Issuer Filing Information

GLP Pte. Ltd.

ISSUER FILING INFORMATION

Type of Information:	Issuer Filing Information
Date of Submission	June 11, 2021
Issuer Name:	GLP Pte. Ltd.
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Matters related to Financial Instruments Exchange Market, etc.:	Not Applicable.
Address of Website for Announcement:	https://www.jpx.co.jp/english/equities/products/tpbm/announcement/detail/41.html

Notes to Investors:

1. TOKYO PRO-BOND Market is a market for professional investors, etc. (*tokutei toushika tou*), as defined in Article 2, Paragraph 3, Item 2 (b) (2) of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "FIEA"). Bonds listed on the market ("Listed Bonds") may involve high investment risk. Investors should be aware of the listing eligibility and timely disclosure requirements that apply to issuers of Listed Bonds on the TOKYO PRO-BOND Market and associated risks such as the fluctuation of market prices and shall bear responsibility for their investments. Prospective investors should make investment decisions only after having carefully considered the contents of this Issuer Filing Information.

2. Where this Issuer Filing Information contains (a) any false statement on important matters, or (b) lacks information on: (i) important matters that should be announced or (ii) a material fact that is necessary to avoid misleading content, a person who, at the time of announcement of this Issuer Filing Information, is an officer (meaning an officer stipulated in Article 21, Paragraph 1 of the FIEA (meaning a director of the board (*torishimari-yaku*), accounting advisor (*kaikei-sanyo*), company auditor (*kansa-yaku*) or executive officer (*shikkou-yaku*), or a person equivalent to any of these) of the issuer that announced this Issuer Filing Information shall be liable to compensate persons who acquired the securities for any damage or loss arising from the false statement or lack of information in accordance with Article 22 of the FIEA applied mutatis mutandis in Article 27-34 of the FIEA). However, this shall not apply to cases where the person who acquired the securities was aware of the existence of the false statement or the lack of information at the time of subscription for acquisition of the securities. Additionally, the officer shall not be required to assume the liability prescribed above, where he/she proves that he /she was not aware of, and was unable to obtain

knowledge of, even with reasonable care, the existence of the false statement or the lack of information.

3. The regulatory framework for TOKYO PRO-BOND Market is different in fundamental aspects from the regulatory framework applicable to other exchange markets in Japan. Investors should be aware of the rules and regulations of the TOKYO PRO-BOND Market, which are available on the Tokyo Stock Exchange Inc. (Tokyo Stock Exchange") website.

4. Tokyo Stock Exchange does not express opinions or issue guarantees etc. regarding the content of the Issuer Filing Information (including, but not limited to, whether the Issuer Filing Information contains (a) a false statement or (b) lacks information on: (i) important matters that should be announced or (ii) a material fact that is necessary to avoid misleading content) and shall not be liable for any damage or loss.

5. This Issuer Filing Information shall constitute and form the Issuer Filing Information (as defined in Article 27-32, Paragraph 1 of the FIEA) that consists of information prescribed in Article 7, Paragraph 2, Item 1 of the Cabinet Office Ordinance on Providing and Publication of Information on Securities, etc.

6. All prospective investors who consider purchasing the Bonds of GLP Pte. Ltd. issued or to be issued under the Program Information dated November 24, 2020 (as amended and/or supplemented, the "Program Information") (the "Bonds") should read the Program Information and relevant Specified Securities Information before making an investment decision. Among other things, all prospective investors should be aware that the Bonds are subject to certain selling restriction as set forth in the Program Information and the relevant Specified Securities Information.

PART I: CORPORATE INFORMATION

I. OUTLINE OF COMPANY

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

This document contains the audited consolidated financial statements of the Issuer and its subsidiaries taken as a whole (the "Group") for the financial period from 1 April 2018 to 31 December 2018, the financial year ended 31 December 2019 and the financial year ended 31 December 2020 (the "Financial Statements"). The Group's consolidated financial statements for the financial period from 1 April 2018 to 31 December 2018, the financial year ended 31 December 2019 and the financial year ended 31 December 2020 have been audited by KPMG LLP and prepared and presented in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

Unless the context otherwise requires, financial information in this document is presented on a consolidated basis.

In November 2018, the Group changed its financial year end from 31 March to 31 December. Consequently, the financial period ended 31 December 2018 consisted of only nine months from 1 April 2018 to 31 December 2018. Furthermore, the Group has applied SFRS(I) 16 using the modified retrospective approach starting from 1 January 2019. However, the comparative information for the nine months from 1 April 2018 to 31 December 2018 has not been restated and is presented, as previously reported, under SFRS(I) 1-17 and related interpretations. As a result, the Group's financial information may not be comparable. Investors must therefore exercise caution when making comparisons against the Issuer's historical financial figures in light of the above. Certain line items in the financial information as of 31 December 2019 were reclassified in order for the items to be comparable with those as of 31 December 2020, the reclassified line items as of 31 December 2019 are presented in the Selected Consolidated Financial Information section in this document for consistency.

Selected financial data from the Financial Statements are set out in the section entitled "Selected Consolidated Financial Information" of this document. Such selected financial data should be read together with the relevant notes to the Financial Statements, where applicable, which are included in this document.

Market data, industry forecasts and industry statistics in this document have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Issuer believes this information to be reliable, it has not been independently verified by the Issuer or its respective directors and advisors, and none of the Issuer nor its respective directors and advisors makes any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. Furthermore, such market data, industry forecasts and industry statistics have been obtained prior to the outbreak of the COVID-19 pandemic and have not been updated to reflect the impact from the COVID-19 pandemic. See "Risk Factors—Risks Relating to the Group's Business and Operations—The outbreak of the COVID-19 disease is growing and its impact is uncertain and hard to measure but may cause a material adverse effect on the Group's business". Due to possibly inconsistent collection methods and other problems, such statistics herein may be inaccurate. Investors should not unduly rely on such market data, industry forecasts and industry statistics.

In this document, all references to "US$" and "U.S. dollars" are to United States dollars, the official currency of the United States of America (the "United States" or "U.S."), all references to "RMB" or "Renminbi" are to Renminbi, the official currency of the PRC, all references to "¥", "Yen" or "JPY" are to Japanese Yen, the official currency of Japan, all references to "BRL" are to Brazilian Real, the official currency of Brazil, all references to "Singapore dollars" and "S$" are to Singapore dollars, the official currency of the Republic of Singapore, all references to "Indian Rupees" or "Rs." are to Indian Rupees, the official currency of India and all references to "€" or "Euro" are to the official currency introduced at the third state of the Economic and Monetary Union pursuant to the Treaty on European Union.

The Group's Financial Statements are published in U.S. dollars.

References to the People's Republic of China ("PRC" or "China") for the statistical purposes of this document, except where the context otherwise requires, do not include the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC or Taiwan. "PRC government" or "State" means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governments) and instrumentalities thereof, or, where the context requires, any of them.

Totals presented in this document may not total correctly because of rounding of numbers.

VALUATIONS, PROPERTY VALUES AND GROSS FLOOR AREA/GROSS LEASABLE AREA

Valuations of the Group's interests in properties are included in this document. These valuations reflect the market value of the properties at the date of valuation, being generally the estimated amount at which an asset would be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction. The methodologies used by the Issuer and each of the independent valuers (the "Independent Valuers") of the Group's property interests may differ, and are based on assumptions by the Issuer and the Independent Valuers of facts particular to that property.

Where valuations are performed by Independent Valuers, valuation reports generally provide that the Independent Valuers have relied on information provided by the entity owning the relevant property (which may not be the Issuer's subsidiary or an entity over which the Group has control), and that they do not take responsibility for the accuracy of the information.

A parcel of land in land reserve is not reflected as part of the Group's assets unless and until the relevant PRC subsidiary and/or a joint venture acquires the relevant parcel. For more information about the definition of "land reserve", see "Description of the Group – The Group's Portfolio – Portfolio Summary".

There can be no assurance that valuations and property values reflect accurately the value of the Group's property interests and that the Group's property interests will be realised at such values. See "Risk Factors – Risks Relating to the Group's Business and Operations – The valuations of the Group's properties and investments contain assumptions that may not materialise and may fluctuate from time to time".

The gross floor area ("GFA") (in the case of the China Portfolio, the Japan Portfolio and the India Portfolio) and the gross leasable area ("GLA") (in the case of the Brazil Portfolio and the Europe Portfolio) of the Group's property interests are included in this document. The Issuer determines GFA generally by reference to the built-up area of the property, excluding car park space, and determines GLA generally by reference to the total leasable rent area. For properties under development, the GFA or GLA (as the case may be) is based on the Issuer's estimation by reference to, among other things, construction plans, which may change. The GFA or GLA (as the case may be) of the Group's properties under development, in certain cases, is subject to final verification by survey and regulatory approval. For properties being repositioned, the GFA or GLA (as the case may be) is based on the current built-up area reflected in the title certificates or leasable area (as the case may be) as determined by the Issuer. For land held for future development and land reserve, the GFA or GLA (as the case may be) is assumed using certain planning parameters of the land, such as plot ratio and building coverage ratio. Unless otherwise expressly stated, the calculation of GFA or GLA (as the case may be) and the information derived from GFA or GLA amounts (e.g. weighted average contracted rental rate) set forth in this document are based on 100.0 per cent. of the GFA or GLA (as the case may be) of the properties owned by the Issuer's subsidiaries, associates and joint ventures, and not just the Group's attributable interest in those properties. For more information about the GFA or GLA of properties held by the Issuer's subsidiaries, associates and joint ventures, see "Description of the Group – The Group's Portfolio – Portfolio Summary".

Various operation ratios of the Group's property interests with regard to completed properties are also included in this document:

- "Stabilised properties" means properties that have either (i) a lease ratio of at least 90 per cent., or (ii) been completed for at least one year from the completion date.
- "Lease ratio" means the total floor area contracted to be leased of the stabilised properties divided by the total net leasable area of the stabilised properties.

- "Average lease ratio" means the total floor area contracted to be leased of the stabilised properties over the relevant period divided by the total floor area available for lease of the stabilised properties over the same period.

- "WALE" means the weighted average lease expiry, or the average lease term remaining to expiry across the portfolio, weighted by leased space.

CLASSIFICATION OF PROPERTIES

Prospective investors should note that the approach which the Issuer uses for classifying a property's development status may differ from that of independent valuers. The Issuer classifies the status of a property based on its internal definition of actual development start date and the estimated completion date and the commercial or business intention with which the property is or will be placed, whilst certain independent valuers may value and classify the status of a property based on its actual physical status/condition as at the date of valuation. As an example to illustrate this difference, if the Issuer had commenced construction on a site but then suspended construction because of adverse changes in the global economic outlook, the Issuer would treat the property as "Land held for future development", while certain independent valuers may treat the property as "Property under development".

Prospective investors should also note that any information derived from a particular category of properties such as the GFA or GLA (as the case may be) of the Group's completed and pre-stabilised portfolio in a particular city as a percentage of the total GFA or GLA (as the case may be) is calculated and presented based on the Issuer's classification of properties. Similarly, all derived information, such as the lease ratio, average lease ratio, weighted average lease term and weighted average contracted rental rate, are calculated and presented in the same way.

Notwithstanding the differences in the classification of properties, the total valuation of the Group's properties is not affected although the value of properties comprising a particular sub-category may be different because of the differences in classification described above.

FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this document, including, without limitation, those regarding the respective financial positions of the Issuer and the Group, their business strategy, plans and objectives of management for future operations (including their respective development plans and objectives relating to their businesses), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Issuer and the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Issuer's and the Group's present and future business strategies and the environment in which the Issuer and the Group will operate in the future. Factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors". These forward-looking statements speak only as of the date of this document. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in their respective expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

I-1 Trends of Key Management Indicators, etc.

SELECTED CONSOLIDATED 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 period from 1 April 2018 to 31 December 2018, the financial year ended 31 December 2019 and the financial year ended 31 December 2020 have been derived from the Financial Statements included in this document which have been audited by KPMG LLP, and should be read together with the Financial Statements and the notes thereto.

The Group's financial statements are reported in U.S. dollars. The Group's consolidated financial statements for the financial period from 1 April 2018 to 31 December 2018, for the financial year ended 31 December 2019 and for the financial year ended 31 December 2020 contained in this document have been prepared and presented in accordance with SFRS(I).

In November 2018, the Group changed its financial year end from 31 March to 31 December. Consequently, the financial period ended 31 December 2018 consisted of only nine months from 1 April 2018 to 31 December 2018. Furthermore, the Group has applied SFRS(I) 16 using the modified retrospective approach starting from 1 January 2019. However, the comparative information for the nine months from 1 April 2018 to 31 December 2018 has not been restated and is presented, as previously reported under SFRS(I) 1-17 and related interpretations. As a result, the Group's financial information may not be directly comparable. Investors must therefore exercise caution when making comparisons against the Issuer's historical financial figures in light of the above.

On 26 September 2019, the Issuer completed the sale of 179 million square feet of urban, infill logistics assets from three of the Group's U.S. funds, namely GLP US Income Partners I, GLP US Income Partners II and GLP US Income Partners III, to the Blackstone group ("Blackstone") for a consideration of US$18.7 billion (the "U.S. Disposition"). No pro forma financial information relating to the U.S. Disposition, the assets of which comprise substantially all of the U.S. Portfolio, has been provided in this document.

SELECTED CONSOLIDATED INCOME STATEMENT INFORMATION

	For the period from 1 April 2018 to 31 December 2018	For the year ended 31 December	
		2019	2020
	US$ (in thousands)		
Revenue	975,700	1,451,602	1,698,324
Other income	53,971	186,636	204,501
Property-related expenses	(152,733)	(226,081)	(283,989)
Cost of goods and other financial services cost	(70,491)	(25,857)	(125,743)
Other expenses	(247,556)	(447,958)	(502,137)
	558,891	938,342	990,956
Share of results (net of tax expense) of associates and joint ventures	405,894	426,571	405,189
Profit from operating activities after share of results of associates and joint ventures	964,785	1,364,913	1,396,145
Net finance costs	(458,053)	(471,341)	(327,807)
Non-operating income	198,240	426,839	459,595
Profit before changes in fair value of subsidiaries' investment properties	704,972	1,320,411	1,527,933
Changes in fair value of investment properties	2,467,482	1,193,643	655,775
Profit before tax	3,172,454	2,514,054	2,183,708
Tax expense	(824,515)	(658,142)	(583,966)
Profit from continuing operations	2,347,939	1,855,912	1,599,742
Discontinued operation			
Profit from discontinued operations (net of tax)	–	–	–
Profit for the year/period	2,347,939	1,855,912	1,599,742
Profit attributable to:			
Owners of the Company	1,438,685	1,256,317	940,585
Non-controlling interests	909,254	599,595	659,157
Profit for the year/period	2,347,939	1,855,912	1,599,742

SELECTED STATEMENT OF FINANCIAL POSITION INFORMATION

	As at 31 December		
	2018	2019	2020
	US$ (in thousands)		
Non-current assets			
Investment properties	19,481,683	21,275,620	22,438,429
Subsidiaries	–	–	–
Associates and joint ventures	4,366,690	4,419,731	6,144,569
Deferred tax assets	19,649	21,861	46,293
Property, plant and equipment	22,198	235,643	389,223
Intangible assets	445,038	438,052	520,014
Other investments	1,481,794	1,894,056	2,598,787
Other non-current assets	736,450	462,362	1,386,137
	26,553,502	28,747,325	33,523,452
Current assets			
Trade and other receivables	2,265,764	3,392,449	3,888,041
Cash and cash equivalents	988,369	1,004,174	1,421,617
Asset classified as held for sale	687,224	1,451,482	1,571,031
	3,941,357	5,848,105	6,880,689
Total assets	**30,494,859**	**34,595,430**	**40,404,141**
Equity attributable to owners of the Company			
Share capital	5,638,589	5,538,589	5,538,589
Reserves	4,628,762	5,274,440	6,393,949
	10,267,351	10,813,029	11,932,538
Non-controlling interests	6,107,073	7,596,293	9,672,120
Total equity	**16,374,424**	**18,409,322**	**21,604,658**
Non-current liabilities			
Loans and borrowings	7,351,561	9,336,929	9,857,947
Financial derivative liabilities	6,845	4,741	6,048
Deferred tax liabilities	2,021,089	2,350,528	2,486,269
Other non-current liabilities	201,552	274,396	553,159
	9,581,047	11,966,594	12,903,423
Current liabilities			
Loans and borrowings	2,725,818	1,836,377	3,485,880
Financial derivative liabilities	1,176	23	–
Trade and other payables	1,323,167	1,539,195	1,950,264
Current tax payable	62,541	86,519	130,415
Liabilities classified as held for sale	426,686	757,400	329,501
	4,539,388	4,219,514	5,896,060
Total liabilities	**14,120,435**	**16,186,108**	**18,799,483**
Total equity and liabilities	**30,494,859**	**34,595,430**	**40,404,141**

SELECTED CONSOLIDATED STATEMENT OF CASH FLOWS INFORMATION

	For the period from 1 April 2018 to 31 December	For the year ended 31 December	
	2018	2019	2020
	US$ (in thousands)		
Net cash from operating activities	275,581	827,003	677,083
Net cash from operating activities of discontinued operation	–	–	–
Net cash used in investing activities	(3,409,522)	(2,091,577)	(2,757,221)
Net cash used in investing activities of discontinued operation	–	–	–
Net cash from financing activities	2,970,980	1,353,757	2,462,753
Net cash from financing activities of discontinued operation	–	–	–
Net (decrease)/increase in cash and cash equivalents	(162,961)	89,183	382,615
Cash and cash equivalents at beginning of year/period	1,192,675	974,429	1,054,908
Effects of exchange rate changes on cash balances held in foreign currencies	(55,285)	(8,704)	45,404
Cash and cash equivalents at end of year/period	974,429	1,054,908	1,482,927
Cash and cash equivalent of subsidiaries reclassified as assets held for sale	(27,531)	(61,670)	(61,310)
Restricted cash deposits	41,471	10,936	–
Cash and cash equivalents in the statement of financial position	988,369	1,004,174	1,421,617

CAPITALISATION AND INDEBTEDNESS

The table below sets out the capitalisation and indebtedness of the Group as at 31 December 2020. The information set out in this table has been extracted from and should be read in conjunction with the Group's unaudited consolidated financial statements appearing elsewhere in this document:

	As at 31 December 2020
	US$ (in thousands)
Loans and borrowings	
Non-current	9,857,947
Current	3,485,880
Total loans and borrowings	**13,343,827**
Equity attributable to owners of the Issuer	
Share capital	5,538,589
Reserves	6,393,949
	11,932,538
Total capitalisation[1]	**25,276,365**

Note

(1) "Total capitalisation" is defined as long-term borrowings and equity attributable to owners of the Issuer.

Except as disclosed in this document, there has been no material change in the Group's consolidated capitalisation and indebtedness since 31 December 2020.

I-2 Contents of Business

SUMMARY

The Issuer is the holding company of the Group's portfolios that invest and operate businesses in logistics real estate, industrial property, cold storage, business parks, commercial and office spaces, mixed development property, data centres, renewable energy, transportation, private equity, finance and related technologies. The Issuer was listed on the Main Board of the Singapore Exchange Securities Trading Limited (the "the SGX-ST") on 18 October 2010. On 30 November 2017, the shareholders of the Issuer approved the privatisation of the Issuer (the "Privatisation") and on 22 January 2018, GLP Bidco Limited (formerly known as Nesta Investment Limited) and GLP Holdings L.P. became the Issuer's immediate holding company and ultimate holding company, respectively, and the Issuer was delisted from the Main Board of the SGX-ST.

The Group's activities when combined with the Group's size and scale, create a "Network Effect", provide the ability to recycle capital with attractive returns and allow customers to seamlessly expand and optimise their networks.

The Group is one of the largest global investors and operators in logistics and real estate. It owns, manages and leases out an extensive network of approximately 2,500 completed properties across China, Japan, Brazil, Europe, India, Vietnam and the U.S., with a combined GFA and GLA of approximately 46.1 million square metres as of 31 December 2020. The Group also has interests in an additional 28.1 million square metres of land held for future development, under development or under land reserve. As of 31 December 2020, the Group's network was spread across 177 cities and 17 countries in China, Japan, Brazil, Europe, India, Vietnam and the U.S. See "Description of the Group – The Group's Portfolio". Each of the Group's assets is strategically located within key hubs focused on serving the greater metropolitan areas of each market. The Group's early mover advantage allowed it to establish its presence in strategically located sites across key gateway cities in these countries.

The Group is also a leading global fund manager. The Group currently manages 23 investment vehicles representing an aggregate of US$59.0 billion of assets under management when fully leveraged and invested across the real estate and private equity segments as of 31 December 2020. In addition, the Group manages an aggregate of US$48.0 billion of assets under management through strategic partnerships, including the Group's partnership with China Merchants Group. The Group's fund management platform is one of the largest in the world and continues to be a growing source of stable income and a conduit for capital recycling.

For the financial year ended 31 December 2019 and the financial year ended 31 December 2020, the Group had revenue of US$1,451.6 million and US$1,698.3 million, respectively. The Group recorded a net profit of US$1,855.9 million and US$1,599.7 million for the financial year ended 31 December 2019 and the financial year ended 31 December 2020, respectively. As at 31 December 2019 and 31 December 2020, the total assets of the Group amounted to US$34,595.4 million and US$40,404.1 million, respectively.

The Group's Strengths

The Group believes that it has the following competitive strengths as a leading global investment manager and a business builder in logistics, real estate, infrastructure, finance and related technologies. These strengths drive our success and differentiate us from our peers:

- **Disciplined investor** with a proven track record of growing organically and via acquisitions
- **Leading market positions** across geographies supported by a network of high-quality tenants and integrated investment, development and operational capabilities
- Global fund manager with a **track record of raising capital** and strong, long-term relationships with capital partners
- Prudent financial management and **strong balance sheet**
- Rental and fund management **provides high margins and recurring, growing income**

- **Pioneer in technological innovations** to strengthen logistics ecosystems and prepare our business for the future

- High priority on operating and governing in accordance with **best business practices standards**

- **Strong corporate governance framework**, experienced management team and supportive shareholder base

- **Diverse talent pool** with an entrepreneurial culture

The Group's Strategy

The Group intends to implement the following principal strategies to strengthen its market leadership position and support the further development of its business:

- Expand the Group's position as a leading global logistics real estate and fund management platform

- Grow and scale the Group's business by leveraging its combined investment and operational expertise to build high-quality businesses and achieve long-term scale, with a focus on the growth of the fund management platform

- Enhance asset value by utilizing operational expertise, global scale and data driven insights to further enhance asset values and strategically expand into adjacent businesses and asset classes

- Invest in innovative new technologies to create more efficient modern logistics ecosystems and support the Group's customers

- Develop sector expertise and talent by building great teams which specialize across individuals sectors, while retaining and fostering an entrepreneurial vision

Recent Developments

In addition to the subsequent events as disclosed in the Financial Statements for the financial year ended 31 December 2020, the following recent developments occurred after 31 December 2020:

Second Closing of GLP Europe Income Partners II

On 15 January 2021, the Group announced that it had raised an additional amount of approximately €500 million for its pan-European logistics fund, GLP Europe Income Partners II. The additional capital brings the total equity commitments to approximately €1.6 billion (US$2 billion), exceeding its original target, and enabling the fund to reach €3.2 billion (US$3.9 billion) assets under management once fully deployed. The additional equity was raised from institutional investment partners across Europe, the Middle East and Asia.

Second Closing of Logistics Private Open-Ended Income Fund in Japan

On 7 January 2021, the Group announced that it held a second close for GLP Japan Income Fund (the "JIF I"), with JPY560 billion (US$5.4 billion) assets under management fund. JIF I was launched in 25 August 2020 and is Japan's largest private open-ended logistics real estate income fund. More than 20 international and domestic investors invested alongside the Group in this round signifying continued investor interest in the Group's high-quality, modern logistics assets and its fund management and operational capabilities.

The COVID-19 Pandemic

See "Risk Factors – Risks Relating to the Group's Business and Operations – The outbreak of the COVID-19 disease is growing and its impact is uncertain and hard to measure but may cause a material adverse effect on the Group's business".

DESCRIPTION OF THE GROUP

OVERVIEW

The Issuer is the holding company of the Group's portfolios of logistics and warehousing facilities located primarily in China, Japan, Brazil, Europe, India, Vietnam and the U.S., as well as the asset management companies that manage these facilities. The Issuer was listed on the Main Board of the SGX-ST on 18 October 2010. On 30 November 2017, the shareholders of the Issuer approved the privatisation of the Issuer (the "Privatisation") by way of a scheme of arrangement. Upon completion of the scheme of arrangement on 22 January 2018, GLP Bidco Limited (formerly known as Nesta Investment Limited) and GLP Holdings L.P. became the Issuer's immediate holding company and ultimate holding company, respectively, and the Issuer was delisted from the Main Board of the SGX-ST.

The Group is a leading global investment manager and business builder in logistics, real estate, infrastructure, finance and related technologies. These business activities are intertwined and, combined with the Group's size and scale, create "Network Effect" synergies, recycle capital for the best possible returns and provide the best solutions for its customers, allowing customers to seamlessly expand and optimise their distribution network in convenient warehouse locations.

The Group is one of the largest global investors and operators in logistics and real estate. It owns, manages and leases out an extensive network of approximately 2,500 completed properties across China, Japan, Brazil, Europe, India, Vietnam and the U.S. over 700 GLP parks, with a combined GFA and GLA of approximately 46.1 million square metres as of 31 December 2020. The Group also has interests in an additional 28.1 million square metres of land held for future development, under development or under land reserve. As of 31 December 2020, the Group's network was spread across 177 cities and 17 countries in China, Japan, Brazil, Europe, India, Vietnam and the U.S. See "Description of the Group – The Group's Portfolio". Each of the Group's parks is strategically located within key logistics hubs and near major seaports, airports, transportation hubs or industrial zones in the greater metropolitan areas of China, Japan, Brazil, Europe, India, Vietnam and the U.S.

Japan and China are Asia's two largest economies and China is one of Asia's largest logistics markets. In addition, Brazil is one of Latin America's fastest growing logistics markets. The Group's early mover advantage in these markets has allowed it to establish its presence in strategically located sites across key gateway cities in these countries. In 2015 and 2017, the Group expanded into United States and Europe, respectively, and in 2018, the Group entered the Indian market by establishing a strategic joint venture with IndoSpace, the pioneer and largest provider of modern industrial and logistics real estate in India. In September 2019, the Group disposed of 179 million square feet of urban infill logistics assets in the U.S. for a consideration of US$18.7 billion. In October 2020, the Group launched a joint venture with SEA Logistics Partners to invest in and develop modern logistic real estate in Vietnam.

The Group is also a leading global fund manager. We hold a portfolio of assets on our balance sheet and manage a broad range of funds and investment vehicles. The Group currently manages 23 investment vehicles (including one real estate investment trust listed on the Tokyo Stock Exchange) representing an aggregate of US$59.0 billion of assets under management when fully leveraged and invested across the real estate and private equity segments as of 31 December 2020. In addition, the Group manages an aggregate of US$48.0 billion of assets under management through strategic partnerships, including the Group's partnership with China Merchants Group. The Group's fund management platform is one of the largest in the world and continues to be an important source of growth and vehicle for capital recycling for the Group.

For the financial year ended 31 December 2019 and the financial year ended 31 December 2020, the Group had revenue of US$1,451.6 million and US$1,698.3 million, respectively. The Group recorded a net profit of US$1,855.9 million and US$1,599.7 million for the financial year ended 31 December 2019 and the financial year ended 31 December 2020, respectively. As at 31 December 2019 and 31 December 2020, the total assets of the Group amounted to US$34,595.4 million and US$40,404.1 million, respectively.

Key Milestones

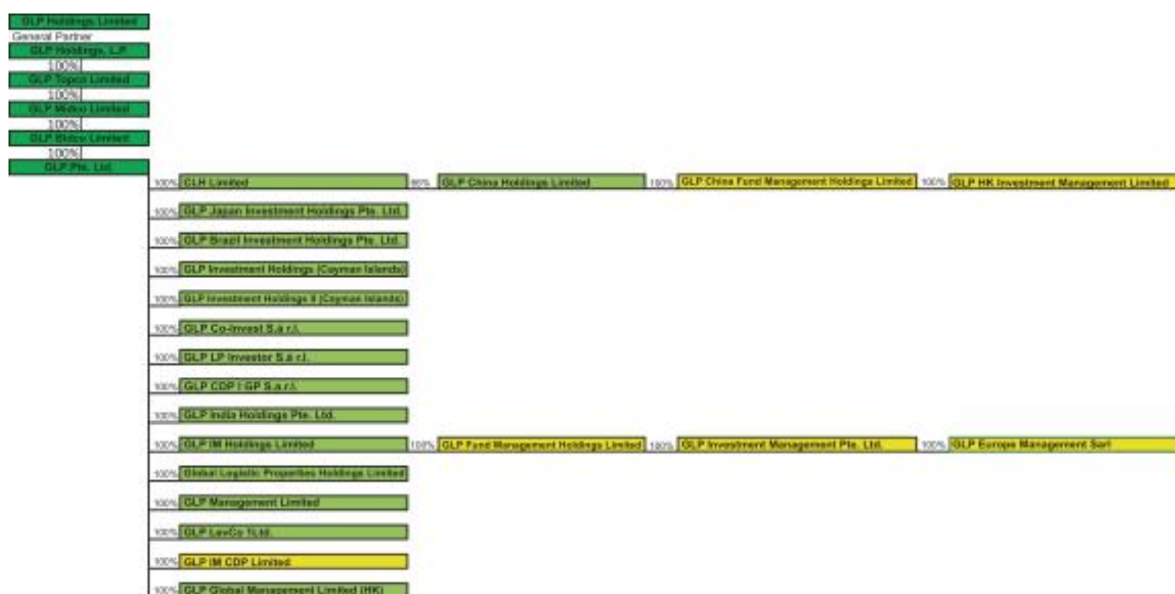
Calendar Year		Event
2002-2004	•	Founding partners Jeff Schwartz and Ming Mei established presence in China and Japan, including five key markets in China and Japan – Suzhou, Shanghai, Guangzhou, Tokyo and Nagoya.

Calendar Year	Event
2005-2010	• Established a network in 18 major logistics hubs in China. • Selected as the exclusive distribution centre provider for the 2008 Summer Olympics in Beijing. • Assets under management in Japan exceeded JPY500.0 billion. • Listed on the Main Board of the SGX-ST on 18 October 2010, the largest initial public offering in Singapore since 1993 at that time.
2011-2013	• GLP J-REIT, a real estate investment trust ("REIT") listed on the Tokyo Stock Exchange, was listed on the Tokyo Stock Exchange, Japan's largest real estate initial public offering at that time. • GLP China Logistics Fund I was launched with US$3.0 billion of assets under management. • Established a market-leading presence in Brazil.
2014-2017	• Entered U.S. market and became the second largest logistics property owner and operator in the United States within a year of market entry. • Established follow-up development fund in Japan. • Completed US$2.5 billion landmark agreement with a consortium of Chinese state-owned enterprises and leading financial institutions starting from 2014. • Entered Europe market through the acquisition of Gazeley on 20 December 2017.
2018	• Completion of Privatisation and delisted from the Main Board of the SGX-ST on 22 January 2018. • Fund management assets under management grew to over US$60.0 billion. • Established third European fund within a year of market entry. • Established Hidden Hill Modern Logistics Private Equity Fund, the Issuer's first fund investing beyond real estate. • Established GLP China Value-Add Venture II, a US$2.0 billion value-add fund in China. • Entered Indian market by establishing a strategic joint venture with IndoSpace.

Calendar Year	Event
	• Became one of the first international companies to issue panda bonds in China.
	• Established GLP Japan Development Partners III, the largest ever Japan-focused logistics private real estate fund with US$5.6 billion of assets under management upon establishment.
2019	• Won six awards at PERE Global Awards 2018, namely, “Global Firm of the Year”, “Global Logistics Investor of the Year”, Global Industry Figure of the Year”, “Europe Firm of the Year”, “Asia Firm of the Year” and “China Firm of the Year”.
	• Established GLP China Income Fund I, a US$2.1 billion value-add fund in China upon establishment.
	• Disposed 179 million square feet of U.S. assets to Blackstone for the consideration of US$18.7 billion, the largest-ever private real estate transaction globally at the time.
2020	• Won eight awards at PERE Global Awards 2019, namely “Global Firm of the Year”, “Global Industry Figure of the Year”, “North America Industry Figure of the Year”, “Asia Firm of the Year”, “Asia Deal of the Year”, “Asia Logistics Investor of the Year”, “China Firm of the Year” and “Japan Firm of the Year”.
	• Fund management assets under management grew to US$88.0 billion following the acquisition of 50% stake in China Merchants Capital, CMG’s private equity investment vehicle with US$38 billion AUM.
	• Completion of acquisition of Li & Fung Limited, Hong Kong-headquartered supply chain solutions partner.
	• Completion of acquisition of Goodman Group’s Central and Eastern Europe logistics real estate portfolio.
	• Launched GLP Japan Income Fund, the largest private open-ended logistics real estate income fund in Japan with JPY280 billion assets under management.
	• Launched a China private equity onshore fund-of-funds (FOF) vehicle with Xiamen C&D with RMB5 billion ($731 million) raised in its first closing.
	• Launched GLP Europe Income Partners II, with €1.1 billion of equity commitment, which was subsequently increased to €1.6 billion, exceeding its original target.
	• Launched joint venture with SEA Logistics Partner to invest in and develop modern logistic real estate in Vietnam.
	• Hidden Hill Capital made a RMB 745 million (~US$113.7 million) private equity investment in China Southern Airlines Cargo Logistics (Guangzhou) Co., Ltd.
	• Launched China’s third flagship value add income fund, GLP China Value Add Venture III with RMB 4.5 billion.
2021	• Completed the second close of GLP Japan Income Fund with JPY560 billion assets under management.

STRUCTURE OF THE ISSUER

The following chart sets out, in simplified form, the shareholding and corporate structure of the Group as of the date of this document:



THE GROUP'S STRENGTHS

The Group believes that it has the following competitive strengths:

The Group is a leading global investment manager and a business builder in logistics, real estate, infrastructure, finance and related technologies

The Group is a global leader in logistics real estate with a long heritage and proven track record as an investor, operator and developer with one of the largest global logistics footprints in 17 countries across Brazil, China, Europe, India, Japan, Vietnam and the U.S. The Group's experience and expertise as operator provides a distinct competitive advantage to build and scale high-quality businesses and create value for our customers and investors. Our experienced and globally integrated investment and asset management teams have a strong track record in sourcing, underwriting, developing and managing logistics and other real estate and related assets around the world to create value and maximize investment performance across the lifecycle of an investment. The Group also provides its investment partners with a range of country or region-specific logistics and real estate funds, with return targets ranging from core to opportunistic.

Looking ahead, the Group expects to continue to be the market and thought leader in the logistics ecosystem with a focus on expanding our presence in existing markets and entering new ones. The Group expects to also maintain our market-leading position by continuing to take a disciplined and data driven approach to investing in our business.

Disciplined investor with proven track record of growing organically and via acquisitions

The Group has a proven track record of executing a full spectrum of transactions ranging from global mergers and acquisitions to ground-up development. The Group strives to create value through investing in and partnering with industry-leading businesses to achieve scale over the long term. The Group also forms strategic partnerships and joint ventures to support and expand its outreach and ability to create value across its businesses. This includes the strategic joint venture with IndoSpace in 2018, acquisition of a 50 per cent equity interest in China Merchant Capital ("CMC") through an investment partnership with China Merchants Group ("CMG"), and the privatisation of Li & Fung in 2020. Globally, the Group has also completed several large-portfolio transactions since 2015, including the acquisition of the US$8.1 billion IndCor portfolio (U.S., 2015), US$4.6 billion Industrial Income Trust (U.S., 2015), US$2.8 billion Gazeley portfolio (Europe, 2017), US$1.1 billion Goodman Group's Central and Eastern Europe logistics real estate portfolio (Europe, 2020), as well as more than US$3.8 billion of single asset and small portfolio deals across 90 transactions globally since 2016.

Leading market positions across geographies supported by a network of high-quality tenants and integrated investment, development and operational capabilities

As a leading provider of modern logistics and warehousing facilities in the jurisdictions in which it operates, the Group has a strong reputation with logistics and warehousing facilities customers in these markets which helps promote brand recognition. The Group's brand helps it attract both international and domestic customers. The extensive experience of the Issuer's management team and their in-depth understanding of the Group's customers allows the Group to also respond swiftly to customers' needs. The Group sets itself high standards, both in terms of the quality of its logistics and warehousing facilities as well as the service it provides to its customers. As a result, the GLP brand is associated with quality, responsiveness and excellence, which, in turn, reflects customer demand for the facilities and services that the Group provides.

The Group's network is well diversified by tenant mix as well as by geographical presence. With approximately 2,500 completed properties totalling 46.1 million square meters across 177 cities, the Group's global scale provides exclusive knowledge on the latest global logistics trends and market dynamics. In the six-months period ended 31 December 2020, the Group signed leases covering 22.8 million square metres, representing an increase of 38 per cent. year-on-year. Moreover, the Group has a strong local presence across 63 offices globally, which enables it to leverage and facilitate knowledge transfer across geographies for the benefit of its customers and capital partners.

The Group has been able to establish strong long-term customer relationships, encompassing 1,826 customers worldwide across diverse industry sectors which provides resilient and stable cash flows. The Group's high quality and diversified customer base provides the Group with a strong platform for growth and further strengthens its market position to maximize its "Network Effect". Through the Group's "Network Effect", the Group's local teams can use their market knowledge and existing relationships to take a local approach while utilizing the support and knowledge transfer from other regions.

The Group's modern logistics and warehousing facilities are 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. For example, the Group has developed and obtained a patent for the seismic isolation construction method in Japan, a technology that helps protect a building's structure from shocks caused by an earthquake. In addition, GLP Misato III has raised the benchmark in sustainable development by becoming the first Leadership in Energy and Environmental Design ("LEED®") Platinum certified facility in Japan.

Global fund manager with a track record of raising capital and strong, long-term relationships with capital partners

As a global fund manager, the Group partners with leading institutional investors around the world including some of the world's largest sovereign wealth funds, pension funds and property and insurance companies with the objective of delivering sustainable risk-adjusted returns. The Group co-invests in its

managed funds, and such co-investment model ensures the interests of the Group and the capital partners are optimally aligned.

The Group has raised significant capital from its investment partners for a diversified range of logistics strategies, across multiple geographies. The growth in the Group's product offerings has been largely accompanied by a growing investor base and their affirmed convictions in the Group's ability to invest in, develop, manage and operate high quality, modern logistics assets around the globe. As of 31 December 2020, the Group was managing 21 non-listed real estate vehicles investing in logistics real estate assets globally, totalling approximately $49.4 billion. Of these 21 vehicles, 11 are income funds and 10 are development funds. The Group provides our investment partners with a range of country or region-specific logistics and real estate funds, with return targets ranging from core to opportunistic. In addition, the Group is the sponsor of one real estate investment trust listed on the Tokyo Stock Exchange and a private equity fund

Since 2020, the Group has raised approximately US$7 billion in third-party equity commitments from leading capital partners including pension funds, sovereign wealth funds, and insurance companies. As of 31 December 2020, in terms of geographical split, the Group has raised 62 per cent. of its third-party equity commitments from partners in Asia Pacific, 24 per cent. in North America, and 14 per cent. in Europe and EMEA respectively. The Group has long-standing relationships with these investors and continues to introduce new partners to its fund management platform. The Group leads the industry on the capital raising front and was ranked first in PERE's 2020 ranking of the top 50 fund managers in Asia-Pacific by total capital raised for Asia-focused private real estate investment vehicles.

Prudent financial management and strong balance sheet

The Group has implemented prudential financial management policies that have enabled it to maintain a solid credit profile, disciplined investment approach and strong balance sheet with defensive growth. Maintaining conservative gearing and long weighted average debt maturity, ensuring a high interest coverage ratio, pursuing a natural hedging policy and expanding its lender base to afford the Group wider financial flexibility are part of the Group's commitment to its prudential financial management.

The Group benefits from access to diversified and multi-channel financing channels including but not limited to bilateral loans, syndicated loans, the capital markets, funds and other borrowings and equity. The Group constantly monitors its current and expected liquidity requirements and compliance with borrowing covenants to ensure sufficient cash reserves and adequate committed facilities to satisfy its short-term and long-term liquidity requirements. The Group has long-standing relationships with its commercial lenders, which include the largest commercials banks worldwide, including, amongst others, the Industrial and Commercial Bank of China, China Merchants Bank, Citibank and Mizuho Bank.

As of 31 December 2020, the Group had US$1,421.6 million in cash and cash equivalents and had a gearing ratio (expressed as a percentage of total debt over total assets) of 33.0 per cent. The Group's net debt (expressed as the difference between total debt and cash and cash equivalents) as of 31 December 2020 is US$11,922.2 million.

In addition, compared to other property types, the inherent characteristics of the modern logistics and warehousing facility sector, coupled with the Group's efficient development practices, result in shorter gestation and cash conversion cycles. As such, the Group is able to realise its cash returns, and these recurring cash flows can be re-invested to accelerate growth in the business. This lowers the risk exposure of the Group's business to exogenous factors such as economic cycles. A shorter cash conversion cycle also provides the Group with the advantage of being able to be adequately funded and have the flexibility to adjust its operations according to demand conditions.

Rental and fund management provides high margins and recurring, growing income

The Group's investment and asset management teams are located around the world and have extensive knowledge of local markets that enables access to more exclusive deal flow. The Group leverages its fund management platform to recycle capital from stabilized, income-producing assets, using the proceeds to fund growth.

In the financial year ended 31 December 2020, the Group signed leases covering 22.8 million square metres, representing an increase of 38 per cent. year-on-year. As at 31 December 2020, the Group's lease ratio was 90 per cent. Since 2016, the Group's managed portfolio has achieved overall same-property NOI growth of more than 4 per cent. on average and signed approximately 86.5 million square meters of leases globally.

The Group's investment in cash-yielding logistics facilities from its logistics and real estate funds, its strategic joint ventures, and its wholly or partially owned portfolio assets, ranging from core to opportunistic, also provides stable and regular income stream and long-term capital appreciation.

The Group has a growing fund management business. The Group's in-house asset management teams drive value creation to maximise the investment performance through all phases of the investment cycle. The Issuer's fund management platform is based on the Issuer's longstanding relationships with numerous global institutional investors and its senior management's extensive years of experience in private capital management. The Group's partnership with leading investors allows it to de-risk its development and investment activities through pre-commitments and diversification of capital partners. As of 31 December 2020, the Group was managing 21 non-listed real estate vehicles investing in logistics real estate assets globally, totalling approximately US$49.4 billion. Of these 21 vehicles, 11 are income funds and 10 are development funds. The Group provides its investment partners with a range of country or region-specific logistics and real estate funds, with return targets ranging from core to opportunistic.

The Group intends to continue leveraging on its fund management platform by establishing funds with third party investors, capitalising on the Group's development capabilities to build its fee-based income and recycle capital from mature assets, using proceeds to fund growth. The Group seeks to generate long-term, stable income with low volatility by investing in properties that are of institutional quality and design, well-located and substantially leased. For the financial year ended 31 December 2020, the Group generated US$523.6 million of fund management revenues. The fund management business is also high margin and revenues will continue to grow as the company forms new partnerships.

Pioneer in technological innovations to improve logistics ecosystems

The Group is dedicated to investing in innovative new technologies that support its businesses and assets by enhancing operational efficiency to improve the logistics ecosystem and add value to customers. With the Group's background, expertise and global footprint, the Group is able to identify and incubate technologies that will give people or companies more data points and customer feedback, which ultimately helps companies to create more efficient modern logistics ecosystems and grow their business. The area of focus includes data analytics, robotics, artificial intelligence (AI), Internet of Things (IoT), telematics, sensor technology and more. While the Group's vision is to provide logistics solutions by offering a logistics ecosystem with the latest technology, the Group strives to leverage its vast network and resources to help its customers improve their supply chain, increase efficiency and serve the market more competitively by connecting them with solutions.

The Group has dedicated private equity funds and business development arms, including Hidden Hill in China and Monoful in Japan, that invests in technologies that complement and enhance the Group's real estate business. Established in 2018, Hidden Hills Modern Logistics Private Equity Fund is a RMB 10 billion (US$1.0 billion) fund in China dedicated to investing in technology companies focused on enhancing efficiency in the logistics industry. Monoful is the business development arm of GLP Japan and invests in assets and businesses that create value for customers through the logistics ecosystem in Japan. By collaborating with a network of strategic partners, the Group is well-positioned to capture adjacent opportunities to provide comprehensive services and solutions to help its customers become more efficient and competitive in the changing logistics ecosystem.

High priority on operating and governing in accordance with best business practices standards

The Group 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**: The Group seeks to contribute in a positive and meaningful way to the communities and environments in which it operates. The Group's commitment to sustainability is formalised in an overarching Environmental, Social and Governance Policy Framework which is readily made available to all employees, suppliers, service providers and partners. The Group optimises sustainability of its new developments through green design initiatives, positioning its properties to minimise their environmental impact while providing long-term environmental benefits to its customers and the local community. More than 200 of the Group's facilities worldwide have 'green-building' certifications including LEED®, BREEAM (Building Research Establishment Environment Assessment Method), EDGE (Excellence in Design For Greater Efficiencies) and HQE (a French certification awarded to

building construction and management as well as urban planning projects) In addition, to reduce its customers' costs and contribute to a greener environment, the Group'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. As of 31 December 2020, through this approach, the Group has helped large corporations such as L'Oreal and Adidas to reduce carbon emissions by 1.2 million tons.

- **Social responsibility**: Believing that corporate social responsibility goes beyond monetary contributions, the Group and its employees offer their time and skills to create effective and sustainable programmes for the Group's community partners. For example, the Shanghai Spring Charity Foundation launched by the Group to engage in non-profit and charitable activities. The Foundation supports both music and English programs in rural areas throughout China, benefitting over 22,500 students and 54 project schools as of 2020.

- **Governance and transparency**: As the Group believes that effective corporate governance is critical to its success, it has established robust principles, processes and standard operating procedures to guide all of the Group's operations while remaining transparent and accountable to its investment partners and other stakeholders. Wherever possible, the Group minimises conflicts of interest through the use of both technology and independent third parties to maintain strong reporting and disclosure standards.

Strong corporate governance framework, experienced management team and strong shareholder base

The Group has high standards of corporate governance in place and operates in accordance with global logistics and warehousing industry best practices. The Group has instilled a culture of corporate governance amongst all of its employees globally, with its top-down focus and emphasis on this pillar of behaviour. The Board of Directors is chaired by Mr. Ang Kong Hua, an independent director who has helmed several of Singapore's biggest companies, bringing years of experience spanning the manufacturing, services and financial sectors. In addition, the audit committee of the Board of Directors is chaired by Mr. Steven Lim Kok Hoong, an independent director who brings over 30 years of audit and financial consulting experience. In addition to the audit committee, the Board of Directors also has sub-committees for investments, risk management, human resources and compensation.

The Executive Committee of the Issuer is led by Ming Z. Mei and is comprised of individuals with a well-established track record, a commitment to excellence and knowledge of local markets and industry best practices. The Executive Committee has a global investment sub-committee that evaluates and approves all investments, acquisitions and dispositions, as well as the formation of all funds, joint ventures and partnerships globally according to a pre-agreed and consistent set of investment criteria.

In addition, the Fund Management Advisory Board of the Issuer, which is comprised of senior industry figures with decades of experience in the real estate industry, enhances the Issuer's governance and risk management infrastructure for the Group's fund management platform. The Board members' global insights and industry visibility provide a valuable business perspective as the Group continues to strategically grow its fund management platform across the real estate, private equity and infrastructure. See "Management".

Diverse talent pool with an entrepreneurial culture

The Group believes that people and culture are key elements to achieving global success. The Group is deeply invested in nurturing the right talents who have big visions, and who have what it takes to challenge convention to push businesses and industries forward. The Group's leadership empowers its employees at all levels to think beyond the bounds of their roles and its industry, sharing new ideas and working as a team to push each other to succeed. By doing so, the Group believes in pooling together different skill sets and mindsets that lead to better outcomes and decisions that add the most value.

The Group's ability to think globally and act locally differentiates the Group from others. As a global business with offices and talents around the world, the Group can capitalize on the opportunities to transfer knowledge and share insights from different markets to build a stronger, more resilient global business and create value for the Group's investors and customers.

STRATEGY

With a focus on the expansion of the Group's global and national network through demand and research-based investment, road-mapping and discipline, the Group intends to implement the following principal strategies to support the further development of its business:

Strengthen the Group's leadership position by expanding the Group's position as a leading global logistics real estate and fund management platform

The Group is a disciplined investor with significant acquisitions experience from corporate-level and large portfolio transactions to single asset deals around the world. With the Group's operating expertise and local presence, the Group is well positioned to detect mispricing and acquisition opportunities and source strategic sites for development which continue to shape the logistics industry by leveraging the Group's fund management platform.

The Group plans to continue to implement its asset light strategy by growing its fund management platform, which it leverages to strategically recycle capital to create and enhance shareholder value. As a global investment manager, the Group partners with leading institutional investors around the world including sovereign wealth funds, pension funds, property and insurance companies with the objective of delivering robust returns. The Group's investment and asset management teams are located around the world and have extensive knowledge of local markets that give the Group access to more exclusive deal flow. The Group invests its own capital alongside its investment partners to ensure interests are aligned. Through its fund management platform, the Group has access to capital commitments from its third party investors and partners that have been committed but remain uncalled, allowing it to efficiently recycle mature, stabilised properties for proceeds that can be redeployed to fund new developments. The Group strives to utilise the strong recurring income streams from its completed facilities to drive near-term expansion and growth. Furthermore, the Group also intends to continue to leverage its fund management platform by establishing funds with third party investors, capitalising on the Group's development capabilities to build its fee-based income. In the medium to long term, subject to market conditions and at the appropriate time, the Group aims to create new initiatives including more income funds in China as part of its portfolio.

Grow and scale the Group's business by leveraging its combined investment and operational expertise to build high-quality businesses and achieve long-term scale, with a focus on the growth of the fund management platform

- **Focus on stability, asset enhancements and selective acquisition and development opportunities**: The Group intends to build and enhance its strong and stable recurring income stream derived from rental income from its logistics and warehousing facilities and fund management fees through its fund management platform. Further, the Group intends to

continue to focus its activities on capitalising on the insufficient supply of modern logistics facilities, the continued growth of the third party logistics and the expansion of specific sectors such as the e-commerce industry. When the Group deems the market conditions appropriate, it will consider a) developing new facilities in locations and b) investing in adjacent asset classes that the Issuer believes would enhance the Group's current network and complement its customers' business and expansion plans. The Group's global client network of more than 1,800 customers, and its track record of high-quality logistics real estate development has made the Group a reputable and sought after developer of logistics properties and fund manager globally.

- **Continue to pursue the Group's long-term growth strategy of expanding its footprint through acquisitions of logistics and warehousing facilities and land bank**: In furthering the Group's long-term growth strategy of organic growth and to ensure that it has sufficient land resources available, the Group expects to continue to acquire existing logistics and warehousing facilities and adopt a conservative approach in the pursuit of additional land bank in strategic locations and cities. In addition, the Group expects to continue to actively explore new opportunities and emerging trends that the Group can engage in and leverage its strong management expertise and diverse existing network of customer relationships. Taken together with the Group's strong liquidity position, the Group believes it is well positioned to pursue its long-term growth strategy. Since 2016, the Group has completed more than US$11.0 billion of development globally, even as competition for suitable development sites has increased globally. The Group has the ability to aggregate individual investment and development projects to assemble large-scale logistics real estate portfolios and further enhance the Group's position as one of the largest owners of institutional-quality industrial real estate in each of its operating market.

- **Further develop the Group's portfolio to leverage on the rapid growth in domestic consumption and booming e-commerce**: The modern logistics industry globally is fast-growing, driven by strong demand for supply of modern logistics facilities. With an already established presence the jurisdictions in which it operates and with further plans for expansion, the Group strives to leverage on its market-leading position and continue to capitalise on the fast-growing and strong demand for modern logistics and warehousing facilities globally, underpinned by a strong growth in real GDP, private consumption as well as a large and rapidly growing middle-income population. Globally, enlarged e-commerce demand and the push towards efficiency within the logistics ecosystem is one of the key drivers of growth in the industry. This has translated into strong and sustainable demand for logistics facilities in the jurisdictions in which it operates, the Group intends to expand its business by developing new facilities in accordance with its research driven, disciplined investment process as well as its master planned approach to development to capture the growth in domestic consumption and capitalise on the opportunities afforded by the booming e-commerce demands globally.

Enhance asset value by utilizing operational expertise, global scale and data driven insights to further enhance asset values and strategically expand into adjacent businesses and asset classes

The Group has built a high quality and superior real estate and fund management platform by focusing on its commitment to providing its customers with best-in-class, state-of-the-art distribution facilities. The Group intends to continue to invest in innovative logistics technologies, which is an important differentiator for its business. We focus on identifying and implementing technologies that will create more efficient modern logistics ecosystems. These technologies will continue to enhance and support our customers with high quality and best-in-class logistics and warehousing facilities supported by technology-led solutions.

The Group is dedicated to investing in innovative new technologies that enhance its businesses and assets by making them smarter and more efficient. For example, the Group is focused on data analytics, robotics, artificial intelligence, Internet of Things, telematics, and sensor technology. The Group is also committed to developing intelligent, energy efficient and environmentally friendly facilities, with features such as energy efficient lighting and equipment, waste water management systems and expansive green areas.

As a global leader in logistics real estate, the Group applies the same investment and operating principles used in the logistics real estate sector to other high-growth sectors of the global economy. The Group develops

sector expertise and invests its own capital to build and scale high quality businesses in adjacent sectors. The Group focuses on enhancing the value of its assets through operations, ecosystem development and technology and innovation. Using its global scale and data driven insights, the Group can identify new business opportunities, taking a strategic and thoughtful approach in building and investing in new businesses that support its core logistics real estate business, and which the Group believes can be successful given its areas of expertise. As a global business, the Group is able to leverage its asset and fund management expertise as well as access to capital to identify, invest and build businesses in infrastructure and other adjacent sectors. The Group has in depth understanding of the real estate market because its investments are supported by operational expertise and experience, which provides industry insights to identify emerging trends and new businesses.

Develop sector expertise and talent by building great teams which specialize across individuals sectors, while retaining and fostering an entrepreneurial vision

The Group believes that people and culture and are core to its business and its global success. The Group believes its ability to attract top talent, develop their skills and empower people to be entrepreneurial and growth focused have supported the company to expand beyond what it is today. The Group intends to continue encouraging its people to shape the future of the company by pursuing innovation, sharing new ideas and working as a team.

The Group's ability to think globally and act locally differentiates us. The Group believes it has the ability to transfer knowledge and share insights from different markets to build a stronger global business and create the most value for its customers and investors. By building great teams and specializing across individual sectors allows the Group to scale in adjacent categories across the logistics ecosystem. The Group intends to continue its commitment on maintaining a small company identity with an entrepreneurial mindset to execute its growth strategy.

Recent Developments

In addition to the subsequent events as disclosed in the Financial Statements for the financial year ended 31 December 2020, the following recent developments occurred after 31 December 2020:

Second Closing of GLP Europe Income Partners II

On 15 January 2021, the Group announced that it had raised an additional amount of approximately €500 million for its pan-European logistics fund, GLP Europe Income Partners II. The additional capital brings the total equity commitments to approximately €1.6 billion (US$2 billion), exceeding its original target, and enabling the fund to reach €3.2 billion (US$3.9 billion) assets under management once fully deployed. The additional equity was raised from institutional investment partners across Europe, the Middle East and Asia.

Second Closing of Logistics Private Open-Ended Income Fund in Japan

On 7 January 2021, the Group announced that it held a second close for GLP Japan Income Fund (the "JIF I"), with JPY560 billion (US$5.4 billion) assets under management fund. JIF I was launched in 25 August 2020 and is Japan's largest private open-ended logistics real estate income fund. More than 20 international and domestic investors invested alongside the Group in this round signifying continued investor interest in the Group's high-quality, modern logistics assets and its fund management and operational capabilities.

The COVID-19 Pandemic

See "Risk Factors – Risks Relating to the Group's Business and Operations – The outbreak of the COVID-19 disease is growing and its impact is uncertain and hard to measure but may cause a material adverse effect on the Group's business".

THE GROUP'S BUSINESS

The Group is a leading global investment manager and business builder in logistics, real estate, infrastructure, finance and related technologies. These business activities are intertwined and, combined with the Group's size and scale, creates "Network Effect" synergies and recycles capital for the best possible returns

and provides the best solutions for its customers, allowing customers to seamlessly expand and optimise their distribution network in convenient warehouse locations.

The Group's business strategy is centred on (i) developing deep sector expertise, (ii) investing its own capital to build and scale high-quality businesses, (iii) leveraging local operating platforms and integrating technology to enhance long-term value, and (iv) utilising its global scale and data-driven insights to anticipate future trends and markets.

The Group combines the best-practices of a disciplined investor and global specialised logistics real estate operator to create value for investors. Key components of the Group's business model are illustrated below:

Active Portfolio Expansion

The Group is a disciplined investor with significant acquisitions experience, from corporate-level and large portfolio transactions, to single asset deals around the world. The Group has completed several large portfolio transactions since 2015, including the US$8.1 billion acquisition of the IndCor portfolio, the US$4.6 billion acquisition of Industrial Income Trust and the US$2.8 billion acquisition of the Gazeley portfolio. Moreover, the Group has acquired over US$3.8 billion worth of single asset and small portfolio deals across 90 transactions globally since 2016. More recently in 2020, the Group announced that it has closed on the acquisition of Goodman Group's Central and Eastern Europe logistics real estate portfolio for a purchase price of €1 billion (approximately US$1.1 billion), which involves 2.4 million square feet of logistics assets spread across Central and Eastern Europe, and also acquired a Hong-Kong-headquartered supply chain solution partner Li & Fung Limited.

The Group has a strong track record of sourcing large portfolios and single assets off-market through local teams and global relationships. With the Group's operating expertise and local presence, the Group is well positioned to detect mispricing and acquisition opportunities, source strategic sites for development, and be prepared for the technological advancement that could shape future operation and industry.

Development of Modern Logistics and Warehousing Facilities

The Group constructs new facilities and develops integrated logistics solutions to meet market demand and serve its customers' needs, thereby helping its customers improve their supply chain, increase efficiency and competitiveness as well as generate significant value through development. The Group is also dedicated to securing well-located land sites within prime markets where the Group has already established operations, benefitting from construction scale and known customer demand. The Group's global client network of more than 1,800 customers, and its track record of high-quality logistics real estate development has made the Group a reputable and sought after developer of logistics properties globally. Since 2016, the Group has completed more than US$11.0 billion of development globally, even as competition for suitable development sites has increased globally. The Group has the ability to aggregate individual investment and development projects to assemble large-scale logistics real estate portfolios and further enhance the Group's position as one of the

largest owners of institutional-quality industrial real estate in each of its operating market. As a leading provider of modern logistics and warehousing facilities in each of the jurisdictions in which it operates, the Group is able to provide its customers with a full suite of solutions and products related to modern logistics and warehousing facilities, including multi-tenant logistics and warehousing facility development and design, customised warehouse design and construction, and acquisition and leasebacks. The Issuer believes that the Group's extensive tenant, broker, local and regional developer relationships effectively secure the Group's position as a preferred logistics real estate provider within a given market, resulting in access to attractive investment and development opportunities.

In addition to the 7.5 million square metres of properties under development or being repositioned and approximately 12.8 million square metres of combined GFA and GLA under land held for future development, the Group also had approximately 7.8 million square metres of GFA under land reserve as of 31 December 2020.

Global Scale of Operation that Maximises the "Network Effect"

The Group has a strong global presence and leverages its knowledge across geographies. The Group's extensive global relationships with 3PLs, e-commerce firms and other existing and potential tenants generate a powerful "Network Effect" that provides a strong, actionable visibility on logistics trends and customer demand for logistics real estate. Utilising its global scale, the Group helps its customers optimise their distribution networks with strategically-located facilities and real estate solutions that drive value. The Group's properties occupy prime locations close to urban population centres, key transportation nodes, and logistics infrastructure. Beyond site location, the Group's customer-dedicated teams thoroughly understand each market in which the Group operates, combining customer's business requirements with a focus on the specific needs of each sector.

The Group's revenue by geographical segment of its operations for the financial period from 1 April 2018 to 31 December 2018, the financial year ended 31 December 2019 and the financial year ended 31 December 2020 are set out below:

	For the period from 1 April to 31 December	For the year ended 31 December	
	2018	2019	2020
	US$ (in thousands)		
China	748,700	983,799	1,140,908
Japan	134,676	166,561	434,697
Brazil	7,906	10,904	10,717
United States[(1)]	63,010	256,996	38,918
Europe[(2)]	21,408	33,342	73,084
Other	–	–	–
Total	**975,700**	**1,451,602**	**1,698,324**

Notes

(1) In September 2019, the Group disposed of 179 million square feet of urban, infill logistics assets from three of the Group's U.S. funds, namely GLP US Income Partners I, GLP US Income Partners II and GLP US Income Partners III, for a consideration of US$18.7 billion.

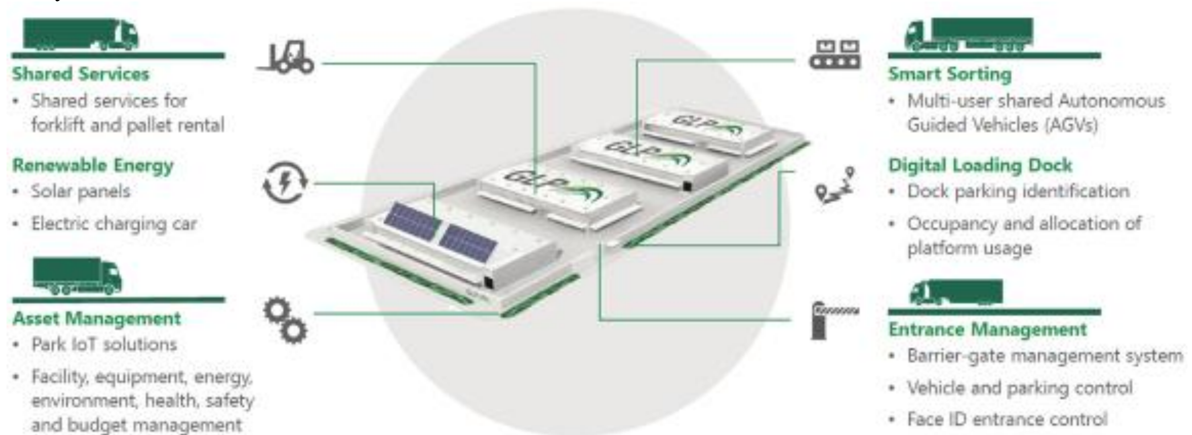
(2) In December 2017, the Group entered into the European market through the acquisition of Gazeley, a premier developer, investor and manager of logistics warehouses and distribution parks in Europe.

The Group has a strong lease expiry profile for its portfolio, with approximately 31.0 per cent., 19.0 per cent., 15.0 per cent, 7 per cent. and 28 per cent. of the Group's leases expiring in the financial years ending 31 December 2021, 31 December 2022, 31 December 2023, 31 December 2024 and after the financial year ending 31 December 2024, respectively.

The following diagram summarises the geographical locations of the Group's logistics and warehousing facilities as of 31 December 2020:

Technology and Logistics Ecosystem

The Group is a pioneer in technological innovations, helping to improve logistics ecosystems and adding value to its customers. The Group's vision is to provide logistics solutions, not just properties, by offering a logistics ecosystem with the latest technology. Leveraging its vast network and resources, the Group helps its customers improve their supply chain, increase efficiency and serve the market more competitively by connecting them with solutions. The Group has a network of strategic partners to provide comprehensive services and solutions to help customers become more efficient and competitive in a changing logistics ecosystem.



Fund Management

The Group partners with marquee investors to grow its network and holds a substantial portion of its property interests through its investments in GLP J-REIT and private real estate funds that it manages. Through leveraging on third party equity to fund growth, the Group seeks to de-risk its development pipeline and enhance returns through a steady stream of recurring and performance fees. The Group's integrated business platform enables its institutional clients who value the Group's investment alignment, the strengths of its local management teams and its leading positions in the top logistics markets globally to maximise their investment returns on logistics-related real estate and to meet their demands for real estate investment. The Group is committed to providing customers with integrated solutions across the entire logistics and warehousing value chain to meet their operational and financial needs. The Group is continuing to actively explore opportunities to grow its platform. For example, in May 2019, the Group announced a new investment partnership with Allianz Real Estate. Allianz Real Estate has committed US$600 million to the Group's funds in China and

Japan to focus on developing and investing in logistics assets with integrated technologies in Asia-Pacific region.

The Group's fund management platform covers 23 real estate and private equity funds across China, Japan, Brazil, Europe, India, (through a strategic joint venture with IndoSpace) Vietnam (through a strategic joint venture with SEA Logistics Partners) and the U.S. As of 31 December 2020, total assets under management stood at US$59.1 billion.

Recent significant milestones include the launch of Japan's largest private open-ended logistics real estate income fund, GLP Japan Income Fund, and its second pan-European income logistics fund, GLP Europe Income Partners II in 2020. Fund management revenue in the financial period from 1 April 2018 to 31 December 2018, the financial year ended 31 December 2019 and the financial year ended 31 December 2020 was US$164.1 million, US$447.4 million and US$523.6 million, respectively.

The following table summarises the key information in relation to funds that the Group is managing as of 31 December 2020.

Fund[1]	Country/ Region	Vintage Year[2]	Type	Assets Under Management (US$ billions)
GLP China Logistics Fund I	China	November 2013	Opportunistic	4.0
GLP China Logistics Fund II	China	July 2015	Opportunistic	7.0
GLP China Value-Add Venture I	China	December 2017	Value-Add	3.3
GLP China Value-Add Venture II	China	September 2018	Value-Add	2.0
GLP China Value-Add Venture III	China	December 2020	Value-Add	0.4
Hidden Hill Modern Logistics PE RMB Fund I	China	August 2018	Opportunistic	1.3
GLP China Income Fund I	China	April 2020	Core Plus	2.3
GLP Japan Income Partners I	Japan	December 2011	Value-add	1.6
GLP Japan Income Fund	Japan	August 2020	Core	2.7
GLP J-REIT	Japan	December 2012	Core	8.4
GLP Japan Development Venture II	Japan	February 2016	Opportunistic	2.4
GLP Japan Development Partners III	Japan	December 2018	Opportunistic	6.2
GLP Brazil Development Partners I	Brazil	November 2012	Opportunistic	1.1
GLP Brazil Income Partners I	Brazil	November 2012	Value-add	0.6
GLP Brazil Income Partners II	Brazil	October 2014	Value-add	0.5
GLP Brazil Development Partners II	Brazil	October 2019	Opportunistic	1.1
GLP Europe Income Partners I	Europe	December 2017	Core	2.6
GLP Europe Income Partners II	Europe	September 2020	Core Plus	3.9
GLP Europe Development Partners I	Europe	December 2017	Opportunistic	3.0
GLP Continental Europe Development Partners I	Europe	November 2018	Opportunistic	2.7
IndoSpace Logistics Parks II	India	April 2013	Opportunistic	0.5
IndoSpace Logistics Parks III	India	December 2017	Opportunistic	1.0
IndoSpace Logistics Parks Core	India	December 2017	Core	0.6

Notes

(1) Funds are sorted by geography before vintage.

(2) Vintage year represents the year in which the fund had its first closing.

THE GROUP'S PORTFOLIO

All the properties that the Group develops are modern logistics and warehousing 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 to allow flexibility to add multiple tenants or provide a platform for expansion of a single tenant, with energy-efficient technology and features to reduce its customers' costs. The Group also provides a build-to-suit service that includes site selection, construction and management of dedicated facilities customised to a single customer's specifications. The Group oversees the construction and management of its facilities and hires sub-contractors for the various aspects of construction and management where appropriate.

Portfolio Summary

The Group's property interests are held through a combination of direct holdings and associated entities such as a REIT, private real estate funds and joint ventures. The following table summarises the Group's portfolio of logistics and warehousing assets as of 31 December 2020.

	GFA/GLA	Effective Interest GFA/GLA	Total Valuation	Effective Interest Valuation
	(million sq.m.)	(million sq m.)[1]	(US$ Millions)[3]	(US$ Millions)[1],[2]
China				
Completed and Stabilised properties	28.24	9.26	24,949	8,777
Completed and Pre-Stabilised properties	2.56	0.88	2,228	850
Other facilities[4]	0.97	0.34	353	110
Properties under development or being repositioning[5]	5.12	1.95	2,011	763
Land held for future development[6]	6.43	2.77	3,179	1,302
China total[7]	**43.32**	**15.19**	**32,719**	**11,802**
Japan				
Completed and Stabilised properties (GLP-owned)	2.12	0.53	5,992	1,501
Completed and Stabilised properties (GLP J-REIT-owned)	3.54	0.14	8,375	327
Completed and Pre-Stabilised properties	–	–	–	–
Properties under development or being repositioning[5]	0.78	0.20	981	251
Land held for future development[6]	1.54	0.70	866	408
Japan total	**7.98**	**1.56**	**16,214**	**2,487**
Brazil				
Completed and Stabilised properties	2,78	1.14	1,951	808
Completed and Pre-Stabilised properties	–	–	–	–
Properties under development or being repositioning[5]	0.71	0.35	235	119
Land held for future development[6]	1.27	0.78	257	168
Brazil total	**4.76**	**2.26**	**2,443**	**1,095**
Europe				
Completed and Stabilised properties	4.00	0.60	5,173	694
Completed and Pre-Stabilised properties	0.37	0.10	434	105
Properties under development or being repositioning[5]	0.53	0.16	244	84
Land held for future development[6]	2.07	1.00	927	355
Europe total	**6.97**	**1.87**	**6,777**	**1,237**
India				
Completed and Stabilised properties	1.39	0.05	688	27
Completed and Pre-Stabilised properties	0.11	–	30	0
Properties under development or being repositioning[5]	0.37	–	75	1
Land held for future development[6]	1.51	0.03	198	3
India total	**3.38**	**0.08**	**992**	**32**
Total	**66.41**	**20.97**	**59,145**	**16,654**

Notes

(1) Effective Interest GFA/GLA: Adjusted for the Group's effective interest in non-wholly owned entities.

(2) Total Valuation Local Currency Millions: As determined by internal valuation. For China, currency used is RMB, for Japan, currency used is ¥, for Brazil, currency used is BRL, for Europe, no single currency is available and for India, currency used is Rs. For more information on the basis of the valuation, see "Valuations, Property Values and Gross Floor Area/Gross Leasable Area". In particular, the valuations of land reserve in the China Portfolio are indicative only. The Group does not treat a parcel

of land in its land reserve as part of its assets as reflected in the Group's financial statements unless and until the relevant PRC subsidiary, associate and/or joint venture acquires the relevant parcel.

(3) Total Valuation US$ Millions: For more information on the basis of the valuation, see "Valuations, Property Values and Gross Floor Area/Gross Leasable Area".

(4) "Other facilities" includes container yard and parking lot facilities.

(5) "Properties under development or being repositioning" consists of five sub-categories of properties: (i) properties that the Group has commenced development; (ii) logistics and warehousing facilities which are being converted from bonded logistics and warehousing facilities to non-bonded logistics and warehousing facilities; (iii) a logistics and warehousing facility which will be upgraded into a standard logistics and warehousing facility; (iv) a logistic facility which is waiting for heating and power supply from government and (v) logistics and warehousing facilities which are undergoing more than three months of major renovation.

(6) "Land held for future development" refers to land which the Group has signed the land grant contract and/or the Group has obtained the land certificate.

(7) Excludes land reserves. "Land reserves" refer to parcels of land in respect of which the relevant PRC subsidiaries, associates and/or joint ventures have signed a master agreement, letter of intent or memorandum of understanding (as the case may be). The acquisition of the relevant parcels of land is subject to (i) a public bidding process, the signing of land grant agreements with the governmental authorities and obtaining of land and/or property title certificates, where the land is to be granted directly from the government authorities; or (ii) the signing of sale and purchase agreement and obtaining of land and/or property title certificates, where the vendor is not a governmental authority.

The China Portfolio

The China Portfolio was set up in 2003 and the Group has since built up a significant land bank of strategically located sites within key logistics hubs and near major seaports, airports, transportation hubs or industrial zones. The China Portfolio was initially focused on the cities of Shanghai, Beijing, Guangzhou and Shenzhen, as well as the industrial city of Suzhou, which represented the major hubs of economic activity in China. The Group has since gradually expanded into key gateway cities such as Qingdao, Tianjin, Hangzhou, Nanjing, Shenyang and Chengdu, where demand for modern logistics and warehousing facilities is supported by rapid growth in local GDP and consumption.

In China, the Group tries to acquire the best locations available to build logistics and warehousing facilities. On occasion, it also purchases existing facilities, generally with a view towards refurbishing, expanding and modernising or replacing them, or forms joint ventures with local governments, economic zones or port authorities to secure rights to large, strategically located sites. At times, the Group has also acquired and leased out facilities without additional renovation.

The Group's modern logistics and warehousing facilities in China are situated within approximately 720 dedicated logistics parks, which it has developed and is currently managing, with generally 1 to 6 facilities per park. To build these parks, the Group works closely with the relevant local governments to zone the locations that it has selected for logistics use, purchase the land and construct its facilities to modern specifications.

Most of the Group's properties in China offer the following key features that the Issuer believes characterises modern logistics and warehousing facilities:

- storage safety: security and surveillance features, proper ventilation and basic firefighting features such as sprinkler systems;
- optimal space utilisation: large floor area, high ceilings, wide column spacing, high load capacity, spacious and modern loading docks and easy track access;
- high operating efficiency: spacious loading and parking areas equipped with modern loading docks;
- convenient and optimal location to reduce customers' transportation costs; and
- flexibility to provide customised features such as office space, air-conditioning and refrigeration/freezing.

Completed and Stabilised Properties

The following table summarises key operational statistics for the Group's properties in China as of and for the financial period from 1 April 2018 to 31 December 2018, the financial year ended 31 December 2019 and the financial year ended 31 December 2020:

	As of and for		
	the period from 1 April to 31 December	**the year ended 31 December**	
	2018	**2019**	**2020**
Total GFA ('000 sq. m.)[1]	16,602	19,734	25,301
Lease Ratio (per cent.)[2]	91	87	88
WALE (years)[3]	2.2	2.0	2.1

Notes

(1) Includes all completed and stabilised properties.

(2) Includes completed and stabilised logistics properties.

(3) Includes all properties.

Title

We believe the Group holds substantially all of its properties in China 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.

Leases

Due to the growth that it anticipates in the Chinese logistics and warehousing facilities market, the Group generally prefers leases with shorter terms in China than it would in other more developed markets. Leases typically have one to 10-year terms, with a weighted average original term of 5 years as at 31 December 2020. Leases under build-to-suit arrangements generally have longer terms, and include a rental premium for the specific customisation requested by the customer. All of the lease payments for the properties in the China Portfolio are denominated in Renminbi.

The Japan Portfolio

The Japan Portfolio positions the Group to maintain its leadership in a market that increasingly demands modern facilities built to satisfy customers' requirements, which the Issuer believes are currently still in short supply. The Japan Portfolio has complete logistics floor area of 6.0 million square meters across 106 properties. Combined with 2.0 million square meters in pipeline development, the Group's aggregate managed portfolio is expected to reach approximately 8.0 million square meters of logistics space in 7 major cities. The end-users serviced by the Group's customers operate in diversified industries, and the Group's network of facilities in Japan covers the greater metropolitan areas of all major Japanese cities, including the three major regions of Kanto (which includes Tokyo), Kansai (which includes Osaka) and Chubu (which includes Nagoya).

The Japan Portfolio has grown in terms of GFA by a compound annual growth rate ("CAGR") of 6.2 per cent. from the financial year ended 31 March 2013 to the financial year ended 31 December 2020, mainly due to the Group's customers increasingly outsourcing their logistics requirements and their need for modern logistics and warehousing facilities.

Most of the facilities in the Japan Portfolio offer the following features, which the Issuer believes helps to differentiate the Group's product offering and allows the Group to maintain its leading market position:

- multi-storey facilities with convenient loading docks and double-spiral ramps, permitting direct truck access to each floor;
- large floor plates, wide column spacing and high ceilings ideal for customers looking for supply chain consolidation;

- convenient location, proximity to commercial hubs, access to quality workforce, and access to key transportation links and infrastructure hubs;
- centralized disaster control hubs;
- environmentally friendly and energy-saving features such as large landscaping and use of energy-efficient materials; and
- additional features such as seismic isolators, 24-hour security/surveillance and on-site restaurants/cafeterias, which are increasingly valued by design- and safety-conscious customers.

In the financial year ended 31 March 2014, the Group completed the development of GLP Misato III, the first LEED® Platinum certified logistics and warehousing facility in Japan. The certification, which is the highest level possible, is the world's most widely recognised and used standard for measuring the performance of energy efficient buildings. Many prospective tenants were attracted by GLP Misato III's strong environmental and business continuity features including light-emitting diode ("LED") lighting and thermal insulation. As of 31 December 2020, GLP Misato III is 100 per cent. leased. As of 31 December 2020, 10 of the Group's developed logistics facilities were certified as LEED Platinum or Gold, including recent completed projects, GLP ALFALINK Nagareyama III and GLP Hirakata III, and other 46 projects were certified by domestic green building certification programs including CASBEE.

The Group has also installed solar panels on the rooftops of 42 of its properties in Japan. In addition to promoting the generation of renewable energy, the solar panels create a new, sustainable revenue stream for the Issuer, with the generated electricity being sold to utility companies.

The Group reviews its product designs frequently, and undertakes continuous improvements to improve efficiency for its customers.

The following table summarises certain operational statistics for the Group's properties in Japan as of and for the financial period from 1 April 2018 to 31 December 2018, the financial year ended 31 December 2019 and the financial year ended 31 December 2020.

	As of and for		
	the period from 1 April to 31 December	**the year ended 31 December**	
	2018	**2019**	**2020**
Total GFA ('000 sq. m.)[1]	5,315	5,473	5,658
Lease ratio (per cent.)[1]	99	100	100
WALE (years)[2]	4.7	4.3	4.1

Notes

(1) Includes all completed and stabilised properties.

(2) Includes all properties.

Title

The Group, its private real estate funds and GLP J-REIT hold all of their properties in Japan under freehold or trust beneficiary arrangements.

Leases

Leases for the properties in the Japan Portfolio typically run for a fixed term of five years for multi-tenant facilities and for 10 years or more for build-to-suit arrangements. Some of the Group's leases contain provisions for rental adjustments every three years based on the corresponding change in the consumer price index. All of the lease payments for the properties in the Japan Portfolio are denominated in Japanese Yen.

Sale of Properties to GLP J-REIT

GLP J-REIT has bought 10 properties for US$1,320 million, of which 7 properties were developed by GLP, in the financial year ended 31 December 2020. GLP J-REIT provides the Group with a long-term capital vehicle for capital recycling in Japan. The Group retains a 3.9 per cent. interest in the J-REIT as at 31 December 2020 and continue to act as its property and asset manager.

The Brazil Portfolio

The Group's footprint in Brazil was significantly enlarged with the acquisition of 26 assets from BR Properties on 11 June 2014 for a consideration of approximately BRL2.4 billion, with the acquisition of an additional eight assets to be completed subject to the satisfaction of the conditions precedent for the acquisition, including receipt of required regulatory and third party approvals. As of 31 December 2020, approximately 90 per cent. of the Brazil Portfolio is located in the markets of São Paulo and Rio de Janeiro, the two most populous states in Brazil. A substantial portion of the Group's properties in Brazil are held through joint ventures.

The following table summarises certain operational statistics for the Group's properties in Brazil as of and for the financial period from 1 April 2018 to 31 December 2018, the financial year ended 31 December 2019 and the financial year ended 31 December 2020.

	As of and for		
	the period from 1 April to 31 December	the year ended 31 December	
	2018	2019	2020
Total GLA ('000 sq. m.)[(1)]	2,722	2,832	2,783
Lease Ratio (per cent.)[(1)]	94	94	96
WALE (years)[(2)]	5.8	5.2	5.1

Notes

(1) Includes all completed and stabilised properties.

(2) Includes all properties.

Title

The Group is the indirect owner or indirectly holds a stake in all of the properties in Brazil.

Leases

Leases for the properties in the Brazil Portfolio typically run for a fixed term of five years for typical contracts and multi-tenant facilities; and for 10 years or more for build-to-suit arrangements and those in which expressive amounts were invested in order to promote the development of tenant improvements according to tenants' requests. All of the lease payments for the properties in the Brazil Portfolio are denominated in BRL.

The U.S. Portfolio

The Group entered the U.S. market in 2015 through its acquisition of IndCor Properties, which held one of the largest logistics real estate portfolios in the United States and further enlarged its footprint in the United States through further acquisitions of logistics portfolios from Industrial Income Trust in 2015 and Hillwood Development Company, LLC in 2016, becoming the country's second logistics property owner and operator within a year of market entry.

On 26 September 2019, the Issuer completed the sale of assets from three of the Group's U.S. funds, namely GLP US Income Partners I, GLP US Income Partners II and GLP US Income Partners III, to Blackstone for a consideration of US$18.7 billion. This transaction involved 179 million square feet of urban, infill logistics assets. The Issuer will continue to invest in logistics real estate and technology and is committed to building its U.S. footprint over the long term. No pro forma financial information relating to the U.S. Disposition, the assets of which comprise substantially all of the U.S. Portfolio, has been provided in this document.

The Europe Portfolio

The Group entered the European market in 2017 through the acquisition of Gazeley, a premier developer, investor and manager of European logistics warehouses and distribution parks. As of 31 December 2020, the Europe Portfolio comprises 7 million square metres of logistics assets spread across 109 major cities in 11 countries.

The following table summarises certain operational statistics for the Group's properties in Europe as of and for the financial period from 1 April 2018 to 31 December 2018, the financial year ended 31 December 2019 and the financial year ended 31 December 2020.

	As of and for		
	the period from 1 April to 31 December	the year ended 31 December	
	2018	2019	2020
Total GFA ('000 sq. m.)[(1)]	1,625	2,301	3,997
Lease ratio (per cent.)[(1)]	98	97	96
WALE (years)[(2)]	6.3	8.5	7.4

Notes
(1) Includes all completed and stabilised properties.
(2) Includes all properties.

Title

The Group and its private real estate funds hold majority of their properties in Europe under freehold and the rest under long term leases.

Leases

Leases for the properties in the Europe Portfolio are dependent on the country. In France, leases are generally for nine years (with break options at the third and sixth year); in Germany leases range between five to fifteen years for standing assets with an average lease term of 9.0 years; in Belgium leases tend to be between five to nine years with an average lease term of 7.6 years; in the Netherlands leases tend to be between five to ten years but can vary, the average lease term is 7.6 years; whereas in the United Kingdom ("UK") most leases range between ten to fifteen years, the average lease term being 12.0 years. In Spain leases are typically for 5 years whereas leases in Central and Eastern Europe are between five to ten years with an average lease term of 6.4 years. Across all markets, longer leases are typical for developments, often greater than ten years. All of the lease payments for the properties in the Europe Portfolio are denominated in Euros or sterling pounds (for the UK properties).

India Portfolio

The Group entered the Indian market in September 2018 through the establishment of a strategic joint venture with IndoSpace ("IndoSpace Joint Venture") which holds the India Portfolio ("India Portfolio"). The partnership enables IndoSpace to leverage the Group's fund management, development and operational expertise and resources, as well as the extensive global customer network, to further strengthen IndoSpace's leadership position in India. Through this partnership, the Group will also co-invest in IndoSpace's managed investment vehicles, and will become an investor in IndoSpace Core, a joint venture established in 2017 by IndoSpace and CPPIB that is focused on acquiring and developing modern logistics facilities in India.

IndoSpace is the pioneer and largest provider of modern industrial and logistics real estate in India and currently has 40 industrial and logistics parks, including developed parks, as well as parks under various stages of development, across India.

The following table summarises certain operational statistics of the IndoSpace Joint Venture's properties in India as of and for the financial year ended 31 December 2019 and the financial year ended 31 December 2020.

	As of and for	
	The year ended 31 December 2019[(1)]	The year ended 31 December 2020
Total GFA ('000 sq. m.)[(2)]	1,160	1,393
Lease Ratio (per cent.)[(2)]	89	87
WALE (years)[(3)]	5.5	8.4

Notes

(1) Since the Group entered into the Indian market in September 2018, operational statistics are only provided beginning the year ended 31 December 2019.

(2) Includes all completed and stabilised properties.

(3) Includes all properties.

Leases

All of the lease payments for the properties of the IndoSpace Joint Venture are denominated in Rs.

CUSTOMERS

The Group leases its facilities to a broad range of Fortune Global 500 firms, large and mid-sized, multinational and domestic customers who need logistics and distribution facilities, including e-commerce companies, third party logistics providers, retailers, manufacturers, importers/exporters and others. As of 31 December 2020, our top 10 customers by leased area, which operate in the 3PL and retail industries, accounted for approximately 20.1 per cent. of our total leased area. These customers serve end-users in a large variety of industries, including electronics, fast-moving consumer goods, retail/fast food chains, general logistics services, auto parts, pharmaceuticals/medical instruments and machinery. The Group seeks to be a partner and a "one-stop shop" for its customers, so that they will need only one point of contact to design and build a multi-market distribution network throughout the jurisdictions in which the Group operates. The Group's high quality and diversified customer base is a strong reflection of the Group's distinguished reputation in the logistics and warehousing facilities industry which also provides it with a strong platform for growth and further strengthening of its market position. The Group generates most of its revenue from multinational customers.

China

The Group cooperates mainly with medium to large corporations, including Fortune Global 500 firms, multinational corporations and domestic large corporations in China. As of 31 December 2020, in terms of industry coverage, the Group's customers mainly operate in the 3PL, retail and manufacturing industry, which respectively represents 52 per cent., 21 per cent. and 10 per cent of the Group's customers in China. For the 3PL industry, the Group's major customers include Best Logistics Group and SF Express; for the retail (including online retail) industry, the Group's major customers include JD and Adidas; for the manufacturing industry, the Group's major customers include BMW, Samsung, Schneider Electric, Volkswagen and Bosch; and for the medicine industry, the Group's major customers include Shanghai Pharmaceuticals Holding, Sinopharm Group and Guangzhou Pharmaceutical Group.

Leveraging on the Group's economy of scale and networking effect of its warehousing and logistics and warehousing facilities, the Group has developed a diverse warehousing customer portfolio, with over 1,250 tenants from various industries as at 31 December 2020.

Japan

The Group's customers in Japan comprise primarily of large Japanese companies that operate across a wide variety of industries, as well as other multinational companies. There has been a growing emphasis by corporates to focus on core operations and cost reductions, resulting in more than 100 per cent. growth in the 3PL market from 2009 to 2018. As o 31 December 2020, approximately 57 per cent. (by leased area) of its

customers in Japan are 3PLs, including major customers such as Nippon Express and DHL, while another 29 per cent. are retailers/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.

Brazil

The Group's customers in Brazil comprise primarily large Brazilian companies with a focus on the retail business as well as other multinational companies. Domestic consumption is an important driver of demand for the Group's business in Brazil, with approximately 100 per cent. of the Brazil Portfolio leased to domestic consumption-related customers. The Issuer believes that amid a drive to improve logistics efficiency, companies in Brazil are increasingly outsourcing logistics and shifting from a strategy of owning warehouses to leasing them. As of 31 December 2020, approximately 36 per cent. (by leased area) of the Group's customers in Brazil are retailers, including major customers such as GPA, Riachuelo, Procter & Gamble and Unilever, while another 23 per cent. are 3PLs and 25 per cent. are manufacturers. These customers serve end-users in a large variety of industries, including fast-moving consumer goods, general logistics services, retail, machinery, pharmaceutical and medical instruments and others.

Europe

The Group's customers in Europe primarily comprise 3PLs, retailers and e-commerce companies. As of 31 December 2020, approximately 40 per cent. (by leased area) of its customers in Europe are 3PLs, including major customers such as DHL, Zuffal Logistik and Rigterink, while another 31 per cent. are retail companies and 28 per cent. are manufacturers. These customers serve end-users in a large variety of industries including, among others, the retail, fast-moving consumer goods, automotive and healthcare industries.

India

The IndoSpace Joint Venture's customers in India primarily comprise 3PLs, retailers, manufacturers, e-commerce and automotive companies. As of 31 December 2020, approximately 24 per cent. (by leased area) of its customers in India are 3PLs, including major customers such as DHL, while another 28 per cent. are retailers. These customers serve end-users in a large variety of industries including, among others, automotive, machinery, logistics and electronics industries.

INSURANCE

The Issuer believes that the Group's insurance practice is in line with what it believes to be the prevailing industry practice in the jurisdictions in which it operates. The Issuer believes that the Group's insurance coverage in each of the jurisdictions in which it operates is commercially reasonable and appropriate for a logistics and warehousing facility company operating in that market. Notwithstanding the Group's insurance coverage, should an uninsured loss or a loss in excess of insured limits occur, the Group could lose capital invested in its property and anticipated future revenue therefrom, while the Group remains liable for any mortgage indebtedness or other financial obligations relating to the relevant property. Any such loss could have a material adverse effect on the Group's financial condition and results of operations, to the extent that this disrupts the normal operation of its properties or its businesses. See "Risk Factors – The Group's insurance coverage does not include all potential losses".

China

The Group's insurance policies in China include property insurance for property damage and loss of rental income, covering such perils as fire, windstorm, flood, malicious damage and other material damage to property and development sites; and commercial general liability insurance which covers the potential risks against third party claims arising from its business operations. The Group 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 group hospitalisation insurance. There are certain types of risks that are not covered by these insurance policies, including acts of war, terrorism, environmental damage and breaches of environmental laws and regulations.

Japan

The Group's insurance policies in Japan include property insurance for property damage and loss of rental income, covering such perils as fire, windstorm and electrical breakdown; and commercial general liability insurance which covers the potential risks against third party claims arising from its business operations. The Group also maintains other insurance policies for its employees in accordance with applicable laws and regulations, including life insurance, personal liability, health, accidental death and long-term disability. 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. For earthquake risk, the Group obtains earthquake insurance to cover facilities subject to certain "probable maximum loss" ("PML") threshold percentage.

Brazil

The Group's insurance policies in Brazil include property insurance for property damage and loss of rental income, covering such perils as fire, windstorm, flood, electrical breakdown and earthquake; and commercial general liability insurance which covers the potential risks against third party claims arising from its business operations. The Group also maintains other insurance policies for its employees in accordance with applicable laws and regulations, including workmen compensation and group hospitalisation insurance. There are certain types of risks that are not covered by these insurance policies, including acts of war, breaches of environmental laws and regulations.

Europe

The Group's insurance policies in Europe include property insurance for property damage and loss of rental income, covering such perils as fire, windstorm, flood, earthquake and terrorism; and commercial general liability insurance which covers the potential risks against third party claims arising from its business operations. The Group also maintains other insurance policies for its employees in accordance with applicable laws and regulations, including workmen compensation and group hospitalisation insurance. There are certain types of risks that are not covered by these insurance policies, including acts of war and breaches of environmental laws and regulations.

COMPETITION

While the Group is a leading global investment manager and a business builder in logistics, real estate, infrastructure, finance and related technologies of the jurisdictions in which it operates, it faces competition from other large domestic and, to a lesser extent, international owners and operators of other logistics and warehousing facilities and, within any specific individual market, also from smaller, local players. The Group competes with other providers for locations and sites for future logistics and warehousing facilities. In China, potential customers may also compare the Group's products, services and rents to those of large state-owned logistics and warehousing facilities providers. While the Issuer believes that those providers generally do not provide modern facilities, potential customers may choose these providers over the Group on the basis of rent if they do not need the modern specifications offered by the Group's facilities.

The Group believes that, in choosing a provider of logistics and warehousing facilities, the Group's customers focus primarily on the size of a provider's network and on the quality of the service provided. Lease rates are generally determined by the market. The Issuer believes that the size of the Group's network and the Group's focus on customer service and on assisting its customers in establishing and maintaining their logistics networks allows the Group to compete favourably with many of its competitors.

EMPLOYEES

The following tables summarise the number of the Group's employees by location and function as at 31 December 2018, 2019 and 2020:

Employees by Geographical Location

	As of 31 December		
	2018	**2019**	**2020**
Japan	124	133	159
China	1,243	1,717	2,066
Brazil	58	60	62
Europe	71	98	160
Singapore/Other	37	51	60
Total	**1,533**	**2,059**	**2,507**

Employees by Function

	As of 31 December		
	2018	**2019**	**2020**
Investment management	198	209	241
Project development	182	205	253
Leasing service and asset management	200	150	156
Finance/Accounting	248	197	223
Property	273	356	361
Others	432	942	1,273
Total	**1,533**	**2,059**	**2,507**

None of the Group's employees in Japan, China or Europe is a member of a labour union, although in Europe there may be employees who are part of collective bargaining agreements and therefore entitled to joint representation if needed. In Brazil, all of the Group's employees (except for officers) are represented by a labour union as required by law. The Group has not experienced any strikes or disruptions to its operations due to labour disputes. The Issuer believes the Group's relationships with its employees are good.

LEGAL PROCEEDINGS

The Issuer is not, and none of its subsidiaries or joint ventures is, a party to any litigation, arbitration or administrative proceedings that the Issuer believes would, individually or taken as a whole, have a material adverse effect on the Group's business, financial condition or results of operations, and, in so far as the Issuer is aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

The Group'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 jurisdictions in which it has operations.

The Group believes that it is in compliance in all material respects with applicable environmental regulations in each of the jurisdictions in which it has operations. As at the date of this document, no material environmental, health or safety-related incident involving the Group has occurred. The Group is not aware of any material environmental, health or safety-related proceedings or investigations to which the Group might become a party.

As the Group 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 the Group's development project or asset enhancement worksites generally rests with the contractors it appoints.

Our ESG Policy Framework

The Group is committed to a broad range of environmental, social and governance (ESG) commitments that elevate its business, create value for our shareholders and investors, support its employees and customers, and show respect to the local communities in which we work. The Group focuses on improving efficiency across its businesses through the use and integration of data and technology. As a result, the Group believes it is able to reduce consumption, better manage assets and invest capital more efficiently, which in turn generates better returns for its shareholders and investors, reduces costs for its customers and partners, and supports the livelihood of its global employees.

The Group aims to be a global leader on integrated ESG commitments because it believes that sustainability is an essential part of its long-term success as global corporate citizens. To be a global leader the Group is committed to continuously improving its ESG policy to meet or exceed evolving standards and expectations of its shareholders, investors, customers, employees and communities.

The Group has prepared an ESG Policy Framework to support it in developing ESG commitments, integration into its overall business and investment approach, responsibility of implementation and monitoring and reporting framework. The intent of the Group's sustainability commitment is to implement its ESG Sustainability Principles that support its ESG Policy Framework, which include: (1) Build businesses and invest responsibly, (2) Develop and manage sustainable assets, (3) Improve efficiency and enhance value, (4) Govern with high ethics and transparency and (5) Promote well-being. The Group has identified the following ESG considerations as key elements of sustainability, and these considerations help it to determine whether ESG issues are material to the Group and should be measured, monitored and reported: (1) Investment decisions, (2) Environmental and social risk assessment, (3) Resource use, (4) Labour and working conditions, (5) Well-being of End Users, (6) Resilient communities, (7) Climate action and (8) Ethics and governance. The Group has implemented process commitments to enable ESG integration as part of the implementation of its operational procedures manual.

MARKETING ACTIVITIES

The Group engages in various marketing initiatives in order to attract new customers and expand its market recognition. In Japan, most of the Group's leasing contracts are procured by its in-house leasing team, which deals directly with customers and potential customers. In China, the Group's recent marketing activities focus on expositions. Mainstream media in China includes the Group's exhibitions and events in their coverage. In Brazil, the Group 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. In Europe, the Group both uses professional brokers and deals directly with customers to procure leases.

The Group also engages in traditional "banner" advertising and publishes a periodic electronic newsletter targeted at existing and prospective customers and markets its facilities through the Group's website. The Group 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 groups whose membership is comprised of our target customers. On occasion, the Group joins with brokers to organise "open house" events at some of its facilities, and the Group regularly attends large conventions and trade shows and conducts customer events, such as the seminar in Tokyo for Japanese customers seeking logistics and warehousing facilities in China.

INFORMATION TECHNOLOGY

The Issuer leverages the latest information technology to support sustainable and efficient daily operations. Oracle JD Edwards EnterpriseOne has been adopted as the Issuer's core enterprise resource planning application to capture, in an integrated approach, business activities such as project cost management, real estate management, expense management and financial management in all countries except in Europe. In Europe, the Issuer uses a cloud-based system called Yardi.

For its customer relationship management system, the Issuer has adopted Salesforce, Microsoft Dynamics and VTS to manage its pre-lease activities and gain instant access to space availability. From a people resources perspective, the Issuer uses the Platinum HRM, JazzHR, and PeopleHR systems which offer comprehensive human resource management functionality.

INTELLECTUAL PROPERTY

All trademarks relating to "GLP" and its respective accompanying designs as well as the GLP logo used by the Group are registered and, in the case of China, 46 out of 87 trademarks are duly registered by the Issuer.

As at the date of this document, the Group has not infringed any intellectual property rights of other parties and has not identified any instances of third parties infringing its intellectual property rights.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Bonds issued under the Program Information. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with Bonds issued under the Program Information are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Bonds issued under the Program Information, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Bonds may occur for other unknown reasons and the Issuer does not make any representation that the statements below regarding the risks of holding any Bonds are exhaustive. There may be additional risks not described below or not presently known to the Issuer or that the Issuer currently deems immaterial that turn out to be material. Prospective investors should also read the detailed information set out elsewhere in this document and reach their own views prior to making any investment decision.

This document also contains forward-looking statements that involve risks and uncertainties. The actual results of the Group's operations could differ materially from those anticipated in these forward-looking statements due to a variety of factors, including the risks described below and elsewhere in this document.

RISKS RELATING TO THE GROUP'S BUSINESS AND OPERATIONS

The Group is subject to the risks of the logistics and warehousing facilities business.

The Group is subject to risks associated with the provision of logistics and warehousing facilities. Some of the factors that may affect the Group's business include:

- local market conditions, such as oversupply of logistics or warehousing facility space, reduction in demand for logistics or warehousing facility space and the rents that the Group can charge for a completed logistics or warehousing facility, which may make a logistics and warehousing facility unprofitable, and local trends, such as outsourcing of operations by customers to countries in which the Group does not operate;

- significant liabilities associated with logistics or warehousing facility assets, such as mortgage payments, and real estate taxes, are generally fixed and need to be paid even when market conditions reduce income from the assets;

- the attractiveness of the Group's facilities to potential customers and investors;

- the Group's ability to maintain, refurbish and redevelop existing facilities;

- competition from other available logistics and warehousing facilities and new entrants into the logistics market;

- the Group's ability to maintain, and obtain insurance for, its facilities;

- the Group's ability to control rents and variable operating costs;

- changes in labour laws;

- governmental regulations, including changes in zoning and usage, condemnation, redevelopment and tax laws and changes in these laws;

- difficulty in acquiring land to build logistics and warehousing facilities;

- difficulty in finding a buyer for any land parcel that the Group seeks to sell or in achieving the sales price which may not allow the Group to recover its investment, resulting in additional impairment charges;

- construction costs (including labour cost) of a logistics or warehousing facility may exceed original estimates, or construction may not be concluded on schedule, due to factors such as contract default, the effects of local weather conditions, the possibility of local or national strikes by construction-related labour and the possibility of shortages or an increase in the cost of materials, building supplies or energy and fuel for equipment as a result of rising commodity prices, inflation or otherwise, making the logistics or warehousing facility less profitable than originally estimated or not profitable at all;

- delays in obtaining governmental permits and authorisations, and changes to and liability under all applicable zoning, building, occupancy and other laws;

- changes in or abandonment of development opportunities, and the requirement to recognise an impairment charge for those investments; and

- a slowdown in global economic growth, including as a result of the ongoing COVID-19 pandemic.

Any of these factors could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The outbreak of the COVID-19 disease is growing and its impact is uncertain and hard to measure but may cause a material adverse effect on the Group's business.

In December 2019, the COVID-19 disease, commonly known as "coronavirus", was first reported in Wuhan, Hubei Province, China. While initially the outbreak was largely concentrated in China and caused significant disruptions to its economy, it has now spread globally, including in locations where we operate. In January 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern", and on 11 March 2020 it was declared a pandemic. The continued spread of the coronavirus globally has had, and could have a significantly greater, material adverse effect on the global economy, as well as the countries and cities where the Group owns and manages properties in particular.

Governments and health authorities in affected areas have imposed measures designed to contain the outbreak, including, among others, temporary shutdowns, travel restrictions, quarantines and cancellations of gatherings and events. This, in turn, has resulted in disruptions in global supply chains, reduced trade, lower industrial production and lower consumption generally, even in areas not directly affected by the outbreak, which may negatively impact the Group's business and its customers' business and the demand for logistics and warehousing facilities, which could have a material adverse effect on the Group's business and results of operations. The extent to which the coronavirus will impact the Group's operations and those of its customers will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the outbreak, the resurgence or variants of the coronavirus, the actions taken to contain the coronavirus or mitigate its impact, and the direct and indirect economic effects of the illness and containment measures, among others.

Concerns relating to the coronavirus outbreak could prevent the Group's on-site personnel from reporting for work at its facilities, which could adversely affect the Group's ability to adequately manage its facilities. Further, in order to prevent the spread of the coronavirus several cities, counties, states, and national governments have imposed shut down of all non-essential business activities which include the Group's facilities. Such restrictions could affect the progress of the Group's construction projects and may result in cost increases due to shortage of labour and disruption in the supply chain. Any of these developments could have a material adverse effect on the Group's business and results of operations.

Furthermore, the Group's rental revenue and operating results depend significantly on the demand for logistics and warehousing facilities. Due to the scope of the outbreak and the related uncertainties, the coronavirus outbreak is negatively impacting almost every industry directly or indirectly, particularly the retail industry and businesses that rely on domestic consumption. A reduction in domestic consumption could reduce demand for products and services of some of the Group's customers. Additionally, many manufacturers in China and other countries, including some of the Group's customers, have seen downturns in production due to the suspension of business and temporary closure of factories in an attempt to curb the spread of the illness, which has impacted the business of the Group's customers. All of these factors could diminish the demand, lease ratio and rental rates for the Group's properties and harm some of the Group's customers' ability or willingness to pay rent, and the Group may provide rent concessions to certain customers, which could have

a material adverse effect on the Group's business and results of operations. Moreover, some of the Group's customers may be required by the local, regional, state or national authorities to cease operations thereby preventing them from generating revenue. Enforcing the Group's rights as landlord against customers who fail to pay rent or otherwise do not comply with the terms of their leases may be costly and may consume valuable time and resources, and even if the Group obtains a judgment, customers that have been severely impacted may not be able to pay the Group what it is owed. Although certain countries, such as China, have to a limited extent relaxed some restrictions and allowed some businesses to resume operations, there can be no assurances that COVID-19 will not reappear with new infections and to the extent that COVID-19, or another virus or variant appears, the Group may encounter prolonged operational lockdown measures which could disrupt its business operations.

The business and operating results of the Group and its customers may also be negatively impacted if the outbreak of the coronavirus occurs within the workforce or otherwise disrupts their management and other personnel, their supply chains or the ability to operate their respective businesses. Many companies, including the Group, have implemented policies and procedures designed to protect against the introduction of the coronavirus to the workforce, including permitting or requiring personnel to work offsite, among others. These changes in the work processes of the Group and its customers could lead to disruptions, such as a reduced ability to effectively transact with colleagues, customers and suppliers and a loss of IT system functionality due to unusual or excess burdens on IT infrastructures, which could have a negative impact on the business of the Group and its customers.

Any of these developments, and others, could have a material adverse effect on the Group's business, financial condition and results of operations. To the extent the coronavirus pandemic adversely affects the Group's business and financial results, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section, such as those relating to disruptions to the Group's operations, the Group's dependence on external financing to service or refinance existing financing obligations, fluctuations in properties' value and rental income, the Group's exposure to a range of risks relating to the development of logistics assets and the Group's dependence on its customer's ability to meet lease obligations.

In addition, major countries such as Japan and the United States have engaged in dramatic monetary easing in recent years as an economic stimulus measure, and have announced and begun implementing major stimulus measures to address the COVID-19 pandemic. The vast global monetary easing affecting the U.S. dollar, yen and euro could potentially result in rapid inflation, which central banks may not be able to control. This in turn could result in rapid and significant increases in interest rates, which could have an adverse effect on the Group's financial condition and results of operations. In addition, such rapid and significant increases in interest rates or market instability in major markets may occur when quantitative easing is scaled back or ends.

The Group's development strategy is subject to various risks, any of which could, among other things, result in disruptions to its operations, strain management resources and materially and adversely affect its business, financial condition, results of operations and cash flows.

The Group's development strategy includes focusing on opportunistically acquiring and/or developing properties and investments that it believes will create shareholder value, deepen its market presence and refresh its portfolio quality while meeting its customers' needs. These activities include the following significant risks to the Group's ongoing operations:

- it may not be able to acquire land and/or investment that is suitable to our development strategy or to obtain financing or third party investment for development projects on favourable terms or at all, or lease properties it develops on favourable terms or at all;

- it may pursue development opportunities that ultimately may be abandoned, development costs may be incurred for projects that are not pursued to completion and the related investment impaired;

- acquired, redeveloped or renovated properties and/or investments (including newly acquired portfolios of properties) may not initially be accretive to the Group's results, and it may not successfully manage and lease newly acquired, redeveloped or renovated properties (including newly acquired portfolios of properties) to meet its expectations;

- it may not be able to obtain, or may experience delays in obtaining, all necessary zoning, land-use, building, occupancy and other required governmental permits and authorisations, causing a delay in the expected revenues of such projects;

- it may incur significant pre-operating costs or may not budget adequately for these pre-operating costs, which may not be recovered for some time, and projects may not be completed, delivered or stabilised as planned due to defects or other issues;

- it may seek to sell certain land parcels and not be able to find a third party to acquire such land or the sales price will not allow us to recover its investment, resulting in impairment charges; and

- management's attention may be diverted from other important operational matters by its acquisition, renovation, new development and redevelopment activities.

The occurrence of any of the foregoing events could affect the Group's ability to implement its development strategy and could have a material adverse effect on the Group's business, financial condition, results of operations and cash flows.

The Group operates in a capital-intensive industry and may not have adequate funding resources to finance land acquisitions or logistics and warehousing facilities, or to service or refinance its existing financing obligations.

The logistics and warehousing facilities business is capital-intensive and 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. The Group intends to obtain financing for its logistics and warehousing facilities primarily through a combination of strategic recycling of its capital, borrowings from banks (which include variable rate borrowings), access to the capital markets, cash from its operations and capital contributions. The Group's ability to arrange adequate 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 the Group, the success of the Group's business, provisions of relevant tax and securities laws and political and economic conditions in the jurisdictions in which it operates. There can be no assurance that the Group will be able to obtain additional financing, either on a short-term or a long-term basis, or refinance any maturing indebtedness, that any refinancing would be on terms as favourable as the terms of the maturing indebtedness, or that the Group will be able to otherwise obtain funds by selling assets or raising equity to repay maturing indebtedness.

The inability to refinance its indebtedness at maturity or meet its payment obligations could adversely affect the cash flows and the financial condition of the Group. In such circumstances, the Group 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 the Group.

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

The terms of the Group's various credit and/or project finance agreements for its business require it to comply with a number of customary financial covenants, such as restrictions on indebtedness, maintenance of loan-to-value and debt-service coverage ratios and mandatory redemption upon disposal of assets. These covenants may limit the Group's flexibility in its operations, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness. If the Group were to default under its covenant provisions and were unable to cure the default, refinance its indebtedness or meet its payment obligations, it would have a material adverse effect on the Group's business, financial condition, results of operations and prospects. If the Group were unable to refinance its indebtedness at maturity or meet its payment obligations, it would have a material adverse effect on its business, financial condition, results of operations and prospects. The Group could be required to sell one or more logistics and warehousing facilities

at times or under circumstances that reduce the Group's return on those assets. In addition, if the maturing debt were secured, the lender may foreclose on the property securing that indebtedness.

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 jurisdictions in which the Group 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, terrorist attacks, epidemics and pandemics, such as the recent COVID-19 pandemic, and acts of God such as floods and earthquakes. See also "Risk Factors – Risks Relating to the Group's Business and Operations – The outbreak of the COVID-19 disease is growing and its impact is uncertain and hard to measure but may cause a material adverse effect on the Group's business".

In addition, other factors may adversely affect a property's value without necessarily affecting its current revenues and operating profit, including (i) changes in laws and governmental regulations, including tenancy, zoning, planning, environmental or tax laws, (ii) potential environmental or other legal liabilities, (iii) unforeseen capital expenditure, (iv) the supply and demand for industrial properties or business space, (v) loss of anchor tenants, (vi) the availability of financing and (vii) changes in interest rates.

Consequently, the Group'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 jurisdictions where the Group has property interests may also adversely affect the availability of loans on terms acceptable to purchasers, and hence the amount of other income the Group may

be able to generate should it wish to dispose of any property interests. The Group may also be subject to third party solvency risk and other risks in relation to its financial investments and arrangements.

The Group is exposed to a range of risks relating to the development and construction or expansion of its logistics and warehousing facilities.

As at 31 December 2020, the area of logistics and warehousing facilities under construction/reconstruction and development of the Group was approximately 20.3 million square metres, including land held for future development. The average time frame taken for such projects to complete constructions ranges from an average of one to one and a half years (calculated from the day of physical commencement) and another few years thereafter for such projects to commence operations and generate steady rental income. The Group's ability to develop and construct or expand a logistics and warehousing facility, as well as the time and costs required to complete its development and construction or expansion, may be adversely affected by various factors, including, but not limited to:

- delays or inability to obtain all necessary zoning, land use, building, development and other required governmental and regulatory licenses, permits, approvals and authorisations;
- construction risks, which include delays in construction and cost overruns (for example, due to variation from original design plans, a shortage or increase in the cost of construction and building materials, equipment or labour as a result of rising commodity prices, inflation or otherwise), inclement weather conditions, unforeseen engineering, environmental or geological problems, defective materials or building methods, default by contractors and other third party service and goods providers of their obligations, or financial difficulties faced by such persons, disputes between counterparties to a construction or construction related contract, work stoppages, strikes or accidents;
- any land which the relevant government delivers to the Group failing to meet all its development or operational requirements, such as the lack of necessary infrastructure leading to the site, the lack of water and power supply, and unsuitable soil level and height of the land for construction. If the land delivered to the Group is not ready for construction or later suffers subsidence or similar damages, the Group would need to prepare its land for use before it commences construction. The costs involved in the preparation of the land may exceed the Group's budget;
- the failure to resolve land resettlement issues;
- the need to incur significant pre-operating costs, which the Group may not recover for some time, or a failure to budget adequately for these pre-operating costs;
- the need to expend significant capital long before the Group's logistics and warehousing facilities begin to generate revenue;
- limited cash available to fund construction and capital improvements and the related possibility that financing for these capital improvements may not be available on commercially acceptable terms or at all;
- the potential abandonment of development activities after expending resources to determine feasibility;
- insufficient market demand from customers after construction or expansion has begun, whether resulting from a downturn in the economy, a change in the surrounding environment of the project, including the location or operation of transportation hubs or the population density, or otherwise; and
- the occurrence of any force majeure event, such as natural disaster, accidents, epidemics, such as the recent COVID-19 pandemic, or other unforeseeable difficulties. See also "Risk Factors – Risks Relating to the Group's Business and Operations – The outbreak of the COVID-19 disease is growing and its impact is uncertain and hard to measure but may cause a material adverse effect on the Group's business".

There can be no assurance that the Group will complete any or all of its current or future logistics and warehousing facilities within the anticipated time frame or budget, if at all, as a result of one or more of these risks. As the Group's business model premises on the provisions of such logistics and warehousing facilities to third party logistics service providers, retailers and manufacturers for the generation of income in the form of rentals and management fees, an inability to complete a logistics and warehousing facility within the anticipated time frame and budget would render the Group exposed to the risk arising from the uncertainty in the income to be generated from such projects which in turn could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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 (i) increase in the amount of maintenance and sinking fund contributions payable to the management corporations of the properties, (ii) increase in agent commission expenses for procuring new customers, (iii) increase in property tax assessments and other statutory charges, (iv) change in statutory laws, regulations or government policies which increase the cost of compliance with such laws, regulations or policies, (v) increase in sub-contracted service costs, (vi) increase in the rate of inflation, (vii) increase in insurance premiums and (viii) increase in costs relating to adjustment of the tenant mix. In addition, 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. Furthermore, in the event that the cost of operating a property exceeds that property's rental income, the Group may have to advance funds and operate such property at a loss. The Group may also be required to sell properties on disadvantageous terms if necessary to raise funds to continue operations. The occurrence of any of the foregoing could result in a decrease in the amount of cash flow available to the Group which could adversely affect its business, financial condition, results of operations and prospects.

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

The Group's logistics real estate investments are generally illiquid which limits its ability to vary the size and mix of its investment portfolios or the Group's ability to liquidate part of its assets in response to changes in economic, real estate market or other conditions. As at 31 December 2018, 2019 and 2020, the Group's investment properties amounted to US$19,481.7 million, US$21,275.6 million and US$22,438.4 million respectively, and represented the largest non-current assets financial item on the Group's balance sheet for each of the respective financial years and/or period. The Group is continuously exploring strategic alternatives for its properties and portfolios. The real estate market is affected by many factors beyond the Group's control, such as general economic conditions, availability of financing, interest rates, and supply and demand of properties. Certain real estate markets in which the Group operates, such as Japan, have historically been particularly illiquid as compared to other developed markets due to properties being tailored to the requirements of specific tenants or industries and the market for sale or leasing of logistics properties being under-developed relative to property type. 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. These factors could affect the Group's gains from realisation of its investments in its real estate assets including the value at which the Group may dispose of its holdings in entities that hold the real estate assets, the income or other distributions received by the Group from its respective holdings, which in turn would have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, the Group may be required to expend funds to maintain properties, correct defects, or make improvements before an investment property or a 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 affect its business, financial condition and results of operations.

The Group faces increasing competition.

In recent years, a large number of logistics and warehousing facility providers have begun to undertake investment projects and the logistics and warehousing facility market is evolving rapidly. In addition to the

expansions by the existing international and domestic logistics and warehousing facility providers of their operations and businesses in the jurisdictions in which the Group operates, a number of new entrants from other industries have entered or plan to enter the market which in turn may severely challenge the Group's market-leading position. The Issuer expects many of these providers have sufficient financial, managerial, marketing and other resources to be competitive, and may have more experience in logistics and warehousing facility and land development.

Competition between logistics and warehousing facility providers in the jurisdictions in which the Group operates is intense, and the Group faces significant competition for attractive investment opportunities from local and regional providers who may have better local knowledge and relationships as well as greater access to funding to acquire properties than the Group does, which may result in, 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;

- a difficulty in acquiring desirable properties at reasonable prices due to shortage of suitable properties in the target market; 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.

Any such developments could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. If the Group cannot respond to changes in market conditions more swiftly or effectively than its competitors do, it could have a material adverse effect on its business, financial condition, results of operations and prospects.

Moreover, the performance of the Group's investment portfolio depends in part on the volumes of trade flowing through the jurisdictions in which it operates 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 such jurisdictions 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.

For more details, please refer to the section headed "Description of the Group – Competition" in this document.

The Group may be adversely affected if a significant number of its customers are unable to meet their lease obligations.

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. If a significant number of the Group's customers are unable to meet their lease obligations and the expiring or terminated leases are unable to be either promptly renewed or the Group is not able to promptly re-let the space covered by such leases, or the terms of re-leasing (including the cost of required renovations or concessions to customers) may be commercially less favourable to the Group than previous lease terms, the Group's results of operations and cash flows would be adversely affected.

The Group's customers are exposed to their own business and other risks, and if one or more customers were to experience downturns in their businesses, the Group could lose the customer, or the customer may fail to make rental payments when due and/or require a restructuring of rental payments that might reduce its cash

flow from the lease. If a customer in such a logistics and warehousing facility were not to renew its lease or were to default, the cash flow of the relevant logistics and warehousing facility would decline significantly. It is not possible to predict when the Group would be able to re-let the logistics and warehousing facility, the creditworthiness of the replacement customer or customers, or the rent it could charge the replacement customer. As some of the Group's customers 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. In addition, a customer may seek the protection of bankruptcy, insolvency or similar laws, which could result in the rejection and termination of such customer's lease and thereby reduce the Group's available cash flow. The occurrence of any of these events could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Changes to local, regional and global economic conditions may cause companies to downsize and even close their operations in the jurisdictions in which the Group operates 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.

In addition, in order to attract and retain tenants, the Group may incur significant capital or other expenditure. Such expenses may include rent or other concessions, renovations, build-to-suit remodelling and other improvements, or provision of additional services to tenants. Such expenditure, or non-renewals by tenants in the event such expenditures are not incurred, may adversely affect the Group's business, financial condition, results, operations and prospects.

The Group may not be able to reclaim its deposit from the lessor of the underlying land if such lessor were to become insolvent.

In certain cases, the Group holds leasehold or sub-leasehold interests in the land on which its buildings are developed or built. Buildings and the underlying land upon which they are built can be owned independently of each other. For example, the owner of a building may only hold a leasehold interest in the underlying land. To the extent that the Group holds leasehold or sub-leased interests in the underlying land, if the lessor of the underlying land were to become insolvent, the Group may become an unsecured creditor with respect to the tenant leasehold and security deposits paid to the lessor in any bankruptcy or other similar proceeding. As a result, the Group may not be able to recover its security deposits against the lessor or exert its rights as a lessee of the land. In certain cases, the leasehold interest may be terminated. Furthermore, if the leasehold interest was not perfected, it may not be asserted against third parties, including any new owner of the underlying land. The occurrence of any of these events could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group faces inherent risks in concentrating its business in one asset class and in the jurisdictions in which it operates.

The Group's principal business strategy is to strengthen its market leadership position and capitalise on significant market opportunities. The Group's strategy rests on its belief that logistics and warehousing facilities will benefit from significant economic growth, particularly e-commerce consumption. See "Description of the Group – Overview" and "Description of the Group – Strategy". The Group's principal business strategy exposes it to the risks inherent in concentrating its business in one asset class and in the jurisdictions in which it operates. These risks include, but are not limited to, an economic downturn, which would in turn affect valuations of the Group's logistics and warehousing facilities, decreases in rental or occupancy rates and insolvency of customers and other counterparties. This risk may also restrict the Group's ability to raise funds for its business and result in higher financing costs. If this were to occur, or the potential economic and e-commerce consumption growth globally that the Group anticipates does not materialise, it could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group leases a significant portion of the leasable area under its facilities in each of the jurisdictions in which it operates to its key customers. While the Group would try to replace any key customers it were to lose with other customers, there can be no assurance that the Group would succeed. If any of the Group's largest customers were to stop leasing from it and the Group were unable to replace the revenue it generates from them, it would have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Disputes or conflicts with joint venture or project development partners may materially and adversely affect the Group's business.

The Group has partnered with, or acquired interests in, joint ventures to acquire some of its investment properties and may, in the future, enter into new joint ventures or similar arrangements. Co-operation and agreement among the Group 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 Group's joint venture partners may (i) have economic or business interests or goals that are inconsistent with those of the Group, (ii) take action contrary to the instructions or requests of the Group or contrary to the Group's policies or objectives with respect to its investments, (iii) be unable or unwilling to fulfil their obligations under the joint venture agreements, (iv) experience financial or other difficulties or (v) have disputes with the Group as to the scope of their responsibilities and obligations.

Although the Group 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 and thereby material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, a disposal of the Group'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 the Group's interests in its joint ventures may require a longer time to complete, if at all, than a disposal of a wholly owned asset.

The valuations of the Group's properties and investments 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 document. 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.

Furthermore, the value of the properties and investments (which include unquote equity investments) in the Group's portfolio may fluctuate from time to time due to market and other conditions and are also based on certain assumptions which, by their nature, are subjective and uncertain, and may differ materially from actual results. There is no assurance that the Group's properties or investments will retain the price at which they may be valued or that the Group's investment in such properties or investments 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 or investments may be lower than the valuation for those properties or investments. Such adjustments to the fair value of the properties in the portfolio or investments 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 or investments.

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). The Group may also acquire properties or entities that hold properties, which are subject to liabilities and, as a result, be left without any recourse, or with only limited recourse, to the seller with respect to such unknown liabilities. In such cases, the Group may

incur significant expenses in addressing such liabilities following such acquisitions. Any such liabilities may also lower a property's value and/or make it unusually difficult for the Group to sell such property. 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.

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 the Issuer'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 logistics and warehousing facilities industry. 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 be exposed to operational and other external risk that could negatively impact its business and results of operations.

As of 31 December 2020, the Group's existing logistics and warehousing network was spread across 177 cities in China, Japan, Brazil, Europe, India, Vietnam and the U.S., and covers a vast area, which in turn has exposed the Group to increasing demands on the overall management, technology upgrade, management systems, fund allocation and cost control of the Group. As the Group continues to expand its business and operations in the jurisdictions in which it operates, any oversight in management, control and even the failure of project development processes to meet the business expansion may adversely affect the coordinated development of various business lines and subject the Issuer to certain operational risks.

The Group also 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 the Group or those contracted to perform services for the Group, and third parties that do not perform in accordance with their contractual agreements. These events could result in financial losses or other damage to the Group. Furthermore, the Group 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.

The Group's insurance coverage does not include all potential losses.

The Group currently carries property all risk insurance and business interruption insurance which covers the potential property damage and/or rental loss resulting from accidents and natural hazards such as windstorms. The Group covers certain facilities and business operations against additional risks such as earthquakes and tsunamis under an extended coverage policy as the Group deems appropriate. In addition, the Group's China operations carry public liability insurance which covers the potential risks as the result of claims from the third parties due to its legal liability arising from its business operations. The insurance coverage contains policy specifications and insured limits customarily carried for similar facilities, business activities and markets. While the Issuer believes the Group has insured its facilities in the jurisdictions in which it operates in line with industry practices in the respective markets, there can be no assurance that such insurance coverage will be sufficient. For example, there are certain losses, including losses from earthquakes, acts of war, acts of terrorism, riots or labour unrest, which are not customary to insure against in full or at all because it is not deemed economically feasible or prudent to do so.

Moreover, in line with the industry practices in Japan referenced above, the Group does not maintain insurance against other personal injuries or property damage that might occur during the construction of new facilities in Japan. The Group also does not carry insurance coverage for the non-performance of contracts during construction and other risks associated with construction and installation work during the construction period. As is customary in Japan, the Group does not expect to obtain earthquake insurance coverage for its facilities of which PML is below a certain threshold percentage. For insured facilities, the Group obtains additional earthquake insurance to cover damages up to the PML value. See "Risk Factors – Risks Relating to the Group's Operations in Japan – The expert appraisals and reports upon which the Group relies are subject to significant uncertainties".

Whilst every care is taken by the Group during its operation, accidents and other incidents may occur from time to time. Such accidents may result in serious changes to the Group's properties or may expose the Group to liability or other claims by its customers and other third parties. Although the Group 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 the Group.

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, such as information technology, construction and onsite security. There is no assurance that the services rendered by any contractors or independent service providers engaged by the Group will always be satisfactory or match the level of quality expected by the Group 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 the Group's contractors and service providers will always perform to contractual specifications, or that such providers will continue their contractual relationships with the Group under commercially reasonable terms, if at all, and the Group may be unable to source adequate replacement services in a timely or cost-efficient manner.

There is also a risk that the Group'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 the Group's ordinary business or development projects and may result in additional costs for the Group. 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 the Group. 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.

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 Group is subject to various environmental laws and regulations, which could impose significant costs or liabilities on it.

As an owner and lessor of real property, the Group is subject to various environmental laws and regulations concerning the protection of health and safety and the environment, including, among others, laws and regulations related to soil contamination, health and hygiene, environmental pollution, chemical processing, hazardous substances and waste storage.

For example, under the Soil Contamination Countermeasures Act and related regulations, landowners in Japan are responsible for removal or remedy of several hazardous substances and Brazilian environmental laws also establish rules for the proper disposal of solid wastes, including those resulting from construction work. In China, the Environment Protection Law sets forth the general principles for pollution controls, and the Law on Prevention and Control of Atmospheric Pollution, the Law on Prevention and Control of Water Pollution and the Law on Prevention and Control of Environmental Pollution by Solid Waste provide more detailed rules on preventing and controlling these major types of pollutions. In addition, the Administration Regulations on Environmental Protection for Construction Projects and other relevant regulations of China specifically regulate environmental issues related to construction activities.

Environmental laws and conditions often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of hazardous substances and accordingly 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. While the Group generally conducts environmental reviews of assets that it acquires, 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, there can be no assurance that potential environmental liabilities do not exist or will not arise in the future. The presence of contamination or hazardous substances on the Group's facilities could adversely affect its ability to lease or sell such facilities or to borrow using these facilities as collateral, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Foreign currency exchange rate fluctuations may have a material adverse effect on the Group's results of operations and the Group's hedging strategies may not reduce foreign exchange rate risk or interest rate risk.

The Group operates in China, Japan, Brazil, Europe, India, Vietnam and the U.S. and is naturally exposed to foreign exchange rate fluctuations. The Group's consolidated financial statements are presented in U.S. dollars and its pre-tax profit is also exposed to currency risks on revenue, expenses, borrowings and monetary balances that are denominated in currencies (such as Singapore dollar) other than the respective functional currencies of the Group's entities in these jurisdictions. Any significant depreciation of functional currencies of the Group's entities against these other currencies could have an adverse effect on the Group's business, financial condition, results of operations and prospects.

Where necessary, the Group uses foreign exchange contracts to hedge and minimise net foreign exchange risk exposures. The Group also uses 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 Issuer's reported financial results.

The Group may be involved in legal, regulatory 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 the Group's development schedule, and the diversion of resources and management's attention, regardless of the outcome. The Group is also unable to 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. If the Group were to fail to win these disputes, it may incur substantial losses and face significant liabilities.

The Group may be subject to regulatory action in the course of its operations, which may subject it to administrative proceedings and unfavourable decisions that could result in penalties and/or delayed construction of new logistics and warehousing facilities. In such cases, the Group's results of operations and cash flow could be materially and adversely affected. See "Description of the Group – Legal Proceedings".

Application of Singapore insolvency and related laws to the Issuer may result in a material adverse effect on the Bondholders

There can be no assurance that the Issuer will not become bankrupt, unable to pay its debts or insolvent or be the subject of judicial management, schemes of arrangement, winding-up or liquidation orders or other insolvency-related proceedings or procedures. In the event of an insolvency or near insolvency of the Issuer, the application of certain provisions of Singapore insolvency and related laws may have a material adverse effect on the Bondholders. Without being exhaustive, below are some matters that could have a material adverse effect on the Bondholders.

Where the Issuer is insolvent or close to insolvent and the Issuer undergoes certain insolvency procedures, there may be a moratorium against actions and proceedings which may apply in the case of judicial management, schemes of arrangement and/or winding-up in relation to the Issuer. It may also be possible that if a company related to the Issuer proposes a creditor scheme of arrangement and obtains an order for a moratorium, the Issuer may also seek a moratorium even if the Issuer is not in itself proposing a scheme of arrangement. These moratoriums can be lifted with court permission and in the case of judicial management, with the consent of the judicial manager or with court permission. Accordingly, if for instance there is any need to bring an action against the Issuer, the need to obtain court permission or the judicial manager's consent may result in delays in being able to bring or continue legal proceedings that may be necessary in the process of recovery.

Further, Bondholders may be made subject to a binding scheme of arrangement where the majority in number representing 75 per cent. in value of creditors and the court approve such scheme. In respect of company-initiated creditor schemes of arrangement, there are cram-down provisions that may apply to a dissenting class of creditors. The court may notwithstanding a single class of dissenting creditors approve a scheme provided an overall majority in number representing 75 per cent. in value of the creditors meant to be bound by the scheme have agreed to it and provided that the scheme does not unfairly discriminate and is fair and equitable to each dissenting class and the court is of the view that it is appropriate to approve the scheme. In such scenarios, Bondholders may be bound by a scheme of arrangement to which they may have dissented.

The Insolvency, Restructuring and Dissolution Act 2018 (Act 40 of 2018) (the "IRD Act") was passed in the Parliament of Singapore on 1 October 2018, and came into force on 30 July 2020. The IRD Act includes a prohibition against terminating, amending or claiming an accelerated payment or forfeiture of the term under, any agreement (including a security agreement) with a company that commences certain insolvency or rescue proceedings (and before the conclusion of such proceedings), by reason only that the proceedings are commenced or that the company is insolvent. This prohibition is not expected to apply to any contract or agreement that is, or that is directly connected with, the Bonds. However, it may apply to related contracts that are not found to be directly connected with the Bonds.

The Issuer's subsidiaries and joint ventures are subject to restrictions on the payment of dividends.

The Issuer is a holding company and is dependent on the receipt of dividends from its subsidiaries and joint ventures to satisfy its obligations, including its obligations under the Bonds. The ability of the Issuer's subsidiaries and joint ventures to pay dividends to their shareholders is subject to, among other things,

applicable laws and restrictions contained in the debt instruments and loan agreements of such companies. For example, subsidiaries and joint ventures that are foreign invested enterprises in China are subject to PRC laws and regulations governing distribution of dividends and may pay dividends only from accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. The Issuer's subsidiaries and joint ventures may also be restricted from paying dividends under the terms of loan agreements to which they are party. Some of the Issuer's subsidiaries and joint ventures in China are required by banks not to pay dividends unless all principal and interest then due have been fully paid off. There can be no assurance that profits of the Issuer's subsidiaries and joint ventures will be distributable.

As a company with global assets and operations, general economic, political and social conditions and government policies in the jurisdictions in which the Group now operates or may in the future operate could affect its business.

The Group's business, financial condition, results of operations and prospects are subject to economic, political and legal developments in the jurisdictions in which it operates and any jurisdiction in which it may in the future operate. There are and will be variations in economic, political, governmental and regulatory structure among the jurisdictions in which it operates. The Group's business, financial condition and results of operations will depend in large part on its ability to adapt to economic, political, governmental and regulatory developments in these jurisdictions, especially as they undergo rapid growth or demographic or other change. The Group's business, earnings and prospects may be materially and adversely affected by a variety of conditions and developments in each of these countries, including:

- inflation, interest rates, and general economic conditions;

- the structure of the economy, such as in China where the economy has been transitioning from a planned economy to a market-oriented economy but where the government still controls a substantial portion of productive assets, continues to play a significant role in regulating industries through industrial policies and exercises significant control over growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies;

- the introduction of economic policies to control inflation or stimulate growth, change the rate or method of taxation or impose additional restrictions on currency conversions and remittances abroad, such as in China where the government has periodically taken measures to slow economic growth to a more manageable level, in response to concerns about China's historical high growth rate in industrial production, bank credit, fixed investment and money supply;

- demographic factors, for instance in Japan which has an ageing and shrinking population or China which has a rapidly growing population requiring rapid economic growth to assure employment and stability;

- governmental policies, laws and regulations, including, without limitation, those relating to foreign investment or classification of industries, and changes to such policies, laws and regulations and their implementation and interpretation, which could prevent, delay, increase the cost of or otherwise adversely affect the Group's ability to invest in, acquire or divest, develop, operate or manage its facilities. For example, in Brazil, the government frequently intervenes in the Brazilian economy and occasionally makes significant changes in policy and regulations. The Brazilian government's actions to control inflation and other policies and regulations have often involved, among other measures, increases in interest rates, changes in tax policies, price controls, currency devaluations, capital controls and limits on imports;

- certain recent changes in China tax law and proposed application and/or interpretation of these laws could increase the Group's China tax liability, and potentially adverse tax consequences from changes to or introduction of tax laws and tax treaties or their interpretation or application, or revocation of tax incentives, including Tokutei Mokuteki Kaisha ("TMK") laws in Japan, which may increase the Group's cost of investment or carrying on of business, or adversely affect the Issuer's ability to receive dividends or other distributions from entities in which it has made investments;

- the risk of nationalisation and expropriation of assets;
- currency controls and other regulations, which may affect the Issuer's ability to receive distributions or other dividends from the Issuer's subsidiaries or other entities in which it may have any interest, to borrow onshore or offshore where the facility or the relevant subsidiary or entity is located, or to carry out acquisition, divestment and capital expenditure plans;
- difficulties and costs of staffing and managing international operations in certain regions, including differing employment practices and labour issues;
- local businesses and cultural factors that differ from our usual standards and practices;
- challenges in establishing effective controls and procedures to regulate operations in different regions and to monitor compliance with applicable regulations, such as the Foreign Corrupt Practices Act, the UK Bribery Act and other similar laws;
- the responsibility of complying with multiple and potentially conflicting laws, e.g., with respect to corrupt practices, employment and licensing;
- the impact of regional or country-specific business cycles and economic instability, including instability in, or further withdrawals from, the European Union or other international trade alliances or agreements; and
- political and other conditions.

Such conditions and developments, many of which are outside of the Group's control, may have a material adverse effect on its business, financial condition, results of operations 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 the jurisdictions in which it operates.

Natural disasters, severe weather conditions and the outbreak of epidemics, all of which are beyond the Group's control, may adversely affect the economy and infrastructure of the jurisdictions in which the Group operates and/or result in severe personal injury, property damage and environmental damage, which may curtail the Group'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 flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome ("SARS") and H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1), and the recent COVID-19 pandemic. Past occurrences of such phenomena, for instance the outbreak of SARS in 2003 and the Sichuan province earthquake in May 2008, have caused varying degrees of harm to business and the national and local economies. See also "Risk Factors – Risks Relating to the Group's Business and Operations – The outbreak of the COVID-19 disease is growing and its impact is uncertain and hard to measure but may cause a material adverse effect on the Group's business".

Japan has also 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 was a period of great uncertainty in the Japanese economy until the 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) had stabilised or settled.

If any of the Group's properties are damaged by severe weather or any other disaster, accident, catastrophe or other event, the Group'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 the Group's operations and reduce its ability to operate its businesses at their intended capacities, thereby reducing revenues and debt serviceability. The occurrence of any of the above stated events could have a material adverse effect on the Group's facilities, the businesses of the Group's customers and the economy in general in the jurisdictions in which the Group operates as well as 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.

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 have contributed to the substantial and continuing economic volatility and social unrest globally. 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 economies of the jurisdictions in which the Group operates 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.

RISKS RELATING TO THE GROUP'S FUND MANAGEMENT BUSINESS

A portion of the Group's revenue and income is derived from its management of GLP J-REIT and several private real estate and private equity funds. The Group's fund management business would be adversely affected if the performance of GLP J-REIT or private real estate and private equity funds deteriorates.

The Group currently manages 23 investment vehicles (including GLP J-REIT) representing an aggregate of US$59.0 billion of assets under management when fully leveraged and invested across the real estate and private equity segments as of 31 December 2020 as follows:

- China – GLP China Logistics Fund I, GLP China Logistics Fund II, GLP China Value-Add Venture I, GLP China Value-Add Venture II, GLP China Value-Add Venture III, GLP China Income Fund I and Hidden Hill Modern Logistics Private Equity Fund;

- Japan – GLP Japan Development Venture II, GLP Japan Development Partners III, GLP Japan Income Partners I, GLP Japan Income Fund and GLP J-REIT;

- Brazil – GLP Brazil Development Partners I, GLP Brazil Development Partners II, GLP Brazil Income Partners I and GLP Brazil Income Partners II;

- Europe – GLP Continental Europe Development Partners I, GLP Europe Development Partners I, GLP Europe Income Partners I and GLP Europe Income Partners II; and

- India (through a strategic joint venture with IndoSpace) – IndoSpace Logistics Parks II, IndoSpace Logistics Parks III and IndoSpace Logistics Parks Core.

The Group's fees from the management of GLP J-REIT comprise (i) three types of asset management fees, (ii) acquisition and disposition fees, which are based on the purchase or disposition price of any property purchased or sold by GLP J-REIT, (iii) reimbursement of certain administrative and other costs and (iv) property and facility management fees which are generally based on the net operating income generated by the properties. A decrease in the values of the properties held by GLP J-REIT or the gross revenue and net property incomes of GLP J-REIT would result in a corresponding decrease in such fees. Any condition which might have a material adverse effect on GLP J-REIT's operating performance and financial condition, or termination of the Group's management services by GLP J-REIT, could materially reduce the Group's revenues derived from managing GLP J-REIT. See "Description of the Group" for more details on the fees the Group earns for management of REITs.

The Group's fees from the management of the private real estate and private equity funds depends on the particular fund and may include acquisition and development fees, asset management fees and investment management 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. See "Description of the Group" for more details of the private real estate funds.

The Group's existing contracts for the provision of fund management services for GLP J-REIT are for an indefinite period of time unless the Group resigns or is removed as manager. The Group may be removed by the trustee of GLP J-REIT, typically in the event of a resolution passed by a majority of the votes cast by unitholders of GLP J-REIT, present and voting, or in the event the Group fails to perform any of its material obligations under the trust deed constituting GLP J-REIT. The Group's fund management services for the private real estate and private equity funds are generally for the life of such funds, unless the Group resigns or its services are terminated. 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 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 us, 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 or private equity funds or REITs or through the expansion of the capital base of its existing private real estate and private equity 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 or private equity 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 and private equity 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 us.

The fund management industry is subject to significant regulation and supervision by regulatory authorities in certain jurisdictions. For instance, the REIT management industry is subject to extensive regulation and supervision in Japan and the Japanese regulatory authorities have in the past taken actions on a number of occasions, including issuing administrative orders against several J-REITs and their asset managers for corporate governance issues, such as the failure by an asset manager to perform its duties of care or comply with its fiduciary duties owed to J-REITs, as well as failure to take proper appraisal measures when arranging for a J-REIT to purchase properties owned by an asset manager's group company, thus resulting in the properties being acquired by the J-REIT at possibly high prices. The Group's failure to comply with the applicable regulations or the terms or restrictions of any licence, or exemption from licensing, that it currently relies on or may in the future rely on, could result in investigations, sanctions, such as the termination of its licences and exemptions, reputational damage, or the Group being unable to continue to manage GLP J-REIT or private fund. If such an event were to occur, the Group's business, financial condition, results of operations and prospects will be adversely affected.

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 GROUP'S OPERATIONS IN CHINA

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 in the worst case scenario 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 at 1 July 2012, where land remains undeveloped for at least one year but less than two years, the idle land fee shall be 20.0 per cent. of the land premium; where land remains undeveloped for two years or more, the idle land would be forfeited to the PRC government without compensation unless the delay in development was caused

by government action or force majeure. In addition, a holder of land use right cannot count the idle land fee into its production costs. Under the Rules on Treatment of Idle Lands, (閒置土地處置辦法), "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 25.0 per cent. of the total investment amount, and the development has been suspended for at least one year. According to the foregoing 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.

There is no assurance that the Issuer's PRC subsidiaries and joint ventures will commence and/ or complete a development within the time limits prescribed in the relevant land grant contracts due to changes of circumstances. In addition, the land held by subsidiaries or joint ventures acquired by the Group might have de facto become idle before the Group's acquisition. There can also 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.

The Group may fail to satisfy certain requirements on the development of land.

In addition to time limits on the development of land, the land grant contracts may also contain, or local governmental agencies may impose, certain other requirements on the developments or the results of developments. Those requirements include, among other things, amount of total investment to be made, investment density to be achieved, the tax contributions or annual turnovers by the Issuer's relevant PRC subsidiary and joint venture to be achieved after the completion of developments. Failure to satisfy such requirements may result in penalties or increase on the land grant premium which in turn could have an adverse effect on the Group's business, financial condition, results of operations and prospects.

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

The Group derives the majority of its revenue in China from the leasing of the logistics and warehousing 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, the Group needs to continuously replenish and increase its land reserves that are suitable for development and at a commercially acceptable cost. The Group'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 China 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 the Group's ability to acquire the land use rights it seeks and could increase its costs of acquisition. Furthermore, most of the Group's land use rights in China are for a fixed duration of time. There can be no assurance that the Group 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, which further intensify the competition for land in China among companies. If the Group fails to acquire sufficient land reserves suitable for development in a timely manner and at acceptable prices or at all, its prospects and competitive position may be adversely affected and its business strategies, growth potential and performance may be materially and adversely affected.

The Issuer 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 subsidiaries and there is currently no clear applicable PRC law or regulation on governmental penalties in connection with the failure of making such capital contribution.

As at the date of this document, except for companies in certain industries which are subject to special requirements in respect of paid-in capital, there is no clear applicable PRC law or regulation on statutory restrictions in terms of minimum amount and time limits for capital contribution, or 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. However, it is possible that local government authorities may still request some of the Issuer's PRC subsidiaries to specify time limits and/or any other written documents and in the event of any such restrictions on capital contributions, this 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 China, 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 the Issuer'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 the Issuer'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 and warehousing 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, licenses and filings.

To establish a logistics and warehousing facility in China, the Issuer's PRC subsidiaries and joint ventures must go through various PRC governmental approval and filing processes and obtain the requisite approvals and licenses for its investment in such logistics and warehousing facility and related business operations. To construct a logistics and warehousing facility, the Issuer's relevant PRC subsidiaries and joint ventures must obtain permits, licenses, 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.

The Group did not obtain the relevant required approvals and permits during the construction of certain of its projects in the past and 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 and warehousing 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, licenses and filings, the Issuer'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 obtain all the building ownership certificates or real estate ownership certificates, as the case may be, for certain of its facilities in time prior to the leasing out of such facilities.

The Group is required to obtain building ownership certificates or real estate ownership certificates, as the case may be, for its facilities in China. In the ordinary course of its business, the Group may from time to time execute a pre-lease agreement with its clients in respect of certain of its facilities in advance prior to

obtaining the relevant building ownership certificates of such facilities. The Group did not manage to obtain the building ownership certificate for some of its projects in the past and there can be no assurance that the Group will always be able to obtain the building ownership certificate or the real estate ownership certificate, as the case may be, prior to the commencement date of the lease as specified in those pre-lease agreements. Leasing of the facilities without building ownership certificates may be deemed as invalid and unenforceable and penalties may be imposed on the Group which 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 logistics and warehousing facility industry in China is susceptible to the industrial policies, macro-economic policies and austerity measures of the PRC government.

The PRC government has exercised and continues to exercise significant influence over China'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. China's economy may also be more susceptible to slowdowns or downturns as a result of uncertainties related to the recent trade war and rising tensions between the United States and China. If bilateral trade between the two largest economies in the world shrinks as a result of tariffs, sanctions and similar measures, the Group's business may be adversely impacted. Should tensions persist over a long period of time, the logistics and warehousing facility industry in China may even suffer severe loss of income and encounter operational difficulties, thereby negatively impacting the Group's business, financial condition and results of operations.

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.

The Group is also subject to the industrial policies implemented by the PRC government. In August 2011, the State Council issued the *Opinions of the General Office of the State Council on the Policies and Measures for Promoting the Healthy Development of the Logistics Industry (Guo Ban Fa [2011] No. 38)* aimed at promoting the development of the logistics industry through a series of measures, including tax reduction for logistics enterprises and greater support in land-related policies for the logistics industry. In September 2014, the State Council further published the *Medium- and Long-term Development Plan for the Logistics Industry (2014-2020) (Guo Fa [2014] No. 42)* which emphasised that the logistics industry as a whole is fundamental and of strategic importance for the development of the PRC economy and provided guidelines for the warehousing industry to speed up the construction of modern stereoscopic warehouses, logistics distribution centres for resources products and warehousing facilities for vital commodities, as well as to improve the planning of modern distribution centres around large and medium-sized cities and manufacturing bases. While the intensive launch of new policies to promote the logistics and warehousing industry may provide opportunities for the Group, this could also entail new challenges to the business and operations of the Group. In addition, there is no assurance that the industrial policies of China may not be further adjusted in the future and in turn adversely affect the Group's business, results of operations and financial condition.

RISKS RELATING TO THE GROUP'S OPERATIONS 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 and warehousing facilities, and how to operate logistics and warehousing 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 and warehousing 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 and warehousing facility could reach significantly different conclusions.

Although the engineering, environmental and seismic reports the Group has obtained for its logistics and warehousing 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 and warehousing facility could fall, it may be required to incur additional costs and discharge of the liability could be time consuming.

In addition, architectural plans for buildings in Japan must be reviewed for compliance with building codes (including earthquake resistance standards) by either (i) a licensed third-party engineering or architectural firm, or (ii) the local government. The level of complexity of structural calculations makes it very difficult to retroactively audit the work of firms or local governments that performed such calculations when a building was originally designed and built. Any retroactive calculations must be based on original plans and volumes of supporting data, which may no longer exist, and can take months to complete and result in significant costs. Consequently, the Group intends to review properties for compliance with building codes, but the Group does not plan to have third parties verify that seismic risk calculations with respect to buildings the Group intends to acquire are, in fact, correct. Moreover, because the support structures of existing buildings can be hidden and impossible to verify directly, fraud or mistakes in the construction or inspection phases may be impossible to subsequently detect. As a result, the Group's properties may subsequently be discovered to have been built in violation of earthquake resistance standards or other building codes. If any of the Group's logistics facilities are non-compliant, they may collapse in even a minor earthquake, or the Group may be forced to spend large sums of money and dedicate significant management and other resources to strengthening, improving or deconstructing any such buildings.

Furthermore, in accordance with customary practice in Japan, the Group discloses certain information relating to a logistics and warehousing facility's 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. An earthquake could severely damage or otherwise adversely offset the Group's logistics and warehousing 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.

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

Several 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.

The Group's future logistics and warehousing facilities in Japan may violate the Construction Standards Law and related laws and regulations.

The Construction Standards Law and related laws and regulations (collectively, "Construction Standards Laws") establish the building codes for building properties in Japan. The Group's future logistics and warehousing facilities in Japan may not be in compliance with the Construction Standards Laws. In order to

increase the GFA, Japanese customers occasionally retrofit a mezzanine level into the logistics and warehousing facility, as a result of which the relevant facility may exceed maximum GFA limits imposed by the Construction Standards Laws. In addition, some customers or previous owners of facilities may install other ancillary structures such as office space, corridors between facilities or sheds in properties in order to meet their specific business needs. In case of non-compliance with Construction Standards Laws, the relevant administrative agency would normally take preliminary actions first to assess the property in question and, if the violation is not cured, may issue a written announcement to set forth the actions that the owner of the property needs to take. If the violation remains uncured, the relevant administrative agency may then issue a corrective order for the owner of the property to take corrective action, including removal of the illegal structures. Although the timing of issuance of corrective orders and their content, as well as the decision as to whether such corrective orders should be issued in the first place, are determined by the relevant administrative agency at its discretion, the relevant administrative agency normally opts for the most feasible solution, and a corrective action to require the property owner to demolish the entire property in question without a justifiable reason is seen as an abuse of discretionary power by the authorities and such order is likely to be void. The Group intends to rectify any future properties that do not comply with Construction Standards Laws as soon as practicable (rectification may be difficult when the customer occupies the relevant property).

There can be no assurance that the government will not order the Group to remove such additional structures or take more severe regulatory action should the Group acquire any facilities not in compliance with the Construction Standards Laws. If any of these events were to occur, it may increase costs, as well as result in a loss of utility space for the Group's customers, which could have an adverse effect on its business, financial condition, results of operations and prospects.

The Group may acquire properties located on reserved and provisionally allocated land designated under the Land Readjustment Act of Japan.

The Land Readjustment Act of Japan, allows the relevant authorities to modify the location and boundaries of small roads, non-linear roads and irregularly shaped plots of land that are difficult to use efficiently, as well as to modify the location and boundaries of any land for town planning purposes, in some cases by restructuring the ownership of land. This process, in some cases, involves the provisional allocation of land, designating such land as "reserved" or "provisionally allocated". The Group may acquire properties located on reserved and provisionally allocated land in the future. As the actual allocation of such land is not certain until the issuance of the final order, there is no guarantee that the Group will be able to acquire the same land that the Group planned to acquire prior to the issuance of a final order. Further, as ownership interests in respect of reserved land may only be acquired after the issuance of the public notice of such final order, the Group may not acquire the ownership interests in reserved land until the final allocation is made. Moreover, as ownership interests in respect of reserved land may only be registered after the issuance of the public notice of such final order, the Group's rights to reserved land will not be perfected against third parties until the final allocation is made. If one or more of the Group's facilities in Japan were to have such imperfect title, it could have a material adverse effect on its business, financial condition, results of operations and prospects

Additionally, such allocated land may be affected by pre-existing rights and restrictions that the Group was not aware of at the time of the acquisition. The Land Readjustment Act also allows the relevant authorities to restrict a resale or other disposition of allocated land for a certain period of time in some cases, which may increase the illiquidity of the Group's properties and in turn would have material effect on the Group's business, financial condition, results of operations and prospects. See also "Risk Factors – Risks Relating to the Group's Business and Operations – The illiquidity of property investments could limit the Group's ability to respond to adverse changes in the performance of its properties".

The Group may be adversely affected by properties that are co-owned with third parties in the form of a property co-ownership interest.

The Group may acquire partial interests in properties that are co-owned with third parties in the form of a property co-ownership interest. Under Japanese law, a co-owner of a property has the right to sell its interest in the property without the consent of the other co-owner, unless there is an agreement between the co-owners that requires such consent or grants a right of first refusal. In general, a co-owner has the right to demand that such property be partitioned. Although the exercise of such right of partition may be prohibited by contract, such contractual prohibitions are only valid for a period of five years. If a co-owner of one of the Group's properties becomes subject to bankruptcy proceedings, corporate reorganization or civil rehabilitation proceedings, the trustees in the proceedings of such co-owner may have the right to demand that such property be partitioned. Although the other co-owners of the property may, if so agreed, have a right of first refusal to

purchase the ownership interests of defaulting or selling co-owner, the Group may not be able to exercise such rights on favourable terms. In addition, a sale of a property co-ownership interest by the Group under such circumstances may result in liquidation proceeds that are less than the appraisal value of the property or interests being sold, which would have an adverse effect on the Group's financial condition.

A co-owner of a property may also mortgage its interest in the property. However, such mortgage becomes applicable to the entire property when the co-owned property is partitioned. Accordingly, each of the co-owners in such case would be subject to such mortgage in proportion to its ownership interest. There is a risk that the Group's interest in a property that was formerly owned through a property co-ownership interest and owned by the Group independently following a partition may be subject to a mortgage that was placed on it by another co-owner. Any such properties may bring adverse effect on the Group's business, financial condition and results of operations.

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.

The Group may acquire properties which entail risk of liabilities associated with reclaimed land.

The Group may acquire properties and these have the risks associated with reclaimed land. Such liabilities include i) contamination caused by pollutants in the soil and filling used to create reclaimed land; ii) flooding due to the high exposure of reclaimed land to tidal surges, typhoons, rising sea levels and other natural disasters; iii) land subsidence; and iv) soil liquefaction and increased risk of damage in the event of an earthquake. Damage to the Group's properties due to any such liabilities would adversely affect the Group's performance.

Environmental liabilities discovered on the Group's properties may have a material adverse effect on the Group's business, financial condition or results of operations.

Under the Soil Contamination Countermeasures Act of Japan, a current owner of real property may be held strictly liable for the removal or remediation of hazardous or toxic substances, such as lead, arsenic and trichloroethylene, on or under the surface of such property, whether or not the current owner knew of or was responsible for the presence of such hazardous or toxic substances. The Group may be held liable under the Soil Contamination Countermeasures Act of Japan and may also be held liable under other laws regarding the presence of asbestos or polychlorinated biphenyls ("PCBs") at any of its properties. In addition, the presence of hazardous or toxic substances, or a failure by the Group to properly remediate such substances, may have a material adverse effect on the Group's ability to lease or sell an affected property or borrow funds using such property as collateral. If any environmental liabilities are discovered at the Group's properties, the value of its properties could decrease, and the Group may be required to remediate the underlying hazard and discharge the related environmental liabilities at a substantial cost. As a result, there may be a material adverse effect on the Group's business, financial condition or results of operations.

In addition, the presence of contamination or the failure to remediate contamination at the Group's properties may expose the Group to third-party liability for costs of remediation and personal or property damage. See also "Risk Factors – Risks Relating to the Group's Operations in Japan – The Group may be adversely affected by any liability which results from unforeseen loss, damage or injury suffered by a third party at its properties as a result of any defect in the properties".

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. Property owners that are subject to these carbon emission regulations may be required to undertake renovations and improvements of buildings in compliance with applicable carbon emission standards or to purchase emission rights to compensate for carbon emission released from their properties. 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 Group may be adversely affected by any liability which results from unforeseen loss, damage or injury suffered by a third party at its properties as a result of any defect in the properties.

Under Japanese law, the owner of a property is strictly liable to any third party occupier of a property who suffers a loss, damage or injury due to such property as long as the injured party exercised due care to prevent such loss, damage or injury. The Group's business may be adversely affected by any such liability unless it is adequately covered by the Group's insurance. Although the Group intends to carry insurance with policy specifications and insured limits that the Group believes are adequate and appropriate for its properties, liability for third party loss, damage or injury may exceed the insured limits and/or an insurer may dispute a claim or delay payment. Appropriate insurance also may not be available, or may be available only at prohibitive cost.

RISKS RELATING TO THE GROUP'S OPERATIONS IN BRAZIL

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. This involvement, as well as Brazilian political and economic conditions, could adversely affect the Group.

The Brazilian government frequently intervenes in the Brazilian economy and occasionally makes significant changes in policies and regulations. The Brazilian government's actions to control inflation, monetary, credit and other policies and regulations have often involved, among other measures, wage and price controls, variations in interest rates, changes in tax policies, price controls, currency devaluations, capital controls and limits on imports. The Group has no control over, nor can it predict, any measures or policies that the Brazilian government may adopt in the future. The Group's business, financial condition and results of operations may be adversely affected by changes in policies or regulations involving or affecting factors such as:

- monetary and exchange policies and amendments to banking legislation and regulations;
- currency fluctuations;
- interest rates;
- changes in governmental policies applicable to our business, especially related to tax and licensing (environmental and urbanistic) matters;
- exchange controls and restrictions on remittances abroad and on foreign investments in the country;
- inflation;
- economic and social instability;
- liquidity of the domestic capital and lending markets;

- fiscal policies;
- expropriation of privately-owned land;
- rationing of electricity;
- labour legislation; and
- other political, social and economic developments in or affecting Brazil.

Uncertainty over whether the Brazilian government will implement changes in policy or regulation affecting these or other factors in the future may contribute to economic uncertainty in Brazil. Therefore, these uncertainties and developments in the Brazilian economy may adversely affect the Group.

Government efforts to combat inflation may hinder the growth of the Brazilian economy and could harm the Group's business.

Brazil has in the past experienced extremely high rates of inflation and has therefore followed monetary policies that have contributed to one of the highest interest rates in the world. According to the General Market Price Index (*Índice Geral de Preços – Mercado*), or "IGP-M", a general price inflation index, the inflation rates in Brazil were 7.75 per cent. in 2007, 9.81 per cent. in 2008, deflation of 1.71 per cent. in 2009, 11.32 per cent. in 2010, 5.10 per cent. in 2011, 7.81 per cent. in 2012, 5.53 per cent. in 2013, 3.69 per cent. in 2014, 10.54 per cent. in 2015, 7.17 per cent. in 2016, deflation of 0.52 per cent. in 2017, 7.54 per cent. in 2018, 7.32 per cent. in 2019 and 23.14 per cent in 2020. Inflation and the Brazilian government's measures to fight it have had and may have significant effects on the Brazilian economy and the Group's business. Strict monetary policies with high interest rates and high compulsory deposit requirements may restrict Brazil's growth and the availability of credit. Conversely, more lenient government and Central Bank policies and interest rate decreases may trigger increases in inflation and consequently, growth volatility and the need for sudden and significant interest rate increases. Inflation, measures to curb inflation and speculation over possible measures can also contribute to significant uncertainty about the Brazilian economy and weaken confidence of investors, thereby adversely affecting the Group's business, financial condition, results of operations and prospects.

Future Brazilian government measures, including reductions in interest rates, intervention in the foreign exchange market and actions to adjust or fix the value of the Brazilian Real may trigger increases in inflation, adversely affecting the overall performance of the Brazilian economy. If Brazil experiences high inflation again, the Group may not be able to adjust the rents it charges its tenants in Brazil sufficiently to offset the impact of inflation on the Group's cost structure, which could increase its costs and reduce its net operating margins.

Since a number of the Group's key tenants in Brazil are in the retail industry and the Group's business is consequently closely linked to the performance of retail in Brazil, the Group is exposed to the risk of inflation to the extent it affects household income, thus reducing retail consumption. In addition, inflation may increase the cost of the Group's debt and the cost of incurring new indebtedness in Brazil, in light of higher interest rates. These factors may have an adverse effect on the Group's business, financial condition, results of operations and prospects.

Exchange rate instability may adversely affect the Brazilian economy and, consequently, the Group.

The Brazilian currency has been devalued periodically. The Brazilian government has implemented various economic plans and utilised a number of exchange-rate policies, including sudden devaluations, periodic mini-devaluations during which the frequency of adjustments has ranged from daily to monthly, floating exchange rate systems, exchange controls and dual exchange rate markets. From time to time, there have been significant fluctuations in the exchange rate between the Brazilian Real and the U.S. dollar and other currencies. Depreciations of the Brazilian Real in relation to the U.S. dollar could create additional inflationary pressures in Brazil and lead to increases in interest rates, which may negatively affect the Brazilian economy as a whole and, in particular, the Group's results of operations. On the other hand, the appreciation of the Brazilian Real in relation to the U.S. dollar may impact Brazil's current accounts and balance of payments, as well as reduce the gross domestic product resulting from exports. The volatility of the Brazilian Real in relation to the U.S. dollar may adversely affect the Brazilian economy and, consequently, the Group.

The Brazilian logistics and real estate development industries are subject to extensive regulation, which may lead to increased expenses or present obstacles to the development of certain logistics and warehousing facilities, thereby adversely affecting the Group.

The Group's business in Brazil is subject to federal, state and municipal laws and to regulations and licensing requirements with respect to construction, zoning, soil use, occupancy permit, fire safety permit, environmental protection, leases, consumer protection and taxation, all of which affect the Group's ability to acquire land, develop, construct and negotiate with customers. The Group is required to obtain licenses and permits from different governmental authorities to carry out its logistics and real estate developments. The Group cannot ensure that it will obtain the necessary licenses and permits, or respective renewals, for its operations and projects. The absence or delay in obtaining or renewing any of these licenses or permits in a timely manner, or the violation or non-compliance with these laws, regulations, licenses and permits, administrative sanctions such as fines, project delays and shutdowns, cancellation of licenses and revocation of authorisations, as well as other civil and criminal penalties, may materially adversely affect the Group.

Any failure to comply with environmental laws and regulations at the Group's logistics facilities in Brazil may result in an obligation for the Group to remediate any environmental damage occurring on the property where its facilities are located and result in criminal, civil and administrative sanctions. In Brazil, civil liability for the remediation of environmental damages follows a strict liability system that may be imposed on the property owner. Therefore, the property owner may incur costs if environmental recovery related to damages caused by tenants or previous owners of the land is not performed accordingly by them. Given that environmental law and enforcement by the Brazilian authorities are becoming more severe, the Group may incur additional environmental compliance costs. Furthermore, delays or refusals to issue or renew licenses by the environmental licensing agencies may harm the Group's business.

Moreover, public authorities may issue new and stringent standards, or interpret existing laws and regulations in a more restrictive manner, which may require companies in the logistics and real estate development industries, including the Group, to incur additional expense to comply with these new rules or interpretations. Any such action on the part of public authorities may materially adversely affect the Group.

Widespread uncertainties relating to ownership of real estate may adversely affect the Group's business.

There are widespread uncertainties relating to title ownership of real estate in Brazil. In Brazil, ownership of real property is conveyed, solely and exclusively, through filing and effective registry of the sale and purchase deeds before the competent Real Estate Registry Office. In certain cases, the real estate certificates may present recording errors, including duplicate and/or inaccurate entries, and deed challenges frequently occur, leading to administrative and/or judicial actions. Property disputes over title ownership are frequent, and, as a result, there is a risk that errors or challenges could adversely affect the Group, whenever not timely identified in due diligence procedures, which may cause the partial or total loss of properties.

In addition, the Group's land may be subject to expropriation by the Brazilian government, whenever demonstrated the public interest for any specific area. An expropriation could materially impair the normal use of the Group's lands or have a material adverse effect on its results of operations. In addition, social movements, such as *Movimento dos Trabalhadores Rurais Sem Terra and Comissão Pastoral da Terra*, are active in Brazil. Such movements advocate land reform and mandatory property redistribution by the government. Land invasions and occupations of areas by a large number of individuals is common practice for these movements, including some areas located in regions in which the Group is likely to invest. As a result, the Group cannot give any assurance that its properties will not be subject to invasion or occupation by such groups, that its properties maintain security guard structure sufficient to avoid land invasion or occupation, or that police protection will be effective to avoid land invasion or occupation. A land invasion or occupation could materially impair the normal use of the Group's lands or have a material adverse effect on its business, including the need to file a repossession suit for the issuance of a court decision to be able to use the police force for the conclusion of the repossession of the land.

Economic and market conditions in other emerging market countries.

Economic conditions and markets in other countries, including the United States, other countries in Latin America and other emerging market countries, may affect the Brazilian economy. Although economic conditions in these countries may differ significantly from those in Brazil, reactions to developments in these other countries may adversely affect the availability of credit for Brazilian companies, resulting in a significant outflow of resources from Brazil and a reduction in the level of foreign currency invested in Brazil.

If any such political, economic and social events in other countries were to affect the Brazilian economy, the Group, its investment strategy and financial performance may be affected.

RISKS RELATING TO THE GROUP'S OPERATIONS IN EUROPE

The Group could be adversely affected by uncertainty, disruption or other consequences of the UK leaving the European Union (the "EU").

On 23 June 2016, the UK held a referendum in which a majority of voters voted in favour of the UK leaving the EU (commonly referred to as "Brexit"). On 29 March 2017, the UK issued a formal notification of its intention to withdraw from the EU and formally left the EU on 31 January 2020 under the terms of a withdrawal agreement. On 30 December 2020, the United Kingdom and European Union signed the Trade and Cooperation Agreement, which includes an agreement on free trade between the two parties. However, there remain uncertainties related to Brexit and the relationship between the UK and the EU, which will continue to be developed and defined and could cause instability in EU, UK or worldwide political, regulatory, economic or market conditions. In particular, any negative impact on trade between the UK and the EU may result in generally reduced demand for logistics property, which may mean that the Group is unable to renew leases or find new customers and, in the longer term, may lead to decreases in the value of its properties in the UK and the EU.

A withdrawal from the EU is unprecedented, and it is unclear how the UK's access to the EU's single market for goods, capital, services and labour within the EU and the wider commercial, legal and regulatory environment, will impact the Group's services and operations in the EU. Lack of clarity about future UK laws and regulations, as the UK determines which EU laws and regulations to keep or replace in the UK, or how such laws and regulations may be changed, may adversely impact the behaviour of the Group's customers, suppliers and employees, which may increase compliance costs, and the cost to the Group of carrying out business generally, in the UK and the EU.

The uncertainty surrounding the UK's future relationship with the EU could therefore adversely affect the Group's business, prospects, financial condition and/or results of operations.

The Group's properties in the United Kingdom could be adversely affected were its properties subject to expropriation.

Any property or part of any property in the United Kingdom may, at any time, be compulsorily acquired by a UK government department or local authority in connection with proposed redevelopment or infrastructure projects. If this were to occur, compensation would be payable on the basis of the value of all owners' and tenants' proprietary interests in that property at the time of the related purchase as determined by reference to a statutory compensation code, but the compensation could be less than the Group's assessment of the property's current market value, or the relevant apportionment of such market value where only part of a property is subject to a compulsory purchase order. In the case of an acquisition of the whole or part of that property, the relevant freehold, heritable or long leasehold estate and any lease would both be acquired. If the amount received from the proceeds of purchase of the relevant freehold, heritable or long leasehold estate were inadequate, this may have a material adverse impact on the Group's business, prospects, financial condition and/or results of operations.

The Potential Collapse of the Euro.

The Group operates logistical properties in countries within the EU, a significant number of which use the Euro as their national currency. In the recent past the stability of certain European financial markets deteriorated and expectations centred on potential defaults by sovereign states in Europe. There is a risk that in the future certain member states of the EU default, or expectations of such a default increase, which may lead to the collapse of the Eurozone as it is constituted today or that certain member states of the EU may cease to use the Euro as their national currency. Given the interdependence of the global economy, this could have an adverse effect on the performance of investments properties both in countries that experience the default and in other countries within the EU. A potential primary effect would be an immediate reduction of liquidity for particular properties in the affected countries, thereby impairing the value of such properties. Further, a deteriorating economic environment caused directly or indirectly by such a default or related expectations could have a direct effect on the general economic environment and the real estate market in

particular, which in turn would have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

MANAGEMENT

Board of Directors

The Board of Directors of GLP Holdings L.P. (the "Board of Directors") that oversees the Issuer provides strategic guidance to the Issuer's management, reviews the Issuer's business plans and major policies, ensures that an effective risk management framework and internal controls are in place and monitors performance against plan.

The Board of Directors comprises:

Name	Position
Ang Kong Hua	Chairman
Ming Z. Mei	Director, Co-Founder and Chief Executive Officer
Simon Chen	Director
Huang Liming	Director
Lau Teck Sien	Director
Liu Jian	Director
Steven Lim Kok Hoong	Director
Yang Nan	Director
Zhang Lei	Director
Zhang Xu	Director
Zhu Xu	Director

Ang Kong Hua

Ang Kong Hua is Chairman of the Board of Directors. He chairs the GIC Investment Board and sits on the GIC Investment Strategies Committee. He is also Chairman of Sembcorp Industries and has helmed several of Singapore's biggest companies, bringing years of experience spanning the manufacturing, services and financial sectors. Mr. Ang started his career at the Economic Development Board. He then joined DBS Bank at its inception in 1968 and pioneered its investment banking division. From 1974, Mr. Ang was Chief Executive Officer of NSL (formerly NatSteel) until he retired in 2003, and stayed as its Executive Director until 2010. Mr. Ang's past appointments include Chairman of Singapore Telecommunications and Singapore Post, Vice-Chairman of Neptune Orient Lines, and a Director of DBS Bank, CIMC Raffles Offshore (Singapore) and k1 Ventures. He holds a Bachelor of Science (Honours) in Economics from the University of Hull.

Ming Z. Mei

Ming Z. Mei is the Co-Founder and Chief Executive Officer of the Issuer, a leading global investment manager and business builder in logistics, real estate, infrastructure finance and related technology with over US$97.0 billion of assets under management in real estate and private equity funds. Under Mr. Mei's leadership and vision, our Group revolutionized the modern logistics industry by taking an innovative and entrepreneurial approach to growth and value creation and has since expanded into adjacent sectors and new markets.

Mr. Mei is Chairman of the Investment Committee of Eastern Bell Venture Capital and sits on various public and private boards. He is also an investor and board member of Value Retail China, a company that specializes in the development and operation of luxury outlet shopping villages. Mr. Mei graduated from the Kellogg School of Management at Northwestern University and the School of Business and Management at the Hong Kong University of Science and Technology with a Master of Business Administration. He received his Bachelor of Science in Finance from Indiana University School of Business.

Simon Chen

Simon Chen is a Director of GLP Holdings L.P. He is Partner of HOPU and Chief Executive Officer of Triwater, the real estate investment arm of HOPU, and sits on the board of Meicai and C-Store. Prior to joining HOPU, Mr. Chen was Head of Real Estate Investment Banking and Co-Head of Fixed Income Origination at

China International Capital Corporation. Mr. Chen has extensive transaction experience across real estate, consumer, logistics and environmental service sectors and has led many milestone transactions for leading companies including PetroChina, China Unicom and CapitaMalls Asia. He holds a Master of Finance from Shanghai Jiaotong University.

Huang Liming

Huang Liming is a Director of GLP Holdings L.P. He is Managing Director of Hillhouse Capital Management Group. Hillhouse Capital was founded in 2005 and focuses on long-term equity investing. The firm invests in the consumer, technology, business services and health care sectors and manages over US$35 billion in assets on behalf of institutional clients such as university endowments, foundations, sovereign wealth funds, and family offices. Prior to joining Hillhouse, Mr. Huang was Managing Director of ICBCI RT Capital, a China-based investment fund. Prior to that, Mr. Huang was Executive Director of the Private Financing business in J.P. Morgan and he also worked in Affinity Equity Partners and was Executive Director in the Special Situations Group at Goldman Sachs. Mr. Huang received his B.A. and M.A. in Economics from Fudan University.

Lau Teck Sien

Lau Teck Sien is a Director of GLP Holdings L.P. He is Partner and CIO of HOPU. Mr. Lau has more than 20 years' experience in the finance industry spanning commercial banking, fund management and private equity, with extensive transaction experience across the financial services, consumer, resource, technology, media and telecoms sectors with a deep understanding of China. Prior to joining HOPU, he was Managing Director of Temasek, responsible for building and executing investment strategies in China. Mr. Lau was previously with United Overseas Bank for 10 years of experience where he held various positions in asset management, venture investment, commercial banking and risk management. He received his Bachelor of Business from Nanyang Technological University of Singapore.

Liu Jian

Liu Jian is a Director of GLP Holdings L.P. He is the CEO and Executive Director of Bank of China Group Investment Limited ("BOCGI"). Jian joined BOCGI in 2020. Prior to BOCGI, he held several positions as a Director and Inspector of the Ministry of Finance in China from September 2013 to January 2020; Deputy Commissioner, Commissioner and Secretary of the Board of China Investment Corporation from September 2007 to September 2013; and Chairman of the Comprehensive Management Department of Central Huijin Investment Limited from April 2007 to September 2007. Jian holds a CPA and received his Ph.D. from Tsinghua University.

Yang Nan

Yang Nan sits on the Board of GLP. She is an Executive Director of Bank of China Group Investment Limited ("BOCGI"). Nan joined BOCGI in 2015. Prior to BOCGI, she held several positions in the Head Office of Bank of China within the Corporate Banking, Risk Management and Credit Card Departments. Nan holds a CTP and received her B.E. from ZheJiang University.

Steven Lim Kok Hoong

Steven Lim Kok Hoong is a Director of GLP Holdings L.P. He has over 30 years of audit and financial consulting experience and was responsible for the audits of statutory boards and some of the largest multinational corporations in Singapore, Indonesia and Malaysia. Mr. Lim served as a Senior Partner of Ernst & Young Singapore from 2002 to 2003. He started his career with Arthur Andersen in 1971 and served as the Managing Partner of Arthur Andersen Singapore from 1990 to 2002 and as Regional Managing Partner for the ASEAN region at Arthur Andersen from 2000 to 2002. Mr. Lim serves as an Independent Director and Audit Committee Chairman of Genting Singapore PLC and the Lead Independent Director and Audit Committee Chairman of YTL Starhill Global REIT Management Limited. Mr. Lim is a member of the Institute of Singapore Chartered Accountants and the Institute of Chartered Accountants in Australia. He graduated with a Bachelor of Commerce degree from the University of Western Australia in 1971.

Zhang Lei

Zhang Lei is a Director of GLP Holdings L.P. He is the Founder, Chairman and Chief Executive Officer of Hillhouse Capital Management Group. Hillhouse Capital was founded in 2005 and focuses on long-term equity investing. The firm invests in the consumer; technology; business services; and health care sectors and manages over US$35 billion in assets on behalf of institutional clients such as university endowments, foundations, sovereign wealth funds, and family offices. Mr. Zhang is a Trustee of Yale University and Co-Chairman of the Yale Asia Development Council. Before attending Yale, where he earned an MBA and an M.A. in international relations in 2002, Mr. Zhang received his B.A. in economics in 1994 from Renmin University of China, where he is Vice Chairman and Trustee of the Board. Mr. Zhang is a governing Board Member of the China-United States Exchange Foundation and serves on the Hong Kong Financial Services Development Council as well as the Steering Group on Financial Technologies. He served as a Co-Chair of the B20 China Employment Taskforce in 2016 and the co-Chair of the B20 Germany Employment and Education Taskforce in 2017.

Zhang Xu

Zhang Xu is a Director of GLP Holdings L.P. and Vanke Property (Overseas) Limited, a company listed on the Hong Kong Stock Exchange. He is Executive Vice President and Chief Operations Officer of Vanke. Mr. Zhang joined Vanke in 2002 and held various executive roles including General Manager of Wuhan Vanke and Vice President, before assuming his current position. Prior to Vanke, Mr. Zhang worked at China Overseas Group. He holds an MBA from Illinois State University and received his Bachelor's degree in Industrial and Civil Architecture from Hefei Industrial University.

Zhu Xu

Zhu Xu is a Director of GLP Holdings L.P. and currently serves as Vice President and Secretary to the Board of Directors of Vanke. Prior to joining Vanke in 2016, Xu worked for Shenzhen Municipal Office of the State Administration of Taxation, Nations Technologies Inc. (a company listed on Shenzhen Stock Exchange) and Shenzhen Grandland Decoration Group Co., Ltd. (a company listed on Shenzhen Stock Exchange) She holds a Master of Public Policy from University College London.

Fund Management Advisory Board

The Fund Management Advisory Board of the Issuer was established in November 2018 to enhance the Issuer's governance and risk management infrastructure for the Group's fund management platform. The Board Members' global insights and industry visibility provide a valuable business perspective as the Group continues to strategically grow its fund management platform across the real estate, private equity and infrastructure sectors.

The Fund Management Advisory Board of the Issuer comprises:

Name	Position
Dr. Seek Ngee Huat	Chairman
Graeme Eadie	Member
Dr. Richard Levin	Member

Dr. Seek Ngee Huat

Dr. Seek Ngee Huat is Chairman of the Issuer's Fund Management Advisory Board. A key figure in the global real estate industry for more than 40 years, Dr. Seek was Chairman of the Issuer from June 2014 until January 2018, when the Issuer was privatised in the largest private equity buyout in Asia. Dr. Seek is currently Chairman of the Institute of Real Estate and Urban Studies at the National University of Singapore where he is also Practice Professor of Real Estate. Dr. Seek sits on the Boards of Brookfield Asset Management Inc., Canada, VCredit Holdings Limited, Hong Kong and the Centre for Liveable Cities, Singapore. He is also a Senior Advisor to Frasers Property Limited and the Canada Pension Plan Investment Board ("CPPIB"). His

past appointments include Chairman of the Issuer, Chairman of ULI Asia Pacific, President of GIC Real Estate and a Board Director of GIC Pte Ltd.

Graeme Eadie

Graeme Eadie is a Member of the Issuer's Fund Management Advisory Board. Mr. Eadie is an adviser at CPPIB, where he spent 12 years in various senior positions including Senior Managing Director and Global Head of Real Assets until March 2018. Prior to CPPIB, Mr. Eadie held multiple roles at Cadillac Fairview Corp Ltd, including chief financial officer, chief operating officer and president. Mr. Eadie sits on the Boards of Morguard Corporation and Neiman Marcus Group and is Trustee of Morguard Real Estate Investment Trust and Choice Properties Real Estate Investment Trust.

Dr. Richard Levin

Dr. Richard Levin is a Member of the Issuer's Fund Management Advisory Board. Trained as an economist, Dr. Levin was President of Yale University from 1993 to 2013. During his tenure, Yale's endowment grew from US$3 billion to US$20 billion. Dr. Levin currently serves as a Director of American Express and C3 IoT and acts as an advisor to Temasek, TPG and Coursera, where he was previously Chief Executive Officer. He is also a trustee of the William and Flora Hewlett Foundation, one of the United States' largest philanthropic organisations.

Executive Committee

Set out below are the current executive officers of the Issuer:

Name	Position
Ming Z. Mei	Co-Founder and Chief Executive Officer Chairman of the Executive Committee
Yoshiyuki Chosa	President, GLP Japan
Nick Cook	President and Chief Executive Officer, Gazeley
Mauro Dias	President, GLP Brazil
Craig Duffy	Managing Director, Fund Management
Nicholas Johnson	Chief Financial Officer
Higashi Michihiro	Chief Strategy Officer, GLP China
Victor Mok	Co-President – Real Estate, GLP China
Vincent Peng	Managing Director, GLP
Richard Rothman	Head of Performance & Engagement
Stephen Schutte	Chief Operating Officer, GLP
Mark Tan	General Counsel
Kazuhiro Tsutsumi	Managing Director
Ralf Wessel	Managing Director, Fund Management
Angela Zhao	Co-President – Real Estate, GLP China
Teresa Zhuge	Executive Vice Chairman, GLP China
Alan Yang	Chairman of the Investment Committee
Tim Wang	Co-President – Real Estate, GLP China

Ming Z. Mei

Details for Ming Z. Mei are set out under "Management – Board of Directors".

Yoshiyuki Chosa

Yoshiyuki Chosa is President of GLP Japan and leads the Group's business in Japan. Mr. Chosa was formerly Senior Vice President of Investment Management at ProLogis Japan, where he launched and expanded its acquisition business. Prior to joining ProLogis Japan, Mr. Chosa held several key positions within Mitsui Fudosan Co., Ltd, and Mitsui Fudosan Investment Advisors, Inc., where he was involved in condominium and housing development projects, office leasing, asset management services and real estate investment advisory services to overseas institutional investors. Mr. Chosa holds a Bachelor of Laws from Keio University and is based in Tokyo.

Nick Cook

Nick Cook is President and Chief Executive Office of GLP Europe (previously Gazeley) and leads the Group's business in Europe. Mr. Cook joined the Issuer in 2017 when the Group acquired Gazeley and was previously Chief Operating Officer of Gazeley where he oversaw all capital deployment, disposition and operational aspects of the business in Europe. Mr. Cook joined Gazeley in 2002 and held several key positions including establishing Gazeley's profitable UAE business unit and looking after Gazeley's business in China, while maintaining a detailed involvement in all aspects of the European business. Mr. Cook is a member of the Royal Institute of Chartered Surveyors and has 20 years' experience in the real estate development and investment market. He holds a Bachelor's degree in General Practice Surveying & Commercial Property Development from Nottingham Trent University and has completed training in several professional courses including a Management & Leadership program at Harvard Business School. Mr. Cook is based in London.

Mauro Dias

Mauro Dias is President of GLP Brazil. He joined in 2014 and leads the Group's business in Brazil. Mr. Dias has over 30 years of experience in logistics and infrastructure and developed his career at VALE, one of the largest companies in Brazil. He held various key roles in its logistics, shipping and transportation divisions, including director of logistics and chairman and CEO of FCA Railway. He was CEO of Log-In Logistica Intermodal, a Brazilian logistics company where he spearheaded its initial public offering and a board member of the Synergy Group. Mr. Dias was president of the National Association of Brazilian Railways (ANTF) from 2006 to 2007. In 2006, he received the Medal Barão de Mauá from the Brazilian government for his contributions to the Brazilian transportation sector. Mr. Dias holds a B.S. in Mechanical Engineering and Economics from the Federal University of Espírito Santo and received his Master of Business Administration from the Anderson School at University of California-Los Angeles-UCLA.

Craig Duffy

Craig Duffy is Managing Director, Fund Management and is responsible for managing and growing the Group's fund management platform as well as developing new business initiatives. Prior to joining the Issuer, Mr. Duffy spent 14 years at Citigroup as a Managing Director and Head of Equity Origination, Asia where he was responsible for the origination and execution of all primary equity and equity-linked capital markets transactions across Asia. During that time, Mr. Duffy raised more than US$150 billion of equity from over 300 transactions, including the Issuer's initial public offering in 2010 and the initial public offering of GLP J-REIT in 2012. Mr. Duffy holds a Masters of Business Administration from The Wharton School at the University of Pennsylvania and received his Bachelors of Science in Finance and Management from the Whitman School of Management at Syracuse University. Mr. Duffy is based in Hong Kong.

Nicholas Johnson

Nicholas Johnson is the Chief Financial Officer of the Issuer and is responsible for the Group's financial resources and has management responsibility for global finance, treasury, financial planning and corporate development functions. Nicholas has 20 years of international investment banking experience with JPMorgan where he worked in a number of roles including Head of Asia Pacific Real Estate Gaming and Lodging, Head of Asia Pacific Equity and Derivative Capital Markets and Head of East Asia Investment Banking Coverage. He has been instrumental in leading some of the largest and most innovative real estate and capital markets transactions in Asia, including GLP's initial public offering in 2010. Prior to JPMorgan, Nicholas worked for PricewaterhouseCoopers in a number of departments including Corporate Finance and Transaction Services providing transaction based advice for large multinational and SME clients. Nicholas is a Barrister at Law and was admitted to the Institute of Chartered Accountants in England and Wales. Nicholas is based in Hong Kong.

Higashi Michihiro

Higashi Michihiro is Chief Strategy Officer of GLP China. Mr. Michihiro joined the Issuer in 2006 and is in charge of overseeing and setting out overall investment strategy for GLP China. He is also responsible for managing and establishing strategic alliances in China. Mr. Michihiro was formerly Senior Vice President and Head of Investment of GLP China and helped to grow the Group's business relating to Japanese customers. Mr. Michihiro worked at Nomura Research Institute in Japan where he was responsible for corporate strategy consulting and Oita Bank where he was in charge of equity research. Mr. Michihiro received his Bachelor

degree of Law from Wuhan University and a Master degree of Economics from Oita University. Mr. Michihiro is based in Shanghai.

Victor Mok

Victor Mok is Co-President – Real Estate, GLP China and is responsible for the operational, commercial, procurement, property management and IT functions for the real estate business in China. Mr. Mok also spearheads strategic collaboration with the Group's key partners such as China Material Storage and Transportation Corporation (CMSTD). He was formerly Chief Commercial Officer of GLP China. Mr. Mok has close to three decades of experience in the aviation and logistics industries. Prior to joining the Issuer, Victor was Chief Executive Officer, North Asia, of DHL Supply Chain. Prior to DHL, Mr. Mok worked for Cathay Pacific Airways and Expeditors International in various executive roles. Mr. Mok holds a Master's Degree in Global Finance from Stern Business School at New York University and the School of Business and Management at the Hong Kong University of Science and Technology, as well as an Executive MBA from Ivey School of Business, University of Western Ontario Canada. Mr. Mok graduated from the University of Hong Kong with a Master's Degree in Transport Studies and a Bachelor's Degree in Economics and Management. He is a graduate of the Strategic Leadership Program from the University of Oxford and is based in Shanghai.

Vincent Peng

Vincent Peng is a Managing Director of the Issuer, focused on investment management and business development. Mr. Peng has extensive industry experience in real estate investment, fund management and investment banking, with active involvement in more than US$100 billion of transactions. Vincent is also Vice Chairman of China Merchants Capital. Prior to joining the Issuer, Mr. Peng was Deputy General Manager and Senior Managing Director of China Merchants Capital, a fund management and alternative investment platform, where Vincent was responsible for business development and investment management since its inception. Prior to China Merchants, Mr. Peng was a Managing Director at Goldman Sachs, where he held several senior positions, including Co-Head of Real Estate in Asia. Mr. Peng was formerly Asia Pacific Head of Corporate Investment Group at GIC Real Estate and also worked with AMP Capital Investors on real estate funds management in Australia. Mr Peng is based in Hong Kong.

Richard Rothman

Richard Rothman is Head of Performance and Engagement. Mr. Rothman leads initiatives to optimize team and individual performance, customer and employee experience, new business integration and foster and develop the company's leadership and entrepreneurial culture. Prior to joining the Issuer, Mr. Rothman was the Founder and President of Total Executive Wellness, a company focused on the convergence of overall health and wellness and business performance. From 1994 to 2011, Mr. Rothman held various positions with Gap International, a global business performance consultancy, most recently spending four years as Managing Director for Asia Pacific where he led strategic initiatives, conferences and projects throughout Asia and the Middle East. Mr. Rothman holds a Bachelor of Arts in Anthropology from the University of Colorado, Boulder and received his Masters of Business Administration in Marketing Management from Drexel University. Mr. Rothman is based in Chicago.

Stephen Schutte

Stephen Schutte is Chief Operating Officer of the Issuer and sits on the global investment committee. He previously served as president of GLP US, and was the Group's General Counsel and Chief Administrative Officer when he joined GLP in 2011. Prior to joining the Issuer, Mr. Schutte was General Counsel and a Market Officer at DCT Industrial overseeing investment and operations in multiple regions. Prior to that, Mr. Schutte was Associate General Counsel of ProLogis. Mr. Schutte holds a Master of Business Administration from the Kellogg School of Management at Northwestern University and the School of Business and Management at the Hong Kong University of Science and Technology. He received his Juris

Doctor from the University of Iowa College of Law and his Bachelor of Arts from Creighton University. Mr. Schutte is based in Tokyo.

Mark Tan

Mark Tan is General Counsel of the Group. Mr. Tan is responsible for overseeing all legal matters, including fund raising, acquisitions and disposals and other significant transactions and compliance, risk management, and governance. Mr. Tan also oversees the Group's global information technology platform and infrastructure. Prior to joining the Issuer, Mr. Tan was previously at Shearman & Sterling LLP, Singapore, where he represented underwriters, issuers and private equity sponsors on debt and equity offerings. Previously, Mr. Tan also worked at Goldman Sachs and Sullivan & Cromwell LLP. Mr. Tan received his Juris Doctor Honours from the University of Toronto and Bachelor of Mathematics in Computer Science, Economics Minor from the University of Waterloo. Mr. Tan is based in Singapore.

Kazuhiro Tsutsumi

Kazuhiro Tsutsumi is a Managing Director of the Group, responsible for helping the Chief Executive Officer to drive the strategic agenda and supporting the finance team with a focus on reporting and business performance initiatives. Mr. Tsutsumi joined the Issuer in 2012. Previously, Mr. Tsutsumi was Managing Director and Chief Financial Officer of Asia at ProLogis, where he was in charge of finance, accounting, capital markets and tax for Japan, China, Korea and Singapore operations. He also oversaw the fund management business for its Japan portfolio. Prior to that, he served as Vice President for the Investment Management Division of Goldman Sachs from 1998 to 2002 and was responsible for financial management and strategic planning for its Japan and Asia operations. Mr. Tsutsumi started his career with Dai-ichi Life, where his responsibilities included portfolio management of US real estate, overseas financial management and corporate accounting/taxation. Mr. Tsutsumi received his Master of Business Administration from the University of Chicago Booth School of Business, CPA from the State of Illinois, and Bachelor of Arts in Law from Waseda University. Mr. Tsutsumi is based in Los Angeles.

Ralf Wessel

Ralf Wessel is Managing Director, Fund Management. Mr. Wessel is responsible for managing and growing the Group's fund management platform. He also manages long-standing relationships with some of the world's leading institutional investors to enable the Issuer to scale the business and consistently deliver value to its investors. Mr. Wessel was formerly Managing Director, Global Investment Management at ProLogis where he was responsible for an investment platform valued at US$21 billion. Previously, Mr. Wessel was a partner at Equity Estate, a private equity company managing various real estate funds. Mr. Wessel has two decades of experience in the real estate sector and sits on the Board of the Association of Foreign Investors in Real Estate (AFIRE). He holds a Masters degree in Financial Management from the University of Amsterdam and a Masters in Science degree in Real Estate Investment from City University London and is based in Singapore.

Angela Zhao

Angela Zhao is Co-President, Logistics and Industrial Real Estate, GLP China and is responsible for planning and design, marketing and public relations for the real estate business in China. Ms. Zhao also spearheads the GLP I-Park business. Ms. Zhao was formerly General Manager of Suzhou from 2008 to 2011 and headed investments and public relations from 2003 to 2008. Prior to joining the Issuer, Ms. Zhao worked at Ascendas Group where she was responsible for business development in China. Ms. Zhao holds an MBA from the MIT Sloan School of Management/Fudan University and received her Bachelor's degree in Engineering from Shanghai University.

Teresa Zhuge

Teresa Zhuge is Executive Vice Chairman of GLP China. Ms. Zhuge oversees capital deployment, fund management, financial services and leads strategic acquisitions and new business initiatives in China. She was formerly Co-President and Chief Financial Officer of GLP China. Ms. Zhuge was formerly the Fund Management Director and also served as Assistant Chief Financial Officer of ProLogis China. Prior to that, Ms. Zhuge was Deputy Chief Financial Officer of SZITIC Commercial Properties and also worked with Morgan Stanley Properties China and Deloitte. Ms. Zhuge graduated with a Master of Business Administration

from the Kellogg School of Management at Northwestern University and the School of Business and Management at the Hong Kong University of Science and Technology. Ms. Zhuge received her bachelor's degree from Renmin University of China and is based in Shanghai.

Alan Yang

Alan Yang chairs the Group's global investment committee which oversees all investment activity across the Group. Prior to joining the Issuer, Mr. Yang was a principal in Blackstone's real estate private equity group where he worked on over US$70 billion of real estate transactions. Mr. Yang was also a founding member of Blackstone's Los Angeles office and its real estate operations in Asia. Prior to his time at Blackstone, Mr. Yang worked in real estate investment banking at Merrill Lynch. Mr. Yang has a Bachelor's degree in Finance and Accounting from Georgetown University. Mr. Yang is based in Los Angeles.

Tim Wang

Tim Wang is Co-President, Logistics and Industrial Real Estate, GLP China and is responsible for co-leading the growth and strategy of the Group's logistics and industrial real estate business in China. Mr. Wang has over 20 years of experience in the real estate industry. Prior to joining the Group, Mr. Wang was formerly a Senior Managing Director and Head of Real Estate China at Blackstone and worked at Bank of America Merrill Lynch's Real Estate Principal Division in China. Mr. Wang holds a Bachelor's degree in Economics from Zhejiang University in China and a Master's Degree in International Business from Curtin University. Mr. Wang is currently a Director of SCPG Group and a Global Trustee and executive Committee member of ULI Asia Pacific.

I-3 Status of Affiliates

For the information on the Issuer's affiliates, see Note 35 to the Issuer's audited consolidated financial statements as of and for the financial year ended 31 December 2020 included in " II. Financial condition " below.

II. FINANCIAL CONDITION

INDEX TO FINANCIAL STATEMENTS

	Page
Independent Auditors' Report	F-6
Audited Consolidated Financial Statements for the financial year ended 31 December 2020	F-14
Independent Auditors' Report	F-142
Audited Consolidated Financial Statements for the financial year ended 31 December 2019	F-150

GLP Pte. Ltd. and its subsidiaries
Registration number: 200715832Z

Annual Report
Year ended 31 December 2020

KPMG LLP (Registration No. T08LL1267L), an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A) and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Directors' statement

We are pleased to submit this Annual Report to the member of GLP Pte. Ltd. (the "Company") together with the audited financial statements for the financial year ended 31 December 2020.

In our opinion:

(a) the financial statements set out on pages FS1 to FS124 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorized these financial statements for issue.

Directors

The Directors in office at the date of this statement are as follows:

Stephen K. Schutte
Mark Tan Hai Nern
Nicholas Regan Johnson (Appointed on 15 March 2021)

Directors' interests in Shares or Debentures

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), particulars of interests of Directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares and share options in the Company and in its related corporations (other than wholly-owned subsidiaries) are as follows:

	Held in the name of Director or nominee		**Deemed Interest**	
Name of Director and corporation in which interests are held	**Holdings at beginning of year**	**Holdings at end of year**	**Holdings at beginning of year**	**Holdings at end of year**
Subsidiary				
GLP China Holdings Limited ("GLP China") ***Ordinary Shares***				
Mark Tan Hai Nern[(1)]	–	–	121,072,268	121,072,268
Paul Wee Hsiao Chung[(1)] (resigned on 16 February 2021)	–	–	121,072,268	121,072,268

Directors' interests in Shares or Debentures (continued)

Note:

(1) Under the Employee Share Plan of GLP ("Employee Share Plan"), awards of ordinary shares in the capital of GLP China ("GLP China Shares") are granted to eligible employees of the group comprising GLP and its subsidiaries (the "Group"). Holders of such awards may be entitled to receive GLP China Shares subject to fulfilment of certain conditions and the rules of the Employee Share Plan. Pursuant to the Employee Share Plan, a trust ("Trust") was established to hold 121,072,268 GLP China Shares for the benefit of certain eligible employees of the Group, including Mark Tan Hai Nern and Paul Wee Hsiao Chung. Accordingly, by virtue of Section 7(2) of the Act, Mark Tan Hai Nern and Paul Wee Hsiao Chung are deemed to have an interest in 121,072,268 GLP China Shares which are held pursuant to the Trust.

Directors' Contractual Benefits

Except as disclosed in Note 34 of the accompanying notes to the Financial Statements for the year 31 December 2020, since the end of the last financial year, no Director has received or become entitled to receive, a benefit by reason of a contract made by the Company or its related corporations with the Director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Arrangements to Enable Directors to Acquire Shares and Debentures

Except as disclosed below and in Note 23 of the Notes to the Financial Statements for the year 31 December 2020, neither at the end of nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Options to Subscribe for Unissued Shares

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiaries. No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries. There were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year. No options have been granted during the financial year which enable the option holder to participate by virtue of the options in any share issue of any other company.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Mark Tan Hai Nern
Director

Nicholas Regan Johnson
Director

30 March 2021

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Independent auditors' report

Member of the Company
GLP Pte. Ltd.

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of GLP Pte. Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020, the consolidated income statement, 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 notes to the financial statements, including a summary of significant accounting policies as set out on pages FS1 to FS124.

In our opinion, the accompanying 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") to give a true and fair view of the consolidated financial position of the Group and of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG LLP (Registration No. T08LL1267L), an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A) and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Key audit matters (cont'd)

Valuation of investment properties
(Refer to Note 4 – Investment properties)

Risk:

The Group has a significant portfolio of investment properties comprising logistic properties located mainly in the People's Republic of China ("PRC"), Japan, United Kingdom, Europe and Brazil which are held through subsidiaries, associates and joint ventures.

These investment properties are stated at their fair values based on external and internal valuations, with changes in fair value recognized in profit or loss.

The valuation process involves significant judgment in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are sensitive to key assumptions applied in deriving the capitalization, discount, terminal yield rates and estimated development costs.

Our response:

We evaluated the qualifications and competency of the valuers and made inquiries with the valuers to understand their valuation methods, and the assumptions and basis applied.

We considered the valuation methodologies used against those applied by other valuers for similar property types. We assessed the reasonableness of projected cash flows used in the valuation to supporting leases and externally available industrial and economic data available as at 31 December 2020. We also assessed the reasonableness of capitalization rates, discount rates, terminal yield rates and estimated development costs to complete construction used in the valuations by comparing these against historical rates and available industry data as at 31 December 2020, taking into consideration comparability and market factors. Where the rates were outside our expected range, we undertook further procedures to understand the effect of additional factors and, when necessary, held further discussions with the valuers. We also discussed with management and the valuers to understand how they have considered the implications of COVID-19 and market uncertainty in the valuations, where appropriate.

The valuers are members of generally-recognized professional bodies for real estate valuers and have recent experience in the location and category of the respective investment property being valued. The valuation methodologies used by the valuers are consistent with generally accepted market practices. The key assumptions used in the valuations, including projected cash flows, market rental growth rates, capitalization rates, discount rates, terminal yield rates and estimated development costs to complete construction, were substantiated by supporting leases and cost estimates or within the range of historical rates and industry data. Where the assumptions were outside the expected range, the additional factors considered by the valuers were consistent with other corroborative evidence.

Key audit matters (cont'd)

Recoverable amount of goodwill
(Refer to Note 9 – Intangible assets)

Risk:

The Group recognizes goodwill of US$499.2 million on its statement of financial position mainly in connection with the acquisitions of Global Logistic Properties Holdings Limited, Airport City Development Co., Ltd and a property portfolio in Central and Eastern Europe.

Goodwill is tested for impairment annually by estimating the recoverable amount of each identifiable cash-generating unit ("CGU") which goodwill has been allocated to. Management applies the value in use (discounted cash flow) method to determine the recoverable amount of each CGU.

The measurement of value in use as the recoverable amount of each identifiable CGU for operations in China, Japan and Europe involves significant judgment and estimation in determining the cash flow projections, and risk-free, discount and terminal growth rates.

Our response:

We evaluated management's determination of CGUs based on our knowledge of the business acquisitions giving rise to the goodwill and our understanding of the current business of the Group.

We assessed management's key assumptions underlying the cash flows projections by comparing them with historical performance, future business plans and external data, taking into consideration comparability and market factors. This also included enquiry with management to understand their business plan, strategies around revenue growth and cost initiatives.

We independently derived applicable discount rates from available industry data and compared these with those used by management. We performed stress tests using plausible range of key assumptions and rates, and analyzed the impact to the recoverable amount determined by management.

Our findings:

The Group has a reasonable basis to determine the CGU for goodwill allocation purposes.

The assumptions and resulting estimations by management are in line with future business plans and external data, and are within the range of reasonable expectations. The discount rates used in the cash flow forecasts appropriately reflect the risks attributed to the respective CGU.

Key audit matters (cont'd)

Accounting for acquisitions
(Refer to Notes 10 and 29 – Other investments and Acquisition of subsidiaries)

Risk:

The Group makes acquisitions of investments as part of its business strategy. Such transactions can be complex and judgment is involved in determining whether an acquisition of a controlling interest is a business combination or an acquisition of an asset; and whether an acquisition of a non-controlling interest represents investment in an associate, a joint arrangement or other financial asset. In accounting for a business combination, there is further judgment involved and inherent uncertainty in the estimation used in allocating the overall purchase price to the assets, liabilities and goodwill that make up the acquisition.

Our response:

We examined the Group's process on classifying and accounting for each investment acquired. We also examined legal and contractual documents to determine whether each acquisition is appropriately classified and accounted for in accordance with the relevant accounting standards and faithfully presents the nature of the transaction.

For significant acquisition of interest accounted for as a business combination and investment in associate and joint venture during the year, we examined the terms and conditions of the sale and purchase agreement and the purchase price allocation exercise. We compared the methodologies and key assumptions used in determining the fair values allocated to the identified assets acquired and liabilities assumed to generally accepted market practices and market data.

Our findings:

The Group has a policy in place to ensure that each investment acquired is identified, appropriately classified and the relevant accounting treatments are consistently applied.

The judgments applied by the Group reflect a fair assessment in determining whether significant acquisitions are business combinations, acquisitions of assets, investment in an associate, joint venture or other financial assets. Estimates used in determining the fair values allocated to the respective assets acquired and liabilities assumed in significant business combination and investment in associate and joint venture were within a reasonable range.

Key audit matters (cont'd)

Valuation of other investments
(Refer to Notes 10 – Other investments)

Risk:

The Group's investment portfolio of US$2,599 million as at 31 December 2020 included unquoted equity investments of US$1,862 million, measured at Level 3 of the fair value hierarchy. The unquoted equity investments are measured using non-observable market data, and hence, the valuation of these investments involves significant judgment in determining the appropriate valuation technique to be used and underlying assumptions to be applied.

Our response:

We evaluated the appropriateness of the valuation techniques (i.e. most recent transacted price, comparable companies' financial multiples and underlying net asset value of the investee companies, and where necessary, appropriate adjustments to enhance relevance and comparability are made) and the key valuation inputs used to determine the fair value of these unquoted equity investments as at 31 December 2020.

For a sample of unquoted equity instruments, we involved our valuation specialists to review the valuation techniques and key valuation inputs.

Our findings:

The valuation techniques applied are in line with generally accepted market practices and the valuations are supported by the most recent transacted prices for equity participation, financial multiples of comparable companies or external net assets valuation reports, and where necessary, appropriate adjustments to enhance relevance and comparability are made. The assumptions and estimates applied to arrive at the fair value as at 31 December 2020 are within an acceptable range.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors 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 Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition; and transactions are properly authorized and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs 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 financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.

Auditor's responsibilities for the audit of the financial statements (cont'd)

- Obtain an understanding of internal controls 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 controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's 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 Group'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 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.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 the directors 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Tan Kar Yee, Linda.

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
30 March 2021

Statements of Financial Position
As at 31 December 2020

	Note	Group 2020 US$'000	Group 2019 US$'000	Company 2020 US$'000	Company 2019 US$'000
Non-current assets					
Investment properties	4	22,438,429	21,275,620	–	–
Subsidiaries	5	–	–	6,262,079	6,117,009
Associates and joint ventures	6	6,144,569	4,419,731	–	–
Deferred tax assets	7	46,293	21,861	–	–
Property, plant and equipment	8	389,223	235,643	4,435	4,756
Intangible assets	9	520,014	438,052	–	–
Other investments	10	2,598,787	1,894,056	–	–
Other non-current assets	11	1,386,137	462,362	–	–
		33,523,452	28,747,325	6,266,514	6,121,765
Current assets					
Trade and other receivables	12	3,888,041	3,392,449	3,493,680	3,106,886
Cash and cash equivalents	14	1,421,617	1,004,174	37,314	3,237
Assets classified as held for sale	15	1,571,031	1,451,482	–	–
		6,880,689	5,848,105	3,530,994	3,110,123
Total assets		40,404,141	34,595,430	9,797,508	9,231,888
Equity attributable to owners of the Company					
Share capital	16	5,538,589	5,538,589	5,538,589	5,538,589
Reserves	17	6,393,949	5,274,440	224,116	184,515
		11,932,538	10,813,029	5,762,705	5,723,104
Non-controlling interests	18	9,672,120	7,596,293	–	–
Total equity		21,604,658	18,409,322	5,762,705	5,723,104
Non-current liabilities					
Loans and borrowings	19	9,857,947	9,336,929	2,516,128	2,283,723
Financial derivative liabilities	20	6,048	4,741	6,048	4,741
Deferred tax liabilities	7	2,486,269	2,350,528	–	–
Other non-current liabilities	21	553,159	274,396	9,714	1,269
		12,903,423	11,966,594	2,531,890	2,289,733
Current liabilities					
Loans and borrowings	19	3,485,880	1,836,377	262,000	604,124
Financial derivative liabilities	20	–	23	–	–
Trade and other payables	22	1,950,264	1,539,195	1,239,224	613,579
Current tax payable		130,415	86,519	1,689	1,348
Liabilities classified as held for sale	15	329,501	757,400	–	–
		5,896,060	4,219,514	1,502,913	1,219,051
Total liabilities		18,799,483	16,186,108	4,034,803	3,508,784
Total equity and liabilities		40,404,141	34,595,430	9,797,508	9,231,888

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Income Statement
Year ended 31 December 2020

	Note	Group 2020 US$'000	Group 2019 US$'000
Revenue	24	1,698,324	1,451,602
Other income	25	204,501	186,636
Property-related expenses		(283,989)	(226,081)
Cost of goods and other financial services costs		(125,743)	(25,857)
Other expenses		(502,137)	(447,958)
		990,956	938,342
Share of results (net of tax expense) of associates and joint ventures		405,189	426,571
Profit from operating activities after share of results of associates and joint ventures		1,396,145	1,364,913
Net finance costs	26	(327,807)	(471,341)
Non-operating income	27	459,595	426,839
Profit before changes in fair value of subsidiaries' investment properties		1,527,933	1,320,411
Changes in fair value of investment properties	4	655,775	1,193,643
Profit before tax	27	2,183,708	2,514,054
Tax expense	28	(583,966)	(658,142)
Profit for the year		1,599,742	1,855,912
Profit attributable to:			
Owners of the Company		940,585	1,256,317
Non-controlling interests	18	659,157	599,595
Profit for the year		1,599,742	1,855,912

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income
Year ended 31 December 2020

	Group	
	2020	**2019**
	US$'000	**US$'000**
Profit for the year	1,599,742	1,855,912
Other comprehensive income		
Item that will not be reclassified to profit or loss		
Change in fair value of equity investments at fair value through other comprehensive income ("FVOCI")[1]	69,752	95,584
Revaluation of building[2]	3,425	3,305
	73,177	98,889
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences arising from consolidation of foreign operations and translation of foreign currency loans, net of effect of net investment hedges	982,194	(183,743)
Effective portion of changes in fair value of cash flow hedges[3]	(1,421)	3,126
Exchange differences reclassified to profit or loss on disposal of subsidiaries	(9,388)	(22,428)
Share of other comprehensive income of associates and joint ventures	(7,785)	5,556
	963,600	(197,489)
Other comprehensive income for the year[4]	1,036,777	(98,600)
Total comprehensive income for the year	2,636,519	1,757,312
Total comprehensive income attributable to:		
Owners of the Company	1,405,387	1,245,644
Non-controlling interests	1,231,132	511,668
Total comprehensive income for the year	2,636,519	1,757,312

Notes:

1 Includes income tax effects of US$53,000 (credit) (2019: US$7,956,000), refer to Note 7.

2 Includes income tax effects of US$1,142,000 (2019: US$1,102,000), refer to Note 7.

3 Includes income tax effects of US$2,000 (2019: US$31,000 (credit)), refer to Note 7.

4 Except for income tax effects relating to effective portion of changes in fair value of cash flow hedges, change in fair value of equity investments at FVOCI and revaluation of building, there are no income tax effects relating to other components of other comprehensive income.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
Year ended 31 December 2020

Group	Share capital US$'000	Currency translation reserve US$'000	Retained earnings US$'000	Capital and other reserves US$'000	Total attributable to owners of the Company US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2019	5,638,589	(147,155)	5,259,789	(483,872)	10,267,351	6,107,073	16,374,424
Total comprehensive income for the year							
Profit for the year	–	–	1,256,317	–	1,256,317	599,595	1,855,912
Other comprehensive income							
Change in fair value of equity investment as FVOCI	–	–	–	77,705	77,705	17,879	95,584
Revaluation of building	–	–	–	2,188	2,188	1,117	3,305
Exchange differences arising from consolidation of foreign operations and translation of foreign currency loans, net of effect of net investment hedges	–	(76,820)	–	–	(76,820)	(106,923)	(183,743)
Effective portion of changes in fair value of cash flow hedges	–	–	–	3,126	3,126	–	3,126
Exchange differences reclassified to profit or loss on disposal of subsidiaries	–	(22,428)	–	–	(22,428)		(22,428)
Transfer upon disposal of equity investment at FVOCI	–	–	111,437	(111,437)	–	–	–
Share of other comprehensive income of associates and joint ventures	–	4,645	–	911	5,556	–	5,556
Total other comprehensive income	–	(94,603)	111,437	(27,507)	(10,673)	(87,927)	(98,600)
Total comprehensive income for the year	–	(94,603)	1,367,754	(27,507)	1,245,644	511,668	1,757,312

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity (continued)
Year ended 31 December 2020

Group	Share capital US$'000	Currency translation reserve US$'000	Retained earnings US$'000	Capital and other reserves US$'000	Total attributable to owners of the Company US$'000	Non-controlling interests US$'000	Total equity US$'000
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Share buy back	(100,000)	–	–	–	(100,000)	–	(100,000)
Capital contribution from non-controlling interests	–	–	–	–	–	244,658	244,658
Issuance of shares to non-controlling interests	–	–	–	–	–	90,271	90,271
Interim tax-exempt (one-tier) dividends paid of US$0.14 per share	–	–	(589,000)	–	(589,000)	–	(589,000)
Dividends paid to non-controlling interests	–	–	–	–	–	(53,432)	(53,432)
Dividends declared to non-controlling interest	–	–	–	–	–	(15,518)	(15,518)
Total contribution by and distribution to owners	(100,000)	–	(589,000)	–	(689,000)	265,979	(423,021)
Acquisition of interests in subsidiaries from non-controlling interests	–	–	(4,864)	(1,435)	(6,299)	(16,359)	(22,658)
Disposal of interest in subsidiaries to non-controlling interests	–	–	–	(4,667)	(4,667)	578,495	573,828
Acquisition of subsidiaries	–	–	–	–	–	149,437	149,437
Total transactions with owners	(100,000)	–	(593,864)	(6,102)	(699,966)	977,552	277,586
Transfer to reserves	–	–	(1,420)	1,420	–	–	–
At 31 December 2019	5,538,589	(241,758)	6,032,259	(516,061)	10,813,029	7,596,293	18,409,322

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity (continued)
Year ended 31 December 2020

Group	Share capital US$'000	Currency translation reserve US$'000	Retained earnings US$'000	Capital and other reserves US$'000	Total attributable to owners of the Company US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2020	5,538,589	(241,758)	6,032,259	(516,061)	10,813,029	7,596,293	18,409,322
Total comprehensive income for the year							
Profit for the year	–	–	940,585	–	940,585	659,157	1,599,742
Other comprehensive income							
Change in fair value of equity investment as FVOCI	–	–	–	60,604	60,604	9,148	69,752
Revaluation of building	–	–	–	2,268	2,268	1,157	3,425
Exchange differences arising from consolidation of foreign operations and translation of foreign currency loans, net of effect of net investment hedges	–	421,171	–	200	421,371	560,823	982,194
Effective portion of changes in fair value of cash flow hedges	–	–	–	(1,421)	(1,421)	–	(1,421)
Exchange differences reclassified to profit or loss on disposal of subsidiaries	–	(9,388)	–	–	(9,388)	–	(9,388)
Share of other comprehensive income of associates and joint ventures	–	(5,561)	–	(3,071)	(8,632)	847	(7,785)
Total other comprehensive income	–	406,222	–	58,580	464,802	571,975	1,036,777
Total comprehensive income for the year	–	406,222	940,585	58,580	1,405,387	1,231,132	2,636,519

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity (continued)
Year ended 31 December 2020

Group	Share capital US$'000	Currency translation reserve US$'000	Retained earnings US$'000	Capital and other reserves US$'000	Total attributable to owners of the Company US$'000	Non-controlling interests US$'000	Total equity US$'000
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Capital contribution from non-controlling interests	–	–	–	–	–	625,633	625,633
Issuance of shares to non-controlling interests	–	–	–	–	–	301,658	301,658
Interim tax-exempt (one-tier) dividends declared of US$0.068 per share	–	–	(285,005)	–	(285,005)	–	(285,005)
Dividends paid to non-controlling interests	–	–	–	–	–	(17,052)	(17,052)
Dividends declared to non-controlling interests						(145,435)	(145,435)
Redemption of shares by non-controlling interest	–	–	–	–	–	(9,054)	(9,054)
Total contribution by and distribution to owners							
Acquisition of interests in subsidiaries from non-controlling interests	–	–	–	(873)	(873)	(24,301)	(25,174)
Disposal of subsidiaries and assets classified as held for sale	–	–	–	–	–	(70,000)	(70,000)
Acquisition of subsidiaries	–	–	–	–	–	183,246	183,246
Total transactions with owners	–	–	(285,005)	(873)	(285,878)	844,695	558,817
Transfer to reserves	–	–	(11,393)	11,393	–	–	–
At 31 December 2020	5,538,589	164,464	6,676,446	(446,961)	11,932,538	9,672,120	21,604,658

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
Year ended 31 December 2020

	2020 US$'000	2019 US$'000
Cash flows from operating activities		
Profit before income tax	2,183,708	2,514,054
Adjustments for:		
Depreciation of property, plant and equipment	33,629	23,513
Amortization of intangible assets and deferred management costs	7,145	18,281
Gain on disposal of subsidiaries	(322,772)	(60,761)
Gain on disposal of associates and joint venture	(5,293)	(262,648)
Gain on disposal of investment properties	(10,506)	(66,469)
(Gain)/Loss on acquisition of subsidiaries	(81)	2,998
Loss on liquidation of subsidiaries	115	36,578
Gain from disposal of investments in associates and financial assets	(8,647)	–
Loss on disposal of property, plant and equipment	1,033	352
Property, plant and equipment written off	14	3,283
Gain on disposal of assets and liabilities classified as held for sale	(121,516)	(58,669)
Share of results (net of tax expense) of associates and joint ventures	(405,189)	(426,571)
Changes in fair value of unquoted equity investments at fair value through profit or loss	(155,069)	(152,899)
Changes in fair value of subsidiaries' investment properties	(655,775)	(1,193,643)
Recognition of impairment loss on trade and other receivables	12,449	12,175
Dividend income from other investments	(10,977)	(19,959)
Net finance costs	327,807	471,341
	870,075	840,956
Changes in working capital:		
Trade and other receivables	(1,236,687)	(190,161)
Trade and other payables	1,174,075	238,427
Cash generated from operations	807,463	889,222
Tax paid	(130,380)	(62,219)
Net cash from operating activities	677,083	827,003

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows (continued)
Year ended 31 December 2020

	Note	2020 US$'000	2019 US$'000
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	29(A)	(1,438,471)	(971,917)
Acquisition of joint venture and associates		(926,810)	(210,169)
Acquisition of intangible assets		(1,337)	(17)
Acquisition of investment properties		(468,410)	(364,987)
Proceeds from disposal of investment properties		164,449	745,403
Acquisition of other investments		(363,531)	(392,957)
Proceeds from disposal of other investments		422,387	236,134
Development expenditure on investment properties		(1,434,636)	(1,681,998)
Proceeds from disposal of assets classified as held for sale, net of deposits received	29(C)	1,107,499	244,728
Contribution to associates and joint ventures		(2,135,084)	(557,584)
Return of capital from joint ventures and associates		93,268	286,365
Proceeds from disposal of controlling interest in subsidiaries	29(B)	2,260,117	488,480
Proceeds from disposal of associates and joint ventures		5,576	1,071,226
Proceeds/(payments) for liquidation of subsidiary		37	(35,496)
Deposits (placed)/refunded for investment properties and investments		(9,228)	8,762
Purchase of property, plant and equipment		(94,411)	(149,035)
Proceeds from sale of property, plant and equipment		1,317	23
Interest income received		36,460	38,670
Distributions received from other investment		8,707	13,753
Dividends received from associates and joint ventures		599,733	277,569
Withholding tax paid on dividend and interest income from associates, joint ventures and subsidiaries		(154,038)	(58,167)
Withholding tax paid on disposal of assets classified as held for sale		(920)	(124,452)
Advances to immediate holding company		(313,105)	(1,264,225)
Loans to associates and joint ventures		(602,907)	(125,449)
Loans to non-controlling interests		(49,503)	(4,117)
Loans to third parties		(60,315)	(109,861)
Loans repayment from associates and joint ventures		442,224	322,368
Loans repayment from non-controlling interests		7,350	2,494
Loans repayment from third parties		146,361	222,879
Net cash used in investing activities		(2,757,221)	(2,091,577)

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows (continued)
Year ended 31 December 2020

	Note	2020 US$'000	2019 US$'000
Cash flows from financing activities			
Acquisition of non-controlling interests		(25,174)	(22,658)
Contribution from non-controlling interests		625,633	244,658
Proceeds from disposal of partial interest in subsidiaries without loss of control		–	602,498
Proceeds from issuance of shares to non-controlling interest		18,339	6,813
Redemption of shares from non-controlling interest		(9,092)	–
Proceeds from bank loans		8,650,579	4,247,431
Repayment of bank loans		(6,937,063)	(3,625,936)
Proceeds from issue of bonds, net of transaction costs		804,786	1,433,930
Redemption of bonds		(58,199)	(386,257)
Settlement of financial derivative liabilities		–	(3,143)
Interest paid		(526,756)	(427,018)
Dividends paid to shareholders		–	(589,000)
Dividends paid to non-controlling interests		(32,327)	(53,432)
Repayments of loans from non-controlling interests		(10,672)	(421)
Repayments of loans from joint ventures		(59,639)	–
Repayment of loans from third party		(3,990)	(4,363)
Repayment of lease liabilities		(13,632)	(7,531)
Share buyback		–	(100,000)
Loans from joint ventures		31,111	26,494
Loans from non-controlling interests		8,849	8,992
Loans from third parties		–	2,700
Net cash from financing activities		2,462,753	1,353,757
Net increase in cash and cash equivalents		382,615	89,183
Cash and cash equivalents at beginning of year		1,054,908	974,429
Effect of exchange rate changes on cash balances held in foreign currencies		45,404	(8,704)
Cash and cash equivalents at end of year		1,482,927	1,054,908
Cash and cash equivalents of subsidiaries reclassified as assets held for sale		(61,310)	(61,670)
Restricted cash deposits		–	10,936
Cash and cash equivalents in the statement of financial position	14	1,421,617	1,004,174

Significant non-cash transactions:

During the year ended 31 December 2020, the Group issued shares of US$283,319,000 (2019: US$83,458,000) to non-controlling interest under the Co-Investment Share Plan GLP Global Share Plan for which proceeds were settled by way of loan to non-controlling interests.

During the year ended 31 December 2020, one of the subsidiary has declared the dividend in specie of US$430,440,000, which was settled by way of set-off against consideration notes receivables from the subsidiary.

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorized for issue by the Board of Directors on 30 March 2021.

1 Domicile and activities

GLP Pte. Ltd. (the "Company") is incorporated in the Republic of Singapore and has its registered office at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623.

The principal activities of the Company and its subsidiaries are those of investment holding, provision of distribution facilities and services, and provision of financial services.

The Company's immediate holding company and ultimate holding company are GLP Bidco Limited and GLP Holdings L.P. respectively, which are incorporated in Cayman Islands.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and joint ventures.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"). The related changes to significant accounting policies are described in note 2.5.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain assets and liabilities which are measured at fair value as described below.

2.3 Functional and presentation currency

The financial statements are presented in United States dollars ("US dollars" or "US$"), which is the Company's functional currency. All financial information presented in US dollars has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgments

The preparation of the financial statements in conformity with SFRS(I)s requires management to make judgments, 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.

2 Basis of preparation (continued)

2.4 Use of estimates and judgments (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

Note 7 – Recognition of deferred tax assets
Note 3.1(i) and Note 29 – Recognition of acquisitions as business combinations or asset acquisitions.

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 the following notes:

Note 4 – Determination of fair value of investment properties
Note 9 – Measurement of recoverable amounts of goodwill
Note 15 – Valuation of assets and liabilities held for sale
Note 32 – Determination of fair value of financial assets and liabilities

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. This includes a valuation team that has overall responsibility for all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

The valuation team 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 valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SFRS(I), 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 categorized 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).

2 Basis of preparation (continued)

2.4 Use of estimates and judgments (continued)

Measurement of fair values (continued)

If the inputs used to measure the fair value of an asset or a liability might fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level or the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

2.5 Changes in accounting policies

New standards and amendments

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2020:

- *Amendments to References to Conceptual Framework in SFRS(I) Standards*
- *Definition of a Business* (Amendments to SFRS(I) 3)
- *Definition of Material* (Amendments to SFRS(I) 1-1 and SFRS(I)1- 8)
- *Interest Rate Benchmark Reform* (Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7)

Other than the amendments relating to definition of a business and the interest rate benchmark reform, the application of these amendments to standards and interpretations does not have a material effect on the financial statements.

The Group applied the amendments relating to definition of a business to business combinations whose acquisition dates are on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets. The details of accounting policies are set out in note 3.1 (i). See also note 29 for details of the Group's acquisition of subsidiary during the year.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in note 2.5, which addresses changes in accounting policies.

The accounting policies have been applied consistently by Group entities.

3.1 Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meet the definition of a business and control is transferred to the Group (see note ii). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

(i) Business combinations (continued)

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognized 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 recognized 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 recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration payable is recognized at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

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' proportionate share of the recognized amounts of the acquiree's identifiable net assets, at the acquisition date. 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 SFRS(I)s. If the business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at each acquisition date and any changes are taken to the profit or loss.

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 equity transactions.

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

(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.

Losses applicable to the NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

The Group's acquisitions of those subsidiaries which are special purpose vehicles established for the sole purpose of holding assets are primarily accounted for as acquisitions of assets.

(iii) Acquisition of entities under common control

For acquisition of entities under common control, the identifiable assets and liabilities were accounted for at their historical costs, in a manner similar to the "pooling-of-interests" method of accounting. Any excess or deficiency between the amounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount recorded for the share capital acquired is recognized directly in equity.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognized the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Investments in associates and joint ventures

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investment in associates and joint ventures are accounted for using the equity method (collectively referred to as equity-accounted investees) and they are recognized initially at cost which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. The Group's investments in associates and joint ventures include goodwill identified on acquisition, net of any accumulated impairment losses.

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

(v) Investments in associates and joint ventures (continued)

When the Group's share of losses exceeds its investment in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operation or has made payments on behalf of the investee.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(vii) Accounting for subsidiaries, associates and joint ventures by the Company

Investments in subsidiaries, associates and joint ventures are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

(i) Foreign currency transactions

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "functional currency").

Transactions in foreign currencies are translated to the respective functional currencies of Group's entities at the exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized 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 translated 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 costs are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising from translation are recognized in profit or loss. However, foreign currency differences arising from the translation of the following items are recognized in OCI:

3 Significant accounting policies (continued)

3.2 Foreign currency (continued)

(i) Foreign currency transactions (continued)

- an equity investment designated as FVOCI;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective (see Note 3.3(vii)); or
- qualifying cash flow hedges to the extent such hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from the acquisition, are translated to US dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to US dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI. However, if the 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 ventures 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 are considered to form part of a net investment in a foreign operation. These are recognized in OCI, and are presented in the translation reserve in equity.

3.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables and debt investments issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investment at FVOCI

On initial recognition of an equity investment that is not held-for-trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets at FVTPL

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets: Business model assessment (continued)

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Directly attributable transaction costs are recognized in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when:
- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

(iii) Derecognition (continued)

Financial assets (continued)

Transferred assets are not derecognized when the Group enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

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, 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.

(vi) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with SFRS(I) 1-12.

(vii) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

(vii) Derivative financial instruments and hedge accounting (continued)

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

The Group designates certain derivatives and non-derivative financial instruments as hedging instruments in qualifying hedging relationships. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognized in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts (‘forward points’) is separately accounted for as a cost of hedging and recognized in a cost of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognized.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item’s cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

(vii) Derivative financial instruments and hedge accounting (continued)

Cash flow hedges (continued)

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Net investment hedges

The Group designates certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognized in OCI and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognized immediately in profit or loss. The amount recognized in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

3.4 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, used in the production or supply of goods or services, or for administrative purposes. Investment properties comprise completed investment properties, investment properties under re-development, properties under development and land held for development.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labor, any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalized borrowing costs.

Land held for development represents lease prepayments for acquiring rights to use land in the People's Republic of China ("PRC") with periods ranging from 40 to 50 years. Such rights granted with consideration are recognized initially at acquisition cost.

(i) Completed investment properties and investment properties under re-development

Completed investment properties and investment properties under re-development are measured at fair value with any changes therein recognized in profit or loss. Rental income from investment properties is accounted for in the manner described in Note 3.13.

3 Significant accounting policies (continued)

3.4 Investment properties (continued)

(ii) Properties under development and land held for development

Property that is being constructed or developed for future use as investment property is initially recognized at cost, including transaction costs, and subsequently at fair value with any change therein recognized in profit or loss.

When an investment property is disposed of, the resulting gain or loss recognized in profit or loss is the difference between net disposal proceeds and the carrying amount of the property.

3.5 Property, plant and equipment

Property, plant and equipment are measured at cost which includes capitalized borrowing costs, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent to recognition, buildings are measured at fair value less accumulated depreciation and accumulated impairment losses while other property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Any surplus arising on the revaluation is recognized in other comprehensive income ("OCI"), except to the extent that the surplus reverses a previous revaluation deficit on the same asset recognized in profit or loss, in which case the credit to that extent is recognized in profit or loss. Any deficit on revaluation is recognized in profit or loss except to the extent that it reverses a previous revaluation surplus on the same asset, in which case the debit to that extent is recognized in OCI.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss. The revaluation surplus included in OCI in respect of an item of property, plant and equipment measured using revaluation model, is transferred directly to retained earnings.

Subsequent expenditure relating to property, plant and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognized as an expense in the period in which it is incurred.

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 recognized as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Land is not depreciated.

Depreciation is recognized from the date that the property, plant and 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.

3 Significant accounting policies (continued)

3.5 Property, plant and equipment (continued)

The estimated useful lives for the current and comparative years are as follows:

• Buildings	40 years
• Furniture, fittings and equipment	2-20 years
• Right-of-use assets	1-15 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

3.6 Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 3.1 (i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the associates and joint ventures.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at costs less accumulated amortization and accumulated impairment losses.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most clearly reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives of intangible assets are as follows:

Trademarks	20 years
Non-competition	over the term of relevant agreement
License rights	over the term of the license period

Amortization methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3 Significant accounting policies (continued)

3.7 Impairment

(i) Non-derivative financial assets

The Group recognizes loss allowances for expected credit loss ("ECLs") on financial assets measured at amortized costs.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

3 Significant accounting policies (continued)

3.7 Impairment (continued)

(i) Non-derivative financial assets (continued)

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Associate and joint venture

Any impairment loss in respect of an associate or joint venture is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements of non-financial assets. An impairment loss is recognized in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimate used to determine the recoverable amount.

3 Significant accounting policies (continued)

3.7 Impairment (continued)

(iii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties and 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 assets' recoverable amount are estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognized if the carrying amount of an asset or its 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. 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 is tested 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.

The Group's corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized 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 amortization, if no impairment loss had been recognized.

Goodwill that forms part of the carrying amount of an investment in associates and joint ventures is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in associates and joint ventures is tested for impairment as a single asset when there is objective evidence that the investment may be impaired.

3 Significant accounting policies (continued)

3.8 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are highly probable to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, the assets, or disposal group, are generally measured at the lower of their carrying amount and fair value less costs to sell. Investments properties classified within assets held for sale are subsequently remeasured at their fair values. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortized or depreciated. In addition, equity accounting of joint ventures and associates ceases once classified as held for sale.

3.9 Deferred management costs

Costs that are directly attributable to securing a fund management agreement are deferred if they can be identified separately and measured reliably and it is probable that they will be recovered. Deferred management costs represent the costs incurred to secure the right to benefit from the provision of fund management services, and are amortized as the Group recognizes the related revenue over the tenure of the fund.

3.10 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 recognized as employee benefit expense in profit or loss in the periods during which 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 recognized 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.

3 Significant accounting policies (continued)

3.10 Employee benefits (continued)

(iii) Employee leave entitlement

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring of benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(v) Share-based payment

For equity-settled share-based payment transactions, the fair value of the services received is recognized as an expense with a corresponding increase in equity over the vesting period during which the employees become unconditionally entitled to the equity instrument. The fair value of the services received is determined by reference to the fair value of the equity instrument granted at the date of the grant. At each reporting date, the number of equity instruments that are expected to be vested are estimated. The impact on the revision of original estimates is recognized as an expense and as a corresponding adjustment to equity over the remaining vesting period, unless the revision to original estimates is due to market conditions. No adjustment is made if the revision or actual outcome differs from the original estimate due to market conditions.

For cash-settled share-based payment transactions, e.g. Award shares, the fair value of the goods or services received is recognized as an expense with a corresponding increase in liability.

The grant-date fair value of the liability is recognized over the vesting period. If no services are required, then the amount is recognized immediately. Remeasurements during the vesting period are recognized immediately to the extent that they relate to past services, and recognition is spread over the remaining vesting period to the extent that they relate to future services. That is, in the period of the remeasurement there is a catch-up adjustment for prior periods in order for the recognized liability at each reporting date to equal a defined proportion of the total fair value of the liability. The recognized proportion is generally calculated by dividing the period for which services have been provided as at the reporting date by the total vesting period. Remeasurements are recognized in profit or loss.

3.11 Provision

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

3 Significant accounting policies (continued)

3.12 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

3 Significant accounting policies (continued)

3.12 Leases (continued)

(i) As a lessee (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'trade and other payables' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

3 Significant accounting policies (continued)

3.12 Leases (continued)

(ii) As a lessor (continued)

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies SFRS(I) 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in SFRS(I) 9 to the net investment in the lease (see Note 3.7(i)). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognizes lease payments received from investment property under operating leases as income on a straight-line basis over the lease term as part of 'revenue'. Rental income from sub-leased property is recognized as "other income".

3.13 Revenue recognition

Rental income

Rental income receivable under operating leases is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income to be received. Contingent rentals are recognized as income in the accounting period in which they are earned.

Fund management fee income

Fund management fee income is recognized in profit or loss as and when services are rendered.

Dividend income

Dividend income is recognized on the date that the Group's right to receive payment is established.

Financial services income

Financial services income is recognized in profit or loss upon the completion of the transaction.

3 Significant accounting policies (continued)

3.14 Government grants

Grants that compensate the Group for expenses already incurred or for purpose of giving immediate financial support with no future related costs are recognized in profit or loss in the period in which they become receivable.

3.15 Finance income and expenses

Finance income comprises interest income on funds invested (including equity investments) and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, and losses on hedging instruments that are recognized in profit or loss.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses 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.

3.16 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

3 Significant accounting policies (continued)

3.16 Tax (continued)

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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognized 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 recognized 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 and equity accounted investees 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. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has been rebutted for investment properties held in certain countries which the Group operates in. 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 realized simultaneously.

Deferred tax assets are recognized for unused tax losses, unused 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 used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. 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 realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

3 Significant accounting policies (continued)

3.17 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's chief operating decision-makers ("CODM") to make decisions about resources to be allocated to the segment and to assess its performance and for which discrete financial information is available.

3.18 New standards and interpretations not adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The Group is currently assessing the potential impact of adopting the following new SFRS(I)s, interpretations and amendments to SFRS(I)s on the Group's consolidated financial statements and the Company's statement of financial position.

- SFRS(I) 17 *Insurance Contracts*
- *Classification of Liabilities as Current or Non-current* (Amendments to SFRS(I) 1-1)
- *Covid-19-Related Rent Concessions* (Amendment to SFRS(I) 16)
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28)
- *Reference to the Conceptual Framework* (Amendments to SFRS(I) 3)
- *Property, Plant and Equipment – Proceeds before Intended Use* (Amendments to SFRS(I) 16)
- *Onerous Contracts – Costs of Fulfilling a Contract* (Amendments to SFRS(I) 1-37)
- *Annual Improvements to SFRS(I)s 2018 – 2020*

4 Investment properties

	Note	Group 2020 US$'000	Group 2019 US$'000
At 1 January		21,275,620	19,481,683
Additions		1,811,481	2,069,660
Disposals		(153,950)	(674,852)
Acquisition of subsidiaries	29(A)	2,143,637	1,161,699
Disposal of subsidiaries	29(B)	(2,428,724)	(356,443)
Borrowing cost capitalized	26	15,898	9,860
Changes in fair value		655,775	1,193,643
Reclassification to assets classified as held for sale		(2,171,999)	(1,306,784)
Effect of movements in exchange rates		1,290,691	(302,846)
At 31 December		22,438,429	21,275,620
Comprising:			
Completed investment properties		18,036,426	17,047,963
Investment properties under re-development		19,249	241,105
Properties under development		1,987,052	1,980,202
Land held for development		2,395,702	2,006,350
		22,438,429	21,275,620

The Group reclassified certain investment properties of US$2,171,999,000 (2019: US$1,306,784,000) to assets classified as held for sale following initiation of an active programme to sell (Note 15).

Investment properties are held mainly for use by external customers under operating leases. Generally, the leases contain an initial non-cancellable period of one to twenty years. Subsequent renewals are negotiated with the lessees. There are no contingent rents arising from the lease of investment properties.

Investment properties with carrying value totaling approximately US$15,791,306,000 as at 31 December 2020 (2019: US$13,215,908,000) were mortgaged to banks and bondholders to secure credit facilities for the Group (Note 19). Interest capitalized as costs of investment properties amounted to approximately US$15,898,000 (2019: US$9,860,000) during the year.

Measurement of fair value

(i) Fair value hierarchy

The Group's investment property portfolio are valued by external and internal valuers at the reporting date. The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties had each acted knowledgeably and without compulsion. In determining the fair value as at the reporting date, the external and internal valuers have adopted a combination of valuation methods, including income capitalization, discounted cash flows and residual methods, which involve certain estimates. The key assumptions used to determine the fair value of investment properties include market-corroborated capitalization rate, discount rate and terminal yield rate.

4 Investment properties (continued)

Measurement of fair value (continued)

(i) Fair value hierarchy (continued)

The income capitalization method capitalizes an income stream into a present value using single-year capitalization rates, the income stream used is adjusted to market rentals currently being achieved within comparable investment properties and recent leasing transactions achieved within the investment property. The discounted cash flow method requires the valuer to assume a rental growth rate indicative of market and the selection of a target internal rate of return consistent with current market requirements. The residual method values properties under development and land held for development by reference to their development potential which involves deducting the estimated development costs to complete construction and developer's profit from the gross development value to arrive at the residual value of the property. The gross development value is the estimated value of the property assuming satisfactory completion of the development as at the date of valuation. The estimated cost to complete is determined based on the construction cost per square metre in the area.

As at 31 December 2020, the real estate market has been impacted by the uncertainty that the COVID-19 pandemic has caused. Given the unprecedented set of circumstances on which to base a judgement, less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case. In relying on the valuation reports, management has exercised its judgment and is satisfied that the valuation methods and estimates are reflective of market conditions as at the reporting date.

The fair value measurement for investment properties of US$22,438,429,000 (2019: US$21,275,620,000) has been categorized as a Level 3 fair value based on the inputs to the valuation technique used (see Note 2.4) and was measured based on valuation by valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the respective investment property being valued.

(ii) Reconciliation of Level 3 fair values

	Group	
	2020 US$'000	**2019 US$'000**
Balance at 1 January	21,275,620	19,481,683
Capital expenditure incurred and borrowing costs capitalized	1,827,379	2,079,520
Disposal of investment properties	(153,950)	(674,852)
Acquisition of subsidiaries	2,143,637	1,161,699
Disposal of subsidiaries	(2,428,724)	(356,443)
Reclassification to assets classified as held for sale	(2,171,999)	(1,306,784)
Gains and losses for the year		
Changes in fair value of investment properties	655,775	1,193,643
Gains and losses recognized in OCI		
Effect of movements in exchange rates	1,290,691	(302,846)
Balance at 31 December	22,438,429	21,275,620

4 Investment properties (continued)

Measurement of fair value (continued)

(ii) Reconciliation of Level 3 fair values (continued)

Valuation technique and significant unobservable inputs

The following table shows the key unobservable inputs used in measuring the fair value of investment properties.

Valuation method	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Income capitalization	***Capitalization rate:*** PRC: 4.00% to 7.00% (2019: 4.00% to 7.00%) Japan: 4.40% (2019: 4.30% to 4.50%) Europe: 6.46% (2019: 4.66%)	The estimated fair value varies inversely against the capitalization rate.
Discounted cash flow	***Discount rate:*** PRC: 8.00% to 10.50% (2019: 8.00% to 10.50%) Japan: 4.20% (2019: 4.30% to 4.50%) Brazil: 6.25% (2019: 7.25%)	The estimated fair value varies inversely against the discount rate.
	Terminal yield rate: PRC: 4.00% to 7.00% (2019: 4.00% to 7.00%) Japan: 4.50% (2019: 4.50%) Brazil: 6.75% (2019: 9.25%)	The estimated fair value varies inversely against the terminal yield rate.
Residual	***Capitalization rate[1]:*** PRC: 4.75% to 6.25% (2019: 4.75% to 6.25%) Europe: 4.56% (2019: 4.49%)	The estimated fair value and gross development value vary inversely against the capitalization rate.

[1] *Income capitalization method is applied to derive the total gross development value under the residual approach.*

5 Subsidiaries

	Company	
	2020	**2019**
	US$'000	**US$'000**
Unquoted equity shares, at cost	5,931,372	5,782,001
Less: Allowance for impairment loss	(260,763)	(313,345)
	5,670,609	5,468,656
Loans to subsidiaries (interest-free)	591,470	648,353
	6,262,079	6,117,009

During the year ended 31 December 2020, a reversal of impairment loss of US$22,697,000 (2019: impairment loss of US$82,492,000) was recognized in profit or loss for the Company's investment in a subsidiary in the USA, in view of the excess (2019: shortfall) in recoverable amount.

During the year ended 31 December 2020, a reversal of impairment loss of US$29,885,000 (2019: impairment loss of US$2,519,000) was recognized in profit or loss for the Company's investment in certain subsidiaries in Brazil, in view of the excess (2019: shortfall) of recoverable amount against the cost less accumulated impairment.

The recoverable amount for the relevant subsidiaries was estimated to be US$604,201,000 (2019: US$417,143,000) for USA and US$710,905,000 (2019: US$726,571,000) for Brazil. The recoverable amount was estimated based on net assets as the assets held by subsidiaries which comprises mainly investment properties or joint ventures owning investment properties measured at fair value and categorized as Level 3 on the fair value hierarchy.

The loans to subsidiaries are unsecured and not expected to be repaid within the next 12 months from 31 December 2020.

Details of significant subsidiaries are set out in Note 35.

6 Associates and joint ventures

	Group	
	2020	**2019**
	US$'000	**US$'000**
Interests in associates	2,691,480	1,107,233
Interests in joint ventures	3,453,089	3,312,498
	6,144,569	4,419,731
Capital commitments in relation to interests in associates and joint ventures	923,705	695,435

6 Associates and joint ventures (continued)

The Group has five joint ventures and one associate (2019: two joint ventures) that are material and a number of associates and joint ventures that are individually immaterial to the Group. All are equity accounted. The following are the material associates and joint ventures:

Name of associate and joint ventures[1]	Principal activity	Principal place of business	2020 %	2019 %
GLP Japan Development Venture I	Private equity fund focused on logistics properties	Japan	50.00	50.00
GLP Japan Development Partners II[2]	Private equity fund focused on logistics properties	Japan	–[2]	50.00
Light Year One Holdings Ltd[2]	Private equity fund focused on logistics properties	Japan	33.33	–[2]
BLH (1) Pte Ltd	Private equity fund focused on logistics properties	Brazil	40	40
Beijing Jintonggang Real Estate Development Co., Ltd. ("Z3")	Property development and construction	PRC	34.00	34.00
China Merchants Capital Investments Co., Ltd. ("CMC")	Equity investment	PRC	50.00	–
Hidden Hill Fund ("Hidden Hill")	Equity investment	PRC	69.97	30.76

Notes:

[1] Relates to the commercial name of the joint ventures used under GLP's fund management platform.
[2] GLP Japan Development Partners II is not material joint ventures to the Group for the financial year ended 31 December 2020. Light Year One Holdings Ltd is not material joint ventures to the Group for the financial year ended 31 December 2019.

6 Associates and joint ventures (continued)

Summary information for associates and joint ventures that are material to the Group

This summarized financial information is shown on a 100% basis. It represents the amounts shown in the associates and joint ventures' financial statements prepared in accordance with SFRS(I) under Group accounting policies.

31 December 2020	Light Year One Holdings Ltd US$'000	GLP Japan Development Venture I US$'000	BLH (1) Pte Ltd US$'000	Z3 US$'000	Hidden Hill US$'000	CMC US$'000
Group's interests	**33.33%**	**50.00%**	**40.00%**	**34.00%**	**69.97%**	**50.00%**
Results						
Revenue	65,943	79,217	43,907	–	257,366	92,265
Profit for the year	212,099	88,200	115,890	(7,052)	213,447	97,739
Profit after tax include:						
Interest income	–	–	1,378	7	351	1,364
Depreciation and amortization	(2,392)	(8,135)	(152)	–	–	–
Interest expense	(4,634)	(16,572)	(12,453)	–	–	(41,773)

6 Associates and joint ventures (continued)

Summary information for associates and joint ventures that are material to the Group (continued)

31 December 2020	**Light Year One Holdings Ltd US$'000**	**GLP Japan Development Venture I US$'000**	**BLH (1) Pte Ltd US$'000**	**Z3 US$'000**	**Hidden Hill US$'000**	**CMC US$'000**
Group's interests	**33.33%**	**50.00%**	**40.00%**	34.00%	**69.97%**	**50.00%**
Assets and liabilities						
Non-current assets	1,607,056	363	899,738	1,084,799	951,031	2,241,684
Current assets	49,172	6,407	36,898	2,873	149,668	162,764
Total assets	1,656,228	6,770	936,636	1,087,672	1,100,699	2,404,448
Non-current liabilities	(729,084)	(1)	(325,786)	(475)	–	(978,274)
Current liabilities	(19,502)	(5,358)	(25,134)	(34,109)	(13,364)	(253,781)
Total liabilities	(748,586)	(5,359)	(350,920)	(34,584)	(13,364)	(1,232,055)
Assets and liabilities include:						
Cash and cash equivalents	47,035	4,021	9,836	1,780	144,693	114,298
Current financial liabilities (excluding trade and other payables)	(2,843)	–	(19,051)	–	–	(246,648)
Non-current financial liabilities (excluding trade and other payables)	(669,094)	–	(215,072)	–	–	(978,274)

6 Associates and joint ventures (continued)

Summary information for associates and joint ventures that are material to the Group (continued)

31 December 2019	GLP Japan Development Venture I US$'000	GLP Japan Development Partners II US$'000
Group's interests	**50.00%**	**50.00%**
Results		
Revenue	117,359	37,321
Profit for the year	276,579	234,825
Profit after tax include:		
Interest income	1	–
Depreciation and amortization	(8,553)	(2,816)
Interest expense	(11,375)	(3,198)
Assets and liabilities		
Non-current assets	2,489,123	1,258,263
Current assets	60,434	38,586
Total assets	2,549,557	1,296,849
Non-current liabilities	(889,923)	(611,555)
Current liabilities	(308,320)	(136,932)
Total liabilities	(1,198,243)	(748,487)
Assets and liabilities include:		
Cash and cash equivalents	49,513	26,964
Current financial liabilities (excluding trade and other payables)	(280,521)	(653)
Non-current financial liabilities (excluding trade and other payables)	(800,449)	(579,895)

6 Associates and joint ventures (continued)

Immaterial associates and joint ventures

The Group has interests in a number of individually immaterial associates and joint ventures.

The following table summarizes, in aggregate, the carrying amount and share of profit and OCI of these associates and joint ventures that are accounted for using the equity method:

	Group	
	2020	**2019**
	US$'000	**US$'000**
Carrying amount of interests in immaterial associates and joint ventures	3,505,372	3,553,517
Group's share of:		
- Profit from continuing operations	204,115	170,869
- OCI	(10,248)	10,748
- Total comprehensive income	193,867	181,617

Reconciliation of the above amounts to investment recognized in the consolidated statement of financial position

	Group	
	2020	**2019**
	US$'000	**US$'000**
Group's interests		
Group's interest in net assets of associates and joint ventures at beginning of the year	4,419,731	4,366,690
Group's share of total comprehensive income	397,404	432,127
Dividends received from associates and joint ventures (the Group's share)	(599,733)	(277,569)
Group's share of total contribution by owners (net)	2,968,642	466,546
Group's investment in associates through acquisition of subsidiaries (Note 29(A))	–	211,379
Group's investment in associates through disposal of subsidiaries (Note 29(B))	(352,379)	–
Capitalization of loan to third party to equity contribution to joint venture	–	48,462
Reclassification of assets classified as held for sale to joint venture (Note 29(C))	104,980	62,505
Disposal of associates and joint ventures	–	(817,679)
Reclassification of joint venture to assets classified as held for sale	(32,901)	(42,105)
Effect of movements in exchange rates	(761,175)	(30,625)
Carrying amount of interest in associates and joint ventures at the end of the year	6,144,569	4,419,731

7 Deferred tax

Movements in deferred tax assets and liabilities during the year are as follows:

Group	At 1 January US$'000	Acquisition of subsidiaries (Note 29(A)) US$'000	Disposal of subsidiaries (Note 29(B)) US$'000	Effect of movements in exchange rates US$'000	Recognized in OCI US$'000	Recognized in profit or loss (Note 28) US$'000	Reclassified as held for sale US$'000	At 31 December US$'000
31 December 2020								
Deferred tax assets								
Unutilized tax losses	41,202	255	(9,671)	2,235	–	4,082	(557)	37,546
Interest rate swaps	2	–	–	–	(2)	–	–	–
Others	11,978	–	–	542	–	4,190	–	16,710
	53,182	255	(9,671)	2,777	(2)	8,272	(557)	54,256
Deferred tax liabilities								
Investment properties	(2,324,117)	(135,220)	311,166	(182,850)	–	(203,455)	162,742	(2,371,734)
Property, plant and equipment	(1,089)	–	–	(141)	(1,142)	–	–	(2,372)
Other investments	(49,179)	–	(6,513)	(4,216)	53	(20,809)	–	(80,664)
Others	(7,464)	(73,350)	297	(5,998)	–	(39,792)	86,845	(39,462)
	(2,381,849)	(208,570)	304,950	(193,205)	(1,089)	(264,056)	249,587	(2,494,232)
Total	(2,328,667)	(208,315)	295,279	(190,428)	(1,091)	(255,784)	249,030	(2,439,976)

7 Deferred tax (continued)

Group	At 1 January US$'000	Acquisition of subsidiaries (Note 29(A)) US$'000	Disposal of subsidiaries (Note 29(B)) US$'000	Effect of movements in exchange rates US$'000	Recognized in OCI US$'000	Recognized in profit or loss (Note 28) US$'000	Reclassified as held for sale US$'000	At 31 December US$'000
31 December 2019								
Deferred tax assets								
Unutilized tax losses	35,445	–	(939)	(538)	(372)	7,606	–	41,202
Interest rate swaps	190	–	–	3	31	(222)	–	2
Others	14,327	–	–	20	770	(3,139)	–	11,978
	49,962	–	(939)	(515)	429	4,245	–	53,182
Deferred tax liabilities								
Investment properties	(2,030,462)	(2,987)	40,530	36,578	–	(370,148)	2,372	(2,324,117)
Property, plant and equipment	–	–	–	13	(1,102)	–	–	(1,089)
Other investments	(14,035)	–	–	621	(7,956)	(27,809)	–	(49,179)
Others	(6,905)	–	–	115	–	(674)	–	(7,464)
	(2,051,402)	(2,987)	40,530	37,327	(9,058)	(398,631)	2,372	(2,381,849)
Total	(2,001,440)	(2,987)	39,591	36,812	(8,629)	(394,386)	2,372	(2,328,667)

7 Deferred tax (continued)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts determined after appropriate offsetting are included in the statement of financial position as follows:

	Group	
	2020	**2019**
	US$'000	**US$'000**
Deferred tax assets	46,293	21,861
Deferred tax liabilities	(2,486,269)	(2,350,528)

As at reporting date, deferred tax liabilities have not been recognized in respect of taxes that would be payable on the undistributed earnings of certain subsidiaries of US$38,559,000 (2019: US$29,514,000) as the Group do not have plans to distribute these earnings in the foreseeable future.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. 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 realized. The Group has not recognized deferred tax assets in respect of the following:

	Group	
	2020	**2019**
	US$'000	**US$'000**
Tax losses	653,028	483,104

Deferred tax assets in respect of tax losses have not been recognized because it is not probable that future taxable profit will be available against which the Group can utilize the benefits. Tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which the subsidiaries operate. Unrecognized tax losses will expire within one to five years.

8 Property, plant and equipment

	At valuation	At cost				
Group	**Buildings US$'000**	**Buildings held for own use US$'000**	**Furniture, fittings and equipment US$'000**	**Assets under construction US$'000**	**Right-of-use assets US$'000**	**Total US$'000**
Cost						
At 1 January 2019	–	–	63,972	639	–	64,611
Recognition of right-of-use assets on initial application of SFRS(I) 16	–	–	–	–	9,386	9,386
Adjusted balance at 1 January 2019	–	–	63,972	639	9,386	73,997
Acquisition of subsidiaries	–	–	1,812	–	52,248	54,060
Additions	71,403	–	63,554	14,078	38,750	187,785
Disposals	–	–	(4,333)	–	–	(4,333)
Disposal of subsidiaries	–	–	(9,463)	(3,355)	–	(12,818)
Reclassification	–	–	10,093	(10,093)	–	–
Revaluation of buildings recognized in other comprehensive income	4,407	–	–	–	–	4,407
Written off	–	–	(2,132)	–	(4,318)	(6,450)
Elimination on revaluation of buildings	(1,255)	–	–	–	–	(1,255)
Effect of movements in exchange rates	(862)	–	(1,295)	(66)	(546)	(2,769)
At 31 December 2019	73,693	–	122,208	1,203	95,520	292,624
Acquisition of subsidiaries	–	68,508	25,761	–	28,249	122,518
Additions	23,995	–	64,435	18,246	21,257	127,933
Disposals	–	–	(9,091)	–	–	(9,091)
Disposal of subsidiaries	–	–	(98,595)	–	(1,789)	(100,384)
Reclassification	–	–	847	(847)	–	–
Revaluation of buildings recognized in other comprehensive income	4,567	–	–	–	–	4,567
Written off	–	–	(68)	–	–	(68)
Elimination on revaluation of buildings	(2,591)	–	–	–	–	(2,591)
Effect of movements in exchange rates	6,590	6,118	4,143	981	8,332	26,164
At 31 December 2020	106,254	74,626	109,640	19,583	151,569	461,672

8 Property, plant and equipment (continued)

	At valuation	At cost				
Group	**Buildings US$'000**	**Buildings held for own use US$'000**	**Furniture, fittings and equipment US$'000**	**Assets under construction US$'000**	**Right-of-use assets US$'000**	**Total US$'000**
Accumulated depreciation						
At 1 January 2019	–	–	42,413	–	–	42,413
Depreciation charge for the year	1,255	–	10,738	–	11,520	23,513
Disposals	–	–	(3,958)	–	–	(3,958)
Disposal of subsidiaries	–	–	(195)	–	–	(195)
Written off	–	–	(1,581)	–	(1,586)	(3,167)
Elimination on revaluation of buildings	(1,255)	–	–	–	–	(1,255)
Effect of movements in exchange rates	–	–	(345)	–	(25)	(370)
At 31 December 2019	–	–	47,072	–	9,909	56,981
Depreciation charge for the year	2,591	1,117	13,807	–	16,114	33,629
Disposals	–	–	(6,741)	–	–	(6,741)
Disposal of subsidiaries	–	–	(14,480)	–	(293)	(14,773)
Written off	–	–	(54)	–	–	(54)
Elimination on revaluation of buildings	(2,591)	–	–	–	–	(2,591)
Effect of movements in exchange rates	–	697	4,109	–	1,192	5,998
At 31 December 2020	–	1,814	43,713	–	26,922	72,449
Carrying amounts						
At 1 January 2019	–	–	21,559	639	–	22,198
At 31 December 2019	73,693	–	74,136	1,203	85,611	235,643
At 31 December 2020	106,254	72,812	65,927	19,583	124,647	389,223

8 Property, plant and equipment (continued)

	At cost			
Company	**Furniture, fittings and equipment US$'000**	**Assets under construction US$'000**	**Right-of-use assets US$'000**	**Total US$'000**
Cost				
At 1 January 2019	15,052	604	–	15,656
Additions	626	599	1,965	3,190
Written off	(940)	–	–	(940)
At 31 December 2019	14,738	1,203	1,965	17,906
Additions	404	1,198	–	1,602
Transfer	847	(847)	–	–
At 31 December 2020	15,989	1,554	1,965	19,508
Accumulated depreciation				
At 1 January 2019	12,135	–	–	12,135
Depreciation charge for the year	1,688	–	267	1,955
Written off	(940)	–	–	(940)
At 31 December 2019	12,883	–	267	13,150
Depreciation charge for the year	1,396	–	527	1,923
At 31 December 2020	14,279	–	794	15,073
Carrying amounts				
At 1 January 2019	2,917	604	–	3,521
At 31 December 2019	1,855	1,203	1,698	4,756
At 31 December 2020	1,710	1,554	1,171	4,435

9 Intangible assets

Group	Goodwill US$'000	Trademarks US$'000	Non-competition US$'000	License rights US$'000	Total US$'000
Cost					
At 1 January 2019	422,762	37,833	6,831	927	468,353
Additions	–	17	–	–	17
Written off	–	–	(6,831)	–	(6,831)
Effect of movements in exchange rates	(4,556)	(376)	–	(15)	(4,947)
At 31 December 2019	418,206	37,474	–	912	456,592
Acquisition of subsidiaries	183,168	4,879	–	2,597	190,644
Disposal of subsidiaries	(25,657)	(4,956)	–	(212)	(30,825)
Additions	1,315	3	–	18	1,336
Reclassification to asset held for sale	(100,533)	–	–	–	(100,533)
Transfer	–	(13)	–	–	(13)
Effect of movements in exchange rates	22,721	1,711	–	68	24,500
At 31 December 2020	499,220	39,098	–	3,383	541,701
Accumulated amortization					
At 1 January 2019	–	15,892	6,831	592	23,315
Amortization for the year	–	2,047	–	196	2,243
Written off	–	–	(6,831)	–	(6,831)
Effect of movements in exchange rates	–	(176)	–	(11)	(187)
At 31 December 2019	–	17,763	–	777	18,540
Amortization for the year	–	2,024	–	325	2,349
Disposal of subsidiaries	–	(212)	–	(172)	(384)
Effect of movements in exchange rates	–	1,125	–	57	1,182
At 31 December 2020	–	20,700	–	987	21,687
Carrying amounts					
At 1 January 2019	422,762	21,941	–	335	445,038
At 31 December 2019	418,206	19,711	–	135	438,052
At 31 December 2020	499,220	18,398	–	2,396	520,014

Goodwill and other intangible assets from business combination

On 8 July 2020, the Group recognized goodwill of US$123,326,000 (Note 29(A)(i)) from the business combination in connection with its acquisition of 100% equity interest in a central and eastern Europe logistic property platform.

9 Intangible assets (continued)

Impairment test for goodwill

For the purpose of goodwill impairment testing, the aggregate carrying amount of goodwill allocated to each cash-generating unit ("CGU") as at 31 December 2020 are as follows:

Group	Carrying amount 2020 US$'000	2019 US$'000
Airport City Development Group ("ACL Group")	56,353	52,708
GLP China[1]	239,526	224,031
GLP Japan[2]	141,467	141,467
GLP Europe[3]	60,559	–
Others	1,315	–
Total	499,220	418,206

Notes:

1 Relates to the leasing of logistic facilities and provision of asset management services in China and excludes the ACL Group.
2 Relates to the leasing of logistic facilities and provision of asset management services in Japan.
3 Relates to the leasing of logistic facilities and provision of asset management services in central and eastern Europe.

ACL Group

The recoverable amount of ACL Group are determined based on value in use calculation. The value in use calculation is a discounted cash flow model using cash flow projections based on the most recent budgets and forecasts approved by management covering five years. Cash flows beyond these periods are extrapolated using the estimated terminal growth rate of 3.00% (2019: 3.00%). The discount rate of 7.50% (2019: 7.50%) applied is the weighted average cost of capital from the relevant business segment. The terminal growth rate used does not exceed management's expectation of the long-term average growth rate of the respective industry and country in which ACL Group operates.

GLP China, GLP Japan and GLP Europe

Recoverable amount of GLP China, GLP Japan and GLP Europe as of 31 December 2020 is determined using the Sum-Of-The-Parts ("SOTP") approach to measure the fair value less costs of disposal of the respective CGUs by aggregating the standalone fair value of each of its business units within the CGU to arrive at a single total enterprise value. The equity value is then derived by adjusting the CGU's net debt and other non-operating assets and expenses from the total enterprise value.

The enterprise value of each business unit is derived separately and determined based on valuation by internal and external valuers with appropriate qualifications and experience using observable and unobservable inputs taking into account management's experience and knowledge of market conditions of the specific activities.

9 Intangible assets (continued)

Impairment test for goodwill (continued)

GLP China, GLP Japan and GLP Europe (continued)

Significant business units - valuation technique and significant unobservable inputs

Details of significant business units identified and the key unobservable inputs used in estimating the fair value less costs of disposal of these significant business units are as follows:

Development business

The fair value measurement for development business has been categorized as a Level 3 fair value based on the inputs to the valuation technique used (see Note 2.4).

Valuation method	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement of business unit
Discounted cash flow	***Estimated development costs to complete construction*** US$288 to US$4,987 per square meter (psm) (2019: US$342 to US$4,681 psm)	The estimated fair value varies inversely against the estimated development costs to complete construction.
	Value creation margin: 18.21% to 50.13% (2019: 17.1% to 34.8%)	The estimated fair value varies proportionately against value creation margin.
	Discount rate: 3.36% to 5.77% (2019: 3.0% to 6.6%)	The estimated fair values varies inversely against the discount rate.

Fund management

The fair value measurement for fund management has been categorized as a Level 3 fair value based on the inputs to the valuation technique used (see note 2.4).

Valuation method	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement of business unit
Market multiples derived from comparable businesses	***Funds margin:*** 61.84% to 66.04% (2019: 55.6% to 64.0%)	The estimated fair value varies proportionately against funds margin.
	Equity value/EBITDA Multiple: 16 x (2019: 16 x)	The estimated fair value increases as the multiple increases

9 Intangible assets (continued)

Impairment test for goodwill (continued)

Fund management (continued)

Sensitivity analysis

As at 31 December 2020, the estimated recoverable amount of the CGUs exceeded its carrying amounts. Management has not identified any reasonably possible changes in the above key assumptions applied which are likely to materially cause the estimated recoverable amount of the CGUs to be lower than its carrying amount except for:

For the fair value of each CGU, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

	Recoverable amount	
	Increase US$'000	**Decrease US$'000**
31 December 2020		
Development business value creation margin (5% movement)		
- PRC	417,000	(417,000)
- Japan	198,000	(198,000)
- Central Europe	82,000	(82,000)
Fund management services funds margin (5% movement)		
- PRC	131,000	(131,000)
- Japan	115,000	(115,000)
Fund management services fee related earnings multiple (1x movement)		
- PRC	103,000	(103,000)
- Japan	95,000	(95,000)
31 December 2019		
Development business value creation margin (5% movement)		
- PRC	285,000	(285,000)
- Japan	110,000	(110,000)
Fund management services funds margin (5% movement)		
- PRC	86,000	(86,000)
- Japan	93,000	(93,000)
Fund management services fee related earnings multiple (1x movement)		
- PRC	60,000	(60,000)
- Japan	74,000	(74,000)

10 Other investments

	Group	
	2020	**2019**
	US$'000	**US$'000**
Non-current investments		
- Quoted equity investments – at FVOCI	685,788	800,038
- Quoted equity investments – at FVTPL	50,525	–
- Unquoted equity investments – at FVOCI	206,555	67,612
- Unquoted equity investments – mandatorily at FVTPL	1,655,919	1,026,406
	2,598,787	1,894,056

The quoted equity investments are stated at their fair values at the reporting date, determined by reference to their quoted closing bid price in an active market at the reporting date. During the year ended 2020, the Group disposed its investments designated at FVOCI to a related party and accounted it under common control transfer. A cumulative loss of US$58,648,000 recognized since prior years was reclassified from fair value reserve to retained earnings. And this amount was subsequently recorded as contribution from holding company in capital reserve. During the year ended 2019, arising from the disposal of investments designated at FVOCI, cumulative gain of US$111,437,000 was transferred from fair value reserve to retained earnings.

The Group's exposure to market risks and fair value information related to other investments are disclosed in Notes 31 and 32.

The Group invests in companies listed in active markets and private companies that are not quoted in an active market. The quoted equity investments are stated at their fair values at the reporting date, determined by reference to their quoted closing bid price in an active market at the reporting date. The unquoted equity investments are stated at their fair values at the reporting date, determined by reference to an internal rate of return agreed with a potential buyer on a willing buyer, willing seller basis, at net asset value which approximates the investments' fair value or market comparison technique based on market multiple of comparable companies with adjustments for the effect of non-marketability of the investments.

Reconciliation of Level 3 fair values

	2020	**2019**
	US$'000	**US$'000**
Balance at 1 January	1,094,018	741,468
Net unrealized gains recognized in profit or loss		
- recognized in profit or loss	137,631	152,899
- recognized in other comprehensive income	(306)	(419)
Additions	1,011,095	216,605
Disposal	(434,271)	–
Effects of movements in exchange rates	54,307	(16,535)
Balance at 31 December	1,862,474	1,094,018

11 Other non-current assets

	Group		Company	
	2020	**2019**	**2020**	**2019**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Trade receivables	50,254	44,340	–	–
Deposits	2,885	12,318	–	–
Prepayments	–	657	–	–
Amounts due from:			–	–
- joint ventures	17,948	18,786	–	–
- an investee entity	95,565	99,244	–	–
Loans to associate and joint ventures	522,387	77,888	–	–
Loans to employees	372,790	86,442		
Loans to third parties	10,451	15,740	–	–
Finance lease receivables (Note 13)	–	16,130	–	–
Deferred management costs	68,444	38,667	–	–
Prepaid construction costs	65,738	46,955	–	–
Other investment held for disposal	125,269	–	–	–
Others	54,406	5,195	–	–
	1,386,137	462,362	–	–

Management has assessed that no allowance for impairment losses is required in respect of the Group's non-current trade receivables, none of which are past due.

The amounts due from joint ventures and an investee entity are attributed to the transfer of tenant security deposits to these entities.

The loans to associate and joint ventures are unsecured, bear fixed interest ranging from 5.70% to 10.00% (2019: 5.39% to 10.00%) per annum at the reporting date and are fully repayable by July 2025 (2019: October 2024).

Loans to employees comprise loans granted under the Co-Investment and Global Share Plans (see Note 23). The loans bear fixed interests at rates determined by the Group with reference to prevailing external borrowing rates, and ranges from 0.05% to 5.00% (2019: 0.10% to 5.00%) per annum at the reporting date. The loans have fixed maturity date of 5 years and 10 years for loans extended under Co-Investment Share Plan and Global Share Plan respectively, and are repayable from distribution and redemption proceeds at discretion of the Company. Upon termination of employment, employees are required to repay the loans immediately.

12 Trade and other receivables

	Group		Company	
	2020	**2019**	**2020**	**2019**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Trade receivables	55,928	60,610	–	–
Impairment losses	(1,931)	(2,984)	–	–
Net trade receivables	53,997	57,626	–	–
Amounts due from immediate holding company (non-trade)	2,106,995	1,665,780	2,106,995	1,665,780
Amounts due from subsidiaries:				
- non-trade and interest-free	–	–	1,043,159	60,447
- non-trade and interest-bearing	–	–	339,941	1,374,540
Amounts due from associates and joint ventures:				
- trade	180,897	155,988	–	–
- non-trade and interest-free	304,469	254,812	300	285
Amounts due from related companies:				
- trade	570	–	–	–
- non-trade and interest-free	296,808	–	43	–
Amounts due from an investee entity:				
- trade	21,959	14,802	–	–
- non-trade and interest-free	24,925	14,133	–	–
Amounts due from NCI				
- non-trade and interest-free	15,301	–	–	–
Loans to NCI	49,503	7,640	–	–
Loans to associate and joint ventures	223,195	222,583	–	2,001
Loans to third parties:				
- in relation to acquisition of			–	
new investments	84,716	126,884		–
- others	56,627	114,458	–	–
	3,365,965	2,577,080	3,490,438	3,103,053
Finance lease receivables (Note 13)	–	157,777	–	–
Impairment losses	–	(22,444)	–	–
	–	135,333	–	–
Deposits	87,381	191,561	201	186
Other receivables	331,223	337,958	378	2,014
Impairment losses	(265)	(56)	–	–
	330,958	337,902	378	2,014
Trade and other receivables	3,838,301	3,299,502	3,491,017	3,105,253
Prepayments and other assets	49,740	92,947	2,663	1,633
	3,888,041	3,392,449	3,493,680	3,106,886

12 Trade and other receivables (continued)

The non-trade amounts due from immediate holding company, associates and joint ventures, an investee entity, related companies, NCI and subsidiaries are unsecured and are repayable on demand. The effective interest rates of non-trade interest-bearing amounts due from subsidiaries at the reporting date range from 2.00% to 10.00% (2019: 2.00% to 10.00%) per annum.

The loans to NCI are unsecured, bears fixed interest of 10.00% (2019: 10.00%) per annum at the reporting date and are repayable on demand. The loans to associate and joint ventures are unsecured, bear fixed interest at the reporting date ranging from 5.10% to 10.00% (2019: 6.00% to 10.00%) per annum and are repayable within the next 12 months.

The loan to third parties in relation to acquisition of new investments are unsecured, repayable within the next 12 months, and bear fixed interest ranging from 8.00% to 10.00% (2019: 4.90% to 12.00%) per annum, except for US$14,350,000 (2019: US$10,835,000) which is interest-free until completion of the acquisition. The other loans to third parties are unsecured, repayable within the next 12 months and bear fixed interest at the reporting date ranging from 5.64% to 10.00% (2019: 7.78% to 13.00%) per annum.

Deposits include an amount of US$78,283,000 (2019: US$182,256,000) in relation to acquisitions of new investments. Other receivables comprise value added tax receivables and other recoverables (2019: value added tax receivables and other recoverables). Prepayments and other assets include prepaid purchase consideration for other assets of US$76,000 (2019: US$51,521,000).

Other receivables include an amount of US$Nil (2019: US$67,294,000) restricted bank deposit under the Group’s bank account. This bank deposit can be convertible to demand deposits under the authorisation of both the Group and a third party.

12 Trade and other receivables (continued)

(a) The maximum exposure to credit risk for trade and other receivables at the reporting date (by country) is:

	Gross 2020 US$'000	Allowance for doubtful receivables 2020 US$'000	Gross 2019 US$'000	Allowance for doubtful receivables 2019 US$'000
Group				
PRC	1,513,654	(2,186)	1,378,653	(25,484)
Japan	117,224	–	82,377	–
Singapore	2,469,265	–	1,839,107	–
USA	65,104	–	66,010	–
Others	48,040	(10)	45,281	–
	4,213,287	(2,196)	3,411,428	(25,484)
Company				
Singapore	3,491,017	–	3,106,886	–

(b) The ageing of loans and receivables at the reporting date is:

	Gross 2020 US$'000	Allowance for doubtful receivables 2020 US$'000	Gross 2019 US$'000	Allowance for doubtful receivables 2019 US$'000
Group				
Not past due	4,159,861	–	3,195,115	–
Past due 1 – 60 days	48,301	(585)	159,318	(4,033)
Past due 61 – 180 days	2,087	(395)	31,762	(8,070)
More than 180 days	3,038	(1,216)	25,233	(13,381)
	4,213,287	(2,196)	3,411,428	(25,484)
Company				
Not past due	3,491,017	–	3,106,886	–

The Group's historical experience in the collection of accounts receivables falls within the recorded allowances. Based on historical payment behaviors, and the security deposits, bankers' guarantees and other forms of collateral held, the Group believes that no additional allowance for impairment losses is required in respect of its loans and receivables.

The majority of the trade receivables are due from tenants that have good credit records with the Group. The Group monitors and considers credit risk based on trade and other receivables grouped by reportable business segments, and uses management's judgement in assessing the risk of default. The Group establishes an allowance for doubtful receivables that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

12 Trade and other receivables (continued)

(b) The ageing of loans and receivables at the reporting date is: (continued)

Expected credit loss assessment for trade and other receivables

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade and other receivables as at 31 December:

	Expected loss rate %	Gross carrying amount US$'000	Lifetime ECL US$'000
2020			
Not past due	–	4,159,861	–
Past due 1 – 60 days	1.19	48,301	(585)
Past due 61 – 180 days	18.94	2,087	(395)
More than 180 days	40.05	3,038	(1,216)
		4,213,287	(2,196)
2019			
Not past due	–	3,195,115	–
Past due 1 – 60 days	0.68 – 6.68	159,318	(4,033)
Past due 61 – 180 days	9.36 – 34.00	31,762	(8,070)
More than 180 days	13.96 – 100.00	25,233	(13,381)
		3,411,428	(25,484)

Expected loss rates are based on actual loss experience over the past 12 months. These rates are adjusted to reflect differences between economic conditions during the year over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The non-trade amounts due from subsidiaries, associates, joint ventures, immediate holding company and an investee entity are amounts lent to satisfy the counterparties' short term funding requirements. Impairment on these balances has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposures. The amount of the allowance on these balances is insignificant.

(c) The movement in allowances for impairment losses in respect of trade and other receivables during the year is as follows:

	Group US$'000
At 1 January 2020	25,484
Recognition of impairment losses	12,449
Impairment loss utilised	(53)
Acquisition of subsidiaries	126
Disposal of subsidiaries	(35,018)
Effect of movements in exchange rates	(792)
At 31 December 2020	2,196

12 Trade and other receivables (continued)

(c) The movement in allowances for impairment losses in respect of trade and other receivables during the year is as follows: (continued)

	Group US$'000
At 1 January 2019 per SFRS(I) 9	14,298
Recognition of impairment losses	12,175
Written off	(624)
Effect of movements in exchange rates	(365)
At 31 December 2019	25,484

13 Finance lease receivables

During the year ended 31 December 2019, the Group leases vehicles and equipment to non-related parties under finance leases. The agreement expires between 2018 and 2023, and the non-related parties have options to extend these leases at the prevailing market rates.

	Group	
	2020 US$'000	2019 US$'000
Gross receivables due:		
- Not later than one year	–	160,241
- Later than one year but within five years	–	17,229
	–	177,470
Less: Unearned finance income	–	(3,563)
Less: Impairment losses on finance lease receivables	–	(22,444)
Net investment in finance leases	–	151,463

The net investment in finance leases is analyzed as follows:

	Group	
	2020 US$'000	2019 US$'000
Not later than one year (Note 12)	–	135,333
Later than one year but within five years (Note 11)	–	16,130
	–	151,463

14 Cash and cash equivalents

	Group		Company	
	2020	2019	2020	2019
	US$'000	US$'000	US$'000	US$'000
Fixed deposits	38,834	66,661	–	–
Cash at bank	1,382,783	926,577	37,314	3,237
Restricted cash deposits	–	10,936	–	–
	1,421,617	1,004,174	37,314	3,237

The effective interest rates relating to fixed deposits and certain cash at bank balances at the reporting date for the Group and Company ranged from 0.035% to 2.30% (2019: 1.10% to 4.12%) per annum and Nil% (2019: Nil) per annum respectively. Interest rates reprice at intervals of one to twelve months.

Restricted cash deposits represent bank balances of certain subsidiaries pledged as security for future investments.

15 Assets and liabilities classified as held for sale

	Group	
	2020	2019
	US$'000	US$'000
Assets classified as held for sale	1,571,031	1,451,482
Liabilities classified as held for sale	(329,501)	(757,400)
	1,241,530	694,082

As at 31 December 2020, the assets and liabilities classified as held for sale pertains to equity interest in Fundo de Investimento em Participacoes Camacari Multiestrategia and its subsidiaries (FIP IV) at 41.28%, equity interest in GLP Capital Partners IV LP at 69% , and Shanghai Lingang. The Group expects to syndicate these assets and liabilities within the next 12 months ending 31 December 2021. The assets and liabilities classified as held for sale were stated at fair value less costs to sell at the reporting date, determined based on the estimated syndication consideration.

In 2019, the Group syndicated 38.72% equity interest in Fundo de Investimento em Participacoes Camacari Multiestrategia and its subsidiaries (FIP IV). The Group ceased to control FIP IV and the remaining equity interests at 41.28% to be syndicated was classified as investment in joint venture within assets classified as held for sale. The Group equity accounts for only the results of the 20% equity interests in FIP IV that is retained and classified as joint venture.

As at 31 December 2019, the assets and liabilities classified as held for sale pertains to equity interest in FIP IV and equity interests in a group of investment property-holding entities in Europe, a portfolio of investment properties in US and a piece of land in China. The Group expects to syndicate these assets and liabilities within the next 12 months ending 31 December 2020. The assets and liabilities classified as held for sale were stated at fair value less costs to sell at the reporting date, determined based on the estimated syndication consideration.

16 Share capital, capital securities and capital management

(a) Share capital

	No. of shares	
	2020	**2019**
	'000	**'000**
Fully paid ordinary shares, with no par value:		
At 1 January, including treasury shares	4,165,477	4,240,446
Less: Share buy back	–	(74,969)
At 31 December, excluding treasury shares	4,165,477	4,165,477

The holders of ordinary shares (excluding treasury 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 (excluding treasury shares) rank equally with regard to the Company's residual assets.

During the year ended 31 December 2019, the Company buy back 74,969,000 ordinary shares held by the immediate holding company for a consideration of US$100,000,000.

(b) Capital management

The Group's objectives when managing capital are to build a strong capital base so as to sustain the future developments of its business and to maintain an optimal capital structure to maximize shareholders' value. The Group defines "capital" as including all components of equity.

The Group's capital structure is regularly reviewed. Adjustments are made to the capital structure in light of changes in economic conditions, regulatory requirements and business strategies affecting the Group.

The Group also monitors capital using a net debt to equity ratio, which is defined as net borrowings divided by total equity (including NCI).

	Group	
	2020	**2019**
	US$'000	**US$'000**
Gross borrowings (net of transaction costs)	13,343,827	11,173,306
Less: Cash and cash equivalents	(1,421,617)	(1,004,174)
Net debt	11,922,210	10,169,132
Total equity	21,604,658	18,409,322
Net debt to equity ratio	0.55	0.55

The Group seeks to strike a balance between the higher returns that might be possible with higher levels of borrowings and the liquidity and security afforded by a sound capital position.

Except for the requirement on the maintenance of statutory reserve fund by subsidiaries incorporated in the PRC, there were no externally imposed capital requirements.

17 Reserves

	Group		Company	
	2020	**2019**	**2020**	**2019**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Capital reserve	75,825	67,767	(20,064)	(20,064)
Hedging reserve	(15,925)	(13,893)	(6,048)	(4,741)
Fair value reserve	188,259	127,656	–	–
Revaluation reserve	4,456	2,188	–	–
Other reserve	(699,576)	(699,779)	–	–
Capital and other reserves	(446,961)	(516,061)	(26,112)	(24,805)
Currency translation reserve	164,464	(241,758)	–	–
Retained earnings	6,676,446	6,032,259	250,228	209,320
	6,393,949	5,274,440	224,116	184,515

Capital reserve comprises mainly capital contributions from shareholders, gains/losses in connection with changes in ownership interests in subsidiaries that do not result in loss of control and the Group's share of the statutory reserve of its PRC-incorporated subsidiaries. Subsidiaries incorporated in the PRC are required by the Foreign Enterprise Law to contribute and maintain a non-distributable statutory reserve fund whose utilization is subject to approval by the relevant PRC authorities. In accordance with the relevant PRC rules and regulations, and the articles of association of the subsidiaries incorporated in PRC, 10% of the retained earnings are to be transferred to statutory reserves prior to the distribution of dividends to shareholders. As at 31 December 2020, retained earnings include approximately US$17,689,000 (2019: US$49,530,000) to be transferred to statutory reserve fund before the distribution of dividends to shareholders.

Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

As at 31 December 2020, fair value reserve comprises the cumulative net change in the fair value of equity investments designated at FVOCI and are not transferred to profit or loss when derecognized or impaired.

The revaluation reserve relates to the revaluation of a building.

Other reserve comprises the pre-acquisition reserves of those common control entities that were acquired in connection with the Group reorganization which occurred immediately prior to the initial public offering of the Company.

Currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of foreign currency loans and bonds that hedge the Group's net investments in foreign operations.

18 Non-controlling interests

The following subsidiaries have NCI that are material to the Group:

Name of Company	Principal place of business	Ownership interest held by NCI	
		2020	2019
		%	%
Airport City Development Co., Ltd.	PRC	46.86	46.86
CLF Fund I, LP	PRC	69.88	69.88
CLF Fund II, LP	PRC	43.62	43.62
GLP China Holdings Limited	PRC	33.79	33.79

The following table summarizes the financial information of each of the Group's subsidiaries with material NCI, based on their respective (consolidated) financial statements prepared in accordance with IFRS. See Note 35 for details of the significant subsidiaries of the Group.

31 December 2020	ACL Group US$'000	CLF Fund I, LP US$'000	CLF Fund II, LP US$'000	China Holdco Group US$'000	Total US$'000
Results					
Revenue	78,104	187,007	44,475	1,149,124	
Profit for the year	23,335	191,207	154,731	1,253,456	
OCI	–	–	–	1,103,415	
Total comprehensive income	23,335	191,207	154,731	2,356,871	
Attributable to:					
- NCI	–	–	4,630	606,702	
- Owners of the Company	23,335	191,207	150,101	1,750,169	
Attributable to NCI:					
- Profit for the year	10,935	133,620	63,667	321,789	659,157
- OCI	34,638	106,472	39,865	269,593	571,975
- Total comprehensive income	45,573	240,092	103,532	591,382	1,231,132
Assets and liabilities					
Non-current assets	1,919,171	3,851,828	3,882,801	28,854,744	
Current assets	77,804	154,521	246,142	3,901,141	
Total assets	1,996,975	4,006,349	4,128,943	32,755,885	
Non-current liabilities	(695,796)	(1,531,366)	(762,244)	(9,869,272)	
Current liabilities	(143,715)	(87,780)	(613,171)	(5,326,852)	
Total liabilities	(839,511)	(1,619,146)	(1,375,415)	(15,196,124)	
NCI	–	–	(117,280)	(5,176,090)	
Net assets attributable to owners of the Company	1,157,464	2,387,203	2,636,248	12,383,671	
Net assets attributable to NCI	537,270	1,674,504	1,267,024	4,184,442	9,672,120

18 Non-controlling interests (continued)

31 December 2019	**ACL Group US$'000**	**CLF Fund I, LP US$'000**	**CLF Fund II, LP US$'000**	**China Holdco Group US$'000**	**Total US$'000**
Results					
Revenue	75,996	176,811	21,544	990,954	
Profit for the year	91,029	123,159	132,119	1,057,605	
OCI	(16,846)	(8,008)	(20,279)	(157,284)	
Total comprehensive income	74,183	115,151	111,840	900,321	
Attributable to:					
- NCI	–	–	224	194,270	
- Owners of the Company	74,183	115,151	111,616	706,051	
Attributable to NCI:					
- Profit for the year	42,657	71,175	58,248	274,124	599,595
- OCI	(7,894)	(11,583)	(9,336)	(35,549)	(87,927)
- Total comprehensive income	34,763	59,592	48,912	238,575	511,668
Assets and liabilities					
Non-current assets	1,781,182	3,373,772	2,198,459	25,013,650	
Current assets	54,674	132,809	210,117	2,396,480	
Total assets	1,835,856	3,506,581	2,408,576	27,410,130	
Non-current liabilities	(644,933)	(1,311,929)	(264,046)	(9,909,329)	
Current liabilities	(131,418)	(151,014)	(507,589)	(2,673,065)	
Total liabilities	(776,351)	(1,462,943)	(771,635)	(12,582,394)	
NCI	–	–	(74,889)	(3,762,461)	
Net assets attributable to owners of the Company	1,059,505	2,043,638	1,562,052	11,065,275	
Net assets attributable to NCI	491,697	1,434,412	757,002	3,738,956	7,596,293

19 Loans and borrowings

	Group		Company	
	2020	**2019**	**2020**	**2019**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Non-current liabilities				
Secured bank loans	4,548,415	2,652,528	–	–
Secured bonds	837,563	456,214	–	–
Unsecured bank loans	1,034,226	1,109,002	572,522	541,088
Unsecured bonds	3,437,743	5,119,185	1,943,606	1,742,635
	9,857,947	9,336,929	2,516,128	2,283,723
Current liabilities				
Secured bank loans	253,960	479,473	–	–
Secured bonds	2,458	43,946	–	–
Unsecured bank loans	796,097	1,303,875	262,000	604,124
Unsecured bonds	2,433,365	9,083	–	–
	3,485,880	1,836,377	262,000	604,124

(a) Secured and unsecured bank loans

The secured bank loans are secured by mortgages on the borrowing subsidiaries' investment properties with a carrying amount of US$14,376,108,000 (2019: US$12,380,863,000) (Note 4).

At the reporting date, the effective interest rates for bank borrowings for the Group and Company (taking into account the effects of interest rate swaps) ranged from 0.49% to 6.77% (2019: 0.27% to 6.50%) per annum and 0.6% to 2.58% (2019: 0.64% to 2.45%) per annum.

Maturity of bank loans:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Within 1 year	1,050,057	1,783,348	262,000	604,124
From 1 to 5 years	3,134,928	2,671,415	572,522	541,088
After 5 years	2,447,713	1,090,115	–	–
After 1 year	5,582,641	3,761,530	572,522	541,088
	6,632,698	5,544,878	834,522	1,145,212

Analysis of bank loans by geographic regions:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	US$'000	**US$'000**	**US$'000**	**US$'000**
PRC	5,569,673	4,360,031	–	–
Japan	93,251	29,503	–	–
USA	40,114	10,132	–	–
Europe	95,138	–	–	–
Singapore	834,522	1,145,212	834,522	1,145,212
	6,632,698	5,544,878	834,522	1,145,212

19 Loans and borrowings (continued)

(b) Secured bonds

The bonds issued by the Group are fully secured by investment properties with carrying amounts of US$1,415,198,000 (2019: US$835,045,000) (Note 4) owned by these subsidiaries.

The effective interest rates as at 31 December 2020 for secured bonds (taking into account the effects of interest rate swaps) ranged from 0.88% to 5.00% (2019: 0.42% to 5.00%) per annum.

Maturity of secured bonds:

	Group	
	2020	**2019**
	US$'000	**US$'000**
Within 1 year	2,458	43,946
From 1 to 5 years	52,422	39,520
After 5 years	785,141	416,694
After 1 year	837,563	456,214
	840,021	500,160

(c) Unsecured bonds

At the reporting date, the bonds issued by the Group and the Company bear fixed interest rates (taking into account the effects of interest rate swaps) ranging from 0.55% to 5.65% (2019: 1.24% to 5.70%) per annum.

Maturity of unsecured bonds:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Within 1 year	2,433,365	9,083	–	–
From 1 to 5 years	3,013,447	4,846,983	1,519,310	1,470,433
After 5 years	424,296	272,202	424,296	272,202
After 1 year	3,437,743	5,119,185	1,943,606	1,742,635
	5,871,108	5,128,268	1,943,606	1,742,635

19 Loans and borrowings (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities						Derivative liabilities held to hedge borrowings	
	Loans and borrowings	Loans from a joint venture	Loans from NCI	Loans from third parties	Lease liabilities	Interest payable	Financial derivative liabilities	Total
		(Note 22)	(Note 22)	(Note 22)	(Note 21 & 22)	(Note 22)	(Note 20)	
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2019	10,077,379	31,488	7,254	5,814	9,386	91,723	8,021	10,231,065
Changes from financing cash flows								
Proceeds from bank loans	4,247,431	–	–	–	–	–		4,247,431
Repayment of bank loans	(3,625,936)	–	–	–	–	–	–	(3,625,936)
Proceeds from issue of bonds, net of transaction costs	1,433,930	–	–	–	–	–	–	1,433,930
Redemption of bonds	(386,257)	–	–	–	–	–	–	(386,257)
Settlement of financial derivative liabilities	–	–	–	–	–	–	(3,143)	(3,143)
Interest paid	–	–	–	–	–	(427,018)	–	(427,018)
Repayments of loans from NCI	–	–	(421)	–	–	–	–	(421)
Repayment of loans from third party	–	–	–	(4,363)	–	–	–	(4,363)
Repayment of lease liabilities	–	–	–	–	(7,531)	–	–	(7,531)
Loans from a joint venture	–	26,494	–	–	–	–	–	26,494
Loans from NCI	–	–	8,992	–	–	–	–	8,992
Loans from third party	–	–	–	2,700	–	–	–	2,700
Total changes from financing cash flows	1,669,168	26,494	8,571	(1,663)	(7,531)	(427,018)	(3,143)	1,264,878
Changes arising from obtaining or losing control of subsidiaries or other business	131,960	–	–	–	–	–	–	131,960
Changes arising from assets and liabilities classified as held for sales	(690,110)	–	–	–	–	–	–	(690,110)
The effect of changes in foreign exchange rates	(38,181)	(32,385)	(9,061)	54	–	3,471	3,280	(72,822)
Change in fair value	–	–	–	–	–	–	3,116	3,116
Other changes								
Amortization of transaction costs of bonds and bank loans	23,090	–	–	–	–	–	–	23,090
New leases	–	–	–	–	61,810	–	–	61,810
Interest expense	–	–	–	–	2,672	445,347	–	448,019
Effective portion of changes in fair value of cash flow hedges	–	–	–	–		–	(6,510)	(6,510)
Other changes	23,090	–	–	–	64,482	445,347	(6,510)	526,409
Balance at 31 December 2019	11,173,306	25,597	6,764	4,205	66,337	113,523	4,764	11,394,496

19 Loans and borrowings (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

	Liabilities						Derivative liabilities held to hedge borrowings	
	Loans and borrowings	Loans from a joint venture	Loans from NCI	Loans from third parties	Lease liabilities	Interest payable	Financial derivative liabilities	Total
		(Note 22)	(Note 21 & 22)	(Note 22)	(Note 21 & 22)	(Note 22)	(Note 20)	
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2020	11,173,306	25,597	6,764	4,205	66,337	113,523	4,764	11,394,496
Changes from financing cash flows								
Proceeds from bank loans	8,650,579	–	–	–	–	–	–	8,650,579
Repayment of bank loans	(6,937,063)	–	–	–	–	–	–	(6,937,063)
Proceeds from issue of bonds, net of transaction costs	804,786	–	–	–	–	–	–	804,786
Redemption of bonds	(58,199)	–	–	–	–	–	–	(58,199)
Interest paid	–	–	–	–	–	(526,756)	–	(526,756)
Repayments of loans from NCI	–	–	(10,672)	–	–	–	–	(10,672)
Repayment of loans from third party	–	–	–	(3,990)	–	–	–	(3,990)
Repayment of loans from a joint venture	–	(59,639)	–					(59,639)
Repayment of lease liabilities	–	–	–	–	(13,632)	–	–	(13,632)
Loans from a joint venture	–	31,111	–	–	–	–	–	31,111
Loans from NCI	–	–	8,849	–	–	–	–	8,849
Total changes from financing cash flows	2,460,103	(28,528)	(1,823)	(3,990)	(13,632)	(526,756)	–	1,885,374
Changes arising from obtaining or losing control of subsidiaries or other business	(159,793)	5,527	7,839	486	3,951	(1,512)	–	(143,502)
Changes arising from assets and liabilities classified as held for sales	(751,344)	–	–	–	–	–	–	(751,344)
The effect of changes in foreign exchange rates	583,469	876	1,388	29	43,747	872	(137)	630,244
Change in fair value	–	–	–	–	–	–	–	–
Other changes								
Amortization of transaction costs of bonds and bank loans	38,086	–	–	–	–	–	–	38,086
New leases	–	–	–	–	1,576	–	–	1,576
Interest expense	–	–	–	–	3,796	538,102	–	541,898
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	–	–	1,421	1,421
Other changes	38,086	–	–	–	5,372	538,102	1,421	582,981
Balance at 31 December 2020	13,343,827	3,472	14,168	730	105,775	124,229	6,048	13,598,249

20 Financial derivative liabilities

Interest rate swaps are valued using valuation techniques with market observable inputs. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, interest rates and forward rate curves.

21 Other non-current liabilities

	Group		Company	
	2020	2019	2020	2019
	US$'000	US$'000	US$'000	US$'000
Security deposits received	192,345	185,084	–	–
Payables for acquisition of investment properties	–	105	–	–
Provision for reinstatement costs	844	892	100	100
Advance rental received	551	1,610	–	–
Lease liabilities	87,596	57,298	655	1,169
Loans from non-controlling interest	10,388	–	–	–
Employee bonus/incentive payable	6,364	29,407	–	–
Share-based payment liabilities (Note 23)	66,836	–	–	–
Deposits received for disposal of other investments	114,396	–	–	–
Others	73,839	–	8,959	–
	553,159	274,396	9,714	1,269

Lease liabilities relate to leases of property, plant and equipment (Note 8).

22 Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	US$'000	US$'000	US$'000	US$'000
Trade payables	17,823	13,727	–	–
Accrued development expenditure	702,810	510,578	–	–
Accrued operating expenses	183,676	134,802	18,587	11,965
Employee bonus/incentive payable	38,426	–	–	–
Advance rental received	41,458	42,150	–	–
Security deposits received	117,583	120,557	–	–
Amounts due to:			–	
- subsidiaries (non-trade)	–	–	1,197,400	592,492
- joint ventures and associates (trade)	1,592	1,244	–	–
- joint ventures and associates (non-trade)	2,553	2,219	–	–
- related companies (non-trade)	300,180	–	–	–
- NCI (trade)	3,358	3,018	–	–
- NCI (non-trade)	19,652	39,080	–	–
Balance carried forward	1,429,111	867,375	1,215,987	604,457

22 Trade and other payables (continued)

	Group		Company	
	2020	2019	2020	2019
	US$'000	US$'000	US$'000	US$'000
Balance brought forward	1,429,111	867,375	1,215,987	604,457
Loan from a joint venture (interest-bearing)	3,472	25,597	–	–
Loan from NCI (interest-bearing)	3,780	6,764	–	–
Loan from a third party (interest-bearing)	730	4,205	–	–
Interest payable	124,229	113,523	7,805	7,666
Consideration payable for acquisition of associate and subsidiaries	143,018	236,328	–	–
Consideration payable for acquisition of investment properties	8,950	8,371	–	–
Deposits received and accrued expenses for disposal of investment properties	58,909	55,098	–	–
Lease liabilities	18,179	9,039	532	514
Other payables	159,886	212,895	14,900	942
	1,950,264	1,539,195	1,239,224	613,579

The non-trade amounts due to subsidiaries, joint ventures and associates, related companies and NCI are unsecured, interest-free and are repayable on demand.

At the reporting date, the loans from joint venture, NCI and third party are unsecured and are repayable on demand. The interest-bearing loans from joint venture, NCI and third party bear fixed interests ranging from 3.00% to 6.08% (2019: 3.92% to 8.00%) per annum.

Lease liabilities relate to leases of property, plant and equipment (Note 8).

Other payables relate principally to retention sums, advance payments received and amounts payable in connection with capital expenditure incurred.

23 Equity compensation benefits

Co-invest Share Plan

The Group introduced the Co-Investment Share Plan (the "Co-invest Plan") in 2019 that provides eligible employee to indirectly co-invest in GLP's development projects. The shares issued under the Co-invest Plan have been accounted for as equity-settled share-based payment plan under SFRS(I) 2 *Share Based Payments*. The Co-invest shares are issued to participants in exchange for cash and at fair value on grant date. The fair value of each Co-invest share granted is derived from the fair value of the Group's identified development projects. Participants may drawdown on interest-bearing loans granted by the Group for up to 80% of the Co-invest shares purchased. Interest rate of the loans are set at the prevailing external borrowing rates. The Co-invest shares issued during the year of US$51,574,659 (2019: US$37,521,310) vest immediately upon issuance. Redemption of shares are initiated by the participants and subject to discretionary rights of the Group. The Co-invest shares issued during the year of US$51,574,659 (2019: US$37,521,310) vest immediately upon issuance. Redemption of shares are initiated by the participants and subject to discretionary rights of the Group. The shares are accounted for as equity-settled share-based payment plan under SFRS(I) 2 *Share Based Payments*. The fair value of the services received from this equity-settled share-based payment transactions at grant date is determined to be nil.

23 Equity compensation benefits (continued)

Global Share Plan

The Group introduced the Global Share Plan (the "Global Share Plan") in 2019 that provides eligible senior personnel and advisors of the Group the opportunity to participate in the value creation of the fund management business of the Group through the acquisition of Global Shares and align the economic interests of the senior personnel and advisors of the Group with those of the Company and its owners in growing the fund management business in a sustainable, profitable manner.

Two types of shares under the Global Share Plan, namely, Award Shares and Leveraged Shares were issued.

(a) Award Shares

Award Shares are converted from present or future compensation elected to be in lieu of by the participants at a defined purchase price. The length of the vesting period (i.e. immediately, 36 months or 120 months from the grant date) varies for different group of employees and it is solely at the discretionary of the Company. Vested Award Shares will generally be redeemed but subject to discretionary rights of the Group to adjust the percentage being purchased. Redeemed shares will be settled by cash with reference to the fair market value of the share at date of redemption. The shares are accounted for cash settled share-based plan under SFRS(I) 2 *Share Based Payments*.

Fair value of the liability at grant date is recognized either over the vesting period or immediately should no future services be required. Remeasurements during the vesting period are recognized immediately to the extent that they relate to past services, and over the remaining vesting period to the extent relating to future services. Re-measurement adjustments are accounted such that recognized liability at each reporting date equals a defined proportion of total fair value of the liability. Proportion to be recognized is calculated by dividing the period for which services have been provided as at the reporting date by the total vesting period. Re-measurement effects are recognized in profit or loss.

Fair market value of the share was determined from valuation of fund management business calculated using a combination of income approach and market approach.

The following table illustrates the number and fair value of, and movement of Award shares during the year:

	Fix cost per share US$	Number of shares
At 1 January 2019		–
Granted during the year	1,080	26,246
True-ups	NA	7,334
At 31 December 2019		33,580
Fair value of the Award share at reporting date		US$1,984
Redeemable at the end of the year		Nil

23 Equity compensation benefits (continued)

Global Share Plan (continued)

(a) Award shares (continued)

	Fixed cost per share US$	Number
At 1 January 2020		33,580
Granted during the year	1,080 – 1,984	113,128
Forfeited during the year	1,080	(249)
True-ups	NA	102,084
At the end of the year		248,543
Fair value of the Award share at reporting date		US$3,128
Redeemable at the end of the year		835

	Group	
	2020 US$'000	2019 US$'000
Total share-based payment expense recognised as staff costs/Total carrying amount of share-based payment liabilities	66,836	–

(b) Leveraged shares

Leveraged shares are issued to participants in exchange for cash and at fair value on grant date. The fair value of each Leveraged Share granted is derived from the fair value of the Group's fund management business. Participants may drawdown on interest-bearing loans granted by the Group to purchase the Leverage Shares. Interest rate of the loans are set at the prevailing external borrowing rates. The shares vest immediately upon issuance. Redemption of shares are initiated by the participants and subject to discretionary rights of the Group. The shares are accounted for as equity-settled share-based payment plan under SFRS(I) 2 *Share Based Payments*. The fair value of the services received from this equity-settled share-based payment transactions at grant date is determined to be nil.

The following table illustrates the number and fair value of, and movement of Leveraged shares during the year:

	Fair value per share US$	Number of shares
At 1 January 2019		–
Granted during the year	1,255	45,160
At 31 December 2019	1,984	45,160
Redeemable at the end of the year		45,160
At 1 January 2020		45,160
Granted during the year	1,255 – 1,984	124,867
Forfeited during the year	1,255	(316)
At the end of the year	3,128	169,711
Redeemable at the end of the year		169,711

24 Revenue

	Group	
	2020	**2019**
	US$'000	**US$'000**
Revenue recognized over time:		
- Rental and related income	1,002,940	924,524
- Fund management fee	523,555	447,430
- Non-fund management fee	8,569	–
- Financial services	13,607	27,063
Revenue recognized at point in time:		
- Dividend income from other investments	10,977	19,959
- Financial services	109,107	22,860
- Others	29,569	9,766
	1,698,324	1,451,602

25 Other income

	Group	
	2020	**2019**
	US$'000	**US$'000**
Changes in fair value of quoted and unquoted equity investments at FVTPL	155,069	152,899
Gain on disposal of investment in associates and financial assets	8,647	–
Government grant	29,351	20,014
Investment income	3,762	6,762
Utility income	377	3,348
Others	7,295	3,613
	204,501	186,636

26 Net finance costs

	Group	
	2020	**2019**
	US$'000	**US$'000**
Interest income on:		
- fixed deposits and cash at bank	6,311	10,769
- loans to NCI	531	289
- loans to associate and joint ventures	30,630	19,463
- loans to employees	2,250	53
- loans to third parties	11,435	17,155
	51,157	47,729

26 Net finance costs (continued)

	Note	Group 2020 US$'000	Group 2019 US$'000
Amortization of transaction costs of bonds and bank loans		(38,086)	(23,090)
Interest expenses on:			
- Financial liabilities measured at amortized costs		(532,617)	(443,449)
- loans from immediate holding company		(20)	–
- loans from NCI		(1,122)	(604)
- loans from associates and joint ventures		(1,031)	(976)
- loans from related corporations		(1,354)	–
- third parties		(21)	(319)
- lease liabilities		(3,796)	(2,672)
- others		(1,937)	–
Total borrowing costs		(579,984)	(471,110)
Less: Borrowing costs capitalized in investment properties	4	15,898	9,860
Net borrowing costs		(564,086)	(461,250)
Foreign exchange gain/(loss)		185,122	(54,704)
Changes in fair value of financial derivatives		–	(3,116)
Net finance costs recognized in profit or loss		(327,807)	(471,341)

27 Profit before tax

The following items have been included in arriving at profit before tax:

	Group 2020 US$'000	Group 2019 US$'000
(a) Non-operating income		
Gain on disposal of subsidiaries	322,772	60,761
Gain on disposal of associates and joint venture	5,293	262,648
Loss on acquisition of subsidiaries	–	(2,998)
Loss on liquidation of subsidiaries	(115)	(36,578)
Gain on disposal of investment properties	10,506	66,469
Loss on disposal of property, plant and equipment	(1,033)	(352)
Gain on disposal of assets and liabilities classified as held for sale	121,516	58,669
Others	656	18,220
	459,595	426,839

27 Profit before tax (continued)

	Group	
	2020	**2019**
	US$'000	**US$'000**
(b) Staff costs included in other expenses		
Share-based payment expenses (Note 23)	(66,836)	–
Wages and salaries (excluding contributions to defined contribution plans)	(208,408)	(181,630)
Contributions to defined contribution plans	(7,095)	(8,528)
(c) Other expenses include:		
Amortization of intangible assets and deferred management costs	(7,145)	(18,281)
Property, plant and equipment written off	(14)	(3,283)
Lease expenses (short-term lease)	(4,127)	(6,961)
(d) Other information		
Operating expenses arising from investment properties that generate rental income	(455,910)	(254,666)

28 Tax expense

	Group	
	2020	**2019**
	US$'000	**US$'000**
Current tax		
Current year	171,423	221,643
Withholding tax on foreign-sourced income	155,450	41,036
Under provision of prior years' tax	1,309	1,077
	328,182	263,756
Deferred tax		
Origination and reversal of temporary differences	255,784	394,386
	583,966	658,142

28 Tax expense (continued)

	Group	
	2020	**2019**
	US$'000	**US$'000**
Reconciliation of expected to actual tax		
Profit before tax	2,183,708	2,514,054
Less: Share of results of associates and joint ventures	(405,189)	(426,571)
Profit before share of results of associates and joint ventures and tax expense	1,778,519	2,087,483
Tax expense using Singapore tax rate of 17% (2019: 17%)	302,348	354,872
Effect of tax rates in foreign jurisdictions	94,266	199,814
Net income not subjected to tax	(170,190)	(30,941)
Non-deductible expenses	131,504	70,320
Deferred tax assets not recognized	66,429	47,716
Recognition of previously unrecognized tax losses	(8,170)	(12,443)
Withholding tax on foreign-sourced income	155,805	41,036
Under provision of prior years' tax	1,309	1,077
Others	10,665	(13,309)
	583,966	658,142

29 Notes to the statement of cash flows – Acquisition and disposal

(A) Acquisition of subsidiaries

The Group acquires subsidiaries that own real estate and the primary reason for the Group's acquisitions is to expand its portfolio of investment properties in different geographical locations. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. Typically, the Group assesses the acquisition as a purchase of business when the strategic management function and the associated processes were purchased along with the underlying properties.

(i) Business combination during the year ended 31 December 2020

On 8 July 2020, the Group acquired 100% equity interests in a central and eastern Europe logistics property platform from a third party (the "Europe Acquisition"), which is principally involved in the provision of logistics facilities and related services. The Group has accounted for the acquisition as a business combination as the acquired inputs (comprising built assets and landbanks), substantive processes and organized workforce under the Europe Acquisition contributed to the creation of outputs.

In connection with the Europe Acquisition, the Group acquired 47 individual entities, of which 28 were held with a view for resale. In line with the Group's acquisition plan, the majority of built assets and related liabilities acquired were accounted as assets/liabilities held for sale whilst other assets (mostly the under development and landbanks) were retained.

29 Notes to the statement of cash flows – Acquisition and disposal (continued)

(A) Acquisition of subsidiaries (continued)

(i) Business combination during the year ended 31 December 2020 (continued)

On 29 September 2020, the assets and liabilities held for sale were disposed into a newly incorporated fund, Europe Income Fund II ("EIP II") and correspondingly, the goodwill allocated to the assets were transferred to EIP II, of which US$65,791,000 was written off (see Note29(C)(i)).

On 29 September 2020, the Group syndicated 73.4% of its equity interest in EIP II and ceased to control the entity. Of the remaining 26.6% equity interest in EIP II retained by the, 16.5% of the equity interest was initially classified as held for sale and subsequently syndicated before the reporting date and 10.1% equity interest was recognized as investment in associate.

From 8 July 2020 to 31 December 2020, the platform contributed revenue of US$17,486,000 and profit after tax of US$2,542,000 to the Group's results. If the acquisition had occurred on 1 January 2020, management estimates that consolidated revenue and consolidated profit after tax for the year would have been US$1,750,783,000 and US$1,611,678,000 respectively.

The Group completed the purchase price allocation exercise with the assistance of an external professional advisor to determine the fair values assigned to the subsidiaries' identifiable assets and liabilities acquired during the financial year pursuant to the requirements of SFRS(I) 3: *Business Combinations*. Significant management judgement was involved in determining the fair value of these identifiable assets and liabilities based on acceptable valuation procedures and practices that rely on the use of numerous reasonable assumptions.

The list of subsidiaries acquired and accounted as business combinations during the year ended 31 December 2020 is as follows:

Name of subsidiaries	Date acquired	Equity interest acquired %
GELF FizPartner (Poland) sp. z o.o. Goodman Coral Logistics sp.k. [1]	July 2020	100
GELF FizPartner (Poland) sp. z o.o. Goodman Albertic Logistics sp.k. [1]	July 2020	100
GELF FizPartner (Poland) sp. z o.o. Goodman Jazzberry Logistics sp.k. [1]	July 2020	100
GELF FizPartner (Poland) sp. z.o.o. Goodman Bone Logistics sp.k.	July 2020	100
GELF FizPartner (Poland) sp. z o.o. Goodman Jasmine Logistics sp.k. [1]	July 2020	100
GELF FizPartner (Poland) sp. z o.o. Grodzisk Logistics 2 sp k. [1]	July 2020	100
GELF FizPartner (Poland) sp. z o.o. Goodman Adonia Logistics sp.k.[1]	July 2020	100

29 Notes to the statement of cash flows – Acquisition and disposal (continued)

(A) Acquisition of subsidiaries (continued)

(i) Business combination during the year ended 31 December 2020 (continued)

Name of subsidiaries	Date acquired	Equity interest acquired
Goodman Poland sp. z o.o.	July 2020	100
Goodman Czech Republic s r.o.	July 2020	100
Goodman Slovakia s.r.o.	July 2020	100
Goodman Hungary Ingatlankezelő Kft.	July 2020	100
Goodman Poseidon Logistics (Poland) sp. z o.o.	July 2020	100
Goodman Lotus Logistics (Poland) sp. z o.o.	July 2020	100
Goodman Calcite Logistics (Poland) sp. z o.o. [1]	July 2020	100
Goodman Blossom Logistics (Poland) sp. z o.o. [1]	July 2020	100
Goodman Felis Logistics (Poland) sp. z o.o. [1]	July 2020	100
Goodman Morganite Logistics (Poland) sp. z o.o. [1]	July 2020	100
Goodman Ulysse Logistics (Poland) sp. z o.o. [1]	July 2020	100
Goodman Hemera Logistics (Poland) sp. z o.o. [1]	July 2020	100
Goodman Andromeda Logistics (Poland) sp. z o.o. [1]	July 2020	100
Goodman Merengue Logistics (Poland) sp. z o.o.	July 2020	100
Goodman Meteorite Logistics (Poland) sp. z o.o.	July 2020	100
Goodman Thalassa Logistics (Poland) sp. z o.o.	July 2020	100
Goodman Bachata Logistics (Poland) sp. z o.o.	July 2020	100
Goodman Persiphone Logistics (Poland) sp. z o.o. [1]	July 2020	100
Goodman Blacktorn Logistics (Poland) sp. z o.o.	July 2020	100
Goodman Purple Logistics (Poland) sp. z o.o. [1]	July 2020	100
Goodman Delta Logistics (Poland) sp. z o.o.	July 2020	100
KCI Czech, s.r.o. [1]	July 2020	100
Goodman Lilac Logistics (Czech Republic) s.r.o. [1]	July 2020	100
Goodman Lime Logistics (Czech Republic) s.r.o. [1]	July 2020	100
Goodman Lava Logistics (Czech Republic) s.r.o. [1]	July 2020	100
FSX Czech, s.r.o.	July 2020	100
Metropol Development s.r.o.	July 2020	100
Goodman Kosice Logistics (Slovakia) s.r.o. [1]	July 2020	100
Goodman Senec 1 Logistics (Slovakia) s.r.o. [1]	July 2020	100
Goodman Senec 2 Logistics (Slovakia) s.r.o. [1]	July 2020	100
Goodman Senec 3 Logistics (Slovakia) s.r.o. [1]	July 2020	100
Goodman Senec 4 Logistics (Slovakia) s.r.o. [1]	July 2020	100
Goodman Senec 5 Logistics (Slovakia) s.r.o. [1]	July 2020	100
Goodman Senec 6 Logistics (Slovakia) s.r.o. [1]	July 2020	100
Goodman Senec 7 Logistics (Slovakia) s.r.o. [1]	July 2020	100

29 Notes to the statement of cash flows – Acquisition and disposal (continued)

(A) Acquisition of subsidiaries (continued)

(i) Business combination during the year ended 31 December 2020 (continued)

Name of subsidiaries	Date acquired	Equity interest acquired
Goodman Senec 7 Logistics (Slovakia) s.r.o. [1]	July 2020	100
Agate Kft.	July 2020	100
Goodman Blue Logistics (Hungary) Kft	July 2020	100
Goodman SpacePlus (Slovakia) s r.o.	July 2020	100
Goodman Shelter Logistics (Poland) sp.z.o.o.	July 2020	100

[1]Entities acquired with a view to resale and hence were classified as held for sale.

(a) Acquisition-related costs

The Group incurred acquisition related costs of approximately US$7,075,000, which have been included within other expenses.

(b) Identifiable assets acquired and liabilities

	Recognized values on acquisition US$'000
Investment properties	1,058,764
Plant and equipment	994
Trade and other receivables	25,482
Cash and cash equivalents	22,261
Trade and other payables	(30,856)
Other assets#	37,678
Deferred tax liabilities	(73,053)
Other non-current liabilities#	(37,678)
Net assets acquired	1,003,592
Goodwill on acquisition of subsidiaries	123,326
Total purchase consideration	(1,126,918)

#An indemnification asset of US$25,187,000 was recognized in corresponding to an equivalent amount of contingent liabilities related to tax related obligations of the seller.

29 Notes to the statement of cash flows – Acquisition and disposal (continued)

(A) Acquisition of subsidiaries (continued)

(i) Business combination during the year ended 31 December 2020 (continued)

(b) Identifiable assets acquired and liabilities

The goodwill is mainly attributable to the acquired workforce and its ability to generate future income the synergies expected to be achieved from integrating the acquired business activities into the Group's existing business activities.

(c) Fair values measurement

The fair values of identifiable assets acquired and liabilities assumed have been determined based on the finalized purchase price allocation ("PPA").

Investment properties

The valuation techniques used for measuring the fair value of investment properties were as follows:

- *Income capitalization* – The income capitalization method values completed investment properties and capitalizes an income stream into a present value using single-year capitalization rates, the income stream used is adjusted to market rentals currently being achieved within comparable investment properties and recent leasing transactions achieved within the investment property.
- *Residual* – The residual method values properties under development and land held for development by reference to their development potential which involves deducting the estimated development costs to complete construction and developer's profit from the gross development value to arrive at the residual value of the property. The gross development value is the estimated value of the property assuming satisfactory completion of the development as at the date of valuation. The estimated cost to complete is determined based on the construction cost per square meter in the pertinent area.

Other investments

The fair value of quoted equity securities is determined by reference to their quoted closing bid price in an active market. The fair value of other unquoted equity securities is determined using the respective net asset values of the investee entities as the assets held by the underlying investee entities comprise mainly investment properties which are carried at fair value.

Acquired receivables

The fair value of trade and other receivables, after taking into account the expected credit losses, is US$25,482,000.

29 Notes to the statement of cash flows – Acquisition and disposal (continued)

(A) Acquisition of subsidiaries (continued)

(ii) Acquisitions of subsidiaries during the year ended 31 December 2020

As mentioned in Note 3.1 (i), when an acquisition of an asset or group of assets does not constitute a business combination, it is treated as property acquisition.

The list of subsidiaries acquired during the year ended 31 December 2020 is as follows:

Name of subsidiaries	Date acquired	Equity interest acquired %
Shanghai Lingang GLP International Logistics Development	January 2020	70
Hangzhou Yunchu Technology Co., Ltd.	January 2020	100
Shanghai Jiangao Logistics Co., Ltd.	March 2020	100
Jiangsu Kangbo Supply Chain Management Co., Ltd.	March 2020	90
Tompkins International, LLC	April 2020	66
Dalian Global Freezer Zhangzi Island Cold Chain Logistic Co., Ltd.	May 2020	75
Suzhou Industrial Park Chuangpu Asset Management Co.,Ltd.	June 2020	70
Shanghai Tongjiang Management Co., Ltd.	July 2020	100
Suzhou Industrial Zone Pushuo Logistic Facilities	August 2020	50
Shanghai Jiangkai Technology Co., Ltd	September 2020	100
Green Peak Tech Co., Limited	December 2020	100
HK Daily Products Limited	December 2020	94
Beijing Huayuan Yingdu Real Estate Development Co., Ltd	December 2020	100
Shanghai G2link Internet Technology Co., Ltd	December 2020	30
Atlântico PARTICIPACOES LTDA	September 2020	100

(a) Acquisition-related costs

The total related acquisition costs for the above-mentioned subsidiaries amounted to US$732,911,000.

29 Notes to the statement of cash flows – Acquisition and disposal A

(A) Acquisition of subsidiaries (continued)

(ii) Acquisitions of subsidiaries during the year ended 31 December 2020

Effects of acquisitions

The cash flow and the net assets of subsidiaries acquired during the year ended 31 December 2020 are provided below:

	Recognized values on acquisition US$'000
Investment properties	1,084,873
Plant and equipment	121,524
Intangible assets	14,495
Trade and other receivables	26,537
Deferred tax assets	255
Other investment	1,134
Other assets	347
Cash and cash equivalents	72,939
Trade and other payables	(138,068)
Loans and borrowings	(144,093)
Other non-current liabilities	(5,329)
Current tax liabilities	(1,605)
Deferred tax liabilities	(135,517)
NCI	(183,240)
Net assets acquired	714,252
Goodwill on acquisition of subsidiaries	52,823
Negative goodwill on acquisition of subsidiaries	(81)
Total purchase consideration	(766,994)
Carrying amount of equity interest held previously	314,003
Satisfied in deposits paid in prior year	83,133
Purchase consideration payable	37,080
Purchase consideration satisfied in cash	(332,778)
Cash of subsidiaries acquired	72,939
Purchase consideration satisfied in cash in relation to subsidiaries acquired in prior year	(73,975)
Cash outflow on acquisition of subsidiaries	(333,814)

29 Notes to the statement of cash flows – Acquisition and disposal (continued)

(A) Acquisition of subsidiaries (continued)

(ii) Acquisitions of subsidiaries during the year ended 31 December 2020

Effects of acquisitions

From the dates of acquisitions to 31 December 2020, the above-mentioned acquisitions contributed net profit after tax of US$45,758,000 to the Group's results for the period, before accounting for financing costs attributable to the acquisitions. If the acquisitions had occurred on 1 January 2020, management estimates that consolidated revenue would have been US$1,778,382,000 and consolidated profit after tax for the year would have been US$1,634,585,000.

(iii) Effect of business combination and acquisition of assets on cash flows of the Group for year ended 31 December 2020

	Business combination US$'000	Acquisition of assets US$'000	Total US$'000
31 December 2020			
Purchase consideration satisfied in cash	(1,126,918)	(332,778)	(1,459,696)
Cash of subsidiaries acquired	22,261	72,939	95,200
Purchase consideration satisfied in cash in relation to subsidiaries acquired in prior year	-	(73,975)	(73,975)
Cash outflow on acquisition of subsidiaries	(1,104,657)	(333,814)	(1,438,471)

(iv) Acquisitions of subsidiaries during the year ended 31 December 2019

The list of subsidiaries acquired during the period ended 31 December 2019 is as follows:

Name of subsidiaries	Date acquired	Equity interest acquired %
Chongqing Minzhao Internet of Things Technology Co., Ltd.	March 2019	95
Jinan Buffalo Supply Chain Management Co., Ltd.	March 2019	85
Shanghai Aolun Industry Co., Ltd.	March 2019	100
Guofu Huijin (Tianjin) Investment Management LLP	April 2019	100
Huai'an Pufu Technology Development Co., Ltd.	June 2019	100
Nan'an Civil and Commercial Internet of Things Technology Development Co., Ltd.	June 2019	95
Shanghai Fuhe Industrial Development Co., Ltd.	June 2019	70
Beijing Zongheng Qiyun Information Technology Co., Ltd.	June 2019	100

29 Notes to the statement of cash flows – Acquisition and disposal (continued)

(A) Acquisition of subsidiaries (continued)

(iv) Acquisitions of subsidiaries during the year ended 31 December 2019

Name of subsidiaries	Date acquired	Equity interest acquired
Guangzhou G7 Logistics Co., Ltd.	July 2019	100
Dongguan Fumanduo Food Co., Ltd.	August 2019	100
Minshang (Hefei) Internet of Things Technology Development Co., Ltd.	September 2019	90
Shaoxing Pujian Science & Technology Industrial Development Co., Ltd.	September 2019	51
Sayamahidaka One Logistic TMK	September 2019	100
Sayamahidaka Two Logistic TMK	September 2019	100
Zama Logistic TMK	September 2019	100
Kashiwa Two Logistic TMK	September 2019	100
Minshang (Ganjiang New Zone) Internet of Things Technology Development Co., Ltd.	November 2019	95
Shanghai Zhongji Yangshan Container Services Co., Ltd.	November 2019	100
Chengdu Times Noah Ark Education Software Co., Ltd.	November 2019	100
Chengdu Times Noah Ark Information Technology Co., Ltd.	November 2019	100
Chengdu Chenggong Xinye Industrial Co., Ltd.	November 2019	73
Guangzhou Zhengongfu Supply Chain Co., Ltd.	November 2019	70
Qingyun Tuopu (Shanghai) Development Co., Ltd.	December 2019	95
Shenzhen Dekai Vehicle Electronic Co., Ltd.	December 2019	100
Hangzhou Xinheng Corporate Management Co., Ltd.	December 2019	95
Hangzhou Xinke Corporate Management Co., Ltd.	December 2019	95
Zhengzhou Haoxiangni Warehousing & Logistics Co., Ltd.	December 2019	51
Zhonghang Cloud Data (Shenzhen) Co., Ltd.	December 2019	100
SCI Compans	December 2019	100
AMBLAINVILLE	December 2019	100
Mönchegladbach 1	December 2019	100
Mönchegladbach 2	December 2019	100

29 Notes to the statement of cash flows – Acquisition and disposal (continued)

(A) Acquisition of subsidiaries (continued)

(iv) Acquisitions of subsidiaries during the year ended 31 December 2019

(a) Acquisition-related costs

The total related acquisition costs for the above-mentioned subsidiaries amounted to US$1,046,195,000.

(b) Identifiable assets acquired and liabilities assumed

The net assets of subsidiaries acquired during the year ended 31 December 2019 are provided below:

	Recognized values on acquisition US$'000
Investment properties	1,161,699
Plant and equipment	54,060
Interests in associates	211,379
Trade and other receivables	33,369
Cash and cash equivalents	56,377
Trade and other payables	(134,392)
Loans and borrowings	(156,342)
Other non-current liabilities	(30,529)
Deferred tax liabilities	(2,987)
NCI	(149,437)
Net assets acquired	1,043,197
Loss on acquisition of subsidiaries	2,998
Total purchase consideration	(1,046,195)
Purchase consideration payable	168,015
Purchase consideration satisfied in cash	(878,180)
Cash of subsidiaries acquired	56,377
Purchase consideration satisfied in cash in relation to subsidiaries acquired in prior year	(150,114)
Cash outflow on acquisition of subsidiaries	(971,917)

From the dates of acquisitions to 31 December 2019, the above-mentioned acquisitions contributed net profit after tax of US$15,649,000 to the Group's results for the period, before accounting for financing costs attributable to the acquisitions. If the acquisitions had occurred on 1 January 2019, management estimates that consolidated revenue would have been US$1,471,375,000 and consolidated profit after tax for the year would have been US$1,850,317,000.

29 Notes to the statement of cash flows – Acquisition and disposal (continued)

(B) Disposal of subsidiaries

(i) Disposal of subsidiaries during the year ended 31 December 2020

(a) The list of subsidiaries disposed during the year ended 31 December 2020 is as follows:

Name of subsidiaries	Date disposed	Equity interest disposed 2020 %
Wuxi Pulanfeng New Energy Co., Ltd.	March 2020	100
GLP Hangzhou Logistics Development Co.Ltd.	July 2020	100
GLP (Qingdao) Airport International Logistics Development Co.Ltd.	September 2020	100
GLP Chongqing Development Co.Ltd.	June 2020	100
Wuxi GLP Logistics Development Co., Ltd.	June 2020	100
Tianjin Pushi Logistics Facilities Co., Ltd.	June 2020	100
Tianjin Puqing Logistics Park Co.Ltd.	July 2020	100
GLP(Ningbo Beilun) Warehousing Co.Ltd.	June 2020	100
GLP Jiashan Pujia Logistics Co.Ltd.	July 2020	100
Jiangsu Beisheng Technology Co.Ltd.	March 2020	100
Kunshan Puxing Logistics Dev Co.Ltd	July 2020	100
GLP(Hangzhou) Warehousing Co.Ltd	July 2020	100
Langfang GLP Warehousing Co., Ltd.	July 2020	100
GLP Tianjin Pujia Logistics Facilities Co. Ltd.	July 2020	100
GLP Changzhou High-tech District Logistics Facilities Co., Ltd	June 2020	100
Tianjin Puya Logistics Facilities Co., Ltd.	July 2020	100
GLP Puxin Xi'an Warehousing Service Co., Ltd.	June 2020	100
GLP Wuhan Huangpi Logistics Facilities Co., Ltd.	June 2020	100
GLP Hefei Hi-Tech Logistics Facilities Co., Ltd	June 2020	100
GLP Wuhan Puxia Logistics facilities Co., Ltd.	June 2020	100

29 Notes to the statement of cash flows – Acquisition and disposal (continued)

(B) Disposal of subsidiaries (continued)

(i) Disposal of subsidiaries during the year ended 31 December 2020 (continued)

(a) The list of subsidiaries disposed during the year ended 31 December 2020 is as follows: (continued)

Name of subsidiaries	Date disposed	Equity interest disposed 2020 %
GLP Pukai Xi An Warehousing Service Co., Ltd.	June 2020	100
GLP Changsha Puxia Logistics Facilities Co., Ltd.	June 2020	100
GLP Kunshan Pushi Logistics Facilities Co., Ltd.	May 2020	100
GLP Zhuozhou Logistics Facilities Co., Ltd.	July 2020	100
Hangzhou Linpu Logistics Facilities Co., Ltd.	July 2020	100
Dongguan Ever Profit Logistics Co., Ltd.	May 2020	100
Vailog (Kunshan) Storage Co., Ltd.	June 2020	100
Tianjin Puling Warehousing Service Co.,Ltd.	June 2020	100
Shenyang Puling Warehousing Services Co., Ltd	June 2020	100
Xi'an Kapu Logistics Facilities Co., Ltd.	May 2020	96
Suzhou Industric Park Pushang Logistics Facilities Co., Ltd.	Sept 2020	100
Guangzhou Pufu Warehousing Service Co., Ltd.	May 2020	80
Sanhui Food Logistic (Tianjin) Co., Ltd.	May 2020	90
Global Logistic Properties (ChengDu) Warehousing Faciliti	June 2020	100
GLP Feidong Logistics Facilties Co. Ltd	June 2020	100
GLP Kunshan Pujiang Logistics Facilities Co. Ltd	June 2020	100
Suzhou Yuhang Logistics Co., Ltd.	June 2020	100
CLH 38 (HK) Limited	September 2020	100
Foshan Pudan Warehousing Services Co., Ltd	May 2020	100
GLP China Financing Holding Limited	June 2020	100
Tompkins International LLC	December 2020	100
CLH 12(HK) Limited	December 2020	100
GLP Golden Lincoln A Partners, LP	December 2020	100
GLP Nantong NSIP Logistics Facilities Co., Ltd	December 2020	100
Buffalo (Jinan) Warehousing Co., Ltd	December 2020	100

29 Notes to the statement of cash flows – Acquisition and disposal (continued)

(B) Disposal of subsidiaries (continued)

(i) Disposal of subsidiaries during the year ended 31 December 2020 (continued)

(b) Effects of disposals

The cash flow and the net assets of subsidiaries disposed during the year ended 31 December 2020 are provided below:

	Recognized values on disposal 2020 US$'000
Investment properties	2,428,724
Plant and equipment	85,611
Interests in associates	352,379
Intangible assets	30,441
Trade and other receivables	663,243
Deferred tax assets	9,671
Other investments	241,258
Other assets	15,705
Cash and cash equivalents	416,851
Trade and other payables	(775,167)
Loans and borrowings	(303,887)
Other non-current liabilities	(6,644)
Current tax liabilities	(1,688)
Deferred tax liabilities	(304,950)
NCI	(60,745)
Net assets acquired	2,790,802
Gain on disposal of subsidiaries[1]	381,420
Disposal consideration	3,172,222
Disposal consideration receivables	(292,233)
Non-cash settlement	(430,440)
Cash of subsidiaries disposed	(416,851)
Sales consideration satisfied in cash in relation to subsidiaries disposed in prior year	227,419
Cash inflow on disposal of subsidiaries	2,260,117

From 1 January 2020 to the dates of disposal, the above-mentioned subsidiaries contributed US$210,113,000 and US$46,804,000 to the Group's revenue and net profit after tax for the period ended 31 December 2020 respectively.

[1] Including realization of fair value gains amounting to US$58,648,000 which was reclassified from capital reserve to retained earnings.

29 Notes to the statement of cash flows – Acquisition and disposal (continued)

(B) Disposal of subsidiaries (continued)

(ii) Disposal of subsidiaries during the year ended 31 December 2019 (continued)

(a) The list of subsidiaries disposed during the period ended 31 December 2019 is as follows:

Name of subsidiaries	Date disposed	Equity interest disposed 2019 %
JDP III CO-INVEST II TMK	January 2019	100
JDP III CO-INVEST TMK	January 2019	100
Gazeley Project Guadalajara S.L.	January 2019	100
Gazeley Project Illescas S.L.	January 2019	100
Gazeley Project Valls S.L.	January 2019	100
Kitamoto Logistic TMK	March 2019	100
Soja Logistic TMK	March 2019	100
Gazeley Bremen South S.a.r.l.	June 2019	100
Gazeley Moers S.a r.l.	June 2019	100
Gazeley Castrop S.a r.l.	June 2019	100
Weilun Storage Services Co., Ltd.	August 2019	100
Gazeley Kaiserslautern S.a r.l.	October 2019	100
GLP Nanjing Jiangning Development Co., Ltd.	October 2019	100
GLP Suzhou Puping Logistics Facilities Co., Ltd.	November 2019	100
GLP Tangshan Logistics Facilities Co., Ltd.	December 2019	100
Chongqing Pujia Logistics Facilities Co., Ltd.	December 2019	100
Suzhou Industrial Park Pushang Bofeng New Energy Co., Ltd.	December 2019	100
Shanghai Puyi New Energy Co., Ltd.	December 2019	100
Suzhou Industrial Park Pufeng New Energy Co., Ltd.	December 2019	100
Beijing Pushun New Energy Co., Ltd.	December 2019	100

29 Notes to the statement of cash flows – Acquisition and disposal (continued)

(B) Disposal of subsidiaries (continued)

(ii) Disposal of subsidiaries during the year ended 31 December 2019 (continued)

(b) Effects of disposals

The cash flow and the net assets of subsidiaries disposed during the year ended 31 December 2019 are provided below:

	Recognized values on disposal 2019 US$'000
Investment properties	356,443
Deferred tax assets	939
Plant and equipment	12,623
Trade and other receivables	16,028
Cash and cash equivalents	34,901
Other assets	244
Trade and other payables	(66,269)
Loans and borrowings	(24,382)
Current tax payable	(412)
Deferred tax liabilities	(40,530)
Net assets disposed	289,585
Gain on disposal of subsidiaries	38,333
Disposal consideration	327,918
Disposal consideration receivables	(222,780)
Cash of subsidiaries disposed	(34,901)
Sales consideration satisfied in cash in relation to subsidiaries disposed in prior year	418,243
Cash inflow on disposal of subsidiaries	488,480

From 1 January 2019 to the dates of disposal, the above-mentioned subsidiaries contributed US$12,729,000 and US$6,931,000 to the Group's revenue and net profit after tax for the period ended 31 December 2019 respectively.

29 Notes to the statement of cash flows – Acquisition and disposal (continued)

(C) Assets and liabilities classified as held for sale

(i) Disposal of assets and liabilities classified as held for sale during the year ended 31 December 2020

During the year ended 31 December 2020, the Group completed the syndication of EIP II, a portfolio of investment properties in US and a piece of land in China.

Effects of disposals

	Recognized values on disposal 2020 US$'000
Investment properties	2,738,512
Intangible assets	65,791
Plant and equipment	120
Trade and other receivables	58,560
Cash and cash equivalents	99,876
Other assets	19,709
Deferred tax assets	6,920
Loans and borrowings	(1,331,038)
Other non-current liabilities	(317)
Trade and other payables	(73,187)
Current tax payable	(621)
Deferred tax liabilities	(92,008)
Non-controlling interests	(9,254)
Net assets disposed	1,483,063
Equity interest retained as investment in joint venture	(104,980)
Gain on disposal of assets and liabilities classified as held for sale	121,516
Disposal consideration	1,499,599
Disposal consideration receivables	(358,488)
Non-cash settlement	66,264
Cash of subsidiaries disposed	(99,876)
Cash inflow on disposals of assets and liabilities classified as held for sale	1,107,499

29 Notes to the statement of cash flows – Acquisition and disposal (continued)

(C) Assets and liabilities classified as held for sale (continued)

(ii) *Disposal of assets and liabilities classified as held for sale during the year ended 31 December 2019*

During the year ended 31 December 2019, the Group completed the syndication of Shiodome (Fourteen) Logistic Pte. Ltd. and its subsidiaries, and 38.72% equity interest in FIP IV to third party investors.

Effects of disposals

	Recognized values on disposal 2019 US$'000
Investment properties	658,374
Trade and other receivables	4,946
Cash and cash equivalents	4,381
Other assets	9,946
Loans and borrowings	(363,146)
Other non-current liabilities	(33,952)
Trade and other payables	(27,233)
Current tax payable	(371)
Net assets disposed	252,945
Equity interest retained as investment in joint venture	(62,505)
Gain on disposal of assets and liabilities classified as held for sale	58,669
Cash of subsidiaries disposed	(4,381)
Cash inflow on disposals of assets and liabilities classified as held for sale	244,728

30 Operating segments

The Group has five reportable geographical segments, representing its operations in the PRC, Japan, USA, Brazil and Europe, which are managed separately due to the different geographical locations. The Group also has two reportable business segments, representing its real estate business and financial services business. The Group's CODM review internal management reports on these segments on a quarterly basis, at a minimum, for strategic decisions making, performance assessment and resources allocation purposes.

Performance of each reportable segment is measured based on segment revenue and segment earnings before net interest expense, tax expense, and excluding changes in fair value of investment properties held by subsidiaries, associates and joint ventures (net of tax) ("EBIT excluding revaluation"). EBIT excluding revaluation is used to measure performance as management believes that such information is the most relevant in evaluating the results of these segments relative to other entities that operate within the logistics industry. Segment assets and liabilities are presented net of inter-segment balances. Monetized fair value gains ("MFV") is a performance indicator for the Group's real estate business. It is used to measure the earnings realized upon the sale of an asset, and is calculated based on the difference between the selling price and the historical cost of the asset.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. There are no transactions between reportable segments.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

30 Operating segments (continued)

Information regarding the Group's reportable geographical segments is presented in the tables below.

Information about reportable geographical segments

	PRC		Japan		USA		Brazil		Europe		Others		Total	
Group	**2020 US$'000**	**2019 US$'000**	**2020 US$'000**	**2019 US$'000**	**2020 US$'000**	**2019 US$'000**	**2020 US$'000**	**2019 US$'000**	**2020 US$'000**	**2019 US$'000**	**2020 US$'000**	**2019 US$'000**	**2020 US$'000**	**2019 US$'000**
Continuing operations														
Revenue and expenses														
External revenue	1,140,908	983,799	434,697	166,561	38,918	256,996	10,717	10,904	73,084	33,342	–	–	1,698,324	1,451,602
Changes in fair value of investment properties held by subsidiaries	532,835	1,081,831	27,447	30,025	24,412	14,752	56,068	10,542	15,013	56,493	–	–	655,775	1,193,643
Share of changes in fair value of investment properties (net of tax) held by associates and joint ventures	30,210	53,545	123,554	237,170	–	6,132	74,653	36,106	23,327	13,341	–	–	251,744	346,294
Net finance (costs)/income	(138,707)	(370,161)	(324)	(9,078)	(8,854)	(8,379)	3,502	(12,309)	(11,517)	(74)	(171,907)	(71,340)	(327,807)	(471,341)
Tax expense	(537,986)	(464,893)	(17,134)	(21,742)	(7,811)	(153,946)	(20,302)	(5,291)	520	(11,375)	(1,253)	(895)	(583,966)	(658,142)
Profit/(Loss) after tax	1,294,543	1,096,850	397,045	526,054	29,234	306,638	160,302	62,141	63,882	31,684	(345,264)	(167,455)	1,599,742	1,855,912
Monetized fair value gains/(losses)	780,033	244,040	658,315	406,026	60,331	686,363	26,154	(382)	57,532	–	–	–	1,582,365	1,336,047
Profit attributable to:														
- Owners of the Company ("PATMI")	671,618	576,378	392,509	526,054	29,243	237,139	149,713	53,293	63,882	31,684	(366,380)	(168,231)	940,585	1,256,317
- NCI	622,925	520,472	4,536	–	(9)	69,500	10,589	8,848	–	–	21,116	775	659,157	599,595
PATMI excluding revaluation	505,963	152,644	242,880	260,360	9,957	220,285	38,055	10,229	29,784	(18,378)	(366,380)	(170,255)	460,259	454,885

30 Operating segments (continued)

Information about reportable geographical segments (continued)

	PRC		Japan		USA		Brazil		Europe		Others		Total	
Group	**2020 US$'000**	**2019 US$'000**	**2020 US$'000**	**2019 US$'000**	**2020 US$'000**	**2019 US$'000**	**2020 US$'000**	**2019 US$'000**	**2020 US$'000**	**2019 US$'000**	**2020 US$'000**	**2019 US$'000**	**2020 US$'000**	**2019 US$'000**
Assets and liabilities														
Investment properties	21,380,459	20,656,664	265,831	150,638	174,413	55,388	103,272	43,872	514,454	369,058	–	–	22,438,429	21,275,620
Associates and joint ventures	3,890,765	2,036,433	935,370	1,136,909	–	–	558,944	673,812	448,847	264,912	310,643	307,665	6,144,569	4,419,731
Other segment assets	7,450,357	4,690,951	777,848	636,418	509,013	903,157	150,105	80,008	272,266	607,589	2,661,554	1,981,956	11,821,143	8,900,079
Reportable segment assets	32,721,581	27,384,048	1,979,049	1,923,965	683,426	958,545	812,321	797,692	1,235,567	1,241,559	2,972,197	2,289,621	40,404,141	34,595,430
Loans and borrowings	(10,246,348)	(8,190,560)	(154,364)	(57,147)	(40,114)	(10,133)	(29,735)	(27,619)	(95,138)	–	(2,778,128)	(2,887,847)	(13,343,827)	(11,173,306)
Other segment liabilities	(4,877,417)	(3,837,709)	(202,611)	(206,922)	(12,433)	(501,601)	(40,422)	(29,231)	(119,496)	(344,503)	(203,277)	(92,836)	(5,455,656)	(5,012,802)
Reportable segment liabilities	(15,123,765)	(12,028,269)	(356,975)	(264,069)	(52,547)	(511,734)	(70,157)	(56,850)	(214,634)	(344,503)	(2,981,405)	(2,980,683)	(18,799,483)	(16,186,108)
Other information														
Depreciation and amortization	(24,353)	(14,386)	(7,512)	(4,821)	(233)	(1,992)	(1,080)	(356)	(5,255)	(4,240)	(2,341)	(15,999)	(40,774)	(41,794)
Interest income	41,455	40,412	143	14	39	2,928	873	247	31	2	8,616	4,126	51,157	47,729
NCI's share of EBITDA excluding revaluation[1]	615,962	360,230	–	–	–	–	–	–	–	–	–	–	615,962	360,230
Capital expenditure[2]	1,384,419	1,656,239	235,502	69,173	95,165	270,333	24,896	18,701	213,615	256,820	1,715	5,423	1,955,312	2,276,689

Notes:

1 EBITDA refers to EBIT excluding depreciation and amortization.

2 Capital expenditure includes acquisition, borrowing costs and development expenditure of investment properties and acquisition of property, plant and equipment.

30 Operating segments (continued)

Information about reportable business segments (continued)

	Real estate		Financial services		Total	
Group	**2020 US$'000**	**2019 US$'000**	**2020 US$'000**	**2019 US$'000**	**2020 US$'000**	**2019 US$'000**
Continuing operations						
Revenue and expenses						
External revenue	1,575,180	1,401,197	123,144	50,405	1,698,324	1,451,602
Operating expenses and cost of goods sold	(455,910)	(254,666)	(114,806)	(25,849)	(570,716)	(280,515)
Net finance (costs)/income	(328,832)	(475,559)	1,025	4,218	(327,807)	(471,341)
Tax (expense)/credits	(585,739)	(660,042)	1,773	1,900	(583,966)	(658,142)
Profit/(Loss) after tax	1,616,607	1,864,220	(16,865)	(8,308)	1,599,742	1,855,912

31 Financial risk management

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. Further quantitative disclosures are included throughout these financial statements.

(a) Risk management framework

The Group adopts the risk management policies and guidelines of the ultimate holding entity, GLP Holdings, L.P., 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.

(b) Credit risk

Credit risk is the risk of financial loss resulting from the failure of a customer or counterparty to meet its contractual obligations. 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. In respect of trade receivables, the Group has guidelines governing the process of granting credit and outstanding balances are monitored on an ongoing basis. Concentration of credit risk relating to trade receivables is limited due to the Group's many varied customers. These customers are engaged in a wide spectrum of activities and operate in a variety of markets.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Trade and other receivables (non-current and current)	5,080,301	3,666,485	3,491,017	3,105,253
Cash and cash equivalents	1,421,617	1,004,174	37,314	3,237
	6,501,918	4,670,659	3,528,331	3,108,490

31 Financial risk management (continued)

(b) Credit risk (continued)

Exposure to credit risk (continued)

The maximum exposure to credit risk for financial assets at the reporting date by geographic region is as follows:

	Group		Company	
	2020	2019	2020	2019
	US$'000	US$'000	US$'000	US$'000
PRC	3,376,542	2,368,091	–	–
Japan	293,836	218,497	–	–
Singapore	2,516,061	1,846,460	3,528,331	3,108,490
US	106,767	158,305	–	–
Europe	138,310	55,858	–	–
Others	70,402	23,448	–	–
	6,501,918	4,670,659	3,528,331	3,108,490

Expected credit loss assessment for cash and cash equivalents

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short-term maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on external credit ratings of the counterparties and low credit risks exposures. The amount of ECL on cash and cash equivalents was negligible.

Expected credit loss assessment for employee loans, amounts due from associates, joint ventures and related corporation

Management assessed the credit loss associated with the employee loans and amounts due from associates, joint ventures and related corporation to be insignificant. The analysis performed assessed the probability of default and calculated ECLs across the portfolio. The view taken by management is that these are immaterial and there is no impairment issue for the year ended 31 December 2020.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. The Group maintains a level of cash and cash equivalents deemed adequate by management to meet the Group's working capital requirement. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position.

As far as possible, the Group will raise medium and long-term funding from both capital markets and financial institutions and prudently balance its portfolio with some short-term funding so as to achieve overall cost effectiveness.

31 Financial risk management (continued)

(c) Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

Group	Carrying amount US$'000	Contractual cash flows US$'000	Cash flows: Within 1 year US$'000	Cash flows: From 1 to 5 years US$'000	Cash flows: After 5 years US$'000
31 December 2020					
Non-derivative financial liabilities					
Bank loans	6,632,698	7,727,626	1,170,121	3,790,407	2,767,098
Bonds	6,711,129	7,680,892	2,644,699	3,539,238	1,496,955
Trade and other payables[1]	2,461,414	2,479,267	2,007,178	435,972	36,117
	15,805,241	17,887,785	5,821,998	7,765,617	4,300,170
Derivative financial liabilities					
Interest rate swaps (net-settled)	6,048	7,449	1,873	5,576	–
	15,811,289	17,895,234	5,823,871	7,771,193	4,300,170
31 December 2019					
Non-derivative financial liabilities					
Bank loans	5,544,878	6,373,140	1,926,396	2,745,605	1,701,139
Bonds	5,628,428	6,715,015	306,994	4,468,449	1,939,572
Trade and other payables[1]	1,769,831	1,788,595	1,536,821	210,629	41,145
	12,943,137	14,876,750	3,770,211	7,424,683	3,681,856
Derivative financial liabilities					
Interest rate swaps (net-settled)	4,764	8,396	1,777	6,091	528
	12,947,901	14,885,146	3,771,988	7,430,774	3,682,384
Company					
31 December 2020					
Non-derivative financial liabilities					
Bank loans	834,522	874,559	269,151	605,408	–
Bonds	1,943,606	2,228,786	61,153	1,714,913	452,720
Trade and other payables	1,248,938	1,248,938	1,239,224	9,714	–
	4,027,066	4,352,283	1,569,528	2,330,035	452,720
Derivative financial liabilities					
Interest rate swaps (net-settled)	6,048	7,449	1,873	5,576	–
	4,033,114	4,359,732	1,571,401	2,335,611	452,720
31 December 2019					
Non-derivative financial liabilities					
Bank loans	1,145,212	1,191,847	610,906	163,375	417,566
Bonds	1,742,635	2,062,631	58,628	694,438	1,309,565
Trade and other payables	614,848	614,848	613,579	1,269	–
	3,502,695	3,869,326	1,283,113	859,082	1,727,131
Derivative financial liabilities					
Interest rate swaps (net-settled)	4,741	8,373	1,777	6,068	528
	3,507,436	3,877,699	1,284,890	865,150	1,727,659

Note:

[1] Excludes advance rental received.

31 Financial risk management (continued)

(d) 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. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Group operates mainly in the PRC, Japan, USA, Brazil and Europe. Other than the respective functional currency of the Group's subsidiaries, the foreign currency which the Group has exposure to at the reporting date is the US Dollar.

The Group maintains a natural hedge, wherever possible, by borrowing in the currency of the country in which the investment is located. Foreign exchange exposures in transactional currencies other than the functional currencies of the operating entities are kept to an acceptable level.

The Group also monitors any surplus cash held in currencies other than the functional currency of the respective companies and uses sensitivity analysis to measure the foreign exchange risk exposure. Where necessary, the Group will use foreign exchange contracts to hedge and minimize net foreign exchange risk exposures. In relation to its overseas investments in foreign subsidiaries whose net assets are exposed to currency translation risk and which are held for long-term investment purposes, the differences arising from such translation are captured under the foreign currency translation reserve. These translation differences are reviewed and monitored on a regular basis.

31 Financial risk management (continued)

(d) Market risk (continued)

Currency risk (continued)

The Group's and Company's exposures to foreign currencies (financial assets and liabilities not denominated in the respective entities' functional currencies) as at 31 December 2020 and 31 December 2019 are as follows:

Group	United States Dollar US$'000	Japanese Yen US$'000	Singapore Dollar US$'000	Hong Kong Dollar US$'000	Chinese Renminbi US$'000	Euros US$'000	Pound Sterling US$'000	Polish Zloty US$'000
31 December 2020								
Financial assets								
Cash and cash equivalents	104,051	77	90	7,571	2	23,582	40,328	10,162
Trade and other receivables	40,262	12,228	5,250	9	6,938	241,092	75,634	3,961
Unquoted equity investments - FVTPL	623,105	536	–	48,605	–	15	–	–
	767,418	12,841	5,340	56,185	6,940	264,689	115,962	14,123
Financial liabilities								
Bank loans	(1,831,531)	(572,522)	–	(942,160)	–	(39,302)	(55,836)	–
Bonds	(500,000)	(424,296)	–	–	–	(528,599)	–	–
Trade and other payables	(7,383)	(730,827)	(532)	–	–	(347,473)	(244,266)	(10,324)
	(2,338,914)	(1,727,645)	(532)	(942,160)	–	(915,374)	(300,102)	(10,324)
Net financial (liabilities)/assets								
Add: Loans/Bonds designated for net investment hedge	–	1,021,010	–	–	–	368,790	–	–
Currency exposure of net financial (liabilities)/assets	(1,571,496)	(693,794)	4,808	(885,975)	6,940	(281,895)	(184,140)	3,799

31 Financial risk management (continued)

(d) Market risk (continued)

Currency risk (continued)

Group	United States Dollar US$'000	Japanese Yen US$'000	Singapore Dollar US$'000	Hong Kong Dollar US$'000	Chinese Renminbi US$'000	Euros US$'000	Pound Sterling US$'000	Polish Zloty US$'000
31 December 2019								
Financial assets								
Cash and cash equivalents	135,390	91	1,338	39,054	–	1,640	3,073	2,864
Trade and other receivables	40,262	8,480	4,953	–	6,489	105,299	86,925	2,608
Unquoted equity investments - FVTPL	428,175	696	–	–	–	–	–	–
	603,827	9,267	6,291	39,054	6,489	106,939	89,998	5,472
Financial liabilities								
Bank loans	(448,479)	(541,088)	–	(1,608,685)	–	(296,580)	–	–
Bonds	(500,000)	(272,202)	–	–	–	(481,600)	–	–
Trade and other payables	(511,875)	(447,498)	(514)	–	–	(2,097)	(264,760)	(11,250)
	(1,460,354)	(1,260,788)	(514)	(1,608,685)	–	(780,277)	(264,760)	(11,250)
Net financial (liabilities)/assets	(856,527)	(1,251,521)	5,777	(1,569,631)	6,489	(673,338)	(174,762)	(5,778)
Add: Loans/Bonds designated for net investment hedge	–	826,830	–	–	–	280,000	–	–
Currency exposure of net financial (liabilities)/assets	(856,527)	(424,691)	5,777	(1,569,631)	6,489	(393,338)	(174,762)	(5,778)

31 Financial risk management (continued)

(d) Market risk (continued)

Currency risk (continued)

Company	Japanese Yen US$'000	Singapore Dollar US$'000	Chinese Renminbi US$'000	Euros US$'000	Pound Sterling US$'000
31 December 2020					
Financial assets					
Cash and cash equivalents	77	64	2	13	1
Trade and other receivables	12,228	5,250	6,938	238,538	69,506
	12,305	5,314	6,940	238,551	69,507
Financial liabilities					
Bank loans	(572,522)	–	–	–	–
Bonds	(424,296)	–	–	(528,599)	–
Trade and other payables	(730,827)	(532)	–	(62,258)	–
	(1,727,645)	(532)	–	(590,857)	–
Net financial (liabilities)/assets					
Currency exposure of net financial (liabilities)/ assets	(1,715,340)	4,782	6,940	(352,306)	69,507
31 December 2019					
Financial assets					
Cash and cash equivalents	22	279	1	1	97
Trade and other receivables	8,480	4,953	6,489	102,334	80,074
	8,502	5,232	6,490	102,335	80,171
Financial liabilities					
Bank loans	(541,088)	–	–	(295,124)	–
Bonds	(272,202)	–	–	(481,600)	–
Trade and other payables	(447,498)	(514)	–	(2,092)	–
	(1,260,788)	(514)	–	(778,816)	–
Net financial (liabilities)/assets	(1,252,286)	4,718	6,490	(676,481)	80,171
Currency exposure of net financial (liabilities)/ assets	(1,252,286)	4,718	6,490	(676,481)	80,171

Sensitivity analysis

A 10% strengthening of foreign currency against the respective functional currencies of the subsidiaries at the reporting date would have increased/(decreased) profit before tax by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

31 Financial risk management (continued)

(d) Market risk (continued)

Currency risk (continued)

Sensitivity analysis (continued)

	Group		Company	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
US Dollar[1]	(157,150)	(85,653)	–	–
Japanese Yen[2]	(69,379)	(42,469)	(171,534)	(125,229)
Singapore Dollar[2]	481	578	478	472
Hong Kong Dollar[2]	(88,598)	(156,963)	–	–
Chinese Renminbi[2]	694	649	694	649
Euros[2]	(28,190)	(39,334)	(35,231)	(67,648)
Sterling Pound[2]	(18,414)	(17,476)	6,951	8,017
Polish Zloty[2]	380	(578)	–	–

Notes:
1 As compared to functional currency of Renminbi.
2 As compared to functional currency of US Dollar.

A 10% weakening of foreign currency against the respective functional currencies of the subsidiaries at the reporting date would have the 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

The Group's interest rate risk arises primarily from the interest-earning financial assets and interest-bearing financial liabilities.

The Group manages its interest rate exposure by maintaining a mix of fixed and variable rate borrowings. Where necessary, the Group hedges a portion of its interest rate exposure within the short to medium term by using interest rate derivatives.

The Group classifies these interest rate swaps as cash flow hedges which were effective during the year.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts.

The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

31 Financial risk management (continued)

(d) Market risk (continued)

Interest rate risk (continued)

In these hedging relationships, the main sources of ineffectiveness are:
- the effect of the counterparty and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
- differences in repricing dates between the swaps and the borrowings.

At the reporting date, the interest rate profile of interest-bearing financial liabilities (after taking into account the effects of the interest rate swaps) are as follows:

	Group		Company	
	Carrying amount US$'000	Principal/ notional amount US$'000	Carrying amount US$'000	Principal/ notional amount US$'000
31 December 2020				
Fixed rate instruments				
Loans and borrowings	7,454,802	7,488,284	2,778,128	2,811,609
Payables	93,033	93,033	–	–
	7,547,835	7,581,317	2,778,128	2,811,609
Variable rate instruments				
Loans and borrowings	5,889,025	5,849,839	–	–
31 December 2019				
Fixed rate instruments				
Loans and borrowings	6,746,020	6,770,735	2,887,846	2,912,554
Payables	105,690	105,690	–	–
	6,851,710	6,876,425	2,887,846	2,912,554
Variable rate instruments				
Loans and borrowings	4,427,286	4,427,559	–	–

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition in some jurisdictions that the Group operates in. The Group hedged items and hedging instruments continue to be indexed to London Inter-bank Offered Rate ("LIBOR") and Tokyo Inter-bank Offered Rate ("TIBOR").

31 Financial risk management (continued)

(d) Market risk (continued)

Interest rate risk (continued)

As a result of these uncertainties, significant judgement is involved in determining certain hedge accounting relationships that hedge the variability of interest rate risk due to expected changes in IBORs continue to qualify for hedge accounting as at 31 December 2020. IBORs continue to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. The Group believes the current market structure supports the continuation of hedge accounting as at 31 December 2020. The Group applies the amendments to SFRS(I) 9 issued in December 2020 to those hedging relationships directly affected by IBOR reform.

At 31 December 2020, the Group has interest rate swaps classified as cash flow hedges with notional contractual amount of JPY60,000 million (2019: JPY63,010 million) which pay fixed interest rates ranging from 0.23% to 0.36% (2019: 0.23% to 0.42%) per annum and receive variable rates ranging equal to JPY TIBOR (2019: JPY LIBOR and JPY TIBOR) on the notional amount.

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 the profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit before tax and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group		Company	
	100 bp Increase US$'000	100 bp Decrease US$'000	100 bp Increase US$'000	100 bp Decrease US$'000
31 December 2020				
Loans and borrowings	(58,890)	58,890	–	–
31 December 2019				
Loans and borrowings	(44,276)	44,276	–	–

Other market price risk

Equity price risk arises from quoted equity investment designated at FVOCI or mandatorily at FVTPL held by the Group. Management of the Group monitors the equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Group's Investment Committee.

31 Financial risk management (continued)

(d) Market risk (continued)

Interest rate risk (continued)

An increase/(decrease) in 5% of the equity price of quoted equity investments held by the Group at the reporting date would have increased/(decreased) fair value reserve by US$34 million (2019: US$40 million) and profit or loss by US$2.5 million (2019: US$Nil). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

31 Financial risk management (continued)

(e) Hedge accounting

At 31 December 2020, the Group and the Company held the following instruments to hedge exposures to changes in interest rates and foreign currency.

	Carrying Amount			Changes in fair value used for calculating hedge effectiveness				
Group	**Notional amount '000**	**Assets/ (Liabilities) US$'000**	**Financial Statement line item**	**Hedging instrument US$'000**	**Hedged item US$'000**	**Hedge ineffectiveness recognized in profit or loss US$'000**	**Hedge rate**	**Year of maturity**
Cash flow hedges								
Interest rate risk								
- Interest rate swaps to hedge floating rate borrowings	JPY 60,000,000	(6,048)	Financial derivative liabilities	(1,307)	1,307	–	0.23% - 0.36%	2022 - 2025
Net investment hedges								
Foreign exchange risk								
- Borrowings to hedge net investment in foreign operations	US$1,389,800 equivalent	(1,389,800)	Loans and borrowings	(78,329)	78,329	–	–	2023 - 2029
Company								
Cash flow hedges								
Interest rate risk								
- Interest rate swaps to hedge floating rate borrowings	JPY 60,000,000	(6,048)	Financial derivative liabilities	(1,307)	1,307	–	0.23% - 0.36%	2022 - 2025

31 Financial risk management (continued)

(e) Hedge accounting (continued)

At 31 December 2019, the Group and the Company held the following instruments to hedge exposures to changes in interest rates and foreign currency.

	Carrying Amount			Changes in fair value used for calculating hedge effectiveness				
Group	**Notional amount '000**	**Assets/ (Liabilities) US$'000**	**Financial Statement line item**	**Hedging instrument US$'000**	**Hedged item US$'000**	**Hedge ineffectiveness recognized in profit or loss US$'000**	**Hedge rate**	**Year of maturity**
Cash flow hedges								
Interest rate risk								
- Interest rate swaps to hedge floating rate borrowings	JPY 63,009,956	(4,764)	Financial derivative liabilities	3,126	(3,126)	–	0.23% - 0.42%	2020 - 2025
Net investment hedges								
Foreign exchange risk								
- Borrowings to hedge net investment in foreign operations	US$1,106,830 equivalent	(1,106,830)	Loans and borrowings	5,676	(5,676)	–	–	2023 - 2027
Company								
Cash flow hedges								
Interest rate risk								
- Interest rate swaps to hedge floating rate borrowings	JPY 60,000,000	(4,741)	Financial derivative liabilities	(518)	518	–	0.23% - 0.36%	2022 - 2025

31 Financial risk management (continued)

(e) Hedge accounting (continued)

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting.

Group	**Hedging reserve US$'000**
Balance at 1 January 2019	17,930
Cash flow hedges	
Change in fair value:	
- Interest rate risk	(3,126)
Others	(911)
Balance at 31 December 2019	13,893
Balance at 1 January 2020	13,893
Cash flow hedges	
Change in fair value:	
- Interest rate risk	1,421
Others	611
Balance at 31 December 2020	15,925
Company	
Balance at 1 January 2019	4,223
Cash flow hedges	
Change in fair value:	
- Interest rate risk	518
Balance at 31 December 2019	4,741
Balance at 1 January 2020	4,741
Cash flow hedges	
Change in fair value:	
- Interest rate risk	1,307
Balance at 31 December 2020	6,048

Net investment hedge

A foreign currency exposure arises from the Group's net investment in its subsidiaries in Europe and Japan that has a EUR and JPY functional currency respectively. The risk arises from the fluctuation in spot exchange rates between the EUR, JPY and the US$, which causes the amount of the net investment to vary.

The hedged risk in the net investment hedges are the risk of a weakening EUR and JPY against the US$ that will result in a reduction in the carrying amount of the Group's net investment in its subsidiaries in Europe and Japan.

31 Financial risk management (continued)

(e) Hedge accounting (continued)

Net investment hedge (continued)

Part of the Group's net investment in its subsidiaries in Europe and Japan are hedged through the use of JPY and EUR denominated borrowings. As at the reporting date, the carrying amount of these JPY and EUR denominated borrowings was US$1,389,800,000 (2019: US$1,106,830,000) and the fair value of the borrowings was US$1,415,040,000 (2019: US$1,123,151,000). The net investment hedges were effective during the year. The Group's investments in other subsidiaries are not hedged.

To assess hedge effectiveness, the Group determines the economic relationship between the hedging instrument and the hedged item by comparing changes in the carrying amount of the debt that is attributable to a change in the spot rate with changes in the investment in the foreign operation due to movements in the spot rate (the offset method). The Group's policy is to hedge the net investment only to the extent of the debt principal.

(f) Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's and Company's statement of financial position; or
- are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the statement of financial position.

Financial instruments such as trade receivables and trade payables are not disclosed in the tables below unless they are offset in the statement of financial position.

The Group's derivative transactions that are not transacted on an exchange are entered into under International Swaps and Derivatives Association (ISDA) Master Netting Agreements. In general, under such agreements, the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount being payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions.

The above ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties. In addition, the Group and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

31 Financial risk management (continued)

(f) Offsetting financial assets and financial liabilities (continued)

Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangements

	Gross amounts of recognized financial assets/ (liabilities) US$'000	Gross amounts of recognized financial assets/ (liabilities) offset in the statement of financial position US$'000	Net amounts of financial assets/ (liabilities) presented in the statement of financial position US$'000	Related amounts not offset in the statement of financial position US$'000	Net amount US$'000
Group					
31 December 2020					
Financial liabilities					
Interest rate swaps	(6,048)	–	(6,048)	–	(6,048)
	(6,048)	–	(6,048)	–	(6,048)
31 December 2019					
Financial liabilities					
Interest rate swaps	(4,764)	–	(4,764)	–	(4,764)
	(4,764)	–	(4,764)	–	(4,764)
Company					
31 December 2020					
Financial liabilities					
Interest rate swaps	(6,048)	–	(6,048)	–	(6,048)
	(6,048)	–	(6,048)	–	(6,048)
31 December 2019					
Financial liabilities					
Interest rate swaps	(4,741)	–	(4,741)	–	(4,741)
	(4,741)	–	(4,741)	–	(4,741)

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statement of financial position that are disclosed in the above tables are measured in the statement of financial position at fair value.

32 Fair value of financial assets and liabilities

(a) Accounting classifications and fair values

The carrying amounts and fair values of financial assets and 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 approximation of fair value.

		Carrying amount						Fair value			
Group	**Note**	**Fair value – hedging instruments US$'000**	**Amortized cost US$'000**	**Equity instrument - Mandatorily at FVTPL US$'000**	**FVOCI – equity instruments US$'000**	**Other financial liabilities US$'000**	**Total carrying amount US$'000**	**Level 1 US$'000**	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
31 December 2020											
Equity investments – at FVOCI	10	–	–	–	892,343	–	892,343	685,788	–	206,655	892,443
Equity investment – mandatorily at FVTPL	10	–	–	1,706,444	–	–	1,706,444	–	–	1,706,444	1,706,444
Other non-current assets[1]	11	–	1,251,955	–	–	–	1,251,955				
Trade and other receivables[2]	12	–	3,838,301	–	–	–	3,838,301				
Cash and cash equivalents	14	–	1,421,617	–	–	–	1,421,617				
		–	6,511,873	1,706,444	892,343	–	9,110,660				
Secured bank loans	19	–	–	–	–	(4,802,375)	(4,802,375)	–	(4,802,375)	–	(4,802,375)
Secured bonds	19	–	–	–	–	(840,021)	(840,021)	–	(840,021)	–	(840,021)
Unsecured bank loans	19	–	–	–	–	(1,830,323)	(1,830,323)	–	(1,848,365)	–	(1,848,365)
Unsecured bonds	19	–	–	–	–	(5,871,108)	(5,871,108)	–	(6,029,845)	–	(6,029,845)
Interest rate swaps	20	(6,048)	–	–	–	–	(6,048)	–	(6,048)	–	(6,048)
Other non-current liabilities[3]	21	–	–	–	–	(552,608)	(552,608)				
Trade and other payables[3]	22	–	–	–	–	(1,908,806)	(1,908,806)				
		(6,048)	–	–	–	(15,805,241)	(15,811,289)				

Notes:
1 Excludes prepayments, prepaid construction costs and deferred management costs.
2 Excludes prepayments and other assets.
3. Excludes advance rental received.

32 Fair value of financial assets and liabilities (continued)

(a) Accounting classifications and fair values (continued)

		Carrying amount						Fair value			
	Note	Fair value – hedging instruments US$'000	Amortized cost US$'000	Equity instrument - Mandatorily at FVTPL US$'000	FVOCI – equity instruments US$'000	Other financial liabilities US$'000	Total carrying amount US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Group											
31 December 2019											
Equity investments – at FVOCI	10	–	–	–	867,650	–	867,650	800,038	–	67,612	867,650
Equity investment – mandatorily at FVTPL	10	–	–	1,026,406	–	–	1,026,406	–	–	1,026,406	1,026,406
Other non-current assets[1]	11	–	376,083	–	–	–	376,083	–	–	289,641	289,641
Trade and other receivables[2]	12	–	3,299,502	–	–	–	3,299,502				
Cash and cash equivalents	14	–	1,004,174	–	–	–	1,004,174				
		–	4,679,759	1,026,406	867,650	–	6,573,815				
Secured bank loans	19	–	–	–	–	(3,132,001)	(3,132,001)	–	(3,131,997)	–	(3,131,997)
Secured bonds	19	–	–	–	–	(500,160)	(500,160)	–	(500,156)	–	(500,156)
Unsecured bank loans	19	–	–	–	–	(2,412,877)	(2,412,877)	–	(2,426,867)	–	(2,426,867)
Unsecured bonds	19	–	–	–	–	(5,128,268)	(5,128,268)	–	(5,205,287)	–	(5,205,287)
Interest rate swaps	20	(4,764)	–	–	–	–	(4,764)	–	(4,764)	–	(4,764)
Other non-current liabilities[3]	21	–	–	–	–	(272,786)	(272,786)	–	–	(262,311)	(262,311)
Trade and other payables[3]	22	–	–	–	–	(1,497,045)	(1,497,045)				
		(4,764)	–	–	–	(12,943,137)	(12,947,901)				

Notes:
1 Excludes prepayments, prepaid construction costs and deferred management costs.
2 Excludes prepayments and other assets.
3. Excludes advance rental received.

32 Fair value of financial assets and liabilities (continued)

(a) Accounting classifications and fair values (continued)

		Carrying amount				Fair value			
	Note	Fair value - hedging instruments US$'000	Amortized cost US$'000	Other financial liabilities US$'000	Total carrying amount US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Company									
31 December 2020									
Loans to subsidiaries (interest-free)	5	–	591,470	–	591,470				
Trade and other receivables[1]	12	–	3,491,017	–	3,491,017				
Cash and cash equivalents	14	–	37,314	–	37,314				
		–	4,119,801	–	4,119,801				
Unsecured bank loans	19	–	–	(834,522)	(834,522)	–	(849,199)	–	(849,199)
Unsecured bonds	19	–	–	(1,943,606)	(1,943,606)	–	(2,048,975)	–	(2,048,975)
Interest rate swaps	20	(6,048)	–	–	(6,048)	–	(6,048)	–	(6,048)
Other non-current liabilities	21	–	–	(9,714)	(9,714)	–	–	(9,714)	(9,714)
Trade and other payables	22	–	–	(1,239,224)	(1,239,224)				
		(6,048)	–	(4,027,066)	(4,033,114)				
31 December 2019									
Loans to subsidiaries (interest-free)	5	–	648,353	–	648,353				
Trade and other receivables[1]	12	–	3,105,253	–	3,105,253				
Cash and cash equivalents	14	–	3,237	–	3,237				
		–	3,756,843	–	3,756,843				
				–					
Unsecured bank loans	19	–	–	(1,145,212)	(1,145,212)	–	(1,156,208)	–	(1,156,208)
Unsecured bonds	19	–	–	(1,742,635)	(1,742,635)	–	(1,785,335)	–	(1,785,335)
Interest rate swaps	20	(4,741)	–	–	(4,741)	–	(4,741)	–	(4,741)
Other non-current liabilities	21	–	–	(1,269)	(1,269)	–	–	(1,269)	(1,269)
Trade and other payables	22	–	–	(613,579)	(613,579)				
		(4,741)	–	(3,502,695)	(3,507,436)				

Note:
[1] Excludes prepayment and other assets.

32 Fair value of financial assets and liabilities (continued)

(b) Level 3 fair value measurements

(i) Reconciliation of Level 3 fair value

The reconciliation from the beginning balance to the ending balance for Level 3 fair value measurements for investment properties is presented in Note 4, and unquoted equity investments – at FVOCI and unquoted equity investments – mandatorily at FVTPL are presented in Note 10.

(ii) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Key unobservable input	Inter-relationship between key unobservable inputs and fair value measurement
Unquoted equity investments – at FVOCI Unquoted equity investments – mandatorily at FVTPL	The unquoted equity investments are stated at their fair values at the reporting date, determined based on recent transacted price, at net asset value which approximates the investments' fair value, market comparison technique based on market multiple of comparable companies.	**Price-to-sales ratio:** 0.4 x to 105 x **Price-to-earnings ratio:** 23 x to 30.9 x	The estimated fair value varies proportionately against value creation margin
Financial derivative instruments: - Interest rate swaps	The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	NA	NA

Financial instruments not measured at fair value

Type	Valuation technique	Inputs used in determining fair value
Loans to associate and joint ventures, security deposits and loans and borrowings	Discounted cash flows	Government yield curve at the reporting date plus an adequate credit spread.

32 Fair value of financial assets and liabilities (continued)

(b) Level 3 fair value measurements (continued)

(iii) Transfer between Level 1 and 2

During the year ended 31 December 2020 and 31 December 2019, there were no transfers between Level 1 and 2 of the fair value hierarchy.

33 Commitments and contingent liabilities

The Group had the following commitments and contingent liabilities as at the reporting date:

(a) Operating lease commitments

Operating lease rental receivable

Future minimum lease rental receivable for the Group on non-cancellable operating leases from investment properties are as follows:

	Group	
	2020	**2019**
	US$'000	**US$'000**
Lease rentals receivable:		
- Within 1 year	798,810	809,710
- After 1 year but within 5 years	1,453,563	1,414,003
- After 5 years	577,765	547,712
	2,830,138	2,771,425

(b) Other commitments

	Group	
	2020	**2019**
	US$'000	**US$'000**
Development expenditure contracted but not provided for	1,510,920	856,949

34 Significant related party transactions

Remuneration of key management personnel

In accordance with SFRS(I) 1-24 *Related Party Disclosures*, key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. For purposes of SFRS(I) 1-24 *Related Party Disclosures*, the executive directors are considered key management personnel of the Group.

34 Significant related party transactions (continued)

The key management personnel compensation included as part of staff costs for those key management personnel employed by the Group are as follows:

	Group	
	2020	**2019**
	US$'000	**US$'000**
Wages and salaries (excluding contributions to defined contribution plans)	4,242	4,901
Contributions to defined contribution plans	25	25
	4,267	4,926

In addition to the related party information disclosed elsewhere in the financial statements, there were the following significant related party transactions which were carried out in the normal course of business on terms agreed between the parties during the financial year:

	Group	
	2020	**2019**
	US$'000	**US$'000**
Associates and joint ventures		
Asset and investment management fee income from associates and joint venture funds	102,718	152,267
Development and other management fee income from associates and joint venture funds	66,942	79,104
Promote fees income from associates and joint venture funds	293,771	194,432
Asset and investment management fee income from other associates and joint ventures	3,727	3,169
Development and other management fee income from other associates and joint ventures	2,883	574
A company in which a Director of the Company has substantial financial interests		
Reimbursement of office expenses and allocation of expenses	(71)	(269)

During the year ended 31 December 2020, the Group disposed of certain subsidiaries, associates, other investments and financial assets to GLP-Brookfield Bluesky Renewable Energy Zhejiang Co., Pte. Ltd. (joint venture), GLP China Value-Added Venture I (joint venture), GLP China Value-Added Venture II (joint venture), Zhuhai Puhe Logistic Industrial Investment Fund (associate), Hidden Hill Fund (associate), CFH Limited and GLP GV China Limited (entities under common control).

35 Significant subsidiaries

Details of significant subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Effective interest held by the Group	
			2020 %	2019 %
GLP Japan Investment Holdings Pte. Ltd.	Investment holding	Singapore	100	100
Japan Logistic Properties 1 Pte. Ltd. and its subsidiaries	Investment holding	Singapore	100	100
Japan Logistic Properties 2 Pte. Ltd. and its subsidiaries	Investment holding	Singapore	100	100
Japan Logistic Properties 3 Pte. Ltd. and its subsidiary	Investment holding	Singapore	100	100
Japan Logistic Properties 4 Pte. Ltd. and its subsidiaries	Investment holding	Singapore	100	100
GLP Capital Japan 2 Pte. Ltd. and its subsidiaries	Investment holding	Singapore	100	100
GLP Japan Development Investors Pte. Ltd. and its joint venture[1]	Investment holding	Singapore	100	100
GLP Japan Development Investors 2 Pte. Ltd. and its joint venture[1]	Investment holding	Singapore	100	100
GLP Light Year Investment Pte. Ltd. and its joint venture[1]	Investment holding	Singapore	100	100
GLP Japan Development Investors III, Pte Ltd and its associates	Investment holding	Singapore	100	–[3]
GLP Brazil Investment Holdings Pte. Ltd.	Investment holding	Singapore	100	100
BLH (1) Pte. Ltd. and its joint venture[1]	Investment holding	Singapore	100	100
BLH (2) Pte. Ltd. and its joint venture[1]	Investment holding	Singapore	100	100
BLH (3) Pte. Ltd. and its joint venture[1]	Investment holding	Singapore	100	100
BLH (4) Pte. Ltd. and its joint venture[1]	Investment holding	Singapore	100	100
GLP Investment Holdings[2]	Investment holding	Cayman Islands	100	100
CLH Limited and its significant subsidiaries[2]	Investment holding	Cayman Islands	100	100
GLP China Holdings Limited and its significant subsidiaries:	Investment holding	Hong Kong	66.21	66.21
GLP China Asset Holdings Limited	Investment holding	Hong Kong	66.21	66.21

35 Significant subsidiaries (continued)

Name of company	Principal activities	Country of incorporation and place of business	Effective interest held by the Group	
			2020 %	2019 %
GLP HK Holdings Limited	Investment holding	Hong Kong	66.21	66.21
CLF Singapore Pte. Ltd.	Investment holding	Singapore	19.94	37.00
GLP Beijing Airport Logistics Development Co. Ltd.	Property investment	PRC	66.21	66.21
GLP I-Park Xi'An Science & Technology Industrial Development Co., Ltd.	Property investment	PRC	32.05	32.05
Beijing Lihao Science & Technology Co., Ltd.	Property investment	PRC	58.26	58.26
Airport City Development Co., Ltd.	Property investment	PRC	30.81	30.81
Zhejiang Transfar Logistics Base Co., Ltd.	Property investment	PRC	39.73	39.73
Beijing Sifang Tianlong Medicine Logistic Co., Ltd.	Property investment	PRC	66.21	66.21
Shenzhen Lingxian Technology Co., Ltd.	Property investment	PRC	36.42	36.42
Shanghai Fuhe Industrial Development Co., Ltd.	Property investment	PRC	46.35	46.35
China Management Holdings (Hong Kong) Limited	Investment holdings	Hong Kong	66.21	66.21
GLP Investment (Shanghai) Co., Ltd.	Property management	PRC	66.21	66.21
GLP Capital Holding (Chongqing) Co., Ltd. (previously known as GLP Financial Holding (Chongqing) Co., Ltd[4]	Financial services	PRC	–	66.21
GLP Investment Management Pte. Ltd. and its subsidiaries:	Investment holding and fund management	Singapore	100	100
GLP Brasil Gestão de Recursos e Administração Imobiliária Ltda	Property management	Brazil	100	100
GLP US Management LLC	Property management	US	99	99
GLP UK Management Limited	Property management	UK	100	100

KPMG LLP is the auditor of all Singapore-incorporated subsidiaries. Other member firms of KPMG International are auditors of significant foreign-incorporated subsidiaries unless otherwise indicated.

[1] Significant associates and joint ventures of the Group are disclosed in Note 6 to the financial statements.
[2] Not required to be audited by laws of country of incorporation.
[3] Incorporated during the year ended 31 December 2020.
[4] Disposed during the year ended 31 December 2020.

36 Subsequent events

Subsequent to 31 December 2020, the following events occurred:

(i) On 25 January 2021, the Group issued RMB 700 million (equivalent to approximately US$107.3 million) bonds due in 2024 on Shanghai Stock Exchange at the fixed interest rate of 3.98% per annum.

(ii) In January and February 2021, the Group disposed 3 subsidiaries, namely Tongxiang GLP Logistics Facilities Co., Ltd., GLP (Chengdu) Hi-Tech Industrial Park Development Co., Ltd. and Minshang (Nanning) Internet of Things Technology Development Co., Ltd., to third parties at the aggregate consideration of RMB792.3 million (equivalent to approximately US$121.4 million.

(iii) On 10 February and 19 March 2021, the Group issued US$126million bonds due in 2024 on the Chongwa (Macao) Financial Asset Exchange Co., Ltd. at the fixed interest rate of 2.60% per annum.

(iv) On 22 February 2021, the Company closed its first sustainability-linked loan of US$658mil with participation from 10 banks.

(v) On 3 March 2021, the Company issued US$300 million fixed rate notes due in 2026 at the fixed interest rate of 3.024% per annum.

(vi) On 8 March 2021, the Group issued RMB1.7 billion (equivalent to approximately US$260.5 million) of RMB denominated bonds due in 2024 on the Shanghai Stock Exchange at the fixed interest rate of 4.37% per annum.

(vii) On 17 March 2021, the Group sold a property to a third party for JPY4.4 billion (equivalent to approximately US$42.6 million).

(viii) On 18 March 2021, the Group issued RMB1.5 billion (equivalent to approximately US$229.9 million) Medium Term Notes due in 2024 on the China Inter-Bank Bond Market at the fixed interest rate of 4.40% per annum.

(ix) On 19 March 2021, CLG 88 (HK) Limited, a subsidiary of the Group signed a limited partnership agreement with Suning Group to set up a new company, Zhuhai Puyi Logistics Industry Investment Partnership Limited ("Zhuhai Puyi"). The Group will inject RMB3.04 billion (equivalent to US$466.9 million) into Shuhai Puyi, which represents 80% of the investment capital and Suning Group will contribute the remaining 20%. Based on the sale and purchase agreement subsequently signed on 21 March 2021, Zhuhai Puyi will acquire the logistics infrastructure assets in China directly or indirectly held by Suning Group with a value of approximately RMB7.0 billion (equivalent to US$1.1 billion).

(x) On 25 March 2021, the Group issued RMB1.5 billion (equivalent to approximately US$229.9 million) Medium Term Notes due in 2024 on the Shanghai Stock Exchange at the fixed interest rate of 4.40% per annum.

(xi) On 29 March 2021, the Group issued US$700 million Medium Term Notes due in 2026 on the Hong Kong Stock Exchange at the fixed interest rate of 2.95% per annum.

GLP Pte. Ltd. and its subsidiaries
Registration number: 200715832Z

Annual Report
Year ended 31 December 2019

KPMG LLP (Registration No. T08LL1267L), an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A) and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Directors' statement

We are pleased to submit this Annual Report to the member of GLP Pte. Ltd. (the "Company") together with the audited financial statements for the financial year ended 31 December 2019.

In our opinion:

(a) the financial statements set out on pages FS1 to FS120 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorized these financial statements for issue.

Directors

The Directors in office at the date of this statement are as follows:

Stephen K. Schutte
Mark Tan Hai Nern
Paul Wee Hsiao Chung

Directors' interests in Shares or Debentures

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), particulars of interests of Directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares and share options in the Company and in its related corporations (other than wholly-owned subsidiaries) are as follows:

	Held in the name of Director or nominee		Deemed Interest	
Name of Director and corporation in which interests are held	**Holdings at beginning of year**	**Holdings at end of year**	**Holdings at beginning of year**	**Holdings at end of year**
Subsidiary				
GLP China Holdings Limited ("GLP China") ***Ordinary Shares***				
Mark Tan Hai Nern[(1)]	–	–	121,072,268	121,072,268
Paul Wee Hsiao Chung[(1)]	–	–	121,072,268	121,072,268

Directors' interests in Shares or Debentures (continued)

Note:

(1) Under the Employee Share Plan of GLP ("Employee Share Plan"), awards of ordinary shares in the capital of GLP China ("GLP China Shares") are granted to eligible employees of the group comprising GLP and its subsidiaries (the "Group"). Holders of such awards may be entitled to receive GLP China Shares subject to fulfilment of certain conditions and the rules of the Employee Share Plan. Pursuant to the Employee Share Plan, a trust ("Trust") was established to hold 121,072,268 GLP China Shares for the benefit of certain eligible employees of the Group, including Mark Tan Hai Nern and Paul Wee Hsiao Chung. Accordingly, by virtue of Section 7(2) of the Act, Mark Tan Hai Nern and Paul Wee Hsiao Chung are deemed to have an interest in 121,072,268 GLP China Shares which are held pursuant to the Trust.

Directors' Contractual Benefits

Except as disclosed in Note 34 of the Notes to the Financial Statements for the year 31 December 2019, since the end of the last financial year, no Director has received or become entitled to receive, a benefit by reason of a contract made by the Company or its related corporations with the Director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Arrangements to Enable Directors to Acquire Shares and Debentures

Except as disclosed below and in Note 23 of the Notes to the Financial Statements for the year 31 December 2019, neither at the end of nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Options to Subscribe for Unissued Shares

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiaries. No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries. There were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year. No options have been granted during the financial year which enable the option holder to participate by virtue of the options in any share issue of any other company.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Mark Tan Hai Nern
Director

Paul Wee Hsiao Chung
Director

20 April 2020

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Independent auditors' report

Member of the Company
GLP Pte. Ltd.

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of GLP Pte. Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, the consolidated income statement, 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 notes to the financial statements, including a summary of significant accounting policies as set out on pages FS1 to FS120.

In our opinion, the accompanying 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") to give a true and fair view of the consolidated financial position of the Group and of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ('SSAs'). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements'* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ('ACRA Code') together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matters (cont'd)

Valuation of investment properties
(Refer to Note 4 – Investment properties)

Risk:

The Group has a significant portfolio of investment properties comprising logistic properties located mainly in the People's Republic of China ("PRC"), Japan, United States of America ("USA"), Brazil and Europe which are held through subsidiaries, associates and joint ventures.

These investment properties are stated at their fair values based on external and internal valuations, with changes in fair value recognized in profit or loss.

The valuation process involves significant judgment in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are sensitive to key assumptions applied in deriving the capitalization, discount and terminal yield rates.

Our response:

We evaluated the qualifications and competency of the valuers and made inquiries with the valuers to understand their valuation methods, and the assumptions and basis applied.

We considered the valuation methodologies used against those applied by other valuers for similar property types. We assessed the reasonableness of projected cash flows used in the valuation to supporting leases and externally available industrial and economic data available as at 31 December 2019. We also assessed the reasonableness of capitalization rates, discount rates, terminal yield rates and estimated development costs to complete construction used in the valuations by comparing these against historical rates and available industry data as at 31 December 2019, taking into consideration comparability and market factors. Where the rates were outside our expected range, we undertook further procedures to understand the effect of additional factors and, when necessary, held further discussions with the valuers.

Our findings:

The valuers are members of generally-recognized professional bodies for real estate valuers and have recent experience in the location and category of the respective investment property being valued. The valuation methodologies used by the valuers are consistent with generally accepted market practices. The key assumptions used in the valuations, including projected cash flows, market rental growth rates, capitalization rates, discount rates, terminal yield rates and estimated development costs to complete construction, were substantiated by supporting leases and cost estimates or within the range of historical rates and industry data.

Key audit matters (cont'd)

Recoverable amount of goodwill
(Refer to Note 9 – Intangible assets)

Risk:

The Group recognizes goodwill of US$418.2 million on its statement of financial position in connection with the acquisitions of Global Logistic Properties Holdings Limited and Airport City Development Co., Ltd during the financial year ended 31 March 2011.

Goodwill is tested for impairment annually by estimating the recoverable amount of each identifiable cash-generating unit ("CGU") which goodwill has been allocated to. Management applies the value in use (discounted cash flow) method to determine the recoverable amount of each CGU.

The measurement of value in use as the recoverable amount of each identifiable CGU for operations in China and Japan involves significant judgment and estimation in determining the cash flow projections, and risk-free, discount and terminal growth rates.

Our response:

We evaluated management's determination of CGUs based on our knowledge of the business acquisitions giving rise to the goodwill and our understanding of the current business of the Group.

We assessed management's key assumptions underlying the cash flows projections by comparing them with historical performance, future business plans and external data, taking into consideration comparability and market factors. This also included enquiry with management to understand their business plan, strategies around revenue growth and cost initiatives.

We independently derived applicable discount rates from available industry data and compared these with those used by management. We performed stress tests using plausible range of key assumptions and rates, and analyzed the impact to the recoverable amount determined by management.

Our findings:

The Group has a reasonable basis to determine the CGU for goodwill allocation purposes.

The assumptions and resulting estimations by management are in line with future business plans and external data, and are within the range of reasonable expectations. The discount rates used in the cash flow forecasts appropriately reflect the risks attributed to the respective CGU.

Key audit matters (cont'd)

Accounting for acquisitions
(Refer to Notes 10 and 29 – Other investments and Acquisition of subsidiaries)

Risk:

The Group makes acquisitions of investments as part of its business strategy. Such transactions can be complex and judgment is involved in determining whether an acquisition of a controlling interest is a business combination or an acquisition of an asset; and whether an acquisition of a non-controlling interest is an investment in equity investment interest, associate or joint arrangement, each of which requires different accounting treatments. In accounting for a business combination, there is further judgment involved and inherent uncertainty in the estimation used in allocating the overall purchase price to the assets, liabilities and goodwill that make up the acquisition.

Our response:

We examined the Group's process on classifying and accounting for each investment acquired. We also examined legal and contractual documents to determine whether each acquisition is appropriately classified and accounted for in accordance with the relevant accounting standards and faithfully presents the nature of the transaction.

For significant acquisition of interest accounted for as a business combination during the year, we examined the terms and conditions of the sale and purchase agreement and the purchase price allocation exercise. We compared the methodologies and key assumptions used in determining the fair values allocated to the identified assets acquired and liabilities assumed to generally accepted market practices and market data.

Our findings:

The Group has a policy in place to ensure that each investment acquired is identified, appropriately classified and the relevant accounting treatments are consistently applied.

The judgments applied by the Group reflect a fair assessment in determining whether significant acquisitions are business combinations, acquisitions of assets, investment in equity investment interest, associate or joint arrangement. Estimates used in determining the fair values allocated to the respective assets acquired and liabilities assumed in significant business combination were within an acceptable range.

Key audit matters (cont'd)

Valuation of other investments
(Refer to Notes 10 – Other investments)

Risk:

The Group's investment portfolio of US$1,894 million as at 31 December 2019 included unquoted equity investments of US$1,094 million, measured at Level 3 of the fair value hierarchy. The unquoted equity investments are measured using non-observable market data, and hence, the valuation of these investments involves significant judgment in determining the appropriate valuation technique to be used and underlying assumptions to be applied.

Our response:

We evaluated the appropriateness of the valuation techniques (i.e. recent transacted price, indicative price for divestment in the foreseeable future, comparable companies' financial multiples and underlying net asset value of the investee companies) and the key valuation inputs used to determine the fair value of these unquoted equity investments as at 31 December 2019.

For a sample of unquoted equity instruments, we involved our valuation specialists to review the valuation techniques and key valuation inputs.

Our findings:

The valuation techniques applied are in line with generally accepted market practices and the valuations are supported by recent transacted prices for equity participation, notification of acquisition by potential acquirer, financial ratio of comparable companies or external net assets valuation reports. The assumptions and estimates applied to arrive at the fair value as at 31 December 2019 are within an acceptable range.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors 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 Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition; and transactions are properly authorized and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs 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 financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.

Auditor's responsibilities for the audit of the financial statements (cont'd)

- Obtain an understanding of internal controls 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 controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's 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 Group'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 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.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 the directors 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Tan Kar Yee, Linda.

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
20 April 2020

Statements of Financial Position
As at 31 December 2019

	Note	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
Non-current assets					
Investment properties	4	21,275,620	19,481,683	–	–
Subsidiaries	5	–	–	6,117,009	7,188,302
Associates and joint ventures	6	4,419,731	4,366,690	–	–
Deferred tax assets	7	21,861	19,649	–	–
Property, plant and equipment	8	235,643	22,198	4,756	3,521
Intangible assets	9	438,052	445,038	–	–
Other investments	10	1,894,056	1,481,794	–	–
Other non-current assets	11	375,920	736,450	–	19,553
		28,660,883	26,553,502	6,121,765	7,211,376
Current assets					
Trade and other receivables	12	3,478,891	2,265,764	3,106,886	1,583,545
Cash and cash equivalents	14	1,004,174	988,369	3,237	217,029
Assets classified as held for sale	15	1,451,482	687,224	–	–
		5,934,547	3,941,357	3,110,123	1,800,574
Total assets		34,595,430	30,494,859	9,231,888	9,011,950
Equity attributable to owners of the Company					
Share capital	16	5,538,589	5,638,589	5,538,589	5,638,589
Reserves	17	5,274,440	4,628,762	184,515	(182,500)
		10,813,029	10,267,351	5,723,104	5,456,089
Non-controlling interests	18	7,596,293	6,107,073	–	–
Total equity		18,409,322	16,374,424	5,723,104	5,456,089
Non-current liabilities					
Loans and borrowings	19	9,336,929	7,351,561	2,283,723	2,143,919
Financial derivative liabilities	20	4,741	6,845	4,741	4,223
Deferred tax liabilities	7	2,350,528	2,021,089	–	–
Other non-current liabilities	21	274,396	201,552	1,269	11,388
		11,966,594	9,581,047	2,289,733	2,159,530
Current liabilities					
Loans and borrowings	19	1,836,377	2,725,818	604,124	911,008
Financial derivative liabilities	20	23	1,176	–	–
Trade and other payables	22	1,539,195	1,323,167	613,579	483,444
Current tax payable		86,519	62,541	1,348	1,879
Liabilities classified as held for sale	15	757,400	426,686	–	–
		4,219,514	4,539,388	1,219,051	1,396,331
Total liabilities		16,186,108	14,120,435	3,508,784	3,555,861
Total equity and liabilities		34,595,430	30,494,859	9,231,888	9,011,950

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Income Statement
Year ended 31 December 2019

		Group	
	Note	**Year ended 31/12/2019 US$'000**	**Period from 1/4/2018 to 31/12/2018 US$'000**
Revenue	24	1,451,602	975,700
Other income	25	186,636	53,971
Property-related expenses		(226,081)	(152,733)
Cost of goods and other financial services costs		(25,857)	(70,491)
Other expenses		(447,958)	(247,556)
		938,342	558,891
Share of results (net of tax expense) of associates and joint ventures		426,571	405,894
Profit from operating activities after share of results of associates and joint ventures		1,364,913	964,785
Net finance costs	26	(471,341)	(458,053)
Non-operating income	27	426,839	198,240
Profit before changes in fair value of subsidiaries' investment properties		1,320,411	704,972
Changes in fair value of investment properties	4	1,193,643	2,467,482
Profit before tax	27	2,514,054	3,172,454
Tax expense	28	(658,142)	(824,515)
Profit for the year/period		1,855,912	2,347,939
Profit attributable to:			
Owners of the Company		1,256,317	1,438,685
Non-controlling interests	18	599,595	909,254
Profit for the year/period		1,855,912	2,347,939

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income
Year ended 31 December 2019

	Group	
	Year ended 31/12/2019 US$'000	**Period from 1/4/2018 to 31/12/2018 US$'000**
Profit for the year/period	1,855,912	2,347,939
Other comprehensive income		
Item that will not be reclassified to profit or loss		
Change in fair value of equity investments at fair value through other comprehensive income ("FVOCI")[1]	95,584	(262,323)
Revaluation of building[2]	3,305	–
	98,889	(262,323)
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences arising from consolidation of foreign operations and translation of foreign currency loans, net of effect of net investment hedges	(183,743)	(1,319,511)
Effective portion of changes in fair value of cash flow hedges[3]	3,126	(2,524)
Exchange differences reclassified to profit or loss on disposal of subsidiaries	(22,428)	(30,771)
Share of other comprehensive income of associates and joint ventures	5,556	(8,475)
	(197,489)	(1,361,281)
Other comprehensive income for the year/period[4]	(98,600)	(1,623,604)
Total comprehensive income for the year/period	1,757,312	724,335
Total comprehensive income attributable to:		
Owners of the Company	1,245,644	409,496
Non-controlling interests	511,668	314,839
Total comprehensive income for the year/period	1,757,312	724,335

Notes:

[1] Includes income tax effects of US$7,956,000 (2018: US$21,763,000), refer to Note 7.

[2] Includes income tax effects of US$1,102,000 (2018: Nil), refer to Note 7.

[3] Includes income tax effects of US$31,000 (credit) (2018: US$89,000), refer to Note 7.

[4] Except for income tax effects relating to effective portion of changes in fair value of cash flow hedges, change in fair value of equity investments at FVOCI and revaluation of building, there are no income tax effects relating to other components of other comprehensive income.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
Year ended 31 December 2019

Group	Share capital US$'000	Currency translation reserve US$'000	Retained earnings US$'000	Capital and other reserves US$'000	Total attributable to owners of the Company US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 April 2018	6,305,266	701,349	3,819,666	(306,361)	10,519,920	5,867,562	16,387,482
Adjustment on initial application of SFRS(I) 9 (net of tax)	–	–	16,632	–	16,632	8,488	25,120
Adjusted balance at 1 April 2018	6,305,266	701,349	3,836,298	(306,361)	10,536,552	5,876,050	16,412,602
Total comprehensive income for the period							
Profit for the period	–	–	1,438,685	–	1,438,685	909,254	2,347,939
Other comprehensive income							
Change in fair value of equity investment as FVOCI	–	–	–	(178,174)	(178,174)	(84,149)	(262,323)
Exchange differences arising from consolidation of foreign operations and translation of foreign currency loans, net of effect of net investment hedges	–	(809,245)	–	–	(809,245)	(510,266)	(1,319,511)
Effective portion of changes in fair value of cash flow hedges	–	–	–	(2,524)	(2,524)	–	(2,524)
Exchange differences reclassified to profit or loss on disposal of subsidiaries	–	(30,771)	–	–	(30,771)	–	(30,771)
Share of other comprehensive income of associates and joint ventures	–	(8,488)	–	13	(8,475)	–	(8,475)
Total other comprehensive income	–	(848,504)	–	(180,685)	(1,029,189)	(594,415)	(1,623,604)
Total comprehensive income for the period	–	(848,504)	1,438,685	(180,685)	409,496	314,839	724,335

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity (continued)
Year ended 31 December 2019

Group	Share capital US$'000	Currency translation reserve US$'000	Retained earnings US$'000	Capital and other reserves US$'000	Total attributable to owners of the Company US$'000	Non-controlling interests US$'000	Total equity US$'000
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Redemption of ordinary shares	(666,677)	–	–	–	(666,677)	–	(666,677)
Capital contribution from non-controlling interests	–	–	–	1,994	1,994	202,871	204,865
Interim tax-exempt (one-tier) dividends paid of US$0.003 per share	–	–	(14,000)	–	(14,000)	–	(14,000)
Dividends paid to non-controlling interests	–	–	–	–	–	(3,254)	(3,254)
Total contribution by and distribution to owners	(666,677)	–	(14,000)	1,994	(678,683)	199,617	(479,066)
Acquisition of interests in subsidiaries from non-controlling interests	–	–	–	(14)	(14)	(18,086)	(18,100)
Disposal of subsidiaries	–	–	–	–	–	(181,783)	(181,783)
Acquisition of subsidiaries	–	–	–	–	–	122,361	122,361
Disposal of assets classified as held for sale	–	–	–	–	–	(205,925)	(205,925)
Total transactions with owners	(666,677)	–	(14,000)	1,980	(678,697)	(83,816)	(762,513)
Transfer to reserves	–	–	(1,194)	1,194	–	–	–
At 31 December 2018	5,638,589	(147,155)	5,259,789	(483,872)	10,267,351	6,107,073	16,374,424

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity (continued)
Year ended 31 December 2019

Group	Share capital US$'000	Currency translation reserve US$'000	Retained earnings US$'000	Capital and other reserves US$'000	Total attributable to owners of the Company US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2019	5,638,589	(147,155)	5,259,789	(483,872)	10,267,351	6,107,073	16,374,424
Total comprehensive income for the year							
Profit for the year	–	–	1,256,317	–	1,256,317	599,595	1,855,912
Other comprehensive income							
Change in fair value of equity investment as FVOCI	–	–	–	77,705	77,705	17,879	95,584
Revaluation of building	–	–	–	2,188	2,188	1,117	3,305
Exchange differences arising from consolidation of foreign operations and translation of foreign currency loans, net of effect of net investment hedges	–	(76,820)	–	–	(76,820)	(106,923)	(183,743)
Effective portion of changes in fair value of cash flow hedges	–	–	–	3,126	3,126	–	3,126
Exchange differences reclassified to profit or loss on disposal of subsidiaries	–	(22,428)	–	–	(22,428)		(22,428)
Transfer upon disposal of equity investment at FVOCI	–	–	111,437	(111,437)	–	–	–
Share of other comprehensive income of associates and joint ventures	–	4,645	–	911	5,556	–	5,556
Total other comprehensive income	–	(94,603)	111,437	(27,507)	(10,673)	(87,927)	(98,600)
Total comprehensive income for the year	–	(94,603)	1,367,754	(27,507)	1,245,644	511,668	1,757,312

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity (continued)
Year ended 31 December 2019

Group	Share capital US$'000	Currency translation reserve US$'000	Retained earnings US$'000	Capital and other reserves US$'000	Total attributable to owners of the Company US$'000	Non-controlling interests US$'000	Total equity US$'000
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Share buy back	(100,000)	–	–	–	(100,000)	–	(100,000)
Capital contribution from non-controlling interests	–	–	–	–	–	244,658	244,658
Issuance of shares to non-controlling interests	–	–	–	–	–	90,271	90,271
Interim tax-exempt (one-tier) dividends paid of US$0.014 per share	–	–	(589,000)	–	(589,000)	–	(589,000)
Dividends paid to non-controlling interests	–	–	–	–	–	(53,432)	(53,432)
Dividends declared to non-controlling interest	–	–	–	–	–	(15,518)	(15,518)
Total contribution by and distribution to owners	(100,000)	–	(589,000)	–	(689,000)	265,979	(423,021)
Acquisition of interests in subsidiaries from non-controlling interests	–	–	(4,864)	(1,435)	(6,299)	(16,359)	(22,658)
Disposal of interest in subsidiaries to non-controlling interests	–	–	–	(4,667)	(4,667)	578,495	573,828
Acquisition of subsidiaries	–	–	–	–	–	149,437	149,437
	(100,000)	–	(593,864)	(6,102)	(699,966)	977,552	277,586
Total transactions with owners							
Transfer to reserves	–	–	(1,420)	1,420	–	–	–
At 31 December 2019	5,538,589	(241,758)	6,032,259	(516,061)	10,813,029	7,596,293	18,409,322

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
Year ended 31 December 2019

	Year ended 31/12/2019 US$'000	Period from 1/4/2018 to 31/12/2018 US$'000
Cash flows from operating activities		
Profit before income tax	2,514,054	3,172,454
Adjustments for:		
Depreciation of property, plant and equipment	23,513	5,510
Amortization of intangible assets and deferred management costs	18,281	4,171
Gain on disposal of subsidiaries	(60,761)	(194,744)
Gain on disposal of associates and joint venture	(262,648)	–
(Gain)/Loss on disposal of investment properties	(66,469)	825
Loss on acquisition of subsidiaries	2,998	–
Loss on liquidation of subsidiaries	36,578	–
Loss on disposal of property, plant and equipment	352	73
Property, plant and equipment written off	3,283	53
Gain on disposal of assets and liabilities classified as held for sale	(58,669)	(296)
Share of results (net of tax expense) of associates and joint ventures	(426,571)	(405,894)
Changes in fair value of unquoted equity investments at fair value through profit or loss	(152,899)	(38,778)
Changes in fair value of subsidiaries' investment properties	(1,193,643)	(2,467,482)
Recognition of impairment loss on trade and other receivables	12,175	3,596
Dividend income from other investments	(19,959)	–
Net finance costs	471,341	458,053
	840,956	537,541
Changes in working capital:		
Trade and other receivables	(190,161)	76,791
Trade and other payables	238,427	(262,918)
Cash generated from operations	889,222	351,414
Tax paid	(62,219)	(75,833)
Net cash from operating activities	827,003	275,581

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows (continued)
Year ended 31 December 2019

	Note	Year ended 31/12/2019 US$'000	Period from 1/4/2018 to 31/12/2018 US$'000
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	29(a)	(971,917)	(746,752)
Acquisition of joint venture and associates		(210,169)	(212,382)
Acquisition of intangible assets		(17)	–
Acquisition of investment properties		(364,987)	(750,788)
Proceeds from disposal of investment properties		745,403	689,894
Acquisition of other investments		(392,957)	(316,237)
Proceeds from disposal of other investments		236,134	–
Development expenditure on investment properties		(1,681,998)	(948,458)
Proceeds from disposal of assets classified as held for sale, net of deposits received	29(c)	244,728	1,073,677
Contribution to associates and joint ventures		(557,584)	(638,864)
Return of capital from joint ventures and associates		286,365	68,455
Proceeds from disposal of controlling interest in subsidiaries	29(b)	488,480	860,692
Proceeds from disposal of associates and joint ventures		1,071,226	–
Payments for liquidation of subsidiary		(35,496)	–
Deposits refunded/(placed) for investment properties and investments		8,762	(89,654)
Purchase of property, plant and equipment		(149,035)	(9,258)
Proceeds from sale of property, plant and equipment		23	16
Interest income received		38,670	9,561
Distributions received from other investment		13,753	–
Dividends received from associates and joint ventures		277,569	61,970
Withholding tax paid on dividend and interest income from associates, joint ventures and subsidiaries		(58,167)	(27,668)
Withholding tax paid on disposal of assets classified as held for sale		(124,452)	–
Advances to immediate holding company		(1,264,225)	(2,056,608)
Loans to associates and joint ventures		(125,449)	(189,204)
Loans to non-controlling interests		(4,117)	(4,445)
Loans to third parties		(109,861)	(293,301)
Loans repayment from associates and joint ventures		322,368	33,035
Loans repayment from non-controlling interests		2,494	5,382
Loans repayment from third parties		222,879	71,415
Net cash used in investing activities		(2,091,577)	(3,409,522)

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows (continued)
Year ended 31 December 2019

	Note	Year ended 31/12/2019 US$'000	Period from 1/4/2018 to 31/12/2018 US$'000
Cash flows from financing activities			
Acquisition of non-controlling interests		(22,658)	(18,100)
Contribution from non-controlling interests		244,658	204,865
Proceeds from disposal of partial interest in subsidiaries without loss of control		602,498	–
Proceeds from issuance of shares to non-controlling interest		6,813	–
Proceeds from bank loans		4,247,431	3,982,448
Repayment of bank loans		(3,625,936)	(3,440,293)
Proceeds from issue of bonds, net of transaction costs		1,433,930	2,755,326
Redemption of bonds		(386,257)	(304,768)
Settlement of financial derivative liabilities		(3,143)	(712)
Interest paid		(427,018)	(193,823)
Dividends paid to shareholders		(589,000)	(14,000)
Dividends paid to non-controlling interests		(53,432)	(3,254)
Repayments of loans from non-controlling interests		(421)	(36,520)
Repayment of lease liabilities		(7,531)	–
Repayment of loans to third party		(4,363)	–
Share buyback		(100,000)	–
Loans from joint ventures		26,494	31,472
Loans from non-controlling interests		8,992	2,567
Loans from third parties		2,700	5,772
Net cash from financing activities		1,353,757	2,970,980
Net increase/(decrease) in cash and cash equivalents		89,183	(162,961)
Cash and cash equivalents at beginning of year/period		974,429	1,192,675
Effect of exchange rate changes on cash balances held in foreign currencies		(8,704)	(55,285)
Cash and cash equivalents at end of year/period		1,054,908	974,429
Cash and cash equivalents of subsidiaries reclassified as assets held for sale		(61,670)	(27,531)
Restricted cash deposits		10,936	41,471
Cash and cash equivalents in the statement of financial position	14	1,004,174	988,369

Significant non-cash transactions:

During the year ended 31 December 2019, the Group issued shares of US$83,458,000 to non-controlling interest under the Co-Investment Share Plan and GLP Global Share Plan for which proceeds were settled by way of loan to non-controlling interests.

During the year ended 31 December 2018, the Group redeemed 501,368,000 units of ordinary shares from the immediate holding company for a consideration of US$666,677,000, which was settled by way of a set-off against amounts due from immediate holding company.

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorized for issue by the Board of Directors on 20 April 2020.

1 Domicile and activities

GLP Pte. Ltd. (the "Company") is incorporated in the Republic of Singapore and has its registered office at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623.

The principal activities of the Company and its subsidiaries are those of investment holding, provision of distribution facilities and services, and provision of financial services.

The Company's immediate holding company and ultimate holding company are GLP Bidco Limited and GLP Holdings L.P. respectively, which are incorporated in Cayman Islands.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and joint ventures.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

This is the first set of the Group's annual financial statements in which SFRS(I) 16 *Leases* has been applied. The related changes to significant accounting policies are described in note 2.5.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain assets and liabilities which are measured at fair value as described below.

2.3 Functional and presentation currency

The financial statements are presented in United States dollars ("US dollars" or "US$"), which is the Company's functional currency. All financial information presented in US dollars has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgments

The preparation of the financial statements in conformity with SFRS(I)s requires management to make judgments, 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.

2 Basis of preparation (continued)

2.4 Use of estimates and judgments (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

Note 7 – Recognition of deferred tax assets
Note 3.1(i) and Note 29 – Recognition of acquisitions as business combinations or asset acquisitions.

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 the following notes:

Note 4 – Determination of fair value of investment properties
Note 9 – Measurement of recoverable amounts of goodwill
Note 15 – Valuation of assets and liabilities held for sale
Note 32 – Determination of fair value of financial assets and liabilities

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. This includes a valuation team that has overall responsibility for all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

The valuation team 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 valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SFRS(I), 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 categorized 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).

2 Basis of preparation (continued)

2.4 Use of estimates and judgments (continued)

Measurement of fair values (continued)

If the inputs used to measure the fair value of an asset or a liability might fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level or the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

2.5 New standards and amendments

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2019:

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalization* (Amendments to SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I) 1-19)

Other than SFRS(I) 16, the application of these amendments to standards and interpretations does not have a material effect on the financial statements.

SFRS(I) 16 *Leases*

The Group applied SFRS(I) 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under SFRS(I) 1-17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SFRS(I) 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in SFRS(I) 16.

2 Basis of preparation (continued)

2.5 New standards and amendments (continued)

Definition of a lease (continued)

On transition to SFRS(I) 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied SFRS(I) 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed for whether there is a lease under SFRS(I) 16. Therefore, the definition of a lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

As a lessee, the Group leases many assets including property, production equipment and IT equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SFRS(I) 16, the Group recognizes right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under SFRS(I) 1-17

Previously, the Group classified property leases as operating leases under SFRS(I) 1-17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the respective lessee entities incremental borrowing rates applicable to the leases as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all other leases.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying SFRS(I) 16 to leases previously classified as operating leases under SFRS(I) 1-17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

2 Basis of preparation (continued)

2.5 New standards and amendments (continued)

As a lessor

The group leases out its investment properties, including own property and ROU assets. The Group have classified theses leases as operating leases.

The Group is not required to make any adjustments on transaction for SFRS(I) 16 for leases in which it acts as lessor.

The impact on Group's financial statements arising from adoption of SFRS(I) 16 is as follows:

The Group	1 January 2019 $'000
Right-of-use assets – property, plant and equipment	9,386
Lease liabilities	(9,386)
Net assets	–

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using the applicable incremental borrowing rates at 1 January 2019. The weighted average rate applied was 4%.

	Note	1 January 2019 $'000
Operating lease commitments at 31 December 2018 as disclosed under SFRS(I) 1-17 in the Group's consolidated financial statements		16,931
Discounted using the incremental borrowing rate at 1 January 2019		16,347
(Less): short-term leases not recognized as a liability	27	(6,961)
Lease liabilities recognized at 1 January 2019		9,386

Early adoption of Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 Interest Rate Benchmark Reform

The Group has early adopted amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 on 1 January 2019. The Group applied the interest rate benchmark reform amendments retrospectively to hedging relationship that existed at 1 January 2019 or were designated thereafter and that are directly affected by interest rate benchmark reform. These amendments also apply to the gain or loss recognized in the other comprehensive income that existed on 1 January 2019. The adoption of amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 did not have a material impact on the financial statements.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) statements of financial position at 1 April 2018 for the purposes of the transition to SFRS(I), unless otherwise indicated.

The accounting policies 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 SFRS(I) 3 *Business Combination* as at the acquisition date, which is the date on which control is transferred to 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 Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognized 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 recognized 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 recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration payable is recognized at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

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' proportionate share of the recognized amounts of the acquiree's identifiable net assets, at the acquisition date. 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 SFRS(I)s. If the business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at each acquisition date and any changes are taken to the profit or loss.

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 equity transactions.

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

(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.

Losses applicable to the NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

The Group's acquisitions of those subsidiaries which are special purpose vehicles established for the sole purpose of holding assets are primarily accounted for as acquisitions of assets.

(iii) Acquisition of entities under common control

For acquisition of entities under common control, the identifiable assets and liabilities were accounted for at their historical costs, in a manner similar to the "pooling-of-interests" method of accounting. Any excess or deficiency between the amounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount recorded for the share capital acquired is recognized directly in equity.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognized the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Investments in associates and joint ventures

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investment in associates and joint ventures are accounted for using the equity method (collectively referred to as equity-accounted investees) and they are recognized initially at cost which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. The Group's investments in associates and joint ventures include goodwill identified on acquisition, net of any accumulated impairment losses.

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

(v) Investments in associates and joint ventures (continued)

When the Group's share of losses exceeds its investment in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operation or has made payments on behalf of the investee.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(vii) Accounting for subsidiaries, associates and joint ventures by the Company

Investments in subsidiaries, associates and joint ventures are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

(i) Foreign currency transactions

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "functional currency").

Transactions in foreign currencies are translated to the respective functional currencies of Group's entities at the exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized 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 translated 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 costs are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising from translation are recognized in profit or loss. However, foreign currency differences arising from the translation of the following items are recognized in OCI:

3 Significant accounting policies (continued)

3.2 Foreign currency (continued)

(i) Foreign currency transactions (continued)

- an equity investment designated as at FVOCI;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective (see Note 3.3(vii)); or
- qualifying cash flow hedges to the extent such hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from the acquisition, are translated to US dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to US dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI. Since 1 April 2017, the Group's date of transition to SFRS(I), such differences have been recognized in the foreign currency translation reserve ("translation reserve") in equity. However, if the 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 ventures 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 are considered to form part of a net investment in a foreign operation. These are recognized in OCI, and are presented in the translation reserve in equity.

3.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables and debt investments issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investment at FVOCI

On initial recognition of an equity investment that is not held-for-trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets at FVTPL

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets: Business model assessment (continued)

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Directly attributable transaction costs are recognized in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss.

(iii) Derecognition

Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

(iii) Derecognition (continued)

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

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, 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.

(vi) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with SFRS(I) 1-12.

(vii) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

(vii) Derivative financial instruments and hedge accounting (continued)

The Group designates certain derivatives and non-derivative financial instruments as hedging instruments in qualifying hedging relationships. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognized in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts (‘forward points’) is separately accounted for as a cost of hedging and recognized in a cost of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognized.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item’s cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

(vii) Derivative financial instruments and hedge accounting (continued)

Net investment hedges

The Group designates certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognized in OCI and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognized immediately in profit or loss. The amount recognized in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

Specific policies for hedges directly affected by interbank offer rates (IBOR) reform

For a cash flow hedge of a forecast transaction, the Group assumes that the benchmark interest rate will not be not altered as a result of IBOR reform for the purpose of asserting that the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss. The Group will no longer apply the amendments to its highly probable assessment of the hedged item when the uncertainty arising from interest rate benchmark reform with respect to the timing and amount of the interest rate benchmark-based future cash flows of the hedged item is no longer present, or when the hedging relationship is discontinued. To determine whether the designated forecast transaction is no longer expected to occur, the Group assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of interest rate benchmark reform.

The Group will cease to apply the amendments to its effectiveness assessment of the hedging relationship at the earlier of, when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the hedged risk and the timing and the amount of the interest rate benchmark-based cash flows of the hedged item and hedging instrument; and when the hedging relationship is discontinued.

3.4 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, used in the production or supply of goods or services, or for administrative purposes. Investment properties comprise completed investment properties, investment properties under re-development, properties under development and land held for development.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labor, any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalized borrowing costs.

3 Significant accounting policies (continued)

3.4 Investment properties (continued)

Land held for development represents lease prepayments for acquiring rights to use land in the People's Republic of China ("PRC") with periods ranging from 40 to 50 years. Such rights granted with consideration are recognized initially at acquisition cost.

(i) Completed investment properties and investment properties under re-development

Completed investment properties and investment properties under re-development are measured at fair value with any changes therein recognized in profit or loss. Rental income from investment properties is accounted for in the manner described in Note 3.13.

(ii) Properties under development and land held for development

Property that is being constructed or developed for future use as investment property is initially recognized at cost, including transaction costs, and subsequently at fair value with any change therein recognized in profit or loss.

When an investment property is disposed of, the resulting gain or loss recognized in profit or loss is the difference between net disposal proceeds and the carrying amount of the property.

3.5 Property, plant and equipment

Property, plant and equipment are measured at cost which includes capitalized borrowing costs, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent expenditure relating to property, plant and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognized as an expense in the period in which it is incurred.

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 recognized as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Land is not depreciated.

Depreciation is recognized from the date that the property, plant and 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.

3 Significant accounting policies (continued)

3.5 Property, plant and equipment (continued)

The estimated useful lives for the current and comparative years are as follows:

• buildings	40 years
• solar plants	20 years
• furniture, fittings and equipment	2-20 years
• right-of-use assets	1-15 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

3.6 Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 3.1 (i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the associates and joint ventures.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at costs less accumulated amortization and accumulated impairment losses.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most clearly reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives of intangible assets are as follows:

Trademarks	20 years
Non-competition	over the term of relevant agreement
License rights	over the term of the license period

Amortization methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3 Significant accounting policies (continued)

3.7 Impairment

(i) Non-derivative financial assets

The Group recognizes loss allowances for expected credit loss ("ECLs") on financial assets measured at amortized costs.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

3 Significant accounting policies (continued)

3.7 Impairment (continued)

(i) Non-derivative financial assets (continued)

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Associate and joint venture

Any impairment loss in respect of an associate or joint venture is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements of non-financial assets. An impairment loss is recognized in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimate used to determine the recoverable amount.

3 Significant accounting policies (continued)

3.7 Impairment (continued)

(iii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties and 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 assets' recoverable amount are estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognized if the carrying amount of an asset or its 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. 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 is tested 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.

The Group's corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized 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 amortization, if no impairment loss had been recognized.

Goodwill that forms part of the carrying amount of an investment in associates and joint ventures is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in associates and joint ventures is tested for impairment as a single asset when there is objective evidence that the investment may be impaired.

3 Significant accounting policies (continued)

3.8 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are highly probable to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, the assets, or disposal group, are generally measured at the lower of their carrying amount and fair value less costs to sell. Investments properties classified within assets held for sale are subsequently remeasured at their fair values. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortized or depreciated. In addition, equity accounting of joint ventures and associates ceases once classified as held for sale.

3.9 Deferred management costs

Costs that are directly attributable to securing a fund management agreement are deferred if they can be identified separately and measured reliably and it is probable that they will be recovered. Deferred management costs represent the costs incurred to secure the right to benefit from the provision of fund management services, and are amortized as the Group recognizes the related revenue over the tenure of the fund.

3.10 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 recognized as employee benefit expense in profit or loss in the periods during which 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 recognized 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.

3 Significant accounting policies (continued)

3.10 Employee benefits (continued)

(iii) Employee leave entitlement

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring of benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(v) Share-based payment

For equity-settled share-based payment transactions, the fair value of the services received is recognized as an expense with a corresponding increase in equity over the vesting period during which the employees become unconditionally entitled to the equity instrument. The fair value of the services received is determined by reference to the fair value of the equity instrument granted at the date of the grant. At each reporting date, the number of equity instruments that are expected to be vested are estimated. The impact on the revision of original estimates is recognized as an expense and as a corresponding adjustment to equity over the remaining vesting period, unless the revision to original estimates is due to market conditions. No adjustment is made if the revision or actual outcome differs from the original estimate due to market conditions.

For cash-settled share-based payment transactions, e.g. Award shares, the fair value of the goods or services received is recognized as an expense with a corresponding increase in liability.

The grant-date fair value of the liability is recognized over the vesting period. If no services are required, then the amount is recognized immediately. Remeasurements during the vesting period are recognized immediately to the extent that they relate to past services, and recognition is spread over the remaining vesting period to the extent that they relate to future services. That is, in the period of the remeasurement there is a catch-up adjustment for prior periods in order for the recognized liability at each reporting date to equal a defined proportion of the total fair value of the liability. The recognized proportion is generally calculated by dividing the period for which services have been provided as at the reporting date by the total vesting period. Remeasurements are recognized in profit or loss.

3.11 Provision

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

3 Significant accounting policies (continued)

3.12 Leases

The Group has applied SFRS(I) 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under SFRS(I) 1-17 and SFRS(I) INT 4. The details of accounting policies under SFRS(I) 1-17 and SFRS(I) INT 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SFRS(I) 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

3 Significant accounting policies (continued)

3.12 Leases (continued)

Policy applicable from 1 January 2019 (continued)

(i) As a lessee (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'trade and other payables' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

3 Significant accounting policies (continued)

3.12 Leases (continued)

Policy applicable from 1 January 2019 (continued)

(ii) As a lessor (continued)

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies SFRS(I) 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in SFRS(I) 9 to the net investment in the lease (see Note 3.7(i)). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognizes lease payments received from investment property under operating leases as income on a straight-line basis over the lease term as part of 'revenue'. Rental income from sub-leased property is recognized as "other income".

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

Leases - Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and

- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:

  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;

  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or

  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

3 Significant accounting policies (continued)

3.12 Leases (continued)

Leases - Policy applicable before 1 January 2019 (continued)

(i) As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Group's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

(ii) As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

Rental income from investment property is recognized as "revenue" on a straight-line basis over the term of the lease. Rental income from sub-leased property is recognized as "other income".

3.13 Revenue recognition

Rental income

Rental income receivable under operating leases is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income to be received. Contingent rentals are recognized as income in the accounting period in which they are earned.

Fund management fee income

Fund management fee income is recognized in profit or loss as and when services are rendered.

3 Significant accounting policies (continued)

3.13 Revenue recognition (continued)

Dividend income

Dividend income is recognized on the date that the Group's right to receive payment is established.

Financial services income

Financial services income is recognized in profit or loss upon the completion of the transaction.

3.14 Government grants

Grants that compensate the Group for expenses already incurred or for purpose of giving immediate financial support with no future related costs are recognized in profit or loss in the period in which they become receivable.

3.15 Finance income and expenses

Finance income comprises interest income on funds invested (including equity investments) and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, and losses on hedging instruments that are recognized in profit or loss.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses 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 Significant accounting policies (continued)

3.16 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognized 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 recognized 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 and equity accounted investees 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. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has been rebutted for investment properties held in certain countries which the Group operates in. 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 realized simultaneously.

3 Significant accounting policies (continued)

3.16 Tax (continued)

Deferred tax assets are recognized for unused tax losses, unused 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 used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. 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 realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

3.17 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's chief operating decision-makers ("CODM") to make decisions about resources to be allocated to the segment and to assess its performance and for which discrete financial information is available.

3.18 New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

- *Amendments to References to Conceptual Framework in SFRS(I) Standards*
- *Definition of a Business* (Amendments to SFRS(I) 3)
- *Definition of Material* (Amendments to SFRS(I) 1-1 and SFRS(I)1- 8)
- SFRS(I) 17 *Insurance Contracts*

4 Investment properties

	Note	Group 2019 US$'000	Group 2018 US$'000
At 1 January 2019, 1 April 2018		19,481,683	18,497,429
Additions		2,069,660	1,613,421
Disposals		(674,852)	(689,894)
Acquisition of subsidiaries	29(a)	1,161,699	1,170,548
Disposal of subsidiaries	29(b)	(356,443)	(1,634,627)
Borrowing cost capitalized	26	9,860	5,616
Changes in fair value		1,193,643	2,467,482
Reclassification to assets classified as held for sale		(1,306,784)	(382,600)
Effect of movements in exchange rates		(302,846)	(1,565,692)
At 31 December		21,275,620	19,481,683
Comprising:			
Completed investment properties		17,047,963	15,475,890
Investment properties under re-development		241,105	476,862
Properties under development		1,980,202	1,669,367
Land held for development		2,006,350	1,859,564
		21,275,620	19,481,683

The Group reclassified certain investment properties of US$1,306,784,000 (2018: US$382,600,000) to assets classified as held for sale following initiation of an active programme to sell (Note 15).

Investment properties are held mainly for use by external customers under operating leases. Generally, the leases contain an initial non-cancellable period of one to twenty years. Subsequent renewals are negotiated with the lessees. There are no contingent rents arising from the lease of investment properties.

Investment properties with carrying value totaling approximately US$13,215,908,000 as at 31 December 2019 (2018: US$10,213,491,000) were mortgaged to banks and bondholders to secure credit facilities for the Group (Note 19). Interest capitalized as costs of investment properties amounted to approximately US$9,860,000 (2018: US$5,616,000) during the year.

Measurement of fair value

(i) Fair value hierarchy

The Group's investment property portfolio are valued by external and internal valuers at the reporting date. The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties had each acted knowledgeably and without compulsion. In determining the fair value as at the reporting date, the external and internal valuers have adopted a combination of valuation methods, including income capitalization, discounted cash flows and residual methods, which involve certain estimates. The key assumptions used to determine the fair value of investment properties include market-corroborated capitalization rate, discount rate and terminal yield rate.

4 Investment properties (continued)

Measurement of fair value (continued)

(i) Fair value hierarchy (continued)

The income capitalization method capitalizes an income stream into a present value using single-year capitalization rates, the income stream used is adjusted to market rentals currently being achieved within comparable investment properties and recent leasing transactions achieved within the investment property. The discounted cash flow method requires the valuer to assume a rental growth rate indicative of market and the selection of a target internal rate of return consistent with current market requirements. The residual method values properties under development and land held for development by reference to their development potential which involves deducting the estimated development costs to complete construction and developer's profit from the gross development value to arrive at the residual value of the property. The gross development value is the estimated value of the property assuming satisfactory completion of the development as at the date of valuation. The estimated cost to complete is determined based on the construction cost per square metre in the area.

In relying on the valuation reports, management has exercised its judgment and is satisfied that the valuation methods and estimates are reflective of the current market conditions.

The fair value measurement for investment properties of US$21,275,620,000 (2018: US$19,481,683,000) has been categorized as a Level 3 fair value based on the inputs to the valuation technique used (see Note 2.4) and was measured based on valuation by valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the respective investment property being valued.

(ii) Reconciliation of Level 3 fair values

	Group	
	2019	**2018**
	US$'000	**US$'000**
Balance at 1 January 2019, 1 April 2018	19,481,683	18,497,429
Capital expenditure incurred and borrowing costs capitalized	2,079,520	1,619,037
Disposal of investment properties	(674,852)	(689,894)
Acquisition of subsidiaries	1,161,699	1,170,548
Disposal of subsidiaries	(356,443)	(1,634,627)
Reclassification to assets classified as held for sale	(1,306,784)	(382,600)
Gains and losses for the year		
Changes in fair value of investment properties	1,193,643	2,467,482
Gains and losses recognized in OCI		
Effect of movements in exchange rates	(302,846)	(1,565,692)
Balance at 31 December	21,275,620	19,481,683

4 Investment properties (continued)

Measurement of fair value (continued)

(ii) Reconciliation of Level 3 fair values (continued)

Valuation technique and significant unobservable inputs

The following table shows the key unobservable inputs used in measuring the fair value of investment properties.

Valuation method	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Income capitalization	***Capitalization rate:*** PRC: 4.00% to 7.00% (2018: 4.25% to 7.00%) Japan: 4.30% to 4.50% (2018: 4.40% to 5.75%) USA: Nil (2018: 5.90%) Europe: 4.66% (2018: Nil)	The estimated fair value varies inversely against the capitalization rate.
Discounted cash flow	***Discount rate:*** PRC: 8.00% to 10.50% (2018: 8.00% to 10.50%) Japan: 4.30% to 4.50% (2018: 4.90% to 6.25%) USA: Nil (2018: 7.40%) Brazil: 7.25% (2018: Nil)	The estimated fair value varies inversely against the discount rate.
	Terminal yield rate: PRC: 4.00% to 7.00% (2018: 4.25% to 6.75%) Japan: 4.50% (2018: 4.65% to 6.00%) USA: Nil (2018: 5.40%) Brazil: 9.25% (2018: Nil)	The estimated fair value varies inversely against the terminal yield rate.
Residual	***Capitalization rate[1]:*** PRC: 4.75% to 6.25% (2018: 4.25% to 7.00%) Europe: 4.49% (2018: Nil)	The estimated fair value and gross development value vary inversely against the capitalization rate.
	Estimated development costs to complete construction	The estimated fair value varies inversely against the development costs to complete construction.

[1] *Income capitalization method is applied to derive the total gross development value under the residual approach.*

5 Subsidiaries

	Company	
	2019	**2018**
	US$'000	**US$'000**
Unquoted equity shares, at cost	5,782,001	6,744,563
Less: Allowance for impairment loss	(313,345)	(228,334)
	5,468,656	6,516,229
Loans to subsidiaries (interest-free)	648,353	672,073
	6,117,009	7,188,302

During the year ended 31 December 2019, an impairment loss of US$82,492,000 was recognized in profit or loss for the Company's investment in a subsidiary in the USA, in view of the shortfall in recoverable amount.

The recoverable amount was estimated based on net assets as the assets held by subsidiaries which comprises mainly investment properties or joint ventures owning investment properties measured at fair value and categorized as Level 3 on the fair value hierarchy.

During the year ended 31 December 2019, an impairment loss of US$2,519,000 (2018: US$113,145,000) was recognized in profit or loss for the Company's investment in certain subsidiaries which have underlying interests in joint ventures in Brazil, in view of the depreciation of the Brazilian Real which the investments are denominated in.

The recoverable amount for the relevant joint ventures was estimated to be US$726,571,000 (2018: US$709,423,000). The fair value measurement was estimated based on net assets as the assets held by the subsidiaries comprise mainly investment properties measured at fair value and categorized as Level 3 on the fair value hierarchy.

The loans to subsidiaries are unsecured and not expected to be repaid within the next 12 months from 31 December 2019.

Details of significant subsidiaries are set out in Note 35.

6 Associates and joint ventures

	Group	
	2019	**2018**
	US$'000	**US$'000**
Interests in associates	1,107,233	894,326
Interests in joint ventures	3,312,498	3,472,364
	4,419,731	4,366,690
Capital commitments in relation to interests in associates and joint ventures	695,435	416,756
Proportionate interest in associates' and joint ventures' commitments	228,569	112,769

The Group has two joint ventures (2018: two joint ventures) that are material and a number of associates and joint ventures that are individually immaterial to the Group. All are equity accounted. The following are the material associates and joint ventures:

Name of associate and joint ventures[1]	Principal activity	Principal place of business	2019 %	2018 %
GLP Japan Development Venture I	Private equity fund focused on logistics properties	Japan	50.00	50.00
GLP Japan Development Partners II	Private equity fund focused on logistics properties	Japan	50.00	50.00
GLP US Income Partners I	Private equity fund focused on logistics properties	USA	–[2]	10.35

Notes:

1 Relates to the commercial name of the joint ventures used under GLP's fund management platform.
2 GLP US Income Partners I was disposed during the year ended 31 December 2019.

6 Associates and joint ventures (continued)

Summary information for associates and joint ventures that are material to the Group

This summarized financial information is shown on a 100% basis. It represents the amounts shown in the associates and joint ventures' financial statements prepared in accordance with SFRS(I) under Group accounting policies.

31 December 2019	GLP Japan Development Venture I US$'000	GLP Japan Development Partners II US$'000	Immaterial associates and joint ventures US$'000	Total US$'000
Group's interests	**50.00%**	**50.00%**		
Results				
Revenue	117,359	37,321	1,772,505	1,927,185
Expenses	(48,805)	(11,646)	(1,572,485)	(1,632,936)
Changes in fair value of investment properties	225,350	222,450	580,442	1,028,242
Income tax expense	(17,325)	(13,300)	(213,737)	(244,362)
Profit for the year	276,579	234,825	566,725	1,078,129
NCI	–	–	(37,665)	(37,665)
Profit attributable to owners	276,579	234,825	529,060	1,040,464
OCI	2,011	(12,395)	42,891	32,507
Total comprehensive income	278,590	222,430	571,951	1,072,971
Profit after tax include:				
Interest income	1	–	14,419	14,420
Depreciation and amortization	(8,553)	(2,816)	(24,503)	(35,872)
Interest expense	(11,375)	(3,198)	(208,472)	(223,045)
Assets and liabilities				
Non-current assets	2,489,123	1,258,263	16,839,754	20,587,140
Current assets	60,434	38,586	2,882,727	2,981,747
Total assets	2,549,557	1,296,849	19,722,481	23,568,887
Non-current liabilities	(889,923)	(611,555)	(5,154,270)	(6,655,748)
Current liabilities	(308,320)	(136,932)	(2,714,840)	(3,160,092)
Total liabilities	(1,198,243)	(748,487)	(7,869,110)	(9,815,840)
Assets and liabilities include:				
Cash and cash equivalents	49,513	26,964	1,594,968	1,671,445
Current financial liabilities (excluding trade and other payables)	(280,521)	(653)	(543,343)	(824,517)
Non-current financial liabilities (excluding trade and other payables)	(800,449)	(579,895)	(3,175,632)	(4,555,976)

6 Associates and joint ventures (continued)

Summary information for associates and joint ventures that are material to the Group (continued)

31 December 2018	**GLP Japan Development Venture I US$'000**	**GLP US Income Partners I US$'000**	**Immaterial associates and joint ventures US$'000**	**Total US$'000**
Group's interests	**50.00%**	**10.35%**		
Results				
Revenue	93,921	518,405	1,321,850	1,934,176
Expenses	(35,788)	(315,547)	(1,191,546)	(1,542,881)
Changes in fair value of investment properties	274,248	432,702	885,445	1,592,395
Income tax expense	(18,441)	(154,067)	(200,394)	(372,902)
Profit for the year	313,940	481,493	815,355	1,610,788
NCI	–	–	(23,459)	(23,459)
Profit attributable to owners	313,940	481,493	791,896	1,587,329
OCI	(307)	–	(72,388)	(72,695)
Total comprehensive income	313,633	481,493	719,508	1,514,634
Profit after tax include:				
Interest income	1	123	7,155	7,279
Depreciation and amortization	(3,527)	–	(15,063)	(18,590)
Interest expense	(5,136)	(137,893)	(221,169)	(364,198)
Assets and liabilities				
Non-current assets	2,218,470	9,016,244	19,149,030	30,383,744
Current assets	896,284	302,375	2,301,979	3,500,638
Total assets	3,114,754	9,318,619	21,451,009	33,884,382
Non-current liabilities	(1,034,800)	(4,489,106)	(8,194,609)	(13,718,515)
Current liabilities	(497,800)	(175,399)	(1,985,943)	(2,659,142)
Total liabilities	(1,532,600)	(4,664,505)	(10,180,552)	(16,377,657)
Assets and liabilities include:				
Cash and cash equivalents	67,612	208,860	1,171,224	1,447,696
Current financial liabilities (excluding trade and other payables)	(461,614)	–	(299,024)	(760,638)
Non-current financial liabilities (excluding trade and other payables)	(928,778)	(4,476,214)	(6,814,691)	(12,219,683)

6 Associates and joint ventures (continued)

Reconciliation of the above amounts to investment recognized in the consolidated statement of financial position

31 December 2019	GLP Japan Development Venture I US$'000	GLP Japan Development Partners II US$'000	Immaterial associates and joint ventures US$'000	Total US$'000
Group's interests				
Group's interest in net assets of associates and joint ventures at beginning of the year	795,747	189,231	3,381,712	4,366,690
Group's share of total comprehensive income	139,295	111,215	181,617	432,127
Dividends received from associates and joint ventures (the Group's share)	(185,178)	(11,438)	(80,953)	(277,569)
Group's share of total (distribution to)/contribution by owners (net)	(172,657)	(14,811)	654,014	466,546
Group's investment in associates through acquisition of subsidiaries (Note 29(a))	–	–	211,379	211,379
Capitalization of loan to third party to equity contribution to joint venture	–	–	48,462	48,462
Reclassification of assets classified as held for sale to joint venture (Note 29(c))	–	–	62,505	62,505
Disposal of associates and joint ventures	–	–	(817,679)	(817,679)
Reclassification of joint venture to assets classified as held for sale	–	–	(42,105)	(42,105)
Effect of movements in exchange rates	11,328	3,482	(45,435)	(30,625)
Carrying amount of interest in associates and joint ventures at the end of the year	588,535	277,679	3,553,517	4,419,731

6 Associates and joint ventures (continued)

Reconciliation of the above amounts to investment recognized in the consolidated statement of financial position (continued)

31 December 2018	GLP Japan Development Venture I US$'000	GLP US Income Partners I US$'000	Immaterial associates and joint ventures US$'000	Total US$'000
Group's interests	**50.00%**	**10.35%**		
Group's interest in net assets of associates and joint ventures at beginning of the year	688,988	447,835	2,114,926	3,251,749
Group's share of total comprehensive income	156,817	49,835	190,767	397,419
Dividends received from associates and joint ventures (the Group's share)	(15,308)	(13,530)	(33,132)	(61,970)
Group's share of total (distribution to)/contribution by owners (net)	(2,823)	–	775,064	772,241
Capitalization of loan to third party to equity contribution to joint venture	–	–	151,097	151,097
Reclassification of assets held for sale to associate (Note 29(c))	–	–	130,495	130,495
Transaction costs in connection with acquisition of joint venture	–	–	(3,534)	(3,534)
Disposal of previously held equity interest (Note 29(b))	–	–	(28,482)	(28,482)
Effect of movements in exchange rates	(31,927)	–	(210,398)	(242,325)
Carrying amount of interest in associates and joint ventures at the end of the year	795,747	484,140	3,086,803	4,366,690

7 Deferred tax

Movements in deferred tax assets and liabilities during the year are as follows:

Group	At 1 January US$'000	Acquisition of subsidiaries (Note 29(a)) US$'000	Disposal of subsidiaries (Note 29(b)) US$'000	Effect of movements in exchange rates US$'000	Recognized in OCI US$'000	Recognized in profit or loss (Note 28) US$'000	Reclassified as held for sale US$'000	At 31 December US$'000
31 December 2019								
Deferred tax assets								
Unutilized tax losses	35,445	–	(939)	(538)	(372)	7,606	–	41,202
Interest rate swaps	190	–	–	3	31	(222)	–	2
Others	14,327	–	–	20	770	(3,139)	–	11,978
	49,962	–	(939)	(515)	429	4,245	–	53,182
Deferred tax liabilities								
Investment properties	(2,030,462)	(2,987)	40,530	36,578	–	(370,148)	2,372	(2,324,117)
Property, plant and equipment	–	–	–	13	(1,102)	–	–	(1,089)
Equity investments at FVOCI	(14,035)	–	–	621	(7,956)	(27,809)	–	(49,179)
Others	(6,905)	–	–	115	–	(674)	–	(7,464)
	(2,051,402)	(2,987)	40,530	37,327	(9,058)	(398,631)	2,372	(2,381,849)
Total	(2,001,440)	(2,987)	39,591	36,812	(8,629)	(394,386)	2,372	(2,328,667)

7 Deferred tax (continued)

Group	At 1 April US$'000	Disposal of subsidiaries (Note 29(b)) US$'000	Effect of movements in exchange rates US$'000	Recognized in OCI US$'000	Recognized in profit or loss (Note 28) US$'000	Reclassification to asset held for sale US$'000	At 31 December US$'000
31 December 2018							
Deferred tax assets							
Unutilized tax losses	36,519	(1,545)	(3,214)	–	3,749	(64)	35,445
Interest rate swaps	293	–	(14)	(89)	–	–	190
Others	13,660	–	(599)	–	1,269	(3)	14,327
	50,472	(1,545)	(3,827)	(89)	5,018	(67)	49,962
Deferred tax liabilities							
Investment properties	(1,774,714)	242,909	163,179	–	(661,836)	–	(2,030,462)
Equity investments at FVOCI	(29,925)	–	2,190	21,763	(8,063)	–	(14,035)
Others	(10,536)	–	785	–	2,846	–	(6,905)
	(1,815,175)	242,909	166,154	21,763	(667,053)	–	(2,051,402)
Total	(1,764,703)	241,364	162,327	21,674	(662,035)	(67)	(2,001,440)

7 Deferred tax (continued)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts determined after appropriate offsetting are included in the statement of financial position as follows:

	Group	
	2019	**2018**
	US$'000	**US$'000**
Deferred tax assets	21,861	19,649
Deferred tax liabilities	(2,350,528)	(2,021,089)

As at reporting date, deferred tax liabilities have not been recognized in respect of taxes that would be payable on the undistributed earnings of certain subsidiaries of US$29,514,000 (2018: US$22,820,000) as the Group do not have plans to distribute these earnings in the foreseeable future.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. 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 realized. The Group has not recognized deferred tax assets in respect of the following:

	Group	
	2019	**2018**
	US$'000	**US$'000**
Tax losses	483,104	408,741

Deferred tax assets in respect of tax losses have not been recognized because it is not probable that future taxable profit will be available against which the Group can utilize the benefits. Tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which the subsidiaries operate. Unrecognized tax losses will expire within one to five years.

8 Property, plant and equipment

Group	Furniture, fittings and equipment US$'000	Solar plants US$'000	Assets under construction US$'000	Buildings US$'000	Right-of-use assets US$'000	Total US$'000
Cost						
At 1 April 2018	59,933	–	231	–	–	60,164
Acquisition of subsidiaries	1,324	–	–	–	–	1,324
Additions	8,797	–	461	–	–	9,258
Disposals	(1,137)	–	–	–	–	(1,137)
Disposal of subsidiaries	(1,314)	–	–	–	–	(1,314)
Written off	–	–	(53)	–	–	(53)
Effect of movements in exchange rates	(3,631)	–	–	–	–	(3,631)
At 31 December 2018	63,972	–	639	–	–	64,611
Cost						
At 1 January 2019	63,972	–	639	–	–	64,611
Recognition of right-of-use assets on initial application of SFRS(I) 16	–	–	–	–	9,386	9,386
Adjusted balance at 1 January 2019	63,972	–	639	–	9,386	73,997
Acquisition of subsidiaries	1,812	–	–	–	52,248	54,060
Additions	63,554	–	14,078	71,403	38,750	187,785
Disposals	(4,333)	–	–	–	–	(4,333)
Disposal of subsidiaries	(27)	(9,436)	(3,355)	–	–	(12,818)
Reclassification	34	10,059	(10,093)	–	–	–
Revaluation of buildings recognized in other comprehensive income	–	–	–	4,407	–	4,407
Written off	(2,132)	–	–	–	(4,318)	(6,450)
Elimination on revaluation of buildings	–	–	–	(1,255)	–	(1,255)
Effect of movements in exchange rates	(1,111)	(184)	(66)	(862)	(546)	(2,769)
At 31 December 2019	121,769	439	1,203	73,693	95,520	292,624

8 Property, plant and equipment (continued)

Group	Furniture, fittings and equipment US$'000	Solar plants US$'000	Assets under construction US$'000	Buildings US$'000	Right-of-use assets US$'000	Total US$'000
Accumulated depreciation						
At 1 April 2018	40,932	–	–	–	–	40,932
Depreciation charge for the period	5,510	–	–	–	–	5,510
Disposals	(1,048)	–	–	–	–	(1,048)
Disposal of subsidiaries	(1,204)	–	–	–	–	(1,204)
Effect of movements in exchange rates	(1,777)	–	–	–	–	(1,777)
At 31 December 2018	42,413	–	–	–	–	42,413
Written off	(1,581)	–	–	–	(1,586)	(3,167)
Elimination on revaluation of buildings	–	–	–	(1,255)	–	(1,255)
Depreciation charge for the year	10,553	185	–	1,255	11,520	23,513
Disposals	(3,958)	–	–	–	–	(3,958)
Disposal of subsidiaries	(22)	(173)	–	–	–	(195)
Effect of movements in exchange rates	(342)	(3)	–	–	(25)	(370)
At 31 December 2019	47,063	9	–	–	9,909	56,981
Carrying amounts						
At 1 April 2018	19,001	–	231	–	–	19,232
At 31 December 2018	21,559	–	639	–	–	22,198
At 31 December 2019	74,706	430	1,203	73,693	85,611	235,643

8 Property, plant and equipment (continued)

Company	Furniture, fittings and equipment US$'000	Assets under construction US$'000	Right-of-use assets US$'000	Total US$'000
Cost				
At 1 April 2018	14,761	143	–	14,904
Additions	312	461	–	773
Reclassifications	(21)	–	–	(21)
At 31 December 2018	15,052	604	–	15,656
Additions	626	599	1,965	3,190
Written off	(940)	–	–	(940)
At 31 December 2019	14,738	1,203	1,965	17,906
Accumulated depreciation				
At 1 April 2018	10,679	–	–	10,679
Depreciation charge for the period	1,477	–	–	1,477
Disposals	(21)	–	–	(21)
At 31 December 2018	12,135	–	–	12,135
Depreciation charge for the year	1,688	–	267	1,955
Written off	(940)	–	–	(940)
At 31 December 2019	12,883	–	267	13,150
Carrying amounts				
At 1 April 2018	4,082	143	–	4,225
At 31 December 2018	2,917	604	–	3,521
At 31 December 2019	1,855	1,203	1,698	4,756

9 Intangible assets

Group	Goodwill US$'000	Trademarks US$'000	Non-competition US$'000	License rights US$'000	Total US$'000
Cost					
At 1 April 2018	448,958	40,052	6,831	1,014	496,855
Effect of movements in exchange rates	(26,196)	(2,219)	–	(87)	(28,502)
At 31 December 2018	422,762	37,833	6,831	927	468,353
Additions	–	17	–	–	17
Written off	–	–	(4,330)	–	(4,330)
Effect of movements in exchange rates	(4,556)	(376)	–	(15)	(4,947)
At 31 December 2019	418,206	37,474	2,501	912	459,093
Accumulated amortization					
At 1 April 2018	–	15,235	6,831	486	22,552
Amortization for the period	–	1,549	–	151	1,700
Effect of movements in exchange rates	–	(892)	–	(45)	(937)
At 31 December 2018	–	15,892	6,831	592	23,315
Amortization for the year	–	2,047	–	196	2,243
Written off	–	–	(4,330)	–	(4,330)
Effect of movements in exchange rates	–	(176)	–	(11)	(187)
At 31 December 2019	–	17,763	2,501	777	21,041
Carrying amounts					
At 1 April 2018	448,958	24,817	–	528	474,303
At 31 December 2018	422,762	21,941	–	335	445,038
At 31 December 2019	418,206	19,711	–	135	438,052

Impairment test for goodwill

For the purpose of goodwill impairment testing, the aggregate carrying amount of goodwill allocated to each cash-generating unit ("CGU") as at 31 December 2019 are as follows:

	Carrying amount	
Group	**2019 US$'000**	**2018 US$'000**
Airport City Development Group ("ACL Group")	52,708	53,576
GLP China[1]	224,031	227,719
GLP Japan[2]	141,467	141,467
Total	418,206	422,762

Notes:

[1] Relates to the leasing of logistic facilities and provision of asset management services in China and excludes the ACL Group.
[2] Relates to the leasing of logistic facilities and provision of asset management services in Japan.

9 Intangible assets (continued)

Impairment test for goodwill (continued)

ACL Group

The recoverable amount of ACL Group are determined based on value in use calculation. The value in use calculation is a discounted cash flow model using cash flow projections based on the most recent budgets and forecasts approved by management covering five years. Cash flows beyond these periods are extrapolated using the estimated terminal growth rate of 3.00% (2018: 3.00%). The discount rate of 7.50% (2018: 7.50%) applied is the weighted average cost of capital from the relevant business segment. The terminal growth rate used does not exceed management's expectation of the long-term average growth rate of the respective industry and country in which ACL Group operates.

GLP China and GLP Japan

Recoverable amount of GLP China and Japan as of 31 December 2019 is determined using the Sum-Of-The-Parts ("SOTP") approach to measure the fair value less costs of disposal of the CGU by aggregating the standalone fair value of each of its business units within the CGU to arrive at a single total enterprise value. The equity value is then derived by adjusting the CGU's net debt and other non-operating assets and expenses from the total enterprise value.

The enterprise value of each business unit is derived separately and determined based on valuation by internal and external valuers with the appropriate qualifications and experience using observable and unobservable inputs taking into account management's experience and knowledge of market conditions of the specific activities.

Significant business units - valuation technique and significant unobservable inputs

Details of significant business units identified and the key unobservable inputs used in estimating the fair value less costs of disposal of these significant business units are as follows:

Development business

The fair value measurement for development business has been categorized as a Level 3 fair value based on the inputs to the valuation technique used (see Note 2.4).

Valuation method	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement of business unit
Discounted cash flow	***Estimated development costs to complete construction***	The estimated fair value varies inversely against the estimated development costs to complete construction.
	Value creation margin: 17.1% to 34.8% (2018: 20.0% to 45.2%)	The estimated fair value varies proportionately against value creation margin.
	Discount rate: 3.0% to 6.6% (2018: 3.2% to 7.1%)	The estimated fair values varies inversely against the discount rate.

9 Intangible assets (continued)

Impairment test for goodwill (continued)

GLP China and GLP Japan (continued

Fund management

The fair value measurement for fund management has been categorized as a Level 3 fair value based on the inputs to the valuation technique used (see note 2.4).

Valuation method	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement of business unit
Market multiples derived from comparable businesses	***Funds margin:*** 55.6% to 64.0% (2018: 66.7% to 73.6%)	The estimated fair value varies proportionately against funds margin.
	Equity value/EBITDA Multiple: 16 x (2018: 14 x)	The estimated fair value increases as the multiple increases

Sensitivity analysis

As at 31 December 2019, the estimated recoverable amount of the CGUs exceeded its carrying amounts. Management has not identified any reasonably possible changes in the above key assumptions applied which are likely to materially cause the estimated recoverable amount of the CGUs to be lower than its carrying amount except for:

For the fair value of each CGU, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

	Recoverable amount	
	Increase US$'000	**Decrease US$'000**
31 December 2019		
Development business value creation margin (5% movement)		
- PRC	285,000	(285,000)
- Japan	110,000	(110,000)
Fund management services funds margin (5% movement)		
- PRC	86,000	(86,000)
- Japan	93,000	(93,000)
Fund management services fee related earnings multiple (1x movement)		
- PRC	60,000	(60,000)
- Japan	74,000	(74,000)

9 Intangible assets (continued)

Impairment test for goodwill (continued)

Sensitivity analysis (continued)

	Recoverable amount	
	Increase US$'000	**Decrease US$'000**
31 December 2018		
Development business value creation margin (5% movement)		
- PRC	299,000	(299,000)
- Japan	130,000	(130,000)
Fund management services funds margin (5% movement)		
- PRC	23,000	(23,000)
- Japan	51,000	(51,000)
Fund management services fee related earnings multiple (1x movement)		
- PRC	22,000	(22,000)
- Japan	54,000	(54,000)

10 Other investments

	Group	
	2019 US$'000	**2018 US$'000**
Non-current investments		
- Quoted equity investments – at FVOCI	800,038	740,326
- Unquoted equity investments – at FVOCI	67,612	23,706
- Unquoted equity investments – mandatorily at FVTPL	1,026,406	717,762
	1,894,056	1,481,794

Quoted equity investments mainly comprise:

- 4.4% (2018: 10.2%) interest in GLP J-REIT, which is listed on the Real Estate Investment Trust Market of the Tokyo Stock Exchange;
- 15.5% (2018: 15.5%) interest in CMST Development Co., Ltd., which is listed on the Shanghai Stock Exchange;
- 6.1% (2018: 6.1%) shareholdings in Shenzhen New Nanshan Holdings (Group) Co., Ltd, which is listed on Shenzhen Stock exchange.
- 1.5% (2018: 0.9%) shareholdings in Shanghai Lingang Holdings Co., Ltd., which is listed on the Shanghai Stock Exchange.
- 10.0% (2018: Nil%) shareholdings in Beijing Vantone Real Estate Co., Ltd., which is listed on the Shanghai Stock Exchange.

The quoted equity investments are stated at their fair values at the reporting date, determined by reference to their quoted closing bid price in an active market at the reporting date. The Group's exposure to market risks and fair value information related to other investments are disclosed in Notes 31 and 32.

10 Other investments (continued)

The Group invests in companies listed in active markets and private companies that are not quoted in an active market. The quoted equity investments are stated at their fair values at the reporting date, determined by reference to their quoted closing bid price in an active market at the reporting date. The unquoted equity investments are stated at their fair values at the reporting date, determined by reference to an internal rate of return agreed with a potential buyer on a willing buyer, willing seller basis, at net asset value which approximates the investments' fair value or market comparison technique based on market multiple of comparable companies with adjustments for the effect of non-marketability of the investments.

Reconciliation of Level 3 fair values

	2019 US$'000	2018 US$'000
Balance at 1 January/1 April	741,468	376,307
Adjustment on initial application of SFRS(I) 9	–	32,497
Net unrealized gains recognized in profit or loss		
- recognized in profit or loss	152,899	38,778
- recognized in other comprehensive income	(419)	–
Additions	216,605	335,050
Effects of movements in exchange rates	(16,535)	(41,164)
Balance at 31 December	1,094,018	741,468

11 Other non-current assets

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Trade receivables	44,340	38,130	–	–
Deposits	12,318	11,890	–	–
Prepayments	657	3,352	–	–
Amounts due from:			–	
- joint ventures	18,786	24,397	–	–
- an investee entity	99,244	88,060	–	–
Loans to associate and joint ventures	77,888	276,022	–	19,553
Loans to third parties	15,740	122,268	–	–
Finance lease receivables (Note 13)	16,130	52,065	–	–
Deferred management costs	38,667	44,590	–	–
Prepaid construction costs	46,955	74,838	–	–
Others	5,195	838	–	–
	375,920	736,450	–	19,553

Management has assessed that no allowance for impairment losses is required in respect of the Group's non-current trade receivables, none of which are past due.

Deposits include an amount of US$9,883,000 (2018: US$8,181,000) in relation to the acquisition of new investments.

The amounts due from joint ventures and an investee entity are attributed to the transfer of tenant security deposits to these entities.

11 Other non-current assets (continued)

The loans to associate and joint ventures are unsecured, bear fixed interest ranging from 5.39% to 10.00% (2018: 4.40% to 10.00%) per annum at the reporting date and are fully repayable by October 2024 (2018: November 2025).

The loans to third parties amounting to US$15,740,000 (2018: US$22,417,000) are unsecured, bear fixed interest of 18% (2018: 8.00% to 18.00%) per annum at the reporting date and are fully repayable within the next 2 to 5 years.

12 Trade and other receivables

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Trade receivables	60,610	74,777	–	–
Impairment losses	(2,984)	(2,914)	–	–
Net trade receivables	57,626	71,863	–	–
Amounts due from immediate holding company (non-trade)	1,665,780	401,555	1,665,780	401,555
Amounts due from subsidiaries:				
- non-trade and interest-free	–	–	60,447	165,362
- non-trade and interest-bearing	–	–	1,374,540	1,009,925
Amounts due from associates and joint ventures:				
- trade	155,988	114,286	–	–
- non-trade and interest-free	254,812	421,480	285	377
Amounts due from an investee entity:				
- trade	14,802	13,652	–	–
- non-trade and interest-free	14,133	20,169	–	–
Loans to NCI	7,640	5,930	–	–
Loans to associate and joint ventures	222,583	228,592	2,001	2,046
Loans to employees	86,442	–	–	–
Loans to third parties:				
- in relation to acquisition of new investments	126,884	315,548	–	–
- others	114,458	34,090	–	–
	2,663,522	1,555,302	3,103,053	1,579,265
Finance lease receivables (Note 13)	157,777	180,553	–	–
Impairment losses	(22,444)	(11,372)	–	–
	135,333	169,181	–	–
Deposits	191,561	202,325	186	189
Other receivables	337,958	185,860	2,014	1,343
Impairment losses	(56)	(12)	–	–
	337,902	185,848	2,014	1,343
Trade and other receivables	3,385,944	2,184,519	3,105,253	1,580,797
Other assets	3,654	5,836	–	–
Prepayments	89,293	75,409	1,633	2,748
	3,478,891	2,265,764	3,106,886	1,583,545

12 Trade and other receivables (continued)

The non-trade amounts due from immediate holding company, associates and joint ventures, an investee entity, and subsidiaries are unsecured and are repayable on demand. The effective interest rates of non-trade interest-bearing amounts due from subsidiaries at the reporting date range from 2.00% to 10.00% (2018: 3.95% to 6.10%) per annum.

The loans to NCI are unsecured, bears fixed interest of 10.00% (2018: 10.00%) per annum at the reporting date and are repayable on demand. The loans to associate and joint ventures are unsecured, bear fixed interest at the reporting date ranging from 6.00% to 10.00% (2018: 4.40% to 10.00%) per annum and are repayable within the next 12 months.

Loans to employees comprise loans granted under the Co-Investment and GLP Global Share Plans (see Note 23). The loans are secured by the full purchased investment and leveraged shares for which the loans relate to and bear interests at rates determined by the Group with reference to prevailing external borrowing rates. The loans have fixed maturity date of 5 years and 10 years for loans extended under Co-Investment Share Plan and GLP Global Share Plan respectively, and are repayable from distribution and redemption proceeds at discretion of the Company. Upon termination of employment, employees are required to repay the loans immediately.

The loan to third parties in relation to acquisition of new investments are unsecured, repayable within the next 12 months, and bear fixed interest ranging from 4.90% to 12.00% (2018: 4.90% to 15.00%) per annum, except for US$10,835,000 which is interest-free until completion of the acquisition (2018: US$185,274,000). The other loans to third parties are unsecured, repayable within the next 12 months and bear fixed interest at the reporting date ranging from 7.78% to 13.00% (2018: 12.00% to 15.00%) per annum.

Deposits include an amount of US$182,256,000 (2018: US$178,832,000) in relation to acquisitions of new investments. Other receivables comprise value added tax receivables and other recoverables (2018: value added tax receivables and other recoverable). Prepayments include prepaid purchase consideration for other assets of US$51,521,000 (2018: US$43,755,000).

Other receivables include an amount of US$67,294,000 restricted bank deposit under the Group's bank account. This bank deposit can be convertible to demand deposits under the authorisation of both the Group and a third party.

(a) The maximum exposure to credit risk for trade and other receivables at the reporting date (by country) is:

	Gross 2019 US$'000	Allowance for doubtful receivables 2019 US$'000	Gross 2018 US$'000	Allowance for doubtful receivables 2018 US$'000
Group				
PRC	1,378,653	(25,484)	1,590,338	(14,298)
Japan	82,377	–	47,818	–
Singapore	1,839,107	–	473,118	–
USA	66,010	–	18,615	–
Others	45,281	–	68,928	–
	3,411,428	(25,484)	2,198,817	(14,298)
Company				
Singapore	3,106,886	–	1,580,797	–

12 Trade and other receivables (continued)

(b) The ageing of loans and receivables at the reporting date is:

	Gross 2019 US$'000	Allowance for doubtful receivables 2019 US$'000	Gross 2018 US$'000	Allowance for doubtful receivables 2018 US$'000
Group				
Not past due	3,195,115	–	1,949,819	–
Past due 1 – 60 days	159,318	(4,033)	121,456	(1,378)
Past due 61 – 180 days	31,762	(8,070)	34,196	(1,474)
More than 180 days	25,233	(13,381)	93,346	(11,446)
	3,411,428	(25,484)	2,198,817	(14,298)
Company				
Not past due	3,106,886	–	1,580,797	–

The Group's historical experience in the collection of accounts receivables falls within the recorded allowances. Based on historical payment behaviors, and the security deposits, bankers' guarantees and other forms of collateral held, the Group believes that no additional allowance for impairment losses is required in respect of its loans and receivables.

The majority of the trade receivables are due from tenants that have good credit records with the Group. The Group monitors and considers credit risk based on trade and other receivables grouped by reportable business segments, and uses management's judgement in assessing the risk of default. The Group establishes an allowance for doubtful receivables that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

Expected credit loss assessment for trade and other receivables

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

12 Trade and other receivables (continued)

(b) The ageing of loans and receivables at the reporting date is: (continued)

Expected credit loss assessment for trade and other receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade and other receivables as at 31 December:

	Expected loss rate %	Gross carrying amount US$'000	Lifetime ECL US$'000
2019			
Not past due	–	3,195,115	–
Past due 1 – 60 days	0.68 – 6.68	159,318	(4,033)
Past due 61 – 180 days	9.36 – 34.00	31,762	(8,070)
More than 180 days	13.96 – 100.00	25,233	(13,381)
		3,411,428	(25,484)
2018			
Not past due	–	1,949,819	–
Past due 1 – 60 days	0.32 – 7.88	121,456	(1,378)
Past due 61 – 180 days	2.70 – 16.58	34,196	(1,474)
More than 180 days	2.97 – 100.00	93,346	(11,446)
		2,198,817	(14,298)

Expected loss rates are based on actual loss experience over the past 12 months. These rates are adjusted to reflect differences between economic conditions during the year over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The non-trade amounts due from subsidiaries, associates, joint ventures, immediate holding company and an investee entity are amounts lent to satisfy the counterparties' short term funding requirements. Impairment on these balances has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposures. The amount of the allowance on these balances is insignificant.

(c) The movement in allowances for impairment losses in respect of trade and other receivables during the year is as follows:

	Group US$'000
At 1 April 2018 under FRS39	10,810
Adjustment on initial application on SFRS(I) 9	–
At 1 April 2018 per SFRS(I) 9	10,810
Recognition of impairment losses	3,596
Acquisition of subsidiaries	(73)
Effect of movements in exchange rates	(35)
At 31 December 2018	14,298
At 1 January 2019 per SFRS(I) 9	14,298
Recognition of impairment losses	12,175
Written off	(624)
Effect of movements in exchange rates	(365)
At 31 December 2019	25,484

13 Finance lease receivables

The Group leases vehicles and equipment to non-related parties under finance leases. The agreement expires between 2018 and 2023, and the non-related parties have options to extend these leases at the prevailing market rates.

	Group	
	2019	2018
	US$'000	US$'000
Gross receivables due:		
- Not later than one year	160,241	188,359
- Later than one year but within five years	17,229	55,621
	177,470	243,980
Less: Unearned finance income	(3,563)	(11,362)
Less: Impairment losses on finance lease receivables	(22,444)	(11,372)
Net investment in finance leases	151,463	221,246

The net investment in finance leases is analyzed as follows:

	Group	
	2019	2018
	US$'000	US$'000
Not later than one year (Note 12)	135,333	169,181
Later than one year but within five years (Note 11)	16,130	52,065
	151,463	221,246

14 Cash and cash equivalents

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Fixed deposits	66,661	47,932	–	35,000
Cash at bank	926,577	898,966	3,237	182,029
Restricted cash deposits	10,936	41,471	–	–
	1,004,174	988,369	3,237	217,029

The effective interest rates relating to fixed deposits and certain cash at bank balances at the reporting date for the Group and Company ranged from 1.10% to 4.12% (2018: 0.01% to 5.97%) per annum and Nil (2018: 2.00%) per annum respectively. Interest rates reprice at intervals of one to twelve months.

Restricted cash deposits represent bank balances of certain subsidiaries pledged as security for future investments.

15 Assets and liabilities classified as held for sale

	Group	
	2019	**2018**
	US$'000	**US$'000**
Assets classified as held for sale	1,451,482	687,224
Liabilities classified as held for sale	(757,400)	(426,686)
	694,082	260,538

In 2019, the Group syndicated 38.72% equity interest in Fundo de Investimento em Participacoes Camacari Multiestrategia and its subsidiaries (FIP IV).

The Group ceased to control FIP IV and the remaining equity interests at 41.28% to be syndicated was classified as investment in joint venture within assets classified as held for sale. The Group equity accounts for only the results of the 20% equity interests in FIP IV that is retained and classified as joint venture.

As at 31 December 2019, the assets and liabilities classified as held for sale pertains to equity interest in FIP IV and equity interests in a group of investment property-holding entities in Europe, a portfolio of investment properties in US and a piece of land in China. All of which the Group expects to syndicate within the next 12 months ending 31 December 2020. The assets and liabilities classified as held for sale were stated at fair value less costs to sell at the reporting date, determined based on the estimated syndication consideration.

As at 31 December 2018, the assets and liabilities classified as held for sale pertains to equity interest in Shiodome (Fourteen) Logistic Pte. Ltd. and its subsidiaries, and equity interest in Fundo de Investimento em Participacoes Camacari Multiestrategia and its subsidiaries, all of which the Group expects to syndicate within the next 12 months. The assets and liabilities classified as held for sale were stated at fair value less costs to sell at the reporting date, determined based on the estimated syndication consideration.

16 Share capital, capital securities and capital management

(a) Share capital

	No. of shares	
	2019	**2018**
	'000	**'000**
Fully paid ordinary shares, with no par value:		
At 1 January/1 April, including treasury shares	4,240,446	4,741,814
Less: Redemption of ordinary shares	–	(501,368)
Less: Share buy back	(74,969)	–
At 31 December, excluding treasury shares	4,165,477	4,240,446

The holders of ordinary shares (excluding treasury 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 (excluding treasury shares) rank equally with regard to the Company's residual assets.

During the year ended 31 December 2019, the Company buy back 74,969,000 ordinary shares held by the immediate holding company for a consideration of US$100,000,000.

16 Share capital, capital securities and capital management (continued)

(b) Capital management

During the year ended 31 December 2018, the Company redeemed 501,368,000 ordinary shares from the immediate holding company for a consideration of US$666,677,000.

The Group's objectives when managing capital are to build a strong capital base so as to sustain the future developments of its business and to maintain an optimal capital structure to maximize shareholders' value. The Group defines "capital" as including all components of equity.

The Group's capital structure is regularly reviewed. Adjustments are made to the capital structure in light of changes in economic conditions, regulatory requirements and business strategies affecting the Group.

The Group also monitors capital using a net debt to equity ratio, which is defined as net borrowings divided by total equity (including NCI).

	Group	
	2019	2018
	US$'000	US$'000
Gross borrowings (net of transaction costs)	11,173,306	10,077,379
Less: Cash and cash equivalents	(1,004,174)	(988,369)
Net debt	10,169,132	9,089,010
Total equity	18,409,322	16,374,424
Net debt to equity ratio	0.55	0.56

The Group seeks to strike a balance between the higher returns that might be possible with higher levels of borrowings and the liquidity and security afforded by a sound capital position.

Except for the requirement on the maintenance of statutory reserve fund by subsidiaries incorporated in the PRC, there were no externally imposed capital requirements.

17 Reserves

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Capital reserve	67,767	72,449	(20,064)	(20,064)
Hedging reserve	(13,893)	(17,930)	(4,741)	(4,222)
Fair value reserve	127,656	161,387	–	–
Revaluation reserve	2,188	–	–	–
Other reserve	(699,779)	(699,778)	–	–
Capital and other reserves	(516,061)	(483,872)	(24,805)	(24,286)
Currency translation reserve	(241,758)	(147,155)	–	–
Retained earnings	6,032,259	5,259,789	209,320	(158,214)
	5,274,440	4,628,762	184,515	(182,500)

17 Reserves (continued)

Capital reserve comprises mainly capital contributions from shareholders, gains/losses in connection with changes in ownership interests in subsidiaries that do not result in loss of control and the Group's share of the statutory reserve of its PRC-incorporated subsidiaries. Subsidiaries incorporated in the PRC are required by the Foreign Enterprise Law to contribute and maintain a non-distributable statutory reserve fund whose utilization is subject to approval by the relevant PRC authorities. In accordance with the relevant PRC rules and regulations, and the articles of association of the subsidiaries incorporated in PRC, 10% of the retained earnings are to be transferred to statutory reserves prior to the distribution of dividends to shareholders. As at 31 December 2019, retained earnings include approximately US$49,530,000 (2018: US$13,343,000) to be transferred to statutory reserve fund before the distribution of dividends to shareholders.

Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

As at 31 December 2019, fair value reserve comprises the cumulative net change in the fair value of equity investments measured at FVOCI and are not transferred to profit or loss when derecognized or impaired.

The revaluation reserve relates to the revaluation of a building.

Other reserve comprises the pre-acquisition reserves of those common control entities that were acquired in connection with the Group reorganization which occurred immediately prior to the initial public offering of the Company.

Currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of foreign currency loans and bonds that hedge the Group's net investments in foreign operations.

18 Non-controlling interests

The following subsidiaries have NCI that are material to the Group:

Name of Company	Principal place of business	Ownership interest held by NCI 2019 %	2018 %
Airport City Development Co., Ltd.	PRC	46.86	46.86
CLF Fund I, LP	PRC	69.88	44.12
CLF Fund II, LP	PRC	43.62	43.62
GLP China Holdings Limited	PRC	33.79	33.79

The following table summarizes the financial information of each of the Group's subsidiaries with material NCI, based on their respective (consolidated) financial statements prepared in accordance with IFRS. See Note 35 for details of the significant subsidiaries of the Group.

18 Non-controlling interests (continued)

31 December 2019	ACL Group US$'000	CLF Fund I, LP US$'000	CLF Fund II, LP US$'000	China Holdco Group US$'000	Other individually immaterial subsidiaries US$'000	Total US$'000
Results						
Revenue	75,996	176,811	21,544	990,954	286,181	
Profit for the year	91,029	123,159	132,119	1,057,605	367,940	
OCI	(16,846)	(8,008)	(20,279)	(157,284)	–	
Total comprehensive income	74,183	115,151	111,840	900,321	367,940	
Attributable to:						
- NCI	–	–	224	194,270	1,959	
- Owners of the Company	74,183	115,151	111,616	706,051	365,981	
Attributable to NCI:						
- Profit for the year	42,657	71,175	58,248	274,124	153,391	599,595
- OCI	(7,894)	(11,583)	(9,336)	(35,549)	(23,565)	(87,927)
- Total comprehensive income	34,763	59,592	48,912	238,575	129,826	511,668
Assets and liabilities						
Non-current assets	1,781,182	3,373,772	2,198,459	25,013,650	6,984,849	
Current assets	54,674	132,809	210,117	2,396,480	497,978	
Total assets	1,835,856	3,506,581	2,408,576	27,410,130	7,482,827	
Non-current liabilities	(644,933)	(1,311,929)	(264,046)	(9,909,329)	(1,800,303)	
Current liabilities	(131,418)	(151,014)	(507,589)	(2,673,065)	(779,406)	
Total liabilities	(776,351)	(1,462,943)	(771,635)	(12,582,394)	(2,579,709)	
NCI	–	–	(74,889)	(3,762,461)	(48,372)	
Net assets attributable to owners of the Company	1,059,505	2,043,638	1,562,052	11,065,275	4,854,746	
Net assets attributable to NCI	491,697	1,434,412	757,002	3,738,956	1,174,226	7,596,293
Cash flows from operating activities	899	88,274	5,590	597,852		
Cash flows used in investing activities	(32,257)	(124,584)	(713,177)	(2,509,233)		
Cash flows from financing activities (dividends to NCI: US$Nil)	43,645	54,328	805,850	2,116,711		
Net increase in cash and cash equivalents	12,287	18,018	98,263	205,330		

18 Non-controlling interests (continued)

	ACL Group US$'000	CLF Fund I, LP US$'000	CLF Fund II, LP US$'000	China Holdco Group US$'000	Other individually immaterial subsidiaries US$'000	Total US$'000
31 December 2018						
Results						
Revenue	53,236	123,000	6,034	753,442	142,947	
Profit for the period	249,800	285,254	41,966	1,926,758	426,252	
OCI	(75,414)	(177,675)	(38,599)	(1,332,937)	–	
Total comprehensive income	174,386	107,579	3,367	593,821	426,252	
Attributable to:						
- NCI	–	–	216	187,752	–	
- Owners of the Company	174,386	107,579	3,151	406,069	426,252	
Attributable to NCI:						
- Profit for the year	117,056	125,854	18,211	518,240	129,893	909,254
- OCI	(35,339)	(78,390)	(16,837)	(381,029)	(82,820)	(594,415)
- Total comprehensive income	81,717	47,464	1,374	137,211	47,073	314,839
Assets and liabilities						
Non-current assets	1,689,348	3,178,894	1,117,008	20,971,120	4,504,309	
Current assets	47,848	114,483	171,996	2,485,722	239,952	
Total assets	1,737,196	3,293,377	1,289,004	23,456,842	4,744,261	
Non-current liabilities	(559,620)	(789,855)	(63,901)	(7,503,273)	(902,701)	
Current liabilities	(192,086)	(360,036)	(510,028)	(2,984,330)	(409,705)	
Total liabilities	(751,706)	(1,149,891)	(573,929)	(10,487,603)	(1,312,406)	
NCI	–	–	(16,557)	(2,600,800)	(47,200)	
Net assets attributable to owners of the Company	985,490	2,143,486	698,518	10,368,439	3,384,655	
Net assets attributable to NCI	461,815	945,654	304,723	3,503,496	891,385	6,107,073
Cash flows from/(used in) operating activities	1,615	84,409	(1,585)	404,680		
Cash flows used in investing activities	(1,594)	(126,796)	(439,405)	(1,875,103)		
Cash flows from financing activities (dividends to NCI: US$Nil)	18,401	2,211	366,640	1,100,722		
Net increase/(decrease) in cash and cash equivalents	18,422	(40,176)	(74,350)	(369,701)		

19 Loans and borrowings

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Non-current liabilities				
Secured bank loans	2,652,528	2,047,970	–	–
Secured bonds	456,214	419,359	–	–
Unsecured bank loans	1,109,002	827,761	541,088	529,903
Unsecured bonds	5,119,185	4,056,471	1,742,635	1,614,016
	9,336,929	7,351,561	2,283,723	2,143,919
Current liabilities				
Secured bank loans	479,473	685,277	–	–
Secured bonds	43,946	3,301	–	–
Unsecured bank loans	1,303,875	1,895,229	604,124	911,008
Unsecured bonds	9,083	142,011	–	–
	1,836,377	2,725,818	604,124	911,008

(a) Secured and unsecured bank loans

The secured bank loans are secured by mortgages on the borrowing subsidiaries' investment properties with a carrying amount of US$12,380,863,000 (2018: US$9,301,387,000) (Note 4).

At the reporting date, the effective interest rates for bank borrowings for the Group and Company (taking into account the effects of interest rate swaps) ranged from 0.27% to 6.50% (2018: 0.47% to 6.50%) per annum and 0.64% to 2.45% (2018: 0.70% to 3.58%) per annum.

Maturity of bank loans:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Within 1 year	1,783,348	2,580,506	604,124	911,008
From 1 to 5 years	2,671,415	1,980,111	541,088	133,189
After 5 years	1,090,115	895,620	–	396,714
After 1 year	3,761,530	2,875,731	541,088	529,903
	5,544,878	5,456,237	1,145,212	1,440,911

Analysis of bank loans by geographic regions:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**
PRC	4,360,031	3,327,114	–	–
Japan	29,503	435,642	–	–
USA	10,132	252,570	–	–
Singapore	1,145,212	1,440,911	1,145,212	1,440,911
	5,544,878	5,456,237	1,145,212	1,440,911

19 Loans and borrowings (continued)

(b) Secured bonds

The bonds are issued by certain subsidiaries in Japan and are fully secured by investment properties with carrying amounts of US$835,045,000 (2018: US$912,104,000) (Note 4) owned by these subsidiaries.

The effective interest rates as at 31 December 2019 for secured bonds (taking into account the effects of interest rate swaps) ranged from 0.42% to 5.00% (2018: 0.42% to 5.65%) per annum.

Maturity of secured bonds:

	Group	
	2019	**2018**
	US$'000	**US$'000**
Within 1 year	43,946	3,301
From 1 to 5 years	39,520	205,921
After 5 years	416,694	213,438
After 1 year	456,214	419,359
	500,160	422,660

(c) Unsecured bonds

At the reporting date, the bonds issued by the Group and the Company bear fixed interest rates (taking into account the effects of interest rate swaps) ranging from 1.24% to 5.70% (2018: 2.70% to 5.65%) per annum.

Maturity of unsecured bonds:

	Group		**Company**	
	2019	**2018**	**2019**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Within 1 year	9,083	142,011	–	–
From 1 to 5 years	4,846,983	2,934,675	1,470,433	492,221
After 5 years	272,202	1,121,796	272,202	1,121,795
After 1 year	5,119,185	4,056,471	1,742,635	1,614,016
	5,128,268	4,198,482	1,742,635	1,614,016

19 Loans and borrowings (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities					Derivative liabilities held to hedge borrowings	
	Loans and borrowings	Loans from NCI (Note 22)	Loans from a joint venture (Note 22)	Loans from third parties (Note 22)	Interest payable (Note 22)	Financial derivative liabilities (Note 20)	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 April 2018	7,892,528	43,884	–	–	35,742	6,009	7,978,163
Changes from financing cash flows							
Proceeds from bank loans	3,982,448	–	–	–	–	–	3,982,448
Repayment of bank loans	(3,440,293)	–	–	–	–	–	(3,440,293)
Proceeds from issue of bonds, net of transaction costs	2,755,326	–	–	–	–	–	2,755,326
Redemption of bonds	(304,768)	–	–	–	–	–	(304,768)
Settlement of financial derivative liabilities	–	–	–	–	–	(712)	(712)
Interest paid	–	–	–	–	(193,823)	–	(193,823)
Repayments of loans from NCI	–	(36,520)	–	–	–	–	(36,520)
Loans from a joint venture	–	–	31,472	–	–	–	31,472
Loans from NCI	–	2,567	–	–	–	–	2,567
Loans from third party	–	–	–	5,772	–	–	5,772
Total changes from financing cash flows	2,992,713	(33,953)	31,472	5,772	(193,823)	(712)	2,801,469
Changes arising from obtaining or losing control of subsidiaries or other business	(2,705)	–	–	–	–	–	(2,705)
Changes arising from assets and liabilities classified as held for sales	(362,089)	–	–	–	–	–	(362,089)
The effect of changes in foreign exchange rates	(457,302)	1,787	16	42	5,742	(544)	(450,259)
Change in fair value	–	–	–	–	–	744	744
Other changes							
Amortization of transaction costs of bonds and bank loans	14,234	–	–	–	–	–	14,234
Interest expense	–	–	–	–	244,062	–	244,062
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	–	2,524	2,524
Other changes	14,234	–	–	–	244,062	2,524	260,820
Balance at 31 December 2018	10,077,379	11,718	31,488	5,814	91,723	8,021	10,226,143

19 Loans and borrowings (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

	Liabilities						Derivative liabilities held to hedge borrowings	
	Loans and borrowings	Loans from NCI	Loans from a joint venture	Loans from third parties	Lease liabilities	Interest payable	Financial derivative liabilities	Total
		(Note 22)	(Note 22)	(Note 22)	(Note 21 & 22)	(Note 22)	(Note 20)	
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2019	10,077,379	11,718	31,488	5,814	9,386	91,723	8,021	10,235,529
Changes from financing cash flows								
Proceeds from bank loans	4,247,431	–	–	–	–	–		4,247,431
Repayment of bank loans	(3,625,936)	–	–	–	–	–	–	(3,625,936)
Proceeds from issue of bonds, net of transaction costs	1,433,930	–	–	–	–	–	–	1,433,930
Redemption of bonds	(386,257)	–	–	–	–	–	–	(386,257)
Settlement of financial derivative liabilities	–	–	–	–	–	–	(3,143)	(3,143)
Interest paid	–	–	–	–	–	(427,018)	–	(427,018)
Repayments of loans from NCI	–	(421)	–	–	–	–	–	(421)
Repayment of loans from third party	–	–	–	(4,363)	–	–	–	(4,363)
Repayment of lease liabilities	–	–	–	–	(7,531)	–	–	(7,531)
Loans from a joint venture	–	–	26,494	–	–	–	–	26,494
Loans from NCI	–	8,992	–	–	–	–	–	8,992
Loans from third party	–	–	–	2,700	–	–	–	2,700
Total changes from financing cash flows	1,669,168	8,571	26,494	(1,663)	(7,531)	(427,018)	(3,143)	1,264,878
Changes arising from obtaining or losing control of subsidiaries or other business	131,960	–	–	–	–	–	–	131,960
Changes arising from assets and liabilities classified as held for sales	(690,110)	–	–	–	–	–	–	(690,110)
The effect of changes in foreign exchange rates	(38,181)	10,265	(32,385)	54		3,471	3,280	(53,496)
Change in fair value	–	–	–	–	–	–	3,116	3,116
Other changes								
Amortization of transaction costs of bonds and bank loans	23,090	–	–	–	–	–	–	23,090
New leases	–	–	–	–	61,810	–	–	61,810
Interest expense	–	–	–	–	2,672	445,347	–	448,019
Effective portion of changes in fair value of cash flow hedges	–	–	–	–		–	(6,510)	(6,510)
Other changes	23,090	–	–	–	64,482	445,347	(6,510)	526,409
Balance at 31 December 2019	11,173,306	30,554	25,597	4,205	66,337	113,523	4,764	11,418,286

20 Financial derivative liabilities

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Non-current liabilities				
Interest rate swaps	4,741	6,845	4,741	4,223
	4,741	6,845	4,741	4,223
Current liabilities				
Interest rate swaps	23	1,176	–	–
	23	1,176	–	–
	4,764	8,021	4,741	4,223

Interest rate swaps are valued using valuation techniques with market observable inputs. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, interest rates and forward rate curves.

21 Other non-current liabilities

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Security deposits received	185,084	186,279	–	–
Payables for acquisition of investment properties	105	277	–	–
Provision for reinstatement costs	892	882	100	100
Advance rental received	1,610	2,826	–	–
Lease liabilities	57,298	–	1,169	–
Employee bonus/incentive payable	29,407	11,288	–	11,288
	274,396	201,552	1,269	11,388

Lease liabilities relate to leases of property, plant and equipment (Note 8).

22 Trade and other payables

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Trade payables	13,727	19,719	–	–
Accrued development expenditure	510,578	485,018	–	–
Accrued operating expenses	134,802	114,410	11,965	41,134
Advance rental received	42,150	38,086	–	–
Security deposits received	120,557	97,965	–	–
Amounts due to:				
- subsidiaries (non-trade)	–	–	592,492	433,317
- joint ventures and associates (trade)	1,244	664	–	–
- joint ventures and associates (non-trade)	2,219	2,150	–	–
- NCI (trade)	3,018	1,816	–	–
- NCI (non-trade)	15,290	–	–	–
Loan from a joint venture (interest-bearing)	25,597	31,488	–	–
Loan from NCI:				
- Interest-free	23,790	4,836	–	–
- Interest-bearing	6,764	6,882	–	–
Loan from a third party (interest-bearing)	4,205	5,814	–	–
Interest payable	113,523	91,723	7,666	8,127
Consideration payable for acquisition of associate and subsidiaries	236,328	227,119	–	–
Consideration payable for acquisition of investment properties	8,371	14,423	–	–
Consideration payable for acquisition of other investments	–	18,000	–	–
Deposits received and accrued expenses for disposal of investment properties	55,098	56,005	–	–
Lease liabilities	9,039	–	514	–
Other payables	212,895	107,049	942	866
	1,539,195	1,323,167	613,579	483,444

The non-trade amounts due to subsidiaries, joint ventures and associates, and NCI are unsecured, interest-free and are repayable on demand.

At the reporting date, the loans from joint venture, NCI and third parties are unsecured and are repayable on demand. The interest-bearing loans from joint venture, NCI and third party bear fixed interests ranging from 3.92% to 8.00% (2018: 4.00% to 8.00%) per annum.

Lease liabilities relate to leases of property, plant and equipment (Note 8).

Other payables relate principally to retention sums, advance payments received and amounts payable in connection with capital expenditure incurred.

23 Equity compensation benefits

Co-invest share plan

The Group introduced the Co-Investment Share Plan (the "Co-invest Plan") in 2019 that provides eligible employee to indirectly co-invest in GLP's development projects. The shares issued under the Co-invest Plan have been accounted for as equity share under the SFRS (I) 1-32 *Financial Instruments: Presentation.*

GLP Global share plan

The Group introduced the Global Share Plan (the "Plan") in 2019 that provides eligible senior personnel and advisors of the Group the opportunity to participate in the value of the fund management business of the Group through the acquisition of Global Shares and align the economic interests of the senior personnel and advisors of the Group with those of the Company and its owners in growing the fund management business in a sustainable, profitable fashion.

For year-ended 31 December 2019, two types of shares namely, the Award Shares and the Leveraged Shares were issued.

(a) Award shares

Award Shares are converted from present or future compensation elected to be in lieu of by the participants at a defined purchase price and vest on the earliest of third anniversary or events specified in the programme. Vested Award Shares will generally be redeemed but subject to discretionary rights of the Group to adjust the percentage being purchased. Redeemed shares will be settled by cash with reference to the fair market value of the share at date of redemption. The shares are accounted for cash settled share-based plan under SFRS(I) 2 *Share Based Payments*.

Fair value of the liability at grant date is recognized either over the vesting period or immediately should no future services be required. Remeasurements during the vesting period are recognized immediately to the extent that they relate to past services, and over the remaining vesting period to the extent relating to future services. Re-measurement adjustments are accounted such that recognized liability at each reporting date equals a defined proportion of total fair value of the liability. Proportion to be recognized is calculated by dividing the period for which services have been provided as at the reporting date by the total vesting period. Re-measurement effects are recognized in profit or loss.

On 31 December 2019, the Group granted 33,580 Award Shares totaling US$28,346,372. The shares were recognized as cash-settled share-based liabilities and vest over the next three years from 31 December 2019. Fair market value of the share was determined from valuation of fund management business calculated using a combination of income approach and market approach.

23 Equity compensation benefits (continued)

GLP Global share plan (continued)

(a) Award shares (continued)

	------------ 2019 -----------	
	Fixed cost US$	**Number of shares**
At the beginning of the year	NA	–
Granted during the year	1,080	26,246
True-ups		7,334
At the end of the year		33,580
Fair value of the Award share at reporting date	1,701	US$1,701
Redeemable at the end of the year		Nil

(b) Leveraged Shares

The fair value per Leveraged Share granted is derived from the fair value of the Group's fund management business. Participants may drawdown on interest-bearing loans granted by the Group to purchase the Leverage Shares. Interest rate of the loans are set at the prevailing external borrowing rates. The shares vest immediately upon issuance. Redemption of shares are initiated by the participants and subject to discretionary rights of the Group. The shares are recognized as equity share under the SFRS (I) 1-32 *Financial Instruments: Presentation*. On 31 December 2019, the Group issued Leveraged Shares amounting to US$56,692,744.

	------------ 2019 -----------	
	Fair value US$	**Number of shares**
At the beginning of the year	NA	–
Granted during the year	1,255	45,160
At the end of the year		45,160
Fair value per leveraged share at reporting date		US$1,701
Redeemable at the end of the year		45,160

24 Revenue

	Group	
	Year ended 31/12/2019 US$'000	**Period from 1/4/2018 to 31/12/2018 US$'000**
Revenue recognized over time:		
- Rental and related income	924,524	676,696
- Fund management fee	447,430	164,100
- Financial services	27,063	24,585
Revenue recognized at point in time:		
- Dividend income from other investments	19,959	36,974
- Financial services	22,860	70,906
- Others	9,766	2,439
	1,451,602	975,700

25 Other income

	Group	
	Year ended 31/12/2019 US$'000	**Period from 1/4/2018 to 31/12/2018 US$'000**
Changes in fair value of unquoted equity investments at FVTPL	152,899	38,778
Government grant	20,014	6,515
Investment income	6,762	1,320
Utility income	3,348	1,210
Others	3,613	6,148
	186,636	53,971

26 Net finance costs

	Group	
	Year ended 31/12/2019 US$'000	**Period from 1/4/2018 to 31/12/2018 US$'000**
Interest income on:		
- fixed deposits and cash at bank	10,769	5,251
- loans to NCI	289	255
- loans to associate and joint ventures	19,463	7,163
- loans to third parties	17,155	8,176
- others	53	–
	47,729	20,845

26 Net finance costs (continued)

	Note	Group Year ended 31/12/2019 US$'000	Period from 1/4/2018 to 31/12/2018 US$'000
Amortization of transaction costs of bonds and bank loans		(23,090)	(14,234)
Interest expenses on:			
- bonds		(248,263)	(126,715)
- bank loans		(195,186)	(116,391)
- loans from NCI		(604)	(944)
- loans from joint ventures		(976)	(12)
- lease liabilities		(2,672)	–
- others		(319)	–
Total borrowing costs		(471,110)	(258,296)
Less: Borrowing costs capitalized in investment properties	4	9,860	5,616
Net borrowing costs		(461,250)	(252,680)
Foreign exchange loss		(54,704)	(225,474)
Changes in fair value of financial derivatives		(3,116)	(744)
Net finance costs recognized in profit or loss		(471,341)	(458,053)

27 Profit before tax

The following items have been included in arriving at profit before tax:

	Group Year ended 31/12/2019 US$'000	Period from 1/4/2018 to 31/12/2018 US$'000
(a) Non-operating income		
Gain on disposal of subsidiaries[1]	60,761	194,744
Gain on disposal of associates and joint venture	262,648	–
Loss on acquisition of subsidiaries	(2,998)	–
Loss on liquidation of subsidiaries	(36,578)	–
Gain/(loss) on disposal of investment properties	66,469	(825)
Loss on disposal of property, plant and equipment	(352)	(73)
Gain on disposal of assets and liabilities classified as held for sale[2]	58,669	296
Others	18,220	4,098
	426,839	198,240

27 Profit before tax (continued)

	Group	
	Year ended 31/12/2019 US$'000	**Period from 1/4/2018 to 31/12/2018 US$'000**
(b) Staff costs included in other expenses		
Wages and salaries (excluding contributions to defined contribution plans)	(181,630)	(112,482)
Contributions to defined contribution plans	(8,528)	(4,568)
(c) Other expenses include:		
Depreciation of property, plant and equipment	(23,513)	(5,510)
Amortization of intangible assets and deferred management costs	(18,281)	(4,171)
Recognition of impairment losses on trade and other receivables	(12,175)	(3,596)
Property, plant and equipment written off	(3,283)	(53)
Lease expenses (short-term lease)	(6,961)	–
Operating lease expenses	–	(10,016)
Asset management fees	(4,412)	(2,126)
(d) Other information		
Operating expenses arising from investment properties that generate rental income[3]	(254,666)	(252,553)

Notes:

[1] Comprising gain on reclassification of cumulative exchange differences related to foreign exchange operations to profit or loss of US$22,428,000 (2018: US$30,771,000) and net cash gain on disposal of subsidiaries of US$38,333,000 (2018: net gain of US$163,973,000) (Note 29(b)).

[2] Gain on disposal of assets held for sales for the year ended 31 December 2019 pertains to disposal of equity interest in Shiodome (Fourteen) Logistic Pte. Ltd. and its subsidiaries, and equity interest in FIP IV.

[3] Comprise property-related expenses, staff costs and asset management fees.

28 Tax expense

	Group	
	Year ended 31/12/2019 US$'000	**Period from 1/4/2018 to 31/12/2018 US$'000**
Current tax		
Current year/period	221,643	131,418
Withholding tax on foreign-sourced income	41,036	31,262
Under/(over) provision of prior years' tax	1,077	(200)
	263,756	162,480
Deferred tax		
Origination and reversal of temporary differences	394,386	662,035
	658,142	824,515

Reconciliation of expected to actual tax

Profit before tax	2,514,054	3,172,454
Less: Share of results of associates and joint ventures	(426,571)	(405,894)
Profit before share of results of associates and joint ventures and tax expense	2,087,483	2,766,560
Tax expense using Singapore tax rate of 17%	354,872	470,315
Effect of tax rates in foreign jurisdictions	199,814	255,970
Net income not subjected to tax	(30,941)	(12,960)
Non-deductible expenses	70,320	63,358
Deferred tax assets not recognized	47,716	24,257
Recognition of previously unrecognized tax losses	(12,443)	(10,853)
Withholding tax on foreign-sourced income	41,036	31,262
Under/(over) provision of prior years' tax	1,077	(200)
Others	(13,309)	3,366
	658,142	824,515

29 Notes to the statement of cash flows – Acquisition and disposal

The primary reason for the Group's acquisitions of subsidiaries is to expand its portfolio of investment properties. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. Typically, the Group assesses the acquisition as a purchase of business when the strategic management function and the associated processes were purchased along with the underlying properties.

(a) Acquisition of subsidiaries

The primary reason for the Group's acquisitions of subsidiaries is to expand its portfolio of investment properties in different geographical locations.

29 Notes to the statement of cash flows – Acquisition and disposal (continued)

(a) Acquisition of subsidiaries (continued)

(i) The list of subsidiaries acquired during the year ended 31 December 2019 is as follows:

Name of subsidiaries	Date acquired	Equity interest acquired %
Chongqing Minzhao Internet of Things Technology Co., Ltd.	March 2019	95
Jinan Buffalo Supply Chain Management Co., Ltd.	March 2019	85
Shanghai Aolun Industry Co., Ltd.	March 2019	100
Guofu Huijin (Tianjin) Investment Management LLP	April 2019	100
Huai'an Pufu Technology Development Co., Ltd.	June 2019	100
Nan'an Civil and Commercial Internet of Things Technology Development Co., Ltd.	June 2019	95
Shanghai Fuhe Industrial Development Co., Ltd.	June 2019	70
Beijing Zongheng Qiyun Information Technology Co., Ltd.	June 2019	100
Guangzhou G7 Logistics Co., Ltd.	July 2019	100
Dongguan Fumanduo Food Co., Ltd.	August 2019	100
Minshang (Hefei) Internet of Things Technology Development Co., Ltd.	September 2019	90
Shaoxing Pujian Science & Technology Industrial Development Co., Ltd.	September 2019	51
Sayamahidaka One Logistic TMK	September 2019	100
Sayamahidaka Two Logistic TMK	September 2019	100
Zama Logistic TMK	September 2019	100
Kashiwa Two Logistic TMK	September 2019	100
Minshang (Ganjiang New Zone) Internet of Things Technology Development Co., Ltd.	November 2019	95
Shanghai Zhongji Yangshan Container Services Co., Ltd.	November 2019	100
Chengdu Times Noah Ark Education Software Co., Ltd.	November 2019	100
Chengdu Times Noah Ark Information Technology Co., Ltd.	November 2019	100
Chengdu Chenggong Xinye Industrial Co., Ltd.	November 2019	73
Guangzhou Zhengongfu Supply Chain Co., Ltd.	November 2019	70
Qingyun Tuopu (Shanghai) Development Co., Ltd.	December 2019	95
Shenzhen Dekai Vehicle Electronic Co., Ltd.	December 2019	100
Hangzhou Xinheng Corporate Management Co., Ltd.	December 2019	95
Hangzhou Xinke Corporate Management Co., Ltd.	December 2019	95

29 Notes to the statement of cash flows – Acquisition and disposal (continued)

(a) Acquisition of subsidiaries (continued)

(i) The list of subsidiaries acquired during the year ended 31 December 2019 is as follows: (continued)

Name of subsidiaries	Date acquired	Equity interest acquired %
Zhengzhou Haoxiangni Warehousing & Logistics Co., Ltd.	December 2019	51
Zhonghang Cloud Data (Shenzhen) Co., Ltd.	December 2019	100
SCI Compans	December 2019	100
AMBLAINVILLE	December 2019	100
Mönchegladbach 1	December 2019	100
Mönchegladbach 2	December 2019	100

Effects of acquisitions

The cash flow and the net assets of subsidiaries acquired during the year ended 31 December 2019 are provided below:

	Recognized values on acquisition US$'000
Investment properties	1,161,699
Plant and equipment	54,060
Interests in associates	211,379
Trade and other receivables	33,369
Cash and cash equivalents	56,377
Trade and other payables	(134,392)
Loans and borrowings	(156,342)
Other non-current liabilities	(30,529)
Deferred tax liabilities	(2,987)
NCI	(149,437)
Net assets acquired	1,043,197
Loss on acquisition of subsidiaries	(2,998)
Total purchase consideration	(1,046,195)
Purchase consideration payable	168,015
Purchase consideration satisfied in cash	(878,180)
Cash of subsidiaries acquired	56,377
Purchase consideration satisfied in cash in relation to subsidiaries acquired in prior year	(150,114)
Cash outflow on acquisition of subsidiaries	(971,917)

29 Notes to the statement of cash flows – Acquisition and disposal (continued)

(a) Acquisition of subsidiaries (continued)

(i) The list of subsidiaries acquired during the year ended 31 December 2019 is as follows: (continued)

Effects of acquisitions (continued)

The total related acquisition costs for the above-mentioned subsidiaries amounted to US$1,046,195,000. From the dates of acquisitions to 31 December 2019, the above-mentioned acquisitions contributed net profit after tax of US$15,649,000 to the Group's results for the period, before accounting for financing costs attributable to the acquisitions. If the acquisitions had occurred on 1 January 2019, management estimates that consolidated revenue would have been US$1,471,375,000 and consolidated profit after tax for the year would have been US$1,850,317,000.

(ii) The list of subsidiaries acquired during the period ended 31 December 2018 is as follows:

Name of subsidiaries	Date acquired	Equity interest acquired %
Hongjin (Beijing) Sports Equipment Co., Ltd.	April 2018	100
Changsha Wangcheng Jingyang Logistics Facilities Co., ltd.	May 2018	80
Shanghai Sanaier Zhenhua Logistics Co., ltd.	June 2018	100
Beijing Sifang Tianlong Medicine Logistic Co., Ltd.	July 2018	100
Huayuan Group Ningbo New Material Co., Ltd.	July 2018	100
Hunan Landun Machinery & Equipment Co., Ltd.	July 2018	98
Dexin Telecommunications Technology (Hangzhou) Co., Ltd.	July 2018	100
Kunshan Createc Automation Tech Co., Ltd.	August 2018	100
Soja Logistic Special Purpose Company	August 2018	100
Shanghai Puguang Logistic Development Co., Ltd.	September 2018	100
Ningbo Anqirui Technology Co., Ltd.	September 2018	100
Ningbo Yongrui Zhibo Technology Co., Ltd.	September 2018	100
Ningbo Zhida Hongchuang Technology Co., Ltd.	September 2018	100
Beijing Gangtong Sifang Logistics Co., Ltd.	October 2018	100
East Europe Energy New Technology (Shanghai) Development Cooperation Center Co., Ltd.	October 2018	100
Procurant USA, LLC	October 2018	70
Shanghai Junbo Textile Co., Ltd.	November 2018	80
Haimei (Taicang) Intelligent Technology Development Co., Ltd.	December 2018	70
Hubei Hanhong Tongrui Technology Co., Ltd.	December 2018	51

29 Notes to the statement of cash flows – Acquisition and disposal (continued)

(a) Acquisition of subsidiaries (continued)

(ii) The list of subsidiaries acquired during the period ended 31 December 2018 is as follows: (continued)

Name of subsidiaries	Date acquired	Equity interest acquired %
Guangzhou Xiangxue Airport Cross Border Logistics Co., Ltd.	December 2018	51
Hengtong Group Shanghai Electronic Technology Co., Ltd.	December 2018	100
Kanglian International Food (Hangzhou) Co., Ltd.	December 2018	100
Sanhui Food Logistic (Tianjin) Co., Ltd.	December 2018	90
Shenzhen Lingxian Technology Co., Ltd.	December 2018	55
Tianjin Xiangzhan Logistics Co., Ltd.	December 2018	100

Effects of acquisitions

The cash flow and the net assets of subsidiaries acquired during the period ended 31 December 2018 are provided below:

	Recognized values on acquisition US$'000
Investment properties	1,170,548
Plant and equipment	1,324
Trade and other receivables	37,184
Cash and cash equivalents	12,736
Trade and other payables	(155,715)
Loans and borrowings	(76,331)
Current tax payable	63
NCI	(122,361)
Net assets acquired	867,448
Total purchase consideration	(867,448)
Purchase consideration payable	175,957
Purchase consideration satisfied in cash	(691,491)
Cash of subsidiaries acquired	12,736
Purchase consideration satisfied in cash in relation to subsidiaries acquired in prior year	(67,997)
Cash outflow on acquisition of subsidiaries	(746,752)

29 Notes to the statement of cash flows – Acquisition and disposal (continued)

(a) Acquisition of subsidiaries (continued)

(ii) The list of subsidiaries acquired during the period ended 31 December 2018 is as follows: (continued)

Effects of acquisitions (continued)

The total related acquisition costs for the above-mentioned subsidiaries amounted to US$867,448,000. From the dates of acquisitions to 31 December 2018, the above-mentioned acquisitions contributed net profit after tax of US$17,376,000 to the Group's results for the period, before accounting for financing costs attributable to the acquisitions. If the acquisitions had occurred on 1 April 2018, management estimates that consolidated revenue would have been US$986,759,000 and consolidated profit after tax for the period would have been US$2,340,745,000.

(b) Disposal of subsidiaries

(i) The list of subsidiaries disposed during the year ended 31 December 2019 is as follows:

Name of subsidiaries	Date disposed	Equity interest disposed %
JDP III CO-INVEST II TMK	January 2019	100
JDP III CO-INVEST TMK	January 2019	100
Gazeley Project Guadalajara S.L.	January 2019	100
Gazeley Project Illescas S.L.	January 2019	100
Gazeley Project Valls S.L.	January 2019	100
Kitamoto Logistic TMK	March 2019	100
Soja Logistic TMK	March 2019	100
Gazeley Bremen South S.a r.l.	June 2019	100
Gazeley Moers S.a.r.l.	June 2019	100
Gazeley Castrop S.a.r.l.	June 2019	100
Weilun Storage Services Co., Ltd.	August 2019	100
Gazeley Kaiserslautern S.a.r.l.	October 2019	100
GLP Nanjing Jiangning Development Co., Ltd.	October 2019	100
GLP Suzhou Puping Logistics Facilities Co., Ltd.	November 2019	100
GLP Tangshan Logistics Facilities Co., Ltd.	December 2019	100
Chongqing Pujia Logistics Facilities Co., Ltd.	December 2019	100
Suzhou Industrial Park Pushang Bofeng New Energy Co., Ltd.	December 2019	100
Shanghai Puyi New Energy Co., Ltd.	December 2019	100
Suzhou Industrial Park Pufeng New Energy Co., Ltd.	December 2019	100
Beijing Pushun New Energy Co., Ltd.	December 2019	100

29 Notes to the statement of cash flows (continued)

(b) Disposal of subsidiaries (continued)

(i) The list of subsidiaries disposed during the year ended 31 December 2019 is as follows: (continued)

Effects of disposals

The cash flow and the net assets of subsidiaries disposed during the year ended 31 December 2019 are provided below:

	Recognized values on disposal US$'000
Investment properties	356,443
Deferred tax assets	939
Plant and equipment	12,623
Trade and other receivables	16,028
Cash and cash equivalents	34,901
Other assets	244
Trade and other payables	(66,269)
Loans and borrowings	(24,382)
Current tax payable	(412)
Deferred tax liabilities	(40,530)
Net assets disposed	289,585
Gain on disposal of subsidiaries	38,333
Disposal consideration	327,918
Disposal consideration receivables	(222,780)
Cash of subsidiaries disposed	(34,901)
Sales consideration satisfied in cash in relation to subsidiaries disposed in prior year	418,243
Cash inflow on disposal of subsidiaries	488,480

From 1 January 2019 to the dates of disposal, the above-mentioned subsidiaries contributed US$12,729,000 and US$6,931,000 to the Group's revenue and net profit after tax for the period ended 31 December 2019 respectively.

29 Notes to the statement of cash flows – Acquisition and disposal (continued)

(b) Disposal of subsidiaries (continued)

(ii) The list of subsidiaries disposed during the period ended 31 December 2018 is as follows:

Name of subsidiaries	Date disposed	Equity interest disposed %
Suzhou Industrial Park Genway Factory Building Industrial Development Co., Ltd.	May 2018	57[1]
Shanghai Sanaier Zhenhua Logistics Co., Ltd.	September 2018	82[1]
Shanghai Yuhang Anting Logistics Co., Ltd.	November 2018	82[1]
GLP Zhengzhou ILZ Logistics Facilities Co., Ltd.	December 2018	82[1]
Zhonghui (Nanjing) Curtain Wall Technology Co., Ltd.	December 2018	82[1]
GLP Suzhou Development Co., Ltd.	December 2018	65[1]
GLP Changzhou Tianning Logistics Facilities Co., Ltd.	December 2018	80[1]
GLP Deqing Pu'an Logistics Facilities Co., Ltd	December 2018	80[1]
Changchun CMT International Logistic Co., Ltd.	December 2018	80[1]
Shen Yang GLP Jifa Logistics Development Co., Ltd.	December 2018	80[1]
GLP Wangcheng EDZ Logistics Facilities Co., Ltd.	December 2018	80[1]
GLP Shenyang Punan Logistics Facilities Co., Ltd.	December 2018	80[1]
Wuhan Puling Warehousing Services Co., Ltd.	December 2018	80[1]
Nantong Puling Warehousing Service Co., Ltd.	December 2018	80[1]
Chongqing Puqing Warehousing Service Co., Ltd.	December 2018	80[1]

[1] Disposed to China Value-Add Fund II, which is joint venture of the Group.

29 Notes to the statement of cash flows – Acquisition and disposal (continued)

(b) Disposal of subsidiaries (continued)

(ii) The list of subsidiaries disposed during the period ended 31 December 2018 is as follows: (continued)

Effects of disposals

The cash flow and the net assets of subsidiaries disposed during the year ended 31 December 2018 are provided below:

	Recognized values on disposal US$'000
Investment properties	1,634,627
Deferred tax assets	1,545
Plant and equipment	110
Trade and other receivables	19,986
Cash and cash equivalents	83,689
Other assets	555
Trade and other payables	(146,434)
Loans and borrowings	(79,037)
Current tax payable	(1,456)
Deferred tax liabilities	(242,909)
NCI	(181,783)
Net assets disposed	1,088,893
Gain on disposal of subsidiaries	163,973
Paid by carrying amount of previously held equity interest	28,482
Disposal consideration	1,281,348
Disposal consideration receivable from joint venture	(444,438)
Cash of subsidiaries disposed	(83,689)
Sales consideration satisfied in cash in relation to subsidiaries disposed in prior year	107,471
Cash inflow on disposal of subsidiaries	860,692

From 1 April 2018 to the dates of disposal, the above-mentioned subsidiaries contributed US$55,735,000 and US$117,349,000 to the Group's revenue and net profit after tax for the period ended 31 December 2018 respectively.

29 Notes to the statement of cash flows – Acquisition and disposal (continued)

(c) Disposal of assets and liabilities classified as held for sale

(i) Details of the disposal of assets and liabilities classified as held for sale during the year ended 31 December 2019 are as follows:

During the year ended 31 December 2019, the Group completed the syndication of Shiodome (Fourteen) Logistic Pte. Ltd. and its subsidiaries, and 38.72% equity interest in FIP IV to third party investors.

Effects of disposals

	Recognized values on disposal US$'000
Investment properties	658,374
Trade and other receivables	4,946
Cash and cash equivalents	4,381
Other assets	9,946
Loans and borrowings	(363,146)
Other non-current liabilities	(33,952)
Trade and other payables	(27,233)
Current tax payable	(371)
Net assets disposed	252,945
Equity interest retained as investment in joint venture	(62,505)
Gain on disposal of assets and liabilities classified as held for sale	58,669
Cash of subsidiaries disposed	(4,381)
Cash inflow on disposals of assets and liabilities classified as held for sale	244,728

(ii) Details of the disposal of assets and liabilities classified as held for sale during the period ended 31 December 2018 are as follows:

During the period ended 31 December 2018, the Group completed the syndication of 61% equity interest in GLP EDP I, 55.25% equity interest in GLP EIP I and a portfolio of investment properties in Brazil to third party investors.

29 Notes to the statement of cash flows – Acquisition and disposal (continued)

(c) Disposal of assets and liabilities classified as held for sale (continued)

(ii) Details of the disposal of assets and liabilities classified as held for sale during the period ended 31 December 2018 are as follows: (continued)

Effects of disposals

	Recognized values on disposal US$'000
Investment properties	2,600,512
Goodwill and other intangibles	318,219
Trade and other receivables	250,085
Cash and cash equivalents	250,300
Loans and borrowings	(1,204,409)
Other non-current liabilities	(11,770)
Trade and other payables	(11,577)
Deferred tax liabilities	(161,702)
Current tax payable	(65)
NCI	(205,925)
Net assets disposed	1,823,668
Equity interest retained as investment in associate	(130,495)
Equity interest previously classified as investment in associate	(90,682)
Gain on disposal of assets and liabilities classified as held for sale	296
Disposal consideration received in prior year	(529,110)
Cash inflow on disposals of assets and liabilities classified as held for sale	1,073,677

30 Operating segments

The Group has five reportable geographical segments, representing its operations in the PRC, Japan, USA, Brazil and Europe, which are managed separately due to the different geographical locations. The Group also has two reportable business segments, representing its real estate business and financial services business. The Group's CODM review internal management reports on these segments on a quarterly basis, at a minimum, for strategic decisions making, performance assessment and resources allocation purposes.

Performance of each reportable segment is measured based on segment revenue and segment earnings before net interest expense, tax expense, and excluding changes in fair value of investment properties held by subsidiaries, associates and joint ventures (net of tax) ("EBIT excluding revaluation"). EBIT excluding revaluation is used to measure performance as management believes that such information is the most relevant in evaluating the results of these segments relative to other entities that operate within the logistics industry. Segment assets and liabilities are presented net of inter-segment balances.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. There are no transactions between reportable segments.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

30 Operating segments (continued)

Information regarding the Group's reportable geographical segments is presented in the tables below.

Information about reportable geographical segments

	PRC		Japan		USA		Brazil		Europe		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Group	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Continuing operations														
Revenue and expenses														
External revenue	983,799	748,700	166,561	134,676	256,996	63,010	10,904	7,906	33,342	21,408	–	–	1,451,602	975,700
Changes in fair value of investment properties held by subsidiaries	1,081,831	2,433,474	30,025	34,008	14,752	–	10,542	–	56,493	–	–	–	1,193,643	2,467,482
Share of changes in fair value of investment properties (net of tax) held by associates and joint ventures	53,545	75,255	237,170	194,268	6,132	62,040	36,106	(6,591)	13,341	15,203	–	–	346,294	340,175
Net finance (costs)/income	(370,161)	(399,186)	(9,078)	(5,773)	(8,379)	970	(12,309)	(3,624)	(74)	(3)	(71,340)	(50,437)	(471,341)	(458,053)
Tax expense	(464,893)	(802,018)	(21,742)	(14,651)	(153,946)	(2,316)	(5,291)	(1,233)	(11,375)	(2,712)	(895)	(1,585)	(658,142)	(824,515)
Profit/(Loss) after tax	1,096,850	1,973,600	526,054	341,841	306,638	102,221	62,141	526	31,684	(2,628)	(167,455)	(67,621)	1,855,912	2,347,939
EBIT	1,931,904	3,174,804	556,873	362,265	468,964	103,567	79,741	5,383	43,132	87	(95,219)	(15,599)	2,985,395	3,630,507
EBIT excluding revaluation	796,529	666,075	289,678	133,989	448,080	41,527	33,094	11,974	(26,703)	(15,116)	(95,219)	(15,599)	1,445,459	822,850
Profit attributable to:														
- Owners of the Company ("PATMI")	576,378	1,062,310	526,054	341,841	237,139	102,208	53,293	526	31,684	(579)	(168,231)	(67,621)	1,256,317	1,438,685
- NCI	520,472	911,290	–	–	69,500	13	8,848	–	–	(2,049)	775	–	599,595	909,254
PATMI excluding revaluation	152,644	54,071	260,360	115,265	220,285	40,161	10,229	7,117	(18,378)	(17,830)	(170,255)	(67,621)	454,885	131,163

30 Operating segments (continued)

Information about reportable geographical segments (continued)

	PRC		Japan		USA		Brazil		Europe		Others		Total	
Group	**2019 US$'000**	**2018 US$'000**	**2019 US$'000**	**2018 US$'000**	**2019 US$'000**	**2018 US$'000**	**2019 US$'000**	**2018 US$'000**	**2019 US$'000**	**2018 US$'000**	**2019 US$'000**	**2018 US$'000**	**2019 US$'000**	**2018 US$'000**
Assets and liabilities														
Investment properties	20,656,664	17,855,646	150,638	728,155	55,388	539,122	43,872	–	369,058	358,760	–	–	21,275,620	19,481,683
Associates and joint ventures	2,036,433	1,338,782	1,136,909	1,210,641	–	740,386	673,812	629,364	264,912	235,135	307,665	212,382	4,419,731	4,366,690
Other segment assets	4,690,951	4,090,303	636,418	1,152,039	903,157	117,641	80,008	298,313	607,589	133,423	1,981,956	854,767	8,900,079	6,646,486
Reportable segment assets	27,384,048	23,284,731	1,923,965	3,090,835	958,545	1,397,149	797,692	927,677	1,241,559	727,318	2,289,621	1,067,149	34,595,430	30,494,859
Loans and borrowings	(8,190,560)	(6,130,092)	(57,147)	(639,790)	(10,133)	(252,570)	(27,619)	–	–	–	(2,887,847)	(3,054,927)	(11,173,306)	(10,077,379)
Other segment liabilities	(3,837,709)	(3,299,683)	(206,922)	(424,801)	(501,601)	(35,625)	(29,231)	(192,660)	(344,503)	(15,681)	(92,836)	(74,606)	(5,012,802)	(4,043,056)
Reportable segment liabilities	(12,028,269)	(9,429,775)	(264,069)	(1,064,591)	(511,734)	(288,195)	(56,850)	(192,660)	(344,503)	(15,681)	(2,980,683)	(3,129,533)	(16,186,108)	(14,120,435)
Other information														
Depreciation and amortization	(14,386)	(4,052)	(4,821)	(1,086)	(1,992)	(126)	(356)	(370)	(4,240)	(570)	(15,999)	(3,477)	(41,794)	(9,681)
Interest income	40,412	14,878	14	–	2,928	2,943	247	83	2	1	4,126	2,940	47,729	20,845
NCI's share of EBITDA excluding revaluation[1]	360,230	280,130	–	–	–	–	–	–	–	–	–	–	360,230	280,130
Capital expenditure[2]	1,656,239	763,073	69,173	9,633	270,333	495,284	18,701	104	256,820	359,429	5,423	773	2,276,689	1,628,296

Notes:

1 EBITDA refers to EBIT excluding depreciation and amortization.

2 Capital expenditure includes acquisition, borrowing costs and development expenditure of investment properties and acquisition of property, plant and equipment.

30 Operating segments (continued)

Information about reportable business segments (continued)

	Real estate		Financial services		Total	
Group	**2019 US$'000**	**2018 US$'000**	**2019 US$'000**	**2018 US$'000**	**2019 US$'000**	**2018 US$'000**
Continuing operations						
Revenue and expenses						
External revenue	1,401,197	879,579	50,405	96,121	1,451,602	975,700
Cost of goods sold	(8)	–	(25,849)	(70,491)	(25,857)	(70,491)
Net finance (costs)/income	(475,559)	(456,020)	4,218	(2,033)	(471,341)	(458,053)
Tax (expense)/credits	(660,042)	(823,949)	1,900	(566)	(658,142)	(824,515)
Profit/(Loss) from continuing operations	1,864,220	2,337,513	(8,308)	10,426	1,855,912	2,347,939
Profit/(Loss) after tax	1,864,220	2,337,513	(8,308)	10,426	1,855,912	2,347,939

31 Financial risk management

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. Further quantitative disclosures are included throughout these financial statements.

(a) Risk management framework

The Group adopts the risk management policies and guidelines of the ultimate holding entity, GLP Holdings, L.P., 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.

(b) Credit risk

Credit risk is the risk of financial loss resulting from the failure of a customer or counterparty to meet its contractual obligations. 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. In respect of trade receivables, the Group has guidelines governing the process of granting credit and outstanding balances are monitored on an ongoing basis. Concentration of credit risk relating to trade receivables is limited due to the Group's many varied customers. These customers are engaged in a wide spectrum of activities and operate in a variety of markets.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Trade and other receivables (non-current and current)	3,666,485	2,798,189	3,105,253	1,600,350
Cash and cash equivalents	1,004,174	988,369	3,237	217,029
	4,670,659	3,786,558	3,108,490	1,817,379

31 Financial risk management (continued)

(b) Credit risk (continued)

Exposure to credit risk (continued)

The maximum exposure to credit risk for financial assets at the reporting date by geographic region is as follows:

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
PRC	2,368,091	2,560,117	–	–
Japan	218,497	187,590	–	–
Singapore	1,846,460	711,995	3,108,490	1,817,379
US	158,305	212,250	–	–
Europe	55,858	108,863	–	–
Others	23,448	5,743	–	–
	4,670,659	3,786,558	3,108,490	1,817,379

Expected credit loss assessment for cash and cash equivalents

Impairment on cash and cash equivalents has been measured on the 12 month expected loss basis and reflects the short term maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on external credit ratings of the counterparties and low credit risks exposures. The amount of ECL on cash and cash equivalents was negligible.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. The Group maintains a level of cash and cash equivalents deemed adequate by management to meet the Group's working capital requirement. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position.

As far as possible, the Group will raise medium and long-term funding from both capital markets and financial institutions and prudently balance its portfolio with some short-term funding so as to achieve overall cost effectiveness.

As at 31 December 2019, the Group has unutilized credit and loan facilities amounting to US$2,347,095,000 (2018: US$1,363,890,000), of which US$229,656,000 (2018: US$34,341,000) are committed credit facilities.

As at 31 December 2019, the Company has unutilized credit and loan facilities amounting to US$1,170,725,000 (2018: US$245,283,000), of which US$202,876,000 (2018: US$34,341,000) are committed credit facilities.

31 Financial risk management (continued)

(c) Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

			---------------- Cash flows ----------------		
Group	**Carrying amount US$'000**	**Contractual cash flows US$'000**	**Within 1 year US$'000**	**From 1 to 5 years US$'000**	**After 5 years US$'000**
31 December 2019					
Non-derivative financial liabilities					
Bank loans	5,544,878	6,373,140	1,926,396	2,745,605	1,701,139
Bonds	5,628,428	6,715,015	306,994	4,468,449	1,939,572
Trade and other payables[1]	1,769,831	1,788,595	1,536,821	210,629	41,145
	12,943,137	14,876,750	3,770,211	7,424,683	3,681,856
Derivative financial liabilities					
Interest rate swaps (net-settled)	4,764	8,396	1,777	6,091	528
	12,947,901	14,885,146	3,771,988	7,430,774	3,682,384
31 December 2018					
Non-derivative financial liabilities					
Bank loans	5,456,237	5,965,021	2,719,390	2,289,631	956,000
Bonds	4,621,142	5,570,103	349,218	3,680,070	1,540,815
Trade and other payables[1]	1,483,807	1,513,094	1,327,079	150,007	36,008
	11,561,186	13,048,218	4,395,687	6,119,708	2,532,823
Derivative financial liabilities					
Interest rate swaps (net-settled)	8,021	12,908	3,123	8,952	833
	11,569,207	13,061,126	4,398,810	6,128,660	2,533,656
Company					
31 December 2019					
Non-derivative financial liabilities					
Bank loans	1,145,212	1,191,847	610,906	163,375	417,566
Bonds	1,742,635	2,062,631	58,628	694,438	1,309,565
Trade and other payables	614,848	614,848	613,579	1,269	–
	3,502,695	3,869,326	1,283,113	859,082	1,727,131
Derivative financial liabilities					
Interest rate swaps (net-settled)	4,741	8,373	1,777	6,068	528
	3,507,436	3,877,699	1,284,890	865,150	1,727,659
31 December 2018					
Non-derivative financial liabilities					
Bank loans	1,440,911	1,496,370	918,818	161,773	415,779
Bonds	1,614,016	1,978,873	57,173	713,530	1,208,170
Trade and other payables	494,832	483,544	483,444	100	–
	3,549,759	3,958,787	1,459,435	875,403	1,623,949
Derivative financial liabilities					
Interest rate swaps (net-settled)	4,223	8,470	1,584	6,053	833
	3,553,982	3,967,257	1,461,019	881,456	1,624,782

Note:

[1] Excludes advance rental received.

31 Financial risk management (continued)

(d) 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. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Group operates mainly in the PRC, Japan, USA, Brazil and Europe. Other than the respective functional currency of the Group's subsidiaries, the foreign currency which the Group has exposure to at the reporting date is the US Dollar.

The Group maintains a natural hedge, wherever possible, by borrowing in the currency of the country in which the investment is located. Foreign exchange exposures in transactional currencies other than the functional currencies of the operating entities are kept to an acceptable level.

The Group also monitors any surplus cash held in currencies other than the functional currency of the respective companies and uses sensitivity analysis to measure the foreign exchange risk exposure. Where necessary, the Group will use foreign exchange contracts to hedge and minimize net foreign exchange risk exposures. In relation to its overseas investments in foreign subsidiaries whose net assets are exposed to currency translation risk and which are held for long-term investment purposes, the differences arising from such translation are captured under the foreign currency translation reserve. These translation differences are reviewed and monitored on a regular basis.

31 Financial risk management (continued)

(d) Market risk (continued)

Currency risk (continued)

The Group's and Company's exposures to foreign currencies (financial assets and liabilities not denominated in the respective entities' functional currencies) as at 31 December 2019 and 31 December 2018 are as follows:

Group	United States Dollar US$'000	Japanese Yen US$'000	Singapore Dollar US$'000	Hong Kong Dollar US$'000	Chinese Renminbi US$'000	European Dollar US$'000	Great British Pound US$'000	Polish Zloty US$'000
31 December 2019								
Financial assets								
Cash and cash equivalents	135,390	91	1,338	39,054	–	1,640	3,073	2,864
Trade and other receivables	40,262	8,480	4,953	–	6,489	105,299	86,925	2,608
Unquoted equity investments - FVTPL	428,175	696	–	–	–	–	–	–
	603,827	9,267	6,291	39,054	6,489	106,939	89,998	5,472
Financial liabilities								
Bank loans	(448,479)	(541,088)	–	(1,608,685)	–	(296,580)	–	–
Bonds	(500,000)	(272,202)	–	–	–	(481,600)	–	–
Trade and other payables	(511,875)	(447,498)	(514)	–	–	(2,097)	(264,760)	(11,250)
	(1,460,354)	(1,260,788)	(514)	(1,608,685)	–	(780,277)	(264,760)	(11,250)
Net financial (liabilities)/assets	(856,527)	(1,251,521)	5,777	(1,569,631)	6,489	(673,338)	(174,762)	(5,778)
Add: Loans/Bonds designated for net investment hedge	–	826,830	–	–	–	280,000	–	–
Currency exposure of net financial (liabilities)/assets	(856,527)	(424,691)	5,777	(1,569,631)	6,489	(393,338)	(174,762)	(5,778)

31 Financial risk management (continued)

(d) Market risk (continued)

Currency risk (continued)

Group	United States Dollar US$'000	Japanese Yen US$'000	Singapore Dollar US$'000	Hong Kong Dollar US$'000	Chinese Renminbi US$'000	European Dollar US$'000	Great British Pound US$'000
31 December 2018							
Financial assets							
Cash and cash equivalents	102,140	2,714	2,208	4,891	159,885	2,485	6,270
Trade and other receivables	1,583,371	7,055	56	1	6,601	2,114	39,946
Unquoted equity investments - FVTPL	227,929	448	–	–	–	–	–
	1,913,440	10,217	2,264	4,892	166,486	4,599	46,216
Financial liabilities							
Bank loans	(1,171,082)	(529,903)	(3,159)	(824,924)	–	(568,297)	–
Bonds	(987,030)	(134,766)	–	–	–	(492,221)	–
Trade and other payables	(1,065,991)	(266,558)	–	–	(160,276)	(2,314)	–
	(3,224,103)	(931,227)	(3,159)	(824,924)	(160,276)	(1,062,832)	–
Net financial (liabilities)/assets	(1,310,663)	(921,010)	(895)	(820,032)	6,210	(1,058,233)	46,216
Add: Loans/Bonds designated for net investment hedge	–	664,072	–	–	–	235,808	–
Currency exposure of net financial (liabilities)/assets	(1,310,663)	(256,938)	(895)	(820,032)	6,210	(822,425)	46,216

31 Financial risk management (continued)

(d) Market risk (continued)

Currency risk (continued)

Company	Japanese Yen US$'000	Singapore Dollar US$'000	Chinese Renminbi US$'000	European Dollar US$'000	Great British Pound US$'000
31 December 2019					
Financial assets					
Cash and cash equivalents	22	279	1	1	97
Trade and other receivables	8,480	4,953	6,489	102,334	80,074
	8,502	5,232	6,490	102,335	80,171
Financial liabilities					
Bank loans	(541,088)	–	–	(295,124)	–
Bonds	(272,202)	–	–	(481,600)	–
Trade and other payables	(447,498)	(514)	–	(2,092)	–
	(1,260,788)	(514)	–	(778,816)	–
Net financial (liabilities)/assets	(1,252,286)	4,718	6,490	(676,481)	80,171
Currency exposure of net financial (liabilities)/ assets	(1,252,286)	4,718	6,490	(676,481)	80,171
31 December 2018					
Financial assets					
Cash and cash equivalents	54	653	159,885	5	94
Trade and other receivables	7,055	56	6,601	2,114	3,792
	7,109	709	166,486	2,119	3,886
Financial liabilities					
Bank loans	(529,903)	–	–	(566,008)	–
Bonds	(134,766)	–	–	(492,221)	–
Trade and other payables	(266,558)	–	(160,276)	(2,314)	–
	(931,227)	–	(160,276)	(1,060,543)	–
Net financial (liabilities)/assets	(924,118)	709	6,210	(1,058,424)	3,886
Currency exposure of net financial (liabilities)/ assets	(924,118)	709	6,210	(1,058,424)	3,886

Sensitivity analysis

A 10% strengthening of foreign currency against the respective functional currencies of the subsidiaries at the reporting date would have increased/(decreased) profit before tax by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

31 Financial risk management (continued)

(d) Market risk (continued)

Currency risk (continued)

Sensitivity analysis (continued)

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
US Dollar[1]	(85,653)	(131,066)	–	–
Japanese Yen[2]	(42,469)	(25,694)	(125,229)	(92,412)
Singapore Dollar[2]	578	(89)	472	71
Hong Kong Dollar[2]	(156,963)	(82,003)	–	–
Chinese Renminbi[2]	649	621	649	621
European Dollar[2]	(39,334)	(82,242)	(67,648)	(105,842)
Great British Pound[2]	(17,476)	4,622	8,017	389
Polish Zloty[2]	(578)	–	–	–

Notes:
[1] As compared to functional currency of Renminbi.
[2] As compared to functional currency of US Dollar.

A 10% weakening of foreign currency against the respective functional currencies of the subsidiaries at the reporting date would have the 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

The Group's interest rate risk arises primarily from the interest-earning financial assets and interest-bearing financial liabilities.

The Group manages its interest rate exposure by maintaining a mix of fixed and variable rate borrowings. Where necessary, the Group hedges a portion of its interest rate exposure within the short to medium term by using interest rate derivatives.

The Group classifies these interest rate swaps as cash flow hedges which were effective during the year.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts.

The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

31 Financial risk management (continued)

(d) Market risk (continued)

Interest rate risk (continued)

In these hedging relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
- differences in repricing dates between the swaps and the borrowings.

At the reporting date, the interest rate profile of interest-bearing financial liabilities (after taking into account the effects of the interest rate swaps) are as follows:

	Group		Company	
	Carrying amount US$'000	Principal/ notional amount US$'000	Carrying amount US$'000	Principal/ notional amount US$'000
31 December 2019				
Fixed rate instruments				
Loans and borrowings	6,746,020	6,770,735	2,887,846	2,912,554
Payables	105,690	105,690	–	–
	6,851,710	6,876,425	2,887,846	2,912,554
Variable rate instruments				
Loans and borrowings	4,427,286	4,427,559	–	–
31 December 2018				
Fixed rate instruments				
Loans and borrowings	5,915,866	5,401,041	3,054,927	2,538,649
Payables	38,370	38,370	–	–
	5,954,236	5,439,411	3,054,927	2,538,649
Variable rate instruments				
Loans and borrowings	4,427,559	4,166,152	–	–

Interest rate benchmark reform

A fundamental review and reform of major interest rate benchmarks is being undertaken globally to replace or reform existing benchmark IBORs with alternative rates. The Group hedged items and hedging instruments continue to be indexed to London Inter-bank Offered Rate ("LIBOR") and Tokyo Inter-bank Offered Rate ("TIBOR"). There is uncertainty as to the timing and the methods of transition for the Group.

As a result of these uncertainties, significant judgement is involved in determining certain hedge accounting relationships that hedge the variability of interest rate risk due to expected changes in IBORs continue to qualify for hedge accounting as at 31 December 2019. IBORs continue to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. The Group believes the current market structure supports the continuation of hedge accounting as at 31 December 2019.

31 Financial risk management (continued)

(d) Market risk (continued)

Interest rate risk (continued)

Interest rate benchmark reform (continued)

At 31 December 2019, the Group has interest rate swaps classified as cash flow hedges with notional contractual amount of JPY63,010 million (2018: JPY90,785 million) which pay fixed interest rates ranging from 0.23% to 0.42% (2018: 0.23% to 1.17%) per annum and receive variable rates ranging equal to JPY LIBOR and JPY TIBOR on the notional amount.

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 the profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit before tax and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group		Company	
	100 bp Increase US$'000	**100 bp Decrease US$'000**	**100 bp Increase US$'000**	**100 bp Decrease US$'000**
31 December 2019				
Loans and borrowings	(44,276)	44,276	–	–
31 December 2018				
Loans and borrowings	(41,662)	41,662	–	–

Other market price risk

Equity price risk arises from quoted equity investment measured at FVOCI held by the Group. Management of the Group monitors the equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Group's Investment Committee.

An increase/(decrease) in 5% of the equity price of quoted equity investments held by the Group at the reporting date would have increased/(decreased) fair value reserve by US$40 million (2018: US$37 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

31 Financial risk management (continued)

(e) Hedge accounting

At 31 December 2019, the Group and the Company held the following instruments to hedge exposures to changes in interest rates and foreign currency.

	Carrying Amount			Changes in fair value used for calculating hedge effectiveness				
Group	**Notional amount '000**	**Assets/ (Liabilities) US$'000**	**Financial Statement line item**	**Hedging instrument US$'000**	**Hedged item US$'000**	**Hedge ineffectiveness recognized in profit or loss US$'000**	**Hedge rate**	**Year of maturity**
Cash flow hedges								
Interest rate risk								
- Interest rate swaps to hedge floating rate borrowings	JPY 63,009,956	(4,764)	Financial derivative liabilities	3,126	(3,126)	–	0.23% - 0.42%	2020 - 2025
Net investment hedges								
Foreign exchange risk								
- Borrowings to hedge net investment in foreign operations	USD 1,106,830 equivalent	(1,106,830)	Loans and borrowings	5,676	(5,676)	–	–	2023 - 2027
Company								
Cash flow hedges								
Interest rate risk								
- Interest rate swaps to hedge floating rate borrowings	JPY 60,000,000	(4,741)	Financial derivative liabilities	(518)	518	–	0.23% - 0.36%	2022 - 2025
-								

31 Financial risk management (continued)

(e) Hedge accounting (continued)

At 31 December 2018, the Group and the Company held the following instruments to hedge exposures to changes in interest rates and foreign currency.

		Carrying Amount		Changes in fair value used for calculating hedge effectiveness				
Group	**Notional amount**	**Assets/ (Liabilities) US$'000**	**Financial Statement line item**	**Hedging instrument US$'000**	**Hedged item US$'000**	**Hedge ineffectiveness recognized in profit or loss US$'000**	**Hedge rate**	**Year of maturity**
Cash flow hedges								
Interest rate risk								
- Interest rate swaps to hedge floating rate borrowings	JPY 90,784,956	(4,233)	Financial derivative liabilities	(2,524)	2,524	–	0.23% - 1.17%	2021 - 2025
Net investment hedges								
Foreign exchange risk								
- Borrowings to hedge net investment in foreign operations	USD 899,880 equivalent	(899,880)	Loans and borrowings	(12,783)	12,783	–	–	2023 - 2027
Company								
Cash flow hedges								
Interest rate risk								
- Interest rate swaps to hedge floating rate borrowings	JPY 60,000,000	(4,223)	Financial derivative liabilities	(4,223)	4,223	–	0.23% - 0.36%	2022 - 2025
-								

31 Financial risk management (continued)

(e) Hedge accounting (continued)

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting.

Group	Hedging reserve US$'000
Balance at 1 April 2018	15,419
Cash flow hedges	
Change in fair value:	
- Interest rate risk	2,524
Others	(13)
Balance at 31 December 2018	17,930
Balance at 1 January 2019	17,930
Cash flow hedges	
Change in fair value:	
- Interest rate risk	(3,126)
Others	(911)
Balance at 31 December 2019	13,893
Company	
Balance at 1 April 2018	–
Cash flow hedges	
Change in fair value:	
- Interest rate risk	4,223
Balance at 31 December 2018	4,223
Balance at 1 January 2019	4,223
Cash flow hedges	
Change in fair value:	
- Interest rate risk	518
Balance at 31 December 2019	4,741

Net investment hedge

A foreign currency exposure arises from the Group's net investment in its subsidiaries in Europe and Japan that has a EUR and JPY functional currency respectively. The risk arises from the fluctuation in spot exchange rates between the EUR, JPY and the USD, which causes the amount of the net investment to vary.

The hedged risk in the net investment hedges are the risk of a weakening EUR and JPY against the USD that will result in a reduction in the carrying amount of the Group's net investment in its subsidiaries in Europe and Japan.

31 Financial risk management (continued)

(e) Hedge accounting (continued)

Net investment hedge (continued)

Part of the Group's net investment in its subsidiaries in Europe and Japan are hedged through the use of JPY and EUR denominated borrowings. As at the reporting date, the carrying amount of these JPY and EUR denominated borrowings was US$1,106,830,000 (2018: US$899,880,000) and the fair value of the borrowings was US$1,123,151,000 (2018: US$920,921,000). The net investment hedges were effective during the year. The Group's investments in other subsidiaries are not hedged.

To assess hedge effectiveness, the Group determines the economic relationship between the hedging instrument and the hedged item by comparing changes in the carrying amount of the debt that is attributable to a change in the spot rate with changes in the investment in the foreign operation due to movements in the spot rate (the offset method). The Group's policy is to hedge the net investment only to the extent of the debt principal.

(f) Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's and Company's statement of financial position; or
- are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the statement of financial position.

Financial instruments such as trade receivables and trade payables are not disclosed in the tables below unless they are offset in the statement of financial position.

The Group's derivative transactions that are not transacted on an exchange are entered into under International Swaps and Derivatives Association (ISDA) Master Netting Agreements. In general, under such agreements, the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount being payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions.

The above ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties. In addition, the Group and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

31 Financial risk management (continued)

(f) Offsetting financial assets and financial liabilities (continued)

Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangements

	Gross amounts of recognized financial assets/ (liabilities) US$'000	Gross amounts of recognized financial assets/ (liabilities) offset in the statement of financial position US$'000	Net amounts of financial assets/ (liabilities) presented in the statement of financial position US$'000	Related amounts not offset in the statement of financial position US$'000	Net amount US$'000
Group					
31 December 2019					
Financial liabilities					
Interest rate swaps	(4,764)	–	(4,764)	–	(4,764)
	(4,764)	–	(4,764)	–	(4,764)
31 December 2018					
Financial liabilities					
Interest rate swaps	(8,021)	–	(8,021)	–	(8,021)
	(8,021)	–	(8,021)	–	(8,021)
Company					
31 December 2019					
Financial liabilities					
Interest rate swaps	(4,741)	–	(4,741)	–	(4,741)
	(4,741)	–	(4,741)	–	(4,741)
31 December 2018					
Financial liabilities					
Interest rate swaps	(4,223)	–	(4,223)	–	(4,223)
	(4,223)	–	(4,223)	–	(4,223)

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statement of financial position that are disclosed in the above tables are measured in the statement of financial position at fair value.

32 Fair value of financial assets and liabilities

(a) Accounting classifications and fair values

The carrying amounts and fair values of financial assets and 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 approximation of fair value.

		Carrying amount						Fair value			
	Note	Fair value – hedging instruments US$'000	Amortized cost US$'000	Equity instrument - Mandatorily at FVTPL US$'000	FVOCI – equity instruments US$'000	Other financial liabilities US$'000	Total carrying amount US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Group											
31 December 2019											
Equity investments – at FVOCI	10	–	–	–	867,650	–	867,650	800,038	–	67,612	867,650
Equity investment – mandatorily at FVTPL	10	–	–	1,026,406	–	–	1,026,406	–	–	1,026,406	1,026,406
Other non-current assets[1]	11	–	289,641	–	–	–	289,641	–	–	289,641	289,641
Trade and other receivables[2]	12	–	3,385,944	–	–	–	3,385,944				
Cash and cash equivalents	14	–	1,004,174	–	–	–	1,004,174				
		–	4,679,759	1,026,406	867,650	–	6,573,815				
Secured bank loans	19	–	–	–	–	(3,132,001)	(3,132,001)	–	(3,131,997)	–	(3,131,997)
Secured bonds	19	–	–	–	–	(500,160)	(500,160)	–	(500,156)	–	(500,156)
Unsecured bank loans	19	–	–	–	–	(2,412,877)	(2,412,877)	–	(2,426,867)	–	(2,426,867)
Unsecured bonds	19	–	–	–	–	(5,128,268)	(5,128,268)	–	(5,205,287)	–	(5,205,287)
Interest rate swaps	20	(4,764)	–	–	–	–	(4,764)	–	(4,764)	–	(4,764)
Other non-current liabilities[3]	21	–	–	–	–	(272,786)	(272,786)	–	–	(262,311)	(262,311)
Trade and other payables[3]	22	–	–	–	–	(1,497,045)	(1,497,045)				
		(4,764)	–	–	–	(12,943,137)	(12,947,901)				

Notes:
1 Excludes prepayments and deferred management costs.
2 Excludes other assets and prepayments.
3. Excludes advance rental received.

32 Fair value of financial assets and liabilities (continued)

(a) Accounting classifications and fair values (continued)

		Carrying amount						Fair value			
Group	**Note**	**Fair value – hedging instruments US$'000**	**Amortized cost US$'000**	**Equity instrument - Mandatorily at FVTPL US$'000**	**FVOCI – equity instruments US$'000**	**Other financial liabilities US$'000**	**Total carrying amount US$'000**	**Level 1 US$'000**	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
31 December 2018											
Equity investments – at FVOCI	10	–	–	–	764,032	–	764,032	740,326	–	23,706	764,032
Equity investment – mandatorily at FVTPL	10	–	–	717,762	–	–	717,762	–	–	717,762	717,762
Other non-current assets[1]	11	–	613,670	–	–	–	613,670	–	–	617,061	617,061
Trade and other receivables[2]	12	–	2,184,519	–	–	–	2,184,519				
Cash and cash equivalents	14	–	988,369	–	–	–	988,369				
		–	3,786,558	717,762	764,032	–	5,268,352				
Secured bank loans	19	–	–	–	–	(2,733,247)	(2,733,247)	–	(2,733,247)	–	(2,733,247)
Secured bonds	19	–	–	–	–	(422,660)	(422,660)	–	(422,660)	–	(422,660)
Unsecured bank loans	19	–	–	–	–	(2,722,990)	(2,722,990)	–	(2,722,990)	–	(2,722,990)
Unsecured bonds	19	–	–	–	–	(4,198,482)	(4,198,482)	–	(4,097,259)	–	(4,097,259)
Interest rate swaps	20	(8,021)	–	–	–	–	(8,021)	–	(8,021)	–	(8,021)
Other non-current liabilities[3]	21	–	–	–	–	(198,726)	(198,726)	–	–	(189,985)	(189,985)
Trade and other payables[3]	22	–	–	–	–	(1,285,081)	(1,285,081)				
		(8,021)	–	–	–	(11,561,186)	(11,569,207)				

Notes:
1 Excludes prepayments and deferred management costs.
2 Excludes other assets and prepayments.
3 Excludes advance rental received.

32 Fair value of financial assets and liabilities (continued)

(a) Accounting classifications and fair values (continued)

	Note	Carrying amount				Fair value			
		Fair value - hedging instruments US$'000	Amortized cost US$'000	Other financial liabilities US$'000	Total carrying amount US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Company									
31 December 2019									
Loans to subsidiaries (interest-free)	5	–	648,353	–	648,353				
Trade and other receivables[1]	12	–	3,105,253	–	3,105,253				
Cash and cash equivalents	14	–	3,237	–	3,237				
		–	3,756,843	–	3,756,843				
Unsecured bank loans	19	–	–	(1,145,212)	(1,145,212)	–	(1,156,208)	–	(1,156,208)
Unsecured bonds	19	–	–	(1,742,635)	(1,742,635)	–	(1,785,335)	–	(1,785,335)
Interest rate swaps	20	(4,741)	–	–	(4,741)	–	(4,741)	–	(4,741)
Other non-current liabilities	21	–	–	(1,269)	(1,269)	–	–	(1,269)	(1,269)
Trade and other payables	22	–	–	(613,579)	(613,579)				
		(4,741)	–	(3,502,695)	(3,507,436)				
31 December 2018									
Loans to subsidiaries (interest-free)	5	–	672,073	–	672,073				
Other non-current assets	11	–	19,553	–	19,553	–	–	17,769	17,769
Trade and other receivables[1]	12	–	1,580,797	–	1,580,797				
Cash and cash equivalents	14	–	217,029	–	217,029				
		–	2,489,452	–	2,489,452				
Unsecured bank loans	19	–	–	(1,440,911)	(1,440,911)	–	(1,440,911)	–	(1,440,911)
Unsecured bonds	19	–	–	(1,614,016)	(1,614,016)	–	(1,512,793)	–	(1,512,793)
Interest rate swaps	20	(4,223)	–	–	(4,223)	–	(4,223)	–	(4,223)
Other non-current liabilities	21	–	–	(11,388)	(11,388)	–	(11,388)	–	(11,388)
Trade and other payables	22	–	–	(483,444)	(483,444)				
		(4,223)	–	(3,549,759)	(3,553,982)				

Note:
[1] Excludes prepayments.

32 Fair value of financial assets and liabilities (continued)

(b) Level 3 fair value measurements

(i) Reconciliation of Level 3 fair value

The reconciliation from the beginning balance to the ending balance for Level 3 fair value measurements for investment properties is presented in Note 4 and unquoted equity investments – at FVOCI and unquoted equity investments – mandatorily at FVTPL are presented in Note 10.

(ii) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique
Unquoted equity investments – at FVOCI	The fair value of the underlying assets and liabilities of the entity to which the financial instrument relates.
Unquoted equity investments – mandatorily at FVTPL	The unquoted equity investments are stated at their fair values at the reporting date, determined by reference to an internal rate of return agreed with a potential buyer on a willing buyer, willing seller basis, at net asset value which approximates the investments' fair value, market comparison technique based on market multiple of comparable companies adjusted for the effect of non-marketability of the investments.
Financial derivative instruments: - Interest rate swaps - Forward foreign exchange contracts	The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

Financial instruments not measured at fair value

Type	Valuation technique	Inputs used in determining fair value
Loans to associate and joint ventures, security deposits and loans and borrowings	Discounted cash flows	Government yield curve at the reporting date plus an adequate credit spread.

(iii) Transfer between Level 1 and 2

During the year/period ended 31 December 2019 and 31 December 2018, there were no transfers between Level 1 and 2 of the fair value hierarchy.

33 Commitments and contingent liabilities

The Group had the following commitments and contingent liabilities as at the reporting date:

(a) Operating lease commitments

Operating lease rental receivable

Future minimum lease rental receivable for the Group on non-cancellable operating leases from investment properties are as follows:

	Group	
	2019	**2018**
	US$'000	**US$'000**
Lease rental receivable: [1]		
- Within 1 year	809,710	757,260
- After 1 year but within 5 years	1,414,003	1,358,311
- After 5 years	547,712	649,841
	2,771,425	2,765,412

[1] Includes lease rental receivables of US$135,000,000 for investment properties classified as held for sale.

(b) Other commitments

	Group	
	2019	**2018**
	US$'000	**US$'000**
Commitments in relation to share capital of other investments not yet due and not provided for	–	39,622
Development expenditure contracted but not provided for	856,949	845,701

Amounts recognized in profit or loss

	2018
	US$'000
Operating leases under SFRS(I) 1-17	
Lease expense	10,016

Amounts recognized in statement of cash flows

	2019
	US$'000
Total cash outflow for leases	7,531

33 Commitments and contingent liabilities (continued)

(b) Other commitments (continued)

Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

34 Significant related party transactions

Remuneration of key management personnel

In accordance with SFRS(I) 1-24 *Related Party Disclosures*, key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. For purposes of SFRS(I) 1-24 *Related Party Disclosures*, the executive directors are considered key management personnel of the Group.

The key management personnel compensation included as part of staff costs for those key management personnel employed by the Group are as follows:

	Group	
	Year ended 31/12/2019 US$'000	**Period from 1/4/2018 to 31/12/2018 US$'000**
Wages and salaries (excluding contributions to defined contribution plans)	4,901	2,330
Contributions to defined contribution plans	25	14
Share-based expenses, equity settled	–	382
	4,926	2,726

34 Significant related party transactions (continued)

Remuneration of key management personnel (continued)

In addition to the related party information disclosed elsewhere in the financial statements, there were the following significant related party transactions which were carried out in the normal course of business on terms agreed between the parties during the financial year/period:

	Group	
	Year ended 31/12/2019 US$'000	**Period from 1/4/2018 to 31/12/2018 US$'000**
Associates and joint ventures		
Asset and investment management fee income from associates and joint venture funds	152,267	95,643
Development and other management fee income from associates and joint venture funds	79,104	28,773
Promote fees income from associates and joint venture funds	194,432	5,483
Asset and investment management fee income from other associates and joint ventures	3,169	3,405
Development and other management fee income from other associates and joint ventures	574	1,747
Subsidiaries of a substantial shareholder		
Operating lease expenses paid/payable	–	(4,622)
A company in which a Director of the Company has substantial financial interests		
Reimbursement of office expenses and allocation of expenses	(269)	(142)

35 Significant subsidiaries

Details of significant subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Effective interest held by the Group	
			2019 %	2018 %
GLP Japan Investment Holdings Pte. Ltd.	Investment holding	Singapore	100	100
Japan Logistic Properties 1 Pte. Ltd. and its subsidiaries	Investment holding	Singapore	100	100
Japan Logistic Properties 2 Pte. Ltd. and its subsidiaries	Investment holding	Singapore	100	100
Japan Logistic Properties 3 Pte. Ltd. and its subsidiary:	Investment holding	Singapore	100	100
Japan Logistic Properties 4 Pte. Ltd. and its subsidiaries	Investment holding	Singapore	100	100
GLP Capital Japan 2 Pte. Ltd. and its subsidiary	Investment holding	Singapore	100	100
GLP Japan Development Investors Pte. Ltd. and its joint venture[1]	Investment holding	Singapore	100	100
GLP Japan Development Investors 2 Pte. Ltd. and its joint venture[1]	Investment holding	Singapore	100	100
GLP Light Year Investment Pte. Ltd. and its joint venture[1]	Investment holding	Singapore	100	100
GLP Brazil Investment Holdings Pte. Ltd.	Investment holding	Singapore	100	100
BLH (1) Pte. Ltd. and its joint venture[1]	Investment holding	Singapore	100	100
BLH (2) Pte. Ltd. and its joint venture[1]	Investment holding	Singapore	100	100
BLH (3) Pte. Ltd. and its joint venture[1]	Investment holding	Singapore	100	100
BLH (4) Pte. Ltd.	Investment holding	Singapore	100	100
GLP Investment Holdings[2]	Investment holding	Cayman Islands	100	100
CLH Limited and its significant subsidiaries[2]	Investment holding	Cayman Islands	100	100
GLP China Holdings Limited and its significant subsidiaries:	Investment holding	Hong Kong	66.21	66.21
GLP China Asset Holdings Limited	Investment holding	Hong Kong	66.21	66.21
GLP HK Holdings Limited	Investment holding	Hong Kong	66.21	66.21

35 Significant subsidiaries (continued)

Name of company	Principal activities	Country of incorporation and place of business	Effective interest held by the Group	
			2019 %	2018 %
CLF Singapore Pte. Ltd.	Investment holding	Singapore	37.00	37.00
GLP Beijing Airport Logistics Development Co. Ltd.	Property investment	PRC	66.21	66.21
GLP I-Park Xi'An Science & Technology Industrial Development Co., Ltd.	Property investment	PRC	32.05	32.05
Beijing Lihao Science & Technology Co., Ltd.	Property investment	PRC	58.26	58.26
Airport City Development Co., Ltd.	Property investment	PRC	35.18	35.18
Zhejiang Transfar Logistics Base Co., Ltd.	Property investment	PRC	66.21	66.21
Beijing Sifang Tianlong Medicine Logistic Co., Ltd.	Property investment	PRC	66.21	66.21[3]
Shenzhen Lingxian Technology Co., Ltd.	Property investment	PRC	36.42	36.42[3]
Shanghai Fuhe Industrial Development Co., Ltd.	Property investment	PRC	46.35	46.35
China Management Holdings (Hong Kong) Limited	Investment holdings	Hong Kong	66.21	66.21
GLP Investment (Shanghai) Co., Ltd.	Property management	PRC	66.21	66.21
GLP Financial Holding (Chongqing) Co., Ltd.	Financial services	PRC	66.21	66.21
GLP Investment Management Pte. Ltd. and its subsidiaries:	Investment holding and fund management	Singapore	100	100
GLP Brasil Gestão de Recursos e Administração Imobiliária Ltda	Property management	Brazil	100	100
GLP US Management LLC	Property management	US	99	99
GLP UK Management Limited	Property management	UK	100	100

KPMG LLP is the auditor of all Singapore-incorporated subsidiaries. Other member firms of KPMG International are auditors of significant foreign-incorporated subsidiaries unless otherwise indicated.

Notes:

[1] Significant associates and joint ventures of the Group are disclosed in Note 6 to the financial statements.
[2] Not required to be audited by laws of country of incorporation.
[3] Incorporated during the year ended 31 December 2018.

36 Subsequent events

Subsequent to 31 December 2019, the following events occurred:

(i) On 19 January 2020, the Group acquired additional 20% equity interest in Shanghai Lingang GLP International Logistics Leasing Co., Ltd. ("Lingang International") at the consideration of RMB1,040 million (equivalent to approximately US$149 million). Thereafter, the Group holds 70% of the equity interest and exerts effective control over Lingang International.

(ii) On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe.

The spread of COVID-19 has brought about disruptions and created a high level of uncertainty to the near-term global economic prospects. The Executive Committee of the Group is taking precautionary measures to deal with the COVID-19 outbreak in accordance with guidelines provided by the relevant authorities in Singapore, PRC, Japan, Europe, USA and Brazil.

At the date of this report, it remains premature to ascertain the full extent of the impact of the COVID-19 outbreak to the Group's operations and financial performance. The Executive Committee of the Group is keeping a watchful eye on the COVID-19 situation as it further evolves and will take the necessary actions to ensure the long-term sustainability of the Group. The Group has a strong balance sheet and the Executive Committee believes that there are sufficient undrawn capital commitments from the members of the ultimate holding company and financial debt headroom to withstand any potential negative financial impact that may arise thereon.

(iii) On 13 March 2020, the Group issued RMB1,900 million (equivalent to approximately US$272 million) of RMB denominated Commercial Mortgage Backed Securities (the "CMBS") on the Shanghai Stock Exchange. The CMBS bear interests of 3.40% per annum, with a coupon reset and an option to redeem every three years.

(iv) On 13 March 2020, the Group announced the acquisition of Goodman Group's Central and Eastern Europe logistic real estate portfolio. The Group is now awaiting approval from the relevant regulatory authorities before proceeding with the acquisition.

(v) On 20 March 2020, the Group announced an offer to privatize Li & Fung Limited, the operator of one of the most extensive global supply chain networks in the world, by way of a scheme of arrangement at the consideration of HK$7,223 million (equivalent to approximately US$149 million).

(vi) On 24 March 2020, the Group entered into an investment partnership with China Merchants Group ("CMG") to acquire 50% equity interest in China Merchants Capital ("CMC"), which is CMG's private equity investment vehicle. Thereafter, CMC becomes a joint venture of the Group. The Group plans to subscribe for RMB1,000 million (equivalent to approximately US$143 million) of the newly issued share capital of CMC at the consideration of RMB4,760 million (equivalent to approximately US$683 million), and provide loans not exceeding RMB3,730 million (equivalent to approximately US$535 million) to support CMC's daily operations.

36 Subsequent events (continued)

(vii) On 31 March 2020, Urayasu II logistic TMK (JLP1) disposed of its beneficial interest in its investment properties at the consideration of JPY17,639 million (equivalent to approximately US$162 million).

On 31 March 2020, Zama Logistic TMK (JLP4) issued bond of JPY 2,442 million (equivalent to approximately US$22 million) to Sumitomo Mitsui Trust Bank Limited. The bond will mature on 31 March 2022.

PART II: MATTERS RELATED TO OTHER SECURITIES

For the information on the matters related to other securities, see Notes 16, 19 and 36 to the Issuer’s audited consolidated financial statements as of and for the financial year ended 31 December 2020 included in "Part I: CORPORATE INFORMATION - II. Financial Condition" above.

PART III: INFORMATION ON GUARANTOR OF THE COMPANY

I. MATTERS CONCERNING GUARANTOR WITHOUT ONGOING DISCLOSURE REQUIREMENTS

I-1 Guarantor's Name, Name and Title of Representative, Address of Head Office

1.	Company Name:	Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank
2.	Name and Title of Representative:	Guiying Sun Chief Executive Officer
3.	Address of Head Office	Asian Development Bank Building, 6 ADB Avenue, Mandaluyong City 1550, Metro Manila, Philippines

I-2 Outline of Guarantor

1. OVERVIEW OF CGIF

1.1 Establishment

CGIF, a trust fund of the Asian Development Bank, was established by the 10 members of the Association of Southeast Asian Nations ("ASEAN") together with the People's Republic of China ("PRC"), Japan, Republic of Korea ("ASEAN+3") and the Asian Development Bank ("ADB") in 2010. The 10 members of ASEAN consist of Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic ("Lao PDR"), Malaysia, Republic of the Union Myanmar ("Myanmar"), Philippines, Singapore, Thailand and Vietnam.

CGIF was established in November 2010 to promote economic development, stability and resilience of financial markets in the ASEAN+3 region (the "Region"). The main function of CGIF is to provide credit guarantees for local currency denominated bonds issued in the Region by corporations in the Region.

1.2 Shareholding Structure

CGIF's guarantees are backed by U.S.$ 1,105,200,000 of paid-in capital from its sovereign government contributors and ADB. Neither the ADB nor the other contributors are liable for the obligations of CGIF.

CGIF Shareholding Structure as at 31 May 2021

CGIF Contributors	Contribution (U.S. dollars)	Shareholding Percentage (%)
People's Republic of China	342,800,000	31.02
Japan	342,800,000	31.02
Asian Development Bank	180,000,000	16.29
Republic of Korea	147,600,000	13.36
Indonesia	15,600,000	1.41
Malaysia	12,600,000	1.14
Philippines	21,600,000	1.95
Singapore	21,600,000	1.95

Thailand	12,600,000	1.14
Brunei Darussalam	5,600,000	0.51
Vietnam	1,900,000	0.17
Cambodia	200,000	0.02
Lao People's Democratic Republic	200,000	0.02
Republic of the Union Myanmar	100,000	0.01
Total	**1,105,200,000**	**100**

1.2.1 *Governance Structure*

CGIF has a governance structure comprising of oversight by the: (i) Meeting of Contributors; (ii) Board of Directors; and (iii) Board Committees (Internal Control and Risk Management, Nomination and Remuneration and Audit).

The Board of Directors is comprised of eight Contributor-appointed members, including the Chief Executive Officer. Each of the PRC and Japan is entitled to nominate two Directors. Korea is entitled to nominate one Director. One nomination each is entitled for the Asian Development Bank, and the ASEAN countries representing Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

The Board of Directors is accountable and reports to the Contributors on the operations and performance of management and of CGIF.

Board of Directors	**Members Represented**
Mr. Yuchuan Feng	People's Republic of China
Mr. Zhengwei Zhang	People's Republic of China
Mr. Kenichi Aso (Chairman)	Japan
Ms. Mina Kajiyama	Japan
Mr. Taebum Kim	Republic of Korea
Mr. Mark Dennis Y.C. Joven	ASEAN-Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam
Mr. Stefan Hruschka	Asian Development Bank
Ms. Guiying Sun	CGIF Management

CGIF is led by an internationally recruited management team with experience in development banking, risk management, and credit assessment through senior positions in the Export-Import Bank of China, Asian Development Bank, Mitsubishi UFJ Financial Group, Bank of the Philippines Islands, Danajamin Nasional Berhad, Hong Leong Bank Berhad, Standard Chartered Bank, Citibank and Société Générale.

The executive decision-making powers of CGIF, and the day-to-day management of CGIF, are mandated to and vested in the Chief Executive Officer. The Chief Executive Officer is recommended by the Board of Directors and approved by the Meeting of Contributors. She is the legal representative of CGIF. The Chief Executive Officer heads the management team currently comprising the Deputy CEO/Chief Risk Officer, Chief Credit-risk Officer, Vice President Operations, Chief Financial Officer, General Counsel & Board Secretary, Corporate Planner and Head of Budget, Planning, Personnel and Management Systems and Internal Auditor.

Name	**Position**
Ms. Guiying Sun	Chief Executive Officer
Mr. Mitsuhiro Yamawaki	Deputy CEO/ Chief Risk Officer
Mr. Aarne Dimanlig	Chief Credit-Risk Officer

Mr. Anuj Awasthi	Vice President Operations
Mr. Dong Woo Rhee	Chief Financial Officer
Mr. Gene Soon Park	General Counsel and Board Secretary
Mr. Hou Hock Lim	Corporate Planner and Head of Budget, Planning, Personnel and Management Systems
Ms. Jackie Jeong-Ae Bang	Internal Auditor

1.2.2 *Credit Strength*

CGIF is rated by international and domestic credit rating agencies.

Credit Rating Agency	Scale	Rating	Outlook	Date Reviewed
Standard & Poor's (“S&P”)	Global Long Term/Short Term	AA/A-1+	Stable	24-Feb-21
RAM Ratings	Global/ASEAN/ National	gAAA/seaAAA/ AAA	Stable	15-Jan-21
MARC (Malaysian Rating Corporation Berhad)	National	AAA	Stable	17-Dec-19
TRIS Ratings	National	AAA	Stable	30-Oct-20
Fitch Ratings Indonesia	National	AAA	Stable	16-Dec-20
Pefindo Credit Rating Agency	National	idAAA	Stable	23-Jul-20

1.3 Guarantee Business

CGIF's guarantee portfolio is limited to a leverage ratio of 2.5 times of its paid-in capital of U.S.$1,105,200,000 as at 31 May 2021 plus (a) retained earnings and reserves, less (b) net credit loss reserves and foreign exchange loss reserves, less (c) all illiquid assets. CGIF conducts its guarantee operations by adhering to its risk management framework consisting of: (i) credit and monitoring analysis; (ii) prudential limits to manage key credit, market, sector and currency risks; and (iii) guarantee underwriting policy.

1.3.1 *Guarantee portfolio*

As of 31 May 2021, CGIF has outstanding guarantees to the following corporate issuers in the ASEAN region:

Issue Date	Issuer	Note Issuance Venue	Issue Size[1]	% Guaranteed by CGIF	Issue Rating	Tenor
19-Apr-2021	Hanwha Solutions Corporation	Singapore & Hong Kong, China	Offshore Renminbi (CNY) 1.0 billion	100%	AA (S&P)	3 years
05-Mar-2021	JWD InfoLogistics Public Company Limited	Thailand	THB700 million	100%	AAA (Fitch)	5 years
08-Jan-21	PT Ketrosden Triasmitra	Indonesia	IDR168 billion	100%	AAA (Pefindo)	5 years

Issue Date	Issuer	Note Issuance Venue	Issue Size[1]	% Guaranteed by CGIF	Issue Rating	Tenor
08-Jan-21	PT Ketrosden Triasmitra	Indonesia	IDR415 billion	100%	AAA (Pefindo)	3 years
24-Dec-20	GLP Pte. Ltd.	Japan	JPY15.4 billion	100%	AA (S&P)	9 years
23-Apr-20	PRASAC Microfinance Institution PLC	Cambodia	KHR127.2 billion	100%	Unrated	3 years
9-Apr-20	RMA (Cambodia) PLC	Cambodia	KHR80 billion	100%	Unrated	5 years
10-Jan-20	Energy Absolute Public Company Ltd.	Thailand	THB3.0 billion	50% risk participation with ADB	A (Tris Rating)	7 years
8-Jan-20	Thaifoods Group Public Company Limited	Thailand	THB2.0 billion	100%	AAA (Tris Rating)	5 years
31-Dec-19	Vietnam Electrical Equipment Joint Stock Corporation	Vietnam	VND1.15 trillion	100%	Unrated	10 years
24-Dec-19	Hong Phong 1 Energy JSC	Vietnam	VND2.15 trillion	100%	Unrated	15 years
24-Dec-19	Hong Phong 1 Energy JSC	Vietnam	VND400 billion	100%	Unrated	5 years
3-Dec-19	Nexus International School (Singapore) Pte Ltd	Singapore	SGD150 million	100%	AA (S&P)	12 years
25-Mar-19	CJ Logistics Asia Lte Ltd	Singapore	SGD70 million	100%	AA (S&P)	5 years
28-Jan-19	Refrigeration Electrical Engineering Corporation	Vietnam	VND2.318 trillion	100%	Unrated	10 years
25-Jan-19	Yoma Strategic Holdings Limited	Thailand	THB2.220 billion	100%	AAA (Tris Rating)	5 years
17-Dec-18	Boonthavorn Ceramic 2000 Co., Ltd.	Thailand	THB2.0 billion	50%	AA+ (Tris Rating)	5 years
17-Dec-18	Siamgas and Petrochemicals Public Company Limited	Thailand	THB2.0 billion	70%	A (Tris Rating)	5 years
16-Nov-18	Aeon Credit Service (Philippines) Inc.	Philippines	PHP900 million	100%	Unrated	3 years
16-Nov-18	Aeon Credit Service (Philippines) Inc.	Philippines	PHP100 million	100%	Unrated	5 years
5-Oct-18	Hoan My Medical Corporation	Vietnam	VND1.4 trillion	100%	Unrated	7 years

Issue Date	Issuer	Note Issuance Venue	Issue Size[1]	% Guaranteed by CGIF	Issue Rating	Tenor
5-Oct-18	Hoan My Medical Corporation	Vietnam	VND930 billion	100%	Unrated	5 years
10-Sep-18	The PAN Group Joint Stock Company	Vietnam	VND1.135 trillion	100%	Unrated	5 years
28-Feb-18	Siamgas and Petrochemicals Public Company Limited	Thailand	THB2.0 billion	85%	A (Tris Rating)	5 years
10-Jan-18	ASA Philippines Foundation, Inc.	Philippines	PHP500 million	75%	Unrated	5 years
17-Nov-17	Mobile World Investment Corporation	Vietnam	VND1.135 trillion	100%	Unrated	5 years
28-Jun-17	ASA Philippines Foundation, Inc.	Philippines	PHP500 million	75%	Unrated	5 years
10-Feb-17	ASA Philippines Foundation, Inc.	Philippines	PHP1.0 billion	75%	Unrated	5 years
18-Nov-16	KNM Group Berhad	Thailand	THB2.78 billion	100%	AAA (Tris Rating)	5 years
7-Jul-16	Fullerton Healthcare Corporation Limited	Singapore	SGD50 million	100%	AA (S&P)	7 years
7-Jul-16	Fullerton Healthcare Corporation Limited	Singapore	SGD50 million	100%	AA (S&P)	5 years
8-Mar-16	AP Renewables, Inc.	Philippines	PHP10.7 billion	Up to PHP4.7 billion risk sharing with ADB	Unrated	10 years
18-Feb-16	Vingroup Joint Stock Company	Vietnam	VND1.05 trillion	100%	Unrated	10 years
7-Oct-15	IVL Singapore Pte. Ltd.	Thailand	SGD195 million	100%	AA (S&P)	10 years
5-Dec-14	Masan Consumer Holdings Company Limited	Vietnam	VND2.1 trillion	100%	Unrated	10 years
27-Nov-14	PT Professional Telekomunikasi Indonesia[2]	Indonesia	SGD180 million	100%	AA (S&P)	10 years

Notes:

(1) IDR refers to Indonesian Rupiah, VND refers to Vietnamese Dong, SGD refers to Singapore Dollar, THB refers to Thai Baht, PHP refers to Philippine Peso, KHR refers to Cambodian Riel, JPY refers to Japanese Yen, and CNY refers to Offshore Renminbi.

(2) Change of issuer of the bonds from Protelindo Finance B.V. to PT Professional Telekomunikasi Indonesia effective 3 August 2016.

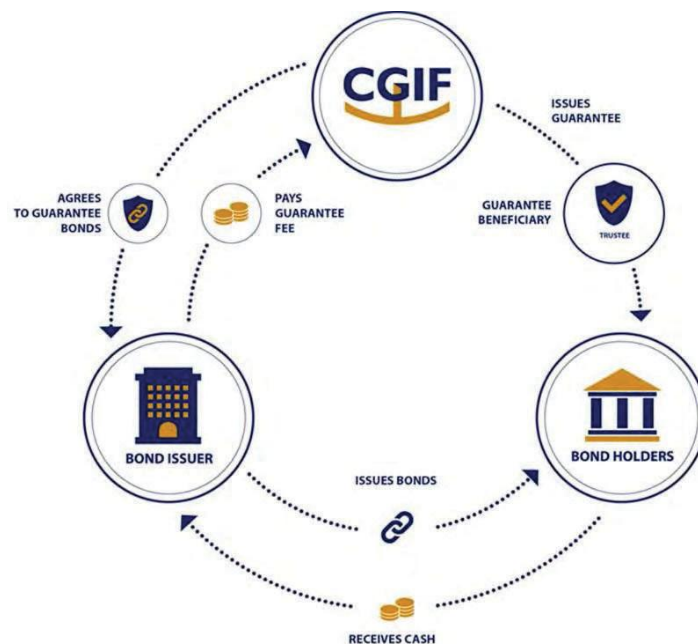
1.3.2 ***Guarantee Structure***

CGIF's bond guarantee operation is aimed at supporting ASEAN+3 corporations to access the Region's bond

markets to achieve the following benefits:

- expand and diversify their sources of debt capital;
- raise funds in matching currencies and tenors;
- transcend country sovereign ceilings for cross-border transactions; and
- gain familiarity in new bond markets.

The guarantees issued by CGIF are irrevocable and unconditional commitments to pay bondholders upon non-payment by the issuers throughout the tenor of the bonds. This commitment is backed by CGIF's equity capital which has been fully paid-in by all of its contributors. CGIF's general bond guarantee structure is illustrated below.



* To ensure applicability of the guarantee in multiple jurisdictions in the ASEAN+3 countries, some variations to this structure may be incorporated to accommodate the established market norms.

Bond issuances that can be considered for CGIF guarantees are limited to the following parameters:

- Group exposure/single borrower limit is US$221 million;
- bond tenor of up to 10 years (up to 15 years is possible, subject to credit quality and justification);
- for foreign currency denominated issuance, the currency of issuance should be adequately hedged with the corporate entity's sales receipts, inward foreign currency remittances, or via financial hedge arrangements.

CGIF started its guarantee operations with a full guarantee for standard corporate bonds issued by corporations in the Region. With the experience gained from offering a full wrap guarantee, CGIF may also explore other alternatives including partial guarantees and other risk sharing mechanisms depending on the market opportunities and acceptability of such an arrangement. CGIF also intends to guarantee project bonds with longer tenors to help develop

them in the relevant markets in the Region.

1.4 Capital and Liquidity Guidelines

CGIF has investment strategies and liquidity guidelines for the management of its capital resources, where investments are focused on low-risk and highly liquid assets, such as government- related securities and/or highly rated securities which are internationally rated "A+" or higher for long-term instruments issued by government related entities of CGIF contributor countries, "AA- " or higher for those issued by others, and "A-1" or higher for short-term instruments. In order for CGIF to raise enough funds in a contingent case where a guarantee is called, CGIF also implemented the following:

1. Quarterly Stress test, where CGIF tests funding capability by liquidating its investment portfolio in a stress environment.

2. Quarterly Liquidity Gap reports, where CGIF checks monthly cash surplus from all projected cash in/out flows related to all CGIF operations and activities.

1.5 Selected Financial Information

A summary of the statement of financial position, income statement, and cash flows as of, and for each of the years ended 31 December 2019 and 2020 have been extracted from CGIF's financial statements for the years ended 31 December 2019 and 2020 and presented as follows:

Statement of Financial Position Summary

	As of 31 December	
	2019	**2020**
	(in thousands of U.S. dollars)	
Statement of Financial Position:		
Assets:		
Cash	3,740	3,460
Investments	1,176,212	1,270,349
Accrued interest income	7,192	7,563
Guarantee fee receivable, net	65,647	67,904
Other assets, net	2,276	2,220
Total assets	**1,255,067**	**1,351,659**
Liabilities and Member's equity:		
Guarantee liability	73,204	83,381
Other liabilities	3,431	3,767
Total liabilities	**76,635**	87,148
Member's equity:		
Capital stock (Paid-in capital)	1,077,600	1,102,200
Accumulated other comprehensive income investment revaluation reserve	15,337	52,853
Reserves & retained earnings	85,495	109,458
Total member's equity	**1,178,432**	**1,264,511**
Total liabilities and members' equity	**1,255,067**	**1,351,659**

Statement of Net Income and Comprehensive Income Summary

	As of 31 December	
	2019	**2020**
	(in thousands of U.S. dollars)	

Statement of Net Income:		
Guarantee fees	12,947	17,392
Interest income	26,177	28,852
Other income	2,760	3,355
Total revenue	41,884	49,599
Total expenses	19,287	25,852
Net operating income	22,597	23,747
Gain(Loss) from foreign exchange	565	216
Net income	23,162	23,963
Statement of Comprehensive Income:		
Unrealised gain on investments measured of FVTOCI	25,878	37,516
Total comprehensive income	**49,040**	**61,479**

Statement of Cash Flow Summary

	As of 31 December	
	2019	**2020**
	(in thousands of U.S. dollars)	
Statement of Cash Flow:		
Cash flows from operating activities		
Net cash (provided by operating activities	1,900	6,768
Cash flows from investment activities		
Net cash used in investing activities	(223,432)	(31,480)
Cash flows from financing activities		
Net cash provided by financing activities	218,245	24,437
Effect of exchange rate changes on cash	(14)	(5)
Net decrease in cash	(3,301)	(280)
Cash at beginning of period	7,041	3,740
Cash at end of period	**3,740**	**3,460**

1.6 Audited Financial Statements for the Years ended 31 December 2019 and 2020

CGIF's financial statements are prepared and presented in accordance with IFRS and audited by Deloitte. The Independent Auditors' Report and Financial Statements for the years ended 31 December 2019 and 2020 of CGIF are attached herein.

All of the information on CGIF under this section has been provided by CGIF. Information in respect of the Issuer contained in this document has not been verified by CGIF. None of CGIF, its management nor its employees take any responsibility, expressed or implied, for any information contained in this document, other than the information contained in this Section entitled "*Information on the Guarantor*". In addition, none of the foregoing parties has taken any steps to verify the accuracy of any of the information included in this document, other than the information contained in this Section entitled "*Information on the Guarantor*", and no representation or warranty, express or implied, is made by any such parties as to the accuracy or completeness of the information contained in this document.

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A Trust Fund of the Asian Development Bank)

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)

INDPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

CONTENTS

	PAGE
Independent auditor's report	1-2
Statement of financial position	3
Statement of net income	4
Statement of comprehensive income	5
Statement of changes in members' equity	6
Statement of cash flows	7
Notes to financial statements	8-32

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INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF CREDIT GUARANTEE AND INVESTMENT FACILITY

Opinion

We have audited the financial statements of Credit Guarantee and Investment Facility (CGIF), which comprise the statement of financial position as at December 31, 2020 and the statement of net income, the statement of comprehensive income, statement of changes in members' equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CGIF as at December 31, 2020, and its financial performance and its 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 Financial Statements* section of our report. We are independent of CGIF in accordance with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing CGIF'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 management either intends to liquidate the CGIF or to cease operations, or has no realistic alternative but to do so.

Management is responsible for overseeing CGIF's financial reporting process.

Deloitte & Touche LLP (Unique Entity No. T08LL0721A) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnerships Act (Chapter 163A).

Deloitte.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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. 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 CGIF's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's 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 CGIF'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 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 CGIF to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management 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.

Deloitte & Touche LLP

Public Accountants and
Chartered Accountants
Singapore

27 April 2021

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2020
Expressed in Thousands of United States Dollars

	NOTES	2020	2019
ASSETS			
CASH		3,460	3,740
INVESTMENTS	5	1,270,349	1,176,212
ACCRUED INTEREST INCOME	5	7,563	7,192
GUARANTEE FEE RECEIVABLE, NET	6	67,904	65,647
RIGHT OF USE – LEASE ASSET, NET	7	508	172
FURNITURE, FIXTURES AND EQUIPMENT, NET	8	181	217
INTANGIBLE ASSETS, NET	9	16	30
OTHER ASSETS	10	1,678	1,857
TOTAL ASSETS		**1,351,659**	**1,255,067**
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
GUARANTEE LIABILITY	6	83,381	73,204
UNEARNED INTEREST INCOME – GUARANTEES		794	548
LEASE LIABILITY	7	496	167
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	11	1,390	1,745
OTHER LIABILITIES	12	1,087	971
TOTAL LIABILITIES		**87,148**	**76,635**
MEMBERS' EQUITY			
CAPITAL STOCK			
PAID-IN CAPITAL	13	1,102,200	1,077,600
RETAINED EARNINGS		23,963	23,162
RESERVE	14	85,495	62,333
ACCUMULATED OTHER COMPREHENSIVE INCOME			
INVESTMENT REVALUATION RESERVE	5	52,853	15,337
TOTAL MEMBERS' EQUITY		**1,264,511**	**1,178,432**
TOTAL LIABILITIES AND MEMBERS' EQUITY		**1,351,659**	**1,255,067**

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF NET INCOME
For the year ended 31 December 2020
Expressed in Thousands of United States Dollars

	NOTES	2020	2019
REVENUE			
GUARANTEE FEES		17,392	12,947
INTEREST INCOME	15	28,852	26,177
REALIZED GAIN FROM SECURITIES		40	14
COMMISSION - REINSURANCE	18	2,327	2,104
MISCELLANEOUS INCOME	16	988	642
GROSS REVENUE		**49,599**	**41,884**
EXPENSES			
ADMINISTRATIVE AND OPERATIONAL EXPENSES	17	9,358	10,822
REINSURANCE EXPENSES	18	5,812	4,568
FINANCIAL EXPENSES		90	89
IMPAIRMENT LOSSES	5, 6	9,505	2,837
MISCELLANEOUS EXPENSES	12	1,087	971
TOTAL EXPENSES		**25,852**	**19,287**
NET OPERATING INCOME		**23,747**	**22,597**
GAIN FROM FOREIGN EXCHANGE		216	565
NET INCOME		**23,963**	**23,162**

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020
Expressed in Thousands of United States Dollars

	NOTES	2020	2019
NET INCOME		23,963	23,162
OTHER COMPREHENSIVE INCOME			
ITEM THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME:			
NET UNREALIZED GAIN ON INVESTMENTS MEASURED AT FVTOCI	5	37,516	25,878
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**61,479**	**49,040**

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF CHANGES IN MEMBERS' EQUITY
For the year ended 31 December 2020
Expressed in Thousands of United States Dollars

	Paid-in Capital					
	Subscribed Capital	Unpaid Subscription	Retained Earnings	Reserve	Investment Revaluation Reserve	Total Members' Equity
BALANCE, 1 JANUARY 2019	1,098,200	(239,000)	16,718	45,615	(10,541)	910,992
ADDITIONAL SUBSCRIPTION (NOTE 13)	50,800	167,600	-	-	-	218,400
NET INCOME FOR THE YEAR	-	-	23,162	-	-	23,162
ALLOCATION OF PRIOR YEAR INCOME TO RESERVE	-	-	(16,718)	16,718	-	-
OTHER COMPREHENSIVE LOSS						
NET UNREALIZED GAIN ON INVESTMENTS MEASURED AT FVTOCI (NOTE 5)	-	-	-	-	25,878	25,878
BALANCE, 1 JANUARY 2020	1,149,000	(71,400)	23,162	62,333	15,337	1,178,432
ADDITIONAL SUBSCRIPTION (NOTE 13)	-	24,600	-	-	-	24,600
NET INCOME FOR THE YEAR	-	-	23,963	-	-	23,963
ALLOCATION OF PRIOR YEAR INCOME TO RESERVE	-	-	(23,162)	23,162	-	-
OTHER COMPREHENSIVE LOSS						
NET UNREALIZED GAIN ON INVESTMENTS MEASURED AT FVTOCI (NOTE 5)	-	-	-	-	37,516	37,516
BALANCE, 31 DECEMBER 2020	**1,149,000**	**(46,800)**	**23,963**	**85,495**	**52,853**	**1,264,511**

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2020
Expressed in Thousands of United States Dollars

	NOTES	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
GUARANTEE RELATED INCOME RECEIVED		19,445	15,415
OTHER INCOME RECEIVED		1,875	681
ADMINISTRATIVE AND OPERATIONAL EXPENSES PAID		(10,419)	(10,849)
REINSURANCE EXPENSES PAID		(4,042)	(3,258)
FINANCIAL EXPENSES PAID		(91)	(89)
NET CASH PROVIDED BY OPERATING ACTIVITIES		**6,768**	**1,900**
CASH FLOWS FROM INVESTING ACTIVITIES			
PURCHASES OF INVESTMENTS		(1,522,468)	(3,442,156)
MATURITIES OF INVESTMENTS		1,464,302	3,196,742
INTEREST RECEIVED ON INVESTMENTS		26,672	22,110
REALIZED GAIN FROM SECURITIES		40	13
PURCHASE OF FURNITURE AND EQUIPMENT		(26)	(141)
NET CASH USED IN INVESTING ACTIVITIES		**(31,480)**	**(223,432)**
CASH FLOWS FROM FINANCING ACTIVITIES			
CONTRIBUTIONS RECEIVED	13	24,600	218,400
LEASE LIABILITY PAID		(163)	(155)
NET CASH PROVIDED BY FINANCING ACTIVITIES		**24,437**	**218,245**
EFFECT OF EXCHANGE RATE CHANGES IN CASH		**(5)**	**(14)**
NET DECREASE IN CASH		**(280)**	**(3,301)**
CASH AT THE BEGINNING OF THE YEAR		3,740	7,041
CASH AT THE END OF THE YEAR		**3,460**	**3,740**

RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	2020	2019
NET INCOME	23,963	23,162
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
DEPRECIATION AND AMORTIZATION – FIXED ASSETS	104	213
DEPRECIATION – ROU ASSETS	159	145
PROVISION FOR EXPECTED CREDIT LOSSES	9,505	2,837
INTEREST INCOME ON INVESTMENTS	(26,368)	(24,558)
REALIZED GAIN FROM SECURITIES	(40)	(14)
FX REVALUATION LOSS	1	19
CHANGE IN GUARANTEE FEE RECEIVABLE	(3,366)	(25,819)
CHANGE IN GUARANTEE LIABILITY	2,658	26,142
CHANGE IN UNEARNED INTEREST INCOME	246	146
CHANGE IN ACCOUNTS PAYABLE AND ACCRUED EXPENSES	(382)	579
CHANGE IN OTHER ASSETS	173	(1,084)
CHANGE IN OTHER LIABILITIES	115	132
NET CASH PROVIDED BY OPERATING ACTIVITIES	**6,768**	**1,900**

NOTE 1— GENERAL INFORMATION

The Credit Guarantee and Investment Facility (CGIF) was established on 12 November 2010. Its main objectives are to promote resilience of the financial markets, and to prevent disruptions to the international financial order, by eliminating currency and maturity mismatches for creditworthy corporations in the region through guarantees to help them access local currency bond markets.

The general principles of organization, management and operations of CGIF are set out in the Articles of Agreement (AoA) as adopted by the Contributors. The Asian Development Bank (ADB) is the Trustee of CGIF and holds in trust and manages CGIF funds and other property only for the purposes of, and in accordance with the provisions of the AoA. Based on the Article 13.2 of the AoA of CGIF, the privileges, immunities and exemption accorded to ADB pursuant to the Agreement Establishing the ADB shall apply to (1) the Trustee, (2) the property, asset, archives, income, operations, and transactions of CGIF.

CGIF will be financed solely from capital contributed by member countries and ADB. CGIF will not borrow from any source to finance its operations except for purposes of cash management.

The Contributors in CGIF are the governments of Association of Southeast Asian Nations, People's Republic of China, Japan, Republic of Korea (ASEAN+3) and ADB. Ownership rights are in proportion to capital contributions. The authorized capital of CGIF is US$1,200,000,000, divided into 12,000 shares with a nominal value of US$100,000 each. As of 31 December 2020, $1,149,000,000 are subscribed and $1,102,200,000 are paid in by the Contributors. Details are discussed in Note 13.

The financial statements were approved by the Board of Directors on 27 April 2021 for presentation to the Meeting of Contributors (MOC) scheduled on 28 May 2021. The financial statements are subject to approval at the MOC.

NOTE 2—APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

Amendments to IFRSs that are mandatorily effective for the current year

In the current period, CGIF has applied the following amendment to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2020.

Definition of Material (Amendments to IAS 1 and IAS 8)

On 31 October 2018, the IASB issued Definition of Material (Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors) to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective annual reporting periods beginning on or after 1 January 2020.The application of this amendment does not have impact on CGIF's Financial Statements.

Revised IFRS in issue but not yet effective

CGIF has not applied the following revised IFRS that has been issued but not yet effective:

IAS 1 Presentation of Financial Statements

On 23 January 2020, the IASB issued *Classification of Liabilities as Current or Non-Current* providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. CGIF does not anticipate any significant impact on CGIF's Financial Statements upon the application of these amendments.

NOTE 3—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of CGIF have been prepared in accordance with IFRS as issued by the IASB.

The accounting policies adopted are consistent with those of the previous financial year unless stated otherwise.

These financial statements have been prepared using the historical cost basis except for certain assets and financial instruments that are measured at fair values or revalued amounts at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 on the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, CGIF takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety.

The fair values of CGIF's financial assets and liabilities are categorized as follows:

Level 1: fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities that CGIF can access at the measurement date;
Level 2: fair values are based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
Level 3: fair values are based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Inter-level transfers from one year to another may occur due to changes in market activities affecting the availability of quoted market prices or observable market data.

CGIF's policy is to recognize transfers in and transfers out of levels as of the end of the reporting period in which they occur.

Cash

Cash represents cash on hand or deposits in a bank account. The carrying amount of these assets is approximately equal to their fair value.

Financial Instruments

Financial assets and liabilities are recognized by CGIF once it becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue are added to or deducted from the fair value of the financial assets or financial liabilities (except for financial assets and financial liabilities at fair value through profit or loss), as appropriate, on initial recognition.

Classification of Financial Assets

Financial assets are both measured and classified as amortized cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL), on the basis of both: (i) CGIF's business model for managing the financial assets and (ii) the contractual cashflow characteristics of the financial asset.

Amortized Cost and Effective Interest Method

The amortized cost and effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transactions costs and other premiums or discounts), excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For purchased or originated credit impaired financial assets, a credit adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting any loss allowance.

Interest income on investment securities and time deposits are recognized as earned and reported net of amortization of premiums and discounts. Interest is accrued, by reference to the principal outstanding at the applicable effective interest rate.

Financial Assets at Amortized Cost

Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are measured at amortized cost using the effective interest method, less any impairment. This includes cash on hand or deposit in a bank account, time deposits, accrued interest income, guarantee fee receivables, and other receivables.

Investments

All investment securities are considered to be FVTOCI and are reported at fair value. Investment securities are recorded at trade dates. Changes in the carrying amount of these instruments as a result of foreign exchange gains or losses, impairment gains and losses (see below), and interest income are recognized in the profit or loss. All other changes in the carrying amount arising from change in fair value are recognized and accumulated in other comprehensive income under member's equity. Time deposits and certificates of deposits are also classified under investments and are reported at cost which is a reasonable estimate of its fair value.

Guarantee Fee Receivable

Guarantee fee receivables are initially recognized at their fair values in the Statement of Financial Position, which are estimated based on the present value of total fees expected to be received under the guarantees. They are subsequently measured at amortized cost net of any loss allowance.

Impairment of Financial Assets

Financial assets that are classified and measured as amortized cost, FVTOCI, and financial guarantee contracts shall recognize loss allowance based on the expected credit loss (ECL) model. Changes in the carrying amount of the allowance account are recognized in the Statement of Net Income under impairment losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

If there has been a significant increase in credit risk of the financial instrument from initial recognition, lifetime ECL is applied to the impairment provision of the item. If the credit risk on the financial instrument has not increased significantly since initial recognition, the loss allowance for that financial instrument is measured at an amount equal to 12-month ECL.

Significant Increase in Credit Risk

CGIF assesses a financial instrument to have an SICR if any of the following conditions are met: (1) credit risk rating drops to B- or lower, but is not in default; (2) credit risk rating drops by at least 3 notches in the recent past 36 months and is at least 3 notches below credit risk rating at inception; or (3) credit risk rating drops by at least 4 notches from inception if in its initial four years after inception, or by at least 5 notches from inception if beyond four years from inception. For financial guarantee contracts, the date that CGIF becomes a party to an irrevocable commitment is the date of initial recognition for the purpose of assessing impairment.

CGIF revised the relative SICR conditions as outlined in (2) and (3) above effective October 2020, on top of the absolute SICR condition (1), taking into consideration CGIF's portfolio profile and the requirements of IFRS 9.

For CGIF's investments, it is assumed that the credit risk of a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have a low credit risk (see Notes 4 and 5). A financial instrument is determined to have a low credit risk if (i) it has a low risk of default, (ii) there is a strong capacity for the counterparty to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For financial guarantee contracts, the date that CGIF becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, CGIF considers the changes in the risk that the counterparty will default on the contract.

Definition of Default

For purposes of ECL computation, financial guarantee contracts and guarantee fee receivables shall be in default once an event of default in the Guarantee Agreement has occurred, and CGIF's guarantee has been called. An investment is in default if it has been declared by the debt capital market agents particularly the investors' trustee for the investment instrument. Technical defaults, i.e. defaults without missed payments, are not considered defaults for ECL model unless decided otherwise by the GIC.

Credit-impaired Financial Assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Write-off Policy

A financial asset is written-off when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Any recoveries made on a financial asset previously written-off are recognized in profit or loss.

Measurement and Recognition of Expected Credit Losses

The measurement of expected credit losses is a function of the probability of default (PD), loss given default (LGD) and the exposure at default (EAD). CGIF generates point-in-time PDs by considering unbiased and probability weighted scenarios. The Credit Cycle Projection Overlay from S&P Global Market Intelligence (SPGMI) is used in generating these PDs. CGIF uses forecasted or forward-looking values of macroeconomic scenarios with corresponding probability weights. LGD is currently set at 50%. However, for stage 3, assumptions are revised to reflect additional information and realistic assumptions reflective of the default position. As for EAD, for financial assets, this is represented by the gross carrying amount of the assets at reporting date. For financial guarantee contracts, the exposure is the sum (i) of the nominal value of the bond (or debt instrument) guaranteed translated into USD at the reporting date's exchange rate, (ii) one coupon payment, and (iii) past due coupons and administrative cost of recovery (if in stage 3).

Derecognition of Financial Assets

CGIF derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

When an FVTOCI is derecognized or disposed of, the unrealized gains or losses previously recognized in accumulated other comprehensive income will be recognized in the Statement of Net Income.

Guarantee Liability

Guarantee liabilities recorded in the Statement of Financial Position represents the unamortized balance of the total present value of the guarantee fees received or expected to be received under the terms of the guarantee. Subsequently, the guarantee liabilities are measured at the higher of the unamortized balance of the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IFRS 15, and the amount of loss allowance determined in accordance with the ECL model.

Revenue Recognition for Guarantee Fee

Guarantee fees are recognized upon performance of services and is amortized over the term of the guarantee obligation in accordance with the terms and conditions of the agreement.

Leases

CGIF applies definition of a lease and the related guidance set out in the IFRS for contracts entered into as lease. As lessee, CGIF recognizes right of use asset and lease liability in the Statement of Financial Position.

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before commencement date, plus any initial direct costs incurred and any estimated costs of dismantling and the cost of any removal and restoration of the underlying asset, less any lease incentives received.

Right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of useful life of the asset or the end of the lease term. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. It is remeasured when there is a change in discount rate, or if there is a change on CGIF's decision to extend or terminate the lease contract based on assessment.

Furniture, Fixtures and Equipment

All furniture, fixtures and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the asset and bringing it to its working condition.

Subsequent costs incurred for the purpose of enhancement or improvement shall be added to the carrying amount of the asset when it is probable that the expenditure will cause additional future economic benefit to CGIF. Other subsequent costs like maintenance, repairs and minor betterments are charged to expense.

Depreciation is recognized so as to write off the cost or valuation of assets less their residual values over their useful lives, using straight-line method. The estimated useful lives, residual values and depreciation method are reviewed regularly with the effect of any changes in estimate accounted for on a prospective basis.

The estimated useful lives by asset class are as follows:

Asset Class	Useful Life
Office Furniture and Equipment	
Furniture	7-10 years
Other Office Equipment	4 years
IT and Communication	
Computer	3-4 years
Server	4-5 years
Network	4 years
Communication	7 years
Others	4 years
Leasehold Improvement	Over the lease period

An item of furniture, fixtures, and equipment is derecognized upon disposal. Any gain or loss arising on the disposal of an item of furniture, fixtures, and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognized in Statement of Net Income.

Intangible Assets

Intangible assets are composed of acquired information system software licenses that are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These are amortized over a period of 4 years and are carried at cost less accumulated amortization and accumulated impairment losses.

Impairment of Tangible and Intangible Assets

On regular basis, CGIF reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of asset's fair value less costs of disposal and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but only to the extent of the carrying amount of the asset had no impairment loss been recognized in prior years. A reversal of the impairment loss is recognized immediately in the profit or loss.

Offsetting Arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to either settle on a net basis or to realize the asset and settle the liability simultaneously. A right to set-off must be available at the end of the reporting period rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

Subscribed Capital

Each contributor subscribed by depositing with the Trustee a duly completed Instrument of Acceptance. Contributions are included in the financial statements at historical cost from the date of the signing of the Instrument of Acceptance.

The increase in the authorized capital of CGIF pursuant to Article 4.2 of the AoA was approved by the MOC. Instrument of Subscription (IOS) submitted to the Board Secretary, who acts on behalf of the Trustee, formally confirms the Contributor's intention to subscribe the number of shares specified. The additional subscription will be effective from the date the Board Secretary notifies the subscribing Contributor that the Instrument of Subscription has been received.

Segment Reporting

CGIF is a credit guarantee and investment facility established to develop and strengthen local currency and regional bond markets, so that creditworthy corporations can access those markets and avoid currency and maturity mismatches. CGIF's products and services are unique and are structured and distributed in a uniform manner to its clients. Based on CGIF's operations, CGIF has only one reporting segment.

Fair Value of Financial Instruments

IFRS 13, Fair Value Measurements, defines fair value as 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. Fair value is market-based measurement, not an entity-specific measurement. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market, or in the absence of principal market, in the most advantageous market for the asset or liability.

Functional and Presentation Currency

CGIF's members are from ASEAN+3 and ADB with the subscriptions and redemptions of the shares denominated in the United States dollars (USD). The primary activity of CGIF is guaranteeing bonds that are denominated in local currencies and issued by creditworthy ASEAN+3 corporations in the ASEAN+3 region. The performance of CGIF is measured and reported to the Contributors in USD. The USD is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in USD, which is CGIF's functional and presentation currency.

Translation of Currencies

CGIF adopts the use of daily exchange rates for accounting and financial reporting purposes. This allows transactions denominated in currencies other than USD to be translated to the reporting currency using the exchange rates applicable at the time of transactions. Contributions included in the financial statements during the period are recognized at applicable exchange rates as of the respective dates of commitment. At the end of each accounting period, translations of asset and liabilities which are not

denominated in USD are adjusted using the applicable rates of exchange at the end of the reporting period. These translation adjustments are accounted for as unrealized foreign exchange gains or losses and are charged to operations in the Statement of Net Income.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of CGIF's accounting policies, which are described above, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Since the estimates are based on judgment and available information, actual results may differ and might have a material impact on the financial statement.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are included in Notes 5, 6, and 7. This includes fair value measurements and valuation processes.

As explained in accounting policies above, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether there is a significant increase in credit risk, CGIF takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Furthermore, in calculating the loss allowance, CGIF uses the Credit Cycle Projection Overlay from SPGMI to generate the point in time probabilities of default (PIT-PD). Unbiased and probability weighted scenarios are considered in generating these PIT-PDs. For stage 3, PD will be 100%. LGD shall be set at 50% for stages 1 and 2. For stage 3, LGD shall follow the same guidelines as stage 2, but with revised assumption to reflect additional information and realistic assumptions reflective of the actual position on default.

NOTE 4—RISK MANAGEMENT

In CGIF, risk management and internal control go hand-in-hand, and are representations of each other. Internal control and risk management are intended to facilitate the implementation of effective and efficient operations, attainment of business objectives, management of risks, and the safeguarding of CGIF's Contributors' investment in CGIF.

Risk management in CGIF covers all perceived risk exposures, particularly exposures to credit risk, market risk, liquidity risk, and operational risk. These risks are managed pursuant to Operational Policies, and Risk Management Framework (RMF), approved by CGIF's Board of Directors. The Board's Internal Control and Risk Management Committee and Risk Management Department (RMD) cause the functional units to identify, measure, monitor, control and report risks. The Board, management's Guarantee and Investment Committee, and the CEO oversee and regulate both risk taking and risk management. Appetite for risk taking as expressed in operational controls and risk exposure limits emanates from the Board.

CGIF endeavors to conform to international best practices in risk management. CGIF subscribes to the idea that informed risk-taking presents opportunities. CGIF takes risks that offer commensurate rewards. Risk-taking roles are independent of risk management roles. A positive risk management culture is fostered – the system clarifies what conduct and procedures are acceptable, and which ones are not; encourages initiatives that improve the management of risks; promotes transparency, individual responsibility and accountability.

Categories of Financial Instruments

Categories of financial instruments at net carrying amount as of 31 December 2020 and 2019 are as follows (in $'000):

	2020	2019
Financial assets		
FVTOCI	1,187,349	1,055,212
Financial assets at amortized cost	162,939	199,030
Financial liabilities		
Financial liabilities at amortized cost	2,399	2,644
Lease liabilities	496	167

Credit Risk

As per CGIF's Treasury Risk Management Guidelines, CGIF's long term investments are restricted to those with the international ratings of AA- or better, with the exception of investments in contributor countries' government-related securities that may be rated as low as A+. Short-term investments should be rated no lower than A-1. Credit risk in these investments is considered low.

Credit concentration of investments are controlled by policy limits on exposure per issuer, per type of issuer, and per country rating grade. CGIF controls the concentration of investment per country of issuer. The lower the country sovereign rating grade, the lower the investment concentration limit – 0% of CGIF capital for countries rated A or lower; up to 30% of CGIF capital for countries rated AAA, except for the US where the investment concentration limit is 100% of CGIF capital. Investments in short-term money market instruments are excluded in reckoning country concentration against country limits.

CGIF only considers for credit guarantee bond issuers that hurdle a policy maximum acceptable risk rating. Acceptable borrowers undergo a stringent due diligence review. Guarantee Underwriting Proposals (GUPs) require approval of management's Guarantee and Investment Committee (GIC) and of the Board of Directors (Board). In aid of informed decisions on GUPs, the Board is furnished with credit review notes from CGIF's RMD and from an external advisor to the Board. As of 31 December 2020, CGIF's guarantee portfolio had a weighted average risk rating of BB (BB flat – 31 December 2019).

CGIF controls concentrations of credit risk. Guarantee exposure to any country and to any currency is capped at 20% and 40%, respectively, of CGIF's Maximum Guarantee Capacity (MGC), where MGC is the product of (a) total paid-in capital of CGIF, plus retained earnings, plus reserves less net credit loss reserves less foreign exchange loss reserves, and less all illiquid asset and (b) the maximum leverage ratio of 2.5:1. CGIF's maximum leverage ratio, currently 2.5:1, is determined by the MOC on the recommendation of the CGIF Board. Aggregate guarantee exposure to any single Intermediate Jurisdiction (i.e., a country outside of the ASEAN+3 where a guaranteed borrower is registered) and aggregate exposure to all Intermediate Jurisdictions are limited to 20% and 40%, respectively, of CGIF's MGC. Aggregate Type-B (investor-procured) guarantee exposure is limited to 20% of MGC. Aggregate guarantee exposure to any sector and to any industry is limited to 40% and 20%, respectively, of MGC. In any country, exposure to any industry may not exceed 10% of MGC. Single borrower exposures, and single group exposures, may not exceed 20% of CGIF's paid-in capital. CGIF's leverage ratio and concentration ratios are reported quarterly to the CGIF Board.

The carrying amount of financial assets recorded in the financial statements and the guarantee obligations disclosed in Note 6 represent CGIF's maximum exposure to credit risk.

A reinsurance treaty whereby CGIF cedes to a consortium of reinsurers agreed portions of credit risk from bond issuers reduces CGIF's exposure to credit risk from its guarantee portfolio. Please refer to Note 18.

Market Risk

Market risk represents the potential loss that could result from adverse market movements. The main components of market risk for CGIF are interest rate risk and foreign exchange risk.

Interest rate risk is primarily the exposure of income on assets to fluctuation in interest rates. An objective of interest rate risk management in CGIF is the generation of overall interest income that is not overly sensitive to changes in interest rates, but yet responsive to general market trends.

CGIF's Treasury Risk Management Guidelines restrict CGIF's investment portfolio duration to no more than 5 years. The duration of CGIF's portfolio is the market value-weighted average of effective duration of all outstanding investments. As of 31 December 2020, CGIF's investment portfolio had remaining maturities of up to 9.93 years (9.84 years - 31 December 2019), with duration of 3.01 years (3.08 years - 31 December 2019). CGIF's investments are sensitive to interest rate movements. For CGIF's fixed income portfolio at 31 December 2020, it is estimated that a 100 basis points upward/downward parallel shift in the yield curve would cause an unrealized loss/gain of about $38.3million ($36.2 million - 31 December 2019).

The following tables presents CGIF's foreign exchange exposure of monetary assets and liabilities (in '000) as at the end of the reporting period:

	2020			
	Asset		Liabilities	
	Local Currency	USD Equivalent	Local Currency	USD Equivalent
VND	667,640,504	28,868	-	-
JPY	1,048,415	10,099	-	-
THB	262,535	8,702	-	-
SGD	10,807	8,127	-	-
PHP	105,026	2,186	30,770	640
MYR	44	11	-	-
IDR	1,281	-	-	-
LAK	539	-	-	-
TOTAL		57,993		640

	2019			
	Asset		Liabilities	
	Local Currency	USD Equivalent	Local Currency	USD Equivalent
VND	839,101,505	36,210	-	-
SGD	12,953	9,564	-	-
THB	91,548	3,035	683	23
PHP	155,260	3,055	13,478	265
MYR	44	11	-	-
IDR	1,281	-	-	-
LAK	539	-	-	-
TOTAL		51,875		288

CGIF is exposed to foreign exchange risk underlying foreign currency payables and receivables relating mostly to CGIF's guarantee operation. For CGIF's foreign exchange exposure at 31 December 2020, it is estimated that a 10% adverse change in FX rates in the relevant foreign currency exposure will cause an instant loss of $5.21 million ($4.70 million - 31 December 2019).

Counterparty Risks

As CGIF may utilize derivative instruments to hedge risk exposure, CGIF may be exposed to counterparty risk, i.e., the risk that counterparties to derivatives transactions may be unable to meet its obligation to CGIF. Given the nature of CGIF's operations, it is not possible to eliminate counterparty credit risk. However, CGIF minimizes this risk by executing transactions only with eligible counterparties pursuant to CGIF's RMF, Treasury Risk Management Guidelines.

In as much as offsetting arrangements are concerned, CGIF has in place a number of ISDA Master Agreements [and Global Master Repurchase Agreements] with financial institutions that are supported by industry legal opinions confirming the enforceability of the close-out netting provisions included in such agreements.

Liquidity Risk

Liquidity risk can arise if CGIF is unable to provide funds to meet its financial and operational commitments. CGIF maintains adequate liquidity resources to meet the cash requirements and potential calls on the guarantees issued. CGIF assesses and monitors the availability of its liquid assets on a quarterly basis. CGIF conducts quarterly tests of its liquidity under stress scenarios where CGIF has to meet lumpy obligations related to claims on guarantees, and raise funds from various sources. A liquidity stress test conducted on CGIF's guarantee portfolio as of 31 December 2020 and 2019 indicates that CGIF can generate the liquidity that will be required to meet payment obligations in the event of guarantee claims on CGIF.

The following table details (in $'000) the maturity profile of financial instruments. The maturity analysis is based on the remaining period from the end of the reporting date to the contractual maturity date or the expected date the financial asset will be realized and the financial liability will be settled.

	2020					
	Less than 1 month	1 to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	Total
Financial assets						
FVTOCI	-	40,094	158,644	722,655	265,956	1,187,349
Financial assets at amortized cost	6,120	2,495	96,620	44,132	14,961	164,328
Total financial assets	6,120	42,589	255,264	766,787	280,917	1,351,677
Financial liabilities						
Financial liabilities at amortized cost	225	525	1,207	442	-	2,399
Lease liability	13	25	117	341	-	496
Total financial liabilities	238	550	1,324	783	-	2,895
Net maturity gap	5,882	42,039	253,940	766,004	280,917	1,348,782

	2019					
	Less than 1 month	1 to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	Total
Financial assets						
FVTOCI	20,003	-	45,034	776,153	214,022	1,055,212
Financial assets at amortized cost	10,882	57,888	72,864	43,294	14,102	199,030
Total financial assets	30,885	57,888	117,898	819,447	228,124	1,254,242
Financial liabilities						
Financial liabilities at amortized cost	227	432	1,724	261	-	2,644
Lease liability	14	27	126	-	-	167
Total financial liabilities	241	459	1,850	261	-	2,811
Net maturity gap	30,644	57,429	116,048	819,186	228,124	1,251,431

Capital Resources

CGIF's capital resources comprise of capital stock, retained earnings and reserves. The primary objective in the management of capital resources is to protect CGIF's capital by maintaining a conservative exposure to market risk, credit risk and liquidity risk. CGIF strives to maximize returns on the invested asset portfolio while minimizing volatility of investment income. CGIF's capital resources are placed with the Trustee, ADB.

Capital Adequacy

CGIF deems that it has adequate capital to underwrite credit guarantees for as long as its capital exceeds total capital charge; alternatively, for as long as the capital-to-capital charge ratio – capital adequacy ratio (CAR) – exceeds 1.1. CGIF's CAR at 31 December 2020 was at 3.88 (3.96 – 31 December 2019). CGIF's overall strategy remains unchanged from prior year.

Operating Risk

CGIF manages operating risks through quarterly risk and control self-assessments (RCSAs) by each department of the enterprise. Through RCSAs, CGIF's operating units are directed to identify their operating risks, and assess the significance of each of these. The significance of an identified operating risk is a function of two attributes – the likelihood and the impact of occurrence of the operating risk event. Measurable risk indicators, and corresponding control limits, are assigned to each operating risk. Results of RCSAs are reported to the CEO and to the Board's Internal Control and Risk Management Committee.

NOTE 5—INVESTMENTS

This account is composed of the following (in $'000):

	2020	2019
Certificates of Deposit	83,000	45,000
Time Deposits	-	76,000
FVTOCI		
Government-related-entity or government-guaranteed obligations (GGO)	1,076,196	946,055
Corporate obligations	111,153	109,157
Total FVTOCI	1,187,349	1,055,212
Total Investment	1,270,349	1,176,212

ADB, as the Trustee, manages capital resources in accordance with CGIF's Treasury Risk Management Guidelines prepared in consultation with ADB and approved by the CGIF Board of Directors.

ADB follows the same process and internal controls to value the investment securities as ADB's portfolio. The data management unit in ADB's treasury department is responsible for providing the valuation in accordance with the business process. In instances where ADB relies primarily on prices from third party pricing information, there are procedures in place to validate the appropriateness of those values in determining the hierarchy levels. This involves evaluating the nature of prices provided by third party pricing sources to determine if they are indicative or binding prices.

The annualized rate of return on the average investments held during the period ended 31 December 2020, based on the portfolio held at the beginning and end of each month without the effect of change in fair value was 2.21% (2.34% - 31 December 2019).

The investment revaluation reserve of $52,853 in the statement of financial position as of 31 December 2020 ($15,337 – 31 December 2019) is composed of the unrealized gain on FV of investments measured at FVTOCI and its credit loss allowance.

The estimated fair value and amortized cost of the investments by contractual maturity as of 31 December 2020 and 2019 are as follows (in $'000):

	2020		2019	
	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
Due in less than one year	281,738	279,744	186,036	186,132
Due in one to five years	722,655	687,398	776,153	764,089
Due more than five years	265,956	251,265	214,023	210,688
TOTAL	1,270,349	1,218,407	1,176,212	1,160,909

Fair Value Disclosure

The fair value of the investments as of 31 December 2020 and 2019 are as follows (in $'000):

	2020	**Fair Value Measurements**		
		Level 1	**Level 2**	**Level 3**
Certificates of Deposits	83,000	-	83,000	-
Government-related-entity or GGO	1,076,196	1,045,104	31,092	-
Corporate obligations	111,153	111,153	-	-

	2019	**Fair Value Measurements**		
		Level 1	**Level 2**	**Level 3**
Certificates of Deposits	45,000	-	45,000	-
Time Deposits	76,000	-	76,000	-
Government-related-entity or GGO	946,055	916,604	29,451	-
Corporate obligations	109,157	109,157	-	-

If available, active market quotes are used to assign fair values to investment securities. These include government-related-entity/government-guaranteed obligations and corporate obligations. For investments where active market quotes are not available, investments are categorized as Level 2 or Level 3, and valuation is provided by independent valuation services. Time deposits and certificates of deposits are reported at cost, which approximates fair value.

For the years ended 31 December 2020 and 2019, there were no inter-level transfers.

Impairment Losses

For purposes of impairment assessment, the FVTOCI in CGIF's portfolio are considered to have low credit risk as the counterparties of these investments have a minimum A+ credit rating for government related bonds of Contributor countries and AA- for all others. Accordingly, the loss allowance for these financial instruments is measured at an amount equal to 12-month ECL.

Impairment losses do not reduce the carrying amount of the debt instruments at FVTOCI in the statement of financial position, which remains at fair value. The balance at the end of the year reflected below is included in the Accumulated other comprehensive income.

The movements in the credit loss allowance are as follows (in $'000):

	2020	2019
Balance at beginning of the year	34	17
Loss allowance recognized in profit or loss under impairment losses during the year on:		
Assets originated	70	14
Reversals	(1)	(2)
Change in credit risk	808	5
	877	17
Balance at end of the year	911	34

During the year, all transactions are classified to Stage 1 and there are no transfers between stages.

Accrued Interest Income

The details of accrued interest income from investments as of 31 December 2020 and 2019 are as follows (in $'000):

	2020	2019
FVTOCI	7,425	6,650
Certificates of Deposits	132	338
Time Deposits	-	204
Guarantee	6	-
TOTAL	7,563	7,192

NOTE 6 – GUARANTEES

As of 31 December 2020, CGIF has issued guarantees covering bonds denominated in Vietnamese Dong, Singapore Dollar, Thai Baht, Japanese Yen, Philippine Peso and Cambodian Riel. The total outstanding amount of the guarantees issued under the related bonds was $2,308 million as of 31 December 2020 ($2,090 million – 31 December 2019). The guarantees are inclusive of coupon payments. The USD guarantee obligation below is for a KHR issued bond where all payments will be in USD converted at a fixed exchange rate agreed at inception.

Below is the summary of the outstanding guarantees by currency (in ’000):

31 December 2020

	Local Currency			USD Equivalent
	Principal	Coupon	Total Obligation	of Total Obligation
VND	14,338,000,000	6,055,675,743	20,393,675,743	881,812
SGD	695,000	112,964	807,964	607,583
THB	12,600,000	1,188,807	13,788,807	457,022
JPY	15,400,000	762,300	16,162,300	155,691
PHP	6,223,600	765,908	6,989,508	145,457
KHR	127,200,000	23,876,137	151,076,137	37,493
USD	19,670	3,570	23,240	23,240
				2,308,298

31 December 2019

	Local Currency			USD Equivalent
	Principal	Coupon	Total Obligation	of Total Obligation
VND	15,718,000,000	7,257,415,977	22,975,415,977	991,473
SGD	695,000	135,491	830,491	613,225
THB	9,100,000	1,031,104	10,131,104	335,912
PHP	6,600,850	1,009,670	7,610,520	149,740
				2,090,350

As of 31 December 2020, a guarantee liability of $83.4 million ($73.2 million - 31 December 2019) was reported on the Statement of Financial Position. As of 31 December 2020 and 2019, the reported liability is composed of the following (in $’000):

	2020	**2019**
Unamortized balance of present value of total guarantee fees	73,158	70,500
Allowance for ECL	10,223	2,704
TOTAL	83,381	73,204

The total amount of loss allowance for guarantee obligations determined through ECL amounted to $32.0 million as of 31 December 2020 ($7.8 million – 31 December 2019). The unamortized balance of guarantee liabilities is compared against the required ECL on a per instrument basis and the higher between the two will be reflected as the guarantee liability in the statement of financial position. The allowance for ECL on the above table represents the total differences between the higher ECL that was computed vs the unamortized balances of guarantee liabilities. As of 31 December 2020, there are two accounts in the portfolio that were classified into stage 2 (one – 31 December 2019).

The reported guarantee fee receivable of $67.90 million represents the present value of the stream of total guarantee fees expected to be received for the guarantee outstanding as of 31 December 2020 ($65.6 million – 31 December 2019) net of allowance for credit losses.

As of 31 December 2020 and 2019, all of CGIF's future guarantee fee receivables are classified as Level 3 within the fair value hierarchy.

The Finance Department is responsible for determining and reporting the fair value of guarantees reported in the Statement of Financial Position. The carrying amount of guarantees approximates its fair value. Future guarantees are stated at discounted present value using significant unobservable inputs such as discount rates applicable to individual guarantee contracts that are internally determined and are classified under Level 3. The valuation technique and significant unobservable quantitative inputs for guarantee receivables classified as Level 3 as of 31 December 2020 and 2019 were summarized below:

	Valuation Technique	Unobservable Input	Range	
			2020	2019
Guarantee receivable	Discounted cash flows	Discount rates	1.35% to 9.70%	3.15% to 9.70%

There were no inter-level transfers during the year ended 31 December 2020 and 2019.

Impairment Losses

The movements in the credit loss allowance for guarantee fees receivable are as follows (in $'000):

	2020	2019
Balance at beginning of the year	280	164
Loss allowance recognized in profit or loss under impairment losses during the year on:		
Assets originated	199	128
Reversals	(25)	(31)
Additions	935	19
	1,109	116
Balance at end of the year	1,389	280

As of 31 December 2020, there are two accounts in the portfolio that were classified into stage 2 (one – 31 December 2019).

NOTE 7—LEASES

CGIF recognized right of use- lease asset related to the office rental contract with ADB. This is initially measured at cost and is subsequently depreciated on a straight-line basis for two years. In December 2020, CGIF and ADB agreed to extend the lease contract upon expiry for 3 years ending 31 January 2024. Since the extension of lease term did not add the right to use a new underlying asset, it is not accounted for as a separate lease. Accordingly, the lease liability is remeasured on 31 December 2020 and a corresponding adjustment was made to the ROU Lease Asset.

The details of the amount presented in the Statement of Financial Position are as follows:

Cost	
1 January 2019	-
Addition	317
31 December 2019	317
Remeasurement	496
31 December 2020	813
Accumulated depreciation	

1 January 2019	-
Depreciation	(145)
31 December 2019	(145)
Depreciation	(160)
31 December 2020	(305)
NET Balance at 31 December 2020	508
NET Balance at 31 December 2019	172

Depreciation – ROU Lease Asset charged for the period is reported under administrative expenses in the Statement of Net Income.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payment includes fixed payment and in-substance fixed payments for the amortization of alteration cost. The discount rate used is the latest bank average domestic lending rate (annual) published by the Central Bank of the Philippines (BSP) upon date of commencement. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. Interest expense is reported under financial expenses in the Statement of Net Income.

NOTE 8—FURNITURE, FIXTURES AND EQUIPMENT - NET

The details of this account are as follows (in $'000):

	Office Furniture and Equipment	IT and Communications	Building Improvement	TOTAL
Cost				
1 January 2019	296	266	5	567
Additions	56	83	-	139
Disposals	(3)	-	-	(3)
31 December 2019	349	349	5	703
Additions	10	35	-	45
Disposals	-	(5)	-	(5)
31 December 2020	359	379	5	743
Accumulated Depreciation/Amortization				
1 January 2019	(212)	(187)	(5)	(404)
Depreciation	(36)	(49)	-	(85)
Amortization	-	-	-	-
Disposals	3	-	-	3
31 December 2019	(245)	(236)	(5)	(486)
Depreciation	(29)	(52)	-	(81)
Amortization	-	-	-	-
Disposals	-	5	-	5
31 December 2020	(274)	(283)	(5)	(562)
NET, 31 December 2020	85	96	-	181
NET, 31 December 2019	104	113	-	217

Depreciation is reported under administrative expenses in the Statement of Net Income.

NOTE 9—INTANGIBLE ASSETS - NET

Intangible assets are composed of Information systems software that is capitalized. The details of this account are as follows (in $'000):

	Information Systems Software
Cost	
1 January 2019	970
Additions	2
Disposals	-
31 December 2019	972
Additions	10
Disposals	(1)
31 December 2020	981
Accumulated Depreciation/Amortization	
1 January 2019	(814)
Amortization	(128)
Disposals	-
31 December 2019	(942)
Amortization	(24)
Disposals	1
31 December 2020	(965)
NET, 31 December 2020	16
NET, 31 December 2019	30

The amortization is reported under administrative expenses in the Statement of Net Income.

NOTE 10—OTHER ASSETS

Other assets pertain to commission receivable from reinsurance, advances made by CGIF for staff benefits, prepaid expenses, subscriptions and licenses as well as security deposit.

NOTE 11—ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account consists of accruals for reinsurance expenses, the corresponding unamortized portion of the commission income from reinsurance, and accounts payable and accrual of administrative and operating expenses incurred but not yet paid.

NOTE 12—RELATED PARTY TRANSACTIONS

CGIF utilizes certain services from ADB including treasury service as may be agreed with the Chief Executive Officer from time to time.

Provision for ADB's administration fee, amounting to $1.09 million ($0.97 million – 31 December 2019), recorded in other miscellaneous expense was accrued in other liabilities. ADB's administration fee is equivalent to 10 bps of contributions received. ADB's administration fee for 2020 will be settled subsequently in May 2021. Key management personnel total compensation of short-term employee benefits for 31 December 2020 amounted to $3.21 million ($2.88 million – 31 December 2019).

NOTE 13—PAID-IN CAPITAL

The increase in CGIF's authorized capital to 12,000 shares from 7,000 shares at $100,000 per share was approved by the Contributors on 6 December 2017 per Resolution No. 2017-S-01. Each Contributor shall pay in full or in installments for the number of shares by the date indicated in the IOS. However, in case where payment cannot be made by a Contributor during the subscription payment period, the subscription is renounced and forfeited after one hundred and twenty (120) days following the last due date indicated in the IOS or the end of 2023, as applicable, or such later date as the Board may determine.

The authorized capital stock of CGIF as of 31 December 2020 and 2019 are as follows (in $'000):

	2020	2019
Authorized capital (12,000 shares)	1,200,000	1,200,000
Subscribed	1,149,000	1,149,000
Unsubscribed	51,000	51,000
Total authorized capital	1,200,000	1,200,000
Subscribed capital comprises:		
Amounts received	1,102,200	1,077,600
Amounts not yet due	46,800	71,400
Total subscribed capital	1,149,000	1,149,000

The AoA prescribe that shares shall be allocated to Contributors only after full payment has been received. Therefore, only paid-in capital shall be taken into account when calculating each Contributor's voting rights.

The details of CGIF capital as of 31 December 2020 and 2019 are as follows (in $’000 except for number of shares):

Contributor	31 December 2020 No. of shares	Subscribed	Amount received	Amount not yet received
Asian Development Bank	1,800	180,000	180,000	-
ASEAN Member Countries				
Brunei Darussalam	56	5,600	5,600	-
Cambodia	2	200	200	-
Indonesia	216	21,600	12,600	9,000
Lao People's Democratic Republic	2	200	200	-
Malaysia	176	17,600	12,600	5,000
Myanmar, Republic of the Union of	1	100	100	-
Philippines	216	21,600	21,600	-
Singapore	216	21,600	21,600	-
Thailand	216	21,600	12,600	9,000
Viet Nam	19	1,900	1,900	-
	1,120	112,000	89,000	23,000
Others (non-ASEAN Member Countries)				
China, People's Republic of	3,428	342,800	342,800	-
Japan Bank for International Cooperation	3,428	342,800	342,800	-
Korea, Republic of	1,714	171,400	147,600	23,800
	8,570	857,000	833,200	23,800
Total	11,490	1,149,000	1,102,200	46,800

Contributor	31 December 2019 No. of shares	Subscribed	Amount received	Amount not yet received
Asian Development Bank	1,800	180,000	180,000	-
ASEAN Member Countries				
Brunei Darussalam	56	5,600	5,600	-
Cambodia	2	200	200	-
Indonesia	216	21,600	12,600	9,000
Lao People's Democratic Republic	2	200	200	-
Malaysia	176	17,600	12,600	5,000
Myanmar, Republic of the Union of	1	100	100	-
Philippines	216	21,600	21,600	-
Singapore	216	21,600	21,600	-
Thailand	216	21,600	12,600	9,000
Viet Nam	19	1,900	1,100	800
	1,120	112,000	88,200	23,800

Contributor	No. of shares	Subscribed	Amount received	Amount not yet received
	31 December 2019			
Others (non-ASEAN Member Countries)				
China, People's Republic of	3,428	342,800	342,800	-
Japan Bank for International Cooperation	3,428	342,800	342,800	-
Korea, Republic of	1,714	171,400	123,800	47,600
	8,570	857,000	809,400	47,600
Total	11,490	1,149,000	1,077,600	71,400

NOTE 14— RESERVE

The allocation to Reserve of the 2019 net income in retained earnings was approved by the Contributors at the 19 May 2020 Meeting of Contributors, per Resolution No. 2020-A-03.

NOTE 15— INTEREST INCOME

Interest income for the period is composed of (in $’000):

	2020	2019
FVTOCI	24,634	21,747
Time Deposits	593	2,473
Guarantee	2,477	1,594
Certificates of Deposits	1,141	339
Others	7	24
	28,852	26,177

NOTE 16—MISCELLANEOUS INCOME

Miscellaneous income includes reimbursements of legal and out of pocket expenses, gain/loss from disposal of fixed assets, and other income which is not related to the normal operations of CGIF.

NOTE 17— ADMINISTRATIVE AND OPERATIONAL EXPENSE

Administrative and operational expense for the period is composed of (in $'000):

	2020	2019
Staff Related Expenses	7,543	6,771
Financial and Legal Services	687	1,444
Short Term Staff Consultants	424	890
Business Travel	29	363
Recruitment Expense	9	335
Depreciation and Amortization – Fixed Assets	104	213
Depreciation – ROU Assets	159	145
MOC and BOD Expenses	12	185
Others	391	476
	9,358	10,822

NOTE 18— REINSURANCE

In 1 October 2016, CGIF has entered into a quota share reinsurance treaty with a consortium of reinsurers. The reinsurance treaty was annually renewed to cover 1-year period. As of December 2020, a new treaty was signed to cover 2021 guarantees.

Reinsurance expense includes the quota share of the premium to be ceded to the consortium of reinsurers based on the reinsurance treaty. These expenses are accrued in the books over the period it covers. Quarterly statements of account (SOA) for the premium to be ceded are issued within 30 days from the end of each quarter and payments for such are due 15 days after the issuance of SOA.

The commission from reinsurance reported in the statement of profit and loss represents the commission income of 27.5% for the premium ceded and a profit commission on the annual profit derived from all the fees ceded under a treaty.

In March 2019, CGIF has entered into a risk sharing agreement with KEXIM in relation to one guarantee account. KEXIM's proportion is equal to 50% of the guaranteed amount and as such, participation fee amounting to 50% of the guarantee fees will be ceded. The participation fee is paid to KEXIM at the same day CGIF receives the guarantee fee from the account.

NOTE 19— SUBSEQUENT EVENTS

CGIF received capital injection of $3 million from Indonesia last 5 January 2021 raising the capital to $1,105.2 million. In addition, on 19 February 2021, Indonesia subscribed to 90 additional shares amounting to $9 million under the second stage of capital increase.

CGIF's management recognizes the potential impact of the political unrest in Myanmar on CGIF's credit guarantee portfolio. CGIF's lone Myanmar-based account, currently classified under Stage 2 and placed under stringent monitoring by the management, may be adversely affected by this situation. The magnitude of impact of the unrest on CGIF's financials is contingent on the duration and magnitude of the socio-economic-political instability that remains uncertain as at date of this report.

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A Trust Fund of the Asian Development Bank)

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)

INDPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

CONTENTS

	PAGE
Independent auditor's report	1-2
Statement of financial position	3
Statement of net income	4
Statement of comprehensive income	5
Statement of changes in members' equity	6
Statement of cash flows	7
Notes to financial statements	8-32

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INDEPENDENT AUDITOR'S REPORT

**TO THE BOARD OF DIRECTORS OF
CREDIT GUARANTEE AND INVESTMENT FACILITY**

Opinion

We have audited the financial statements of Credit Guarantee and Investment Facility (the "Company"), which comprise the statement of financial position as at December 31, 2019 and the statement of net income, the statement of comprehensive income, statement of changes in members' equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its 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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Management is responsible for overseeing the Company's financial reporting process.

Deloitte & Touche LLP (Unique Entity No. T08LL0721A) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnerships Act (Chapter 163A).

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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. 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's 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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management 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.

Public Accountants and
Chartered Accountants
Singapore

April 14, 2020

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2019
Expressed in Thousands of United States Dollars

	NOTES	2019	2018
ASSETS			
CASH		3,740	7,041
INVESTMENTS	5	1,176,212	904,555
ACCRUED INTEREST INCOME	5	7,192	5,124
GUARANTEE FEE RECEIVABLE, NET	6	65,647	39,944
RIGHT OF USE – LEASE ASSET, NET	7	172	-
FURNITURE, FIXTURES AND EQUIPMENT, NET	8	217	163
INTANGIBLE ASSETS, NET	9	30	156
OTHER ASSETS	10	1,857	773
TOTAL ASSETS		**1,255,067**	**957,756**
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
GUARANTEE LIABILITY	6	73,204	44,358
UNEARNED INTEREST INCOME – GUARANTEES		548	402
LEASE LIABILITY	7	167	-
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	11	1,745	1,165
OTHER LIABILITIES	12	971	839
TOTAL LIABILITIES		**76,635**	**46,764**
MEMBERS' EQUITY			
CAPITAL STOCK			
PAID-IN CAPITAL	13	1,077,600	859,200
RETAINED EARNINGS		23,162	16,718
RESERVE	14	62,333	45,615
ACCUMULATED OTHER COMPREHENSIVE INCOME			
INVESTMENT REVALUATION RESERVE	5	15,337	(10,541)
TOTAL MEMBERS' EQUITY		**1,178,432**	**910,992**
TOTAL LIABILITIES AND MEMBERS' EQUITY		**1,255,067**	**957,756**

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF NET INCOME
For the year ended 31 December 2019
Expressed in Thousands of United States Dollars

	NOTES	2019	2018
REVENUE			
GUARANTEE FEES		12,947	8,735
INTEREST INCOME	15	26,177	19,742
REALIZED GAIN FROM SECURITIES		14	4
COMMISSION - REINSURANCE	18	2,104	698
MISCELLANEOUS INCOME	16	642	352
GROSS REVENUE		**41,884**	**29,531**
EXPENSES			
ADMINISTRATIVE AND OPERATIONAL EXPENSES	17	10,822	8,446
REINSURANCE EXPENSES	18	4,568	2,538
WRITE-OFF EXPENSE	19	-	123
FINANCIAL EXPENSES		89	73
IMPAIRMENT LOSSES	5, 6	2,837	42
MISCELLANEOUS EXPENSES	12	971	839
TOTAL EXPENSES		**19,287**	**12,061**
NET OPERATING INCOME		**22,597**	**17,470**
GAIN (LOSS) FROM FOREIGN EXCHANGE		565	(613)
NET INCOME		**23,162**	**16,857**

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019
Expressed in Thousands of United States Dollars

	NOTES	2019	2018
NET INCOME		23,162	16,857
OTHER COMPREHENSIVE INCOME			
ITEM THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME:			
NET UNREALIZED GAIN (LOSS) ON INVESTMENTS MEASURED AT FVTOCI	5	25,878	(1,161)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**49,040**	**15,696**

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF CHANGES IN MEMBERS' EQUITY
For the year ended 31 December 2019
Expressed in Thousands of United States Dollars

	Paid-in Capital					
	Subscribed Capital	Unpaid Subscription	Retained Earnings	Reserve	Investment Revaluation Reserve	Total Members' Equity
BALANCE, 1 JANUARY 2018	709,000	(6,000)	10,705	34,771	(9,380)	739,096
ADDITIONAL SUBSCRIPTION (NOTE 13)	389,200	(233,000)	-	-	-	156,200
NET INCOME FOR THE YEAR	-	-	16,857	-	-	16,857
ALLOCATION OF PRIOR YEAR INCOME TO RESERVE	-	-	(10,844)	10,844	-	-
OTHER COMPREHENSIVE LOSS						
NET UNREALIZED LOSS ON INVESTMENTS MEASURED AT FVTOCI (NOTE 5)	-	-	-	-	(1,161)	(1,161)
BALANCE, 1 JANUARY 2019	1,098,200	(239,000)	16,718	45,615	(10,541)	910,992
ADDITIONAL SUBSCRIPTION (NOTE 13)	50,800	167,600	-	-	-	218,400
NET INCOME FOR THE YEAR	-	-	23,162	-	-	23,162
ALLOCATION OF PRIOR YEAR INCOME TO RESERVE	-	-	(16,718)	16,718	-	-
OTHER COMPREHENSIVE LOSS						
NET UNREALIZED GAIN ON INVESTMENTS MEASURED AT FVTOCI (NOTE 5)	-	-	-	-	25,878	25,878
BALANCE, 31 DECEMBER 2019	**1,149,000**	**(71,400)**	**23,162**	**62,333**	**15,337**	**1,178,432**

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2019
Expressed in Thousands of United States Dollars

	NOTES	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
GUARANTEE RELATED INCOME RECEIVED		15,415	10,867
OTHER INCOME RECEIVED		681	315
ADMINISTRATIVE AND OPERATIONAL EXPENSES PAID		(10,849)	(8,789)
REINSURANCE EXPENSES PAID		(3,258)	(1,744)
FINANCIAL EXPENSES PAID		(89)	(73)
NET CASH PROVIDED BY OPERATING ACTIVITIES		**1,900**	**576**
CASH FLOWS FROM INVESTING ACTIVITIES			
PURCHASES OF INVESTMENTS		(3,442,156)	(3,129,101)
MATURITIES OF INVESTMENTS		3,196,742	2,956,781
INTEREST RECEIVED ON INVESTMENTS		22,110	16,948
REALIZED GAIN FROM SECURITIES		13	4
REALIZED LOSS FROM DERIVATIVES		-	(920)
PURCHASE OF FURNITURE AND EQUIPMENT		(141)	(41)
NET CASH USED IN INVESTING ACTIVITIES		**(223,432)**	**(156,329)**
CASH FLOWS FROM FINANCING ACTIVITIES			
CONTRIBUTIONS RECEIVED	13	218,400	156,200
LEASE LIABILITY PAID		(155)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES		**218,245**	**156,200**
EFFECT OF EXCHANGE RATE CHANGES IN CASH		**(14)**	**(5)**
NET (DECREASE) INCREASE IN CASH		**(3,301)**	**442**
CASH AT THE BEGINNING OF THE YEAR		7,041	6,599
CASH AT THE END OF THE YEAR		**3,740**	**7,041**

RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
NET INCOME		23,162	16,857
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
DEPRECIATION AND AMORTIZATION – FIXED ASSETS		213	230
DEPRECIATION – ROU ASSETS		145	-
PROVISION FOR EXPECTED CREDIT LOSSES		2,837	42
INTEREST INCOME ON INVESTMENTS		(24,558)	(18,618)
REALIZED GAIN FROM SECURITIES		(14)	(4)
LOSS ON DERIVATIVES		-	(70)
GAIN ON DISPOSAL OF ASSETS		-	(1)
WRITTEN OFF EXPENSE	19	-	123
FX REVALUATION LOSS (GAIN)		19	5
CHANGE IN GUARANTEE FEE RECEIVABLE		(25,819)	(5,581)
CHANGE IN GUARANTEE LIABILITY		26,142	7,081
CHANGE IN UNEARNED INTEREST INCOME		146	141
CHANGE IN ACCOUNTS PAYABLE AND ACCRUED EXPENSES		579	508
CHANGE IN OTHER ASSETS		(1,084)	(276)
CHANGE IN OTHER LIABILITIES		132	139
NET CASH PROVIDED BY OPERATING ACTIVITIES		**1,900**	**576**

NOTE 1— GENERAL INFORMATION

The Credit Guarantee and Investment Facility (CGIF) was established on 12 November 2010. Its main objectives are to promote resilience of the financial markets, and to prevent disruptions to the international financial order, by eliminating currency and maturity mismatches for creditworthy corporations in the region through guarantees to help them access local currency bond markets.

The general principles of organization, management and operations of CGIF are set out in the Articles of Agreement (AoA) as adopted by the Contributors. The Asian Development Bank (ADB) is the Trustee of CGIF and holds in trust and manages CGIF funds and other property only for the purposes of, and in accordance with the provisions of the AoA. Based on the Article 13.2 of the AoA of CGIF, the privileges, immunities and exemption accorded to ADB pursuant to the Agreement Establishing the ADB shall apply to (1) the Trustee, (2) the property, asset, archives, income, operations, and transactions of CGIF.

CGIF will be financed solely from capital contributed by member countries and ADB. CGIF will not borrow from any source to finance its operations except for purposes of cash management.

The Contributors in CGIF are the governments of Association of Southeast Asian Nations, People's Republic of China, Japan, Republic of Korea (ASEAN+3) and ADB. Ownership rights are in proportion to capital contributions. The authorized capital of CGIF is US$1,200,000,000, divided into 12,000 shares with a nominal value of US$100,000 each. As of 31 December 2019, $1,149,000,000 are subscribed and $1,077,600,000 are paid in by the Contributors. Details are discussed in Note 13.

The financial statements were approved by the Board of Directors on 14 April 2020 for presentation to the Meeting of Contributors (MOC) scheduled on 25 May 2020. The financial statements are subject to approval at the MOC.

NOTE 2—APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

Amendments to IFRSs that are mandatorily effective for the current year

In the current period, CGIF has applied the following amendment to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019.

IFRS 16 Leases

This new standard introduces new or amended requirements with respect to lease accounting. The standard introduces a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors.

This new standard distinguishes leases and service contracts based on whether an identified asset is controlled by a customer. Distinction on operating leases (off-balance sheet) and finance leases (on-balance sheet) is removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, among others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by this new standard.

The date of initial application of IFRS 16 for the company is 1 January 2019. Before adoption of this standard, CGIF recognizes rental expense as operating lease. CGIF has made use of the practical expedient available on the transition to IFRS 16 not to reassess whether a contract is or contains a lease. As of reporting date, only ADB lease contract was affected with the application of this new standard. CGIF did no adjustment on the opening balance of the retained earnings at the date of initial application since there is a new lease agreement dated 18 January 2019. CGIF recognized beginning February 2019 (effective date of new lease agreement) in the statement of financial position the right of use – lease asset and the corresponding lease liability amounting to $317 thousand.

CGIF applies the definition of a lease and related guidance set out in the new standard to all lease contracts entered into or modified on or after 1 January 2019. The new definition does not significantly change the scope of contracts that meet the definition of a lease for CGIF.

NOTE 3—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of CGIF have been prepared in accordance with IFRS as issued by the IASB.

The accounting policies adopted are consistent with those of the previous financial year unless stated otherwise.

These financial statements have been prepared using the historical cost basis except for certain assets and financial instruments that are measured at fair values or revalued amounts at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 on the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, CGIF takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety.

The fair values of CGIF's financial assets and liabilities are categorized as follows:

Level 1: fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities that CGIF can access at the measurement date;
Level 2: fair values are based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
Level 3: fair values are based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Inter-level transfers from one year to another may occur due to changes in market activities affecting the availability of quoted market prices or observable market data.

CGIF's policy is to recognize transfers in and transfers out of levels as of the end of the reporting period in which they occur.

Cash

Cash represents cash on hand or deposits in a bank account. The carrying amount of these assets is approximately equal to their fair value.

Financial Instruments

Financial assets and liabilities are recognized by CGIF once it becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue are added to or deducted from the fair value of the financial assets or financial liabilities (except for financial assets and financial liabilities at fair value through profit or loss), as appropriate, on initial recognition.

Classification of Financial Assets

Financial assets are both measured and classified as amortized cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL), on the basis of both: (i) CGIF's business model for managing the financial assets and (ii) the contractual cashflow characteristics of the financial asset.

Amortized Cost and Effective Interest Method

The amortized cost and effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transactions costs and other premiums or discounts), excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For purchased or

originated credit impaired financial assets, a credit adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting any loss allowance.

Interest income on investment securities and time deposits are recognized as earned and reported net of amortization of premiums and discounts. Interest is accrued, by reference to the principal outstanding at the applicable effective interest rate.

Financial Assets at Amortized Cost

Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are measured at amortized cost using the effective interest method, less any impairment. This includes cash on hand or deposit in a bank account, time deposits, accrued interest income, guarantee fee receivables, and other receivables.

Investments

All investment securities are considered to be FVTOCI and are reported at fair value. Investment securities are recorded at trade dates. Changes in the carrying amount of these instruments as a result of foreign exchange gains or losses, impairment gains and losses (see below), and interest income are recognized in the profit or loss. All other changes in the carrying amount arising from change in fair value are recognized and accumulated in other comprehensive income under member's equity. Time deposits and certificates of deposits are also classified under investments and are reported at cost which is a reasonable estimate of its fair value.

Derivative Financial Instruments

To manage its exposure to market risks, CGIF may enter into derivative financial instruments, including foreign exchange forward contracts. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. Changes in the fair value of any derivative instrument are recognized immediately in profit and loss unless the derivative is designated and effective as a hedging instrument.

Guarantee Fee Receivable

Guarantee fee receivables are initially recognized at their fair values in the Statement of Financial Position, which are estimated based on the present value of total fees expected to be received under the guarantees. They are subsequently measured at amortized cost net of any loss allowance.

Impairment of Financial Assets

Financial assets that are classified and measured as amortized cost, FVTOCI, and financial guarantee contracts shall recognize loss allowance based on the expected credit loss (ECL) model. Changes in the carrying amount of the allowance account are recognized in the Statement of Net Income under impairment losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

If there has been a significant increase in credit risk of the financial instrument from initial recognition, lifetime ECL is applied to the impairment provision of the item. If the credit risk on the financial instrument has not increased significantly since initial recognition, the loss allowance for that financial instrument is measured at an amount equal to 12-month ECL.

Significant Increase in Credit Risk

In assessing whether there is a significant increase in credit risk of a financial instrument, CGIF compares the risk of a default occurring on the financial instrument at the reporting date with the risk of default occurring at the date of initial recognition. In making this assessment, CGIF considers if the financial instrument has a credit risk rating of B-, or lower, but not in default or it has deteriorated by at least three notches from the issuance date to valuation date, provided that downgrades exclude those that are due to non-credit causes such as, among others, change in scorecards or in rating guidelines.

For CGIF's investments, it is assumed that the credit risk of a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have a low credit risk (see Notes 4 and 5). A financial instrument is determined to have a low credit risk if (i) it has a low risk of default, (ii) there is a strong capacity for the counterparty to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For financial guarantee contracts, the date that CGIF becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, CGIF considers the changes in the risk that the counterparty will default on the contract.

Definition of Default

For purposes of ECL computation, financial guarantee contracts and guarantee fee receivables shall be in default if the guaranteed-debt issuer defaults on a debt servicing payment, and CGIF's guarantee has been called. An investment is in default if it has been declared by the debt capital market agents particularly the investors' trustee for the investment instrument. Technical defaults, i.e. defaults without missed payments, are not considered defaults for ECL model unless decided otherwise by the GIC.

Credit-impaired Financial Assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Write-off Policy

A financial asset is written-off when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Any recoveries made on a financial asset previously written-off are recognized in profit or loss.

Measurement and Recognition of Expected Credit Losses

The measurement of expected credit losses is a function of the probability of default (PD), loss given default (LGD) and the exposure at default (EAD). CGIF generates point-in-time PDs by considering unbiased and probability weighted scenarios. The Credit Cycle Projection Overlay from S&P Global Market Intelligence (SPGMI) is used in generating these PDs. CGIF uses forecasted or forward-looking values of

macroeconomic scenarios with corresponding probability weights. LGD is currently set at 50%. However, for stage 3, assumptions are revised to reflect additional information and realistic assumptions reflective of the default position. As for EAD, for financial assets, this is represented by the gross carrying amount of the assets at reporting date. For financial guarantee contracts, the exposure is the sum (i) of the nominal value of the bond (or debt instrument) guaranteed translated into USD at the reporting date's exchange rate, (ii) one coupon payment, and (iii) past due coupons and administrative cost of recovery (if in stage 3).

Derecognition of Financial Assets

CGIF derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

When an FVTOCI is derecognized or disposed of, the unrealized gains or losses previously recognized in accumulated other comprehensive income will be recognized in the Statement of Net Income.

Guarantee Liability

Guarantee liabilities recorded in the Statement of Financial Position represents the unamortized balance of the total present value of the guarantee fees received or expected to be received under the terms of the guarantee. Subsequently, the guarantee liabilities are measured at the higher of the unamortized balance of the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IFRS 15, and the amount of loss allowance determined in accordance with the ECL model.

Revenue Recognition for Guarantee Fee

Guarantee fees are recognized upon performance of services and is amortized over the term of the guarantee obligation in accordance with the terms and conditions of the agreement.

Leases

Before 1 January 2019, CGIF's lease are classified as operating lease. Effective 1 January 2019 CGIF recognizes a right of use asset and a lease liability. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before commencement date, plus any initial direct costs incurred and any estimated costs of dismantling and the cost of any removal and restoration of the underlying asset, less any lease incentives received.

Right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of useful life of the asset or the end of the lease term. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. It is remeasured when there is a change in discount rate, or if there is a change on CGIF's decision to extend or terminate the lease contract based on assessment.

Furniture, Fixtures and Equipment

All furniture, fixtures and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the asset and bringing it to its working condition.

Subsequent costs incurred for the purpose of enhancement or improvement shall be added to the carrying amount of the asset when it is probable that the expenditure will cause additional future economic benefit to CGIF. Other subsequent costs like maintenance, repairs and minor betterments are charged to expense.

Depreciation is recognized so as to write off the cost or valuation of assets less their residual values over their useful lives, using straight-line method. The estimated useful lives, residual values and depreciation method are reviewed regularly with the effect of any changes in estimate accounted for on a prospective basis.

The estimated useful lives by asset class are as follows:

Asset Class	Useful Life
Office Furniture and Equipment	
Furniture	7-10 years
Other Office Equipment	4 years
IT and Communication	
Computer	3-4 years
Server	4-5 years
Network	4 years
Communication	7 years
Others	4 years
Leasehold Improvement	Over the lease period

An item of furniture, fixtures, and equipment is derecognized upon disposal. Any gain or loss arising on the disposal of an item of furniture, fixtures, and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognized in Statement of Net Income.

Intangible Assets

Intangible assets are composed of acquired information system software licenses that are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These are amortized over a period of 4 years and are carried at cost less accumulated amortization and accumulated impairment losses.

Impairment of Tangible and Intangible Assets

On regular basis, CGIF reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of asset's fair value less costs of disposal and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but only to the extent of the carrying amount of the asset had no impairment loss been recognized in prior years. A reversal of the impairment loss is recognized immediately in the profit or loss.

Offsetting Arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to either settle on a net basis or to realize the asset and settle the liability simultaneously. A right to set-off must be available at the end of the reporting period rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

Subscribed Capital

Each contributor subscribed by depositing with the Trustee a duly completed Instrument of Acceptance. Contributions are included in the financial statements at historical cost from the date of the signing of the Instrument of Acceptance.

The increase in the authorized capital of CGIF pursuant to Article 4.2 of the AoA was approved by the MOC. Instrument of Subscription (IOS) submitted to the Board Secretary, who acts on behalf of the Trustee, formally confirms the Contributor's intention to subscribe the number of shares specified. The additional subscription will be effective from the date the Board Secretary notifies the subscribing Contributor that the Instrument of Subscription has been received.

Segment Reporting

CGIF is a credit guarantee and investment facility established to develop and strengthen local currency and regional bond markets, so that creditworthy corporations can access those markets and avoid currency and maturity mismatches. CGIF's products and services are unique and are structured and distributed in a uniform manner to its clients. Based on CGIF's operations, CGIF has only one reporting segment.

Fair Value of Financial Instruments

IFRS 13, Fair Value Measurements, defines fair value as 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. Fair value is market-based measurement, not an entity-specific measurement. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market, or in the absence of principal market, in the most advantageous market for the asset or liability.

Functional and Presentation Currency

CGIF's members are from ASEAN+3 and ADB with the subscriptions and redemptions of the shares denominated in the United States dollars (USD). The primary activity of CGIF is guaranteeing bonds that are denominated in local currencies and issued by creditworthy ASEAN+3 corporations in the ASEAN+3 region. The performance of CGIF is measured and reported to the Contributors in USD. The USD is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in USD, which is CGIF's functional and presentation currency.

Translation of Currencies

CGIF adopts the use of daily exchange rates for accounting and financial reporting purposes. This allows transactions denominated in currencies other than USD to be translated to the reporting currency using the exchange rates applicable at the time of transactions. Contributions included in the financial statements during the period are recognized at applicable exchange rates as of the respective dates of commitment. At the end of each accounting period, translations of asset and liabilities which are not denominated in USD are adjusted using the applicable rates of exchange at the end of the reporting period. These translation adjustments are accounted for as unrealized foreign exchange gains or losses and are charged to operations in the Statement of Net Income.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of CGIF's accounting policies, which are described above, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Since the estimates are based on judgment and available information, actual results may differ and might have a material impact on the financial statement.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are included in Notes 5, 6, and 7. This includes fair value measurements and valuation processes.

As explained in accounting policies above, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether there is a significant increase in credit risk, CGIF takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Furthermore, in calculating the loss allowance, CGIF uses the Credit Cycle Projection Overlay from SPGMI to generate the point in time probabilities of default (PIT-PD). Unbiased and probability weighted scenarios are considered in generating these PIT-PDs. For stage 3, PD will be 100%. LGD shall be set at 50% for stages 1 and 2. For stage 3, LGD shall follow the same guidelines as stage 2, but with revised assumption to reflect additional information and realistic assumptions reflective of the actual position on default.

NOTE 4—RISK MANAGEMENT

In CGIF, risk management and internal control go hand-in-hand, and are representations of each other. Internal control and risk management are intended to facilitate the implementation of effective and efficient operations, attainment of business objectives, management of risks, and the safeguarding of CGIF's Contributors' investment in CGIF.

Risk management in CGIF covers all perceived risk exposures, particularly exposures to credit risk, market risk, liquidity risk, and operational risk. These risks are managed pursuant to Operational Policies, and Risk Management Framework (RMF), approved by CGIF's Board of Directors. The Board's Internal Control and Risk Management Committee and Risk Management Department (RMD) cause the functional units to identify, measure, monitor, control and report risks. The Board, management's Guarantee and Investment Committee, and the CEO oversee and regulate both risk taking and risk management. Appetite for risk taking as expressed in operational controls and risk exposure limits emanates from the Board.

CGIF endeavors to conform to international best practices in risk management. CGIF subscribes to the idea that informed risk-taking presents opportunities. CGIF takes risks that offer commensurate rewards. Risk-taking roles are independent of risk management roles. A positive risk management culture is fostered – the system clarifies what conduct and procedures are acceptable, and which ones are not; encourages initiatives that improve the management of risks; promotes transparency, individual responsibility and accountability.

Categories of Financial Instruments

Categories of financial instruments at gross carrying amount as of 31 December 2019 and 2018 are as follows (in $'000):

	2019	2018
Financial assets		
FVTOCI	1,055,212	845,262
Financial assets at amortized cost	199,030	111,852
Financial liabilities		
Financial liabilities at amortized cost	2,644	1,956
Lease liabilities	167	-

Credit Risk

As per CGIF's Treasury Risk Management Guidelines, CGIF's long term investments are restricted to those with the international ratings of AA- or better, with the exception of investments in contributor countries' government-related securities that may be rated as low as A+. Short-term investments should be rated no lower than A-1. Credit risk in these investments is considered low.

Credit concentration of investments are controlled by policy limits on exposure per issuer, per type of issuer, and per country rating grade. CGIF controls the concentration of investment per country of issuer. The lower the country sovereign rating grade, the lower the investment concentration limit – 0% of CGIF capital for countries rated A or lower; up to 30% of CGIF capital for countries rated AAA, except for the US where the investment concentration limit is 100% of CGIF capital. Investments in short-term money market instruments are excluded in reckoning country concentration against country limits.

CGIF only considers for credit guarantee bond issuers that hurdle a policy maximum acceptable risk rating. Acceptable borrowers undergo a stringent due diligence review. Guarantee Underwriting Proposals (GUPs) require approval of management's Guarantee and Investment Committee (GIC) and of the Board of Directors (Board). In aid of informed decisions on GUPs, the Board is furnished with credit review notes from CGIF's RMD and from an external advisor to the Board. As of 31 December 2019, CGIF's guarantee portfolio had a weighted average risk rating of BB.

CGIF controls concentrations of credit risk. Guarantee exposure to any country and to any currency is capped at 20% and 40%, respectively, of CGIF's Maximum Guarantee Capacity (MGC), where MGC is the product of (a) total paid-in capital of CGIF plus retained earnings, less credit loss reserves and foreign exchange loss reserves, less all illiquid investments and (b) the maximum leverage ratio of 2:5:1. CGIF's maximum leverage ratio, currently 2.5:1, is determined by the MOC on the recommendation of the CGIF Board. Aggregate guarantee exposure to any single Intermediate Jurisdiction (i.e., a country outside of the ASEAN+3 where a guaranteed borrower is registered) and aggregate exposure to all Intermediate Jurisdictions are limited to 20% and 40%, respectively, of CGIF's MGC. Aggregate guarantee exposure to any sector and to any industry is limited to 40% and 20%, respectively, of MGC. In any country, exposure to any industry may not exceed 10% of MGC. Single borrower exposures, and single group exposures, may not exceed 20% of CGIF's paid-in capital. CGIF's leverage ratio and concentration ratios are reported quarterly to the CGIF Board.

The carrying amount of financial assets recorded in the financial statements and the guarantee obligations disclosed in Note 6 represent CGIF's maximum exposure to credit risk.

A reinsurance treaty whereby CGIF cedes to a consortium of reinsurers agreed portions of credit risk from bond issuers reduces CGIF's exposure to credit risk from its guarantee portfolio. Please refer to Note 18.

Market Risk

Market risk represents the potential loss that could result from adverse market movements. The main components of market risk for CGIF are interest rate risk and foreign exchange risk.

Interest rate risk is primarily the exposure of income on assets to fluctuation in interest rates. An objective of interest rate risk management in CGIF is the generation of overall interest income that is not overly sensitive to changes in interest rates, but yet responsive to general market trends.

CGIF's Treasury Risk Management Guidelines restrict CGIF's investment portfolio duration to no more than 5 years. The duration of CGIF's portfolio is the market value-weighted average of effective duration of all outstanding investments. As of 31 December 2019, CGIF's investment portfolio had remaining maturities of up to 9.84 years (5.75 years - 31 December 2018), with duration of 3.08 years (2.61 years - 31 December 2018). CGIF's investments are sensitive to interest rate movements. For CGIF's fixed income portfolio at 31 December 2019, it is estimated that a 100 basis points upward/downward parallel shift in the yield curve would cause an unrealized loss/gain of about $36.2 million ($23.7 million - 31 December 2018).

The following tables presents CGIF's foreign exchange exposure of monetary assets and liabilities (in '000) as at the end of the reporting period:

	2019			
	Asset		Liabilities	
	Local Currency	USD Equivalent	Local Currency	USD Equivalent
VND	839,101,505	36,210	-	-
SGD	12,953	9,564	-	-
THB	91,548	3,035	683	23
PHP	155,260	3,055	13,478	265
MYR	44	11	-	-
IDR	1,281	-	-	-
LAK	539	-	-	-
TOTAL		51,875		288

	2018			
	Asset		Liabilities	
	Local Currency	USD Equivalent	Local Currency	USD Equivalent
PHP	236,739	4,469	4,415	83
MYR	44	11	42	10
CNY	-	-	14	2
THB	123,072	3,777	2,490	77
SGD	2,509	1,829	3	2
VND	422,592,072	18,160	-	-
LAK	548	-	-	-
TOTAL		28,246		174

CGIF is exposed to foreign exchange risk underlying foreign currency payables and receivables relating mostly to CGIF's guarantee operation. Until November 2017, CGIF policy required the hedging of foreign exchange risk relating to guarantee fee receivables to the extent possible. Subject to the availability of hedge markets, transaction costs and administrative cost, some foreign exchange risk exposure were left without hedge. Since November 2017, the hedging of foreign exchange risk on guarantee fee receivables is no longer required and is done on a case-by-case basis. Accordingly, the foreign exchange exposure limit was removed. For CGIF's foreign exchange exposure at 31 December 2019, it is estimated that a 10% adverse change in FX rates in the relevant foreign currency exposure will cause an instant loss of $4.70 million ($2.81 million - 31 December 2018).

Counterparty Risks

As CGIF may utilize derivative instruments to hedge risk exposure, CGIF may be exposed to counterparty risk, i.e., the risk that counterparties to derivatives transactions may be unable to meet its obligation to CGIF. Given the nature of CGIF's operations, it is not possible to eliminate counterparty credit risk. However, CGIF minimizes this risk by executing transactions only with eligible counterparties pursuant to CGIF's RMF, Treasury Risk Management Guidelines.

In as much as offsetting arrangements are concerned, CGIF has in place a number of ISDA Master Agreements [and Global Master Repurchase Agreements] with financial institutions that are supported by

industry legal opinions confirming the enforceability of the close-out netting provisions included in such agreements.

Liquidity Risk

Liquidity risk can arise if CGIF is unable to provide funds to meet its financial and operational commitments. CGIF maintains adequate liquidity resources to meet the cash requirements and potential calls on the guarantees issued. CGIF assesses and monitors the availability of its liquid assets on a quarterly basis. CGIF conducts quarterly tests of its liquidity under stress scenarios where CGIF has to meet lumpy obligations related to claims on guarantees, and raise funds from various sources. A liquidity stress test conducted on CGIF's guarantee portfolio as of 31 December 2019 and 2018 indicates that CGIF can generate the liquidity that will be required to meet payment obligations in the event of guarantee claims on CGIF.

The following table details (in $'000) the maturity profile of financial instruments. The maturity analysis is based on the remaining period from the end of the reporting date to the contractual maturity date or the expected date the financial asset will be realized and the financial liability will be settled.

	2019					
	Less than 1 month	1 to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	Total
Financial assets						
FVTOCI	20,003	-	45,034	776,153	214,022	1,055,212
Financial assets at amortized cost	10,882	57,888	72,864	43,294	14,102	199,030
Total financial assets	30,885	57,888	117,898	819,447	228,124	1,254,242
Financial liabilities						
Financial liabilities at amortized cost	227	432	1,724	261	-	2,644
Lease liability	14	27	126	-	-	167
Total financial liabilities	241	459	1,850	261	-	2,811
Net maturity gap	30,644	57,429	116,048	819,186	228,124	1,251,431

	2018					
	Less than 1 month	1 to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	Total
Financial assets						
FVTOCI	33,982	29,992	53,780	640,213	87,295	845,262
Financial assets at amortized cost	66,864	1,874	8,319	30,502	4,293	111,852
Total financial assets	100,846	31,866	62,099	670,715	91,588	957,114
Financial liabilities						
Financial liabilities at amortized cost	159	657	886	254	-	1,956
Total financial liabilities	159	657	886	254	-	1,956
Net maturity gap	100,687	31,209	61,213	670,461	91,588	955,158

Capital Resources

CGIF's capital resources comprise of capital stock, retained earnings and reserves. The primary objective in the management of capital resources is to protect CGIF's capital by maintaining a conservative exposure to market risk, credit risk and liquidity risk. CGIF strives to maximize returns on the invested asset portfolio while minimizing volatility of investment income. CGIF's capital resources are placed with the Trustee, ADB.

Capital Adequacy

CGIF deems that it has adequate capital to underwrite credit guarantees for as long as its capital exceeds total capital charge; alternatively, for as long as the capital-to-capital charge ratio – capital adequacy ratio (CAR) – exceeds 1.1. CGIF's CAR at 31 December 2019 was at 3.96 (4.01 – 31 December 2018).

Operating Risk

CGIF manages operating risks through quarterly risk and control self-assessments (RCSAs) by each department of the enterprise. Through RCSAs, CGIF's operating units are directed to identify their operating risks, and assess the significance of each of these. The significance of an identified operating risk is a function of two attributes – the likelihood and the impact of occurrence of the operating risk event. Measurable risk indicators, and corresponding control limits, are assigned to each operating risk. Results of RCSAs are reported to the CEO and to the Board's Internal Control and Risk Management Committee.

NOTE 5—INVESTMENTS

This account is composed of the following (in $'000):

	2019	2018
Certificates of Deposit	45,000	-
Time Deposits	76,000	59,293
FVTOCI		
Government-related-entity or government-guaranteed obligations (GGO)	946,055	741,686
Corporate obligations	109,157	103,576
Total FVTOCI	1,055,212	845,262
Total Investment	1,176,212	904,555

ADB, as the Trustee, manages capital resources in accordance with CGIF's Treasury Risk Management Guidelines prepared in consultation with ADB and approved by the CGIF Board of Directors.

ADB follows the same process and internal controls to value the investment securities as ADB's portfolio. The data management unit in ADB's treasury department is responsible for providing the valuation in accordance with the business process. In instances where ADB relies primarily on prices from third party pricing information, there are procedures in place to validate the appropriateness of those values in determining the hierarchy levels. This involves evaluating the nature of prices provided by third party pricing sources to determine if they are indicative or binding prices.

The annualized rate of return on the average investments held during the period ended 31 December 2019, based on the portfolio held at the beginning and end of each month without the effect of change in fair value was 2.34% (2.07% - 31 December 2018)

The estimated fair value and amortized cost of the investments by contractual maturity as of 31 December 2019 and 2018 are as follows (in $'000):

	2019		2018	
	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
Due in less than one year	186,036	186,132	177,046	177,499
Due in one to five years	776,153	764,089	640,214	650,149
Due more than five years	214,023	210,688	87,295	87,465
TOTAL	1,176,212	1,160,909	904,555	915,113

Fair Value Disclosure

The fair value of the investments as of 31 December 2019 and 2018 are as follows (in $'000):

	2019	**Fair Value Measurements**		
		Level 1	**Level 2**	**Level 3**
Certificates of Deposits	45,000	-	45,000	-
Time Deposits	76,000	-	76,000	-
Government-related-entity or GGO	946,055	916,604	29,451	-
Corporate obligations	109,157	109,157	-	-

	2018	**Fair Value Measurements**		
		Level 1	**Level 2**	**Level 3**
Time Deposits	59,293	-	59,293	-
Government-related-entity or GGO	741,686	741,686	-	-
Corporate obligations	103,576	103,576	-	-

If available, active market quotes are used to assign fair values to investment securities. These include government-related-entity/government-guaranteed obligations and corporate obligations. For investments where active market quotes are not available, investments are categorized as Level 2 or Level 3, and valuation is provided by independent valuation services. Time deposits and certificates of deposits are reported at cost, which approximates fair value.

There were no inter-level transfers during the years ended 31 December 2019 and 2018.

Impairment Losses

For purposes of impairment assessment, the FVTOCI in CGIF's portfolio are considered to have low credit risk as the counterparties of these investments have a minimum A+ credit rating for government related bonds of Contributor countries and AA- for all others. Accordingly, the loss allowance for these financial instruments is measured at an amount equal to 12-month ECL.

Impairment losses do not reduce the carrying amount of the debt instruments at FVTOCI in the statement of financial position, which remains at fair value. The balance at the end of the year reflected below is included in the Accumulated other comprehensive income.

The movements in the credit loss allowance are as follows (in $'000):

	2019	2018
Balance at beginning of the year	17	11
Loss allowance recognized in profit or loss under impairment losses during the year on:		
Assets originated	14	7
Reversals	(2)	(1)
Change in credit risk	5	-
	17	6
Balance at end of the year	34	17

Accrued Interest Income

The details of accrued interest income from investments as of 31 December 2019 and 2018 are as follows (in $'000):

	2019	2018
FVTOCI	6,650	5,008
Certificates of Deposits	338	-
Time Deposits	204	116
TOTAL	7,192	5,124

NOTE 6 – GUARANTEES

As of 31 December 2019, CGIF has issued guarantees covering bonds denominated in Thai Baht, Singapore Dollar, Vietnamese Dong and Philippine Peso. The total outstanding amount of the guarantees issued under the related bonds was $2,090 million as of 31 December 2019 ($1,410 million – 31 December 2018). The guarantees are inclusive of coupon payments.

Below is the summary of the outstanding guarantees by currency (in '000):

31 December 2019				
	Local Currency			USD Equivalent
	Principal	Coupon	Total Obligation	of Total Obligation
VND	15,718,000,000	7,257,415,977	22,975,415,977	991,473
SGD	695,000	135,491	830,491	613,225
THB	9,100,000	1,031,104	10,131,104	335,912
PHP	6,600,850	1,009,670	7,610,520	149,740
				2,090,350

31 December 2018				
	Local Currency			USD Equivalent
	Principal	Coupon	Total Obligation	of Total Obligation
VND	9,700,000,000	3,720,901,251	13,420,901,251	576,747
SGD	475,000	96,597	571,597	416,585
THB	6,880,000	917,338	7,797,338	239,300
PHP	6,979,600	1,268,175	8,247,775	155,698
IDR	300,000,000	9,198,000	309,198,000	21,211
				1,409,541

As of 31 December 2019, a guarantee liability of $73.2 million ($44.4 million - 31 December 2018) was reported on the Statement of Financial Position. The unamortized balance of guarantee liabilities is compared vs the required ECL on a per instrument basis. As of 31 December 2019 and 2018, and the reported liability is composed of the following (in $'000):

	2019	2018
Unamortized balance of present value of total guarantee fees	70,500	44,358
Additional provision for ECL	2,704	-
TOTAL	73,204	44,358

As of 31 December 2019, additional provision for ECL was provided for one account that was classified into stage 2. The total amount of loss allowance for guarantee obligations determined through ECL amounted to $7.8 million as of 31 December 2019 ($3.2 million – 31 December 2018).

The reported guarantee fee receivable of $65.6 million represents the present value of the stream of total guarantee fees expected to be received for the guarantee outstanding as of 31 December 2019 ($39.9 million – 31 December 2018) net of allowance for credit losses.

As of 31 December 2019 and 2018, all of CGIF's future guarantee fee receivables are classified as Level 3 within the fair value hierarchy.

The Finance Department is responsible for determining and reporting the fair value of guarantees reported in the Statement of Financial Position. Future guarantees are stated at discounted present value using significant unobservable inputs such as discount rates applicable to individual guarantee contracts that are internally determined and are classified under Level 3. The valuation technique and significant unobservable quantitative inputs for guarantee receivables classified as Level 3 as of 31 December 2019 and 2018 were summarized below:

	Valuation Technique	**Unobservable Input**	**Range**	
			2019	**2018**
Guarantee receivable	Discounted cash flows	Discount rates	3.15% to 9.70%	3.15% to 10.02%

There were no inter-level transfers during the year ended 31 December 2019 and 2018.

Impairment Losses

The movements in the credit loss allowance for guarantee fees receivable are as follows (in $'000):

	2019	2018
Balance at beginning of the year	164	128
Loss allowance recognized in profit or loss under impairment losses during the year on:		
Assets originated	128	48
Reversals	(31)	(20)
Additions	19	8
	116	36
Balance at end of the year	280	164

NOTE 7—LEASES

As of 31 December 2019, only CGIF's office rental contract with ADB qualifies under the new lease accounting. CGIF recognized right of use- lease asset. This is initially measured at cost and is subsequently depreciated on a straight-line basis for two years. The estimated life of the asset is based on the terms of the lease contract. The details of the amount presented in the Statement of Financial Position are as follows:

Gross amount	317
Accumulated depreciation	(145)
NET Balance at 31 December 2019	172

Depreciation – ROU Lease Asset charged for the period is reported under administrative expenses in the Statement of Net Income.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payment includes fixed payment and in-substance fixed payments for the amortization of alteration cost. The discount rate used is the latest bank average domestic lending rate (annual) published by the Central Bank of the Philippines (BSP) upon date of commencement. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. Interest expense is reported under financial expenses in the Statement of Net Income.

NOTE 8—FURNITURE, FIXTURES AND EQUIPMENT - NET

The details of this account are as follows (in $'000):

	Office Furniture and Equipment	IT and Communications	Building Improvement	TOTAL
Cost				
1 January 2018	300	272	5	577
Additions	-	36	-	36
Disposals	(4)	(42)	-	(46)
31 December 2018	296	266	5	567
Additions	56	83	-	139
Disposals	(3)	-	-	(3)
31 December 2019	349	349	5	703
Accumulated Depreciation/Amortization				
1 January 2018	(179)	(190)	(5)	(374)
Depreciation	(37)	(39)	-	(76)
Amortization	-	-	-	-
Disposals	4	42	-	46
31 December 2018	(212)	(187)	(5)	(404)
Depreciation	(36)	(49)	-	(85)
Amortization	-	-	-	-
Disposals	3	-	-	3
31 December 2019	(245)	(236)	(5)	(486)
NET, 31 December 2019	104	113	-	217
NET, 31 December 2018	84	79	-	163

Depreciation is reported under administrative expenses in the Statement of Net Income.

NOTE 9—INTANGIBLE ASSETS - NET

Intangible assets are composed of Information systems software that is capitalized. The details of this account are as follows (in $'000):

	Information Systems Software
Cost	
1 January 2018	1,185
Additions	6
Disposals	(221)
31 December 2018	970
Additions	2
Disposals	-
31 December 2019	972
Accumulated Depreciation/Amortization	
1 January 2018	(882)
Amortization	(153)
Disposals	221
31 December 2018	(814)
Amortization	(128)
Disposals	-
31 December 2019	(942)
NET, 31 December 2019	30
NET, 31 December 2018	156

The amortization is reported under administrative expenses in the Statement of Net Income.

NOTE 10—OTHER ASSETS

Other assets pertain to commission receivable from reinsurance, advances made by CGIF for staff benefits, prepaid expenses, subscriptions and licenses as well as security deposit.

NOTE 11—ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account consists of accruals for reinsurance expenses, the corresponding unamortized portion of the commission income from reinsurance, and accounts payable and accrual of administrative and operating expenses incurred but not yet paid.

NOTE 12—RELATED PARTY TRANSACTIONS

CGIF utilizes certain services from ADB including treasury service as may be agreed with the Chief Executive Officer from time to time.

Provision for ADB's administration fee, amounting to $0.97 million ($0.84 million – 2018), recorded in other miscellaneous expense was accrued in other liabilities. ADB's administration fee is equivalent to 10 bps of contributions received. The amount of $0.97 million pertaining to ADB's administration fee for 2019 will be settled subsequently in April 2020. Key management personnel total compensation of short-term employee benefits for 2019 amounted to $2.88 million ($2.78 million – 2018).

NOTE 13—PAID-IN CAPITAL

The increase in CGIF's authorized capital to 12,000 shares from 7,000 shares at $100,000 per share was approved by the Contributors on 6 December 2017 per Resolution No. 2017-S-01. Each Contributor shall pay in full or in installments for the number of shares by the date indicated in the IOS. However, in case where payment cannot be made by a Contributor during the subscription payment period, the subscription is renounced and forfeited after one hundred and twenty (120) days following the last due date indicated in the IOS or the end of 2023, as applicable, or such later date as the Board may determine.

The authorized capital stock of CGIF as of 31 December 2019 and 2018 are as follows (in $'000):

	2019	2018
Authorized capital (12,000 shares)	1,200,000	1,200,000
Subscribed	1,149,000	1,098,200
Unsubscribed	51,000	101,800
Total authorized capital	1,200,000	1,200,000
Subscribed capital comprises:		
Amounts received	1,077,600	859,200
Amounts not yet due	71,400	239,000
Total subscribed capital	1,149,000	1,098,200

The AoA prescribe that shares shall be allocated to Contributors only after full payment has been received. Therefore, only paid-in capital shall be taken into account when calculating each Contributor's voting rights.

The details of CGIF capital as of 31 December 2019 and 2018 are as follows (in $'000 except for number of shares):

	31 December 2019			
Contributor	**No. of shares**	**Subscribed**	**Amount received**	**Amount not yet received**
Asian Development Bank	1,800	180,000	180,000	-
ASEAN Member Countries				
Brunei Darussalam	56	5,600	5,600	-
Cambodia	2	200	200	-
Indonesia	216	21,600	12,600	9,000
Lao People's Democratic Republic	2	200	200	-
Malaysia	176	17,600	12,600	5,000
Myanmar, Republic of the Union of	1	100	100	-
Philippines	216	21,600	21,600	-
Singapore	216	21,600	21,600	-
Thailand	216	21,600	12,600	9,000
Viet Nam	19	1,900	1,100	800
	1,120	112,000	88,200	23,800
Others (non-ASEAN Member Countries)				
China, People's Republic of	3,428	342,800	342,800	-
Japan Bank for International Cooperation	3,428	342,800	342,800	-
Korea, Republic of	1,714	171,400	123,800	47,600
	8,570	857,000	809,400	47,600
Total	11,490	1,149,000	1,077,600	71,400

	31 December 2018			
Contributor	**No. of shares**	**Subscribed**	**Amount received**	**Amount not yet received**
Asian Development Bank	1,300	130,000	130,000	-
ASEAN Member Countries				
Brunei Darussalam	56	5,600	5,600	-
Cambodia	2	200	200	-
Indonesia	216	21,600	12,600	9,000
Lao People's Democratic Republic	2	200	100	100
Malaysia	176	17,600	12,600	5,000
Myanmar, Republic of the Union of	1	100	100	-
Philippines	216	21,600	19,900	1,700
Singapore	216	21,600	21,600	-
Thailand	216	21,600	12,600	9,000
Viet Nam	11	1,100	1,100	-
	1,112	111,200	86,400	24,800

Contributor	No. of shares	Subscribed	Amount received	Amount not yet received
Others (non-ASEAN Member Countries)				
China, People's Republic of	3,428	342,800	200,000	142,800
Japan Bank for International Cooperation	3,428	342,800	342,800	-
Korea, Republic of	1,714	171,400	100,000	71,400
	8,570	857,000	642,800	214,200
Total	10,982	1,098,200	859,200	239,000

Of the $218.4 million increase in paid-in capital in 2019, $167.6 million was from the additional subscription in previous years and $50.8 million was from additional subscription in 2019.

NOTE 14— RESERVE

The allocation of 2018 net income in retained earnings to Reserve was approved by the Contributors at the 16 May 2019 Meeting of Contributors, per Resolution No. 2019-A-04.

NOTE 15— INTEREST INCOME

Interest income for the period is composed of (in $'000):

	2019	2018
FVTOCI	21,747	16,692
Time Deposits	2,473	1,927
Guarantee	1,594	1,088
Certificates of Deposits	339	-
Others	24	35
	26,177	19,742

NOTE 16—MISCELLANEOUS INCOME

Miscellaneous income includes reimbursements of legal and out of pocket expenses, gain/loss from disposal of fixed assets, commission from reinsurer and other income which is not related to the normal operations of CGIF. Total miscellaneous income for 2018 includes Fair value changes – derivatives which was previously reported as a separate line item (none in 2019).

NOTE 17— ADMINISTRATIVE AND OPERATIONAL EXPENSE

Administrative and operational expense for the period is composed of (in $'000):

	2019	2018
Staff Related Expenses	6,771	5,707
Financial and Legal Services	1,444	980
Short Term Staff Consultants	890	374
Business Travel	363	369
Recruitment Expense	335	116
Depreciation and Amortization – Fixed Assets	213	229
Depreciation – ROU Assets	145	-
MOC and BOD Expenses	185	157
Rental Expense	12	133
Others	464	381
	10,822	8,446

NOTE 18— REINSURANCE

CGIF has entered into a quota share reinsurance treaty with a consortium of reinsurers effective 1 October 2016. Under the reinsurance treaty, CGIF's outstanding guarantees as of 1 October 2016 and new guarantees issued from then to end-2017 were ceded to the consortium up to the agreed portion. For guaranteed bonds with long tenors, special approvals from the consortium may be required for inclusion in the treaty.

The reinsurance treaty was renewed on 7 December 2017 and shall apply to Guarantees issued during the 12-month period commencing on 1 January 2018 and expiring on 31 December 2018. It was further renewed on 3 January 2019 and was applied to the 12-month period covering 1 January 2019 to 31 December 2019. Before end – 2019, another renewal of treaty was signed to cover the 1-year period of 2020.

Reinsurance expense includes the quota share of the premium to be ceded to the consortium of reinsurers based on the reinsurance treaty. These expenses are accrued in the books over the period it covers. Quarterly statements of account (SOA) for the premium to be ceded are issued within 30 days from the end of each quarter and payments for such are due 15 days after the issuance of SOA.

By the end of 2019, the commission from reinsurance reported in the statement of profit and loss represents the commission income of 27.5% for the premium ceded and profit commission on the annual profit derived from all the fees ceded under a treaty. CGIF recognized profit commission of 20% on the first treaty.

In March 2019, CGIF has entered into a risk sharing agreement with KEXIM in relation to one guarantee account. KEXIM's proportion is equal to 50% of the guaranteed amount and as such, participation fee amounting to 50% of the guarantee fees will be ceded. The participation fee is paid to KEXIM at the same day CGIF receives the guarantee fee from the account.

NOTE 19— WRITE-OFF EXPENSE

Write-off expense represents a write-off of the withholding tax receivables that were deducted from guarantee fee payments of clients pending the clarification of tax exempt status. As management judged tax exemption was not applicable to these receivables, these accounts were directly written-off in the statement of financial position at the end of the year. There were no accounts written-off as of 31 December 2019 ($0.12 million – 31 December 2018).

NOTE 20— SUBSEQUENT EVENTS

Based on CGIF Management's assessment, COVID-19 pandemic outbreak may adversely affect some accounts in CGIF guarantee portfolio. However, the magnitude of the financial impact will depend on how the outbreak evolves, which remains uncertain as of the date of the report.