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 financial year ended 31 December 2024, the Group is projected to record a net loss of approximately US$730 million for the period, as compared to an audited consolidated net profit of US$268 million for the prior year ended 31 December 2023.

The estimated decline in profit is mainly attributable to marked-to-market losses in asset and project revaluations which are non-cash in nature and the decline in promote fees and transaction-based fees in the financial year ended 31 December 2024. The contributing factors are set out below and is mainly a result of the Group's real estate interests being negatively impacted by strong macroeconomic headwinds built up in previous years, as well as corporate actions which were in alignment with the Group's strategic business priorities.

The Group's underlying business is fundamentally resilient, underpinned by the sustained growth in core asset recurring fee incomes from asset management, investment management and property management. However, it continues to operate in a volatile and uncertain environment that has impacted its profitability for the financial year ended 31 December 2024. The estimated net loss for the year is mainly driven by the movements in non-cash items resulting from these macroeconomic headwinds and is not reflective of the expected long-term performance of the Group.

Non-cash losses tied to non-core divestments or near-term divestments:

1. *Marked-to-market loss on non-core divestment:* approximately US$100 million write-down arose from the divestment of the Group's stake in ARA US Hospitality Trust. The divestment of this non-core platform was completed on 9 July 2024, in line with the Group's strategy to simplify and streamline the Group to focus on New Economy. The amount will be accounted for as an impairment loss for the financial year ended 31 December 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.

2. *Share of associate's fair value loss and marked-to-market loss on investment:* approximately US$65 million being the Group's share of fair value loss attributed to Cromwell Property Group. This arose mainly from the asset revaluation of its Australia investment portfolio as well as the sale of its European fund management platform and associated co-investments, the latter of which is consistent with its commitment to simplify its business to transition to a capital-light funds management model. The Group has identified its holding in Cromwell Property Group as a non-core investment and reclassified the investment to asset held for sale. Consequently, the carrying value of its investment in Cromwell Property Group was revalued and based on the market price as at 31 December 2024. Hence, the Group is expected to recognise an impairment loss against the cost of investment of approximately US$148 million in the financial year ended 31 December 2024. These amounts will be adjusted for the purposes of the results presentation to facilitate a like-for-like comparison with the corresponding period last year.

Revaluation losses and lower fair value gains on balance sheet assets held

1. *Revaluation loss on three balance-sheet assets divested*: consistent with the Group's efforts to optimise its balance sheet via asset divestments to ESR-managed vehicles to grow its fee-related AUM and recurring fee revenue streams, three assets were sold to form the initial portfolio of the ESR China REIT, which was successfully listed on the Shanghai Stock Exchange on 24 January 2025. Consequently, approximately US$106 million of revaluation loss being the difference between the fair market value of the listed portfolio and the carrying values on the Group's balance sheet will be recognised in the financial year ended 31 December 2024.

2. *Marked-to-market declines on yet-to-stabilise properties in Mainland China:* approximately US$320 million in aggregate marked-to-market declines mainly relating to certain newly completed properties in China. With weaker demand in 2024, these assets require a longer time to achieve their targeted occupancy and rent levels. The fair value of these assets will accordingly be adjusted downwards in 2024 from their valuation levels in the year before (during which there were valuation uplifts when the properties transitioned from development to completed investment properties).

Lower promote fees and transaction-based fees in the current reporting period

1. *Decline in promote fees:* promote fees are recognised upon the recapitalisation or realisation of the Group's managed funds and are based on the funds' historic performance. As such, the Group's promote fees vary with the life cycles of the managed funds and the real estate cycle. A decline of approximately US$180 million in promote fees in the current year compared to the prior year is expected.

2. *Decline in transaction-based fees:* the pace of transaction activity has slowed significantly in 2024 across the Group compared to transaction levels in previous years.

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 carefully read the Group's results announcement for the financial year ended 31 December 2024 when published by the end of March 2025.

Reference is made to (i) the announcement (the "**Rule 3.5 Announcement**") issued jointly by MEGA BidCo (the "**Offeror**") and the Company dated 4 December 2024 pursuant to Rule 3.5 of the Hong Kong Codes on Takeovers and Mergers (the "**Takeovers Code**"); and (ii) the update announcements issued jointly by the Offeror and the Company dated 8 January 2025, 7 February 2025 and 7 March 2025. Unless the context otherwise requires, capitalised terms used in this announcement have the same meanings as those defined in the Rule 3.5 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 audited financial results of the Group for the financial year ended 31 December 2024 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 Proposal and whether the 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, 20 March 2025

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, Mr. Charles Alexander Portes, Mr. Rajeev Veeravalli Kannan and Ms. Joanne Sarah McNamara as Non-executive Directors, Mr. Brett Harold Krause as the Chairman and Independent Non-executive Director, Mr. Simon James McDonald 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.