

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

**Consolidated Financial Statements
May 31, 2023 and November 30, 2022**

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

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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, 2023 and November 30, 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the six-month 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 the Group as at May 31, 2023 and November 30, 2022, and its consolidated financial performance and its consolidated cash flows for the six-month periods 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 Rental Income

Reason why the matter was determined to be a Key Audit Matter

As described in Note 17 of the consolidated financial statements, rental income, which accounts for 96% of the Group's operating revenues, is recognized according to the contracts and terms and conditions of the transaction with customers. As a result, we focused on this area because we determined that there is a significant risk in relation to occurrence of rental income.

How our audit addressed the Key Audit Matter

To address the Key Audit Matter, we have performed the following audit procedures

- Assessed reasonableness of the Group's accounting policies relevant to revenue recognition
- Performed analytical review compared to the previous period and monthly trend analysis of rental income to verify the existence of unusual circumstances
- Performed recalculation of the amount to be recognized as rental income according to the terms and conditions of each rental contract transaction and reviewed the difference with rental income in the statements of comprehensive income on a sample basis
- Performed substantive test of each rental income transaction on the contract conclusion, determination of revenue amount, payment and accounting treatment on a sample basis

Other Matter

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 Joon-Woo Lee, Certified Public Accountant.

Seoul, Korea

August 11, 2023

This report is effective as of August 11, 2023, 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, 2023 and November 30, 2022

<i>(in Korean won)</i>	Notes	May 31, 2023	November 30, 2022
Assets			
Current assets			
Cash and cash equivalents	4,21,22	₩ 25,521,971,901	₩ 31,103,100,434
Short-term financial instruments	5,21,22	5,209,708,399	-
Other financial assets	6,21,22	9,802,054,264	23,751,590,848
Other assets	7	10,736,793,279	1,773,113,629
Current tax assets		<u>734,302,515</u>	<u>860,880,286</u>
		<u>52,004,830,358</u>	<u>57,488,685,197</u>
Non-current assets			
Long-term financial instruments	5,21,22	39,157,641,894	42,218,793,453
Investments in associates	8	218,315,497,768	205,769,671,169
Investment properties	9	2,067,222,685,591	1,947,771,055,034
Property and equipment		76,569,862	86,741,918
Intangible assets		4,058,026	4,058,026
Other non-current financial assets	6,21,22	150,000,000	543,000,000
Other non-current assets	7	721,974,953	-
		<u>2,325,648,428,094</u>	<u>2,196,393,319,600</u>
Total assets		<u>₩ 2,377,653,258,452</u>	<u>₩ 2,253,882,004,797</u>
Liabilities			
Current liabilities			
Other financial liabilities	10,21,22	₩ 24,814,142,151	₩ 16,132,537,241
Other current liabilities	11	2,393,277,752	2,115,307,148
Current portion of long-term borrowings	12,21,22	254,543,561,644	-
		<u>281,750,981,547</u>	<u>18,247,844,389</u>
Non-current liabilities			
Long-term borrowings	12,21,22	919,986,095,093	1,062,285,032,142
Other non-current financial liabilities	10,21,22	38,546,702,984	35,201,826,651
Other non-current liabilities	11	3,542,346,382	3,353,833,625
		<u>962,075,144,459</u>	<u>1,100,840,692,418</u>
Total liabilities		<u>1,243,826,126,006</u>	<u>1,119,088,536,807</u>
Equity			
Share capital	13	213,089,000,000	213,089,000,000
Other paid-in-capital	13	900,186,631,606	900,186,631,606
Retained earnings	14	20,551,500,840	21,517,836,384
Equity attributable to equity holders of the Parent Company		<u>1,133,827,132,446</u>	<u>1,134,793,467,990</u>
Total equity		<u>1,133,827,132,446</u>	<u>1,134,793,467,990</u>
Total liabilities and equity		<u>₩ 2,377,653,258,452</u>	<u>₩ 2,253,882,004,797</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
Six-Month Periods Ended May 31, 2023 and November 30, 2022

<i>(in Korean won)</i>	Notes	May 31, 2023		November 30, 2022	
Operating revenues	17	₩	49,482,601,960	₩	49,006,142,346
Operating expenses	18		<u>23,403,461,991</u>		<u>26,456,797,054</u>
Operating profit			<u>26,079,139,969</u>		<u>22,549,345,292</u>
Non-operating income					
Financial income	19,22		1,002,369,799		628,242,226
Other income	20		7,703,969		277,510,151
Gains on valuation using equity method	8		<u>16,853,346,484</u>		<u>5,042,759,149</u>
			<u>17,863,420,252</u>		<u>5,948,511,526</u>
Non-operating expense					
Financial expenses	19,22		15,928,791,765		15,648,941,838
Other expenses	20		<u>-</u>		<u>86,633,224</u>
			<u>15,928,791,765</u>		<u>15,735,575,062</u>
Profit before income tax expense			28,013,768,456		12,762,281,756
Income tax expense	15		<u>-</u>		<u>-</u>
Profit for the period		₩	<u>28,013,768,456</u>	₩	<u>12,762,281,756</u>
Owners of the Parent Company			28,013,768,456		12,762,281,756
Other comprehensive income			<u>-</u>		<u>-</u>
Total comprehensive income for the period		₩	<u>28,013,768,456</u>	₩	<u>12,762,281,756</u>
Owners of the Parent Company			28,013,768,456		12,762,281,756
Earnings per share					
Basic and diluted earnings per share	16	₩	131	₩	60

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
Six-Month Periods Ended May 31, 2023 and November 30, 2022

(in Korean won)

	<u>Equity attributable to equity holders of the Parent Company</u>			Non-controlling interests	Total
	Share capital	Other paid-in-capital	Retained earnings		
Balance at June 1, 2022	₩ 213,089,000,000	₩ 900,186,631,606	₩ 37,309,480,628	₩ -	₩ 1,150,585,112,234
Dividends paid	-	-	(28,553,926,000)	-	(28,553,926,000)
Profit for the period	-	-	12,762,281,756	-	12,762,281,756
Balance at November 30, 2022	<u>₩ 213,089,000,000</u>	<u>₩ 900,186,631,606</u>	<u>₩ 21,517,836,384</u>	<u>₩ -</u>	<u>₩ 1,134,793,467,990</u>
Balance at December 1, 2022	₩ 213,089,000,000	₩ 900,186,631,606	₩ 21,517,836,384	₩ -	₩ 1,134,793,467,990
Dividends paid	-	-	(28,980,104,000)	-	(28,980,104,000)
Profit for the period	-	-	28,013,768,456	-	28,013,768,456
Balance at May 31, 2023	<u>₩ 213,089,000,000</u>	<u>₩ 900,186,631,606</u>	<u>₩ 20,551,500,840</u>	<u>₩ -</u>	<u>₩ 1,133,827,132,446</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
Six-Month Periods Ended May 31, 2023 and November 30, 2022

<i>(in Korean won)</i>	May 31, 2023	November 30, 2022
Cash flows from operating activities		
Profit for the period	₩ 28,013,768,456	₩ 12,762,281,756
Adjustments for:		
Depreciation for property and equipment	10,172,056	10,227,945
Depreciation for investment properties	13,823,987,496	13,767,305,001
Interest expense	15,928,791,765	15,648,941,838
Interest income	-	86,527,759
Other income	(1,002,369,799)	(628,242,226)
Gains from assets contributed	(517,683,413)	(513,148,104)
Miscellaneous income	-	(277,061,000)
Gains on valuation using equity method	(16,853,346,484)	(5,042,759,149)
	<u>11,389,551,621</u>	<u>23,051,792,064</u>
Changes in operating assets and liabilities:		
Increase in account receivables	(40,204,966)	(19,096,529)
Increase in accrued income	(389,722,437)	(531,380,836)
Decrease (increase) in prepaid expenses	(264,275,563)	112,000,991
Decrease in prepaid value added tax	202,664,760	-
Increase in unearned revenue	614,792,638	-
Increase (decrease) in non-trade payables	(1,273,922,246)	198,001,202
Decrease in accrued expenses	-	(451,000)
Increase (decrease) in withholdings	100,604,860	(120,445,170)
Increase (decrease) in value added tax withheld	(430,219,854)	55,803,416
	<u>(1,480,282,808)</u>	<u>(305,567,926)</u>
	<u>37,923,037,269</u>	<u>35,508,505,894</u>
Interest received	605,797,288	71,203,134
Income taxes received (paid)	126,577,771	(694,649,246)
Interest paid	(15,339,384,064)	(13,229,559,210)
Dividends received	3,962,552,256	4,298,398,455
Net cash inflow from operating activities	<u>27,278,580,520</u>	<u>25,953,899,027</u>
Cash flows from investing activities		
Decrease in short-term financial instruments	-	66,084,535
Decrease in other deposits	543,000,000	-
Decrease in short-term loans	15,000,000,000	-
Decrease in long-term financial instruments	27,100,379,800	-
Increase in long-term financial instruments	(24,393,726,400)	-
Increase in short-term financial instruments	(4,854,929,400)	-
Acquisition of investment properties (Land)	(31,966,562,231)	-
Acquisition of investment properties (Building)	(99,925,108,893)	-
Acquisition of investment properties (Construction in progress)	(72,606,929)	(283,789,738)
Increase in other deposits	(150,000,000)	-
Net cash outflow from investing activities	<u>(118,719,554,053)</u>	<u>(217,705,203)</u>
Cash flows from financing activities		
Proceeds from long-term borrowings	112,600,000,000	-
Proceeds from leasehold deposits received	2,401,905,000	-
Dividends paid	(28,980,104,000)	(28,553,926,000)
Repayments of leasehold deposits received	(161,956,000)	-
Net cash inflow (outflow) from financing activities	<u>85,859,845,000</u>	<u>(28,553,926,000)</u>
Net decrease in cash and cash equivalents	<u>(5,581,128,533)</u>	<u>(2,817,732,176)</u>
Cash and cash equivalents at the beginning of period	<u>31,103,100,434</u>	<u>33,920,832,610</u>
Cash and cash equivalents at the end of period	<u>₩ 25,521,971,901</u>	<u>₩ 31,103,100,434</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, 2023 and November 30, 2022

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 NO.1 REIT Co., Ltd. and ESR Kendall Square Asset NO.2 REIT Co., Ltd. included in consolidation (collectively referred to as the "Group").

1.1 Controlling Company

ESR Kendall Square REIT Co., Ltd. (the "Parent company") was established on February 20, 2020 under the Real Estate Investment Companies Act of the Republic of Korea. The Parent company obtained approval of the business authorization from the Ministry of Land, Infrastructure and Transport of the Republic of Korea on August 24, 2020. The Parent company 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 Parent company's head office is located on the 35th floor, Gukjegeumyung-ro 10, Yeongdeungpo-Gu, Seoul.

The Parent company's major shareholders and their respective shareholdings as at May 31, 2023, are as follows:

Shareholders	Number of shares	Percentage of ownership (%)
ESR Kendall Square REIT Holding Pte. Ltd.	13,684,437	6.42%
ESR Kendall Square Co., Ltd.	8,183,698	3.84%
Kendall Square REIT Management Inc.	1,487,438	0.70%
CPP Investment Board Real Estate Holdings Inc.	52,952,822	24.85%
Others	136,780,605	64.19%
	<u>213,089,000</u>	<u>100.00%</u>

1.2 Subsidiaries

Details of subsidiaries as at May 31, 2023 and November 30, 2022, are as follows:

	Location	Business type	Percentage of ownership	
			May 31, 2023	November 30, 2022
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	Korea	Real estate	100%	100%
ESR Kendall Square Asset No. 2 REIT Co., Ltd.	Korea	Real estate	100%	100%

ESR Kendall Square REIT Co., Ltd. and its Subsidiaries
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Financial information of subsidiaries as at and for the six-month periods ended May 31, 2023 and November 30, 2022, are as follows:

		May 31, 2023					Total
<i>(in thousands of Korean won)</i>	Assets	Liabilities	Equity	Operating revenues	Profit for the period	comprehensive income	
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ 1,161,375,829	₩ 651,421,987	₩ 509,953,841	₩ 30,317,814	₩ 9,155,561	₩ 9,155,561	
ESR Kendall Square Asset No. 2 REIT Co., Ltd.	991,890,283	552,201,388	439,688,896	19,164,788	2,647,233	2,647,233	
		November 30, 2022					Total
<i>(in thousands of Korean won)</i>	Assets	Liabilities	Equity	Operating revenues	Profit for the period	comprehensive income	
ESR Kendall Square Asset No. 1 REIT Co., Ltd.	₩ 1,166,470,369	₩ 650,520,131	₩ 515,950,238	₩ 30,276,392	₩ 6,603,232	₩ 6,603,232	
ESR Kendall Square Asset No. 2 REIT Co., Ltd.	869,990,031	468,434,447	401,555,584	18,729,750	1,424,670	1,424,670	

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 (Hangul) 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:

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

Notes to the Consolidated Financial Statements

May 31, 2023 and November 30, 2022

- Certain financial assets and liabilities, certain classes of property, plant and equipment, and investment property – measured at fair value
- assets held for sale – measured at fair value less costs to sell

The preparation of financial statements requires the use of critical accounting estimates. 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, 2022.

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

The amendments update a reference of definition of assets and liabilities to be recognized in a business combination 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 clarify that contingent assets should not be recognized at the acquisition date. The amendment does not have a significant impact on the consolidated financial statements.

(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 amendment does not have a significant impact on the consolidated 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 amendment does not have a significant impact on the consolidated financial statements.

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

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May 31, 2023 and November 30, 2022

(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 amendment does not have a significant impact on the consolidated 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 1041 Agriculture – Measuring fair value

2.2.2 New standards and interpretations not yet adopted by the Group

The following new accounting standards and interpretations have been published that are not mandatory for May 31, 2023 reporting period and have not been early adopted by the Group.

(a) 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 includes 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, 2024, and earlier application is permitted. The Group is in review for the impact of these amendments on the consolidated financial statements.

(b) Korean IFRS 1001 Presentation of Financial Statements - Disclosure of Accounting Policies

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policies. 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 consolidated financial statements.

(c) Korean IFRS 1008 Accounting policies, changes in accounting estimates and errors - Definition of Accounting Estimates

The amendments define accounting estimates and clarify how to distinguish them from changes in accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

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Notes to the Consolidated Financial Statements

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(d) Korean IFRS 1012 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments include an additional condition to the exemption to initial recognition of an asset or liability that a transaction does not give rise to equal taxable and deductible temporary differences at the time of the transaction. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

(e) New Standard: Korean IFRS 1117 Insurance Contract

Korean IFRS 1117 *Insurance Contracts* replaces Korean IFRS 1104 *Insurance Contracts*. This Standard estimates future cash flows of an insurance contract and measures insurance liabilities using discount rates applied with assumptions and risks at the measurement date. The entity recognizes insurance revenue on an accrual basis including services (insurance coverage) provided to the policyholder by each annual period. In addition, investment components (Refunds due to termination/maturity) repaid to a policyholder even if an insured event does not occur, are excluded from insurance revenue, and insurance financial income or expense and the investment income or expense are presented separately to enable users of the information to understand the sources of income or expenses. This Standard should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted for entities that applied Korean IFRS 1109 *Financial Instruments*. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

(f) Korean IFRS 1001 Presentation of Financial Statements - Disclosure of gain or loss on valuation of financial liabilities subject to adjustment of exercise price

If the entire or a part of financial instrument, whose exercise price is subject to change due to the issuer's share price, is classified as a financial liability, the carrying amount of the financial liability and related gains and losses shall be disclosed. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

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 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.

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(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 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.

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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
- 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.

- 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.

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- 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 'financial income or financial 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.

- Other financial assets measured at amortized cost

Other 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

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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.

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.

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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 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 measured by the method described in note 22.

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2.9 Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation of the Group's property and equipment, consisting of supplies, is calculated using the straight-line method over their estimated useful lives (5 years).

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.10 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 within 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.

2.11 Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Investment income earned on the temporary investment of specific borrowings on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

2.12 Capital Stock and Share Issuance Expenses

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

2.13 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.

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2.14 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. Interest expenses are recognized in profit or loss as incurred using the effective interest method.

2.15 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 a business combination, or items recognized in other comprehensive income or directly in equity.

Under the Article 51-2 of Corporate Tax Act of the Republic of Korea, Income Deductions for Special Purpose Companies, etc., if the Group distributes 90% or more of its profit available for dividends as dividends, the Group shall be entitled to deduct such amount from its taxable income for the relevant business year. Since there was no corporate tax to be paid, the Company has not recognized any income tax expense.

2.16 Approval of issuance of the Consolidated Financial Statements

The Group's consolidated financial statements as at and for the six-month period ended May 31, 2023 were approved for issue by the Board of Directors on July 13, 2023 and are to be approved at the Annual General Meeting scheduled on August 25, 2023.

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 included in relevant notes.

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4. Cash and Cash Equivalents

Cash and cash equivalents as at May 31, 2023 and November 30, 2022, are as follows:

<i>(in thousands of Korean won)</i>		May 31, 2023		November 30, 2022
Bank deposits	₩	25,521,972	₩	31,103,100

5. Financial Instruments Restricted in Use

Financial instruments that are restricted in use as at May 31, 2023 and November 30, 2022, are as follows:

<i>(in thousands of Korean won)</i>		May 31, 2023		November 30, 2022
Short-term financial instruments ¹	₩	3,119,866	₩	-
Long-term financial instruments ¹		39,157,642		42,218,793
	₩	<u>42,277,508</u>	₩	<u>42,218,793</u>

¹ Consist of bank deposit, time deposit, and financial receivables with compound interests of small and medium-sized companies and are pledged on the leasehold deposits.

6. Other Financial Assets

Other financial assets as at May 31, 2023 and November 30, 2022, are as follows:

<i>(in thousands of Korean won)</i>		May 31, 2023		November 30, 2022
Current assets				
Account receivables	₩	1,130,955	₩	1,090,750
Accrued income		8,671,099		7,660,841
Short-term loans		-		15,000,000
	₩	<u>9,802,054</u>	₩	<u>23,751,591</u>
Non-current assets				
Other leasehold deposits	₩	150,000	₩	543,000
	₩	<u>150,000</u>	₩	<u>543,000</u>

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7. Other Assets

Other assets as at May 31, 2023 and November 30, 2022, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2023		November 30, 2022	
Current assets				
Prepaid expenses	₩	1,315,414	₩	1,773,114
Prepaid value added tax		9,421,379		-
	₩	<u>10,736,793</u>	₩	<u>1,773,114</u>
Non-current assets				
Prepaid expenses	₩	721,975	₩	-
	₩	<u>721,975</u>	₩	<u>-</u>

8. Investment in Associates

Investment in associates as at May 31, 2023 and November 30, 2022, are as follows:

(in thousands of Korean won)

	Location	Percentage of ownership	Number of shares invested	May 31, 2023			
				Beginning balance	Share of profit	Dividends	Ending balance
Beneficiary certificates:							
KendallSquare Professional Investment Type Real Estate Investment Fund #6	Korea	99.20%	37,264,025,475	₩ 46,420,708	₩ 6,268,287	₩ (992,014)	₩ 51,696,981
KendallSquare Professional Investment Type Real Estate Investment Fund #7	Korea	99.28%	41,126,694,806	41,601,024	2,966,124	(595,655)	43,971,493
KendallSquare Professional Investment Type Real Estate Investment Fund #8	Korea	99.21%	37,743,009,474	43,522,986	3,023,152	(1,091,326)	45,454,812
KendallSquare Professional Investment Type Real Estate Investment Fund #11	Korea	99.29%	42,104,284,981	43,844,065	3,374,042	(992,925)	46,225,182
KendallSquare Professional Investment Type Real Estate Investment Fund #18	Korea	97.78%	30,898,138,840	30,380,887	1,221,742	(635,600)	30,967,029
				<u>₩ 205,769,670</u>	<u>₩ 16,853,347</u>	<u>₩ (4,307,520)</u>	<u>₩ 218,315,497</u>

Although percentage of ownership of the above beneficiary certificates exceed 50%, the beneficiary certificates are classified as associates because they are trust type beneficiary certificates that are determined to have no de facto control in accordance with the Financial Investment Services and Capital Markets Act and trust contract.

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(in thousands of Korean won)

	Location	Percentage of ownership	Number of shares invested	November 30, 2022			Ending balance
				Beginning balance	Share of profit	Dividends	
Beneficiary certificates:							
KendallSquare Professional Investment Type Real Estate Investment Fund #6	Korea	99.20%	37,264,025,475	₩ 46,128,366	₩ 1,085,953	₩ (793,611)	₩ 46,420,708
KendallSquare Professional Investment Type Real Estate Investment Fund #7	Korea	99.28%	41,126,694,806	41,218,197	1,276,309	(893,482)	41,601,024
KendallSquare Professional Investment Type Real Estate Investment Fund #8	Korea	99.21%	37,743,009,474	43,242,069	1,173,820	(892,903)	43,522,986
KendallSquare Professional Investment Type Real Estate Investment Fund #11	Korea	99.29%	42,104,284,981	43,789,196	948,502	(893,633)	43,844,065
KendallSquare Professional Investment Type Real Estate Investment Fund #18	Korea	97.78%	30,898,138,840	30,311,636	558,175	(488,923)	30,380,887
				₩ 204,689,464	₩ 5,042,759	₩ (3,962,552)	₩ 205,769,670

Although percentage of ownership of the above beneficiary certificates exceed 50%, the beneficiary certificates are classified as associates because they are trust type beneficiary certificates that are determined to have no de facto control in accordance with the Financial Investment Services and Capital Markets Act and trust contract.

9. Investment Properties

Investment properties as at May 31, 2023 and November 30, 2022, are as follows:

(in thousands of Korean won)

	May 31, 2023			November 30, 2022		
	Acquisition cost	Accumulated depreciation	Book amount	Acquisition cost	Accumulated depreciation	Book amount
Land	₩ 640,168,172	₩ -	₩ 640,168,172	₩ 607,327,301	₩ -	₩ 607,327,301
Buildings	1,471,007,157	(54,247,270)	1,416,759,887	1,368,358,377	(40,423,283)	1,327,935,094
Construction in progress	10,294,626	-	10,294,626	12,508,660	-	12,508,660
	₩ 2,121,469,955	₩ (54,247,270)	₩ 2,067,222,685	₩ 1,988,194,338	₩ (40,423,283)	₩ 1,947,771,055

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Changes in investment properties for the periods ended May 31, 2023 and November 30, 2022, are as follows:

(in thousands of Korean won)

	May 31, 2023			
	Land	Building	Construction in progress	Total
Beginning balance	₩ 607,327,301	₩ 1,327,935,095	₩ 12,508,660	₩ 1,947,771,056
Acquisition	32,275,498	100,887,513	112,606	133,275,617
Transfer	565,373	1,761,267	(2,326,640)	-
Depreciation	-	(13,823,988)	-	(13,823,988)
Ending balance	<u>₩ 640,168,172</u>	<u>₩ 1,416,759,887</u>	<u>₩ 10,294,626</u>	<u>₩ 2,067,222,685</u>

(in thousands of Korean won)

	November 30, 2022			
	Land	Building	Construction in progress	Total
Beginning balance	₩ 607,327,301	₩ 1,341,425,339	₩ 12,224,870	₩ 1,960,977,510
Acquisition	-	277,060	283,790	560,850
Transfer	-	-	-	-
Depreciation	-	(13,767,305)	-	(13,767,305)
Ending balance	<u>₩ 607,327,301</u>	<u>₩ 1,327,935,094</u>	<u>₩ 12,508,660</u>	<u>₩ 1,947,771,055</u>

Details of acquisition for the period ended May 31, 2023, are as follows:

(in thousands of Korean won)	Purchase price¹	Seller
Icheon logistics park 7	₩ 127,134,000	EAST-ICHEON LOGISTICS CENTER CO., LTD

¹ The amount excludes the additional cost related to purchase.

Revenues and expenses related to investment properties for the periods ended May 31, 2023 and November 30, 2022, are as follows:

(in thousands of Korean won)	May 31, 2023	November 30, 2022
Operating revenues ¹	₩ 48,960,699	₩ 48,490,594
Operating expenses ²	17,452,190	20,699,031

¹ Operating revenues consist of rental income and management income.

² Operating expenses consist of insurance expense, depreciation expense, real estate management consignment fees, facility maintenance & administrative expenses, taxes and due, utilities expenses, deemed rent, and rental brokerage fees.

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The officially assessed land price and assessed value of buildings of investment properties as of acquisition date and as of May 31, 2023 are as follow:

<i>(in Korean won per m²)</i>		Acquisition date	Officially assessed land price		Assessed value of buildings	
Classification	Address		At acquisition	May 31, 2023	At acquisition	May 31, 2023
Goyang logistics park	570 Gwonyul-daero, Deogyang-gu, Goyang-si, Gyeonggi-do	December 14, 2020	₩ 1,700,000	₩ 2,151,000	₩ 653,721	₩ 721,926
Yongin logistics park	120 Deokpyeong-ro, Baegam-myeon, Cheoin-gu, Yongin-si, Gyeonggi-do	December 14, 2020	301,300	326,600	508,453	539,022
Icheon logistics park 2	472-96 Deokpyeong-ro, Hobeop-myeon, Icheon-si, Gyeonggi-do	December 14, 2020	167,900	178,000	642,919	696,755
Icheon logistics park 3	472-67 Deokpyeong-ro, Hobeop-myeon, Icheon-si, Gyeonggi-do	December 14, 2020	177,900	187,100	601,219	626,173
Buchon cold logistics park	801 Ojeong-dong, Ojeong-gu, Bucheon-si, Gyeonggi-do	December 14, 2020	892,900	1,076,000	622,157	666,281
Gimhae logistics park	680-77 Sangdong-ro, Sangdong-myeon, Gimhae-si	December 14, 2020	281,600	285,300	223,031	196,578
Anseong logistics park	35 Nokbae-gil, Juksan-myeon, Anseong-si, Gyeonggi-do	June 01, 2021	164,900	166,200	543,688	566,115
Anseong logistics park 4	150, Samjuk-ro, Samjuk-myeon, Anseong-si, Gyeonggi-do	November 30, 2021	16,200	192,900	609,983	587,942
Gimhae logistics park 2	680-59, Sangdong-ro, Sangdong-myeon, Gimhae-si	December 20, 2021	311,300	308,400	537,401	632,000
Anseong logistics park 2	61, Wongokmullyudanji 1-ro, Wongok-myeon, Anseong-si	December 20, 2021	432,400	428,000	603,654	607,530
Anseong logistics park 3	168-121, Noseong-ro, Iljuk-myeon, Anseong-si, Gyeonggi-do	December 20, 2021	138,000	137,100	579,432	573,282
Icheon logistics park 5	309, Cheongganggachang-ro, Majang-myeon, Icheon-si, Gyeonggi-do	December 20, 2021	291,500	292,300	593,850	605,396
Icheon logistics park 7	205, Gyeongchung-daero 1687beon-gil, Daewol-myeon, Icheon-si, Gyeonggi-do	May 10, 2023	37,300	37,300	776,950	776,950

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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&B&C	₩ 1,176,571,434	₩ 653,500,000	₩ 784,200,000
Tranche C1-1	73,608,442	41,800,000	50,160,000
Tranche C1-2	335,746,079	187,900,000	225,480,000
Tranche C1-3	131,024,064	73,800,000	88,560,000
Tranche C2	205,060,588	114,500,000	137,400,000
Secured loan of East-Icheon BRIC logistics park	134,917,452	72,600,000	87,120,000
	<u>₩ 2,056,928,059</u>	<u>₩ 1,144,100,000</u>	<u>₩ 1,372,920,000</u>

The Group subscribes to the property all risks insurance (insured amount: ₩ 898,099 million) in relation to investment property.

10. Other Financial Liabilities

Other financial liabilities as at May 31, 2023 and November 30, 2022, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2023	November 30, 2022
Current liabilities		
Non-trade payables	₩ 15,432,639	₩ 5,771,177
Accrued expense	5,707,859	5,264,366
Leasehold deposits	3,693,509	5,160,968
Discount account on present value	(19,865)	(63,974)
	<u>₩ 24,814,142</u>	<u>₩ 16,132,537</u>
Non-current liabilities		
Leasehold deposits	₩ 43,239,907	₩ 39,532,499
Discount account on present value	(4,693,204)	(4,330,672)
	<u>₩ 38,546,703</u>	<u>₩ 35,201,827</u>

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11. Other Liabilities

Other liabilities as at May 31, 2023 and November 30, 2022, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2023		November 30, 2022	
Current liabilities				
Withholdings	₩	100,927	₩	322
Value added tax withholdings		603,895		1,034,115
Unearned revenue		1,688,456		1,080,871
	₩	<u>2,393,278</u>	₩	<u>2,115,308</u>
Non-current liabilities				
Unearned revenue	₩	3,542,346	₩	3,353,834
	₩	<u>3,542,346</u>	₩	<u>3,353,834</u>

12. Borrowings

Details of current portion of long-term borrowings as at May 31, 2023 and November 30, 2022, are as follows:

<i>(in thousands of Korean won)</i>	Financial institution	Annual interest rate	Maturity date	May 31, 2023		November 30, 2022	
Tranche A	Hanwha General Insurance Co., Ltd.	2.22%	December 14, 2023	₩	50,000,000	₩	-
	Bank of China	2.22%	December 14, 2023		50,000,000		-
	Shinhan Bank	2.22%	December 14, 2023		50,000,000		-
	Industrial Bank of Korea	2.22%	December 14, 2023		105,000,000		-
						<u>255,000,000</u>	
	Less: discount				(456,438)		-
				₩	<u>254,543,562</u>	₩	<u>-</u>

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Details of long-term borrowings as at May 31, 2023 and November 30, 2022, are as follows:

<i>(in thousands of Korean won)</i>	Financial institution	Annual interest rate	Maturity date		May 31, 2023	November 30, 2022
	Hanwha General Insurance Co., Ltd.	2.22%	December 14, 2023	₩	50,000,000	₩ 50,000,000
	Bank of China	2.22%	December 14, 2023		50,000,000	50,000,000
Tranche A ¹	Shinhan Bank	2.22%	December 14, 2023		50,000,000	50,000,000
	Industrial Bank of Korea	2.22%	December 14, 2023		105,000,000	105,000,000
	KB Insurance Co., Ltd.	2.50%	November 30, 2024		34,300,000	34,300,000
Tranche B ¹	Industrial Bank of Korea	2.50%	December 14, 2025		155,500,000	155,500,000
	NongHyup Life Insurance Co., Ltd.	2.50%	December 14, 2025		40,000,000	40,000,000
	Industrial Bank of Korea	2.50%	December 14, 2025		28,700,000	28,700,000
Tranche C ¹	Hanwha General Insurance Co., Ltd.	2.50%	December 14, 2025		50,000,000	50,000,000
	NongHyup Life Insurance Co., Ltd.	2.50%	December 14, 2025		40,000,000	40,000,000
	TONGYANG Life Insurance Co., Ltd.	2.50%	December 14, 2025		50,000,000	50,000,000
Tranche C1-1 ¹	KB Kookmin Bank	2.50%	December 20, 2024		32,751,000	32,751,000
	KB Insurance Co., Ltd.	2.50%	December 20, 2024		9,049,000	9,049,000
Tranche C1-2 ¹	KB Kookmin Bank	2.50%	December 20, 2024		147,225,000	147,225,000
	KB Insurance Co., Ltd.	2.50%	December 20, 2024		40,675,000	40,675,000
Tranche C1-3 ¹	KB Kookmin Bank	2.50%	December 20, 2024		57,824,000	57,824,000
	KB Insurance Co., Ltd.	2.50%	December 20, 2024		15,976,000	15,976,000
Tranche C-2 ¹	KB Kookmin Bank	2.70%	December 20, 2026		114,500,000	114,500,000
Tranche D	Industrial Bank of Korea	3.80%	December 20, 2024		20,000,000	-
	KB Kookmin Bank	3.55%	December 14, 2025		20,000,000	-
Secured loan of East-Icheon	The Kwangju Bank, Ltd.	5.15%	May 10, 2026		5,000,000	-
BRIC logistics	Daegu Bank	5.15%	May 10, 2026		10,000,000	-

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<i>(in thousands of Korean won)</i>	Financial institution	Annual interest rate	Maturity date	May 31, 2023	November 30, 2022
park ^{1,2}	BUSAN BANK	5.15%	May 10, 2026	5,000,000	-
	NongHyup Bank	5.15%	May 10, 2026	27,000,000	-
	Shinhan Bank	5.15%	May 10, 2026	25,600,000	-
				<u>1,184,100,000</u>	<u>1,071,500,000</u>
	Less: discount			(9,570,343)	(11,214,719)
	Reclassification to current portion			(254,543,562)	-
				<u>₩ 919,986,095</u>	<u>₩ 1,062,285,032</u>

¹ The Group provided the investment properties and leasehold deposits as collateral for the borrowings (Note 26).

² Interest rate for the secured loan of East-Icheon BRIC logistics park is floating rate, which is CD+1.6%. 5.15% on the above is interest rate for initial interest period.

13. Share Capital and Other Paid-in-Capital

Details of share capital as at May 31, 2023, 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	213,089,000 shares	₩ 1,000	₩ 213,089,000,000

Details of other paid-in-capital as at May 31, 2023 and November 30, 2022, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2023	November 30, 2022
Additional paid-in-capital	₩ 900,186,632	₩ 900,186,632

Changes in share capital for the periods ended May 31, 2023 and November 30, 2022, are as follows:

<i>(in shares and in thousands of Korean won)</i>	May 31, 2023		November 30, 2022	
	Number of shares	Amount	Number of shares	Amount
Beginning balance	213,089,000	₩ 213,089,000	213,089,000	₩ 213,089,000
Ending balance	<u>213,089,000</u>	<u>₩ 213,089,000</u>	<u>213,089,000</u>	<u>₩ 213,089,000</u>

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14. Retained Earnings

Details of retained earnings as at May 31, 2023 and November 30, 2022, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2023		November 30, 2022	
Retained earnings	₩	20,551,501	₩	21,517,837

Changes in retained earnings for the periods ended May 31, 2023 and November 30, 2022, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2023		November 30, 2022	
Beginning balance	₩	21,517,837	₩	37,309,481
Dividends paid		(28,980,104)		(28,553,926)
Profit for the period		28,013,768		12,762,282
Ending balance	₩	<u>20,551,501</u>	₩	<u>21,517,837</u>

Dividends for the periods ended May 31, 2023 and November 30, 2022, are calculated as follows:

<i>(in Korean won)</i>	May 31, 2023		November 30, 2022	
Dividends(A)	₩	28,767,015,000	₩	28,980,104,000
Total number of shares issued(B)		213,089,000		213,089,000
Dividend per share(C=A/B)	₩	135	₩	136
Par value(D)	₩	1,000	₩	1,000
Dividend rate per share(E=C/D)		13.50%		13.60%

15. 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.

Under the Article 51-2 of Corporate Tax Act of the Republic of Korea, Income Deductions for Special Purpose Companies, etc., if the Group distributes 90% or more of its profit available for dividends as dividends, the Group shall be entitled to deduct such amount from its taxable income for the relevant business year. Since there was no corporate tax to be paid, the Group has not recognized any income tax expense.

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16. Earnings per Share

Basic earnings per share for the periods ended May 31, 2023 and November 30, 2022, are as follows:

<i>(in shares and in Korean won)</i>	May 31, 2023		November 30, 2022	
Profit for the period attributable to owners of the Parent Company	₩	28,013,768,456	₩	12,762,281,756
Weighted average number of common shares outstanding		213,089,000		213,089,000
Basic earnings per share	₩	131	₩	60

Weighted average number of common shares outstanding for the periods ended May 31, 2023 and November 30, 2022, are calculated as follows:

<i>(in shares)</i>	May 31, 2023		
	Number of shares	Accumulated number of days	Accumulated number of common shares outstanding
Beginning	213,089,000	182	38,782,198,000
Weighted average number of common shares outstanding			213,089,000

<i>(in shares)</i>	November 30, 2022		
	Number of shares	Accumulated number of days	Accumulated number of common shares outstanding
Beginning	213,089,000	183	38,995,287,000
Weighted average number of common shares outstanding			213,089,000

Diluted earnings per share

As at May 31, 2023 and November 30, 2022, the Group did not issue any potential ordinary shares. Therefore, basic earnings per share is identical to diluted earnings per share.

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17. Operating Revenues

Operating revenues for the periods ended May 31, 2023 and November 30, 2022, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2023	November 30, 2022
Rental income	₩ 47,506,726	₩ 47,088,468
Management income	1,453,973	1,402,126
Other income	521,903	515,548
	<u>₩ 49,482,602</u>	<u>₩ 49,006,142</u>

The future minimum lease payments expected to be received in relation to the operating lease agreement as at May 31, 2023 and November 30, 2022, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2023	November 30, 2022
Within one year	₩ 93,832,377	₩ 88,256,119
Between 1 and 2 years	88,829,717	81,824,712
Between 2 and 3 years	80,265,770	75,821,528
Between 3 and 4 years	59,797,434	55,296,310
Between 4 and 5 years	46,007,477	38,709,222
Later than five years	35,829,541	53,536,797
	<u>₩ 404,562,316</u>	<u>₩ 393,444,688</u>

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18. Operating Expenses

Operating expenses for the periods ended May 31, 2023 and November 30, 2022, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2023		November 30, 2022	
Operating expenses related to investment properties:				
Insurance expenses	₩	1,667,848	₩	1,738,827
Depreciation		13,823,987		13,767,305
Real estate management consignment fees		1,790,465		1,610,221
Facility maintenance & administrative expenses		95,462		63,287
Taxes and due		10,463		3,496,482
Utilities expenses		6,494		3,817
Deemed rent		41,743		19,092
Rental brokerage fees		15,728		-
		<u>17,452,190</u>		<u>20,699,031</u>
Other operating expenses:				
Asset management consignment fees		4,963,519		4,949,282
Asset management performance fees		80,523		-
Other fees		569,835		521,313
Agent bank fees		50,000		-
Asset custody consignment fees		60,000		60,000
General affairs consignment fees		127,222		126,943
Salaries		90,000		90,000
Depreciation		10,172		10,228
		<u>5,951,271</u>		<u>5,757,766</u>
	₩	<u>23,403,461</u>	₩	<u>26,456,797</u>

19. Finance Income and Expenses

Financial income and expenses for the periods ended May 31, 2023 and November 30, 2022, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2023		November 30, 2022	
Financial income				
Interest income	₩	1,002,370	₩	628,242
Financial expenses				
Interest expenses	₩	15,928,792	₩	15,648,942

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20. Other Income and Expenses

Other income and expenses for the periods ended May 31, 2023 and November 30, 2022, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2023	November 30, 2022
Other income		
Gains from assets contributed	₩ -	₩ 277,061
Miscellaneous income	7,704	449
	₩ 7,704	₩ 277,510
Other expenses		
Miscellaneous expenses	₩ -	₩ 86,633

21. Financial Risk Management

21.1 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 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, 2023 and November 30, 2022, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2023	November 30, 2022
Liabilities	₩ 1,243,826,126	₩ 1,119,088,537
Equity	1,133,827,132	1,134,793,468
Debt-to-equity ratio	109.70%	98.62%

21.2 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.

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(a) *Market risk*

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Group is exposed to the risk of fluctuations in market interest rates related to the part of borrowings. The management of the Group periodically reviews the status of interest rates. As at May 31, 2023, when all other variables are constant and the interest rate changes by 1%, the impact on the Company's profit before tax is as follows:

<i>(in thousands of Korean won)</i>		May 31, 2023	November 30, 2022
1% increase	₩	(375,603)	₩ -
1% decrease		375,603	-

Foreign Currency risk

As at May 31, 2023, the Group has no assets or liabilities exposed to changes in foreign exchange rates.

Other price risk

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices other than those arising from interest rate risk or Currency risk. In the case of the Group, other price risk is limited.

(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, 2023 and November 30, 2022, are as follows:

<i>(in thousands of Korean won)</i>		May 31, 2023	November 30, 2022
Cash and cash equivalents	₩	25,521,972	₩ 31,103,100
Short-term financial instruments		5,209,708	-
Long-term financial instruments		39,157,642	42,218,793
Other financial assets		9,952,054	24,294,591

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(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.

Analysis of liquidity risk as at May 31, 2023 and November 30, 2022, are as follows:

(in thousands of Korean won)

	May 31, 2023					
	Book amount	Contractual cash flows	Within 1 year	1 year ~ 2 years	2 years ~ 5 years	Over 5 years
Non-trade payables	₩ 15,432,639	₩ 15,432,639	₩ 15,432,639	₩ -	₩ -	₩ -
Current portion of long-term borrowings	254,543,562	258,055,389	258,055,389	-	-	-
Long-term borrowings	919,986,095	990,393,015	25,854,427	379,563,715	584,974,872	-
Leasehold deposits	42,220,347	46,933,416	3,693,509	217,308	28,515,295	14,507,304
	<u>₩ 1,232,182,643</u>	<u>₩ 1,310,814,459</u>	<u>₩ 303,035,964</u>	<u>₩ 379,781,023</u>	<u>₩ 613,490,167</u>	<u>₩ 14,507,304</u>

(in thousands of Korean won)

	November 30, 2022					
	Book amount	Contractual cash flows	Within 1 year	1 year ~ 2 years	2 years ~ 5 years	Over 5 years
Non-trade payables	₩ 5,771,177	₩ 5,771,177	₩ 5,771,177	₩ -	₩ -	₩ -
Accrued expenses	5,264,366	5,264,366	5,264,366	-	-	-
Long-term borrowings	1,062,285,032	1,134,883,518	26,302,500	310,158,634	798,422,384	-
Leasehold deposits	40,298,821	44,693,467	5,160,968	995,730	21,940,802	16,595,967
	<u>₩ 1,113,619,396</u>	<u>₩ 1,190,612,528</u>	<u>₩ 42,499,011</u>	<u>₩ 311,154,364</u>	<u>₩ 820,363,186</u>	<u>₩ 16,595,967</u>

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22. Financial Instruments by Category and Fair Value

(a) Financial instruments by category and fair value as at May 31, 2023 and November 30, 2022, are as follows:

(in thousands of Korean won)

	May 31, 2023		November 30, 2022	
	Book amount	Fair value	Book amount	Fair value
Financial assets at amortized cost				
Cash and cash equivalents	₩ 25,521,972	₩ 25,521,972	₩ 31,103,100	₩ 31,103,100
Short-term financial instruments	5,209,708	5,209,708	-	-
Long-term financial instruments	39,157,642	39,157,642	42,218,793	42,218,793
Other financial assets	9,952,054	9,952,054	24,294,591	24,294,591
	<u>₩ 79,841,376</u>	<u>₩ 79,841,376</u>	<u>₩ 97,616,484</u>	<u>₩ 97,616,484</u>
Financial liabilities				
Current portion of long-term borrowings	₩ 254,543,562	₩ 254,543,562	₩ -	₩ -
Long-term borrowings	919,986,095	919,986,095	1,062,285,032	1,062,285,032
Other financial liabilities	63,360,845	63,360,845	51,334,364	51,334,364
	<u>₩ 1,237,890,502</u>	<u>₩ 1,237,890,502</u>	<u>₩ 1,113,619,396</u>	<u>₩ 1,113,619,396</u>

(b) Net gains or losses on each category of financial instruments for the periods ended May 31, 2023 and November 30, 2022, are as follows:

(in thousands of Korean won)

	May 31, 2023	November 30, 2022
Financial assets at amortized cost		
Interest income	₩ 1,002,370	₩ 628,242
Financial liabilities at amortized cost		
Interest expenses	15,928,792	15,648,942

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23. Cash flow

The significant non-cash transactions for the periods ended May 31, 2023 and November 30, 2022, are as follows:

<i>(in thousands of Korean won)</i>	May 31, 2023	November 30, 2022
Reclassification to current portion of borrowings	₩ 254,543,562	₩ -
Reclassification to current portion of leasehold deposits received	1,305,503	2,915,087
Reclassification to current portion of unearned revenues	16,304	453,909
Transfer of discount on present value of leasehold deposits to unearned revenues	819,712	-
Reclassification to current portion of discount on present value of leasehold deposits	44,109	15,227
Reclassification to current portion of Financial Instruments	354,779	
Transfer of accrued income to investments in associates	4,307,520	3,962,552
Reclassification to current portion of accrued income	-	2,800,418
Transfer of construction-in-progress to land	565,374	-
Transfer of construction-in-progress to building	1,761,267	-
Transfer of asset management fee payables to land	308,936	-
Transfer of asset management fee payables to building	962,404	-
Transfer of non-trade payables to construction in progress	40,000	-
Transfer of prepaid value added tax to non-trade payables	9,624,044	-

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Changes in liabilities arising from financial activities for the period ended May 31, 2023, are as follows:

<i>(in thousands of Korean won)</i>	Beginning balance	Financing cash flows	Changes in non-cash transactions¹	Ending balance
Current portion of long-term borrowings	₩ -	₩ -	₩ 254,543,562	₩ 254,543,562
Long-term borrowings	1,062,285,032	112,600,000	(254,898,937)	919,986,095
Leasehold deposits	40,298,821	2,239,949	(318,423)	42,220,347

¹ Changes in non-cash transactions include non-cash movements and interest payments which are presented as operating cash flows in the statement of cash flows when paid.

24. Related Party Transactions

Related parties as at May 31, 2023 and November 30, 2022, are as follows:

	May 31, 2023	November 30, 2022
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 KendallSquare Professional Investment Type Real Estate Investment Fund #18	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 KendallSquare Professional Investment Type Real Estate Investment Fund #18
Other related parties ¹	Kendall Square REIT Management Inc. CPP Investment Board Real Estate Holdings Inc. ¹ ESR Kendall Square REIT Holding PTE, LTD. ¹	Kendall Square REIT Management Inc. CPP Investment Board Real Estate Holdings Inc. ¹ ESR Kendall Square REIT Holding PTE, LTD. ¹

¹ Rights to appoint a director based on shareholders' agreement of the Group which was granted to ESR KENDALL SQUARE REIT HOLDING PTE, LTD. and CPP INVESTMENT BOARD REAL ESTATE HOLDINGS INC., are terminated due to termination of the agreement, and the appointed directors as at May 31, 2023 are those who have been appointed by the parties within the term of the agreement.

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Transactions with related parties for the periods ended May 31, 2023 and November 30, 2022, are as follows:

(in thousands of Korean won)

	Related party	May 31, 2023	
		Asset management consignment fees ¹	Asset management performance fee
Other related party	Kendall Square REIT Management Inc.	₩ 6,234,860	₩ 88,575

¹ Asset management consignment fees for ESR Kendall Square REIT Management Inc. includes asset purchase fee amounting to ₩ 1,271 million, which is included in the acquisition cost of investment properties.

(in thousands of Korean won)

	Related party	November 30, 2022	
		Asset management consignment fees	Consignment service fees
Other related party	Kendall Square REIT Management Inc.	₩ 4,949,282	₩ 10,681

Outstanding balances to related parties as at May 31, 2023 and November 30, 2022, are as follows:

(in thousands of Korean won)

	Related party	May 31, 2023		November 30, 2022	
		Accrued income	Non-trade payables	Accrued income	Non-trade payables
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	₩ 992,014	₩ -	₩ 793,611	₩ -
	KendallSquare Professional Investment Type Real Estate Investment Fund #7	595,655	-	893,482	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #8	1,091,326	-	892,903	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #11	992,925	-	893,633	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #18	635,600	-	488,923	-
Other related party	Kendall Square REIT Management Inc.	-	5,459,871	-	5,444,210
		₩ 4,307,520	₩ 5,459,871	₩ 3,962,552	₩ 5,444,210

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Fund transactions with related parties for the periods ended May 31, 2023 and November 30, 2022, are as follows:

(in thousands of Korean won)

		May 31, 2023		November 31, 2022	
		Dividends received	Dividends paid	Dividends received	Dividends paid
Associates	KendallSquare Professional Investment Type Real Estate Investment Fund #6	₩ 793,611	₩ -	₩ 793,611	₩ -
	KendallSquare Professional Investment Type Real Estate Investment Fund #7	893,482	-	1,389,862	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #8	892,903	-	347,240	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #11	893,633	-	1,141,864	-
	KendallSquare Professional Investment Type Real Estate Investment Fund #18	488,923	-	625,822	-
Other related parties	Kendall Square REIT Management Inc.	-	202,292	-	199,317
	CPP INVESTMENT BOARD REAL ESTATE HOLDINGS INC	-	7,201,584	-	7,095,678
	ESR Kendall Square REIT Holding PTE, LTD.	-	1,861,083	-	1,833,715
		₩ 3,962,552	₩ 9,264,959	₩ 4,298,399	₩ 9,128,710

Compensation for key management of the Group for the periods ended May 31, 2023 and November 30, 2022, consists of:

(in thousands of Korean won)

	May 31, 2023	November 30, 2022
Short-term employee benefits	₩ 57,000	₩ 57,000

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25. 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.

Revenues of approximately ₩ 36,820 million (November 30, 2022: ₩ 37,236 million), over 10% of the Group's revenue, are derived from a single external customer who leases Buchon cold logistics park and 6 others.

26. 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 Kendall Square REIT Management Inc. 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>

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The amount of real estate that is the underlying asset of assets for purchase X 1.0% (*) X Consigner's ratio of shareholding

(*) 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 FUND PARTNERS 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 ₩ 105,000 thousand per every fiscal year. In addition, for the assets that the Group additionally purchase, the defined fee rate (0.005%~0.01%) of the weighted average purchase price of the additionally acquired assets is paid.

(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 ₩ 45,000 thousand per every fiscal year. The Group entered a consignment contract for custody and management of securities, cash and other assets except for real estate with Woori Bank. Fees are paid ₩ 15,000 thousand per every fiscal year. The Group entered a consignment contract for custody and management of real estate of Icheon logistics park 7, newly acquired during the current period, with KB Real Estate Trust Co., Ltd. Separate fees are determined according to the "real estate collateral trust contract", and the trust fee for the current period in relation to Icheon logistics park 7 is approximately ₩ 30,000 thousand.

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(d) Loan agreement

Details of the loan agreement as at May 31, 2023, are as follows:

<i>(in thousands of Korean won)</i>	Contract amount		Loan amount	
Tranche A (Hanwha General Insurance Co., Ltd., etc.)	₩	289,300,000	₩	289,300,000
Tranche B&C (Industrial Bank of Korea, etc.)		782,200,000		782,200,000
Tranche D (Industrial Bank of Korea)		20,000,000		20,000,000
Tranche D (KB Kookmin Bank)		30,000,000		20,000,000
Secured loan of East-Icheon BRIC logistics park		72,600,000		72,600,000
Value added tax loan for purchasing East-Icheon BRIC logistics park		10,000,000		-
	₩	1,204,100,000	₩	1,184,100,000

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

<i>(in thousands of Korean won)</i>	Collateral	Book value	Secured amount	Related borrowings	Financial institutions
Investment properties	Buchon cold logistics park and 4 others	₩ 461,098,492	₩ 306,000,000	Tranche A	Industrial Bank of Korea, etc.
	Goyang logistics park	490,547,155	437,040,000	Tranche B&C	Industrial Bank of Korea, etc.
	Anseong logistics park	163,627,484			
	Anseong logistics park 4	61,298,303	41,160,000	Tranche A	KB Insurance Co., Ltd
	Gimhae logistics park 2	73,608,442	50,160,000	Tranche C1-1	KB Insurance Co., Ltd, KB Kookmin Bank
	Anseong logistics park 2	335,746,079	225,480,000	Tranche C1-2	KB Insurance Co., Ltd, KB Kookmin Bank
	Anseong logistics park 3	131,024,064	88,560,000	Tranche C1-3	KB Insurance Co., Ltd, KB Kookmin Bank
	Icheon logistics park 5	205,060,588	137,400,000	Tranche C-2	KB Kookmin Bank
	Icheon logistics park 7	134,917,451	87,120,000	Secured loan of East-Icheon BRIC logistics park	The Kwangju Bank, Ltd., Daegu Bank, BUSAN BANK, NongHyup Bank, Shinhan Bank
		₩ 2,056,928,059	₩ 1,372,920,000		

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Among the Tranche A, the leasehold deposits of ₩ 310,684 thousand and ₩ 353,897 thousand are reserved as leasehold rights and senior collateral, respectively.

As at May 31, 2023, the Group has been provided a performance guarantee of ₩ 450 million in relation to the payment of electricity bills, a consent guarantee of ₩ 9.6 million in relation to a permission for development activities and a payment guarantee of ₩ 1,025 million in relation to leasehold deposits and management fee payment under the lease contract from Seoul Guarantee Insurance Company.

27.Events After the Reporting Period

(a) Termination of trust contract

After the reporting period, the Group has received a request for consent to terminate the trust contract from the collective investment business operator of the fund beneficiary certificates (Kendall Square Professional Investment Type Private Real Estate Trust No. 6) held by the Group due to the disposition of trust real estate.

(b) Repayment of long-term borrowings

During June 2023, the Group repaid the entire amount of its borrowings from KB Kookmin Bank of ₩ 20 billion in advance.

(c) Proceed of value added tax loan

After the reporting period, the Group proceeded a value added tax loan of ₩ 9,624,043 thousand for the purchase of East-Icheon BRIC logistics park.