

**ESR Kendall Square REIT Co., Ltd.
and its Subsidiaries**

**Consolidated Financial Statements
May 31, 2021 and November 30, 2020**

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries

Index

May 31, 2021 and November 30, 2020

	Page(s)
Independent Auditor's Report	1 - 4
 Consolidated Financial Statements	
Consolidated Statements of Financial Position	5
Consolidated Statements of Comprehensive Income	6
Consolidated Statements of Changes in Equity	7
Consolidated Statements of Cash Flows	8
Notes to the Consolidated Financial Statements	9 - 40



Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
ESR Kendall Square REIT Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of ESR Kendall Square REIT Co., Ltd. and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statements of financial position as at May 31, 2021 and November 30, 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of ESR Kendall Square REIT Co., Ltd. and its subsidiaries as at May 31, 2021, and its consolidated financial performance and its consolidated cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

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

(1) Occurrence of the Rental Income

Why we determined this matter as Key Audit Matter

As described in Note 19 to the consolidated financial statements, rental income, which accounts for 97% of the Group's operating revenues, is recognized according to the contracts with customers and trade conditions and terms. As a result, we focused on this area because we determined that there is a significant risk in relation to the occurrence of the rental income.

How our audit addressed the key audit matter

To address the key audit matter, we performed the following audit procedures.

- Performed verification of reasonableness of the Group's revenue recognition policies and accounting policies relevant to revenue cut-off
- Performed monthly trend analysis of rental income to verify the existence of uncommon case
- Performed recalculation of the amount to be recognized as rental income according to the trade terms and conditions of each rental contract and reviewed the difference with rental income in the statements of comprehensive income through sampling
- Performed substantive testing on the contract conclusion, determination of revenue amount, payment and accounting for rental income transactions through sampling

Emphasis of Matters

Without modifying our opinion, we draw attention to Note 3 to the consolidated financial statements of the Group. As discussed in Note to the consolidated financial statements, the world including South Korea is facing uncertainty for severe economic conditions and prolonged situation due to the spread of Coronavirus disease 2019 (COVID-19) since the beginning of 2020. However, the ultimate effect of the recession on the financial position of the Company cannot presently be determined and, accordingly, no adjustments related to such uncertainties have been reflected in the accompanying consolidated financial statements.

Other Matters

The consolidated financial statements of the Group for the period ended November 30, 2020, were audited by Deloitte Anjin LLC who expressed an unqualified opinion on those statements on December 15, 2020.

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial

statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes 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.

The engagement partner on the audit resulting in this independent auditor's report is Heung-Su Lee, Certified Public Accountant.

Seoul, Korea

August 13, 2021

This report is effective as of August 13, 2021, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Consolidated Statements of Financial Position
May 31, 2021 and November 30, 2020

<i>(in Korean won)</i>	Notes	May 31, 2021	November 30, 2020
Assets			
Current assets			
Cash and cash equivalents	4,22,23	₩ 26,893,775,417	₩ 358,278,355,762
Other financial assets	6,22,23	5,201,481,632	501,205
Other assets	7	569,298,752	-
Current tax assets		6,957,770	916,710
		<u>32,671,513,571</u>	<u>358,279,773,677</u>
Non-current assets			
Long-term financial assets	5,22,23	21,373,453,740	-
Investments in associates and joint ventures	8	156,560,646,070	-
Investment properties	9	975,741,830,154	-
Intangible assets	10	4,058,026	4,058,026
Other non-current assets	6,22,23	1,269,836,220	-
		<u>1,154,949,824,210</u>	<u>4,058,026</u>
Total assets		<u>₩ 1,187,621,337,781</u>	<u>₩ 358,283,831,703</u>
Liabilities			
Current liabilities			
Other financial liabilities	11,22,23	₩ 6,920,386,381	₩ 375,594,757
Financial liabilities at fair value through profit or loss	12,22,23	-	118,660,328,000
Other current liabilities	13	3,833,019,222	151,300
		<u>10,753,405,603</u>	<u>119,036,074,057</u>
Non-current liabilities			
Long-term borrowings	14,22	446,569,500,855	-
Other non-current financial liabilities	11,22,23	19,616,040,912	-
		<u>466,185,541,767</u>	<u>-</u>
Total liabilities		<u>476,938,947,370</u>	<u>119,036,074,057</u>
Equity			
Share capital	15	143,259,000,000	48,200,000,000
Other paid-in-capital	15	541,850,342,670	192,541,961,760
Retained earnings (accumulated deficit)	16	25,573,047,741	(1,494,204,114)
Equity attributable to equity holders of the Parent Company		<u>710,682,390,411</u>	<u>239,247,757,646</u>
Non-controlling interests		<u>-</u>	<u>-</u>
Total equity		<u>710,682,390,411</u>	<u>239,247,757,646</u>
Total liabilities and equity		<u>₩ 1,187,621,337,781</u>	<u>₩ 358,283,831,703</u>

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Consolidated Statements of Comprehensive Income
Periods Ended May 31, 2021 and November 30, 2020

<i>(in Korean won)</i>	Notes	May 31, 2021	November 30, 2020
Operating revenues	19	₩ 23,710,051,451	₩ -
Operating expenses	20	<u>15,606,524,270</u>	<u>713,932,977</u>
Operating profit (loss)		<u>8,103,527,181</u>	<u>(713,932,977)</u>
Non-operating income			
Financial income	21	761,933,142	6,429,216
Other income		50	10,300
Gains on valuation using equity method	8	<u>2,629,803,163</u>	<u>-</u>
		<u>3,391,736,355</u>	<u>6,439,516</u>
Non-operating expense			
Financial expenses	21	6,086,011,670	660,328,000
Other expenses		<u>11</u>	<u>1,248,920</u>
		<u>6,086,011,681</u>	<u>661,576,920</u>
Profit (loss) before income tax expenses		5,409,251,855	(1,369,070,381)
Income tax expenses	17	<u>-</u>	<u>-</u>
Profit (loss) for the period		<u>₩ 5,409,251,855</u>	<u>₩ (1,369,070,381)</u>
Owners of the Parent Company		5,409,251,855	(1,369,070,381)
Non-controlling interests		-	-
Other comprehensive income		-	-
Total comprehensive income (loss) for the period		<u>₩ 5,409,251,855</u>	<u>₩ (1,369,070,381)</u>
Owners of the Parent Company		5,409,251,855	(1,369,070,381)
Non-controlling interests		-	-
Earnings (losses) per share			
Basic earnings (losses) per share	18	₩ 39	₩ (138)
Diluted earnings (losses) per share	18	₩ 34	₩ (138)

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Consolidated Statements of Changes in Equity
Periods Ended May 31, 2021 and November 30, 2020

(in Korean won)

	Equity attributable to equity holders of the Parent Company			Non-controlling interests	Total
	Share capital	Other paid-in-capital	Retained earnings (accumulated deficit)		
Balance at June 1, 2020	₩ 900,000,000	₩ 3,592,289,000	₩ (125,133,733)	₩ -	₩ 4,367,155,267
Increase in issued capital	47,300,000,000	188,949,672,760	-	-	236,249,672,760
Loss for the period	-	-	(1,369,070,381)	-	(1,369,070,381)
Balance at November 30, 2020	<u>₩ 48,200,000,000</u>	<u>₩ 192,541,961,760</u>	<u>₩ (1,494,204,114)</u>	<u>₩ -</u>	<u>₩ 239,247,757,646</u>
Balance at December 1, 2020	<u>₩ 48,200,000,000</u>	<u>₩ 192,541,961,760</u>	<u>₩ (1,494,204,114)</u>	<u>₩ -</u>	<u>₩ 239,247,757,646</u>
Increase in issued capital	71,459,000,000	277,064,431,350	-	-	348,523,431,350
Conversion of convertible bonds	23,600,000,000	93,901,949,560	-	-	117,501,949,560
Integrity of deficit	-	(21,658,000,000)	21,658,000,000	-	-
Profit for the period	-	-	5,409,251,855	-	5,409,251,855
Balance at May 31, 2021	<u>₩ 143,259,000,000</u>	<u>₩ 541,850,342,670</u>	<u>₩ 25,573,047,741</u>	<u>₩ -</u>	<u>₩ 710,682,390,411</u>

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Consolidated Statements of Cash Flows
Periods Ended May 31, 2021 and November 30, 2020

<i>(in Korean won)</i>	May 31, 2021	November 30, 2020
Cash flows from operating activities		
Profit (loss) for the period	₩ 5,409,251,855	₩ (1,369,070,381)
Adjustments for:		
Depreciation	5,906,579,420	-
Interest expense	6,086,011,670	-
Interest income	(101,605,142)	(6,429,216)
Losses on valuation of financial liabilities at fair value through profit or loss	-	660,328,000
Other income	(229,085,922)	-
Gains on valuation of financial liabilities at fair value through profit or loss	(660,328,000)	-
Gains on valuation using equity method	<u>(2,629,803,163)</u>	-
	<u>8,371,768,863</u>	<u>653,898,784</u>
Changes in operating assets and liabilities:		
Increase in account receivables	(837,361,890)	-
Increase in accrued income	(626,536,220)	-
Increase in prepaid expenses	(569,298,752)	-
Decrease in prepaid value added tax	-	13,019,800
Increase in trade payables	2,318,754,877	375,594,757
Increase in withholdings	<u>532,055,603</u>	<u>151,300</u>
	<u>817,613,618</u>	<u>388,765,857</u>
	<u>14,598,634,336</u>	<u>(326,405,740)</u>
Interest received	45,045,558	5,928,011
Income taxes paid	(6,041,060)	(747,760)
Interest paid	(5,779,279,865)	-
Dividends received	<u>112,876</u>	-
Net cash inflow (outflow) from operating activities	<u>8,858,471,845</u>	<u>(321,225,489)</u>
Cash flows from investing activities		
Increase in long-term financial assets	(21,373,453,740)	-
Acquisition of investments in associates	(158,238,014,736)	-
Net cash outflow from acquisition of subsidiaries	-	(4,189,106)
Acquisition of investment properties (Land)	(343,807,732,271)	-
Acquisition of investment properties (Building)	(637,840,677,303)	-
Increase in other deposits	<u>(643,300,000)</u>	-
Net cash outflow from investing activities	<u>(1,161,903,178,050)</u>	<u>(4,189,106)</u>
Cash flows from financing activities		
Increase in issued capital	357,295,000,000	236,249,672,760
Increase in long-term borrowings	511,400,000,000	-
Increase in leasehold deposits received	23,134,744,950	-
Issuance of financial liabilities at fair value through profit or loss	-	118,000,000,000
Stock issuance fee	(9,269,619,090)	-
Repayment for current portion of long-term borrowings	<u>(60,900,000,000)</u>	-
Net cash inflow from financing activities	<u>821,660,125,860</u>	<u>354,249,672,760</u>
Net increase (decrease) in cash and cash equivalents	<u>(331,384,580,345)</u>	<u>353,924,258,165</u>
Cash and cash equivalents at the beginning of period	<u>358,278,355,762</u>	<u>4,354,097,597</u>
Cash and cash equivalents at the end of period	<u>₩ 26,893,775,417</u>	<u>₩ 358,278,355,762</u>

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries

Notes to the Consolidated Financial Statements

May 31, 2021 and November 30, 2020

1. Reporting Entity

In accordance with Korean IFRS 1110 *Consolidated Financial Statements*, the consolidated financial statements were prepared for ESR Kendall Square REIT Co., Ltd., the controlling company, and its subsidiaries ESR Kendall Square Asset 1st REIT Co., Ltd. included in consolidation (collectively referred to as the “Group”).

1.1 Controlling Company

ESR Kendall Square REIT Co., Ltd. (the “Company”) was established on February 20, 2020 under the Real Estate Investment Companies Act of the Republic of Korea. The Group obtained approval of the business authorization from the Ministry of Land, Infrastructure and Transport of the Republic of Korea on August 24, 2020. The Group is mainly engaged in providing its shareholder with returns earned from investing and managing investment properties, including real estate acquisition, maintenance, improvement and disposal, development, and trade of real estate lease securities. The Group’s head office is located on the 35th floor, Gukjegeumyung-ro 10, Yeongdeungpo-Gu, Seoul.

The Group’s major shareholders and their respective shareholdings as at May 31, 2021, are as follows:

Shareholders	Number of shares	Percentage of ownership
ESR Kendall Square REIT Holding Pte. Ltd.	9,200,000	6.42%
ESR Kendall Square Co., Ltd.	4,000,000	2.79%
Kendall Square REIT Management Co., Inc.	1,000,000	0.70%
CPP Investment Board Real Estate Holdings Inc.	35,600,000	24.85%
Others	93,459,000	62.24%
	<u>143,259,000</u>	<u>100.00%</u>

1.2 Subsidiaries

Details of subsidiaries as at May 31, 2021 and November 30, 2020, are as follows:

	Country of domicile	Business type	Percentage of ownership	
			May 31, 2021	November 30, 2020
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	Korea	Real estate	100%	100%

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Notes to the Consolidated Financial Statements
May 31, 2021 and November 30, 2020

Financial information of subsidiaries as at and for the period ended May 31, 2021 and November 30, 2020, are as follows:

May 31, 2021						
<i>(in thousands of Korean won)</i>	Assets	Liabilities	Equity	Operating revenues	Profit for the period	Total comprehensive income
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ 1,018,448,615	₩ 476,868,401	₩ 541,580,214	₩ 23,710,051	₩ 7,885,259	₩ 7,885,259

November 30, 2020						
<i>(in thousands of Korean won)</i>	Assets	Liabilities	Equity	Operating revenues	Profit for the period	Total comprehensive income
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ 479,327	₩ 30,963	₩ 448,364	₩ -	₩ (47,578)	₩ (47,578)

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangeul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

The consolidated financial statements of the Group have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea. The financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments), certain classes of investment property – measured at fair value

The preparation of financial statements requires the use of critical accounting estimates.

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries

Notes to the Consolidated Financial Statements

May 31, 2021 and November 30, 2020

Management also needs to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2 Changes in Accounting Policies and Disclosures

2.2.1 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing December 1, 2020.

(a) Amendments to Korean IFRS 1116 Lease – Practical expedient for COVID-19 - Related Rent Exemption, Concessions, Suspension

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, and the amounts recognized in profit or loss as a result of applying this exemption should be disclosed. The amendments should be applied for annual periods beginning on or after June 1, 2020, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

(b) Amendments to Korean IFRS 1109 Financial Instruments, Korean IFRS 1039 Financial Instruments: Recognition and Measurement, Korean IFRS 1107 Financial Instruments: Disclosure, Korean IFRS 1104 Insurance Contracts and Korean IFRS 1116 Lease – Interest Rate Benchmark Reform

In relation to interest rate benchmark reform, the amendments provide exceptions including adjust effective interest rate instead of book amounts when interest rate benchmark of financial instruments at amortized costs is replaced, and apply hedge accounting without discontinuance although the interest rate benchmark is replaced in hedging relationship. The amendments should be applied for annual periods beginning on or after January 1, 2021, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

2.2.2 New standards and interpretations not yet adopted by the Group

(a) Amendments to Korean IFRS 1103 Business Combination – Reference to the Conceptual Framework

The amendments update a reference of definition of assets and liabilities qualify for recognition in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korea IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries

Notes to the Consolidated Financial Statements

May 31, 2021 and November 30, 2020

(b) Amendments to Korean IFRS 1016 Property, Plant and Equipment - Proceeds before intended use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group is in review for the impact of these amendments on the financial statements.

(c) Amendments to Korean IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts : Cost of Fulfilling a Contract

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

(d) Annual improvements to Korean IFRS 2018-2020

Annual improvements of Korean IFRS 2018-2020 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

- Korean IFRS 1101 *First time Adoption of Korean International Financial Reporting Standards* – Subsidiaries that are first-time adopters
- Korean IFRS 1109 *Financial Instruments* – Fees related to the 10% test for derecognition of financial liabilities
- Korean IFRS 1116 *Leases* – Lease incentives
- Korean IFRS 1041 *Agriculture* – Measuring fair value

(e) Amendments to Korean IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability include the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group is in review for the impact of these amendments on the financial statements.

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries

Notes to the Consolidated Financial Statements

May 31, 2021 and November 30, 2020

2.3 Consolidated Financial Statements

(a) Subsidiaries

The subsidiaries are entities controlled by the Group. The Group controls an entity when it has the power to govern the financial and operating policies of an investee so as to obtain benefit from its activities. When assessing control, the Group considers its potential voting rights that can be exercised or converted, to determine whether it has power. The consolidated financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

(b) Transactions eliminated in consolidation

Intra-group balances and transactions, including income and expenses and any unrealized income and expenses arising from intragroup transactions, are eliminated. Unrealized losses arising from intra-group transactions are recognized as profit or loss in the case of evidence of impairment that is recognized in the consolidated financial statements.

(c) Non-controlling interests

Non-controlling interest that is defined as the equity interest in a subsidiary not attributable to a parent should be presented separately from the equity interest of the shareholders of the parent. The Group shall attribute the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests. The Group shall also attribute total comprehensive income to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in ownership interests in subsidiaries

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In this situation, the carrying amounts of the controlling and non-controlling interests were adjusted to reflect the changes in their relative interests in the subsidiary. The Group shall recognize directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent.

(e) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If the Group's share of losses of an associate equals or exceeds its interest in the associate (including long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries

Notes to the Consolidated Financial Statements

May 31, 2021 and November 30, 2020

has incurred legal or constructive obligations or made payments on behalf of the associate. If there is an objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss. If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, if necessary, adjustments shall be made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

2.4 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date 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. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents, for example in the case of preferred shares when they have a short maturity with a specified redemption date.

2.5 Financial Assets

The Group classifies its financial assets in the following measurement categories:

- Those to be measured at fair value through profit or loss.
- Those to be measured at fair value through other comprehensive income, and
- Those to be measured at amortized cost

(a) Classification

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Group reclassifies debt investments when and only when its business model for managing those assets changes. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. In case of investments in equity instruments for which the Group has not elected to present changes in fair value in other comprehensive income, the changes in fair value are recognized in profit or loss.

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries

Notes to the Consolidated Financial Statements

May 31, 2021 and November 30, 2020

- Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into one of the following three measurement categories:

- Financial assets measured at Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'financial income' using the effective interest rate method.

- Financial assets measured at Fair value through other comprehensive income (FVOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'financial income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'other income or other expenses' and impairment loss in 'other expenses'.

- Financial assets measured at Fair value through profit and loss (FVTPL)

Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the consolidated statements of comprehensive income within 'other income or other expenses' in the period in which it arises.

(c) Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade and other receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

- Trade receivables

The Group applies the simplified approach for trade receivables which requires the expected lifetime losses to be recognized from initial recognition of the receivables.

- Financial assets measured at amortized cost

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries

Notes to the Consolidated Financial Statements

May 31, 2021 and November 30, 2020

Financial assets measured at amortized costs are considered to have low credit risk if the risk of default is low and the issuer has sufficient ability to pay contractual cash flows in a short period of time. Therefore, any loss allowance is recognized as 12-month expected credit losses.

- Debt instruments measured at fair value through other comprehensive income

Debt instruments measured at fair value through other comprehensive income include government bonds, corporate bonds and trade receivables subject to discount. Loss allowances for debt instruments measured at fair value through other comprehensive income are recognized in profit or loss and reduces the amount that would have been recognized in other comprehensive income due to fair value valuation losses.

(d) Recognition and Derecognition

Purchases or sales of financial assets in an active market are recognized or derecognized on trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Group classified the financial liability as “borrowings” in the consolidated statements of financial position.

(e) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.6 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable is estimated for each individual asset or for each cash-generating unit to which the asset belongs if the recoverable amount cannot be estimated. The recoverable amount is the higher of the asset's or cash-generating unit's value in use or fair value less costs of disposal. Value in use is determined by discounting the future cash flows expected to be generated by the asset or cash-generating unit at an appropriate discount rate that reflects the current market assessment of the unadjusted asset's specific risk when estimating the time value of money and future cash flows.

Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss.

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries

Notes to the Consolidated Financial Statements

May 31, 2021 and November 30, 2020

2.7 Financial liabilities

(a) Classification and measurement

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost in the consolidated statements of financial position.

(b) Derecognition

Financial liabilities are removed from the consolidated statement of financial position when they are extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

2.8 Financial liabilities measured at Fair value through profit and loss (FVTPL)

Financial liabilities are classified as at FVTPL when a financial liability is (i) a contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or a contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and Korean IFRS 1109 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'financial income

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries

Notes to the Consolidated Financial Statements

May 31, 2021 and November 30, 2020

and expenses' line item.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognized in profit or loss.

Fair value is determined in the manner described in Note 23.

2.9 Investment Property

Investment property is a property held to earn rentals or for capital appreciation, or both. Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is reported at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

While land is not depreciated, all other investment property is depreciated based on the respective assets' estimated useful lives of 50 years using the straight-line method.

The depreciation method, the residual value and the useful life of an asset are reviewed at the end of each reporting period and, if management judges that previous estimates should be adjusted, the change is accounted for as a change in an accounting estimate.

2.10 Capital stock and share issuance expenses

Proceeds from issuance of common shares are classified as capital stock in equity. Incremental costs directly attributable to the issuance of common shares are deducted against capital stock net of tax.

2.11 Revenue recognition

Rental income under operating leases is recognized in profit or loss on a straight-line basis during the term of the lease. The service falls under Korean IFRS 1116 'Leases' and is not subject to Korean IFRS 1115 '*Revenue from Contracts with Customers*' and there is no service identified as a performance obligation.

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries

Notes to the Consolidated Financial Statements

May 31, 2021 and November 30, 2020

2.12 Financial income and financial costs

Financial income comprises of interest income. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Financial costs comprise of interest expenses on borrowings and losses on valuation of financial liabilities measured at FVTPL. Interest expenses are recognized in profit or loss as incurred using the effective interest method.

2.13 Income tax

Income tax expense for the period consists of current and deferred tax and is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

Under the Article 51-2 of Corporate Tax Law of the Republic of Korea, Income Deduction for Special Purpose Companies, etc., if the Group payouts 90% and more of its profit available for dividends as dividends, the Group shall be entitled to deduct such amount from its taxable income for the fiscal year.

2.14 Approval of Issuance of the consolidated financial statements

The Group's consolidated financial statements as of for the period ended May 31, 2021 were approved for issue by the Board of Directors on July 19, 2021 and are to be approved at the Annual General Meeting scheduled on August 31, 2021.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Additional information of significant judgement and assumptions of certain items are included in relevant notes.

During 2020, the spread of Coronavirus disease 2019 ("COVID-19") has a material impact on the global economy. It may have a negative impact; such as, decrease in productivity, decrease or delay in sales, collection of existing receivables and others. Accordingly, it may have a negative impact on the financial position and financial performance of the Group.

Significant accounting estimates and assumptions applied in the preparation of the consolidated financial statements can be adjusted depending on changes in the uncertainty from COVID-19.

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Notes to the Consolidated Financial Statements
May 31, 2021 and November 30, 2020

Also, the ultimate effect of COVID-19 to the Group's business, financial position and financial performance cannot presently be determined.

4. Cash and Cash Equivalents

Cash and cash equivalents as at May 31, 2021 and November 30, 2020, are as follows:

<i>(in thousands of Korean won)</i>		May 31, 2021		November 30, 2020
Bank deposits	₩	26,893,775	₩	358,278,356

5. Financial Instruments Restricted in Use

Financial instruments that are restricted in use as at May 31, 2021 and November 30, 2020, are as follows:

<i>(in thousands of Korean won)</i>		May 31, 2021		November 30, 2020
Long-term financial assets ¹	₩	21,373,453	₩	-

¹ It is a pledge on the leasehold deposits as a bank deposit and time deposit.

6. Other Financial Assets

Other financial assets as at May 31, 2021 and November 30, 2020, are as follows:

<i>(in thousands of Korean won)</i>		May 31, 2021		November 30, 2020
Current assets				
Accounts receivables	₩	837,362	₩	-
Accrued income		4,364,120		501
		<u>₩ 5,201,482</u>		<u>₩ 501</u>
Non-current assets				
Other leasehold deposits	₩	643,300	₩	-
Accrued income		626,536		-
		<u>₩ 1,269,836</u>		<u>₩ -</u>

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Notes to the Consolidated Financial Statements
May 31, 2021 and November 30, 2020

7. Other Assets

Other assets as at May 31, 2021 and November 30, 2020, are as follows:

<i>(in thousands of Korean won)</i>		May 31, 2021	November 30, 2020
Prepaid expenses	₩	569,299 ₩	-

8. Investment in Associates

Investment in associates as at May 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Country of domicile	Percentage of ownership	Number of shares invested	Beginnin g balance	Acquisitions	Share of profit	Dividends	Ending balance
Beneficiary certificates:								
KendallSquare Professional Investment Type Real Estate Investment Fund #6	Korea	99.20%	37,264,025,475	₩ -	₩ 37,264,026	₩ 797,078	₩ (1,021,801)	₩ 37,039,303
KendallSquare Professional Investment Type Real Estate Investment Fund #7	Korea	99.28%	41,126,694,806	-	41,126,695	940,156	(1,350,181)	40,716,670
KendallSquare Professional Investment Type Real Estate Investment Fund #8	Korea	99.21%	37,743,009,474	-	37,743,009	663,522	(1,309,618)	37,096,913
KendallSquare Professional Investment Type Real Estate Investment Fund #11	Korea	99.29%	42,104,284,981	-	42,104,285	229,047	(625,573)	41,707,759
				₩ -	₩ 158,238,015	₩ 2,629,803	₩ (4,307,173)	₩ 156,560,645

Although percentage of ownership of the above beneficiary certificates exceed 50%, as trust-type beneficiary certificates they are classified as associates since they are determined to have no de facto control in accordance with the Capital Market Act and trust contracts.

9. Investment Properties

Investment properties as at May 31, 2021 and November 30, 2020, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2021			November 30, 2020		
	Acquisition cost	Accumulated depreciation	Book amount	Acquisition cost	Accumulated depreciation	Book amount
Land	₩ 343,807,732	₩ -	₩ 343,807,732	₩ -	₩ -	₩ -
Buildings	637,840,677	(5,906,579)	631,934,098	-	-	-
	₩ 981,648,410	₩ (5,906,579)	₩ 975,741,830	₩ -	₩ -	₩ -

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Notes to the Consolidated Financial Statements
May 31, 2021 and November 30, 2020

Changes in investment properties for the periods ended May 31, 2021 and November 30, 2020, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2021			November 30, 2020		
	Land	Building	Total	Land	Building	Total
Beginning balance	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -
Acquisitions/transfers	343,807,732	637,840,677	981,648,410	-	-	-
Depreciation	-	(5,906,579)	(5,906,579)	-	-	-
Ending balance	₩ 343,807,732	₩ 631,934,098	₩ 975,741,830	₩ -	₩ -	₩ -

Details of acquisition for the period ended May 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Purchase price¹	Seller
Bucheon cold logistics park	₩ 197,000,000	Kendall square LP Bucheon cold Professional Investment Type Private Placement Real Estate Investment company
Goyang logistics park	478,000,000	Goyang PFV, Inc.
Yongin logistics park	129,000,000	Gachang Logistics Center PFV, INC.
Icheon logistics park 2	49,000,000	Kendall square Korea Logistics Professional Investment Type Private Placement Real Estate Investment Company
Icheon logistics park 3	28,500,000	Kendall square Korea Logistics Professional Investment Type Private Placement Real Estate Investment Company
Gimhae logistics park	46,000,000	Kendall square LP Gimhae Sangdong Professional Investment Type Private Placement Real Estate Investment company
	<u>₩ 927,500,000</u>	

¹ The amount excludes the additional cost related to purchase.

Revenues and expenses related to investment properties for the periods ended May 31, 2021 and November 30, 2020, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2021	November 30, 2020
Operating revenues ¹	₩ 23,474,561	₩ -
Operating expenses ²	9,040,442	-

¹ Operating revenues consists of rental income and management income.

² Operating expenses consists of depreciation expense, asset management consignment fees, asset custody consignment fees, general affairs consignment fees, real estate consignment management fees and facility maintenance & administrative expenses.

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Notes to the Consolidated Financial Statements
May 31, 2021 and November 30, 2020

Fair value of investment properties as at May 31, 2021 has no significant difference with the book amount.

The Group has provided collateral rights for the underlying mortgage on land and buildings and the insurance coverage rights of the property all risks insurance in relation to long-term borrowings and details are as follows:

<i>(in thousands of Korean won)</i>	Book value of the assets provided as collateral	Contract amount	Maximum amount of bonds (120%)
Tranche A	₩ 472,746,118	₩ 255,000,000	₩ 306,000,000
Tranche B&C	502,995,712	364,200,000	437,040,000

The Group subscribes to the property all risks insurance (insured amount: ₩ 414,940 million) in relation to investment property.

10. Intangible Assets

Intangible assets as at May 31, 2021 and November 30, 2020, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2021	November 30, 2020
Goodwill ¹	₩ 4,058	₩ 4,058

¹ It was occurred from acquisition of subsidiaries for the period ended November 30, 2020.

11. Other Financial Liabilities

Other financial liabilities as at May 31, 2021 and November 30, 2020, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2021	November 30, 2020
Current liabilities		
Trade payables	₩ 4,437,576	₩ 375,595
Accrued expense	2,283,100	-
Leasehold deposits	199,710	-
	<u>₩ 6,920,386</u>	<u>₩ 375,595</u>
Non-current liabilities		
Leasehold deposits	₩ 22,935,035	-
Discount account on present value	(3,318,994)	-
	<u>₩ 19,616,041</u>	<u>₩ -</u>

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Notes to the Consolidated Financial Statements
May 31, 2021 and November 30, 2020

12. Financial Liabilities Measured at Fair Value through Profit or Loss

Details of financial liabilities measured at fair value through profit or loss as at May 31, 2021 and November 30, 2020, are as follows:

<i>(in thousands of Korean won)</i>	Issued date	Maturity date	Annual interest rate	May 31, 2021	November 30, 2020
Convertible bond	October 27, 2020	October 27, 2025	-	₩ -	₩ 118,660,328

The convertible bond was converted to common shares due to the exercise of the conversion right for the period ended May 31, 2021.

Changes in financial liabilities measured at fair value through profit or loss for the periods ended May 31, 2021 and November 30, 2020, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2021	November 30, 2020
Beginning balance	₩ 118,660,328	₩ -
Issued	-	118,000,000
Gain (loss)	(660,328)	660,328
Conversion	(118,000,000)	-
Ending balance	₩ -	₩ 118,660,328

13. Other Liabilities

Other liabilities as at May 31, 2021 and November 30, 2020, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2021	November 30, 2020
Withholdings	₩ 789	₩ 151
Value added tax withholdings	531,418	-
Unearned revenue	3,300,812	-
	₩ 3,833,019	₩ 151

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Notes to the Consolidated Financial Statements
May 31, 2021 and November 30, 2020

14. Borrowings

Details of long-term borrowings as at May 31, 2021 and November 30, 2020, are as follows:

<i>(in thousands of Korean won)</i>	Financial institution	Annual interest rate	Maturity date	May 31, 2021	November 30, 2020
Tranche A ¹	Hanwha General Insurance Co., Ltd.	2.22%	December 14, 2023	₩ 50,000,000	₩ -
	Industrial Bank of Korea	2.22%	December 14, 2023	105,000,000	-
	Bank of China	2.22%	December 14, 2023	50,000,000	-
	Shinhan Bank	2.22%	December 14, 2023	50,000,000	-
Tranche B ¹	Industrial Bank of Korea	2.50%	December 14, 2025	155,500,000	-
	NongHyup Life Insurance Co., Ltd.	2.50%	December 14, 2025	40,000,000	-
				450,500,000	-
	Less: discount account on present value			(3,930,499)	-
				₩ 446,569,501	₩ -

¹ The Group provided the investment properties and leasehold deposits as collateral for the borrowing (Note 27).

15. Share Capital and Other Paid-in-Capital

Details of share capital as at May 31, 2021, are as follows:

<i>(in Korean won)</i>	Total number of authorized shares	Total number of issued shares	Par value per share	Share capital
Common shares	2,000,000,000 shares	143,259,000 shares	₩ 1,000	₩ 143,259,000,000

Details of other paid-in-capital as at May 31, 2021 and November 30, 2020, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2021	November 30, 2020
Additional paid-in-capital	₩ 541,850,343	₩ 192,541,962

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Notes to the Consolidated Financial Statements
May 31, 2021 and November 30, 2020

Changes in share capital for the periods ended May 31, 2021 and November 30, 2020, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2021		November 30, 2020	
	Number of shares	Amount	Number of shares	Amount
Beginning balance	48,200,000	₩ 48,200,000	900,000	₩ 900,000
Increase in issued capital	71,459,000	71,459,000	47,300,000	47,300,000
Conversion of convertible bonds	23,600,000	23,600,000	-	-
Ending balance	<u>143,259,000</u>	<u>₩ 143,259,000</u>	<u>48,200,000</u>	<u>₩ 48,200,000</u>

16. Retained Earnings (Accumulated Deficit)

Details of retained earnings (accumulated deficit) as at May 31, 2021 and November 30, 2020, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2021	November 30, 2020
Retained earnings (accumulated deficit)	₩ 25,573,048	₩ (1,494,204)

Changes in retained earnings (accumulated deficit) for the periods ended May 31, 2021 and November 30, 2020, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2021	November 30, 2020
Beginning balance	₩ (1,494,204)	₩ (125,134)
Integrity of deficit	21,658,000	-
Profit (loss) for the period	5,409,252	(1,369,070)
Ending balance	<u>₩ 25,573,048</u>	<u>₩ (1,494,204)</u>

Dividends for the period ended May 31, 2021, are calculated as follows:

<i>(in Korean won)</i>	Common shares
Dividends	₩ 19,263,536,138
Total number of shares issued	143,259,000
Dividend per share	₩ 134
Par value	₩ 1,000
Dividend rate per share	13.45%

17. Income tax expense

Income tax expense is the sum of income tax calculated at the amount expected to be paid to the taxation authorities under the Corporate Tax Laws and adding or subtracting the changes in deferred tax in the current period.

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Notes to the Consolidated Financial Statements
May 31, 2021 and November 30, 2020

Under the Article 51-2 of Corporate Tax Law of the Republic of Korea, Income Deduction for Special Purpose Companies, etc., if the Group pay-outs 90% and more of its profit available for dividends as dividends, the Group shall be entitled to deduct such amount from its taxable income for the fiscal year. Since there was no corporate tax to be paid, the Group has not recognized any income tax expenses.

18. Earnings (Losses) per Share

Basic earnings (losses) per share for the periods ended May 31, 2021 and November 30, 2020, are as follows:

<i>(in Korean won)</i>	May 31, 2021	November 30, 2020
Profit (loss) for the period attributable to owners of the Parent Company	₩ 5,409,251,855	₩ (1,369,070,381)
Weighted average number of common shares outstanding	138,298,940 shares	9,946,448 shares
Basic earnings (losses) per share	₩ 39	₩ (138)

Weighted average number of common shares outstanding for the periods ended May 31, 2021 and November 30, 2020, are calculated as follows:

<i>(in shares)</i>	May 31, 2021		
	Number of shares	Accumulated number of days	Accumulated number of common shares outstanding
Beginning	48,200,000	9	433,800,000
Increase in issued capital	119,659,000	2	239,318,000
Conversion of convertible bonds	143,259,000	171	24,497,289,000
Weighted average number of common shares outstanding			138,298,940

<i>(in shares)</i>	November 30, 2020		
	Number of shares	Accumulated number of days	Accumulated number of common shares outstanding
Beginning	900,000	148	133,200,000
Increase in issued capital	48,200,000	35	1,687,000,000
Weighted average number of common shares outstanding			9,946,448

Diluted earnings (losses) per share

Diluted earnings (losses) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has dilutive potential ordinary shares: convertible bonds and share options and the convertible bond was converted to common shares for the period ended May 31, 2021. Diluted

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Notes to the Consolidated Financial Statements
May 31, 2021 and November 30, 2020

earnings (losses) per share for the periods ended May 31, 2021 is as follows:

<i>(in Korean won)</i>	May 31, 2021	
Profit (loss) for the period attributable to owners of the Parent Company	₩	5,409,251,855
Profit and loss on convertible bond (net of tax)		(660,328,000)
Profit (loss) used to determine diluted earnings per share		4,748,923,855
Weighted average number of ordinary shares for diluted earnings per share		139,725,313
Diluted earnings (losses) per share:	₩	<u>34</u>

Potential ordinary shares for the periods ended November 30, 2020 do not have dilutive effects. Therefore, basic earnings per share is identical to diluted earnings per share.

19. Operating Revenues

Operating revenues for the periods ended May 31, 2021 and November 30, 2020, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2021		November 30, 2020	
Rental income	₩	22,930,389	₩	-
Management income		544,172		-
Other income		235,491		-
	₩	<u>23,710,052</u>	₩	<u>-</u>

The future minimum lease payments expected to be received in relation to the operating lease agreement as at May 31, 2021 and November 30, 2020, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2021		November 30, 2020	
Within one year	₩	49,000,608	₩	-
Between 1 and 2 years		49,453,319		-
Between 2 and 3 years		47,192,146		-
Between 3 and 4 years		39,099,680		-
Between 4 and 5 years		31,127,356		-
Later than five years		100,637,670		-
	₩	<u>316,510,779</u>	₩	<u>-</u>

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Notes to the Consolidated Financial Statements
May 31, 2021 and November 30, 2020

20. Operating Expenses

Operating expenses for the periods ended May 31, 2021 and November 30, 2020, are as follows:

<i>(in thousands of Korean won)</i>		May 31, 2021		November 30, 2020
Depreciation	₩	5,906,579	₩	-
Asset management consignment fees		4,802,674		-
Other fees		3,454,509		622,512
Real estate management consignment fees		770,594		-
Insurance expenses		382,382		-
Rental brokerage fees		60,734		-
Salaries		78,000		48,153
General affairs consignment fees		70,493		30,663
Asset custody consignment fees		43,951		12,606
Facility maintenance & administrative expenses		21,000		-
Taxes and due		3,932		-
Deemed rent		5,951		-
Utilities expenses		5,725		-
	₩	<u>15,606,524</u>	₩	<u>713,934</u>

21. Finance Income and Expenses

Financial income and expenses for the periods ended May 31, 2021 and November 30, 2020, are as follows:

<i>(in thousands of Korean won)</i>		May 31, 2021		November 30, 2020
Financial income				
Interest income	₩	101,605	₩	6,429
Gains on valuation of financial liabilities at fair value through profit or loss		660,328		-
	₩	<u>761,933</u>	₩	<u>6,429</u>
Financial expenses				
Interest expenses	₩	6,086,012	₩	-
Losses on valuation of financial liabilities at fair value through profit or loss		-		660,328
	₩	<u>6,086,012</u>	₩	<u>660,328</u>

22. Financial Risk Management

22.1 Capital risk management

The primary objective of The Group's capital management is to maintain its ability to continuously provide return to its shareholders and stakeholders and to optimize its capital structure to reduce

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Notes to the Consolidated Financial Statements
May 31, 2021 and November 30, 2020

capital expenses.

The Group adopted debt-to-equity ratio for the capital management index, which is calculated by dividing total liabilities over total capital.

Debt-to-equity ratio as at May 31, 2021 and November 30, 2020, are as follows:

<i>(in thousands of Korean won)</i>		May 31, 2021		November 30, 2020
Liabilities	₩	476,938,947	₩	119,036,074
Equity		710,682,390		239,247,758
Debt-to-equity ratio		67.11%		49.75%

22.2 Financial risk factors

The Group's financial assets and liabilities are exposed to various risks including market risk, credit risk and liquidity risk. The Group's financial risk management focuses on identifying the potential risks that may arise from operating activities and eliminating or minimizing these risks to an acceptable level.

(a) Market risk

The Group has no assets or liabilities that are exposed to changes in foreign currency exchange rates or risk of interest rate fluctuations.

(b) Credit risk

Credit risk refers to the risk that the customer or the counterparty will suffer financial losses due to failure to fulfil their contractual obligations in our ordinary transactions and investment activities.

- Level of exposure to credit risk

The carrying amount of the financial asset represents the maximum exposure to credit risk. The degree of exposure to credit risk as at May 31, 2021 and November 30, 2020, are as follows:

<i>(in thousands of Korean won)</i>		May 31, 2021		November 30, 2020
Cash and cash equivalents	₩	26,893,775	₩	358,278,356
Long-term financial instruments		21,373,454		-
Other financial assets		6,471,318		501

(c) Liquidity risk

The Group has established a liquidity risk management framework for the management of The Group's short- and medium-term financial assets and liabilities and continuously monitors forecasts and actual cash flows to respond to the maturity profiles of these financial assets and liabilities. Management assesses that financial liabilities can be repaid through cash flows from operating activities and cash inflows from financial assets.

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Notes to the Consolidated Financial Statements
May 31, 2021 and November 30, 2020

Analysis of liquidity risk as at May 31, 2021 and November 30, 2020, are as follows:

(in thousands of
Korean won)

	May 31, 2021					
	Book amount	Contractual cash flows	Within 1 year	1 year ~ 2 years	2 years ~ 5 years	Over 5 years
Trade payables	₩ 4,437,576	₩ 4,437,576	₩ 4,437,576	₩ -	₩ -	₩ -
Accrued expenses	2,283,100	2,283,100	2,283,100	-	-	-
Long-term borrowings	446,569,501	487,065,300	10,548,500	10,548,500	465,968,300	-
Leasehold deposits	19,815,751	23,134,745	199,710	1,163,829	6,161,859	15,609,347
	<u>₩ 473,105,928</u>	<u>₩ 516,920,721</u>	<u>₩ 17,468,886</u>	<u>₩ 11,712,329</u>	<u>₩ 472,130,159</u>	<u>₩ 15,609,347</u>

(in thousands of Korean won)

	November 30, 2020		
	Book amount	Contractual cash flows	Within 1 year
Trade payables	₩ 375,595	₩ 375,595	₩ 375,595
Financial liabilities at fair value through profit or loss	118,660,328	118,000,000	118,000,000
	<u>₩ 119,035,923</u>	<u>₩ 118,375,595</u>	<u>₩ 118,375,595</u>

23. Financial Instruments by Category and Fair Value

(a) Financial instruments by category and fair value as at May 31, 2021 and November 30, 2020, are as follows:

(in thousands of Korean won)

	May 31, 2021		November 30, 2020	
	Book amount	Fair value	Book amount	Fair value
Financial assets				
Cash and cash equivalents	₩ 26,893,775	₩ 26,893,775	₩ 358,278,356	₩ 358,278,356
Long-term financial instruments	21,373,454	21,373,454	-	-
Other financial assets	6,471,318	6,471,318	501	501
	<u>₩ 54,738,547</u>	<u>₩ 54,738,547</u>	<u>₩ 358,278,857</u>	<u>₩ 358,278,857</u>
Financial liabilities				
Long-term borrowings	₩ 446,569,501	₩ 446,569,501	₩ -	₩ -
Other financial liabilities	26,536,427	26,536,427	375,595	375,595
Financial liabilities at fair value through profit or loss	-	-	118,660,328	118,660,328
	<u>₩ 473,105,928</u>	<u>₩ 473,105,928</u>	<u>₩ 119,035,923</u>	<u>₩ 119,035,923</u>

(b) Fair value hierarchy

Items that are measured at fair value are categorized by the fair value hierarchy levels, and the defined levels are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date (Level 1).

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Notes to the Consolidated Financial Statements
May 31, 2021 and November 30, 2020

- All inputs other than quoted prices included in level 1 that are observable (either directly that is, prices, or indirectly that is, derived from prices) for the asset or liability (Level 2).
- Unobservable inputs for the asset or liability (Level 3).

Fair value hierarchy classifications of the financial instruments that are measured at fair value or their fair value are disclosed as at May 31, 2021 and November 30, 2020, are as follows:

(in thousands of Korean won)

	May 31, 2021				November 30, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities								
Financial liabilities at fair value through profit or loss	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 118,660,328	₩ 118,660,328

The Group determines that the acquisition or amortized costs of financial assets and liabilities other than the financial assets and liabilities measured at fair value are reasonable approximation of fair value.

Changes in level 3 on fair value hierarchy for the periods ended May 31, 2021 and November 30, 2020, are as follows:

(in thousands of Korean won)

	May 31, 2021	November 30, 2020
	Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss
Beginning balance	₩ 118,660,328	₩ -
Issued	-	118,000,000
Valuation	(660,328)	660,328
Transfer	(118,000,000)	-
Ending balance	₩ -	₩ 118,660,328

(c) Valuation techniques and inputs

Valuation techniques and inputs used in measuring fair value of financial instruments classified as level 3 as at November 30, 2020, are as follows:

	Level	Valuation technique	Significant unobservable inputs
Financial liabilities at fair value through profit or loss	3	Binomial model and others	Expected volatility Weighted average cost of capital

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Notes to the Consolidated Financial Statements
May 31, 2021 and November 30, 2020

(d) Net gains or losses on each category of financial instruments for the periods ended May 31, 2021 and November 30, 2020, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2021	November 30, 2020
Financial assets at amortized cost		
Interest income	₩ 101,605	₩ 6,429
Financial liabilities at amortized cost		
Interest expenses	6,086,012	-
Financial liabilities at fair value through profit or loss		
Gains on valuation of financial liabilities at fair value through profit or loss	660,328	-
Losses on valuation of financial liabilities at fair value through profit or loss	-	660,328

24. Cash flow

The significant non-cash transactions for the periods ended May 31, 2021 and November 30, 2020, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2021	November 30, 2020
Integrity of deficit	₩ 21,658,000	₩ -
Conversion of convertible bonds	118,000,000	-
Reclassification to current portion of long-term borrowings	60,900,000	-
Transfer of trade payables into discount account on present value	4,505,000	-
Transfer of unearned revenue into discount account on present value	3,529,898	-

Changes in liabilities arising from financial activities for the period ended May 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Beginning balance	Cash flow from financial activities	Changes in non-cash transactions	Ending balance
Borrowings	₩ -	₩ 450,500,000	₩ (3,930,499)	₩ 446,569,501
Leasehold deposits	-	23,134,745	(3,318,994)	19,815,751

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Notes to the Consolidated Financial Statements
May 31, 2021 and November 30, 2020

25. Related Party Transactions

Related parties as at May 31, 2021 and November 30, 2020, are as follows:

	May 31, 2021	November 30, 2020
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #7	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #8	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #11	-
Other related party ¹	Kendall Square REIT Management Co., Ltd.	Kendall Square REIT Management Co., Ltd.
	CPP Investment Board Real Estate Holdings Inc.	CPP Investment Board Real Estate Holdings Inc.
	ESR Kendall Square REIT Holding PTE, LTD.	ESR Kendall Square REIT Holding PTE, LTD.
	-	ESR Kendall Square Co., Ltd.
	-	ESR Cayman Limited
	-	ESR Kendall Square Asset Management Co., Ltd.

¹ The Group grants the right to appoint a director to ESR KENDALL SQUARE REIT HOLDING PTE, LTD., CPP INVESTMENT BOARD REAL ESTATE HOLDINGS INC. and the parties (3 persons in total) with the largest amount of share capital under the shareholder agreement as at May 31, 2021.

Transactions with related parties for the periods ended May 31, 2021 and November 30, 2020, are as follows:

(in thousands of Korean won)

	Related party	May 31, 2021	
		Asset management consignment fees¹	Gains on valuation of financial liabilities measured at FVTPL
Other related party	CPP Investment Board Real Estate Holdings Inc.	₩ -	₩ 660,328
	Kendall Square REIT Management Co., Ltd.	11,758,924	-
		₩ 11,758,924	₩ 660,328

¹ Asset management consignment fees for ESR Kendall Square REIT Management Co., Ltd. includes asset purchase fee ₩ 6,956 million, which is included in the acquisition cost of investment properties.

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Notes to the Consolidated Financial Statements
May 31, 2021 and November 30, 2020

<i>(in thousands of Korean won)</i>	Related party	November 30, 2020
		Losses on valuation of financial liabilities measured at FVTPL
Other related party	CPP Investment Board Real Estate Holdings Inc.	₩ 660,328

Outstanding balances to related parties as at May 31, 2021 and November 30, 2020, are as follows:

<i>(in thousands of Korean won)</i>	Related party	May 31, 2021		November 30, 2020
		Accrued income	Trade payables	Financial Liabilities Measured at Fair Value through Profit or Loss
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	₩ 1,021,774	₩ -	₩ -
	KendallSquare Professional Investment Type Real Estate Investment Fund #7	1,350,151	-	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #8	1,309,591	-	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #11	625,543	-	-
Other related party	CPP Investment Board Real Estate Holdings Inc.	-	-	118,660,328
	Kendall Square REIT Management Co., Ltd.	-	2,272,583	-
		₩ 4,307,059	₩ 2,272,583	₩ 118,660,328

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Notes to the Consolidated Financial Statements
May 31, 2021 and November 30, 2020

Fund transactions with related parties for the periods ended May 30, 2021 and November 30, 2020, are as follows:

<i>(in thousands of Korean won)</i>	Related party	May 31, 2021		November 30, 2020		
		Contributions in cash	Dividends received	Increase in issued capital	Conversion of convertible bonds	Acquisition of interests
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	₩ 11,700,000	₩ 27	-	₩ -	₩ -
	KendallSquare Professional Investment Type Real Estate Investment Fund #7	9,600,000	29	-	-	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #8	12,100,000	27	-	-	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #11	7,800,000	30	-	-	-
Other related party ¹	CPP Investment Board Real Estate Holdings Inc. ²	-	-	60,000,000	118,000,000	-
	ESR Kendall Square Co., Ltd. ³	-	-	15,500,000	-	500,000
	ESR Kendall Square REIT Holding PTE, LTD.	-	-	46,000,000	-	-
	Kendall Square REIT Management Co., Ltd.	-	-	5,000,000	-	-
		<u>₩ 41,200,000</u>	<u>₩ 113</u>	<u>₩ 126,500,000</u>	<u>₩ 118,000,000</u>	<u>₩ 500,000</u>

¹ The Group grants the right to appoint a director to ESR Kendall Square REIT Holding PTE, LTD., CPP Investment Board Real Estate Holdings Inc. and the parties (3 persons in total) with the largest amount of share capital under the shareholder agreement as at May 31, 2021. The increase in issued capital capital of ₩136,000,000 thousand was made for the period ended November 30, 2020.

² ₩118 billion of convertible bond held by CPP Investment Board Real Estate Holdings Inc. was converted to common stocks for the period ended May 31, 2021 (23,600,000 common shares, conversion value ₩ 5,000).

³ The company acquired a 100% stake in ESR Kendall Square Asset No. 1 REIT Co.,Ltd. from ESR Kendall Square Co., Ltd., a related party, and became the parent entity of ESR Kendall Square Asset No. 1 REIT Co.,Ltd. for the periods ended November 30, 2020.

Compensation for key management of the Group for the periods ended May 31, 2021 and November 30, 2020, consists of:

<i>(in thousands of Korean won)</i>	May 31, 2021	November 30, 2020
Short-term employee benefits	₩ 60,000	₩ 39,024

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Notes to the Consolidated Financial Statements
May 31, 2021 and November 30, 2020

26. Operating Segments

The Group operates as a single reporting segment, considering the nature of the services that generate operating profits. Therefore, disclosure of operating income, net income before income tax expense, and total assets and liabilities by reporting sector was omitted in these reports.

27. Commitments

(a) Contract for the asset management services

The Group entered into a contract of the asset management services such as acquisition, management, development, improvement and disposal of real estate, lease, and sales of securities with ESR Kendall Square REIT Management Co., Ltd. Details of fees as follows:

Details

Management fees	<p>a. Real estates:</p> <p>(Purchase price + additional cost related to purchase) X 0.5% (Annual Percentage Rate)</p> <p>b. Assets except real estate such as collective investment securities and equity securities:</p> <p>(The amount of real estate that is the underlying asset at the time the consigner purchase + additional cost related to purchase) X 0.5% X consigner's ratio of shareholding</p>
Operation performance fees	<p>(Amounts of dividends before deduction of operating performance fee per share for the current year + the maximum amounts of dividends before deducting operating performance fees per share in the past) X Weighted average total number of shares issued for the current year X 25%</p> <p>(However, if the calculated amount is negative (-) or no dividend for the previous year (clearly, if the current year is the year in which the first dividend was incurred), the operation performance fee would not be paid.)</p>
Purchase fee	<p>a. Real estates:</p> <p>Purchase price X 1.0%</p> <p>(*) 0.75%, in the case of real estate held by the asset manager's affiliated company is a collective investment business operator that is a collective investment scheme or a project finance investment company that is an asset management company pursuant to Article 51-2 of the Corporate Tax Act and Article 86-2 of the Enforcement Decree of the Corporate Tax Act.</p> <p>b. Assets except real estate such as collective investment securities and equity securities:</p> <p>The amount of real estate that is the underlying asset of assets for purchase X 1.0% (*) X Consigner's ratio of shareholding</p>

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Notes to the Consolidated Financial Statements
May 31, 2021 and November 30, 2020

(*) 0.75%, in the cases of (i) the assets for purchased are shares of a real estate investment company under the Real Estate Investment Company Act and the asset manager or an affiliate of the asset manager is an asset management company of the relevant real estate investment company, (ii) the assets for purchased are collective investment securities issued by a real estate collective investment scheme and the asset manager's affiliated company is a collective investment business operator that is a collective investment scheme.

Basic sales commission	0.5% of the sales amount calculated when each asset is sold
Development fee	5% of the amounts that included acquisition tax (excluding land-related expenses, financial expenses, and operating expenses) and all expenses incurred from the completion date of land purchase to the date of approval of the building (temporary) use included in the acquisition tax table

In consultation with the asset management company, the consigner decides to calculate and pay the fees based on the total estimated amount of development fees reasonably determined. And also, it is decided to settle according to the difference between the estimated total development fee and the actual total development fee for the fiscal year in which the date of approval of the building (temporary) use belongs.

(b) General affairs consignment contract

The Group entered a general affairs consignment contract with Shinhan AITAS Co., Ltd. for affairs related to the issuance of shares, the operation, accounting and disclosure of the Group, and the board of directors and shareholder's meetings. Fees are paid ₩ 75 million per every fiscal year.

(c) Asset custody consignment contract

The Group entered a consignment contract for custody and management of assets such as real estate, securities, and cash with Shinhan Bank. Fees are paid ₩ 45 million per every fiscal year.

(d) Loan agreement

Details of the loan agreement as at May 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Contract amount	Loan amount
Tranche A (Hanwha General Insurance Co., Ltd., etc.)	₩ 255,000,000	₩ 255,000,000
Tranche B&C (NH Bank, etc.)	364,200,000	195,500,000
Tranche D (Industrial Bank of Korea)	20,000,000	-
Tranche E-1&E-2 (Hanwha General Insurance Co., Ltd. etc.) ¹	73,200,000	-
	<u>₩ 712,400,000</u>	<u>₩ 450,500,000</u>

¹ Tranche E-1 loan agreement was executed and repaid for the period ended May 31, 2021.

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Notes to the Consolidated Financial Statements
May 31, 2021 and November 30, 2020

Regarding the loan agreements, the Group provided the investment property as collateral and details are as follows:

<i>(in millions of Korean won)</i>	Collateral	Book value	Secured amount	Related borrowings	Financial institutions
Investment properties	Buchon cold logistics park and 3 others	₩ 472,746	₩ 306,000	Tranche A	Industrial Bank of Korea, etc.
	Goyang logistics park	502,996	437,040	Tranche B	Industrial Bank of Korea, etc.
		₩ 975,742	₩ 743,040		

Among the Tranche A, the leasehold deposits of ₩ 310,684 thousand and ₩ 809,607 thousand are reserved as leasehold rights and senior collateral, respectively.

The Group entered into the loan agreement with a value-added tax commitment on December 14, 2020 and completed the repayment of Tranche E-1 (₩ 40,000 million for Hanwha General Insurance Co., Ltd. and ₩ 20,900 million for the Korea Development Bank 'trustee of Stonebridge VAT Private Special Asset Investment Trust 1st') on February 19, 2021.

(e) Contract for the sale of real estate

The Group has completed the contract to acquire the ownership of Anseong logistics park (total purchase amount of ₩ 160 billion) on October 21, 2020, which will be transferred to the group on June 1, 2021.

28.Events After the Reporting Period

(a) Acquisition of beneficiary certificates

The Group acquired beneficiary certificates of Kendall Square Professional Type Private Placement Real Estate Investment Trust No. 18 (total purchase amount of ₩ 24.7 billion) on June 10, 2021.

(b) Acquisition of equity securities

The Group acquired 100% equity securities of ESR Kendall Square Asset No. 2 REIT Co., Ltd. (total purchase amount of ₩ 300 million) on July 16, 2021.

(c) Loan for Tranche D (Industrial Bank of Korea)

The Group entered into a loan agreement amounting to ₩ 20 billion with Industrial Bank of Korea in order to acquire beneficiary certificates of Kendall Square Professional Type Private Placement Real Estate Investment Trust No. 18.

(d) Loan for Tranche C and Tranche E-2

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
Notes to the Consolidated Financial Statements
May 31, 2021 and November 30, 2020

The Group entered into a loan agreement for Tranche C and Tranche E-2 amounting to ₩ 168.7 billion and ₩ 12.3 billion, respectively, in order to acquire Anseong logistics park on June 1, 2021.