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ESR GROUP LIMITED
(*Incorporated in the Cayman Islands with limited liability*)
(Stock Code: 1821)

PROFIT WARNING

This announcement is made by ESR Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (the "**SFO**") (Chapter 571 of the Laws of Hong Kong).

The board (the "**Board**") of directors (the "**Directors**") of the Company wishes to inform the shareholders of the Company (the "**Shareholders**") and potential investors that, based on the information currently available to the Board and the preliminary review of the unaudited consolidated management accounts of the Group for the six months ended 30 June 2024, the Group is expected to record net loss of approximately US$210 million for the period, as compared to its net profit of US$313.9 million for the six months ended 30 June 2023. The estimated decrease in profit is primarily attributable to non-cash asset revaluations and a lack of promote fee income in the current reporting period, which are reflective of current market conditions.

However, the Group's underlying business remains healthy and the Board is confident in the Group's ongoing strategic direction and core operating earnings. The Group continues to maximise long-term shareholder value via its five strategic aims as outlined in the 2023 Annual Report:

1. Business simplification and streamline;
2. Balance sheet optimisation;
3. Drive positive synergies from a fully integrated APAC New Economy platform;
4. Pursue sustainable revenue growth and cost management strategies; and
5. Growth in fund management EBITDA.

The estimated decrease in profit (which is primarily non-cash in nature) is mainly attributable to the following factors as set out below, all of which were either (i) the results of actions taken which are consistent with the Group's strategic aims (as highlighted above) or (ii) reflective of the current point in time in the real estate cycle in the key markets in which the Group operates, **and are therefore not reflective of the core operating earnings or the expected long-term performance of the Group**.

Loss tied to non-core divestments or near-term divestments:

1. ARA US Hospitality Trust write-down: approximately US$100 million arising upon the divestment of the Group's stake in ARA US Hospitality Trust, the agreement for which was entered into on 27 May 2024 and which was completed on 9 July 2024. The amount will be accounted for as an impairment loss for the six months ended 30 June 2024 and will be adjusted for the purposes of the results presentation to facilitate a like-for-like comparison with the corresponding period last year as this was the divestment of a non-core asset, in line with the Group's strategy to simplify and streamline the Group to focus on New Economy.

2. Share of associate's fair value losses: approximately US$45 million estimated from asset revaluation of Cromwell Property Group's Australia investment portfolio as well as the sale of Cromwell Property Group's European fund management platform and associated co-investments, consistent with Cromwell Property Group's commitment to simplify its business to transition to a capital-light funds management model. The effect of fair value losses which are non-cash in nature and divestment of non-core assets will be adjusted for the purposes of the results presentation to facilitate a like-for-like comparison with the corresponding period last year.

China

1. Fair value losses on China assets: approximately US$60 million arising from the revaluation of three balance sheet assets in China. It has been previously announced that these assets will be spun-off through a publicly offered infrastructure securities investment fund on the Shanghai Stock Exchange (the "**Proposed Spin-off**"). The listing was approved by the relevant authority on 21 June 2024. This revaluation was an adjustment conducted in connection with the Proposed Spin-off. The Proposed Spin-off forms a central part of the Group's efforts to optimise its balance sheet, including via divestments to ESR-managed vehicles such as this, which will enhance its recurring fee revenue going forward.

2. Lower China fair value gains compared to six months ended 30 June 2023: approximately US$125 million relating to assets in Greater China which are attributable to two key factors. Firstly, fair values have been adjusted downwards in Northern China owing to a short-term oversupply of completed projects in the market. Secondly, in 1H2023, the Group benefited from valuation uplifts as three prime properties in the Greater Shanghai and Greater Bay area transitioned from development to completed investment properties, thereby leading to a positive revaluation. For the current financial year, the Company did not record similar fair value gains given the challenging macro economic conditions in China, resulting in lower fair value gains in the six months ended 30 June 2024.

Absence of promote fee income in the current reporting period

1. Absence of promote fee income: US$136 million of promote fee income was recorded in the six months ended 30 June 2023. Promote fees are recognised upon the recapitalisation or realisation of the Group's managed funds and are based on the funds' historic performance. Accordingly, the Group's promote fee income varies with the life cycles of the managed funds and the real estate cycle. As highlighted in prior earnings announcements, there may be select periods where no promote fee income is recognised and the Group did not record any promote fee income in the six months ended 30 June 2024. This is reflective of the current phases of the Group's fund lifecycles and the overall real estate cycle, and increased promote fee income would be expected as these two drivers move in the Group's favour.

The information contained in this announcement is based on a preliminary assessment of the information currently available to the Board and such information has not been audited or reviewed by the Company's auditors. Shareholders and potential investors are advised to read carefully the Group's interim results announcement for the six months ended 30 June 2024, which is expected to be published before the end of August 2024.

Reference is made to (i) the announcement (the "**Rule 3.7 Announcement**") of the Company dated 13 May 2024 pursuant to Rule 3.7 of the Hong Kong Codes on Takeovers and Mergers (the "**Takeovers Code**"); and (ii) the monthly update announcements of the Company dated 13 June 2024, 12 July 2024 and 12 August 2024. Unless the context otherwise requires, capitalised terms used in this announcement have the same meanings as those defined in the Rule 3.7 Announcement.

The profit warning included in this announcement (the "**Profit Warning**") constitutes a profit forecast under Rule 10 of the Takeovers Code and should therefore be reported on by the Company's financial advisers and auditors or accountants in accordance with Rule 10.4 of the Takeovers Code. In view of the requirement of timely disclosure of inside information under Rule 13.09(2)(a) of the Listing Rules and pursuant to Part XIVA of the SFO, the Company is required to issue this announcement as soon as practicable and, given the time constraints, the Company has encountered genuine practical difficulties (time-wise or otherwise) in meeting the reporting requirements set out in Rule 10.4 of the Takeovers Code.

Under Rule 10.4 and Practice Note 2 of the Takeovers Code, the Profit Warning must be repeated in full, together with the reports from the Company's financial advisers (or independent financial advisers) and auditors or accountants on the Profit Warning, in the next document to be sent to the Shareholders by the Company (the "**Shareholders' Document**"). However, if the unaudited interim financial results of the Group for the six months ended 30 June 2024 (the "**2024 Interim Results**") which fall within the ambit of Rule 10.9 of the Takeovers Code and to which the Profit Warning relates, are published prior to the despatch of the next Shareholders' Document, the requirements to report on the Profit Warning under Rule 10.4 of the Takeovers Code will no longer apply.

WARNING: Shareholders and potential investors should note that the Profit Warning has not been reported on in accordance with the requirements under Rule 10 of the Takeovers Code and does not meet the standard required by Rule 10 of the Takeovers Code. Shareholders and potential investors should therefore exercise caution in placing reliance on the Profit Warning in assessing the merits and demerits of the Indicative Proposal and whether the Indicative Proposal will materialise or eventually be consummated. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and/or other securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisors.

By order of the Board
ESR Group Limited
Jinchu Shen
Director

Hong Kong, 14 August 2024

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Jinchu Shen and Mr. Stuart Gibson as Executive Directors, Mr. Jeffrey David Perlman as the Chairman and Non-executive Director, Mr. Charles Alexander Portes, Mr. Hwee Chiang Lim, Mr. Rajeev Veeravalli Kannan and Ms. Joanne Sarah McNamara as Non-executive Directors, Mr. Brett Harold Krause, Mr. Simon James McDonald, Ms. Jingsheng Liu and Ms. Serene Siew Noi Nah as Independent Non-executive Directors.

The Directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.