehousing Business
ESR Singapore Pte. Ltd. (formerly known as Redwood Group Asia Pte. Ltd.)	Singapore	S\$1	Investment and Management
Kendall Square Logistics Properties	South Korea	KRW500,000,000	Investment and Management
Hangzhou Mingpu Supply Chain Management Co., Ltd.	Mainland China	US\$30,000,000	Warehousing Business
Jiangsu Friend Warehouse Co., Ltd.	Mainland China	RMB371,320,077	Warehousing Business
Jiangsu Yitian Warehouse Service Co., Ltd.	Mainland China	US\$60,000,000	Warehousing Business
Langfang Weidu International Logistic Co., Ltd.	Mainland China	US\$24,000,000	Warehousing Business
RCLF LP Ltd.	Cayman Islands	US\$100	Investment and Management
Redwood Asian Investment, Ltd.	Cayman Islands	US\$1	Investment and Management
Redwood Asian Investments 2 Ltd.	Cayman Islands	JPY514,285,715	Investment and Management
Redwood Fujiidera Investor Ltd.	Cayman Islands	JPY665,817,064	Investment and Management
Redwood Group Japan Ltd.	Japan	JPY466,970,000	Investment and Management
RW Nankonaka Godo Kaisha	Japan	JPY50,000	Investment and Management
Shanghai Donghe Warehouse Co., Ltd.	Mainland China	RMB40,000,000	Warehousing Business
Shanghai Dongjin Industrial Co., Ltd.	Mainland China	RMB30,000,000	Investment and Management
Shanghai e-Shang Warehouse Service Co., Ltd.	Mainland China	RMB109,090,909	Investment and Management
Shanghai Moya Warehouse Co., Ltd.	Mainland China	RMB12,000,000	Warehousing Business
Shanghai Fengyuan Logistic Co., Ltd.	Mainland China	RMB120,000,000	Warehousing Business
Sunwood Singapore Limited	Singapore	S\$49,974,704	Investment and Management
Taicang Mingzhan Logistics Company Limited	Mainland China	US\$30,000,000	Warehousing Business
Tianjin Fanbin Warehouse Service Co., Ltd.	Mainland China	US\$29,200,000	Warehousing Business
Tianjin Mingcheng Logistics Company Limited	Mainland China	US\$12,000,000	Warehousing Business

Name	Place of incorporation	Nominal value of issued ordinary/registered and share capital	Principal activities
Wuhan Mingju Supply Chain Company Limited	Mainland China	US\$16,700,000	Warehousing Business
Wuhan Minglong Logistics Company Limited	Mainland China	US\$12,000,000	Warehousing Business
Xinbin (Shanghai) Business Management Service Co., Ltd.	Mainland China	US\$15,000,000	Warehousing Business

COMPETITION

While ESR is one of the leading providers of modern logistics facilities in each of China, Japan and South Korea, it faces competition from other large domestic and, to a lesser extent, international owners and operators of other logistics facilities and, within any specific individual market, also from smaller and local players. ESR competes with other providers for locations and sites for future logistics facilities. In China, potential customers may also compare ESR's products, services and rents to those of large state-owned logistics facilities providers.

ESR believes that, in choosing a provider of logistics facilities, its customers focus primarily on the size of a provider's network, the quality of its projects and the service provided. Lease rates are generally determined by the market. ESR believes that the size of its network and its focus on customer service and on assisting its customers in establishing and maintaining their logistics networks allows ESR to compete favourably with many of its competitors.

EMPLOYEES

The following tables summarise the number of ESR's employees by location and function as of 31 December 2015 and 2016 and 31 March 2017:

Employees by Geographical Location

	As of		
	31 December 2015	2016	31 March 2017
China	76	122	123
Japan	32	44	47
South Korea	12	22	25
Singapore	16	18	57
Hong Kong	—	8	6
Total	136	214	258

Employees by Function

	As of		
	31 December		31 March
	2015	2016	2017
Investment/Divestment	16	22	24
Project Development Management	18	29	30
Leasing/Marketing	15	36	37
Asset/Property Management	27	36	49
Finance/Accounting	21	40	50
General Management/Administration	39	51	68
Sub-Total	136	214	258

ESR actively recruits skilled and qualified personnel, including university and advance degree graduates as well as employees with relevant working experience. The remuneration package of its employees includes salary, bonuses and other cash subsidies. In general, ESR determines employee salaries based on each employee's qualifications, experience, position and seniority. ESR has designed an annual review system to assess the performance of its employees, which forms the basis of its determinations on salary raises, bonuses and promotion. ESR is subject to social insurance contribution plans organised by the local governments. ESR believes that the salaries and benefits that its employees receive are competitive with market standards in each country where it conducts business.

None of ESR's employees is a member of a labour union. ESR has not experienced any strikes or disruptions to its operations due to labour disputes. ESR believes that its relationships with its employees are good.

ESR established comprehensive training programmes that aim to support and encourage members of its management team to continue improving their management skills, including arranging for seminars and external training opportunities. ESR also provides comprehensive training for its employees to improve their skills and develop their careers. ESR provides orientation training for newly hired employees as well as continuing training for existing employees. In addition to rigorous ongoing FCPA and compliance training, ESR organises on-the-job training on a regular basis on various topics, which are designed to improve the skills of its employees.

LEGAL PROCEEDINGS

In January 2017, a wholly-owned subsidiary of ESR acquired Shanghai Yurun Meat Products Co., Ltd. ("**Shanghai Yurun**") pursuant to a share transfer agreement. Subsequently, in April 2017, legal proceedings in the PRC courts were initiated by a bank relating to a dispute on guarantee liabilities assumed by Shanghai Yurun which predated ESR's acquisition of the company ("**Dispute**"). Any losses that Shanghai Yurun may potentially incur in connection with the Dispute are limited solely to the assets of Shanghai Yurun with no direct recourse to ESR. Shanghai Yurun is currently discussing with the bank through PRC court-sanctioned procedures to resolve the Dispute and ESR believes that a satisfactory settlement agreement could be reached between the bank and Shanghai Yurun which will significantly reduce the quantum of potential liabilities payable by Shanghai Yurun. Further, in the event that a mutually satisfactory settlement agreement cannot be reached between the bank and Shanghai Yurun, ESR is contractually entitled to seek termination of the share transfer agreement and also seek

recourse against the original shareholders for damages and losses incurred by ESR arising from the Dispute, including under the guarantee and indemnities provided therein. ESR believes that the outcome of the Dispute would not have a material adverse effect on ESR's business, results of operations, financial condition or prospects as a whole.

DESCRIPTION OF RELATED PARTY TRANSACTIONS

The Group has ongoing contractual arrangements with entities related to ESR. These transactions are detailed in the Group's financial statements as published from time to time. See note 31 of the Group's consolidated financial statements for the financial year ended 31 December 2016, included elsewhere in this Offering Circular.

ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

ESR's operations are subject to regulatory requirements and potential liabilities arising under applicable environmental, health or safety-related laws and regulations in each of the countries in which it has operations.

ESR believes that it is in compliance in all material respects with applicable environmental regulations in China, Japan, South Korea and Singapore. To date, no material environmental, health or safety-related incident involving ESR or any of its subsidiaries has occurred. ESR is not aware of any material environmental, health or safety-related proceedings or investigations to which it might become a party. As ESR does not undertake construction work for its development projects and asset enhancement initiatives itself, the responsibility for ensuring the health or safety of workmen at ESR's development project or asset enhancement worksites generally rests with the contractors it appoints.

MARKETING ACTIVITIES

ESR engages in various marketing initiatives in order to attract new customers and expand its market recognition. ESR supplements the efforts and relations of its in-house business development and leasing teams with reputable external professional brokers to source land, projects and customers in each country where it operates. It also leverages its relationships with some of its leading customers by undertaking co-branded advertisement campaigns. Co-branded advertising allows ESR to capitalise on the positive experiences of its customers, utilising the numerous testimonials and feedback it has received for marketing purposes. ESR develops and strengthens relationships with large national and international firms with important logistic operations to present its facilities, and undertakes dedicated media campaigns to enhance and promote its parks in addition to working with local and internationally known brokers to procure customers.

ESR also engages in traditional "banner" advertising and publishes a periodic electronic newsletter targeted at existing and prospective customers and markets its facilities through its website. ESR endeavours to increase its brand exposure through event-specific media coverage and media briefings, such as signing ceremonies related to the establishment of strategic relationships, and the sponsorship of events such as athletic tournaments for trade associations and other companies whose membership is comprised of ESR's target customers. On occasion, ESR joins with brokers to organise "open house" events at some of its facilities, and ESR regularly attends large conventions and trade shows and conducts customer events, such as the seminar in Tokyo for Japanese customers seeking logistics facilities in China.

INFORMATION TECHNOLOGY

ESR leverages the latest information technology to support sustainable and efficient daily operations. SAP has been adopted as ESR's core enterprise resource planning application to capture, in an integrated approach, business activities such as project cost management, real estate and lease management, expense management and financial management. ESR also continuously assesses the needs to implement human resources and customer relationship management systems as the business grows.

INTELLECTUAL PROPERTY

ESR and Shanghai e-Shang Warehouse Service Co., Ltd. currently have 24 registered trademarks in total, including the ESR logo in various jurisdictions including mainland China, Hong Kong, Japan, South Korea and Singapore, as well as “易商”, “益商” and their respective accompanying designs in mainland China.

DIRECTORS AND MANAGEMENT

Board of Directors

The Board of Directors of ESR is entrusted with the responsibility for the overall management and direction of the Group.

The Board of Directors of ESR comprises:

Name	Age	Position
Sachin Doshi	37	Director
Joseph Gagnon	39	Director
Stuart Gibson	53	Co-Founder, Co-CEO
Jeffrey Perlman	33	Director
Charles de Portes	47	Co-Founder, President
Shen Jinchu	44	Co-Founder, Co-CEO
Sun Dongping	42	Co-Founder
Elyn Xu	35	Director

Sachin Doshi

Sachin Doshi is a director of ESR and is the Managing Director and Head of Private Real Estate Investments Asia Pacific of the Dutch pension fund manager APG (Algemene Pensioen Groep N.V.). Mr. Doshi is responsible for all aspects of APG's private real estate investment in Asia including driving investment strategy, execution and asset management of portfolio companies and ventures. Mr. Doshi graduated with Bachelor of Engineering and Bachelor of Science degrees from the Australian National University.

Joseph Gagnon

Joseph Gagnon is a director of ESR and is the Managing Director of Warburg Pincus. Mr. Gagnon joined Warburg Pincus in 2005 and focuses on the firm's real estate investment business in North Asia. Prior to joining Warburg Pincus, he served as Business Development Manager for GE Real Estate in Tokyo. Mr. Gagnon graduated with a Bachelor of Science in Mathematical Economics from Wake Forest University.

Stuart Gibson

Stuart Gibson is a co-founder and co-CEO of ESR. Mr. Gibson has 25 years of development and investment experience in Asia, which includes 15 years spent in the Japanese industrial sector. Prior to founding ESR, Mr. Gibson was the co-founder and CEO of The Redwood Group. Prior to Redwood he served as the President of Prologis Japan and formerly held the position of Chairman of AMB Property Corporation Japan Advisory Committee. He is also the former co-founder and co-CEO of AMB BlackPine.

Jeffrey Perlman

Jeffrey Perlman is a director of ESR and is the Managing Director, Head of Southeast Asia for Warburg Pincus. Mr. Perlman joined Warburg Pincus in 2006 and leads the firm's investments in Southeast Asia, in addition to focusing on real estate investments across the greater Asia-Pacific region. Prior to joining Warburg Pincus, he worked in the Real Estate Investment Banking Group at Credit Suisse. Mr. Perlman graduated with a Bachelor's degree in Business Administration from the Ross School of Business at the University of Michigan.

Charles de Portes

Charles de Portes is a co-founder and the President of ESR. Mr. de Portes has 21 years of real estate investment experience, including 17 years in the industrial sector in Asia. Prior to founding ESR, Mr. de Portes was the co-founder and President of The Redwood Group. Prior to Redwood he acted as the Head of Acquisitions and Capital for Europe and Asia for Prologis and was also a Member of the AMB Property Japan Advisory Committee. He is also the former co-founder and co-CEO of AMB BlackPine, which since was incorporated into ProLogis Japan. Mr. de Portes previously worked in the real estate principle investment area at Goldman Sachs in their New York, London and Paris offices. Mr. de Portes graduated with a Masters of Business Administration from INSEAD.

Shen Jinchu

Shen Jinchu is a co-founder and co-CEO of ESR. Mr. Shen has 21 years of industrial real estate experience in China. Prior to founding ESR, Mr. Shen was the Senior Vice President of GLP Investment Management (China) Co., Ltd. (formerly Prologis China) from 2004 to 2011, overseeing the China eastern area, with operations representing 60% of GLP's China portfolio. Prior to that he held the position of Head of Industrial Development in DTZ China. Mr. Shen graduated with a Bachelor of Engineering degree (major in Real Estate Investment) from Shanghai Jiaotong University.

Sun Dongping

Dongping is a co-founder of ESR. Mr. Sun has 22 years of development and logistics real estate experience in China. Before it merged to create ESR, Mr. Ping Sun founded OCIM, a logistics real estate developer and operator. He started the construction management business in 2001 and the industrial real estate development business in 2004.

Elyn Xu

Elyn Xu is a director of ESR and the Managing Director, Head of Structured Finance at GF Capital (Hong Kong) Ltd. Mrs. Xu joined GF Capital in 2016 and leads the firm's Structured Finance team focusing on various structured finance and private equity investments. Prior to joining GF Capital, she held the position of Managing Director of Structured Finance Department of China Everbright Ltd. Prior to that she worked in the Debt Capital Markets Department of Deutsche Bank and the Investment Banking Division of Citigroup. Mrs. Xu graduated with a Bachelor's degree from the University of Sydney and holds a Master's degree from the University of New South Wales.

Senior Management

Set out below are the current executive officers of the Group:

Name	Age	Position
Shen Jinchu	44	Co-Founder, Co-CEO
Stuart Gibson	53	Co-Founder, Co-CEO
Sun Dongping	42	Co-Founder
Charles de Portes	47	Co-Founder, President
Sunwoo Thomas Nam	51	Korea Platform CEO
Jihun Kang	45	Korea Platform CIO
Wee Peng Cho	47	Group Chief Financial Officer

Shen Jinchu

Details for Shen Jinchu are set out under “Management—Board of Directors”.

Stuart Gibson

Details for Stuart Gibson are set out under “Management—Board of Directors”.

Sun Dongping

Details for Sun Dongping are set out under “Management—Board of Directors”.

Charles de Portes

Details for Charles de Portes are set out under “Management—Board of Directors”.

Sunwoo Thomas Nam

Sunwoo Thomas Nam is the CEO of the Korea Platform and has 25 years of experience in the real estate sector. Mr. Nam was formerly the President of Prologis Korea and CEO of Kendall Square Investment Korea as well as Kendall Square Partners Korea. He has also held the positions of Head of Overseas Investment at Samsung Life Insurance and the Director of Investment at Rodamco Asia BV, Hong Kong. Mr. Nam graduated with a Masters of Business Administration from The Kellogg School of Management, Northwestern University/HKUST Business School. In addition, Mr. Nam graduated with a Master of Science in Real Estate Development from Massachusetts Institute of Technology.

Jihun Kang

Jihun Kang is the Chief Investment Officer of the Korea Platform and has 16 years of experience in real estate investment, development and fund management. Prior to the establishment of the Korea platform, Mr. Kang was the Vice President of Prologis Korea and the Executive Director of Kendall Square Partners Korea. He is also the former Director of Business Development at AMB Property Corporation. Mr. Kang graduated with a Masters in Architecture from Harvard University. In addition, Mr. Kang graduated with a Master of Science in Real Estate Development from Massachusetts Institute of Technology.

Wee Peng Cho

Wee Peng Cho is the Chief Financial Officer of ESR and has over 20 years' experience in finance in international and regional companies. Mr. Cho is the former CFO at SATS and Hyflux, both listed on the SGX-ST. Prior to that he held various treasury roles with Dow Chemical in the USA and Asia Pacific from 1998 to 2007. Mr. Cho graduated with a Masters of Applied Finance from the National University of Singapore. In addition, he holds a Bachelor of Accountancy (Hons) from the Nanyang Technological University, Singapore. Mr. Cho is a Chartered Financial Analyst (CFA).

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Securities is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities and does not purport to deal with the consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Securities should consult their own tax advisers concerning the application of tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Securities arising under the laws of any other taxing jurisdiction.

Cayman Islands taxation

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Securities. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under the laws of the Cayman Islands.

Payments of interest, distribution and principal on the Securities will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest, distribution and principal or a dividend or capital to any holder of the Securities nor will gains derived from the disposal of the Securities be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the Securities. The Securities themselves will be stampable if they are executed in or brought into the Cayman Islands or produced before a Cayman Islands court.

Singapore taxation

The statements made below are general in nature and are based on current tax laws in Singapore and administrative guidelines and circulars issued by the relevant authorities in force as at the date of this Offering Circular and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars occurring after such date, which changes could be made on a retroactive basis. These laws, guidelines and circulars are also subject to various interpretations and the Singapore tax authorities or the courts may later disagree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Offering Circular are intended or are to be regarded as advice on the tax position of any holder of the Securities or of any person acquiring, selling or otherwise dealing with the Securities or on any tax implications arising from the acquisition, sale or other dealings in respect of the Securities. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Securities and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive tax incentives(s)) may be subject to special rules or tax rates. The statements should not be regarded as advice on the tax position of any person and should be treated with appropriate caution. Holders and prospective holders of the Securities are advised to consult their own professional tax advisers as to the tax consequences of the acquisition, ownership or disposal

of the Securities, including the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that neither the Issuers, the Guarantor, any of the Arrangers, any of the Dealers nor any other persons involved in the Programme accepts responsibility for any tax effects or liabilities resulting from the acquisition, ownership or disposal of the Securities.

In addition, the disclosure below is on the assumption that the Inland Revenue Authority of Singapore (“**IRAS**”) regards each tranche of the Perpetual Securities as “debt securities” for the purposes of the ITA and/or that distribution payments made under each tranche of the Perpetual Securities will be regarded as interest payable on indebtedness and holders thereof may therefore enjoy the tax exemptions and concessions available to qualifying debt securities (provided that the other conditions for the qualifying debt securities scheme are satisfied). If the Relevant Tranche of the Perpetual Securities is not regarded as debt securities for the purposes of the ITA or the distribution payments made under the Relevant Tranche of the Perpetual Securities are not regarded as interest payable on indebtedness and holders thereof are not eligible for the tax concessions under the qualifying debt securities scheme, the tax treatment to holders may differ. Investors and holders of the Relevant Tranche of the Perpetual Securities should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding and disposal of the Relevant Tranche of the Perpetual Securities.

1 Taxation relating to payments on Securities

Interest and Other Payments

Subject to the following paragraphs, under Section 12(6) of the ITA, the following payments are deemed to be derived from Singapore:

- (a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or
- (b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15.0 per cent. final withholding tax described below) to non-resident persons (other than non-resident individuals) is the prevailing corporate tax rate, currently 17.0 per cent. As for non-resident individuals, the current applicable rate is 22.0 per cent. However, if the payment is derived by a person not resident in Singapore and such payment is (aa) not derived from any trade, business, profession or vocation carried on or exercised by such person in Singapore and (bb) not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15.0 per cent. The rate of 15.0 per cent. may be reduced by applicable tax treaties.

Certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

- (a) interest from debt securities derived on or after 1 January 2004;

- (b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after 17 February 2006; and
- (c) prepayment fee, redemption premium and break cost from debt securities derived on or after 15 February 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession.

References to “break cost”, “prepayment fee” and “redemption premium” in this Singapore tax disclosure have the same meaning as defined in the ITA.

The terms “break cost”, “prepayment fee” and “redemption premium” are defined in the ITA as follows:

“break cost”, in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption;

“prepayment fee”, in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities; and

“redemption premium”, in relation to debt securities and qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity.

In addition, where more than half of the Securities issued under a tranche of the Programme are distributed by Financial Sector Incentive (Bond Market) Companies, Financial Sector Incentive (Capital Market) Companies or Financial Sector Incentive (Standard Tier) Companies (each as defined in the ITA), such tranche of the Securities issued during the period from the date of this Offering Circular to 31 December 2018 (the **“Relevant Securities”**) would, pursuant to the ITA and the Income Tax (Qualifying Debt Securities) Regulations (the **“QDS Regulations”**), be “qualifying debt securities” for the purposes of the ITA, to which the following treatment shall apply:

- (a) subject to certain prescribed conditions having been fulfilled (including the furnishing to the MAS by the relevant Issuer, or such other person as the MAS may direct, of a return on debt securities for any tranche of the Relevant Securities within such period as the MAS may specify and such other particulars in connection with such tranche of the Relevant Securities as the MAS may require and the inclusion by the relevant Issuer in all offering documents relating to such tranche of the Relevant Securities of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost from the Relevant Securities is derived by a person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for “qualifying debt securities” shall not apply if the non-resident person acquires such tranche of the Relevant Securities using funds from that person’s operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, the **“Specified Income”**) from the Relevant Securities, derived by a holder who is not resident in Singapore and (aa) who does not have any permanent establishment in Singapore or (bb) who carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire such tranche of the Relevant Securities are not obtained from such person’s operation through a permanent establishment in Singapore, are exempt from Singapore income tax;

- (b) subject to certain conditions having been fulfilled (including the furnishing by the relevant Issuer, or such other person as the MAS may direct, of a return on debt securities for any tranche of the Relevant Securities within such period as the MAS may specify and such other particulars in connection with such tranche of the Relevant Securities as the MAS may require), Specified Income from the Relevant Securities derived by any company or body of persons (as defined in the ITA) in Singapore is subject to income tax at a concessionary rate of 10.0 per cent.; and
- (c) subject to:
 - (i) the relevant Issuer including in all offering documents relating to that tranche of the Relevant Securities a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Specified Income) derived from such tranche of the Relevant Securities is not exempt from tax shall include such income in a return of income made under the ITA; and
 - (ii) the relevant Issuer, or such other person as the MAS may direct, furnishing to the MAS a return on debt securities for that tranche of the Relevant Securities within such period as the MAS may specify and such other particulars in connection with such tranche of the Relevant Securities as the MAS may require,

Specified Income derived from any tranche of the Relevant Securities is not subject to withholding of tax by the relevant Issuer.

However, notwithstanding the foregoing:

- (a) if during the primary launch of any tranche of the Relevant Securities, such tranche of the Relevant Securities is issued to fewer than four persons and 50.0 per cent. or more of the issue of such tranche of Relevant Securities is beneficially held or funded, directly or indirectly, by related parties of the relevant Issuer, such tranche of Relevant Securities would not qualify as “qualifying debt securities”; and
- (b) even though a particular tranche of the Relevant Securities is “qualifying debt securities”, if, at any time during the tenure of such tranche of the Relevant Securities, 50.0 per cent. or more of such tranche of the Relevant Securities which is outstanding at any time during the life of its issue is beneficially held or funded, directly or indirectly, by related parties of the relevant Issuer, Specified Income from such tranche of the Relevant Securities derived by:
 - (i) any related party of the relevant Issuer; or
 - (ii) any other person where the funds used by such person to acquire such tranche of the Relevant Securities are obtained, directly or indirectly, from any related party of the relevant Issuer,

shall not be eligible for the tax exemption or concessionary rate of tax as described above.

The term “related party”, in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

Where interest, discount income, prepayment fee, redemption premium or break cost is derived from the Relevant Securities by any person who is not tax resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for “qualifying debt securities” should not apply if such person acquires the Relevant Securities with funds from the Singapore operations.

Notwithstanding that the relevant Issuer is permitted to make payments of Specified Income in respect of the Relevant Securities without deduction or withholding for tax under Section 45 or Section 45A of the ITA, any person whose Specified Income (whether it is interest, discount income, prepayment fee, redemption premium or break cost) derived from the Relevant Securities is not exempt from tax is required to include such income in a return of income made under the ITA.

Under the Qualifying Debt Securities Plus Scheme (the “**QDS Plus Scheme**”), subject to certain conditions having been fulfilled (including the furnishing by the relevant Issuer or such other person as the MAS may direct, of a return on debt securities in respect of the “qualifying debt securities” within such period as the MAS may specify and such other particulars in connection with the “qualifying debt securities” as the MAS may require), income tax exemption is granted on Specified Income derived by any investor from “qualifying debt securities” (excluding Singapore Government Securities) which:

- (a) are issued during the period from 16 February 2008 to 31 December 2018;
- (b) have an original maturity date of not less than 10 years;
- (c) cannot have their tenure shortened to less than 10 years from the date of their issue, except where:
 - (i) the shortening of the tenure is a result of any early termination pursuant to certain specified early termination clauses which the relevant Issuer included in any offering document for such qualifying debt securities; and
 - (ii) the qualifying debt securities do not contain any call, put, conversion, exchange or similar option that can be triggered at specified dates or at specified prices which have been priced into the value of the qualifying debt securities at the time of their issue; and
- (d) cannot be re-opened with a resulting tenure of less than 10 years to the original maturity date.

However, even if a particular tranche of the Relevant Securities is “qualifying debt securities” which qualifies for the QDS Plus Scheme, if, at any time during the tenure of such tranche of the Relevant Securities, 50.0 per cent. or more of the issue of such tranche of the Relevant Securities which is outstanding at any time during the life of its issue is beneficially held or funded, directly or indirectly, by related parties of the relevant Issuer, Specified Income from such tranche of the Relevant Securities derived by:

- (a) any related party of the relevant Issuer; or
- (b) any other person where the funds used by such person to acquire such tranche of the Relevant Securities are obtained, directly or indirectly, from any related party of the relevant Issuer,

shall not be eligible for the tax exemption under the QDS Plus Scheme as described above.

2 Taxation relating to payments on Perpetual Securities

Singapore tax classification of hybrid instruments

The ITA currently does not contain specific provisions on how financial instruments that exhibit both debt-like and equity-like features, i.e. hybrid instruments, should be treated for income tax purposes. However, the IRAS has published the e-Tax Guide: Income Tax Treatment of

Hybrid Instruments on 19 May 2014 (the “**Hybrid Instruments e-Tax Guide**”) which sets out the income tax treatment of hybrid instruments, including the factors that the IRAS will generally use to determine whether such instruments are debt or equity instruments for income tax purposes.

Among others, the IRAS has stated in the Hybrid Instruments e-Tax Guide that:

- (a) whether or not a hybrid instrument will be treated as debt or equity security for income tax purposes will firstly depend on its legal form, to be determined based on an examination of the legal rights and obligations attached to the instrument;
- (b) a hybrid instrument is generally characterised as equity if the legal terms of the instrument indicate ownership interests in the issuer. If the legal form of a hybrid instrument is not indicative of or does not reflect the legal rights and obligations, the facts and circumstances surrounding the instrument and a combination of factors, not limited to the following, would have to be examined to ascertain the nature of the instrument for income tax purposes.

These factors include (but are not limited to):

- (i) nature of interest acquired;
 - (ii) investor’s right to participate in issuer’s business;
 - (iii) voting rights conferred by the instrument;
 - (iv) obligation to repay the principal amount;
 - (v) payout;
 - (vi) investor’s right to enforce payment;
 - (vii) classification by other regulatory authority; and
 - (viii) ranking for repayment in the event of liquidation or dissolution;
- (c) if a hybrid instrument is characterised as a debt instrument for income tax purposes, distributions from the issuer to the investors are regarded as interest;
 - (d) if a hybrid instrument issued by a company or a REIT (as defined in the ITA) is characterised as an equity instrument for income tax purposes, distributions from the issuer to the investors are regarded as either dividends or REIT distributions; and
 - (e) in respect of REIT distributions, the tax treatment depends on the underlying receipts from which such distributions are made and the profile of the investors.

Application for tax ruling

The relevant Issuer may apply to the IRAS for an advance tax ruling to confirm the classification of any tranche of the Perpetual Securities for Singapore income tax purposes and the Singapore tax treatment of the payment of the Distributions.

If such an application is made, the relevant Issuer will provide details of the tax ruling issued by the IRAS shortly after the receipt of the tax ruling.

3 Capital gains

Singapore does not impose tax on capital gains. Any gains considered to be in the nature of capital arising from a sale of the Securities will not be taxable in Singapore. However, any gains derived by any person from a sale of the Securities which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

There are no specific laws or regulations which deal with the characterisation of capital gains. The characterisation of the gains arising from a sale of the Securities will depend on the individual facts and circumstances relating to that sale of the Securities.

Holders of the Securities who are adopting or have adopted Singapore Financial Reporting Standard 39 — Financial Instruments: Recognition and Measurement (“**FRS 39**”) may for Singapore income tax purposes be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Securities, irrespective of disposal, in accordance with FRS 39. Please see the section below on “Adoption of FRS 39 treatment for Singapore income tax purposes”.

4 Adoption of FRS 39 treatment for Singapore income tax purposes

The IRAS has issued an e-Tax Guide entitled “Income Tax Implications arising from the adoption of FRS 39—Financial Instruments: Recognition and Measurement” (the “**FRS 39 e-Tax Guide**”). Legislative amendments to give effect to the FRS 39 e-Tax Guide have been enacted in Section 34A of the ITA.

The FRS 39 e-Tax Guide and Section 34A of the ITA generally apply, subject to certain “opt-out” provisions, to taxpayers who are required to comply with FRS 39 for financial reporting purposes.

Holders of the Securities who may be subject to the tax treatment under the FRS 39 e-Tax Guide should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Securities.

The Accounting Standards Council has issued a new financial reporting standard for financial instruments, FRS 109 — Financial Instruments, which will become mandatorily effective for annual periods beginning on or after 1 January 2018. It is at present unclear whether, and to what extent, the replacement of FRS 39 by FRS 109 will affect the tax treatment of financial instruments which currently follows FRS 39. Holders and prospective holders of the Securities should consult their own accounting and tax advisers on the proposed tax treatment to understand the implications and consequences that may be applicable to them.

5 Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

The Proposed Financial Transactions Tax (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Securities (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Securities are advised to seek their own professional advice in relation to the FTT.

FATCA Withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. Each of the Issuers believes that it is a foreign financial institution for these purposes. A number of jurisdictions (including Singapore) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions.

Certain aspects of the application of these rules to instruments such as the Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, such withholding would not apply prior to 1 January 2019 and Securities that are not treated as equity for U.S. federal income tax purposes and are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional securities (as described under Condition 14 of the Notes and Condition 12 of the Perpetual Securities) that are not distinguishable from previously issued Securities are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Securities, including the Securities offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Securities, no person will be required to pay additional amounts as a result of the withholding.

Securityholders should consult their own tax advisors regarding how these rules may apply to their investment in the Securities.

CLEARANCE AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg and CDP (together, the “**Clearing Systems**”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuers and the Guarantor believe to be reliable, but none of the Issuers, the Guarantor, the Arrangers, the Trustee, any Agent nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuers nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Securities held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.

The Clearing Systems

The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of amounts payable with respect to book-entry interests in the Securities held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by any paying agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant Clearing System’s rules and procedures.

CDP

In respect of Securities which are accepted for clearance by CDP in Singapore, clearance will be effected through an electronic book-entry clearance and settlement system for the trading of debt securities (the “**CDP System**”) maintained by CDP. Securities that are to be listed on the SGX-ST may be cleared through CDP. CDP, a wholly-owned subsidiary of Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the securities accounts maintained by such accountholders with CDP.

In respect of Securities which are accepted for clearance by CDP, the entire issue of the Securities is to be held by CDP in the form of a Global Security or Global Certificate for persons holding the Securities in securities accounts with CDP (the “**Depositors**”). Delivery

and transfer of Securities between Depositors is by electronic book-entries in the records of CDP only, as reflected in the securities accounts of Depositors. Although CDP encourages settlement on the third business day following the trade date of debt securities, market participants may mutually agree on a different settlement period if necessary.

Settlement of over-the-counter trades in the Securities through the CDP System may only be effected through certain corporate depositors (the “**Depository Agents**”) approved by CDP under the Companies Act, Chapter 50 of Singapore, to maintain securities sub-accounts and to hold the Securities in such securities sub-accounts for themselves and their clients. Accordingly, Securities for which trade settlement is to be effected through the CDP System must be held in securities sub-accounts with Depository Agents. Depositors holding Securities in direct securities accounts with CDP, and who wish to trade Securities through the CDP System, must transfer the Securities to be traded from such direct securities accounts to a securities sub-account with a Depository Agent for trade settlement.

CDP is not involved in money settlement between Depository Agents (or any other persons) as CDP is not a counterparty in the settlement of trades of debt securities. However, CDP will make payment of interest or distribution, as applicable, and repayment of principal on behalf of issuers of debt securities.

Although CDP has established procedures to facilitate transfer of interests in the Securities in global form among Depositors, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuers, the Guarantor, the Issuing and Paying Agent in Singapore or any other Agent will have the responsibility for the performance by CDP of its obligations under the rules and procedures governing its operations.

Book-Entry Ownership

Bearer Securities

The relevant Issuer may make applications to Euroclear and/or Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of any Series of Bearer Securities. The relevant Issuer may also apply to have Bearer Securities accepted for clearance through CDP. In respect of Bearer Securities, a Temporary Global Security and/or a Permanent Global Security will be deposited with a common depositary for Euroclear and/or Clearstream, Luxembourg or with CDP. Transfers of interests in a Temporary Global Security or a Permanent Global Security will be made in accordance with the normal Euromarket debt securities operating procedures of CDP, Euroclear and Clearstream, Luxembourg. Each Global Security will have an International Securities Identification Number (an “**ISIN**”) and/or a Common Code. Investors in Securities of such Series may hold their interests in a Global Security through Euroclear or Clearstream, Luxembourg or CDP, as the case may be.

Registered Securities

The relevant Issuer may make applications to Euroclear and/or Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of the Securities to be represented by a Global Certificate. The relevant Issuer may also apply to have Securities represented by a Global Certificate accepted for clearance through CDP. Each Global Certificate deposited with a common depositary for, and registered in the name of, a nominee of Euroclear and/or Clearstream, Luxembourg and/or with CDP will, where applicable, have an ISIN and/or a Common Code. Investors in Securities of such Series may hold their interests in a Global Certificate only through Euroclear or Clearstream, Luxembourg or CDP, as the case may be.

Transfers of interests in Global Certificates within CDP, Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing system. In the case of Registered Securities to be cleared through CDP, Euroclear or Clearstream, Luxembourg, transfers may be made at any time by a holder of an interest in a Global Certificate in accordance with the relevant rules and regulations of the applicable clearing systems.

Individual Certificates

Registration of title to Registered Securities in a name other than a depositary or its nominee for Euroclear and Clearstream, Luxembourg or CDP will be permitted only in the circumstances set forth in “*Summary of Provisions Relating to the Securities while in Global Form — Exchange*”. In such circumstances, the relevant Issuer will cause sufficient individual Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Securityholder(s). A person having an interest in a Global Certificate must provide the Registrar with a written order containing instructions and such other information as the relevant Issuer and the Registrar may require to complete, execute and deliver such individual Certificates.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in a dealer agreement dated 12 May 2017 (the “**Dealer Agreement**”) between ESR, the Arrangers and the Permanent Dealers, the Securities will be offered on a continuous basis by the Issuers to the Permanent Dealers. However, each Issuer has reserved the right to sell Securities directly on its own behalf to Dealers that are not Permanent Dealers. The Securities may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Securities may also be sold by the relevant Issuer through the Dealers, acting as agents of the relevant Issuer. The Dealer Agreement also provides for Securities to be issued in syndicated Tranches that are underwritten by two or more Dealers.

The relevant Issuer will pay each relevant Dealer a commission as agreed between them in respect of Securities subscribed by it. The relevant Issuer, failing which the Guarantor (in the case of Guaranteed Securities only), has agreed to reimburse the Arrangers for their expenses incurred in connection with the establishment of, and any continuing responsibilities relating to the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Securities on a syndicated basis will be stated in the relevant Subscription Agreement. Each Issuer may also from time to time agree with the relevant Dealer(s) that it may pay certain third party commissions (including, without limitation, rebates to private banks as specified in the applicable Subscription Agreement).

Each Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Securities. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Securities in certain circumstances prior to payment for such Securities being made to the relevant Issuer.

The Dealers and certain of their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. In connection with each Tranche of Securities issued under the Programme, the Dealers or certain of their affiliates may purchase Securities and be allocated Securities for asset management and/or proprietary purposes but not with a view to distribution. Further, any of the Dealers or their respective affiliates may purchase Securities for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Securities and/ or other securities of the Issuers, the Guarantor or their respective subsidiaries or affiliates at the same time as the offer and sale of each Tranche of Securities or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Securities to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of Securities).

Each of the Dealers and its affiliates may also have performed certain investment banking and advisory services for the Issuers, the Guarantor and/or their respective affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuers, the Guarantor and/or their respective affiliates in the ordinary course of their business and receive fees for so acting. In addition to the transactions noted above, each Dealer and its affiliates may engage in other transactions with, and perform services for, the Issuers, the Guarantor or their affiliates in the ordinary course of their business. While each Dealer and its affiliates have policies and procedures to deal with conflicts of interests, any such transactions may cause a Dealer or its affiliates or its clients or counterparties to have economic interests and incentives which may

conflict with those of an investor in the Securities. Each Dealer may receive returns on such transactions and has no obligation to take, refrain from taking or cease taking any action with respect to any such transactions based on the potential effect on a prospective investor in the Securities.

Selling Restrictions

United States

The Securities and the Guarantee have not been and will not be registered under the Securities Act and, subject to certain exceptions, the Securities may not be offered or sold within the United States. Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will not offer or sell or, in the case of Bearer Securities, deliver any Securities within the United States, except as permitted by the Dealer Agreement. The Securities and the Guarantee are being offered and sold outside the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of any identifiable tranche of Securities within the United States by any dealer (whether or not participating in the offering of such tranche of Securities) may violate the registration requirements of the Securities Act.

This Offering Circular has been prepared by the Issuers for use in connection with the offer and sale of the Securities outside the United States. The Issuers and the Dealers reserve the right to reject any offer to purchase the Securities, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States. Distribution of this Offering Circular to any person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuers of any of its contents to any such person within the United States, is prohibited.

Public Offer Selling Restriction Under the Prospectus Directive

From 1 January 2018, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression **retail investor** means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
 - (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “**Insurance Mediation Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “**Prospectus Directive**”); and
- (b) the expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities.

Prior to 1 January 2018, in relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Securities which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Securities to the public in that Relevant Member State:

- (i) if the Pricing Supplement in relation to the Securities specifies that an offer of those Securities may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “**Non-exempt Offer**”), following the date of publication of a prospectus in relation to such Securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such offering circular has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the relevant Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (ii) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (iii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or
- (iv) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Securities referred to in (ii) to (iv) above shall require the relevant Issuer or any Dealer to publish an offering circular pursuant to Article 3 of the Prospectus Directive or supplement an offering circular pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression “**an offer of Securities to the public**” in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “**Prospectus Directive**” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (i) in relation to any Securities which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Securities other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of

investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Securities would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (“**FSMA**”) by the relevant Issuer;

- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Securities in circumstances in which section 21(1) of the FSMA does not apply to the relevant Issuer or the Guarantor; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Securities in, from or otherwise involving the United Kingdom.

Switzerland

The Securities may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Issuers, the Guarantor or the Securities constitutes an offering prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Federal Code of Obligations, and neither this Offering Circular nor any other offering or marketing material relating to the Issuers, the Guarantor or the Securities may be publicly distributed or otherwise made publicly available in Switzerland. The Securities will be offered in Switzerland and this Offering Circular and any other offering or marketing material relating to the Securities will be distributed or otherwise made available in Switzerland on a private placement basis only. No application has been or will be made to list the Securities on the SIX Swiss Exchange Ltd., and, consequently, neither this Offering Circular nor any other offering or marketing material relating to the Issuers, the Guarantor or the Securities constitutes a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange Ltd. Holders of the Securities are advised to contact their legal, financial or tax advisers to obtain an independent assessment of the financial and tax consequences of an investment in the Securities.

Hong Kong

In relation to each Tranche of Securities issued by the relevant Issuer, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities, except for Securities which are a “**structured product**” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong, other than (a) to “**professional investors**” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “**prospectus**” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong

(except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the MAS. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Securities or caused such Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell such Securities or cause such Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other material in connection with the offer or sale, or invitation for subscription or purchase, of such Securities, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Japan

The Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each of the Dealers has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Securities in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Cayman Islands

No offer or invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for the Securities and the Guarantee and no such invitation is hereby made. Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that the public in the Cayman Islands will not be invited to subscribe for the Securities and the Guarantee.

PRC

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that the Securities are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC or Taiwan), except as conducted pursuant to the applicable securities laws of the PRC.

General

These selling restrictions may be modified by the agreement of the Issuers, the Guarantor and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Securities to which it relates or in a supplement to this Offering Circular.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Securities, or possession or distribution of this Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Securities or has in its possession or distributes this Offering Circular, any other offering material, or any Pricing Supplement therefore in all cases at its own expense.

FORM OF PRICING SUPPLEMENT IN RELATION TO NOTES

PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“**MiFID II**”); (ii) a customer within the meaning of Directive 2002/92/EC (“**IMD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “**Prospectus Directive**”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Pricing Supplement dated [●]

[ESR Cayman Limited/specify other Issuer]
Issue of [Aggregate Principal Amount of Tranche] [Title of Notes]
under the U.S.\$2,000,000,000 Multicurrency Debt Issuance Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the “**Conditions**”) set forth in the Offering Circular dated 12 May 2017 [and the supplemental Offering Circular dated [●]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented].

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the “**Conditions**”) set forth in the Offering Circular dated [●]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date] [and the supplemental Offering Circular dated [●]], save in respect of the Conditions which are extracted from the Offering Circular dated [●] and are attached hereto.]

[The following language applies if the Notes are intended to be Qualifying Debt Securities for the purposes of the Income Tax Act, Chapter 134 of Singapore.]

Where interest, discount income, prepayment fee, redemption premium or break cost is derived from any of the Notes by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for qualifying debt securities (subject to certain conditions) under the Income Tax Act, Chapter 134 of Singapore (the “**ITA**”), shall not apply if such person acquires such Notes using the funds and profits of such person’s operations through a permanent

establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Notes is not exempt from tax (including for the reasons described above) shall include such income in a return of income made under the ITA.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.]

- | | | |
|-----------|---|---|
| 1 | [(i)] Issuer: | [ESR Cayman Limited/specify other Issuer] |
| | [(ii)] Guarantor: | ESR Cayman Limited] |
| 2 | (i) Series Number: | [●] |
| | [(ii)] Tranche Number: | [●] |
| | <i>(If fungible with an existing Series, details of that Series, including the date on which the Notes became fungible.)]</i> | |
| 3 | Currency or Currencies: | [●] |
| 4 | Aggregate Principal Amount: | |
| | (i) Series: | [●] |
| | (ii) [Tranche: | [●]] |
| 5 | (i) Issue Price: | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from <i>[insert date]</i> (<i>in the case of fungible issues only, if applicable</i>)] |
| | (ii) Net Proceeds: | [Approximately] [●] |
| 6 | (i) Denomination Amount: | [●] ¹ |
| | (ii) Calculation Amount: | [●] |
| 7 | (i) Issue Date: | [●] |
| | (ii) Interest Commencement Date: | [Specify/Issue date/Not Applicable] |
| | (iii) First Call Date: | [Specify/Not Applicable] |
| 8 | Negative Pledge: | [Not Applicable/Condition 4(a) applies] |
| 9 | Maturity Date: | <i>[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]²</i> |
| 10 | Interest Basis: | [[●] per cent. Fixed Rate
[[<i>specify reference rate</i>] +/- [●] per cent. Floating Rate]
[Variable Rate] [Hybrid] [Zero Coupon] [Index Linked Interest] [Other (specify)]
(further particulars specified below) |

¹ If the Denomination Amount is expressed to be €100,000 or its equivalent and multiples of a lower nominal amount (for example €1,000), insert the following: “€100,000 plus integral multiples of [€1,000] in excess thereof up to and including [€199,000].

No Notes in definitive form will be issued with a denomination above [€199,000]”. Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

² Note that Renminbi or Hong Kong Dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option.

- 11 Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[For Credit Linked Note — see schedule attached
(full details of Credit Linked Notes to be inserted in a schedule)]
[Other (*specify*)]
- 12 Redemption Amount (including early redemption): [Denomination Amount/ [others]]
[Specify early redemption amount if different from final redemption amount or if different from that set out in the Conditions]
- 13 Change of Interest or Redemption/ Payment Basis: [*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
- 14 Put/Call Options: [Redemption at the Option of the Issuer]
[Redemption at the Option of the Securityholders]
[Redemption for Taxation Reasons]
[Redemption in the case of Minimum Outstanding Amount]
[(further particulars specified below)]
- 15 Status of the Notes: Senior
- 16 Listing and admission to trading: [[●] (*specify*)/None]
- 17 Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 18 Fixed Rate Note Provisions: [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Interest Rate: [●] per cent. per annum [payable annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [●]in each year [*adjusted in accordance with [specify Business Day Convention]/[not adjusted]*]
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount³
- (iv) Initial Broken Amount: [●]
- (v) Final Broken Amount: [●]
- (vi) Day Count Fraction: [30/30E/360/Actual/Actual(ICMA/ISDA)/other]
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
- 19 Floating Rate Note Provisions: [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph.*)

³ For Renminbi or Hong Kong Dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: “Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure, in the case of Renminbi denominated Fixed Rate Notes, to the nearest CNY0.01, CNY0.005 being rounded upwards or, in the case of Hong Kong dollar denominated Fixed Rate Notes, to the nearest HK\$0.01, HK\$0.005 being rounded upwards”.

- (i) Redemption Month ☐
- (ii) Specified Number of Months (Interest Period) ☐
- (iii) Specified Interest Payment Dates: ☐
- (iv) Business Day Convention: ☐
[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
- (v) Manner in which the Rate(s) of Interest is/are to be determined: ☐
[Screen Rate Determination/ISDA Determination/other (*give details*)]
- (vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): ☐
- (vii) Screen Rate Determination:
 - Reference Rate: ☐
(Either LIBOR, EURIBOR, HIBOR, CNH HIBOR, SIBOR or SOR or other, although additional information is required if other)
 - Interest Determination Date(s): ☐
(the day falling two Business Days in London for the Currency prior to the first day of such Interest Period if the Currency is not Sterling, Euro or Hong Kong Dollars or first day of each Interest Period if the Currency is Sterling or Hong Kong Dollars or the day falling two TARGET Business Days prior to the first day of such Interest Period if the Currency is Euro)
 - Relevant Screen Page: ☐
[(In the case of EURIBOR, if not Reuters Page EURIBOR 01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)]
- (viii) ISDA Determination:
 - Floating Rate Option: ☐
 - Designated Maturity: ☐
 - Reset Date: ☐
 - ISDA Definitions: ☐
2006 (if different to those set out in the Conditions, please specify)
- (ix) Benchmark: ☐
[LIBOR, EURIBOR, HIBOR, CNH HIBOR, SIBOR, Swap Rate or other benchmark]
- (x) Reference Banks: ☐
[Specify three]
- (xi) Relevant Time: ☐
- (xii) Relevant Financial Centre: ☐
[The financial centre most closely connected to the Benchmark — specify if not Singapore]
- (xiii) Margin(s): ☐
[+/-]☐ per cent. per annum
- (xiv) Minimum Rate of Interest: ☐ per cent. per annum
- (xv) Maximum Rate of Interest: ☐ per cent. per annum

	(xvi) Day Count Fraction:	[●]
	(xvii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
20	Variable Rate Note Provisions:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Redemption Month:	[Month and year]
	(ii) Interest Determination Date:	[●] Business Days prior to the first day of each Interest Period
	(iii) Day Count Fraction:	[●]
	(iv) Specified Number of Months (Interest Period):	[●]
	(v) Specified Interest Payment Dates:	[●]
	(vi) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other <i>(give details)</i>]
	(vii) Benchmark:	[SIBOR, Swap Rate or other benchmark]
	(viii) Primary Source:	[Specify relevant screen page or "Reference Banks"]
	(ix) Reference Banks:	[Specify three]
	(x) Relevant Time:	[●]
	(xi) Relevant Financial Centre:	[The financial centre most closely connected to the Benchmark — specify if not Singapore]
	(xii) Spread:	[+/-] [●] per cent. per annum
	(xiii) Minimum Rate of Interest:	[●] per cent. per annum
	(xiv) Maximum Rate of Interest:	[●] per cent. per annum
21	Hybrid Note Provisions:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Fixed Rate Period:	[●]
	(ii) Floating Rate Period:	[●]
	(iii) Maturity Date:	[●]
	(iv) Redemption Month:	[Month and year]
	(v) Interest Determination Date:	[●] Business Days prior to the first day of each Interest Period
	(vi) Day Count Fraction:	[●]
	(vii) Interest Payment Date(s):	[●]
	(viii) Initial Broken Amount:	[●]
	(ix) Final Broken Amount:	[●]
	(x) Interest Rate:	[●] per cent. per annum
	(xi) Specified Number of Months (Interest Period):	[●]

	(xii) Specified Interest Payment Dates:	[●]
	(xiii) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (<i>give details</i>)]
	(xiv) Benchmark:	[SIBOR, SWAP RATE or other benchmark]
	(xv) Primary Source:	[specify relevant screen page or “Reference Banks”]
	(xvi) Relevant Time:	[●]
	(xvii) Relevant Financial Centre:	[The financial centre most closely connected to the Benchmark — specify if not Singapore]
	(xviii) Reference Banks:	[specify three]
	(xix) Spread:	[+/-] [●] per cent. per annum
	(xx) Minimum Rate of Interest:	[●] per cent. per annum
	(xxi) Maximum Rate of Interest:	[●] per cent. per annum
	(xxii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Hybrid Notes during the Floating Rate Period, if different from those set out in the Conditions:	[●]
22	Zero Coupon Note Provisions:	[Applicable/Not Applicable] (<i>If not applicable, delete the remaining sub-paragraphs of this paragraph</i>)
	(i) Amortisation Yield:	[●] per cent. per annum
	(ii) Any other formula/basis of determining amount payable:	[●]
	(iii) Day Count Fraction:	[●]
	(iv) Any amount payable under Condition 7(i) (Default interest on the Notes):	[●]
23	Index Linked Interest Note Provisions	[Applicable/Not Applicable] (<i>If not applicable, delete the remaining sub-paragraphs of this paragraph</i>)
	(i) Index/Formula:	[<i>give or annex details</i>]
	(ii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]):	[●]
	(iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted:	[●]
	(iv) Specified Number of Months (Interest Period):	[●]

- | | |
|--|---|
| (v) Specified Interest Payment Dates: | [●] |
| (vi) Business Day Convention: | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (<i>give details</i>)] |
| (vii) Redemption Month: | [Month and year] |
| (viii) Day Count Fraction: | [●] |
| (ix) Relevant Financial Centre: | [The financial centre most closely connected] |
| (x) Any amount payable under Condition 7(h) (Default interest on the Notes): | [●] |

PROVISIONS RELATING TO REDEMPTION

- | | | |
|-----------|--|--|
| 24 | Redemption at the Option of the Issuer Issuer's Redemption Option Period (Condition 6(b)): | [Yes/No] [Specify maximum and minimum number of days for notice period] [Specify Dates] |
| 25 | Redemption at the Option of the Securityholders Securityholders' Redemption Option Period (Condition 6(c)): | [Yes/No] [Specify maximum and minimum number of days for notice period] [Specify Dates] |
| 26 | Redemption for Taxation Reasons Issuer's Redemption Option Period (Condition 6(d)): | [Yes/No] [on [insert other dates of redemption not on interest payment dates]] |
| 27 | [Redemption in the case of Minimum Outstanding Amount: Issuer's Redemption Option Period (Condition 6(e)): | [Yes/No] [Specify maximum and minimum number of days for notice period] [Specify Dates]] |
| 28 | Redemption Amount of each Note: | [●] per Calculation Amount |
| 29 | Early Redemption Amount: | |
| | (i) Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions): | [●] |

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- | | | |
|-----------|----------------|---|
| 30 | Form of Notes: | [Bearer Notes/Registered Notes] [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] |
|-----------|----------------|---|

[Temporary Global Note exchangeable for Definitive Notes on [●] days' notice] (*For this option to be available, such Notes shall only be issued in denominations that are equal to, or greater than, €100,000 (or its equivalent in other currencies) and integral multiples thereof*)

[Permanent Global Note/Global Certificate exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note/Global Certificate]

(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Denomination Amount of the Notes in paragraph 6 includes language substantially to the following effect: "€100,000 plus integral multiples of €1,000 in excess thereof up to and including €199,000." Furthermore, such Denomination Amount construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)

[Definitive Notes]

- | | | |
|----|---|---|
| 31 | Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): | [Yes/No. If yes, <i>give details</i>] |
| 32 | Redenomination, renominalisation and reconventioning provisions: | [Not Applicable/The provisions [annexed to this Pricing Supplement] apply] |
| 33 | Consolidation provisions: | [Not Applicable/The provisions [in Condition [●]] [annexed to this Pricing Supplement] apply] |
| 34 | Private Banking Rebate: | [Applicable/Not Applicable] |
| 35 | Use of Proceeds: | [As per the Offering Circular/ <i>give details</i>] |
| 36 | Other terms or special conditions: | [Not Applicable/ <i>give details</i>] |

DISTRIBUTION

- | | | |
|----|---------------------------------------|--|
| 37 | (i) If syndicated, names of Managers: | [Not Applicable/ <i>give name</i>] |
| | (ii) Stabilising Manager (if any): | [Not Applicable/ <i>give name</i>] |
| 38 | If non-syndicated, name of Dealer: | [Not Applicable/ <i>give name</i>] |
| 39 | U.S. selling restrictions: | [Reg. S Category 1/2; TEFRA D/TEFRA C/TEFRA Not Applicable] The Notes are being offered and sold only in accordance with Regulation S. |
| 40 | Additional selling restrictions: | [Not Applicable/ <i>give details</i>] |

OPERATIONAL INFORMATION

- | | | |
|----|--------------|-----|
| 41 | ISIN Code: | [●] |
| 42 | Common Code: | [●] |

- 43 Any clearing system(s) other than Euroclear, Clearstream, Luxembourg or CDP and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
- 44 Delivery: Delivery [against/free of] payment
- 45 Additional Paying Agent(s) (if any): [Not Applicable/*give name*]

GENERAL

- 46 Applicable governing document: Trust Deed dated 12 May 2017
- 47 The aggregate principal amount of Notes in the Currency issued has been translated into Singapore dollars at the rate specified, producing a sum of: [Not applicable/Exchange rate of Currency: Singapore dollar/Singapore dollar equivalent: [●]]
- 48 In the case of Registered Notes, specify the location of the office of the Registrar if other than Hong Kong or Singapore: [●]
- 49 In the case of Bearer Notes, specify the location of the office of the Issuing and Paying Agent if other than Hong Kong or Singapore: [●]
- 50 Ratings: The Notes to be issued are unrated.
- 51 Governing Law: English law

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on the Singapore Exchange Securities Trading Limited of the Notes described herein pursuant to the U.S.\$2,000,000,000 Multicurrency Debt Issuance Programme of ESR Cayman Limited.

[STABILISATION

In connection with this issue, [insert name of Stabilising Manager] (the “**Stabilising Manager**”) (or persons acting on behalf of any Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager (or persons acting on behalf of any Stabilising Manager) in accordance with all applicable laws and rules.]

INVESTMENT CONSIDERATIONS

There are significant risks associated with the Notes including, but not limited to, counterparty risk, country risk, price risk and liquidity risk. Investors should contact their own financial, legal, accounting and tax advisers about the risks associated with an investment in these Notes, the appropriate tools to analyse that investment, and the suitability of the investment in each investor's particular circumstances. No investor should purchase the Notes unless that investor understands and has sufficient financial resources to bear the price, market liquidity, structure and other risks associated with an investment in these Notes.

Before entering into any transaction, investors should ensure that they fully understand the potential risks and rewards of that transaction and independently determine that the transaction is appropriate given their objectives, experience, financial and operational resources and other relevant circumstances. Investors should consider consulting with such advisers as they deem necessary to assist them in making these determinations.

RESPONSIBILITY

[Each of] the Issuer [and the Guarantor] accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of [ESR CAYMAN LIMITED/specify other Issuer]

By: _____
Duly authorised

[Signed on behalf of ESR CAYMAN LIMITED]:

By: _____
Duly authorised]

FORM OF PRICING SUPPLEMENT IN RELATION TO PERPETUAL SECURITIES

PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The Perpetual Securities are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“**MiFID II**”); (ii) a customer within the meaning of Directive 2002/92/EC (“**IMD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “**Prospectus Directive**”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Perpetual Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Perpetual Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Pricing Supplement dated [●]

[ESR CAYMAN LIMITED/specify other Issuer]
Issue of [Aggregate Principal Amount of Tranche] [Title of Perpetual Securities]
under the U.S.\$2,000,000,000 Multicurrency Debt Issuance Programme

This document constitutes the Pricing Supplement relating to the issue of Perpetual Securities described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Perpetual Securities (the “**Conditions**”) set forth in the Offering Circular dated 12 May 2017 [and the supplemental Offering Circular dated [●]]. This Pricing Supplement contains the final terms of the Perpetual Securities and must be read in conjunction with such Offering Circular [as so supplemented].

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Perpetual Securities (the “**Conditions**”) set forth in the Offering Circular dated [●]. This Pricing Supplement contains the final terms of the Perpetual Securities and must be read in conjunction with the Offering Circular dated [current date] [and the supplemental Offering Circular dated [●]], save in respect of the Conditions which are extracted from the Offering Circular dated [●] and are attached hereto.]

[The following language applies if the Perpetual Securities are intended to be Qualifying Debt Securities for the purposes of the Income Tax Act, Chapter 134 of Singapore.]

Where interest (including distributions which are regarded as interest for Singapore income tax purposes), discount income, prepayment fee, redemption premium or break cost is derived from any of the Perpetual Securities by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for qualifying debt securities (subject to certain conditions) under the Income Tax Act, Chapter 134 of Singapore (the “**ITA**”), shall not apply if such person acquires such Perpetual Securities using the funds and profits of such person’s operations through a permanent establishment in Singapore. Any person whose interest (including distributions

which are regarded as interest for Singapore income tax purposes), discount income, prepayment fee, redemption premium or break cost derived from the Perpetual Securities is not exempt from tax (including for the reasons described above) shall include such income in a return of income made under the ITA.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.]

- | | | |
|----------|---|--|
| 1 | [(i)] Issuer: | [ESR Cayman Limited/specify other Issuer] |
| | [(ii)] Guarantor: | ESR Cayman Limited] |
| 2 | (i) Series Number: | [●] |
| | [(ii)] Tranche Number: | [●] |
| | <i>(If fungible with an existing Series, details of that Series, including the date on which the Perpetual Securities became fungible.)</i> | |
| 3 | Currency or Currencies: | [●] |
| 4 | Aggregate Principal Amount: | |
| | (i) Series: | [●] |
| | (ii) [Tranche: | [●]] |
| 5 | (i) Issue Price: | [●] per cent. of the Aggregate Nominal Amount
[plus accrued interest from <i>[insert date]</i> (in the case of fungible issues only, if applicable)] |
| | (ii) Net Proceeds: | [Approximately] [●] |
| 6 | (i) Denomination Amount: | [●] ¹ |
| | (ii) Calculation Amount: | [●] |
| 7 | (i) Issue Date: | [●] |
| | (ii) Distribution Commencement Date: | [Specify/Issue date/Not Applicable] |
| | (iii) First Call Date: | [Specify/Not Applicable] |
| 8 | Maturity Date: | <i>[specify date or (for Floating Rate Perpetual Securities) Distribution Payment Date falling in or nearest to the relevant month and year]²</i> |
| 9 | Distribution Basis: | [[●] per cent. Fixed Rate
[[<i>specify reference rate</i>] +/- [●] per cent. Floating Rate] (further particulars specified below) |

¹ If the Denomination Amount is expressed to be €100,000 or its equivalent and multiples of a lower nominal amount (for example €1,000), insert the following: “€100,000 plus integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Perpetual Securities in definitive form will be issued with a denomination above [€199,000]”.

Perpetual Securities (including Perpetual Securities denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

² Note that Renminbi or Hong Kong Dollar denominated Fixed Rate Perpetual Securities where the Distribution Payment Dates are subject to modification it will be necessary to use the second option.

- 10 Redemption/Payment Basis: [Redemption at par]
[Other (*specify*)]
- 11 Redemption Amount (including early redemption): [Denomination Amount/ [others]]
[Specify early redemption amount if different from final redemption amount or if different from that set out in the Conditions]
- 12 Put/Call Options: [Redemption at the Option of the Issuer]
[Redemption for Taxation Reasons]
[Redemption for Accounting Reasons]
[Redemption for Tax Deductibility]
[Redemption in the case of Minimal Outstanding Amount]
[(further particulars specified below)]
- 13 Status of Perpetual Securities: [Senior Perpetual Securities/Subordinated Perpetual Securities]
- 14 Parity Obligations [●]
- 15 Junior Obligations [●]
- 16 Listing and admission to trading: [[●] (*specify*)/None]
- 17 Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO DISTRIBUTION PAYABLE

- 18 Fixed Rate Perpetual Security Provisions: [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Distribution Rate[(s)]: [●] per cent. per annum [payable annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Distribution Payment Date(s): [●]in each year [*adjusted in accordance with [specify Business Day Convention]/[not adjusted]*]
- (iii) Initial Broken Amount: [●]
- (iv) Final Broken Amount: [●]
- (v) Day Count Fraction: [30/30E/360/Actual/Actual(ICMA/ISDA)/other]
- (vi) First Reset Date: [●]
- (vii) Reset Date: [●]
- (viii) Reset Distribution Rate: [●]
- (ix) Initial Spread: [●]
- (x) Reset Period: [●]
- (xi) Step-Up Margin: [●]
- (xii) Step-up Date: [●]
- (xiii) Relevant Rate: [●]
- (xiv) Change of Control Margin: [●]
- (xv) Other terms relating to the method of calculating distribution for Fixed Rate Perpetual Securities: [Not Applicable/*give details*]
- 19 Floating Rate Perpetual Security Provisions: [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph.*)
- (i) Specified Number of Months (Distribution Period): [●]

- (ii) Specified Distribution Payment ☒ [●]
Dates:
- (iii) Business Day Convention: ☐ [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (iv) Manner in which the Distribution Rate(s) is/are to be determined: ☐ [Screen Rate Determination/ISDA Determination/other (give details)]
- (v) Party responsible for calculating the Distribution Rate(s) and Amount(s) (if not the Calculation Agent): ☒ [●]
- (vi) Distribution Determination Date: ☒ [●] Business Days prior to the first day of each Distribution Period
- (vii) Screen Rate Determination:
— Reference Rate: ☒ [●]
(Either LIBOR, EURIBOR, HIBOR, CNH HIBOR, SIBOR or SOR or other, although additional information is required if other)

— Interest Determination Date(s): ☒ [●]
(the day falling two Business Days in London for the Currency prior to the first day of such Distribution Period if the Currency is not Sterling, Euro or Hong Kong Dollars or first day of each Distribution Period if the Currency is Sterling or Hong Kong Dollars or the day falling two TARGET Business Days prior to the first day of such Distribution Period if the Currency is Euro)

— Relevant Screen Page: ☒ [●]
(In the case of EURIBOR, if not Reuters Page EURIBOR 01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)]
- (viii) ISDA Determination:
— Floating Rate Option: ☒ [●]
— Designated Maturity: ☒ [●]
— Reset Date: ☒ [●]
— ISDA Definitions: 2006 (if different to those set out in the Conditions, please specify)
- (ix) Benchmark: ☐ [LIBOR, EURIBOR, HIBOR, CNH HIBOR, SIBOR, Swap Rate or other benchmark]
- (x) Reference Banks: ☐ [Specify three]
- (xi) Relevant Time: ☒ [●]
- (xii) Relevant Financial Centre: ☐ [The financial centre most closely connected to the Benchmark — specify if not Singapore]
- (xiii) Margin(s): ☐ [+/-] ☒ [●] per cent. per annum
- (xiv) Minimum Distribution Rate: ☒ [●] per cent. per annum
- (xv) Maximum Distribution Rate: ☒ [●] per cent. per annum
- (xvi) Day Count Fraction: ☒ [●]

(xvii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Perpetual Securities, if different from those set out in the Conditions:

20 Others:

- (i) Distribution Deferral: ☐
- (ii) Optional Distribution: ☐
- (iii) Dividend Stopper: ☐
- (iv) Dividend Pusher and Reference Period: ☐
- (v) Non-cumulative Deferral: ☐
- (vi) Cumulative Deferral: ☐
- (vii) Additional Distribution: ☐

PROVISIONS RELATING TO REDEMPTION

- 21** Redemption at the Option of the Issuer Issuer's Redemption Option Period (Condition 5(b)) ☐ [Yes/No] [Specify maximum and minimum number of days for notice period]
- 22** Redemption for Taxation Reasons Issuer's Redemption Option Period (Condition 5(c)) ☐ [Yes/No] [Specify maximum and minimum number of days for notice period]
- 23** Redemption for Accounting Reasons Issuer's Redemption Option Period (Condition 5(d)) ☐ [Yes/No] [Specify maximum and minimum number of days for notice period]
- 24** Redemption for Tax Deductibility Issuer's Redemption Option Period (Condition 5(e)) ☐ [Yes/No] [Specify maximum and minimum number of days for notice period]
- 25** Redemption in the case of Minimal Outstanding Amount Issuer's Redemption Option Period (Condition 5(f)) ☐ [Yes/No] [Specify maximum and minimum number of days for notice period]
- 26** Redemption Amount of each Perpetual Security: ☐ per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE PERPETUAL SECURITIES

- 27** Form of Perpetual Securities: [Bearer Perpetual Securities/Registered Perpetual Securities]
[Temporary Global Security exchangeable for a Permanent Global Perpetual Security which is exchangeable for Definitive Perpetual Securities in the limited circumstances specified in the Permanent Global Security]
[Temporary Global Security exchangeable for Definitive Perpetual Securities on [●] days' notice] (*For this option to be available, such Perpetual Securities shall only be issued in denominations that are equal to, or greater than, €100,000 (or its equivalent in other currencies) and integral multiples thereof*)
[Permanent Global Security /Global Certificate exchangeable for Definitive Perpetual Securities in the limited circumstances specified in the permanent Global Security/Global Certificate] (*N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Denomination Amount of the Perpetual Securities in paragraph 6 includes language substantially to the following effect: "C= 100,000 plus integral multiples of €1,000 in excess thereof up to and including €199,000." Furthermore, such Denomination Amount construction is not permitted in relation to any issue of Perpetual Securities which is to be represented on issue by a temporary Global Perpetual Security exchangeable for Definitive Perpetual Securities.*)
[Definitive Perpetual Securities]
- 28** Talons for future Coupons to be attached to Definitive Perpetual Securities (and dates on which such Talons mature): [Yes/No. If yes, *give details*]
- 29** Redenomination, renominalisation and reconventioning provisions: [Not Applicable/The provisions [annexed to this Pricing Supplement] apply]
- 30** Consolidation provisions: [Not Applicable/The provisions [in Condition [●]] [annexed to this Pricing Supplement] apply]
- 31** Private Banking Rebate: [Applicable/Not Applicable]
- 32** Use of Proceeds: [As per the Offering Circular/*give details*]
- 33** Other terms or special conditions: [Not Applicable/*give details*]

DISTRIBUTION

- 34** (i) If syndicated, names of Managers: [Not Applicable/*give name*]
(ii) Stabilising Manager (if any): [Not Applicable/*give name*]
- 35** If non-syndicated, name of Dealer: [Not Applicable/*give name*]

- 36 U.S. selling restrictions: [Reg. S Category 1/2; TEFRA D/TEFRA C/TEFRA Not Applicable] The Perpetual Securities are being offered and sold only in accordance with Regulation S.
- 37 Additional selling restrictions: [Not Applicable/*give details*]

OPERATIONAL INFORMATION

- 38 ISIN Code: [●]
- 39 Common Code: [●]
- 40 Any clearing system(s) other than Euroclear, Clearstream, Luxembourg or CDP and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
- 41 Delivery: Delivery [against/free of] payment
- 42 Additional Paying Agent(s) (if any): [Not Applicable/*give name*]

GENERAL

- 43 Applicable governing document: Trust Deed dated 12 May 2017
- 44 The aggregate principal amount of Perpetual Securities in the Currency issued has been translated into Singapore dollars at the rate specified, producing a sum of: [Not applicable/Exchange rate of Currency: Singapore dollar/Singapore dollar equivalent: [●]]
- 45 In the case of Registered Perpetual Securities, specify the location of the office of the Registrar if other than Hong Kong or Singapore: [●]
- 46 In the case of Bearer Perpetual Securities, specify the location of the office of the Issuing and Paying Agent if other than Hong Kong or Singapore: [●]
- 47 Ratings: The Perpetual Securities to be issued are unrated.
- 48 Governing Law: English law, except that the subordination provisions set out in Condition 3(b) applicable to (i) the Issuer shall be governed by and construed in accordance with the laws of its jurisdiction of incorporation; and (ii) the Guarantor shall be governed by and construed in accordance with the laws of the Cayman Islands

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on the Singapore Exchange Securities Trading Limited of the Perpetual Securities described herein pursuant to the U.S.\$2,000,000,000 Multicurrency Debt Issuance Programme of ESR Cayman Limited.

[STABILISATION]

In connection with this issue, [insert name of Stabilising Manager] (the “**Stabilising Manager**”) (or persons acting on behalf of any Stabilising Manager) may over-allot Perpetual Securities or effect transactions with a view to supporting the market price of the Perpetual Securities at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Perpetual Securities is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Perpetual Securities and 60 days after the date of the allotment of the Perpetual Securities. Any stabilisation action or overallotment must be conducted by the relevant Stabilising Manager (or persons acting on behalf of any Stabilising Manager) in accordance with all applicable laws and rules.]

INVESTMENT CONSIDERATIONS

There are significant risks associated with the Perpetual Securities including, but not limited to, counterparty risk, country risk, price risk and liquidity risk. Investors should contact their own financial, legal, accounting and tax advisers about the risks associated with an investment in these Perpetual Securities, the appropriate tools to analyse that investment, and the suitability of the investment in each investor’s particular circumstances. No investor should purchase the Perpetual Securities unless that investor understands and has sufficient financial resources to bear the price, market liquidity, structure and other risks associated with an investment in these Perpetual Securities.

Before entering into any transaction, investors should ensure that they fully understand the potential risks and rewards of that transaction and independently determine that the transaction is appropriate given their objectives, experience, financial and operational resources and other relevant circumstances. Investors should consider consulting with such advisers as they deem necessary to assist them in making these determinations.

RESPONSIBILITY

[Each of] the Issuer [and the Guarantor] accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of [ESR CAYMAN LIMITED/specify other Issuer]

By: _____
Duly authorised

[Signed on behalf of ESR CAYMAN LIMITED:

By: _____
Duly authorised]

GENERAL INFORMATION

- (1) Application has been made for permission to deal in, and for quotation of, any Securities which are agreed at the time of issue to be listed on the SGX-ST. There can be no assurance that the application to the SGX-ST will be approved. If the application to the SGX-ST to list a particular Series of Securities is approved, and the rules of the SGX-ST so require, such Securities will be traded on the SGX-ST in a minimum board lot size of S\$200,000 or its equivalent in other specified currencies. So long as any Securities are listed on the SGX-ST and the rules of the SGX-ST so require, the relevant Issuer shall appoint and maintain a paying agent in Singapore, where such Securities may be presented or surrendered for payment or redemption, in the event that that Global Security representing such Securities is exchanged for definitive Securities. In addition, an announcement of such exchange will be made through the SGX-ST. Such announcement will include all material information with respect to the delivery of the definitive Securities, including details of the paying agent in Singapore.
- (2) Each of the Issuers and the Guarantor has obtained all necessary consents, approvals and authorisations in Singapore in connection with the establishment of the Programme and the giving of the Guarantee. The establishment of the Programme and the giving of the Guarantee by ESR was authorised by resolutions of the Executive Committee of the Board of Directors of ESR and the deciding shareholder passed on 9 May 2017.
- (3) Except as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of ESR or the Group since 31 December 2016 and no material adverse change in the prospects of ESR or the Group since 31 December 2016.
- (4) Except as disclosed in this Offering Circular, there are no legal or arbitration proceedings pending or, so far as the Issuers, the Guarantor and their respective directors are aware, threatened against the Issuers, the Guarantor or any member of the Group the outcome of which, in the opinion of the directors, may have or have had during the 12 months prior to the date of this Offering Circular a material adverse effect on the financial position of the Issuers or the Guarantor.
- (5) Each Bearer Security having a maturity of more than one year, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".
- (6) The Securities may be accepted for clearance through Euroclear, Clearstream, Luxembourg and CDP. The relevant ISIN and common code in relation to the Securities of each Tranche will be specified in the relevant Pricing Supplement. The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Securities for clearance together with any further appropriate information.
- (7) For so long as Securities may be issued pursuant to this Offering Circular, the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the specified office of the Trustee and (in the case of the documents mentioned in (i), (ii), (v) and (vi)) the specified office of the Issuing and Paying Agent, the addresses of which, as at the date of this Offering Circular, are set out at the end of this Offering Circular:
 - (i) the Trust Deed (which includes the form of the Global Securities, the definitive Bearer Securities, the Certificates, the Coupons and the Talons);
 - (ii) the Agency Agreement;

- (iii) the constitutive documents of each Issuer and the Guarantor;
 - (iv) the most recently published and publicly available annual report and published and publicly available audited consolidated financial statements of ESR;
 - (v) each Pricing Supplement (save that a Pricing Supplement related to an unlisted Series of Securities will only be available for inspection by a holder of any such Securities and such holder must produce evidence satisfactory to the Issuer, the Guarantor or the Trustee as to its holding of Securities and identity); and
 - (vi) a copy of this Offering Circular together with any supplement to this Offering Circular or further Offering Circular.
- (8) Ernst & Young Hua Ming LLP has audited and rendered an unqualified audit report on the consolidated financial statements of ESR for the year ended 31 December 2016 (which is included only in F-2 to F-85 of this Offering Circular). Ernst & Young Hua Ming LLP has given and has not withdrawn its written consent to the inclusion herein of (i) its name and (ii) the independent auditor's report on the consolidated financial statements of ESR for the year ended 31 December 2016, in the form and context in which they appear in this Offering Circular, and reference to its names and such reports in the form and context in which they appear in this Offering Circular.
- (9) KPMG LLP has audited and rendered an unqualified audit report on the consolidated financial statements of (i) Target Company A and (ii) Target Company B, each for the year ended 31 December 2015 (which are included only in F-86 to F-155 of this Offering Circular). KPMG LLP has given and has not withdrawn its written consent to the inclusion herein of (i) the independent auditor's report on the consolidated financial statements of Target Company A for the year ended 31 December 2015 and (ii) the independent auditor's report on the consolidated financial statements of Target Company B for the year ended 31 December 2015, each in the form and context in which they appear in this Offering Circular, and reference to its names and such reports in the form and context in which they appear in this Offering Circular.

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ESR Cayman Limited
(Formerly known as E-Shang Redwood Limited)

Consolidated Financial Statements

For the year ended 31 December 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of ESR Cayman Limited

Opinion

We have audited the consolidated financial statements of ESR Cayman Limited (the "Company") and its subsidiaries (the "Group") set out on pages 4 to 82, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Certified Public Accountants (the "Code") issued by the Chinese Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless directors of the Company either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility forwards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young Hua Ming LLP

Shanghai, the People's Republic of China

14 April 2017

ESR Cayman Limited

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

		2016 RMB'000	2015 RMB'000
REVENUE	4(a)	649,620	336,195
Cost of sales		<u>(17,826)</u>	<u>(21,032)</u>
Gross profit		631,794	315,163
Other income and gains	4(b)	907,538	229,014
Administrative expenses		(387,135)	(151,833)
Fair value loss on derivative financial instrument	21	(81,474)	(2,312)
Finance costs	5	(375,352)	(251,614)
Share of profits and losses of joint ventures, net		<u>244,112</u>	<u>3,378</u>
Profit before tax	6	939,483	141,796
Income tax expense	7	<u>(234,284)</u>	<u>(82,925)</u>
Profit for the year		705,199	58,871
Attributable to:			
Owners of the parent		593,881	59,237
Non-controlling interests		<u>111,318</u>	<u>(366)</u>
		705,199	58,871

ESR Cayman Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
Profit for the year	<u>705,199</u>	<u>58,871</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments		
changes in fair value, net of tax	1,678	-
Exchange differences on translation		
of foreign operations	(104,022)	(23,031)
Share of other comprehensive		
Income of joint ventures	<u>2,675</u>	<u>8,217</u>
Other comprehensive income for the year, net of tax	<u>(99,669)</u>	<u>(14,814)</u>
Total comprehensive income for the year	<u>605,530</u>	<u>44,057</u>
Attributable to:		
Owners of the parent	499,664	44,511
Non-controlling interests	<u>105,866</u>	<u>(454)</u>
	<u>605,530</u>	<u>44,057</u>

ESR Cayman Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	16,971	7,168
Investment in joint ventures	9	1,375,085	566,781
Financial assets at fair value through profit or loss	10	975,182	-
Available-for-sale investments	11	10,351	-
Investment properties	12	6,541,100	4,404,750
Goodwill	13	1,380,288	-
Other intangible assets	14	173,760	66
Other non-current assets	15	345,270	397,683
Deferred tax assets	7	64,574	41,284
Total non-current assets		<u>10,882,581</u>	<u>5,417,732</u>
CURRENT ASSETS			
Trade receivables	16	64,310	34,771
Prepayments, deposits and other receivables	17	154,587	227,730
Derivative financial instruments	21	-	1,688
Pledged bank deposits	18	511,815	243,641
Cash and bank balances	18	<u>2,856,414</u>	<u>937,152</u>
Total current assets		<u>3,587,126</u>	<u>1,444,982</u>
CURRENT LIABILITIES			
Bank loans and other borrowings	19	526,253	232,750
Trade payables, accruals and other payables	20	211,055	343,262
Derivative financial instruments	21	-	78,845
Tax payable		<u>13,438</u>	<u>9,707</u>
Total current liabilities		<u>750,746</u>	<u>664,564</u>
NET CURRENT ASSETS		<u>2,836,380</u>	<u>780,418</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>13,718,961</u>	<u>6,198,150</u>

ESR Cayman Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	7	762,737	468,945
Bank loans and other borrowings	19	5,267,979	3,023,937
Redeemable convertible preference shares	22	1,707,587	-
Financial liabilities at fair value through profit or loss	23	87,351	-
Other non-current liabilities		<u>73,960</u>	<u>53,828</u>
Total non-current liabilities		<u>7,899,614</u>	<u>3,546,710</u>
NET ASSETS		<u>5,819,347</u>	<u>2,651,440</u>
EQUITY			
Equity attributable to owners of the parent			
Issued capital	32	12,170	9,752
Equity component of redeemable convertible instruments	21/22	453,676	-
Other reserves	32	<u>4,794,093</u>	<u>2,636,043</u>
		5,259,939	2,645,795
Non-controlling interests		<u>559,408</u>	<u>5,645</u>
Total equity		<u>5,819,347</u>	<u>2,651,440</u>

Director

Director

ESR Cayman Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

Attributable to owners of the parent										
	Issued capital (note 32) RMB'000	Share premium (note 32) RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Share option reserve (note 32) RMB'000	Exchange fluctuation reserve (note 32) RMB'000	Retained profits RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total Equity RMB'000
Year at 1 January 2015	9,752	1,542,947	1,538	354,889	-	(18,586)	708,556	2,599,096	4,986	2,604,082
Profit for the year	-	-	-	-	-	-	59,237	59,237	(366)	58,871
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(22,943)	-	(22,943)	(88)	(23,031)
Share of other comprehensive income of joint ventures	-	-	-	-	-	8,217	-	8,217	-	8,217
Total comprehensive income for the year	-	-	-	-	-	(14,726)	59,237	44,511	(454)	44,057
Equity-settled share option arrangements	-	-	-	-	2,188	-	-	2,188	-	2,188
Transferred from retained profit	-	-	1,624	-	-	-	(1,624)	-	-	-
Contribution from non-controlling interest	-	-	-	-	-	-	-	-	6,014	6,014
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(3,080)	(3,080)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(1,821)	(1,821)
Year at 31 December 2015	<u>9,752</u>	<u>1,542,947*</u>	<u>3,162*</u>	<u>354,889*</u>	<u>2,188*</u>	<u>(33,312)*</u>	<u>766,169*</u>	<u>2,645,795</u>	<u>5,645</u>	<u>2,651,440</u>

ESR Cayman Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2016

Attributable to owners of the parent

	Issued capital (note 32) RMB'000	Equity component of redeemable convertible instruments (note 21/22) RMB'000	Share premium (note 32) RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Share option reserve (note 32) RMB'000	Available-for-sale investment revaluation reserve (note 32) RMB'000	Exchange fluctuation reserve (note 32) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
Year at 1 January 2016	9,752	-	1,542,947	3,162	354,889	2,188	-	(33,312)	766,169	2,645,795	5,645	2,651,440
Profit for the year	-	-	-	-	-	-	-	-	593,881	593,881	111,318	705,199
Other comprehensive income for the year:												
Change in fair value of available-for-sale investments, net of tax	-	-	-	-	-	-	1,678	-	-	1,678	-	1,678
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(98,570)	-	(98,570)	(5,452)	(104,022)
Share of other comprehensive income of joint ventures	-	-	-	-	-	-	-	2,675	-	2,675	-	2,675
Total comprehensive income for the year	-	-	-	-	-	-	1,678	(95,895)	593,881	499,664	105,866	605,530
Issue of shares	2,418	-	1,657,882	-	-	-	-	-	-	1,660,300	-	1,660,300
Equity-settled share option arrangements	-	-	-	-	-	504	-	-	-	504	-	504
Transferred from retained profit	-	-	-	1,272	-	-	-	-	(1,272)	-	-	-
Reclassification from financial liabilities to equity in respect of preference shares issued by a subsidiary (note 24)	-	-	-	-	-	-	-	-	-	-	274,434	274,434
Reclassification from financial liabilities to equity in respect of warrant instruments (note 21)	-	184,218	-	-	-	-	-	-	-	184,218	-	184,218
Issue of redeemable convertible preference shares (note 22)	-	269,458	-	-	-	-	-	-	-	269,458	-	269,458
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	174,842	174,842
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(1,379)	(1,379)
Year at 31 December 2016	12,170	453,676	3,200,829*	4,434*	354,889*	2,692*	1,678*	(129,207)*	1,358,778*	5,259,939	559,408	5,819,347

* These reserve accounts comprise the consolidated other reserves of RMB4,794,093,000 (2015: RMB2,636,043,000) in the consolidated statement of financial position.

ESR Cayman Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Cash from operating activities			
Profit before tax		939,483	141,796
Adjustments for:			
– Depreciation of property, plant and equipment	8	4,351	1,372
– Amortization of other intangible assets	14	25,508	41
– Fair value gains on financial assets at fair value through profit or loss	4(b)	(179,487)	-
– Fair value gains on completed investment properties	4(b)	(676,897)	(184,536)
– Fair value gains on investment properties under construction	4(b)	(38,677)	(26,399)
– Fair value loss on derivative financial instruments		81,474	2,312
– Loss on disposal of items of property, plant and equipment		495	242
– Gain on disposal of subsidiaries	4(b)	(216)	(498)
– Gain on deemed partial disposal of a joint venture	4(b)	-	(3,455)
– Finance cost	5	375,352	251,614
– Interest income	4(b)	(3,369)	(11,379)
– Share of profits and losses of joint ventures		(244,112)	(3,378)
– Equity-settled share option expense		504	2,188
		284,409	169,920
Increase in trade receivables		(15,193)	(14,990)
(Increase)/decrease in prepayments, deposits and other receivables		(43,097)	4,731
(Decrease)/increase in trade and other payables		(87,860)	29,826
Cash flows generated from operations		138,259	189,487
Income tax paid		(588)	(649)
Net cash flows generated from operating activities		<u>137,671</u>	<u>188,838</u>

ESR Cayman Limited

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(10,480)	(6,341)
Purchase of other intangible assets	14	(1,075)	-
Additions to investment properties		(289,752)	(327,568)
Prepayments for acquiring land use right		(16,459)	(318,003)
Purchase for financial assets at fair value through profit or loss		(379,389)	-
Prepayments for equity investments at fair value through profit or loss		(249,695)	-
Acquisition of subsidiaries		(274,289)	-
Disposal of subsidiaries	27	83,874	149,819
Capital injection in joint ventures	9	(537,493)	(318,016)
Capital injection by non-controlling shareholders		-	6,014
Acquisition of non-controlling interests		-	(3,080)
Change in deposit for bidding of land use right		(5,575)	(15,020)
Advance to related parties		(36,000)	(20,510)
Repayment from related parties		22,675	68,318
Advance from related parties		9,969	3,442
Repayment to related parties		(54,617)	(30,922)
Net cash flows used in investing activities		<u>(1,738,306)</u>	<u>(811,867)</u>
Cash flows from financing activities			
Interest paid		(390,042)	(116,583)
Proceeds from bank loans and other borrowings		4,590,694	2,239,666
Repayments of bank loans and other borrowings		(2,472,637)	(1,274,582)
Release of bank deposits pledged for bank loans		147,695	218,126
Increase in pledged bank deposits for bank loans		(411,000)	(133,323)
Issue of redeemable convertible preference shares		<u>1,977,045</u>	<u>-</u>
Net cash generated from financing activities		<u>3,441,755</u>	<u>933,304</u>
Net increase in cash and cash equivalents		<u>1,841,120</u>	<u>310,275</u>
Cash and cash equivalents at beginning of year		937,152	606,615
Effect of foreign exchange rate changes, net		<u>78,142</u>	<u>20,262</u>
Cash and cash equivalents at end of year		<u>2,856,414</u>	<u>937,152</u>

ESR Cayman Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

1. CORPORATE INFORMATION

ESR Cayman Limited (formerly known as E-Shang Redwood Limited, the "Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 14 June 2011. The address of the registered office is Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands.

The Company and its subsidiaries (together, the "Group") are principally engaged in warehousing investment properties development, leasing, property management in the People's Republic of China (the "PRC") and private equity fund investment and management in the PRC, Singapore, Korea and Japan.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation	Nominal value of issued ordinary/registered and share capital	Percentage of equity attributable to the Company	Principal activities
Shanghai e-Shang Warehouse Service Co., Ltd.	Mainland China	RMB 109,090,909	100%	Investment and Management
Shanghai Dongjin Industrial Co., Ltd.	Mainland China	RMB 30,000,000	100%	Investment and Management
Dongguan Huishang e-commerce Service Co., Ltd.	Mainland China	USD 20,000,000	100%	Warehousing Business
Langfang Weidu International Logistic Co., Ltd.	Mainland China	USD 24,000,000	100%	Warehousing Business
Jiangsu Yitian Warehouse Service Co., Ltd.	Mainland China	USD 60,000,000	100%	Warehousing Business
Xinbin (Shanghai) Business Management Service Co., Ltd.	Mainland China	USD 15,000,000	100%	Warehousing Business
Shanghai Donghe Warehouse Co., Ltd.	Mainland China	RMB 40,000,000	100%	Warehousing Business

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

1. CORPORATE INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation	Nominal value of issued ordinary/registered and share capital	Percentage of equity attributable to the Company	Principal activities
Shanghai Moya Warehouse Co., Ltd.	Mainland China	RMB 12,000,000	100%	Warehousing Business
Dongguan Hongshang Warehouse Service Co., Ltd.	Mainland China	USD 63,000,000	100%	Warehousing Business
Shanghai Fengyuan Logistic Co., Ltd.	Mainland China	RMB 120,000,000	100%	Warehousing Business
Jiangsu Friend Warehouse Co., Ltd.	Mainland China	RMB 371,320,077	100%	Warehousing Business
Hangzhou Mingpu Supply Chain Management Co., Ltd.	Mainland China	USD 30,000,000	100%	Warehousing Business
Tianjin Fanbin Warehouse Service Co., Ltd.	Mainland China	USD 29,200,000	100%	Warehousing Business
Wuhan Mingju Supply Chain Company Limited	Mainland China	USD 16,700,000	100%	Warehousing Business
Wuhan Minglong Logistics Company Limited	Mainland China	USD 12,000,000	100%	Warehousing Business
Tianjin Mingcheng Logistics Company Limited	Mainland China	USD 12,000,000	100%	Warehousing Business
Taicang Mingzhan Logistics Company Limited	Mainland China	USD 30,000,000	100%	Warehousing Business

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

1. CORPORATE INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation	Nominal value of issued ordinary/registered and share capital	Percentage of equity attributable to the Company	Principal activities
Kendall Square Logistics Properties ("KSLP")	Korea	KRW 500,000,000	100%	Investment and Management
Redwood Asian Investment, Ltd. ("RAIL")	Cayman Islands	USD1	100%	Investment and Management
ESR Singapore Pte. Ltd. (formerly known as Redwood Group Asia Pte. Ltd., "ESR Singapore")	Singapore	SGD1	100%	Investment and Management
Redwood Group Japan Ltd. ("RWJ")	Japan	JPY 466,970,000	100%	Investment and Management
RCLF LP Ltd.	Cayman Islands	USD100	100%	Investment and Management
Baraki 2 Investor Pte. Ltd.	Singapore	JPY 5,636,926	100%	Investment and Management
Redwood Fujiidera Investor Ltd.	Cayman Islands	JPY 665,817,064	100%	Investment and Management
Redwood Asian Investments 2 Ltd.	Cayman Islands	JPY 514,285,715	100%	Investment and Management
RW Nankonaka Godo Kaisha	Japan	JPY 50,000	100%	Investment and Management
Sunwood Singapore Limited	Singapore	SGD 49,974,704	95%	Investment and Management

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis, except for completed investment properties, investment properties under construction, financial assets and liabilities at fair value through profit or loss, available-for-sale investments at fair value that have been measured at fair value. The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (¥000), except when otherwise indicated.

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

2.1 BASIS OF PREPARATION (CONTINUED)

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 10, IFRS 12 and IAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to IFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
IFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to IAS 1	<i>Disclosure Initiative</i>
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to IAS 16 and IAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to IAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
Annual Improvements 2012-2014 Cycle	<i>Amendments to a number of IFRSs</i>

The adoption of these new and revised IFRSs has had no significant financial effect on these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions²</i>
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts²</i>
IFRS 9	<i>Financial Instruments²</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
IFRS 15	<i>Revenue from Contracts with Customers²</i>
Amendments to IFRS 15	<i>Clarifications to IFRS 15 Revenue from Contracts with Customers²</i>
IFRS 16	<i>Leases³</i>
Amendments to IAS 7	<i>Disclosure Initiative¹</i>
Amendments to IAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses¹</i>
Amendments to IAS 40	<i>Transfers of Investment Property²</i>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration²</i>
Amendments to IFRS 12 included in Annual Improvements 2014-2016 Cycle	<i>Disclosure of Interests in Other Entities¹</i>
Amendments to IFRS 1 Included in Annual Improvements 2014-2016 Cycle	<i>First-time Adoption of International Financial Reporting Standards²</i>
Amendments to IAS 28 Included in Annual Improvements 2014-2016 Cycle	<i>Investments in Associates and Joint Ventures²</i>

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ No mandatory effective date yet determined but available for adoption

Other than explained below regarding the impact of IFRS 9 and IFRS 15, the Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Group's results of operations and financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

IFRS 9 – Financial Instruments

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The completed version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. Investments in equity investments are required to be measured at fair value through profit or loss with the irrevocable option at the inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

Measurement of impairment losses on trade receivables based on an expected credit losses model requires the use of historical data as well as forward looking information. The management is in the process of assessing the impact of IFRS 9 and a reasonable estimate of that effect will be available once a detailed review has been completed. The Group does not plan to early adopt IFRS 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018. During the year ended 31 December 2016, the Group performed a preliminary assessment on the impact of the adoption of IFRS 15.

The Group is in the process of making an assessment of the potential impact of the application of IFRS 15 and it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review is performed by the Group. The impact on the Group is expected to include more comprehensive disclosure as requested by the new standard.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures (continued)

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

If the Group's ownership interest in a joint venture is reduced, but investment continues to be classified either as a joint venture, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its completed investment properties, investment properties under construction, derivative financial instruments, available-for-sale investments at fair value and financial assets and liabilities at fair value through profit or loss at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

<u>Category</u>	<u>Estimated useful life</u>	<u>Estimated residual value</u>
Electronic equipment	3 years	10%
Office equipment	3 years	10%
Motor vehicles	4 years	10%
Others	4~5 years	10%
Leasehold improvement	5 years	0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment property comprises completed property and property under construction.

Investment properties comprise completed property under construction or re-development held to earn rentals or for capital appreciation or both. Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the statement of profit or loss in the year in which they arise.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other intangible assets (other than goodwill)

Other intangible assets acquired separately are measured on initial recognition at cost. The cost of other intangible assets acquired in a business combination is the fair value at the date of the acquisition. The useful lives of other intangible assets are assessed to be finite. Other intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the other intangible asset may be impaired. The amortisation period and the amortisation method for an other intangible asset with a finite useful life are reviewed at least at each financial year end. Other intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives.

The principal estimated useful lives of other intangible assets are as follows:

<u>Category</u>	<u>Estimated useful life</u>	<u>Estimated residual value</u>
Software	3 years	0%
Management contracts	7 years	0%

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee

Operating lease payments are recognised as an operating expense in the profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss (continued)

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss - is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing bank borrowings, financial liabilities at fair value through profit or loss, derivative financial instruments and redeemable convertible preference shares.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Redeemable convertible instruments

The component of redeemable convertible instruments that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of redeemable convertible instruments, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the redeemable convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option of a redeemable convertible instruments exhibits a characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the instruments is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognized as the liability component. Transaction costs are apportioned between the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately he statement of profit or loss.

Preference shares

Preference share capital issued by certain subsidiaries of the Group is classified as equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary. Discretionary dividends thereon are recognised as distributions within equity upon approval by the Group's shareholders.

Preference share capital issued by certain subsidiaries of the Group is classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary, and non-discretionary dividends thereon that are estimated based on profits or net assets of underlying issuers are recognized as fair value gains or losses in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Reclassification of financial liabilities

The nature and risk profile of a financial instrument may change as a result of a change in circumstances. From the date of such change in circumstances, the derivative component of the instruments were reclassified from financial liability to equity (absent of any other terms requiring its continued classification as financial liability).

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature.

Management fee income

Management fee income from the management of warehousing projects is recognized when management services are rendered.

Interest income

Interest income is accounted for on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Share-based payment

The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees of the Group receive remuneration in the form of share-based payment, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payment (continued)

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where nonvesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

The employees of the Group's subsidiaries which operate in Singapore are required to participate in a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

Each subsidiary of the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. As the Group mainly operates in Mainland China, Renminbi is used as the presentation currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than Renminbi. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Renminbi at the weighted average exchange rates for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Renminbi at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Renminbi at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Deferred tax liabilities for withholding tax

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China (A lower withholding tax rate may be applied if there is a tax treaty between China the jurisdiction of the foreign investors). As at 31 December 2016, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and joint ventures established in Mainland China. No deferred taxation has been provided for the distributable retained profits of approximately RMB34,019,000 (2015: RMB20,832,000), which were derived from the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

Judgement (continued)

Whether the presumption that investment properties stated at fair value are recovered through sale or use in determining deferred tax

As of 31 December 2016, deferred tax liabilities amounting to RMB679,009,000 (2015: RMB454,222,000) has been provided for the revaluation of investment properties. The Group determines that these deferred tax liabilities are recognized based on the presumption that the investment properties stated at fair value are recovered through use rather than sale.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of trade receivables

The provision policy for impairment of receivables of the Group is based on ongoing assessment of the recoverability and the aged analysis of the outstanding receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realization of those receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required.

Fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location or subject to different lease or other contracts, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Fair value of investment properties (continued)

The fair value of completed investment properties and investment properties under construction at 31 December 2016 was RMB6,541,000,000 (31 December 2015: RMB4,404,750,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 12 to the financial statements.

Fair value of financial instruments

If the market for a financial instrument is not active, the Group estimates fair value by using a valuation technique. Valuation techniques include using recent prices in arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, or discounted cash flow analyses and option pricing models. To the extent practicable, valuation technique makes the maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life other intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Consolidation of structured entities

The management makes significant judgment on whether to control and consolidate structured entities. The decision outcome impacts accounting methodologies in use and the financial and operational results of the Group.

When assessing control, the Group considers: 1) the level of control of the investor over the investee; 2) variable returns gained through participation of relevant activities of the investee; and 3) the amount of return that is gained from using its power over the investee.

When assessing the level of control over the structured entities, the Group considers the following four aspects:

- 1) the degree of participation when establishing the structured entities;
- 2) contractual arrangements;
- 3) activities that take place only at special occasions or occurring events;
- 4) commitments made to the investee from the Group.

When assessing whether there is control over the structured entities, the Group also considers whether the decisions it makes are as a principal or as an agent. Aspects of considerations normally include the decision making scope over the structured entities, substantive rights of third parties, reward of the Group, and the risk of undertaking variable returns from owning other benefits of the structured entities.

ESR Cayman Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

4. REVENUE, OTHER INCOME AND GAINS

(a) Revenue:

	2016 RMB'000	2015 RMB'000
Rental income	343,305	336,945
Management fee income	312,301	14,989
Taxes and surcharges	<u>(5,986)</u>	<u>(15,739)</u>
	649,620	336,195

(b) Other income and gains:

	Note	2016 RMB'000	2015 RMB'000
Fair value gains on completed investment properties	12	676,897	184,536
Fair value gains on investment properties under construction	12	38,677	26,399
Changes in fair value of financial instruments at fair value through profit or loss		179,487	-
Gain on deemed partial disposal of a joint venture		-	3,455
Gain on disposal of subsidiaries	27	216	498
Subsidy income		-	502
Interest income		3,369	11,379
Exchange gain		6,154	-
Other gains		<u>2,738</u>	<u>2,245</u>
		907,538	229,014

ESR Cayman Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

5. FINANCE COSTS

Finance costs:

	2016 RMB'000	2015 RMB'000
Interest expense on bank loans	164,467	124,833
Interest expense on other borrowings (note 19)	253,211	131,726
Total interest expense on financial liabilities not at fair value through profit or loss	417,678	256,559
Less: interest capitalised	(42,326)	(4,945)
	375,352	251,614

6. PROFIT BEFORE TAX

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

(a) Employee benefit expense:

	2016 RMB'000	2015 RMB'000
Wages and salaries	140,649	32,297
Equity-settled share option expense	504	2,188
Pension scheme contributions	5,691	3,935
	146,844	38,420

(b) Other items:

	2016 RMB'000	2015 RMB'000
Other tax expenses	27,629	24,673
Management consulting fee	29,470	21,767
Professional services fee	80,335	25,245
Exchange losses	-	6,678
Lease expenses	14,641	5,845
Entertainment fee	6,890	3,021
Depreciation of property, plant and equipment	4,351	1,372
Amortisation of other intangible assets	25,508	41

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

7. TAX

(a) Tax in the consolidated statement of profit or loss represents:

	2016 RMB'000	2015 RMB'000
Current tax	4,320	3,117
Deferred tax	<u>229,964</u>	<u>79,808</u>
	<u>234,284</u>	<u>82,925</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.

The subsidiaries incorporated in the BVI are not subject to income tax as these subsidiaries do not have a place of business (other than a registered office only) or carry on any business in the BVI.

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the assessable profits arising in Hong Kong during the year.

The subsidiary incorporated in Singapore is subject to Singapore income tax at the rate of 17% (2015:17%) on the profits including those arising from sources outside Singapore and received in Singapore.

The subsidiary incorporated in Korea is subject to Korean income tax at the rate of 24% (2015:24%).

The subsidiaries incorporated in Japan are subject to Japan income tax at the rate of 30.86%.

According to the Corporate Income Tax ("CIT") Law of the People's Republic of China, the income tax rates for both domestic and foreign investment enterprises in Mainland China are unified at 25% (2015: 25%) during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

7. TAX (CONTINUED)

- (b) Reconciliation between tax expense and accounting profit at applicable tax rates:

A reconciliation of the tax expense applicable to profit before tax using the applicable rates for the regions in which the Group and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2016 RMB'000	2015 RMB'000
Profit before tax	939,483	141,796
Tax at the PRC statutory tax rate (25%)	234,871	35,449
Tax effect of tax rate difference between PRC and overseas entities	51,371	39,509
Profits attributable to joint ventures	(61,028)	(845)
Non-deductible expenses	9,070	8,812
Tax charge	234,284	82,925

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by its subsidiaries, joint ventures and associates established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2016, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will not distribute such earnings in the foreseeable future.

The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognized totalled approximately RMB34,019,000 at 31 December 2016 (31 December 2015: RMB20,832,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

7. TAX (CONTINUED)

(c) Deferred tax assets and deferred tax liability:

Deferred tax assets

	2016 RMB'000	2015 RMB'000
Losses available for offsetting against future taxable profits	58,479	37,520
Employee benefits payable	3,109	3,197
Accrued expenses	2,016	-
Others	<u>970</u>	<u>567</u>
	64,574	41,284

Deferred tax liability

	2016 RMB'000	2015 RMB'000
Revaluations of completed investment properties and investment properties under construction to fair value	679,009	454,222
Gain on fair value change of financial assets at fair value through profit or loss	13,076	-
Fair value adjustments arising from acquisition of subsidiaries	53,174	-
Unbilled revenue	<u>17,478</u>	<u>14,723</u>
	<u>762,737</u>	<u>468,945</u>

In accordance with PRC laws and regulations, tax losses could be carried forward for five years to offset against future taxable profits. Deferred tax assets relating to unutilised tax losses are recognised to the extent that it is probable that sufficient taxable profit will be available to allow such deferred tax assets to be utilised.

The Group had unused tax losses available for offsetting against future profits in respect of certain subsidiaries of RMB44,879,000 as at 31 December 2016 (31 December 2015: RMB53,888,000), and the deferred tax assets have not been recognised.

No deferred tax assets have been recognised in respect of these losses due to the unpredictability of future available taxable profit of the subsidiaries to set against the unused tax losses. The available period of the unused tax losses will expire in one to five years for offsetting against future taxable profits.

ESR Cayman Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

8. PROPERTY, PLANT AND EQUIPMENT

	Electronic equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Others RMB'000	Leasehold improvement RMB'000	Total RMB'000
31 December 2016						
At 31 December 2015 and at 1 January 2016:						
Cost	665	1,600	2,058	2,192	3,776	10,291
Accumulated depreciation	(400)	(487)	(243)	(883)	(1,110)	(3,123)
Net carrying amount	265	1,113	1,815	1,309	2,666	7,168
At 1 January 2016, net of accumulated depreciation	265	1,113	1,815	1,309	2,666	7,168
Additions	4,071	1,951	7	141	4,310	10,480
Acquisition of subsidiaries (note 25)	760	-	-	-	2,173	2,933
Disposals	(4)	(491)	-	-	-	(495)
Depreciation provided during the year	(524)	(564)	(455)	(206)	(2,602)	(4,351)
Exchange realignment	184	826	-	3	223	1,236
At 31 December 2016, net of accumulated depreciation	4,752	2,835	1,367	1,247	6,770	16,971
At 31 December 2016						
Cost	7,160	3,896	2,065	2,337	9,910	25,368
Accumulated depreciation	(2,408)	(1,061)	(698)	(1,090)	(3,140)	(8,397)
Net carrying amount	4,752	2,835	1,367	1,247	6,770	16,971
31 December 2015						
At 31 December 2014 and at 1 January 2015:						
Cost	489	496	917	1,614	1,240	4,756
Accumulated depreciation	(231)	(262)	(495)	(629)	(698)	(2,315)
Net carrying amount	258	234	422	985	542	2,441
At 1 January 2015, net of accumulated depreciation	258	234	422	985	542	2,441
Additions	176	1,126	1,925	578	2,536	6,341
Disposals	-	(2)	(240)	-	-	(242)
Depreciation provided during the year	(169)	(245)	(292)	(254)	(412)	(1,372)
At 31 December 2015, net of accumulated depreciation	265	1,113	1,815	1,309	2,666	7,168
At 31 December 2015						
Cost	665	1,600	2,058	2,192	3,776	10,291
Accumulated depreciation	400	487	243	883	1,110	3,123
Net carrying amount	265	1,113	1,815	1,309	2,666	7,168

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

9. INVESTMENT IN JOINT VENTURES

	2016 RMB'000	2015 RMB'000
Share of net assets	1,375,071	566,767
Goodwill on retaining interests in joint ventures	14	14
	<u>1,375,085</u>	<u>566,781</u>

The movements of the investment in joint ventures during the year are as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	566,781	191,492
Contribution to joint ventures in form of cash	537,493	318,016
Contribution to a joint venture in form of equity interest in subsidiaries	24,024	42,307
Unrealised profit and loss resulting from the transaction with the Group	-	(84)
Share of profits of joint ventures	244,112	3,378
Gain on deemed partial disposal of a joint venture	-	3,455
Share of other comprehensive income of joint ventures	<u>2,675</u>	<u>8,217</u>
At 31 December	<u>1,375,085</u>	<u>566,781</u>

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

Name	Registered 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")	USD 2,728,002	Cayman Islands	30.00%	50.00%	30.00%	Investing holding
Sunwood Star Pte. Ltd. ("Sunwood Star")	USD 240,869,513	Singapore	20.00%	33.33%	20.00%	Investing holding

Note:

Unanimous agreements with other one and two joint venture investors are required for E-Shang Star and Sunwood Star, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

9. INVESTMENT IN JOINT VENTURES (CONTINUED)

The following table illustrates the summarized financial information in respect of E-Shang Star adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2016 RMB'000	2015 RMB'000
Share of the joint venture's assets and liabilities		
Current assets	355,302	165,076
Non-current assets	1,380,592	562,506
Current liabilities	198,605	79,544
Non-current liabilities	541,012	146,350
Net assets	996,277	501,688
	2016 RMB'000	2015 RMB'000
Share of the joint venture's profits	182,066	5,503
Comprehensive income for the year	4,480	6,693

The following table illustrates the summarized financial information in respect of Sunwood Star adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2016 RMB'000	2015 RMB'000
Share of the joint venture's assets and liabilities		
Current assets	38,071	65,024
Non-current assets	424,844	24,520
Current liabilities	20,796	2,148
Non-current liabilities	63,325	22,317
Net assets	378,794	65,079
	2016 RMB'000	2015 RMB'000
Share of the joint venture's profits	62,046	(2,125)
Comprehensive income for the year	(1,805)	1,524

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 RMB'000	2015 RMB'000
Unquoted equity interests, at fair value	<u>975,182</u>	<u>-</u>

The investments were designated at fair value through profit or loss upon the initial recognition on the basis that they are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Group.

The fair value of these investments is estimated based on the Group's share of the net asset value of the investment funds.

As at 31 December 2016, equity investments with a fair value of US\$22,377,969 (2015: Nil) had been pledged.

11. AVAILABLE-FOR-SALE INVESTMENTS

	2016 RMB'000	2015 RMB'000
Unquoted equity interests, at fair value (Note i)	7,848	-
Unquoted equity investments, at cost (Note ii)	<u>2,503</u>	<u>-</u>
	<u>10,351</u>	<u>-</u>

Notes:

- (i) Available-for-sale assets, at fair value of the Group comprise unquoted equity interests in a privately-held real estate in Singapore, which invests in a logistics property in China. The unlisted equity investments are carried at fair value and is estimated based on the Group's share of the net asset value of the investment fund.

During the period, the gain in respect of the Group's unlisted equity investments recognised in other comprehensive income amounted to RMB1,678,000.

- (ii) Available-for-sale assets, at cost of the Group relates to unquoted equity investment in a privately-held real estate company in Singapore.

As at 31 December 2016, certain unlisted equity investments with a carrying amount of RMB2,503,000 were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

ESR Cayman Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

12. INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
At 31 December 2014 and 1 January 2015	3,206,600	875,600	4,082,200
Addition	-	111,615	111,615
Changes in fair value of investment properties	184,536	26,399	210,935
Transfer from investment properties under construction to completed investment properties	<u>818,314</u>	<u>(818,314)</u>	-
At 31 December 2015 and 1 January 2016	4,209,450	195,300	4,404,750
Addition	-	504,490	504,490
Acquisition of subsidiaries	849,462	66,824	916,286
Changes in fair value of investment properties	676,897	38,677	715,574
Transfer from investment properties under construction to completed investment properties	<u>174,591</u>	<u>(174,591)</u>	-
At 31 December 2016	<u>5,910,400</u>	<u>630,700</u>	<u>6,541,100</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

12. INVESTMENT PROPERTIES (CONTINUED)

- (a) All completed investment properties and investment properties under construction of the Group were re-valued at the end of the year by an independent professionally qualified valuer, CBRE Limited (2015: DTZ Debenham Tie Leung Limited), at fair value. CBRE Limited is an industry specialist in investment property valuation.

In determining fair value, a combination of approaches and methods were used, including the Direct Comparison Method, Term and Reversionary Method, Discounted Cash flow Method and Residual Method. The Direct Comparison Method is applied based on the market prices of comparable properties. Comparable properties with similar sizes, characters and locations were analyzed, and weighted against all respective advantages and disadvantages to arrive at the fair value of the property. The Term and Reversionary Method takes into account the rental income derived from the existing leases with due allowance for the reversionary income potential of the leases, which is then capitalized into the value at an appropriate rate. 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. The Residual Method measures the fair value of the property by deducting the estimated development costs including outstanding construction costs, marketing expenses, business taxes and surcharges and developer's profit from the gross development value ("GDV") assuming that it was completed as of the valuation date.

- (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:

	2016 RMB'000	2015 RMB'000
Within one year	410,461	347,282
In the second to fifth years, inclusive	1,009,458	1,102,670
After five years	<u>123,528</u>	<u>175,306</u>
	<u>1,543,447</u>	<u>1,625,258</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

12. INVESTMENT PROPERTIES (CONTINUED)

- (c) At 31 December 2016, certain of the Group's completed investment properties and investment properties under construction with a fair value of RMB5,674,800,000 (2015:RMB3,906,650,000) were pledged to secure bank loans and other borrowings granted to the Group as disclosed in note 19.

(d) Fair value hierarchy

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

Fair value measurement as at 31 December 2016 using			
Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Warehouse properties	-	237,200	6,303,900
			6,541,100

Fair value measurement as at 31 December 2015 using			
Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Warehouse properties	-	77,200	4,327,550
			4,404,750

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Range of unobservable inputs 2015
Warehouse properties	Discounted Cash Flow Method (Term and Reversion Method)	(1) Term yield (2) Reversionary yield (3) Market unit rent	5.25-5.75% 5.75-6.25% 27.53-38.87 per square meters per month

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

12. INVESTMENT PROPERTIES (CONTINUED)

	Valuation technique	Significant unobservable inputs	Range of unobservable inputs 2016
Warehouse properties	Discounted Cash Flow Method (Income Capitalization Method)	(1) Capitalization rate (2) Market unit rent	5.65-6.25% 26.00-35.00 per square meters per month

Investment properties held by the Group in the consolidated statement of financial position were valued by Fair value hierarchy level 2 and level 3 listed above; the valuation techniques are direct comparison approach and income approach (term and reversion approach), and key inputs are:

- (1) Term yield: the higher the term yield, the lower the fair value;
- (2) Reversionary yield: the higher the reversionary yield, the lower the fair value;
- (3) Market unit rent: the higher the market unit rent, the higher the fair value;
- (4) Capitalization rate: the higher the term yield, the lower the fair value.

13. GOODWILL

	RMB'000
Cost at 1 January 2016, net of accumulated impairment	-
Acquisition of subsidiaries	<u>1,380,288</u>
Cost and net carrying amount at 31 December 2016	<u>1,380,288</u>
At 31 December 2016	
Cost	1,380,288
Accumulated impairment	<u>-</u>
Net carrying amount	<u>1,380,288</u>

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to Redwood fee business cash-generating unit for impairment testing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

13. GOODWILL (CONTINUED)

Impairment testing of goodwill (continued)

The recoverable amount of the Redwood fee business cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 17%. The growth rate used to extrapolate the cash flow of the Redwood fee business beyond the five-year period is 4%. This growth rate is based on the average growth rate of the management fee in which the fee business operates. Senior management believes that this growth rate is justified. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

The carrying amount of goodwill allocated to each cash-generating unit of fee business is as follows:

	2016 RMB'000
Carrying amount of goodwill	1,380,288

Assumptions were used in the value in use calculation of the Group's cash-generating unit for 31 December 2016. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross fee income - The basis used to determine the value assigned to the budgeted gross fee income is the average fee income achieved in the year immediately before the budget year, increased for expected market development.

Discount rates - The discount rates used are before tax and reflect specific risks relating to the relevant units.

14. OTHER INTANGIBLE ASSETS

	Software RMB'000	Management contracts RMB'000	Total RMB'000
Cost at 1 January 2016	66	-	66
Addition	1,075	-	1,075
Acquisition of subsidiaries (Note 25)	-	188,084	188,084
Amortisation provided during the year	(287)	(25,221)	(25,508)
Exchange realignment	-	10,043	10,043
At 31 December 2016	<u>854</u>	<u>172,906</u>	<u>173,760</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

15. OTHER NON-CURRENT ASSETS

	2016 RMB'000	2015 RMB'000
Prepayments for equity investments at fair value through profit and loss	249,695	-
Prepayments for acquiring land use right	16,459	318,003
Rental income receivables	54,108	71,024
Due from other related parties	13,318	3,080
Rental deposit	6,081	-
Others	<u>5,609</u>	<u>5,576</u>
	<u>345,270</u>	<u>397,683</u>

16. TRADE RECEIVABLES

	2016 RMB'000	2015 RMB'000
Rental income receivables	46,875	7,640
Management fee due from the joint ventures of the Group	12,633	27,131
Management fee due from funds managed by the Group	<u>4,802</u>	<u>-</u>
	<u>64,310</u>	<u>34,771</u>

As at 31 December 2016, the ageing of the receivables is within six months. Management of the Group is of the opinion that no provision for trade receivables was necessary as of the balance sheet date.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Deposits for acquisition	87,534	15,020
Due from other related parties	37,637	20,052
Prepayments to suppliers	9,519	1,823
Prepayments on behalf of a related party	-	184,754
Other receivable	<u>19,897</u>	<u>6,081</u>
	<u>154,587</u>	<u>227,730</u>

Due from other related parties are unsecured, interest free and payable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

18. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2016 RMB'000	2015 RMB'000
Cash and bank balances	2,856,414	937,152
Pledged bank deposits	<u>511,815</u>	<u>243,641</u>
	3,368,229	1,180,793

As at 31 December 2016, the cash and bank balances of the Group denominated in a currency other than RMB amounted to RMB2,321,091,000 (2015: RMB633,834,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values. All pledged bank deposits at the end of the reporting periods are denominated in USD. Pledged bank deposits earn interest at interest rates stipulated by the respective financial institutions.

The deposits represent the amount pledged to secure bank loans (note 19).

19. BANK LOANS AND OTHER BORROWINGS

	2016			2015		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current Bank loans - secured	2.4-5.32	2017	526,253	4.9-7.4	2016	232,750
Non-current Bank loans - secured	2.4-6.5	2018-2029	3,327,622	2.0-7.4	2017-2027	1,842,152
Other borrowing - secured	7.6	2020	<u>1,940,357</u>	15.5-16.0	2017	<u>1,181,785</u>
			5,794,232			3,256,687

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

19. BANK LOANS AND OTHER BORROWINGS (CONTINUED)

Note:

	2016 RMB'000	2015 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	526,253	232,750
Over one year	<u>5,267,979</u>	<u>3,023,937</u>
	5,794,232	3,256,687

At 31 December 2016, certain of the Group's completed investment properties and investment properties under construction with a fair value of RMB5,674,800,000 (2015: RMB3,906,650,000), pledged bank deposits with amount of RMB511,815,000 (2015: RMB243,641,000) and equity interests of the Company and certain subsidiaries were pledged to secure bank loans and other borrowings granted to the Group.

20. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	2016 RMB'000	2015 RMB'000
Accruals	60,616	29,417
Payables for purchase of property, plant and equipment and land use rights	68,955	36,300
Staff payroll and welfare payables	24,636	12,834
Other tax payable	19,257	7,844
Advances from customers	14,759	7,062
Interest payable	6,920	5,933
Due to other related parties	6,742	243,872
Others	<u>9,171</u>	<u>-</u>
	<u>211,055</u>	<u>343,262</u>

Due to other related parties are unsecured, interest free and payable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

21. DERIVATIVE FINANCIAL INSTRUMENTS

	2016 RMB'000	2015 RMB'000
Loan commitment	-	1,688
Conversion derivative in redeemable instruments	-	(78,845)

On 4 December 2013 and 19 August 2015, the Company entered into facility agreements with a third party Financial Investor A to obtain loans of US\$120,000,000 and US\$100,000,000, respectively. In connection with the above loans, the Company issued warrant instruments to Financial Investor A at total consideration of US\$60,000 with a written call option in respect of the Company's 54,684,608 ordinary shares. Upon issuance and as of 31 December 2015, the warrant instruments were accounted for as financial liabilities designated at fair value through profit or loss. The derivative financial assets arising from the draw-down commitments at determined interest rate had been recognized in the Group's consolidated statement of profit or loss upon its applying of remaining drawdown in March 2016.

On 21 November 2016, the Company fully repaid the loan under Facility Agreement I and Facility Agreement II. The directors are of the view that the derivative component of the instruments, that previously involved an obligation to deliver a variable number of equity instruments, can be determined and become fixed. From the date of such change in circumstances, the derivative component of the instruments were reclassified from financial liability to equity.

22. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

On 30 December 2016, the Company issued 245,359,810 C Redeemable Convertible Preference Shares to a group of independent third parties for an aggregate consideration of US\$300,000,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

22. REDEEMABLE CONVERTIBLE PREFERENCE SHARES (CONTINUED)

The C Redeemable Convertible Preferred Shares have a par value of US\$0.001 per share, and carried a coupon rate of 4.5% per annum. The holders are entitled to convert the C Redeemable Convertible Preferred Shares into the Company's ordinary shares based on conversion ratio of 1:1 under certain circumstances.

The preference shares issued during the year have been split into the liability and equity components as follows:

	2016 RMB'000	2015 RMB'000
Nominal value of redeemable convertible preference shares issued during the year	1,977,045	-
Equity component	(269,458)	-
Liability component at the issuance date	1,707,587	-
Interest accrual or paid	-	-
Liability component at 31 December	1,707,587	-

23. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 RMB'000	2015 RMB'000
Loan from a third party	87,351	-

Pursuant to the loan agreement dated 28 August 2013 entered into by certain subsidiaries of the Company and a third party Financial Investor B ("Loan Agreement"), and the security over shares agreement dated 28 August 2013 entered into by a Redwood Cayman entity and Financial Investor B ("Security Agreement"), the Group utilized the proceeds from the loan from Financial Investor B to subscribe to interest in Redwood Japan Logistics Fund LP ("RJLF").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

23. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Under the Loan Agreement, all distribution proceeds from RJLF relating to the loan that has been invested into RJLF will be passed on to Financial Investor B. As such, the loan from Financial Investor B was designated at fair value through profit or loss upon the initial recognition on the basis that it is structured, managed and has its performance evaluated on a fair value basis, in accordance with the Loan Agreement and the risk management and investment strategies of the Group.

The fair value of the loan from Financial Investor B is estimated based on the Group's share of the net asset value of RJLF at the date of statement of financial position.

24. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

Accumulated balances of non-controlling interests at the reporting date	31 December 2016
Preference shares issued by a subsidiary, Redwood Fujiidera Investor Ltd. (i)	305,265
RW Nankonaka TMK (ii)	245,714
	<u>550,979</u>

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	2016 RMB'000
Profit for the year	107,907
Total comprehensive income for the year	1,472
Current assets	555,749
Current liabilities	(4,770)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

24. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS
(CONTINUED)

(i) Pursuant to the subscription agreement dated 18 December 2014 entered into by certain subsidiaries of the Company, including Redwood Asian Investment 1 Ltd. ("RAIL 1"), Redwood Fujiidera Investor Ltd., ESR Singapore (the "Manager") and a third party Financial Investor C, ("Subscription Agreement"), RAIL 1 and Financial Investor C have agreed to provide funding to Redwood Fujiidera Investor Ltd. for the purpose of subscribing to interest in Redwood Fujiidera Pte. Ltd.

At 31 December 2016, Financial Investor C is a holder of 3,994,902,381 preference shares issued by Redwood Fujiidera Investor Ltd., a Cayman Island incorporated subsidiary. Financial Investor C is entitled to participate pari passu with ordinary shareholders in dividends as well as distribution upon return of capital on winding up. The dividend distribution is at the discretion of Redwood Fujiidera Investor Ltd. based on the terms of preference shares.

(ii) Pursuant to the subscription agreement dated 5 March 2015 entered into by RAIL, Financial Investor C, Redwood Asian Investments 2 Ltd. and ESR Singapore (the "Manager") ("Subscription Agreement"), RAIL and Financial Investor C have agreed to provide funding to Redwood Asian Investments 2 Ltd. for the purpose of, indirectly through Redwood Nanko Pte. Ltd. and its subsidiaries, subscribing to interest in RW Nankonaka TMK.

At 31 December 2016, Financial Investor C is a holder of 3,568,950,000 Preference A Shares issued by Redwood Asian Investments 2 Ltd., a Cayman Island incorporated subsidiary. Financial Investor C is entitled to participate pari passu with ordinary shareholders in dividends as well as distribution upon return of capital on winding up. The dividend distribution is at the discretion of Redwood Asian Investments 2 Ltd. based on the terms of preference shares.

25. BUSINESS COMBINATION

(a) In January 2016, the Company entered into Share Subscription and Merge Agreement with Redwood Investment Company, Ltd. ("RIC") and its controlling shareholders, to issue 19.865% ordinary shares to RIC in exchange for the 100% equity interests of ESR Singapore and RAIL (together, the "Redwood Business"). The acquisition deal was consummated on 20 January 2016, which was evidenced by the completion of update of the Company's register of members.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

25. BUSINESS COMBINATION (CONTINUED)

The fair values of the identifiable assets and liabilities of Redwood Business as at the date of acquisition were as follows:

	Notes	Fair value recognized on acquisition RMB'000
Property, plant and equipment	8	2,933
Financial assets at fair value through profit and loss		349,239
Available-for-sale investments		7,834
Other intangible assets	14	188,084
Other non-current assets		3,806
Deferred tax assets		3,410
Trade receivables		8,380
Prepayments, deposits and other receivables		50,340
Cash and cash equivalents		299,888
Bank loans and other borrowings		(6,011)
Trade payable, accruals and other payables		(115,824)
Deferred tax liabilities		(56,426)
Financial liabilities at fair value through profit and loss		<u>(280,799)</u>
Total identifiable net assets at fair value		454,854
Non-controlling interests		<u>(174,842)</u>
Goodwill on acquisition	13	1,380,288
Satisfied by issuance of ordinary shares		1,660,300
An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:		
Cash and cash equivalents acquired		<u>299,888</u>
Net inflow of cash and cash equivalents included in cash flows generated in investment activities		299,888

31 December 2016

25. BUSINESS COMBINATION (CONTINUED)

Since the acquisition, Redwood Business contributed RMB164,209,000 to the Group's revenue and RMB272,007,000 to the consolidated profit for the eleven months ended 31 December 2016.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the period would have been RMB653,247,000 (2016 actual: RMB649,620,000) and RMB703,573,000 (2016 actual: RMB705,199,000), respectively.

(b) The Company, through its wholly owned subsidiary, Savior Offshore Holdings (BVI) Limited, entered into share purchase agreement with independent third parties Prax Capital China Logistics Holding Limited, Prax Capital China Real Estate Fund III, L.P., Prax Capital China Real Estate Fund III GP, LTD., Terpanic S.A.R.L., S.P.F. and JP Great International INC., to acquire 100% equity interests of Wuhan Minglong Logistics Company Limited ("Wuhan Minglong"), Wuhan Mingju Supply Chain Company Limited ("Wuhan Mingju"), Tianjin Mingcheng Logistics Company Limited ("Tianjin Mingcheng") and Taicang Mingzhan Logistics Company Limited ("Taicang Mingzhan") for an aggregate purchase price of RMB588,782,000 in cash form. The acquisition of Wuhan Minglong was completed on 22 September 2016, and the rest acquisitions were completed on 20 October 2016.

On the acquisition date, there were no other material assets and liabilities carried by Wuhan Minglong, Wuhan Mingju, Tianjin Mingcheng and Caicang Mingzhan other than cash and bank and investment properties under construction. The transaction was accounted for as an asset acquisition.

26. INTERESTS IN THE UNCONSOLIDATED STRUCTURED ENTITIES

Total 24 assets (14 assets in Japan and 10 assets in China) is currently under management of ESR Singapore as its Investment Manager to manage the operations of those funds to earn fee income based on their capital contributed by investors, development costs incurred on real estate projects, or for the acquisition advisory service and brokerage service rendered by ESR Singapore. The assets have been designed so that voting and similar rights are not the dominant factor in deciding how the investing activities should be conducted and are financed through the issue of ownership interest instrument to investors. ESR Singapore did not provide any financial support and has no intention of providing financial or any other support.

RAIL considers its equity investments in 12 investment funds of RAIL to be interests in unconsolidated structured entities. The investments funds are designed so that the management rights are not the dominant factor in deciding who controls them.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

26. INTERESTS IN THE UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

The table below describes the type of structured entities that the Group does not consolidate but in which it holds an interest.

Type of structured entity	Nature and purpose	Interest held by the Group
Investment funds held through RAIL	To generate investment returns from the funds managed by a related company	Investments in equity and preference share issued by the investment funds
Investment funds held through ESR Singapore	To generate fees from managing contributed capital on behalf of investors, managing project development, rendering acquisition advisory service or brokerage service These vehicles are financed through the issue of ownership interest instrument to investors.	Investment management fees and development fees, acquisition fees and leasing fees

The Group earned a total gross fee income of RMB164,209,000 from the real estate funds for the year ended 31 December 2016. As at 31 December 2016, the Group's maximum exposure to loss as a result of acting as the investment manager of the real estate funds is equivalent to the carrying amount of fee income receivable from them amounted to RMB9,202,000 and carrying amount of the investments amounted to RMB975,669,000.

ESR Cayman Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

27. DISPOSAL OF SUBSIDIARIES

	2016 RMB'000
Net assets disposed of:	
Cash and bank balances	7,727
Prepayments, deposits and other receivables	187,272
Other non-current assets	111,909
Trade payables, accruals and other payables	(4,704)
Amount due to related parties	(185,416)
Non-controlling interests	<u>(1,379)</u>
	115,409
 Gain on disposal of subsidiaries	 <u>216</u>
	115,625
 Satisfied by	
Capital injection in joint ventures	24,024
Cash	<u>91,601</u>
	115,625

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

	2016 RMB'000
Cash consideration	91,601
Cash and bank balance disposal of	<u>(7,727)</u>
 Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	 83,874

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

28. CONTINGENT LIABILITIES

As at 31 December 2016, the Group had no significant contingent liabilities.

29. 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 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as stated in Note 12.

As lessee

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating lease payables as follows:

	2016 RMB'000	2015 RMB'000
Within one year	2,307	3,310
After one year but within five years	-	2,307
	2,307	5,617

The Group is the lessee in respect of a number of properties and land held under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the leases when all the terms are renegotiated.

(b) Capital commitments

	2016 RMB'000	2015 RMB'000
Contracted, but not provided for investment properties	490,746	95,253
Undrawn capital calls to real estate investment funds	1,482,229	-
	1,972,975	95,253

ESR Cayman Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

30 PLEDGE OF ASSETS

Details of the Group's bank loans and other borrowings, which are secured by the assets of the Group, are included in Note 12, Note 18 and Note 19 to the consolidated financial statements.

31. RELATED PARTY TRANSACTIONS

The related parties of the Group include:

Related party	relationships
Sun Dongping	Founder
Shen Jinchu	Founder
Stuart Gibson	Director of the Group
Laurels Capital Investments Limited	Company controlled by the founder
Elite Bond Limited	Company controlled by the founder
Shanghai Jindu Construction Project Co., Ltd.	Company controlled by the founder
Rosy Fortune Limited	Company controlled by the founder
Redwood Consulting (Cayman) Ltd.	Company controlled by the Director
Sunwood Star	Joint venture
Bucheon Logistics Center PFV, Inc.	Subsidiary of Sunwood Star
Gachang Logistics Park PFV, Inc.	Subsidiary of Sunwood Star
Goyang PFV, Inc.	Subsidiary of Sunwood Star
Juksan PFV, Inc.	Subsidiary of Sunwood Star
E-Shang Star	Joint venture
Shanghai Yiyao Warehouse Service Co., Ltd.	Subsidiary of E-Shang Star
Chengdu Fuyuan logistic Investment Management Co., Ltd.	Subsidiary of E-Shang Star
E-Shang Warehouse (Pinghu) Co., Ltd.	Subsidiary of E-Shang Star
Jinan Yixin Warehouse Service Co., Ltd.	Subsidiary of E-Shang Star
Dongguan Yizhao Warehouse Services Co., Ltd.	Subsidiary of E-Shang Star
Kunshan Fuchan Warehouse Services Co., Ltd.	Subsidiary of E-Shang Star

31 December 2016

31. RELATED PARTY TRANSACTIONS (CONTINUED)

The related parties of the Group include: (continued)

<u>Related party</u>	<u>relationships</u>
Kunshan Qunce Photoelectric Technology Co., Ltd.	Subsidiary of E-Shang Star
Hubei Yizhuo Warehouse Services Co., Ltd.	Subsidiary of E-Shang Star
Guangzhou Huangzhenlong Biotechnology Co., Ltd.	Subsidiary of E-Shang Star
Shanghai Yiyao Warehouse Service Co., Ltd.	Subsidiary of E-Shang Star
Noble Overseas Holdings (BVI) Limited	Subsidiary of E-Shang Star
Glory Offshore Holdings (BVI) Limited	Subsidiary of E-Shang Star
Shanghai Yihang Warehouse Service Co., Ltd.	Subsidiary of E-Shang Star
Gain Supply Chain (Wuhan) Co., Ltd.	Subsidiary of E-Shang Star
Everbeauty (Shanghai) Co., Ltd.	Subsidiary of E-Shang Star
Jiangsu Yihu Warehouse Service Co., Ltd.	Subsidiary of E-Shang Star
Chengdu Yilong Warehouse service Co., Ltd.	Subsidiary of E-Shang Star
Diamond Offshore BVI Limited	Subsidiary of E-Shang Star

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

31. RELATED PARTY TRANSACTIONS (CONTINUED)

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

	2016 RMB'000	2015 RMB'000
(i) Assets management fee charged out		
Diamond Offshore BVI Limited	43,849	-
Bucheon Logistics Center PFV, Inc.	25,364	-
Gachang Logistics Park PFV, Inc.	3,710	-
Goyang PFV, Inc.	8,449	-
Juksan PFV, Inc.	3,869	-
Chengdu Yilong Warehouse service Co., Ltd.	6,724	-
Jiangsu Yihu Warehouse service Co., Ltd.	6,046	-
Kunshan Qunce Photoelectric Technology Co., Ltd.	3,922	1,249
Chengdu Fuyuan logistic Investment Management Co., Ltd.	3,517	4,506
Kunshan Fuchan Warehouse Services Co., Ltd.	2,328	2,246
Everbeauty (Shanghai) Co., Ltd.	2,151	-
Hubei Yizhuo Warehouse Services Co., Ltd.	1,444	5,579
Jinan Yixin Warehouse Service Co., Ltd.	1,197	623
Guangzhou Huangzhenlong Biotechnology Co., Ltd.	1,010	-
E-Shang Warehouse (Pinghu) Co., Ltd.	620	786
	114,200	14,989

Notes:

The Group and its subsidiaries entered into agreements with E-shang Star's and Sunwood Star's operating subsidiaries to charge management fees, which comprised of the followings:

- Land acquisition fee at certain percentage of the net land cost;
- Development fee at certain percentage of total budget of project development cost during construction period;
- Assets management fee at certain percentage of the aggregate costs of the project before stabilization* or fair value after stabilization;
- Leasing fee in respect of each new lease entered into.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

31. RELATED PARTY TRANSACTIONS (CONTINUED)

	2016 RMB'000	2015 RMB'000
(ii) Consulting fee paid		
Company controlled by the founder	6,434	7,079
Company controlled by the founder	6,434	7,079
Company controlled by the key management	<u>16,602</u>	<u>5,360</u>
	29,470	19,518
(iii) Advance to/(repayment from) related parties		
Kunshan Fuchan Warehouse Services Co., Ltd.	(17,381)	15,000
Rosy Fortune Limited	10,406	-
Redwood Consulting (Cayman) Ltd.	20,811	-
Stuart Gibson	3,313	-
Shanghai Yiyao Warehouse Service Co., Ltd.	-	-
Sunwood Star	-	3,080
Dongguan Yizhao Warehouse Services Co., Ltd.	(2,186)	2,186
Noble Overseas Holdings (BVI) Limited	27	143
Shanghai Yiyao Warehouse Service Co., Ltd.	(101)	101
E-Shang Warehouse (Pinghu) Co., Ltd.	(9,458)	-
Kunshan Qunce Photoelectric Technology Co., Ltd.	(1,324)	-
Chengdu Fuyuan logistic Investment management Co., Ltd.	-	(68,318)
Everbeauty (Shanghai) Co.,Ltd.	2,280	-
Bucheon Logistics Center PFV. Inc.	6,007	-
Gachang Logistics Park PFV, Inc.	4,800	-
Goyang PFV, Inc.	6,159	-
Juksan PFV, Inc.	5,905	-
E-Shang Star	416	-
Jinan Yixin Warehouse Service Co., Ltd.	<u>(16,349)</u>	<u>-</u>
	13,325	(47,808)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

31. RELATED PARTY TRANSACTIONS (CONTINUED)

	2016 RMB'000	2015 RMB'000
(iv) Advance from /(repayment to) related parties		
E-Shang Star	-	(30,922)
Sunwood Star	6,557	3,247
Glory Offshore Holdings (BVI) Limited	13	195
Jinan Yixin Warehouse Service Co., Ltd.	(54,617)	-
Shanghai Yiyao Warehouse Service Co., Ltd.	<u>3,399</u>	<u>-</u>
	(44,648)	(27,480)
(v) Construction cost		
Shanghai Jindu Construction Project Co., Ltd.	<u>720</u>	<u>111,474</u>

32. ISSUED CAPITAL AND RESERVE

	2016 Shares	2016 USD	2016 RMB'000
Issued and fully paid:			
WP OCIM ONE LLC	876,250,989	876,251	5,433
Redwood Investment Company Ltd. (Note)	389,933,535	389,934	2,418
APG	316,567,534	316,568	1,963
Elite Bond Limited	190,063,207	190,063	1,178
Laurels Capital Investments Limited	<u>190,063,207</u>	<u>190,063</u>	<u>1,178</u>
	<u>1,962,878,472</u>	<u>1,962,879</u>	<u>12,170</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

32. ISSUED CAPITAL AND RESERVE (CONTINUED)

	Number of shares in issue	Issue capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2016	1,572,944,937	9,752	1,542,947	1,552,699
Issuance of new shares (Note)	<u>389,933,535</u>	<u>2,418</u>	<u>1,657,882</u>	<u>1,660,300</u>
	<u>1,962,878,472</u>	<u>12,170</u>	<u>3,200,829</u>	<u>3,212,999</u>

Note:

On January 2016, the Company issued 389,933,535 ordinary shares to Redwood Investment Company Ltd. ("RIC") to acquire 100% equity interests of Redwood Business.

Share premium	2016 RMB'000	2015 RMB'000
Share premium	3,200,829	1,542,947
Share option reserve	2016 RMB'000	2015 RMB'000
Share option reserve	2,692	2,188
Exchange fluctuation reserve	2016 RMB'000	2015 RMB'000
Exchange fluctuation reserve	(129,207)	(33,312)
Available-for-sale investment revaluation reserve	2016 RMB'000	2015 RMB'000
Available-for-sale investment revaluation reserve	1,678	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank borrowings, trade and other payables, other borrowings and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables, cash and short-term deposits, which arose directly from its operations. The main risks faced by the Group are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The Board of Directors reviews and agrees policies for managing each of the risks which are summarised below:

Interest rate risk

The Group's exposure to the risk of changes in interest rates relates primarily to its interest-bearing bank loans and other borrowings. The Group does not use derivative financial instruments to manage its interest rate risk. The interest rates and terms of repayments of the borrowings are disclosed in Note 19.

The following table demonstrates the sensitivity to reasonably possible changes in interest rate, with all other variables held constant, of the Group's profit before tax (mainly the impact on floating rate borrowings). The Group's equity is not affected, other than the consequential effect on the accumulated losses (a component of the Group's equity) of the changes in the profit before tax as disclosed below.

	Increase/(decrease) in basis points	(Decrease)/ increase in profit before tax RMB'000
31 December 2016	100/(100)	(29,691)/29,691
31 December 2015	100/(100)	(11,634)/11,634

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

All the Group's operating entities operate in Mainland China with most of the transactions denominated in Renminbi.

The RMB is not a freely convertible currency, the conversion of the RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

The following table details the Group's sensitivity to a 1% increase and decrease in RMB against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates.

	2016 RMB'000	2015 RMB'000
Increase/(decrease) in profit before tax:		
if RMB weakens against foreign currency	(15,504)	(6,339)
if RMB strengthens against foreign currency	15,504	6,339

Credit risk

Credit risk arises from cash and bank balances, trade receivables and other receivables, the balances of which represent the maximum credit risk exposure of the Group.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 16 and 17.

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents or to have available funding through the use of bank loans, debentures and other borrowings to meet its commitments over the foreseeable future in accordance with its strategic plan.

Except for those financial liabilities that is pay on demand, the maturity profiles of the Group's major financial liabilities are disclosed in note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the year end are as follows:

31 December 2016

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Loans and receivables RMB'000	Available- for-sale financial assets RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	975,182	-	-	975,182
Available-for-sale investments	-	-	10,351	10,351
Trade receivables	-	64,310	-	64,310
Other non-current assets	-	79,116	-	79,116
Financial assets included in prepayments, deposits and other receivables	-	57,534	-	57,534
Pledged deposits	-	511,815	-	511,815
Cash and cash equivalents	-	2,856,414	-	2,856,414
	<u>975,182</u>	<u>3,569,189</u>	<u>10,351</u>	<u>4,554,722</u>

Financial liabilities

	Financial assets at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and other payables	-	152,404	152,404
Interest-bearing bank and other borrowings	-	5,794,232	5,794,232
Other non-current liabilities	-	73,960	73,960
Redeemable convertible preference shares	-	1,707,587	1,707,587
Financial liabilities designated at fair value through profit or loss	87,351	-	87,351
	<u>87,351</u>	<u>7,728,183</u>	<u>7,815,534</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

34. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value management of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors for annual financial reporting.

The fair values of the financial 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 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 value of derivative financial instruments is measured using valuation techniques similar to option pricing models. The models incorporate various market observable inputs including interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

35. FAIR VALUE HIEGRACHY OF FINANCIAL INSTRUMENTS

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

Assets measured at fair value

	2016 Significant unobservable inputs (Level 3) RMB'000	2015 Significant unobservable inputs (Level 3) RMB'000
Financial assets at fair value through profit or loss	975,182	-
Available-for-sale investment at fair value	7,848	-
Derivative financial instrument	-	1,688
	<u>983,030</u>	<u>1,688</u>

Liabilities measured at fair value

	2016 Significant unobservable inputs (Level 3) RMB'000	2015 Significant unobservable inputs (Level 3) RMB'000
Financial liabilities at fair value through profit or loss	87,351	-
Derivative financial instrument	-	78,845
Derivative financial instrument	<u>87,351</u>	<u>78,845</u>

During the year, there were no transfers of fair values measurements into or out of Level 3 for financial liabilities (2015: Nil).

31 December 2016

36. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation.

37. EVENTS AFTER THE REPORTING PERIOD

On 18 January 2017, the Group has, through its wholly-owned subsidiary E-Shang Infinity Cayman Limited ("Infinity"), completed the acquisition of an aggregate indirect 80% stake in Cambridge Industrial Trust Management Limited ("CITM") and 100% indirect interest in Cambridge Industrial Property Management Pte. Ltd. ("CIPM"), the property manager of Cambridge Industrial Trust ("CIT") from National Australia Bank Limited and Oxley Global Limited.

On 7 February 2017, the Group, through its wholly-owned subsidiary Infinity, acquire to 10.65% of outstanding units in CIT ("Units"), together with the 5,134,604 Units which are held directly by CITM (in which the Group holds indirectly 80% of the issued share capital), the Group is deemed to be interested in 144,026,600 Units which represent approximately 11.04% of the total number of Units in issue.

The Group continued to add to and increase its stake in CIT and became its second largest unitholder with a 12.01% of the total number of Units in issue.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 14 April 2017.



Redwood Asian Investments, Ltd.
(a company incorporated with limited liability in the
Cayman Islands with company number WK-279998)
and its subsidiaries

Non-Statutory Consolidated Financial Statements
Year ended 31 December 2015



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Independent auditors' report

Member of the Company
Redwood Asian Investments, Ltd.

We have audited the accompanying non-statutory consolidated financial statements of Redwood Asian Investments, Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages FS1 to FS32.

Management's responsibility for the non-statutory consolidated financial statements

Management is responsible for the preparation and fair presentation of these non-statutory consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of non-statutory consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these non-statutory consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the non-statutory consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-statutory consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the non-statutory consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the non-statutory consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-statutory consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the non-statutory consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and the financial performance and cash flows of the Group for the year ended on that date in accordance with International Financial Reporting Standards.

Other matter

The consolidated financial statements for the year ended 31 December 2014 were unaudited as consolidated financial statements as at 31 December 2014 were presented by the immediate holding company.

Basis of accounting and restriction on distribution and use

We draw attention to Note 2 to the non-statutory consolidated financial statements, which describes the basis of accounting. Our report is provided on the basis that it is solely for the purpose of inclusion in the offering circular issued by ESR Cayman Limited, in relation to the proposed issuance of Euro Medium Term Note. Our report should not be quoted or referred to, in whole or in part, without our prior written permission, for any other purposes. We do not assume any responsibility or liability for losses occasioned to the member, the Company or any other parties as a result of the circulation, publication, reproduction or use of the report contrary to the provision of this paragraph.

A handwritten signature in black ink, appearing to be 'KPMG LLP' with a stylized flourish.

KPMG LLP
*Public Accountants and
Chartered Accountants*

Singapore
3 May 2017

*Redwood Asian Investments, Ltd.
and its subsidiaries
Non-statutory consolidated financial statements
Year ended 31 December 2015*

**Consolidated statement of financial position
As at 31 December 2015**

	Note	2015 US\$	2014 US\$
Non-current assets			
Available-for-sale financial assets	4	1,030,050	992,738
Financial assets at fair value through profit or loss	5	51,912,477	12,920,713
		<u>52,942,527</u>	<u>13,913,451</u>
Current assets			
Other receivables	6	5,369,371	4,860,173
Cash and cash equivalents		41,382,209	726,704
		<u>46,751,580</u>	<u>5,586,877</u>
Total assets		<u>99,694,107</u>	<u>19,500,328</u>
Equity			
Share capital	7	1	1
Reserves	8	347,702	314,866
Accumulated profits		6,545,551	4,235,100
Equity attributable to owner of the Company		<u>6,893,254</u>	<u>4,549,967</u>
Non-controlling interests	9	25,884,817	—
Total equity		<u>32,778,071</u>	<u>4,549,967</u>
Non-current liabilities			
Loans and borrowings	10	889,844	901,951
Financial liabilities at fair value through profit or loss	11	41,569,825	9,749,364
		<u>42,459,669</u>	<u>10,651,315</u>
Current liabilities			
Other payables	12	24,456,367	4,299,046
Total liabilities		<u>66,916,036</u>	<u>14,950,361</u>
Total equity and liabilities		<u>99,694,107</u>	<u>19,500,328</u>

The non-statutory consolidated financial statements were approved by the Board of Directors of Redwood Asian Investments, Ltd. on 3 May 2017.

Signed on behalf of the Board of Directors



Charles de Portes
Director

The accompanying notes form an integral part of these non-statutory financial statements.

FS1

**Consolidated statement of comprehensive income
Year ended 31 December 2015**

	Note	2015 US\$	2014 US\$
Other income		–	20
Management fees	13	(203,074)	–
Operating expenses		(672,387)	(72,746)
Results from operating activities		<u>(875,461)</u>	<u>(72,726)</u>
Finance income	14	1,336,427	5,834,125
Finance costs	14	(39,900)	–
Net finance income		<u>1,296,527</u>	<u>5,834,125</u>
Profit before changes in fair value of financial instruments at fair value through profit or loss		421,066	5,761,399
Changes in fair value of financial instruments at fair value through profit or loss		2,135,496	(448,862)
Profit before tax	15	2,556,562	5,312,537
Tax expense	16	–	–
Profit for the year		<u>2,556,562</u>	<u>5,312,537</u>
Profit attributable to:			
Owner of the Company		2,310,451	5,312,537
Non-controlling interests		246,111	–
Profit for the year		<u>2,556,562</u>	<u>5,312,537</u>
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences relating to translation of the financial statements of foreign operations		4,956	35,072
Net change in fair value of available-for-sale financial assets		37,312	275,517
Other comprehensive income for the year, net of tax		<u>42,268</u>	<u>310,589</u>
Total comprehensive income for the year		<u>2,598,830</u>	<u>5,623,126</u>
Total comprehensive income attributable to:			
Owner of the Company		2,343,287	5,623,126
Non-controlling interests		255,543	–
Total comprehensive income for the year		<u>2,598,830</u>	<u>5,623,126</u>

The accompanying notes form an integral part of these non-statutory financial statements.

**Consolidated statement of changes in equity
Year ended 31 December 2015**

	Share capital US\$	Translation reserve US\$	Fair value reserve US\$	Accumulated (losses)/profits US\$	Total US\$
At 1 January 2014	1	4,277	—	(1,077,437)	(1,073,159)
Total comprehensive income for the year					
Profit for the year	—	—	—	5,312,537	5,312,537
Other comprehensive income					
Foreign currency translation differences	—	35,072	—	—	35,072
Net change in fair value of available-for-sale financial assets	—	—	275,517	—	275,517
Total other comprehensive income	—	35,072	275,517	—	310,589
Total comprehensive income for the year	—	35,072	275,517	5,312,537	5,623,126
Total transaction with owner, recognised directly in equity	—	—	—	—	—
At 31 December 2014	1	39,349	275,517	4,235,100	4,549,967

The accompanying notes form an integral part of these non-statutory financial statements.

Consolidated statement of changes in equity (continued)
Year ended 31 December 2015

	Attributable to owner of the Company					Non- controlling interests	Total equity
	Share capital US\$	Translation reserve US\$	Fair value reserve US\$	Accumulated profits US\$	Total US\$	US\$	US\$
At 1 January 2015	1	39,349	275,517	4,235,100	4,549,967	–	4,549,967
Total comprehensive income for the year							
Profit for the year	–	–	–	2,310,451	2,310,451	246,111	2,556,562
Other comprehensive income							
Foreign currency translation differences	–	(4,476)	–	–	(4,476)	9,432	4,956
Net change in fair value of available-for-sale financial assets	–	–	37,312	–	37,312	–	37,312
Total other comprehensive income	–	(4,476)	37,312	–	32,836	9,432	42,268
Total comprehensive income for the year	–	(4,476)	37,312	2,310,451	2,343,287	255,543	2,598,830
Total transaction with owner, recognised directly in equity							
Contributions by non-controlling interests	–	–	–	–	–	25,629,274	25,629,274
At 31 December 2015	1	34,873	312,829	6,545,551	6,893,254	25,884,817	32,778,071

The accompanying notes form an integral part of these non-statutory financial statements.

**Consolidated statement of cash flows
Year ended 31 December 2015**

	2015 US\$	2014 US\$
Cash flows from operating activities		
Profit before tax	2,556,562	5,312,537
Adjustments for:		
Finance income	(1,336,427)	(5,834,125)
Finance costs	39,900	—
Changes in fair value of financial instruments at fair value through profit or loss	(2,135,496)	448,862
	(875,461)	(72,726)
Changes in working capital:		
Other receivables	(554,920)	638,662
Other payables	405,939	9,046
Net cash (used in)/from operating activities	(1,024,442)	574,982
Cash flows from investing activities		
Investments in available-for-sale financial assets	—	(18,221)
Investments in financial assets at fair value through profit or loss	(38,207,263)	(4,204,901)
Proceeds from repayment of loan	341,357	—
Loan to a real estate investment fund	—	(429,843)
Proceeds from transfer of interest in a real estate investment fund	—	25,572,791
Net cash (used in)/from investing activities	(37,865,906)	20,919,826
Cash flows from financing activities		
Interest received	227	3
Incentive allocation received	139,474	4,530,294
Carry interest received	1,196,726	—
Contributions by non-controlling interests	25,629,274	—
Proceeds from issue of preference shares of subsidiaries	33,171,456	—
Redemption of preference shares issued by a subsidiary	(12,107)	—
Proceeds from financial liabilities at fair value through profit or loss	—	1,250,000
Non-trade amount from immediate holding company	19,087,491	(22,924,485)
Non-trade amount from related companies	328,356	(3,772,669)
Net cash from/(used in) financing activities	79,540,897	(20,916,857)
Net increase in cash and cash equivalents	40,650,549	577,951
Cash and cash equivalents at 1 January	726,704	113,681
Effect of exchange rate fluctuations on cash held	4,956	35,072
Cash and cash equivalents at 31 December	41,382,209	726,704

The accompanying notes form an integral part of these non-statutory financial statements.

Notes to the non-statutory consolidated financial statements

These notes form an integral part of the non-statutory consolidated financial statements.

The non-statutory consolidated financial statements were authorised for issue by the Board of Directors on 3 May 2017.

1 Domicile and activities

Redwood Asian Investments, Ltd. (the “Company”) was incorporated on 5 August 2013 in the Cayman Islands. The address of the Company’s registered office is 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are set out in Note 17.

During the year, the immediate holding company and the ultimate holding company of the Company are Redwood Investment Company, Ltd. and Redwood Investor (Cayman), Ltd., both of which are incorporated in the Cayman Islands.

Subsequent to the year end and post the merger between Redwood Investment Company, Ltd. and e-Shang Cayman Limited (see Note 22), the immediate and ultimate holding company of the Company is ESR Cayman Limited, a company incorporated in the Cayman Islands.

The non-statutory consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”).

2 Basis of preparation

2.1 Purpose of non-statutory consolidated financial statements

The non-statutory consolidated financial statements have been prepared for the purpose of inclusion in the offering circular issued by ESR Cayman Limited, in relation to the proposed issuance of Euro Medium Term Note.

2.2 Statement of compliance

The non-statutory consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board.

2.3 Basis of measurement

The non-statutory consolidated financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.4 Functional and presentation currency

These non-statutory consolidated financial statements are presented in United States dollars ("US\$"), which is the Company's functional currency.

2.5 Use of estimates and judgements

The preparation of the non-statutory consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in Note 18 – estimation of fair value of the financial instruments at fair value through profit or loss.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. Management has overall responsibility for all significant fair value measurements, including Level 3 fair values.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values of financial instruments is included Note 18.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these non-statutory consolidated financial statements, and have been applied consistently by Group entities.

3.1 Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 *Business Combinations* as at the date of acquisition, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by IFRSs.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(iii) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for the following differences which are recognised in other comprehensive income arising on the retranslation of available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss).

(ii) Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to United States dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to United States dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the exchange rates at the reporting date.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the translation reserve in equity.

3.3 Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise unquoted equity securities that otherwise would have been classified as available-for-sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and other receivables.

Cash and cash equivalents comprise cash balances and bank deposits.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale and that are not classified as loans and receivables, held-to-maturity financial assets or financial assets at fair value through profit or loss. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments (see Note 3.2(i)), are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise unquoted equity securities and preference shares.

(ii) *Non-derivative financial liabilities*

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. Financial liabilities for contingent consideration payable in a business combination are recognised at the date of acquisition. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities category.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

Financial liabilities designated at fair value through profit or loss are measured at fair value, and changes therein, which takes into account any dividend distributed, are recognised in profit or loss.

Financial liabilities designated at fair value through profit or loss comprise loan from a third party and preference shares issued by a subsidiary.

Other financial liabilities

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, and other payables.

(iii) *Share capital*

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Preference share capital

Preference shares issued by the subsidiaries of the Company are classified as financial liabilities if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Non-discretionary dividends thereon are recognised as interest expense in profit or loss as accrued.

3.4 Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment provisions attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) *Non-financial assets*

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.5 Finance income and finance costs

Finance income comprises interest income on bank balances, incentive allocations, carry interest, dividend income, gains on the disposal of available-for-sale financial assets and reclassifications of net gains previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Incentive allocations relate to income earned in relation to real estate investment funds where the returns of the real estate investment funds exceed certain specified hurdles.

Finance costs comprise interest expense on borrowings, losses on disposal of available-for-sale financial assets, dividends on preference shares classified as liabilities, impairment losses recognised on financial assets (other than trade receivables) and reclassifications of net losses previously recognised in other comprehensive income.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

3.6 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.7 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. The Group is currently assessing the potential impact of adopting these new standards and interpretations, on the financial statements of the Group. The Group does not plan to adopt these standards early.

Applicable to 2018 financial statements

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, IFRS 15 replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and IFRIC 31 Revenue – Barter Transactions Involving Advertising Services.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 9 Financial Instruments

IFRS 9 replaces most of the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

Applicable to 2019 financial statements

IFRS 16 Leases

IFRS 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 *Leases*.

Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the IAS 17 operating lease and finance lease accounting models respectively. However, IFRS 16 requires more extensive disclosures to be provided by a lessor.

When effective, IFRS 16 replaces existing lease accounting guidance, including IAS 17, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives*, and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if IFRS 15 is also applied.

4 Available-for-sale financial assets

	2015 US\$	2014 US\$
Available-for-sale financial assets, at fair value	1,030,050	992,738

Available-for-sale financial assets of the Group comprise mainly unquoted equity interests in a privately-held real estate investment fund incorporated in Singapore, which invests in a logistics property in People's Republic of China. The available-for-sale financial asset are carried at fair value and is estimated based on the Group's share of the net asset value of the unquoted real estate investment fund.

Information about the Group's exposure to market risk and fair value measurement is included in Note 18.

5 Financial assets at fair value through profit or loss

	2015 US\$	2014 US\$
Unquoted equity interests	51,912,477	12,920,713

The fair value of the Group's equity interests in the unquoted real estate investment funds is estimated based on the Group's share of the net asset value of the unquoted real estate investment funds.

The investments were designated at fair value through profit or loss upon the initial recognition on the basis that they are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Group. Information about the Group's exposure to market risk and fair value measurement is included in Note 18.

6 Other receivables

	2015 US\$	2014 US\$
Loan to a fund invested by the Group	88,486	429,843
Non-trade amounts due from:		
- immediate holding company	567,290	560,986
- related companies	4,198,575	3,869,344
Other receivables	489,823	—
Loans and receivables	5,344,174	4,860,173
Prepayments	25,197	—
	<u>5,369,371</u>	<u>4,860,173</u>

Loan to a fund invested by the Group and non-trade amounts due from the immediate holding and related companies, are interest-free, unsecured and repayable on demand. There is no allowance for doubtful debts arising from these outstanding balances.

The Group's exposure to credit and currency risks are disclosed in Note 18.

7 Share capital

	2015 Number of shares	2014 Number of shares
Ordinary shares at 1 January and 31 December	<u>1</u>	<u>1</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains sound capital position in order to support its business and maximise shareholders' value. The Group is also committed to maintain efficient mix of debt and equity in order to achieve optimal cost of capital, while taking into account the adequacy of access to cash flows.

The Group manages its capital structure and makes alignment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may align the dividend payment to shareholder, return capital to shareholders or issue new shares.

There was no change to the Group's approach to capital management.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

8 Reserves

	2015 US\$	2014 US\$
Translation reserve	34,873	39,349
Fair value reserve	312,829	275,517
	<u>347,702</u>	<u>314,866</u>

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

9 Non-controlling interests

	2015 US\$	2014 US\$
Preference shares issued by a subsidiary, Redwood Asian Investments 2 Ltd.		
At 1 January	—	—
Issued during the year	25,629,274	—
Profit for the year	246,111	—
Foreign currency translation differences	9,432	—
At 31 December	<u>25,884,817</u>	<u>—</u>

Preference shares issued by a subsidiary, Redwood Asian Investments 2 Ltd.

Pursuant to the subscription agreement dated 5 March 2015 entered into by Redwood Asian Investments, Ltd. ("RAIL"), a third party Financial Investor C, Redwood Asian Investments 2 Ltd. and ESR Singapore Pte. Ltd. (the "Manager") ("Subscription Agreement"), RAIL and Financial Investor C have agreed to provide funding to Redwood Asian Investments 2 Ltd. for the purpose of, indirectly through Redwood Nanko Pte. Ltd. and its subsidiaries, subscribing to interest in RW Nankonaka TMK.

At 31 December 2015, Financial Investor C is a holder of 3,568,950,000 (2014: Nil) Preference A Shares issued by Redwood Asian Investments 2 Ltd.. Financial Investor C is entitled to participate *pari passu* with ordinary shareholders in dividends as well as distribution upon return of capital on winding up. The dividend distribution is at the discretion of Redwood Asian Investments 2 Ltd. based on the terms of Preference A Shares. The holders of Preference A Shares will not have the right to receive notice of, attend, speak, or vote, at any general or special meeting of Redwood Asian Investments 2 Ltd., except for certain matters as provided for in the memorandum and articles of association.

Name of subsidiary	Country of incorporation	Ownership interests ¹ held by non-controlling interests	
		2015 %	2014 %
Redwood Asian Investments 2 Ltd.	Cayman Island	85.7	—

¹ Consisting of ordinary and Preference A Shares. The former is held by the Company whilst Financial Investor C holds the latter.

The following summarised consolidated financial information for the above subsidiary are prepared in accordance with the Group's accounting policies.

	2015 US\$	2014 US\$
Non-current assets	7,040,537	—
Current assets	23,591,899	—
Current liabilities	(433,483)	—
Net assets	30,198,953	—
Net assets attributable to non-controlling interests	25,884,817	—
Revenue	—	—
Profit	287,129	—
Other comprehensive income	—	—
Total comprehensive income	287,129	—
Attributable to non-controlling interests:		
- Profit	246,111	—
- Other comprehensive income	—	—
- Total comprehensive income	246,111	—
Cash flows used in operating activities	(519,641)	—
Cash flows used in investing activities	(6,890,769)	—
Cash flows from financing activities (dividends to non-controlling interests: Nil)	30,663,244	—
Net increase in cash and cash equivalents	23,252,834	—

10 Loans and borrowings

	2015 US\$	2014 US\$
Preference shares issued by a subsidiary	889,844	901,951

At 31 December 2015, a third party Financial Investor B is a holder of 107,101,575 (2014: 108,171,025) preference shares issued by a Singapore incorporated subsidiary of the Company.

11 Financial liabilities at fair value through profit or loss

	Note	2015 US\$	2014 US\$
Loan from a third party	(A)	11,055,820	9,749,364
Preference shares issued by a subsidiary, Redwood Fujiidera Investor Ltd.	(B)	30,514,005	—
		<u>41,569,825</u>	<u>9,749,364</u>

(A) Loan from a third party

Pursuant to the loan agreement dated 28 August 2013 entered into amongst the Company, its certain subsidiaries, ESR Singapore Pte. Ltd. and a third party Financial Investor B ("Loan Agreement"), and the security over shares agreement dated 28 August 2013 entered into by a subsidiary of the Company and Financial Investor B ("Security Agreement"), the Group utilised the proceeds from the loan from Financial Investor B to subscribe to interest in Redwood Japan Logistics Fund LP ("RJLF").

Under the Loan Agreement, all distribution proceeds from RJLF relating to the loan that has been invested into RJLF will be passed on to Financial Investor B. As such, the loan from Financial Investor B was designated at fair value through profit or loss upon the initial recognition on the basis that it is structured, managed and has its performance evaluated on a fair value basis, in accordance with the Loan Agreement and the risk management and investment strategies of the Group.

(B) Preference shares issued by a subsidiary, Redwood Fujiidera Investor Ltd.

Pursuant to the subscription agreement dated 18 December 2014 entered into by certain subsidiaries of the Company, including Redwood Asian Investments 1 Ltd. ("RAIL 1") and Redwood Fujiidera Investor Ltd., a third party Financial Investor C, and ESR Singapore Pte. Ltd. (the "Manager") ("Subscription Agreement"), RAIL 1 and Financial Investor C have agreed to provide funding to Redwood Fujiidera Investor Ltd. for the purpose of subscribing to interest in Redwood Fujiidera Pte. Ltd.

At 31 December 2015, Financial Investor C is a holder of 3,994,902,381 (2014: Nil) preference shares issued by Redwood Fujiidera Investor Ltd., a Cayman Island incorporated subsidiary. Financial Investor C is entitled to participate *pari passu* with ordinary shareholders in dividends as well as distribution upon return of capital on winding up. The dividend distribution is not at the discretion of Redwood Fujiidera Investor Ltd. based on the terms of preference shares.

As such, the preference shares issued to Financial Investor C were designated at fair value through profit or loss upon the initial recognition on the basis that it is structured, managed and has its performance evaluated on a fair value basis, in accordance with the risk management and investment strategies of the Group.

Measurement of fair values

- (a) The fair value of the loan from Financial Investor B is estimated based on the Group's share of the net asset value of RJLF at the date of statement of financial position.
- (b) The fair value of the preference shares issued to Financial Investor C is estimated based on its share of the net asset value of Redwood Fujiidera Investor Ltd. at the date of statement of financial position.

Refer to Note 18 for the reconciliation from beginning balances to the ending balances of the fair value measurement of the financial liabilities and additional information on the measurement of the fair value.

12 Other payables

	2015 US\$	2014 US\$
Non-trade amounts due to:		
- immediate holding company	22,473,882	3,380,087
- related companies	1,535,363	877,776
Accrued operating expenses	202,141	24,263
Other payables	244,981	16,920
	<u>24,456,367</u>	<u>4,299,046</u>

Non-trade amounts due to the immediate holding and related companies, are interest-free, unsecured and repayable on demand.

13 Management fees

	2015 US\$	2014 US\$
Base management fees paid/payable to a related company	78,000	—
Asset management fees paid/payable to a related company	63,440	—
Development management fees paid/payable to a related company	61,634	—
	<u>203,074</u>	<u>—</u>

Base Management Fee

In consideration of the ESR Singapore Pte. Ltd. ("Investment Manager") carrying out the services (excluding the Development Management Services), the Group shall pay or cause to be paid to the Investment Manager the Base Management Fee. The Base Management Fee payable by the Company will be equal to US\$150,000 per annum.

Development Management Fee

In consideration of the Investment Manager carrying out the Development Management Services, the Investor will pay or cause to be paid to the Investment Manager the Development Management Fee, being an amount equal to the product of the Group's respective proportion (being 22.50%) times one (1) per cent of the project costs actually paid in connection with the project works.

14 Finance income and finance costs

	2015 US\$	2014 US\$
Foreign exchange gain, net	–	1,303,828
Interest income on bank balances	227	3
Incentive allocations	139,474	4,530,294
Carry interest	1,196,726	–
Finance income	<u>1,336,427</u>	<u>5,834,125</u>
Foreign exchange loss, net	<u>(39,900)</u>	–
Finance costs	<u>(39,900)</u>	–
Net finance income recognised in profit or loss	<u>1,296,527</u>	<u>5,834,125</u>

15 Profit before tax

The following item has been included in arriving at profit before tax:

	2015 US\$	2014 US\$
Audit fees	36,941	25,736
Accounting fees	57,768	24,621
Other professional fees	<u>526,303</u>	<u>41,234</u>

16 Tax expense

The Company is incorporated under the laws of the Cayman Islands and is not subject to income tax in that jurisdiction.

17 Subsidiaries

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activity	Country of incorporation	Effective ownership interest	
			2015 %	2014 %
Redwood Japan Logistics Fund Investments, Ltd.	Investment holding	Cayman Islands	100	100
Redwood Japan Logistics Fund Investments 1, Ltd.	Investment holding	Cayman Islands	100	100
RCLF LP Ltd.	Limited partner of a real estate fund	Cayman Islands	100	100
Redwood Group China 1 RGC 1	Investment holding	Cayman Islands	100	100
Baraki 2 Investor Pte. Ltd.	Investment holding	Singapore	100	100
Redwood Asian Investments 1 Ltd.	Investment holding	Cayman Islands	100	100
Redwood Fujiidera Investor Ltd.	Investment holding	Cayman Islands	100	100
Redwood Asian Investments 2 Ltd.	Investment holding	Cayman Islands	100	100
Redwood Nanko Pte. Ltd.	Investment holding	Singapore	100	—
Redwood Nanko SPE 1 Pte. Ltd.	Investment holding	Singapore	100	—
NKA Japan Investment Pte. Ltd.	Investment holding	Singapore	100	—
RW Nankonaka Godo Kaisha	Investment holding	Japan	100	—
Redwood Sustainable Investments, Ltd.	Investment holding	Cayman Islands	100	—
Redwood Australia Fund I Ltd.	Investment holding	Cayman Islands	100	—
Redwood Australia Fund II Ltd.	Investment holding	Cayman Islands	100	—

Name of subsidiary	Principal activity	Country of incorporation	Effective ownership interest	
			2015 %	2014 %
Redwood Australia Fund III Ltd.	Investment holding	Cayman Islands	100	—
Redwood Australia Fund IV Ltd.	Investment holding	Cayman Islands	100	—
Redwood Australia Fund V Ltd.	Investment holding	Cayman Islands	100	—

18 Financial instruments

Financial risk management

Overview

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, and the Group's objectives, policies and processes for measuring and managing risk.

Risk management framework

The Group adopts the risk management policies and guidelines of its holding company, Redwood Investment Company, Ltd., which has a system of controls in place to create an acceptable balance between the costs of risks occurring and the cost of managing the risks. Risk management policies and guidelines are reviewed regularly to reflect changes in market conditions and the Group's activities.

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from certain counterparties related to the Group's investments. Financial transactions are restricted to counterparties that meet appropriate credit criteria that are approved by the Group and are being reviewed on a regular basis.

The Group has adopted its holding company's credit policy and exposure to credit risk is monitored on an ongoing basis. Cash and cash equivalents are placed with regulated institutions.

The maximum exposure to credit risk at the reporting date is represented by the carrying amount of each financial asset in the statement of financial position of the Group.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

	Carrying amount US\$	Contractual cash flows US\$	Within 1 year US\$	After 1 year US\$
31 December 2015				
Loans and borrowings	889,844	(889,844)	–	(889,844)
Financial liabilities at fair value through profit or loss	41,569,825	(41,569,825)	–	(41,569,825)
Other payables	24,456,367	(24,456,367)	(24,456,367)	–
	<u>66,916,036</u>	<u>(66,916,036)</u>	<u>(24,456,367)</u>	<u>(42,459,669)</u>
31 December 2014				
Loans and borrowings	901,951	(901,951)	–	(901,951)
Financial liabilities at fair value through profit or loss	9,749,364	(9,749,364)	–	(9,749,364)
Other payables	4,299,046	(4,299,046)	(4,299,046)	–
	<u>14,950,361</u>	<u>(14,950,361)</u>	<u>(4,299,046)</u>	<u>(10,651,315)</u>

The maturity analyses show the contractual undiscounted cash flows of the Group's financial liabilities on the basis of their earliest possible contractual maturity. There are no specific contractual maturity dates for the preference share liabilities of the Group.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

The Group is exposed to currency risk on financial assets and financial liabilities that are denominated in currencies other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are the United States dollars ("USD") and Japanese Yen ("JPY").

The Group does not have formal hedging policy with respect to foreign exchange exposures. Exposure to currency risk is monitored on an ongoing basis and the Group endeavours to keep the net exposure at an acceptable level.

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	JPY US\$
31 December 2015	
Cash and cash equivalents	79,007
Other payables	(889,844)
Net exposure	<u>(810,837)</u>
31 December 2014	
Cash and cash equivalents	641,137
Other payables	(901,951)
Net exposure	<u>(260,814)</u>

Sensitivity analysis

A strengthening/(weakening) of the respective functional currencies of the Group entities against the currencies as indicated below at 31 December would have increased/(decreased) profit or loss (before any tax effect) by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2014.

	Profit or loss	
	2015	2014
	US\$	US\$
JPY (10% strengthening of the respective functional currencies)	<u>(81,084)</u>	<u>(26,081)</u>

A 10% weakening of the respective functional currencies of the Group entities against the above currencies would have an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risks arise primarily from the interest-bearing financial instruments.

The Group manages the net exposure to interest rate risks by maintaining sufficient lines of credit to obtain acceptable lending costs and by monitoring the exposure to such risks on an ongoing basis. Management does not enter into interest rate hedging transactions since it considers that the cost of such instruments outweigh the potential risk of interest rate fluctuations.

At the reporting date, the interest rate profile of interest-bearing financial instruments was:

	2015	2014
	US\$	US\$
Fixed rate instruments		
Financial liabilities	(889,844)	(901,951)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Accounting classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximate of fair value.

Carrying amount						Fair value
Note	Designated at fair value US\$	Available- for-sale US\$	Loans and receivables US\$	Other financial liabilities US\$	Total US\$	Level 3 US\$
31 December 2015						
Financial assets						
measured at fair value						
Available-for-sale financial assets, at fair value	4	–	1,030,050	–	–	1,030,050
Financial assets at fair value through profit or loss	5	51,912,477	–	–	–	51,912,477
		51,912,477	1,030,050	–	–	52,942,527
Financial assets not measured at fair value						
Other receivables [#]	6	–	–	5,344,174	–	5,344,174
Cash and cash equivalents		–	–	41,382,209	–	41,382,209
		–	–	46,726,383	–	46,726,383
Financial liabilities						
measured at fair value						
Financial liabilities at fair value through profit or loss	11	(41,569,825)	–	–	–	(41,569,825)
Financial liabilities not measured at fair value						
Loans and borrowings	10	–	–	–	(889,844)	(889,844)
Other payables	12	–	–	–	(24,456,367)	(24,456,367)
		–	–	–	(25,346,211)	(25,346,211)

[#] exclude prepayments

*Redwood Asian Investments, Ltd.
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		Carrying amount				Fair value	
	Note	Designated at fair value US\$	Available- for-sale US\$	Loans and receivables US\$	Other financial liabilities US\$	Total US\$	Level 3 US\$
31 December 2014							
Financial assets measured at fair value							
Available-for-sale financial assets, at fair value	4	–	992,738	–	–	992,738	992,738
Financial assets at fair value through profit or loss	5	12,920,713	–	–	–	12,920,713	12,920,713
		<u>12,920,713</u>	<u>992,738</u>	<u>–</u>	<u>–</u>	<u>13,913,451</u>	
Financial assets not measured at fair value							
Other receivables [#]	6	–	–	4,860,173	–	4,860,173	
Cash and cash equivalents		–	–	726,704	–	726,704	
		<u>–</u>	<u>–</u>	<u>5,586,877</u>	<u>–</u>	<u>5,586,877</u>	
Financial liabilities measured at fair value							
Financial liabilities at fair value through profit or loss	11	(9,749,364)	–	–	–	(9,749,364)	(9,749,364)
Financial liabilities not measured at fair value							
Loans and borrowings	10	–	–	–	(901,951)	(901,951)	
Other payables	12	–	–	–	(4,299,046)	(4,299,046)	
		<u>–</u>	<u>–</u>	<u>–</u>	<u>(5,200,997)</u>	<u>(5,200,997)</u>	

[#] exclude prepayments

The following table shows reconciliation from beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy.

	2015 US\$	2014 US\$
Available-for-sale financial assets, at fair value		
At 1 January	992,738	699,000
Addition of investments	–	18,221
Change in fair value	37,312	275,517
At 31 December	<u>1,030,050</u>	<u>992,738</u>
Financial assets at fair value through profit or loss		
At 1 January	12,920,713	11,325,321
Addition of investments	38,207,263	4,204,901
Change in fair value	784,501	(2,609,509)
At 31 December	<u>51,912,477</u>	<u>12,920,713</u>
Financial liabilities at fair value through profit or loss		
At 1 January	(9,749,364)	(10,660,011)
Inception of the liabilities	(33,171,456)	(1,250,000)
Change in fair value	1,350,995	2,160,647
At 31 December	<u>(41,569,825)</u>	<u>(9,749,364)</u>

During the financial year ended 31 December 2015 and 31 December 2014, there were no transfers between levels of the fair value hierarchy.

Measurement of fair value

Financial instruments measured at fair value

Financial assets and financial liabilities at fair value through profit or loss

The fair value of the financial assets/liabilities at fair value through profit or loss as at the date of the statement of financial position was determined using a valuation technique using the realisable net asset value approach, which takes into consideration the fair value of the underlying assets and liabilities of the entities to which the financial instruments relate. The assets held by the relevant entities comprise mainly 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 property being valued. The fair values of the properties were based on a combination of valuation approaches, including income capitalisation, discounted cash flows, direct comparison and residual approaches, which involve certain estimates. Therefore, given the above, management has determined that the reported net asset value represents fair value at the date of the statement of financial position.

The following table shows the valuation techniques used in measuring Level 3 fair value, as well as the significant unobservable input used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Net asset value	Net asset value	The estimated fair value would increase/decrease if the net asset value was higher/lower.

19 Involvement with unconsolidated structured entities

The Group considers its equity investments in 8 (2014: 5) investment funds of the Group to be interests in unconsolidated structured entities. The investment funds are designed so that the management rights are not the dominant factor in deciding who controls them.

The table below describes the type of structured entities that the Group does not consolidate but in which it holds an interest.

Type of structured entity	Nature and purpose	Interest held by the Company	Total net assets under management 2015 US\$'million	Total net assets under management 2014 US\$'million
Investment funds	To generate investment returns from the funds managed by a related company	Investments in equity and preference share issued by the investment funds	791.1	229.6

The table below sets out an analysis of the carrying amount of interests held by the Group in the 8 (2014: 5) unconsolidated investment funds. The maximum exposure to loss is the carrying amount of the investments.

	2015 US\$	2014 US\$
Carrying amount		
Investment funds	<u>52,942,527</u>	<u>13,913,451</u>

20 Capital commitment

Commitment to contributing capital to real estate investment funds are as follows:

	2015 US\$	2014 US\$
Undrawn capital calls	<u>49,026,539</u>	<u>14,895,201</u>

21 Related party transactions

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or joint control. Related parties may be individuals or other entities.

Key management personnel

The directors are employees of a related corporation and no consideration is paid to that related corporation for services rendered by the directors.

22 Subsequent events

- a) On 20 January 2016, e-Shang Cayman Limited and ESR Singapore Pte. Ltd. (previously known as "Redwood Group Asia Pte. Ltd.") announced the completion of the merger between Redwood Investment Company, Ltd., an immediate holding company of the Group with e-Shang Cayman Limited pursuant to the Share Subscription and Merger Agreement. On completion of the merger, ESR Singapore Pte. Ltd. and Redwood Asian Investments, Ltd. will merge with another two merger subsidiaries of e-Shang Cayman Limited following which they will continue as two companies, being ESR Singapore Pte. Ltd. and Redwood Asian Investments, Ltd. as the surviving companies in the merger. ESR Cayman Limited is the new holding company of the Group on completion of the merger.

The merger exercise as described above is considered an all-stock merger in which Redwood Investment Company, Ltd., being the seller of ESR Singapore Pte. Ltd. and Redwood Asian Investments, Ltd., has subscribed for 19.865% of shares issued by ESR Cayman Limited, the new holding company of the Group.

- b) On 23 September 2016, Redwood Fujiidera Investor, Ltd., a subsidiary of the Company, amended its articles which caused its dividends to be discretionary bases upon the decision of the Company, which resulted in the extinguishment of the preference shares as a financial liability (see Note 11) and subsequent recognition as equity issued by the subsidiary.

23 Comparative disclosure

The Company was not required to present consolidated financial statements under IFRS 10 *Consolidated Financial Statements* for the year ended 31 December 2014. Due to the change in Group structure as described in Note 22, the comparative information relating to the consolidated financial statements are presented for the first time.



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Independent auditors' report

Members of the Company
Redwood Group Asia Pte. Ltd.

Report on the financial statements

We have audited the accompanying financial statements of Redwood Group Asia Pte. Ltd. and its subsidiaries ('the Group') which comprise the statement of financial position of the Group and the Company as at 31 December 2015, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages FS1 to FS33.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 ('the Act') and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.



Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

Other matter

The consolidated financial statements for the year ended 31 December 2014 were unaudited as consolidated financial statements as at 31 December 2014 were presented by the immediate holding company.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
13 May 2016

Statement of financial position
As at 31 December 2015

		Group		Company	
	Note	2015	2014	2015	2014
		\$	\$	\$	\$
Assets					
Plant and equipment	5	545,398	593,111	24,274	63,233
Other receivables	10	787,574	662,116	82,493	—
Intangible assets	6	340	639	—	—
Subsidiaries	7	—	—	12,961,795	12,368,920
Other investments	8	243,358	48,267	—	2
Deferred tax assets	9	746,436	746,436	746,436	746,436
Non-current assets		2,323,106	2,050,569	13,814,998	13,178,591
Trade and other receivables	10	7,046,404	24,995,726	16,197,252	14,826,887
Cash and cash equivalents	11	4,000,993	6,894,487	1,118,076	289,129
Current assets		11,047,397	31,890,213	17,315,328	15,116,016
Total assets		13,370,503	33,940,782	31,130,326	28,294,607
Equity					
Share capital	12	13,439,990	13,439,990	13,439,990	13,439,990
Capital reserve	12	2,141,098	2,141,098	2,141,098	2,141,098
Foreign currency translation reserve		(529,360)	(320,402)	—	—
Accumulated losses		(36,045,156)	(27,092,698)	(19,285,868)	(13,024,263)
Total equity		(20,993,428)	(11,832,012)	(3,704,780)	2,556,825
Liabilities					
Trade and other payables	13	34,252,146	45,772,794	34,835,106	25,737,782
Current tax payable		111,785	—	—	—
Current liabilities		34,363,931	45,772,794	34,835,106	25,737,782
Total liabilities		34,363,931	45,772,794	34,835,106	25,737,782
Total equity and liabilities		13,370,503	33,940,782	31,130,326	28,294,607

The accompanying notes form an integral part of these financial statements.

Consolidated statement of comprehensive income
Year ended 31 December 2015

	Note	2015 \$	2014 \$
Revenue	14	18,535,348	9,455,160
Other income		365,756	1,258,162
Operating expenses		(26,302,134)	(14,557,225)
Other expenses		(64,029)	(321,151)
Results from operating activities		<u>(7,465,059)</u>	<u>(4,165,054)</u>
Net finance (cost)/ income	15	(1,408,083)	659,378
Loss before tax		<u>(8,873,142)</u>	<u>(3,505,676)</u>
Income tax (expense)/benefit	16	(79,316)	737,110
Loss for the year	17	<u>(8,952,458)</u>	<u>(2,768,566)</u>
Other comprehensive income for the year, net of tax			
Foreign currency translation differences- foreign operations		(208,958)	(771,674)
Total comprehensive loss for the year		<u>(9,161,416)</u>	<u>(3,540,240)</u>

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity
Year ended 31 December 2015

	Share capital \$	Foreign currency translation reserve \$	Capital reserve \$	Accumulated losses \$	Total \$
At 1 January 2014	13,439,990	451,272	2,141,098	(24,324,132)	(8,291,772)
Total comprehensive loss for the year					
Loss for the year	—	—	—	(2,768,566)	(2,768,566)
Other comprehensive income					
Foreign currency translation differences	—	(771,674)	—	—	(771,674)
Total comprehensive loss for the year	—	(771,674)	—	(2,768,566)	(3,540,240)
At 31 December 2014	13,439,990	(320,402)	2,141,098	(27,092,698)	(11,832,012)
At 1 January 2015	13,439,990	(320,402)	2,141,098	(27,092,698)	(11,832,012)
Total comprehensive loss for the year					
Loss for the year	—	—	—	(8,952,458)	(8,952,458)
Other comprehensive income					
Foreign currency translation differences	—	(208,958)	—	—	(208,958)
Total comprehensive loss for the year	—	(208,958)	—	(8,952,458)	(9,161,416)
At 31 December 2015	13,439,990	(529,360)	2,141,098	(36,045,156)	(20,993,428)

The accompanying notes form an integral part of these financial statements.

Consolidated statement of cash flows
Year ended 31 December 2015

	Note	2015 \$	2014 \$
Cash flows from operating activities			
Loss for the year		(8,952,458)	(2,768,566)
Adjustments for:			
Depreciation of plant and equipment		199,658	75,929
Amortisation of intangible assets		329	347
Write-off of plant and equipment		10,146	—
Loss on disposal of plant and equipment		—	12,980
Interest income		(4,761)	(2,806)
Income tax expense/(benefit)		79,316	(737,110)
		<u>(8,667,770)</u>	<u>(3,419,226)</u>
Changes in:			
- Trade and other receivables		18,661,694	(16,400,730)
- Trade and other payables		5,105,375	(878,805)
Cash from/(used in) operation activities		<u>15,099,299</u>	<u>(20,698,761)</u>
Tax paid		—	(40,313)
Net cash from/(used in) operating activities		<u>15,099,299</u>	<u>(20,739,074)</u>
Cash flows from investing activities			
Investment in other investments		(206,670)	—
Proceeds from sale of other investments		—	417,507
Acquisition of plant and equipment		(134,000)	(590,866)
Proceeds from sale of plant and equipment		—	100,810
Interest income received		4,761	2,806
Net cash used in investing activities		<u>(335,909)</u>	<u>(69,743)</u>
Cash flows from financing activities			
Non-trade amount due to immediate holding company		(9,793,623)	21,198,336
Non-trade amount due to a fellow subsidiary		334,492	5,119,143
Non-trade amount due to a related party		(7,791,418)	—
Decrease/(increase) in deposit pledged as security		5,059,829	(4,788,611)
Net cash (used in)/generated from financing activities		<u>(12,190,720)</u>	<u>21,528,868</u>
Net increase in cash and cash equivalents		2,572,670	720,051
Cash and cash equivalents at beginning of year		1,332,507	509,841
Effect of exchange rate fluctuations on cash held		(406,335)	102,615
Cash and cash equivalents at end of year	11	<u>3,498,842</u>	<u>1,332,507</u>

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 13 May 2016.

1 Domicile and activities

Redwood Group Asia Pte. Ltd. (the 'Company') is incorporated in Singapore. The address of the Company's registered office is 80 Robinson Road, #02-00 Singapore 068898.

The financial statements of the Group as at and for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

The Group is primarily involved in private equity fund management. The principal activities of the subsidiaries are set out in Note 7 to the financial statements.

During the year, the immediate holding company and the ultimate holding company of the Company are Redwood Investment Company, Ltd and Redwood Investor (Cayman), Ltd, both of which are incorporated in the Cayman Islands.

2 Going concern

The consolidated financial statements have been prepared on a going concern basis notwithstanding the consolidated net loss of \$8,952,458 for the current year, and negative consolidated net assets of \$20,993,428 as at 31 December 2015. Notwithstanding the above, the directors of the Company consider that it is appropriate for the Group to prepare its financial statements on a going concern basis as the Group has received an undertaking from e-Shang Redwood Limited, the immediate holding company (effective since 20 January 2016), to provide the Company with financial and other support as is necessary for the next twelve months to enable the Company to continue operations and to meet its liabilities as and when fall due. The directors have evaluated and are satisfied with the ability and intent of the immediate holding company to fulfil the commitment.

The financial statements do not include any adjustments relating to the recoverability and classification of the reported asset amounts or the amounts and classification of liabilities that might result if the going concern basis is found to be inappropriate.

3 Basis of preparation

3.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

3.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

3.3 Functional and presentation currency

These financial statements are presented in Singapore dollar, which is the Group's functional currency.

3.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in note 7 – key assumptions underlying recoverable amounts of investments in subsidiaries

4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

4.1 Basis of consolidation

(i) Business combination

Business combinations are accounted for using the acquisition method in accordance with FRS 103 Business Combination as at the date of acquisition, which is the date on which control is transferred to the Group.

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests (NCI) in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Non-Controlling interest (NCI) that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by FRSS.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investment in subsidiaries are stated in the Group's statement of financial position at cost less accumulated impairment losses.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(iii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any NCI and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

4.2 Foreign currency transactions

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the Group functional currencies of group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for the following differences which are recognised in other comprehensive income (OCI) arising on the retranslation of:

- available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective (see (iii) below); or
- qualifying cash flow hedges to the extent the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and are translated at the exchange rates at the reporting date. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in OCI, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in OCI, and are presented in the translation reserve in equity.

4.3 Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including asset designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: loans and receivables, and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, pledged deposits are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified as loans and receivables, held-to-maturity financial assets or financial assets at fair value through profit or loss. Subsequent to initial recognition, they are measured at fair value and changes therein, other than for impairment losses (see Note 4.6), are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise unquoted equity securities.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. Financial liabilities for contingent consideration payable in a business combination are recognised at the date of acquisition. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial liabilities for contingent consideration payable in a business combination are initially measured at fair value. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise trade and other payables, and loans and borrowings.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Preference shares

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary. Discretionary dividends thereon are recognised as distributions within equity upon approval by the Group's shareholders.

Preference share capital is classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Non-discretionary dividends thereon are recognised as interest expense in profit or loss as accrued.

4.4 Plant and equipment

(i) Recognition and measurement

Plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain or loss on disposal of an equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an equipment, unless it is included in the carrying amount of another asset.

Depreciation is recognised from the date that the equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. The estimated useful lives for the current and comparative years are as follows:

- | | |
|---|------------|
| • Computers, furniture and other IT equipment | 1-2 years |
| • Leasehold improvement | 8-10 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting period and adjusted if appropriate. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

4.5 Intangible asset

Intangible asset that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible asset from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

- Trademarks 5 years

4.6 Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.7 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

4.8 Revenue

(i) Rendering of services

Revenue from rendering of services excludes goods and services and other sales taxes and is arrived at after deduction of any trade discounts and/or rebates.

Management fees

Management fees are comprised of base management fees, development management fee, asset management fee and performance fees.

Base and asset management fee is derived from the management of real estate investment funds and is determined based on the total capital commitment or net equity invested as the case may be for these funds.

Development management fee is earned on a straight line basis in accordance with the relevant project construction cost across the entire construction period.

These fees are recognised on an accrual basis

Acquisition/divestment fees

Acquisition/divestment fees relate to fees earned in relation to the acquisition/divestment of properties by real estate investment funds. The acquisition/divestment fees are determined based on the value of the properties acquired/divested and are recognised when the services have been rendered.

Leasing fee

Leasing fees relate to fees earned in consideration of the investment manager carrying out the leasing services for the real estate investment funds.

(ii) Interest income

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

4.9 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

4.10 Finance costs

Finance costs comprise interest expense on borrowings, dividends on preference shares classified as liabilities, and impairment losses recognised on financial assets (other than trade receivables).

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

4.11 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

4.12 New standards and interpretations not yet adopted

New standards, amendments to standards and interpretations that are not yet effective for annual periods beginning after 1 January 2015 have not been applied in preparing these financial statements. The Group is currently assessing the potential impact of adopting these new standards and interpretations, on the financial statements of the Group and the Company.

These new standards include, among others, FRS 115 *Revenue from Contracts with Customers* and FRS 109 *Financial Instruments* which are mandatory for adoption by the Company on 1 January 2017 and 1 January 2018 respectively.

- FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.
- FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

As FRS 115 and FRS 109, when effective, will change the existing accounting standards and guidance applied by the Group and the Company in accounting for revenue and financial instruments, these standards are expected to be relevant to the Group and the Company. The Group has set up project teams to assess the potential impact on its financial statements and to implement the standards. The Group does not plan to adopt these standards early.

5 Plant and equipment

Group	Leasehold improvement \$	Computers and other IT equipment \$	Total \$
Cost			
At 1 January 2014	350,080	248,699	598,779
Additions	403,277	187,589	590,866
Disposals	(339,817)	(97,133)	(436,950)
Effect of movement in exchange rates	(19,746)	43,236	23,490
At 31 December 2014	393,794	382,391	776,185
Additions	—	134,000	134,000
Write off	—	(10,146)	(10,146)
Effect of movement in exchange rates	10,294	13,910	24,204
At 31 December 2015	404,088	520,155	924,243
Accumulated depreciation and impairment losses			
At 1 January 2014	350,080	234,191	584,271
Depreciation charge for the year	39,056	36,873	75,929
Disposals	(241,454)	(81,705)	(323,159)
Effect of movement in exchange rates	(121,173)	(32,794)	(153,967)
At 31 December 2014	26,509	156,565	183,074
Depreciation charge for the year	18,416	181,242	199,658
Effect of movement in exchange rates	1,298	(5,185)	(3,887)
At 31 December 2015	46,223	332,622	378,845
Carrying amounts			
At 1 January 2014	—	14,508	14,508
At 31 December 2014	367,285	225,826	593,111
At 31 December 2015	357,865	187,533	545,398

Equipment

	Computers and other IT equipment \$
Company	
Cost	
At 1 January 2014	17,117
Additions	63,233
At 31 December 2014	80,350
Additions	24,274
At 31 December 2015	104,624
Accumulated depreciation	
At 1 January 2014	8,328
Depreciation charge for the year	8,789
At 31 December 2014	17,117
Depreciation charge for the year	63,233
At 31 December 2015	80,350
Carrying amounts	
At 1 January 2014	8,789
At 31 December 2014	63,233
At 31 December 2015	24,274

6 Intangible assets

Group	Trademark \$
Cost	
At 1 January 2014	3,490
Effect of movement in exchange rates	(296)
At 31 December 2014	3,194
Effect of movements in exchange rates	208
At 31 December 2015	3,402
Accumulated amortisation	
At 1 January 2014	2,443
Amortisation for the year	347
Effect of movement in exchange rates	(235)
At 31 December 2014	2,555
Amortisation for the year	329
Effect of movements in exchange rates	178
At 31 December 2015	3,062
Carrying amounts	
At 1 January 2014	1,047
At 31 December 2014	639
At 31 December 2015	340

7 Subsidiaries

	Company	
	2015	2014
	\$	\$
Unquoted equity investments, at cost	13,221,416	12,628,541
Impairment loss	(259,621)	(259,621)
	<u>12,961,795</u>	<u>12,368,920</u>
Net investment in a subsidiary #	601,706	601,706
Impairment loss	(601,706)	(601,706)
	<u>-</u>	<u>-</u>
	<u>12,961,795</u>	<u>12,368,920</u>

Net investment in a subsidiary arose from assumption of a debt in 2011 that was previously owed by a subsidiary to another subsidiary of the Group.

In 2015, the Company carried out a review of the recoverable amount of the investments in subsidiaries. The review did not result in recognition or reversal of impairment loss during the year (2014: Nil). The recoverable amounts of the investments were estimated based on the fair value of the Company's subsidiaries, respectively.

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective percentage of equity held by the Company	
			2015	2014
			%	%
Held by the Company				
Redwood Group Japan Ltd ("RWJ")	Real estate asset management	Japan	100	100
Redwood Real Estate Development Ltd	Real estate asset development	Japan	100	100
Redwood Advisors Private Limited	Real estate asset management	India	100	100
Redwood China Holdings Limited*	Distribution and logistics service providers	Hong Kong	49.9	49.9
Redwood Japan Logistics Fund LP Pte. Ltd.	Property fund management	Singapore	100	100

Name of subsidiaries	Principal activities	Country of incorporation	Effective percentage of equity held by the Company	
			2015 %	2014 %
Held by the Company				
Redwood Japan Logistics Fund GP Pte. Ltd.	General partner for limited partnership	Singapore	100	100
Redwood China Logistics Fund GP Pte. Ltd.	General partner for limited partnership	Singapore	100	100
Redwood Group China Holdings Pte Ltd (“RGCH”)	Investment holdings	Singapore	100	100
Held by RGCH				
Redwood Investment Consulting (Shanghai) Co. Ltd	Real estate asset management	China	100	100

* Pursuant to an agreement entered into by the Company and the other shareholder of Redwood China Holdings Limited ("Redwood China") in 2011, the Company acquired the remaining 50.1% equity interest in Redwood China ("Share Transfer"). Although the procedure of the Share Transfer has not been finalised, the Company is able to govern the financial and operating policies of Redwood China given that the only two directors of Redwood China were nominated by the Company. As such, the Company classified its investment in Redwood China as a subsidiary.

8 Other investments

	Group		Company	
	2015 \$	2014 \$	2015 \$	2014 \$
Available-for-sale financial asset, at cost	243,358	48,267	—	2

The available-for-sale financial assets of the Company relates to unquoted equity investment in a privately-held real estate company in Singapore.

These equity investment is carried at cost less accumulated impairment losses because the fair value cannot be reliably determined. The variability in the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range of reasonable inputs are not sufficiently reliable to determine a fair value.

9 Deferred tax assets

Movement in deferred tax assets/(liabilities) during the year are as follows:

	Group and Company \$
As 1 January 2014	–
Recognised in profit or loss	746,436
At 31 December 2014	746,436
Recognised in profit or loss	–
At 31 December 2015	746,436

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items because it is not probable that future taxable profit would be available against the Group can utilise the benefits:

	Group		Company	
	2015 \$	2014 \$	2015 \$	2014 \$
Unutilised tax losses	18,007,042	8,504,891	6,255,635	–

Recognised deferred tax assets

Deferred tax assets is attributable to the following:

	At 1 January 2014 \$	Recognised in profit or loss (Note 16) \$	At 31 December 2014 \$	Recognised in profit or loss (Note 16) \$	At 31 December 2015 \$
Group and Company					
Tax losses	–	746,436	746,436	–	746,436

10 Trade and other receivables

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Management fee due from funds managed by the Company (Trade)	996,933	7,155,697	996,933	7,155,697
Funds managed by the Group for the deposits paid on behalf	261,878	14,195,185	—	—
Non-trade amounts due from:				
- immediate holding company	1,895,031	1,068,749	1,895,031	1,068,749
- subsidiaries	—	—	9,728,537	5,392,073
- related companies	2,243,615	1,075,330	2,243,615	1,067,213
Deposits	121,693	59,400	121,693	59,400
Other receivables	2,204,780	2,053,701	1,228,445	38,588
	7,723,930	25,608,062	16,214,254	14,781,720
Prepayments	110,048	49,780	65,491	45,167
	7,833,978	25,657,842	16,279,745	14,826,887
Non-current	787,574	662,116	82,493	—
Current	7,046,404	24,995,726	16,197,252	14,826,887
	7,833,978	25,657,842	16,279,745	14,826,887

Non-trade amounts due from the immediate holding company, subsidiaries and related companies are unsecured, interest-free, and repayable on demand.

In 2014, the Group made payments to third parties as deposits in relation to property projects in Japan on behalf of RJLF LP and another fund under management by the Group. In 2014, the accumulated amounts paid for one of the projects on behalf of RJLF LP were assessed to be irrecoverable, amounting to JPY217,659,664 (equivalent to US\$1,814,889). These amounts were funded by RJLF LP and recorded as amount due to RJLF LP in these financial statements. Management of the Group and RJLF LP has set out a plan to settle the deposits paid by the Group with cancellation of the corresponding non-trade amount due to RJLF LP. As such, there is no net gain or loss arising from the deposit paid on behalf of RJLF LP and the non-trade amount due to RJLF LP.

The Group's exposure to credit risk and impairment losses related to other receivables are disclosed in Note 18.

11 Cash and cash equivalents

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Bank balances	4,000,993	6,894,487	1,118,076	289,129
Restricted cash	(402,151)	(5,511,980)	—	—
Deposits pledged	(100,000)	(50,000)	(100,000)	(50,000)
Cash and cash equivalents in the consolidated statement of cash flows	<u>3,498,842</u>	<u>1,332,507</u>	<u>1,018,076</u>	<u>239,129</u>

Deposit pledged represent bank balances of the Company pledged as security to obtain corporate credit card facility.

Restricted cash represent bank balance of certain subsidiaries reserved for certain specific investment purposes only.

12 Capital and reserves

Share capital

	Group and Company	
	Ordinary shares	
	2015	2014
	No. of shares	No. of shares
At 1 January and 31 December	<u>22,430,563</u>	<u>22,430,563</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Group and the Company. All shares rank equally with regard to the Group's residual assets.

All issued shares are fully paid, with no par value.

Reserves

	Group	
	2015	2014
	\$	\$
Capital reserves	2,141,098	2,141,098
Foreign currency translation reserve	(529,360)	(320,402)
	<u>1,611,738</u>	<u>1,820,696</u>

Capital reserves

Capital reserve relates to non-trade amounts that were terminated or waived and were previously due to related corporations as financial support provided to the Group. As the extinguishment of debts due to related corporations was considered as capital transaction with the owners of the Group, the amounts were recorded as capital contributions by the owners of the Group.

Foreign currency translation reserve

Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

13 Trade and other payables

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Trade payables	1,144,214	–	1,144,214	–
Non-trade amounts due to:				
- RJLF LP	1,379,477	8,171,624	999,271	–
- immediate holding company	13,698,450	22,665,791	13,698,450	11,147,967
- fellow subsidiary	5,453,634	5,119,142	5,453,634	5,119,142
- subsidiary	–	–	3,683,363	1,041,944
- related company	2,729,098	–	2,729,098	–
- ultimate holding company (effective from 20 January 2016)	3,660,519	–	3,660,519	–
Management fee rebate payable	1,838	7,154,605	1,838	7,154,605
Accrued operating expenses	4,582,967	1,306,765	3,084,807	1,120,659
Other payables	1,084,539	1,082,803	275,705	153,465
Deferred revenue	227,594	–	104,207	–
Security deposits	289,816	272,064	–	–
	<u>34,252,146</u>	<u>45,772,794</u>	<u>34,835,106</u>	<u>25,737,782</u>

Non-trade amounts due to immediate holding company, subsidiaries and a fellow subsidiary are unsecured, interest-free and repayable on demand.

Non-trade amounts due to immediate holding company mainly pertain to (1) funding from the immediate holding company, amounting to \$9,259,081 (2014: \$18,272,640); (2) the loans which were previously due to the former ultimate holding company and the former intermediate holding company and had since been novated to the immediate holding company pursuant to a group restructuring exercise in 2013, totalling \$ 4,439,369 (2014: \$ 4,088,544); (3) expenses paid on behalf of the immediate holding company, amounting to \$ Nil (2014: \$304,607).

Non-trade amounts due to subsidiaries mainly pertain to funding from and payment made on behalf by subsidiaries of the Company.

The non-trade amount due to a fellow subsidiary pertains to receipt of the distribution on behalf of the fellow subsidiary from the fellow subsidiary's investment, amounting to \$5,453,634 (2014: \$5,119,142).

Management fee rebate is payable to investors of the funds managed by the Company, calculated at the amount of the investment management fees that were earned by the Company based on the committed but uncalled capital of the funds. The rebate was settled subsequent to the year end.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 18.

14 Revenue

	Group	
	2015	2014
	\$	\$
Investment management fees	9,150,413	13,616,940
Investment management fees rebate	(4,560,325)	(9,814,671)
Commission/leasing fees	—	1,479,797
Development fees	12,736,409	3,459,094
Acquisition fees	919,827	209,038
Asset management fee income	289,024	504,962
	<u>18,535,348</u>	<u>9,455,160</u>

15 Net finance income/(cost)

	Group	
	2015	2014
	\$	\$
Interest income	4,761	2,806
(Loss)/gain on foreign exchange differences, net	(1,412,844)	656,572
Net finance (cost)/income recognised in profit or loss	<u>(1,408,083)</u>	<u>659,378</u>

16 Income tax benefit

	Group	
	2015	2014
	\$	\$
Current tax expense		
Current year	(79,609)	(9,326)
Deferred tax benefit		
Origination and reversal of temporary differences	293	746,436
Total tax (expense)/benefit	<u>(79,316)</u>	<u>737,110</u>
Reconciliation of effective tax rate		
Loss for the year	(8,952,458)	(2,768,566)
Less: Income tax expense/(benefit)	79,316	(737,110)
Loss excluding tax	<u>(8,873,142)</u>	<u>(3,505,676)</u>
Tax calculated using the Singapore tax rate of 17% (2014: 17%)	(1,508,434)	(595,965)
Effect of different tax rates in foreign jurisdictions	(414,654)	(501,180)
Income not subject to tax	(4,782)	(660,031)
Non-deductible expenses	351,859	47,370
Tax incentive	—	(2,917)
Current year losses for which deferred tax assets have not been recognised	1,496,695	1,824,038
Utilisation of previously unrecognised tax losses	—	(120,641)
Recognition of previously unrecognised deferred tax assets	—	746,436
	<u>(79,316)</u>	<u>737,110</u>

17 Loss for the year

The following items have been included in arriving at loss for the year:

	Group	
	2015	2014
	\$	\$
Depreciation of plant and equipment	199,658	75,929
Operating lease expense	1,204,728	1,166,577
Professional fees	7,749,674	1,824,129
Salaries, bonuses and other costs	13,283,275	8,472,197
Contributions to defined contribution plans	561,156	356,790

18 Financial instruments

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

The Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

At the reporting date, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial assets in the statement of financial position of the Group.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

	Carrying amount \$	Contractual cash flows \$	Within 1 year \$	1 to 3 years \$
Group				
31 December 2015				
Trade and other payables	34,252,146	(34,252,146)	(34,252,146)	—
31 December 2014				
Trade and other payables	45,772,794	(45,772,794)	(45,772,794)	—
Company				
31 December 2015				
Trade and other payables	34,835,106	(34,835,106)	(34,835,106)	—
31 December 2014				
Trade and other payables	25,737,782	(25,737,782)	(25,737,782)	—

The maturity analyses show the contractual undiscounted cash flows Group and of the Company's financial liabilities on the basis of their earliest possible contractual maturity.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on financial assets and liabilities that are denominated in a currency other than its functional currency. The currencies in which these transactions primarily are denominated in US dollar (USD), Japanese Yen (JPY) and Chinese Yuan (CNY).

The Group does not have formal hedging policy with respect to foreign exchange exposures. Exposure to currency risk is monitored on an ongoing basis and the Group endeavours to keep the net exposure at an acceptable level.

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	USD \$	JPY \$	CNY \$
Group			
31 December 2015			
Trade and other receivables	5,243,750	1,592,122	36,590
Cash and cash equivalents	770,652	1,967,327	472,091
Trade and other payables	(26,284,942)	(5,872,721)	(1,074,284)
Net exposure	<u>(20,270,540)</u>	<u>(2,313,272)</u>	<u>(565,603)</u>
31 December 2014			
Trade and other receivables	9,249,622	14,919,036	–
Cash and cash equivalents	180,892	842,647	191,739
Trade and other payables	(27,784,934)	(16,085,324)	(7,887)
Net exposure	<u>(18,354,420)</u>	<u>(323,641)</u>	<u>183,852</u>
Company			
31 December 2015			
Trade and other receivables	5,258,793	5,082,056	5,682,732
Cash and cash equivalents	770,194	–	60,184
Trade and other payables	(26,718,250)	(7,519,676)	(10,736)
Net exposure	<u>(20,689,263)</u>	<u>(2,437,620)</u>	<u>5,732,180</u>
31 December 2014			
Trade and other receivables	2,111,596	1,018,489	4,373,587
Cash and cash equivalents	117,297	57,055	–
Trade and other payables	(16,267,110)	(1,036,573)	(5,371)
Net exposure	<u>(14,038,217)</u>	<u>38,971</u>	<u>4,368,216</u>

Sensitivity analysis

A reasonably possible strengthening (weakening) of the Singapore dollar, as indicated below, against the USD, JPY and CNY at 31 December would have increased (decreased) profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2014, as indicated below:

	Group	
	Profit or loss	
	2015	2014
	\$	\$
USD (10% strengthening)	(2,027,054)	(1,835,442)
JPY (10% strengthening)	(231,327)	(32,364)
CNY (10% strengthening)	(56,560)	18,385
	Company	
	Profit or loss	
	2015	2014
	\$	\$
USD (10% strengthening)	(2,068,926)	(1,403,822)
JPY (10% strengthening)	(243,762)	3,897
CNY (10% strengthening)	573,218	436,822

A 10% weakening of the respective functional currencies of the Group entities against the above currencies would have an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risks arise primarily from the interest-bearing financial instruments.

The Group manages the net exposure to interest rate risks by maintaining sufficient lines of credit to obtain acceptable lending costs and by monitoring the exposure to such risks on an ongoing basis. Management does not enter into interest rate hedging transactions since it considers that the cost of such instruments outweigh the potential risk of interest rate fluctuations.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders value and to safeguard the Group's ability to continue as a going concern. Capital consists of total equity plus any loans from its holding company or its related corporations.

The Group manages its capital structure and makes alignment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may align the dividend payment to shareholders, return capital to shareholders. Obtain financial support from shareholders or issue new shares.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

Accounting classifications and fair values

The fair value hierarchy information for financial assets and financial liabilities not measured at fair value is not included in the table below as the carrying amount is a reasonable approximation of fair value.

	Available- for-sale \$	Loans and receivables \$	Other financial liabilities \$	Total carrying amount \$
Group				
31 December 2015				
Cash and cash equivalents	—	3,498,842	—	3,498,842
Trade and other receivables [#]	—	7,723,930	—	7,723,930
Other investments	243,358	—	—	243,358
	<u>243,358</u>	<u>11,222,772</u>	<u>—</u>	<u>11,466,130</u>
 Trade and other payables	 —	 —	 34,252,146	 34,252,146
31 December 2014				
Cash and cash equivalents	—	1,332,507	—	1,332,507
Trade and other receivables [#]	—	25,608,062	—	25,608,062
Other investments	48,267	—	—	48,267
	<u>48,267</u>	<u>26,940,569</u>	<u>—</u>	<u>26,988,836</u>
 Trade and other payables	 —	 —	 45,772,794	 45,772,794

[#] exclude prepayments

	Available- for-sale \$	Loans and receivables \$	Other financial liabilities \$	Total carrying amount \$
Company				
31 December 2015				
Cash and cash equivalents	–	1,018,076	–	1,018,076
Trade and other receivables [#]	–	16,214,254	–	16,214,254
	–	17,232,330	–	17,232,330
Trade and other payables	–	–	34,835,106	34,835,106
31 December 2014				
Cash and cash equivalents	–	239,129	–	239,129
Trade and other receivables [#]	–	14,781,720	–	14,781,720
Other investments	2	–	–	2
	2	15,020,849	–	15,020,851
Trade and other payables	–	–	25,737,782	25,737,782

[#] exclude prepayments

Measurement of fair value

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The fair value of non-derivative financial liabilities is determined to be not materially different from their carrying amounts.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and bank balances, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity.

19 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2015 \$	2014 \$	2015 \$	2014 \$
Within one year	977,806	1,266,606	232,479	255,400
Between 1 to 5 years	1,126,132	1,251,515	619,944	–

The Group lease office premises under operating lease. The lease is for a period of one year with option to renew the lease after that date.

There is no contingent rent recognised as an expense during the year.

20 Involvement in unconsolidated structured entities

The Company has been appointed by 6 real estate funds as its Investment Manager to manage the operations of those funds to earn fee income based on their capital contributed by investors, development costs incurred on real estate projects, or for the acquisition advisory service and brokerage service rendered by the Company. The funds have been designed so that voting and similar rights are not the dominant factor in deciding how the investing activities should be conducted and are financed through the issue of ownership interest instrument to investors. The Company did not provide any financial support and has no intention of providing financial or any other support.

The table below describes the type of structured entities that the Company does not consolidate but in which it holds an interest.

Type of structured entity	Nature and purpose	Interest held by the Group
Investment funds	<p>To generate fees from managing contributed capital on behalf of investors, managing project development, rendering acquisition advisory service or brokerage service</p> <p>These vehicles are financed through the issue of ownership interest instrument to investors.</p>	<ul style="list-style-type: none"> Investment management fees and development fees, acquisition fees and leasing fees

The Company earned a total gross fee income of \$18,535,348 (2014: \$9,455,160) from the real estate funds for the year ended 31 December 2015. As at 31 December 2015, the Company's maximum exposure to loss as a result of acting as the investment manager of the real estate funds is equivalent to the carrying amount of fee income receivable from them amounted to \$996,933 (2014: \$7,155,697).

21 Related parties

Transactions with key management personnel

Key management personnel compensation

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel compensation comprised:

	Group	
	2015	2014
	\$	\$
Short-term employee benefits	1,595,073	1,127,180

During the financial year, other than disclosed elsewhere in the financial statements, there were the following significant related party transactions:

	Group	
	2015	2014
	\$	\$
Funds managed by the Group		
Investment management fees	9,150,413	13,616,940
Investment management fees rebate	(4,560,325)	(9,814,671)
Commission/leasing fees	–	1,479,797
Development fees	12,736,409	3,459,094
Acquisition fees	919,827	209,038
Asset management fee income	289,024	504,962

22 Subsequent events

At 20 January 2016, the Group announced its completion of merger between Redwood Investment Company, Ltd, an immediate holding company of the Group with e-Shang Cayman Limited pursuant to the Share Subscription and Merger Agreement. Upon the completion of merger, Redwood Group Asia Pte Ltd and Redwood Asian Investments Ltd will merge with another two merger subsidiaries of e-Shang Cayman Limited following which they will continue as two companies, being Redwood Group Asia Pte Ltd and Redwood Asian Investments Ltd as the surviving companies in the merger. E-Shang Redwood Limited is the new holding company of the Group since the completion of merger.

The Merger exercise as described above is considered as all-stock merger in which Redwood Investment Company, Ltd, being the seller of Redwood Group Asia Pte Ltd and Redwood Asian Investments, Ltd for the entire merger exercise, in return will subscribes 19.865% share issue by E-Shang Redwood Limited, the new holding company of the Group. The Merger will provide enhanced operational capabilities, business relationships and significant growth for the entire business expansion plans in future years.

23 Comparative disclosure

The Company was not required to present consolidated financial statements under FRS 110 Consolidated Financial Statements for the year ended 31 December 2014. Due to the change in Group structure as described in note 22, the comparative information relating to the consolidated financial statements are presented for the first time.

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