ESR GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1821)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board of directors (the "**Board**" and the "**Directors**" respectively) of ESR Group Limited (the "**Company**" or "**ESR**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2023 (the "**Year**" or "**FY2023**") together with the comparative figures for the year ended 31 December 2022 ("**FY2022**").

FINANCIAL HIGHLIGHTS

	2023 US$'000	2022 US$'000	Year-on-Year Change* %
Key financial performance			
Revenue	**871,326**	821,154	6.1
Fund management EBITDA[(i)]	**578,828**	567,543	2.0
Profit for the year	**268,056**	631,109	(57.5)
EBITDA[(ii)]	**724,597**	1,068,536	(32.2)
Adjusted EBITDA[(ii)]	**885,331**	1,151,882	(23.1)
PATMI[(iii)]	**230,849**	574,145	(59.8)
Adjusted PATMI[(ii)]	**400,338**	654,623	(38.8)
Cash	**1,001,568**	1,806,915	(44.6)
Net debt/total assets (Gearing ratio)	**30.7%**[(iv)]	22.8%	7.9pp

	2023 US$'000	2022 US$'000	Year-on-Year Change* %
Revenue by region			
Greater China	**166,323**	206,671	(19.5)
Japan	**82,103**	102,253	(19.7)
South Korea	**201,831**	149,867	34.7
Australia and New Zealand	**209,884**	182,740	14.9
Southeast Asia	**155,412**	134,283	15.7
India	**12,400**	10,935	13.4
Europe	**35,893**	23,427	53.2
Others	**7,480**	10,978	(31.9)
	871,326	821,154	6.1

* Year-on-Year ("**YoY**") Change % represents a comparison between the current year and the last year.

(i) Refers to Fund management segment result which excluded the changes in fair value of financial derivative assets in relation to certain associate.

(ii) EBITDA, Adjusted EBITDA and Adjusted PATMI are non-IFRS measures. EBITDA is calculated as profit before tax, adding back depreciation and amortisation and finance costs (net). Refer to Non-IFRS measures on page 17 to 19 for calculations of Adjusted EBITDA and Adjusted PATMI.

(iii) PATMI is profit after tax and minority interests.

(iv) Gearing is expected to reduce once the publicly announced asset divestments in FY2023 are completed, with its net proceeds applied towards debt repayment.

OPERATIONAL HIGHLIGHTS

The following table summarises Asset Under Management ("**AUM**") and Gross Floor Area ("**GFA**") held on the Group's balance sheet and in the funds and investment vehicles that the Group managed as at 31 December 2023:

Region	AUM[i] 31 December 2023 (US$'billions)	GFA[ii] 31 December 2023 (sqm in millions)
Greater China	**30.7**	**14.9**
Japan	**31.8**	**4.7**
South Korea	**14.4**	**6.0**
Australia and New Zealand	**21.5**	**9.9**
Southeast Asia	**12.4**	**5.9**
India	**1.7**	**2.8**
APAC	**15.5**	**2.3**
US/Europe	**28.1**	**2.3**
	156.1	**48.8**

(i) AUM refers to sum of (i) the fair value of the properties held in the private funds and investment vehicle the Group manages; (ii) the total uncalled capital commitments in the private funds and investment vehicles; (iii) the additional debt that is estimated to be incurred with reference to the target leverage ratio of the relevant private funds and investment vehicles the Group manages; when all capital is called and invested; and (iv) the appraised carrying value of listed REITs.

(ii) Excluding GFA of Associates.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

ESR's integrated fund management and development platform in Asia Pacific ("**APAC**") delivered increased fund management earnings on higher fee-related assets under management[1,2] ("**AUM**") and strong operating fundamentals. This improvement came despite a challenging macroeconomic environment included a material change in the interest rate environment and one of the weakest fundraising environments on record. Fee-related AUM[1,2] as at 31 December 2023 grew 6.3% year-on-year to US$81 billion whilst Total AUM[1,3] increased 7.3% year-on-year to US$156 billion.

The Group achieved record fund management EBITDA for FY2023. Excluding promote fees which were sizable, the Group achieved growth in fund management EBITDA. A positive trajectory is also seen in the increased proportion of the fund management EBITDA to ESR's segmental EBITDA, a steady climb since IPO in 2019. Fund management fee income has grown at a 3-year compound annual growth rate ("**CAGR**") of 57% since 2020. The Group's business has also become significantly more diversified across APAC in the last several years with North Asia (Japan and South Korea), India / Southeast Asia and Australia & New Zealand now representing the three largest regions, contributing 36%, 22% and 21% of fee income, respectively.

The Group's revenue was up by 6% from US$821 million in FY2022 to US$871 million in FY2023. EBITDA and PATMI were lower year-on-year as a result of the impact of lower fair value gains across key markets as well as higher interest costs as a result of the material change in the interest rate environment.

Focused on delivering sustainable value to shareholders

In line with ESR's goal of a sustainable dividend policy established in first half of 2022, the Board of ESR recommended the declaration of a final dividend of HK$12.5 cents per share (approximately US$1.6 cents per share) (which implies a 2.9% yield[4]) for the financial year ended 31 December 2023, amounting to approximately US$67 million which will be paid to Shareholders on 28 June 2024.

1 Based on FX rates as at 31 December 2023.

2 Fee-related AUM excludes AUM from Associates and levered uncalled capital.

3 Total AUM included the reported AUM of the Associates and assumed the value of the uncalled capital commitments in the private funds and investment vehicles on a levered basis.

4 Based on closing share price of HK$8.73 on 20 March 2024.

Healthy capital raising amid a challenging environment

Despite a second consecutive year of muted fundraising for the sector, the Group worked closely with capital partners to achieve a capital raise of US$7.5 billion. Key capital raising commitments and initiatives in FY2023 included ESR's largest-ever RMB Income Fund in China with a seed portfolio from ESR's balance sheet and a further upsize for the ESR Data Centre Fund (ESR DC Fund 1) to US$1.35 billion, which represents a pipeline of up to 575MW.

In the first quarter of 2024, the Group successfully raised approximately US$1 billion. This includes the Group's first perpetual, open-ended logistics core fund in South Korea, holding an initial portfolio of seven high quality class A logistics warehouses worth approximately US$2 billion, reinforcing a strong track record with over a 25% net IRR and 3.5x equity multiple achieved for the Development Fund 1 investors.

As at 31 December 2023, the Group has substantial dry powder of US$23.9 billion (of which over US$13.5 billion is New Economy focused) to deploy on behalf of investors at a time when asset pricing is becoming more favourable and development returns are strong.

Balance Sheet Optimisation

ESR has progressed its asset light strategy through further syndication of balance sheet assets, with Greater China a key focus of ongoing sell-down and syndication efforts. The Group is on track to complete over US$500 million worth of announced transactions and are targeting up to a further US$1.5-US$2 billion over the next 12 months. These planned sell-downs to ESR managed vehicles along with the announced non-core divestments is expected to reduce the Group's gearing over the medium term towards the low end of the Group's gearing target of 20–30%. The interest savings that come with reduction in gearing would add to potential distributions or provide capital for future share buybacks.

Laser-focused on business transformation and simplification

With its focus on New Economy, the Group identified up to US$750 million of non-core divestments in 2023. In March 2024, the Group announced the sale of the ARA Private Funds Business ("**APF**") which represents a significant milestone in this process and other non-core divestments are advancing.

The Group is also working towards the final stages of the LOGOS integration over the balance of the year. The successful integration will deliver a combined Australia / New Zealand business that will represent the largest New Economy developer (by development pipeline, including landbank) and the second largest New Economy manager (by AUM and deployment of uncalled capital). It will also create further scale in data centres with complementary funds and strategies. To date, the overall ARA business integration has achieved US$35 million of cost synergies. Further synergies are expected in FY2024 and FY2025 from a fully integrated APAC New Economy platform.

Resilient operating performance and continued diversification

Operating fundamentals for the Group's New Economy assets remain strong and the Group leased a record of 5.3 million sqm[5] of space in 2023. As at 31 December 2023, the portfolio occupancy[5,7] rate for the Group's New Economy assets remained above 91% (98% excluding Mainland China). The Group achieved rental reversions of approximately 8.2% (14.3% excluding Mainland China)[5,6]. Leases in Australia and South Korea accounted for the highest rental growth rates, achieving approximately 19.5% in the year. This significantly mitigated the capitalisation rate expansion for assets in Australia and South Korea, save for those with longer Weighted Average Lease Expiry ("**WALE**"). The Group has been very selective in China, with nearly 70% of the stabilised properties located in major economic hubs in the Yangtze River Delta and Greater Bay Area where demand is driven by the strong activity in renewable energy industries and cross-border e-commerce respectively.

The Group maintains a well-staggered lease expiry profile with WALE (by income) of 4.6 years[5].

5 New Economy assets; excludes listed REITs and Associates.

6 Weighted by AUM of each respective country.

7 Stabilised New Economy assets only.

Large New Economy development workbook to fuel future earnings growth

As at 31 December 2023, ESR had over 24.5 million sqm of GFA in its development pipeline across its portfolio including a sizeable landbank of about 7 million sqm for future development. Development activity was solid in light of the difficult environment with US$6.3 billion and US$4.2 billion of starts and completions, respectively, in FY2023. In total, only 2% of the development starts were in Mainland China where ESR materially slowed the pace of new development projects in FY2023. 61% of development completions were mainly from Australia, Japan, South Korea, followed by 30% from Mainland China.

In terms of work-in-progress, it is similarly diverse, with 52% comprising projects in Japan, South Korea and Australia / New Zealand, 26% in India / Southeast Asia and Hong Kong, and data centres make up a further 13% of the total. About 90% of the Group's workbook is planned for completion between FY2024 and FY2027. As the Group develops more large-scale, multi-story or multi-phase projects, including data centre projects, it has increasing visibility towards future fee income.

Proactive Capital Management

Proactive capital management strategies have ensured ample liquidity with an aggregated US$2.5 billion of cash and loan drawdown availability in place. Furthermore, during the year, the Group successfully diversified its funding sources through the US$1.2 billion multi-currency revolving credit facility secured with various foreign banks. While gearing as at 31 December 2023 was 30.7%, it is expected to reduce once the previously announced transactions in 2023 are completed, with proceeds applied towards debt repayment. The Group is expected to reduce its gearing over the medium term towards the low end of its gearing target of 20–30%.

The Group has expanded and diversified its funding and capital structure during the year:

- Received an investment grade first-time 'AA-' rating with a stable outlook from the Japan Credit Rating Agency, Ltd in March 2023

- Received AAA (Stable Outlook) from China Chengxin International Credit Rating Co., Ltd., one of the top rating agencies in Mainland China in September 2023

- Launched two series of Japanese Yen denominated fixed rate bonds in July 2023: (i) JPY20 billion 1.163% fixed rate notes due 2026; and (ii) JPY10 billion 1.682% fixed rate notes due 2030, under its US$2 billion Multicurrency Debt Issuance Programme

- Secured US$4 billion of sustainability-linked/green loans and closed JPY30 billion of Japanese Yen-denominated, fixed rate bonds in July 2023, resulting in a better-optimised debt currency profile with USD-denominated loans reduced to 17% of total debt as at end 2023, thereby reducing weighted average interest cost by 30 basis points from 5.6% in 1H2023 to 5.3% for FY2023.

Forging ahead for a sustainable future

ESR's purpose is *Space and Investment Solutions for a Sustainable Future*. This drives the Group to manage sustainably and impactfully and consider the environment and the communities in which the Group operates as key stakeholders.

The Group has made significant progress against its targets set out under its ESG 2030 Roadmap, which was launched in May 2023. The roadmap underscores the Group's commitment to enhance its synergies and accelerate long-term sustainable growth across the three key pillars under the ESG Framework — "Creating a Human Centric environment that is safe, supportive and inclusive for stakeholders"; "Developing and maintaining a sustainable and efficient Property Portfolio"; and "Delivering outstanding Corporate Performance for sustained and balanced growth".

Under the social domain, the Group continues to advocate diversity, equity, and inclusion in the workplace, uphold employee health and safety, drive employee engagement, and scale up community investment. As at the end of 2023, female representation is approximately 45%. Across the Group, community investment efforts continue to be implemented under three dedicated focus areas, namely: "Strengthening Social Resilience, Health and Well-being", "Promoting Education & Upskilling", in addition to "Protecting the Environment".

The Group is committed to developing and maintaining sustainable and efficient buildings and increasing sustainable building certifications and ratings. As at the end of 2023, 110 MW of rooftop solar power capacity, as well as over 850 EV charging stations, have been installed across the portfolio. Synergistic partnerships, including in some cases with tenants, have been launched as part of the Group's efforts to transition to a low-carbon future. Approximately 42% of ESR's portfolio of completed, directly managed assets has obtained sustainable building certifications and ratings such as LEED, WELL and NABERS.

From a governance perspective, the Group is committed to upholding the utmost standards of corporate governance to ensure accountability, transparency, fairness, and integrity across all its operations. Over the past year, the Group embarked on preparatory work for its inaugural United Nations-supported Principles of Responsible Investment (UN PRI) reporting in 2024. Strengthening its leadership in sustainable financing, the Group closed a total of seven sustainability-linked loans worth approximately US$4 billion as at the end of 2023. The Group also continues to be recognised for its robust ESG disclosure practices by maintaining rankings across various globally recognised ESG benchmarks and ratings such as GRESB, MSCI, Sustainalytics, and ISS.

LOOKING AHEAD

According to the World Economic Outlook[8], global economic growth is expected to be resilient but slow. The Group remains cognisant of the slower environment and will continue to forge ahead on its business transformation and simplification initiatives on various fronts to unlock value. These include the ongoing syndication of balance sheet assets into funds or perpetual vehicles under its management (including the potential listing of ESR China REIT on the SSE), syndication of its pooled co-investment stakes in funds, divestment of non-core assets and further synergies as we further integrate the LOGOS business. Cautious investor sentiment in 2023 has resulted in longer timelines in due diligence and execution than was anticipated and many of our initiatives, whilst making good progress, have carried over to 2024.

Management is focussed on closing already announced initiatives as a priority in 2024, and will look to apply the majority of the net proceeds to reduce debt towards the low end of the Group's targeted gearing range of 20–30%. With this optimal capital structure in place, the Group will be well positioned to support its long-term AUM growth.

The Group has a healthy financial position and will continue to bolster its balance sheet and liquidity. Management expects a year-on-year reduction in interest expense for FY2024 and plans to refinance some of the existing debt with longer term fixed rate debt to achieve a more balanced mix of fixed and floating debt.

Management remains focused on achieving a sustained growth in fee-related AUM[9,10] and fund management earnings. In addition to US$23.9 billion of dry powder (of which over US$13 billion is in New Economy) to deploy, management is cautiously optimistic on deploying this capital in the second half of 2024. Growth opportunities are also present in ESR's data centre and Southeast Asia ("**SEA**") platforms. Notably, SEA remains a beneficiary of structural supply chain shifts and REITs continue to be long-term management vehicles.

8 World Economic Outlook Update, January 2024.

9 Based on FX rates as at 31 December 2023.

10 Fee-related AUM excludes AUM from Associates and levered uncalled capital.

Broadly, management expects market demand and supply drivers in its key operating markets of Australia, Japan and South Korea to remain supportive of continued high occupancies and rent growth in 2024, notwithstanding a general slowdown in leasing activity. The resilient performance of these markets would mitigate the immediate term pressures caused by the current weakened consumer sentiment and leasing demand in Mainland China. Management paused most development projects in Mainland China in FY2023, with only approximately US$150 million starts given the market conditions.

Across APAC, planned development starts are carefully paced in tandem with development completions, hence, the development workbook is expected to remain sizable at levels of between US$13–15 billion, with targeted portfolio average development margins in the range of 25%–35%.

The Group remains positive on the demand for New Economy assets in APAC which continues to benefit from long-term structural tailwinds, driven by e-commerce evolution and growth, technology advances in artificial intelligence and life sciences, and the rise in renewables as the energy transition gathers momentum.

ESR's business transformation to an asset-light and streamlined business is well underway. With a renewed focus on New Economy, ESR is well poised for the next leg of growth in fund management EBITDA.

FINANCIAL REVIEW

The Group reported growth in its AUM and fund management segment for the year ended 31 December 2023.

ESR remained proactive and disciplined in capital management with net debt over total assets of 30.7% ("**Gearing**") as at 31 December 2023. Gearing is expected to reduce once the publicly announced asset divestments in FY2023 are completed, with its net proceeds applied towards debt repayment. The Group has ample liquidity with an aggregated US$2.5 billion of cash and undrawn facilities.

REVENUE

The Group's revenue increased 6.1% from US$821.2 million in FY2022 to US$871.3 million in FY2023, driven mainly by higher management fee.

Management fee increased 3.3% from US$713.3 million in FY2022 to US$736.7 million in FY2023. The increase was contributed by growth in fee-related AUM. Excluding promote fees, recurring fee income increased by 8.8% from US$509.8 million in FY2022 to US$554.4 million in FY2023.

Construction revenue increased from US$10.7 million in FY2022 to US$56.3 million in FY2023, contributed by new projects in Australia. Cost of sales increased correspondingly from US$29.2 million in FY2022 to US$59.8 million in FY2023.

In line with the Group's ongoing commitment towards its asset light strategy to sell down balance sheet assets into ESR managed funds, rental income decreased 21.4% from US$91.6 million in FY2022 to US$72.0 million in FY2023. In FY2022, the Group divested nine China balance sheet assets into an ESR managed core fund.

Geographically, 94% of the Group's revenue for FY2023 was attributed to Greater China, Japan, South Korea, Southeast Asia and Australia and New Zealand; revenue from India, Europe and USA made up the remaining 6%.

PATMI AND EBITDA

EBITDA decreased 32.2% from US$1,068.5 million in FY2022 to US$724.6 million in FY2023. PATMI decreased 59.8% from US$574.1 million in FY2022 to US$230.8 million in FY2023. Lower fair value gains and absence of one-off disposal gains recognised in FY2022 were the main reasons for the decline in EBITDA and PATMI. Additionally, PATMI was impacted by higher interest expense resulting from successive interest rate increases throughout 2023, as well as delayed capital from balance sheet syndication for debt repayment. The decline was partially offset by higher recurring fee income (8.8% year-on-year).

The Group recorded fair value gain on investment properties of US$187.7 million for FY2023 (FY2022: US$195.4 million) arising mainly from assets under development in China.

The Group's share of profits and losses from joint ventures and associates decreased from a profit of US$226.7 million in FY2022 to a loss of US$20.4 million in FY2023, mainly due to share of losses from Cromwell Property Group arising from fair value losses recorded by the associate; as well as lower fair value gains from the Group's investments in Australia, South Korea and China. The decrease was partially offset by the share of profit in Vietnam's BW Industrial Development Joint Stock Company ("**BW**") pursuant to the Group's acquisition of 15.57% interest in FY2023.

Finance cost increased 40.7% from US$222.4 million in FY2022 to US$312.9 million in FY2023. Total borrowings increased from US$5.5 billion as at 31 December 2022 to US$6.0 billion as at 31 December 2023, as additional borrowings were drawn for transitionary bridging of projects. The Group's weighted average interest cost was reduced by 30 basis points from 5.6% in 1H2023 to 5.3% for FY2023 (FY2022: 4.2%).

Administrative expenses decreased 6.3% from US$491.3 million in FY2022 to US$460.5 million in FY2023. Included in FY2022 was a one-off transaction costs relating to the acquisition of ARA Asset Management Limited ("**ARA**") of US$22.5 million. In FY2023, administrative expenses included impairment losses relating to non-core business of US$29.2 million. Excluding these non-recurring items, administrative expenses were lower by 8.0% year-on year contributed by corporate cost savings.

SEGMENT RESULTS

Fund management segment results increased 0.2% from US$573.7 million in FY2022 to US$574.7 million in FY2023. Growth was driven by higher recurring fee revenue (excluding promote fees) of 8.8% year-on-year from growth in fee-related AUM and prudent operating expenses. Supported by higher fee revenue, cost containment and broader economies of scale, a strong fund management EBITDA margin of 78% was achieved for FY2023.

Investment segment results decreased 89.8% from US$333.6 million in FY2022 to US$34.1 million in FY2023, which is in line with ESR's asset light strategy. Rental income decreased as the Group divested nine China balance sheet assets into ESR managed core fund in FY2022. The decrease in the investment segment results was further contributed by lower one-off investment income, divestment gains, and fair value gains from the Group's investments in Australia and China. In addition, the share of profit from Cromwell Property Group has declined by US$119.4 million, mainly attributed to lower fair value gains and operating profits as compared to FY2022.

New Economy development segment results decreased 24.2% from US$342.7 million in FY2022 to US$259.8 million in FY2023. The decrease was mainly due to lower fair value gains from the Group's investments in South Korea. In addition, there was also lower one-off divestment gains compared to FY2022. This was partially offset by the share of profit from BW in FY2023.

ASSETS

The Group's total assets remained at US$16.2 billion as at 31 December 2023 (31 December 2022: US$16.2 billion). Its cash balances of US$1.0 billion were primarily denominated in USD, RMB, SGD, JPY, KRW, AUD and HKD, and were utilised in FY2023 to pay down borrowings with higher funding cost, as well as fund ongoing projects and new investments.

Investment properties decreased 3.6% to US$3.2 billion as at 31 December 2023 (31 December 2022: US$3.3 billion). The slight decrease is mainly contributed by disposal of certain properties. The reduction was partially offset by the ongoing development of the Group's China projects during FY2023. Additionally, the Group made prepayments of additional land use rights mainly in Japan which partially contributed to the increase in other non-current assets by 59.3% to US$362.3 million.

Investment in joint ventures and associates increased 14.4% to US$3.4 billion as at 31 December 2023 (31 December 2022: US$3.0 billion). The increase was mainly contributed by the Group's acquisition of 15.57% interest in Vietnam's BW for US$331.3 million in FY2023.

Financial assets at fair value through other comprehensive income ("**FVOCI**") increased 7.6% or US$74.0 million to US$1.1 billion as at 31 December 2023 contributed mainly by the Group's additional investment in ESR-LOGOS REIT.

Trade receivables increased 50.7% to US$532.9 million as at 31 December 2023 (31 December 2022: US$353.5 million), mainly arising from higher fee income. The trade receivables balance includes promote fees receivables, of which over 50% has been collected subsequent to year-end.

LIABILITIES

Total bank and other borrowings as at 31 December 2023 were US$6.0 billion as compared to US$5.5 billion as at 31 December 2022. Net debt was US$5.0 billion compared to US$3.7 billion as at 31 December 2022 mainly due to lower cash balance arising from the Group's ongoing fundings to its investments.

The Group continues to stay focussed on its capital recycling strategy with proactive and disciplined capital management. It regularly reviews its debt maturity profiles and refinancing ahead of maturity ensuring a well-capitalised balance sheet is maintained. ESR Group has ample liquidity with US$2.5 billion of cash and loan drawdown capacity.

The Group continues to expand its funding sources through a combination of facilities with both local and international banks, and capital market issuances in diversifying and reducing its cost of debt. In July 2023, ESR issued a total of JPY30 billion through two series of Japanese Yen denominated fixed rate notes at levels below its weighted average interest cost: (i) JPY20 billion 1.163% fixed rate notes due 2026; and (ii) JPY10 billion 1.682% fixed rate notes due 2030, each under the US$2,000,000,000 Multicurrency Debt Issuance Programme. As at 31 December 2023, 11% of the Group's borrowings was on fixed rate while the remaining 89% was on floating rate basis.

As at 31 December 2023, the Group's weighted average debt maturity was approximately 5.2 years (31 December 2022: 5.1 years). As at 31 December 2023, neither the Group nor the Company had any significant contingent liabilities.

TOTAL EQUITY

Total equity remained strong at US$8.7 billion as at 31 December 2023 (US$9.1 billion as at 31 December 2022), backed by profit for the year of US$268.1 million, offset by dividend distribution to shareholders of US$139.6 million and shares repurchased of US$217.8 million. In addition, an unrealised loss of US$86.3 million was recognised on the Group's financial assets through other comprehensive income ("**FVOCI**"), mainly due to mark-to-market losses adjusted based on quoted market prices.

The Group manages and minimises its foreign currency exposures by natural hedges using various currencies via project and corporate level; and continues to assess the use of financial derivatives where appropriate to manage its foreign currency exposures. For FY2023, the Group recorded unrealised currency translation losses of US$58.5 million arising from its foreign operations due to the strengthening of US dollars against the respective local currencies.

EVENTS AFTER THE REPORTING DATE

On 8 March 2024, the subsidiaries of the Company entered into the Share Purchase Agreements to dispose of their interests in the ARA Private Funds business in Australia, Singapore, South Korea and USA to entities which include an affiliate of Sumitomo Mitsui Finance and Leasing Co. for an Initial Consideration which is based on an agreed enterprise value of US$270 million for the businesses, subject to adjustments (the "**Transaction**"). The Transaction is structured as the disposal of the Group's interests in certain indirect subsidiaries of the Company (the "**Target Companies**"). Upon completion, each of the Target Companies will cease to be a subsidiary of the Company. The Transaction is subject to certain regulatory approvals and other conditions.

NON-IFRS MEASURES

EBITDA, Adjusted EBITDA and Adjusted PATMI are non-IFRS measures. These measures are presented because the Group believes they are useful measures to determine the Group's financial condition and historical ability to provide investment returns. EBITDA, Adjusted EBITDA and Adjusted PATMI and any other measures of financial performance should not be considered as an alternative to cash flows from operating activities, a measure of liquidity or an alternative to net profit or indicators of the Group's operating performance on any other measure of performance derived in accordance with IFRS. Because EBITDA, Adjusted EBITDA and Adjusted PATMI are not IFRS measures, these may not be comparable to similarly titled measures presented by other companies.

Adjusted EBITDA

The following table sets out the reconciliations of Adjusted EBITDA:

	2023 **US$'000**	2022 US$'000
Profit before tax	**394,238**	815,125
Add/(less):		
Depreciation and amortisation	**50,343**	47,863
Finance costs	**312,901**	222,415
Interest income	**(32,885)**	(16,867)
EBITDA[(a)]	**724,597**	1,068,536
Add/(less):		
Changes in fair value of financial derivative assets[(b)]	**4,146**	(6,191)
Impairment of goodwill and other intangible assets[(c)]	**29,167**	–
Share of certain associate's fair value losses on investment properties and financial assets at fair value through profit or loss[(d)]	**108,243**	40,531
Share-based compensation expense[(e)]	**19,178**	26,543
Transaction costs related to ARA acquisition[(f) (ii)]	**–**	22,463
Adjusted EBITDA	**885,331**	1,151,882
Less:		
Fair value changes on Investment Properties ("**IP**")[(g)]	**(187,722)**	(195,431)
Adjusted EBITDA (less fair value changes on IP)	**697,609**	956,451

Adjusted PATMI

The following table sets out the reconciliations of Adjusted PATMI:

	2023	2022
	US$'000	US$'000
PATMI	**230,849**	574,145
Add/(less):		
Amortisation relating to intangible assets arising from acquisition of ARA, net of tax[(f) (iii)]	**18,767**	17,791
Changes in fair value of financial derivative assets[(b)]	**4,146**	(6,191)
Impairment of goodwill and other intangible assets[(c)]	**29,167**	–
Share of certain associate's fair value losses on investment properties and financial assets at fair value through profit or loss[(d)]	**108,243**	40,531
Share-based compensation expense (related to ARA)[(f) (i)]	**9,166**	5,884
Transaction costs related to ARA acquisition[(f) (ii)]	**–**	22,463
Adjusted PATMI	**400,338**	654,623

Explanation of adjusting items

(a) EBITDA is calculated as profit before tax, adding back depreciation and amortisation and finance costs (net). EBITDA is presented because the Group believes this is a useful measure to determine the Group's financial condition and historical ability to provide investment returns.

(b) Changes in fair value of financial derivative assets relates to gain/loss arising from change in fair value of a put option agreement entered into by the Group's subsidiaries with an agreed floor price to sell its investment in an associate. The fair value is capital in nature and non-operational item, which is not directly related to the Group's operating activities.

(c) Impairment on goodwill and other intangible assets recorded within "Administrative expenses" represent impairment on goodwill and trust management rights of non-core business.

(d) Share of certain associate's fair value losses on investment properties and financial assets at fair value through profit or loss represents the Group's share of unrealised changes in fair value recognised by the associate due to the fall in valuations affected by macroeconomic environment which are non-cash in nature and occur infrequently. Accordingly, it is adjusted out to better reflect the underlying operating activities.

(e) Share-based compensation expense represents share-based incentives which are primarily non-cash in nature.

(f) On 20 January 2022, the Company completed the acquisition of ARA Asset Management Limited ("**ARA**", together with its subsidiaries, the "**ARA Group**"). In connection with the acquisition, the Group adjusted the following items which are not directly related to the operating activities:-

    (i) share-based compensation expenses relating to ARA which represents share-based incentive granted pursuant to the Company's Long-term Incentive Scheme which were incurred as part of the acquisition;

    (ii) transaction costs related to ARA acquisition which are recorded within "Administrative expenses" are one-off non-recurring which are not directly related to operating performance of the Group during the year; and

    (iii) amortisation relating to intangible assets arising from acquisition of ARA, net of tax, recorded within "Administrative expenses" represent management rights recognised that are non-cash and non-operational in nature. Accordingly, it is not directly correlated to the Group's business performance in a given period.

(g) Fair value changes on investment properties represents the changes in fair value which are non-cash in nature. Accordingly, it is adjusted from EBITDA.

LIQUIDITY AND CAPITAL RESOURCES

	As at 31 December 2023 US$'000	As at 31 December 2022 US$'000
Bank and other borrowings		
– Current	**899,884**	290,452
– Non-current	**5,079,669**	5,206,178
Bank and other borrowings – Total	**5,979,553**	5,496,630
Less: Cash and bank balances	**(1,001,568)**	(1,806,915)
Net debt	**4,977,985**	3,689,715
Total assets	**16,191,075**	16,199,374
Gearing ratio (net debt/total assets)	**30.7%**	22.8%
Total equity	**8,728,754**	9,140,314
Net debt to equity ratio	**57.0%**	40.4%

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	**2023** **US$'000**	2022 US$'000
REVENUE	3, 4	**871,326**	821,154
Cost of sales		**(59,796)**	(29,228)
Gross profit		**811,530**	791,926
Other income and gains, net	4	**376,476**	510,173
Administrative expenses		**(460,498)**	(491,275)
Finance costs	6	**(312,901)**	(222,415)
Share of profits and losses of joint ventures and associates, net		**(20,369)**	226,716
Profit before tax		**394,238**	815,125
Income tax expense	5	**(126,182)**	(184,016)
Profit for the year		**268,056**	631,109
Attributable to:			
Owners of the Company		**230,849**	574,145
Non-controlling interests		**37,207**	56,964
		268,056	631,109
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic			
For profit for the year	8	**US$0.05**	US$0.13
Diluted			
For profit for the year	8	**US$0.05**	US$0.13

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

Year ended 31 December 2023

	Notes	**2023 US$'000**	2022 US$'000
Profit for the year		**268,056**	631,109
OTHER COMPREHENSIVE INCOME			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(58,545)**	(310,963)
Effect of hedge		**(4,977)**	–
Share of other comprehensive loss of joint ventures and associates		**(58,144)**	(210,350)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		**(121,666)**	(521,313)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of financial assets at fair value through other comprehensive income		**(86,251)**	(186,003)
Share of fair value reserve of associates and joint ventures		**1,881**	10,022
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		**(84,370)**	(175,981)
Other comprehensive loss for the year, net of tax		**(206,036)**	(697,294)
Total comprehensive income/(loss) for the year		**62,020**	(66,185)
Attributable to:			
Owners of the Company		**34,047**	(90,429)
Non-controlling interests		**27,973**	24,244
		62,020	(66,185)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	**31 December 2023 US$'000**	31 December 2022 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**51,536**	43,822
Right-of-use assets		**29,356**	30,999
Investments in joint ventures and associates		**3,381,555**	2,955,816
Financial assets at fair value through profit or loss		**802,820**	752,851
Financial assets at fair value through other comprehensive income		**1,050,442**	976,395
Investment properties	9	**3,201,372**	3,322,232
Goodwill		**3,469,442**	3,455,498
Other intangible assets		**1,302,936**	1,322,754
Other non-current assets		**362,291**	227,440
Deferred tax assets		**88,870**	101,276
Total non-current assets		**13,740,620**	13,189,083
CURRENT ASSETS			
Trade receivables	10	**532,861**	353,488
Prepayments, other receivables and other assets		**564,954**	414,758
Financial assets at fair value through profit or loss		**34,494**	21,883
Cash and bank balances		**1,001,568**	1,806,915
		2,133,877	2,597,044
Assets of a disposal group classified as held for sale		**316,578**	413,247
Total current assets		**2,450,455**	3,010,291

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 31 December 2023

	Notes	**31 December 2023 US$'000**	31 December 2022 US$'000
CURRENT LIABILITIES			
Bank and other borrowings	12	**899,884**	290,452
Lease liabilities		**11,367**	10,403
Trade payables, accruals and other payables	11	**360,709**	403,492
Contingent consideration payable		**6,746**	2,581
Income tax payable		**95,543**	108,068
		1,374,249	814,996
Liabilities directly associated with the assets classified as held for sale		**255,977**	264,721
Total current liabilities		**1,630,226**	1,079,717
NET CURRENT ASSETS		**820,229**	1,930,574
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,560,849**	15,119,657
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**580,838**	617,504
Bank and other borrowings	12	**5,079,669**	5,206,178
Lease liabilities		**20,590**	23,785
Contingent consideration payable		**11,664**	–
Other non-current liabilities		**139,334**	131,876
Total non-current liabilities		**5,832,095**	5,979,343
NET ASSETS		**8,728,754**	9,140,314
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**4,280**	4,422
Perpetual capital securities		**742,866**	742,701
Equity component of convertible bonds		**–**	48,501
Other reserves		**7,663,366**	8,019,035
		8,410,512	8,814,659
Non-controlling interests		**318,242**	325,655
TOTAL EQUITY		**8,728,754**	9,140,314

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023	2022
	US$'000	US$'000
Cash flows from operating activities		
Profit before tax	**394,238**	815,125
Adjustments for:		
Amortisation of other intangible assets	**31,293**	30,261
Changes in carrying value of financial assets at fair value through profit or loss	**(1,159)**	(8,040)
Changes in fair value of financial derivative assets	**4,146**	(6,191)
Depreciation of property, plant and equipment	**6,350**	5,589
Depreciation of right-of-use assets	**12,700**	12,013
Dilution gain of interests in investment in an associate	**(4,105)**	–
Dividend income	**(84,279)**	(136,858)
Fair value losses/(gains) on assets held for sale	**4,667**	(5,391)
Fair value losses/(gains) on completed investment properties	**1,787**	(63,167)
Fair value gains on investment properties under construction	**(189,509)**	(132,264)
Finance costs	**312,901**	222,415
(Gain)/loss on disposal of interests in financial assets at fair value through profit or loss	**(2,145)**	883
Gain on disposal of assets held for sale	**(1,378)**	–
Gain on disposal of investment properties	**(18,658)**	(50,623)
Gain on disposal of other assets	**–**	(2,291)
Gain on disposal of subsidiaries	**(24,072)**	(48,659)
Gain on early redemption of convertible bonds	**(17,181)**	–
Impairment of goodwill	**13,571**	–
Impairment of investments in joint ventures and associates	**5,172**	–
Impairment of other intangible assets	**15,596**	541
Impairment of trade receivables and bad debt written off	**774**	15,017
Interest income	**(32,885)**	(16,867)
Loss/(gain) on disposal of interests in joint ventures and associates	**1,188**	(11,116)
Loss on disposal of property, plant and equipment	**234**	1,115
Management fee received/receivable in units	**(54,590)**	(68,051)
Other income	**(1,332)**	(16,640)
Reversal of impairment loss on intangible assets	**(344)**	–
Share-based compensation expense	**19,178**	26,543
Share of profits and losses of joint ventures and associates, net	**20,369**	(226,716)
	412,527	336,628
Increase in trade receivables	**(182,694)**	(156,608)
Increase in prepayments, other receivables and other assets	**(33,792)**	(71,952)
Increase in trade payables, accruals and other payables	**28,458**	72,473
Cash flows generated from operations	**224,499**	180,541

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

For the year ended 31 December 2023

	2023 US$'000	2022 US$'000
Cash flows from operating activities *(Continued)*		
Income tax paid	**(84,909)**	(108,542)
Dividend income received from financial assets at fair value through profit or loss	**2,255**	1,130
Disposal of financial assets at fair value through profit or loss	**942**	6,073
Net cash flows generated from operating activities	**142,787**	79,202
Cash flows from investing activities		
Acquisition of subsidiaries	**(21,291)**	(140,005)
Additions of investment properties	**(326,165)**	(782,925)
Additions of other intangible assets	**(11,405)**	(2,280)
Additions of property, plant and equipment	**(16,670)**	(16,541)
Advances to related parties and joint ventures	**(39,598)**	(2,771)
Capital injection in financial assets at fair value through other comprehensive income	**(120,371)**	(97,101)
Capital injection in financial assets at fair value through profit or loss	**(64,925)**	(158,559)
Capital injection in joint ventures and associates	**(612,952)**	(415,950)
Capital redemption on financial assets at fair value through other comprehensive income	**1,144**	43,199
Disposal of asset held for sale	**52,217**	–
Disposal of financial assets at fair value through other comprehensive income	**–**	362,109
Disposal of financial assets at fair value through profit or loss	**22,224**	–
Disposal of interests in joint ventures and associates	**30,654**	44,189
Disposal of investment properties	**61,494**	314,462
Disposal of other assets	**–**	3,490
Disposal of property, plant and equipment	**–**	324
Disposal of subsidiaries	**75,646**	295,198
Distributions from financial assets at fair value through profit or loss	**27,963**	92,707
Distributions from joint ventures and associates	**111,910**	212,282
Dividend income from quoted financial assets	**53,589**	39,509
Dividend income from unquoted financial assets	**26,935**	93,586
Increase of non-pledged fixed time deposits with a maturity period over three months	**(3,850)**	–
Interest received	**19,371**	16,098
Investment in other investments	**(3,485)**	(6,407)
Loan to third parties	**(10,381)**	(84,825)
Payment of contingent consideration payables	**–**	(4,679)
Prepayments for acquiring land use rights	**(60,752)**	(138,170)
Purchase of financial derivative assets	**–**	(105)
Repayment of loan to directors of the Company	**–**	945
Repayments from joint ventures and financial assets at fair value through profit or loss upon disposal of subsidiaries	**50,532**	206,760
Transaction costs incurred for acquisition of subsidiaries	**–**	(45,167)
Net cash flows used in investing activities	**(758,166)**	(170,627)

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

For the year ended 31 December 2023

	2023 **US$'000**	2022 US$'000
Cash flows from financing activities		
Acquisition of non-controlling interests	**(14,898)**	(61,112)
Capital contributions from non-controlling interests	**10,154**	33,852
Changes in pledged bank deposits and restricted cash balance	**15,847**	22,787
Distribution paid to holders of perpetual capital securities	**(41,755)**	(44,199)
Dividend distributions to non-controlling interests	**(38,889)**	(6,268)
Dividend distributions to shareholders	**(139,630)**	(70,777)
Interest on bank and other borrowings paid	**(309,911)**	(237,771)
Principal portion of lease payments	**(14,168)**	(12,125)
Proceeds from bank and other borrowings	**1,809,814**	2,382,853
Proceeds from issuance of shares	**–**	250,000
Redemption of convertible bonds	**(349,200)**	–
Redemption of perpetual capital securities, net	**–**	(218,802)
Repayment of bank and other borrowings	**(835,550)**	(1,494,391)
Share repurchased	**(217,770)**	(169,317)
Transfer of interest to non-controlling interests without change of control	**2,912**	30,338
Net cash (used in)/generated from financing activities	**(123,044)**	405,068
Net (decrease)/increase in cash and cash equivalents	**(738,423)**	313,643
Cash and cash equivalents at beginning of year	**1,717,672**	1,517,533
Effect of foreign exchange rate changes, net	**(54,311)**	(113,504)
Cash and cash equivalents at end of year	**924,938**	1,717,672
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**1,001,568**	1,806,915
Cash and short-term deposits attributable to the disposal group held for sale	**9,281**	8,665
Non-pledged fixed time deposits with a maturity period over three months	**(3,850)**	–
Pledged bank deposits	**(632)**	(2,030)
Restricted bank balances	**(81,429)**	(95,878)
Cash and cash equivalents as stated in the consolidated statement of cash flows	**924,938**	1,717,672

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

ESR Group Limited (the "**Company**") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Companies Law on 14 June 2011. The registered office of the Company is Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands. The address of head office and principal place of business is at Suites 2905–06, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

The Group is principally engaged in logistics real estate development, leasing, management and fund management platforms in the Asia Pacific region.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IAS**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, and financial derivative assets and liabilities which have been measured at fair value. Non-current assets and disposal group held for sale are stated at the lower of its carrying amount and fair value less cost to sell. These financial statements are presented in US dollars ("**US$**"), with values rounded to nearest thousand except when otherwise indicated.

2.2 ADOPTION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform — Pillar Two Model Rules*

The adoption of the revised IFRSs did not have any impact on the Group's financial positions and performance or result in any significant changes to the Group's significant accounting policies, except for *Amendments to IAS 12 International Tax Reform — Pillar Two Model Rules*.

2.2 ADOPTION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

Amendments to IAS 12 International Tax Reform — Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments and the mandatory temporary exception retrospectively.

2.3 ISSUED BY NOT YET EFFECTIVE IFRSs

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period on 31 December 2023, and have not been early adopted by the Group. These standards are not expected to have material impact on the Group's financial statements.

Amendments to Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Noncurrent (the "**2020 Amendments**")*[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "**2022 Amendments**")*[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption

3. OPERATING SEGMENT INFORMATION

The Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) Investment segment is divided into three main categories: (i) properties that the Group holds on balance sheet, from which the Group derives total return, including rental income and appreciation in value, (ii) co-investments funds and investment vehicles and the REIT the Group manages, from which the Group derives dividend income, pro rata earnings and/or pro rata value appreciation, and (iii) other investments.

(b) Fund management segment earns fee income for managing assets on behalf of the Group's capital partners via funds and investment vehicles. Fees include base management fees, asset fund management fees, acquisition fees, development fees and leasing fees, as well as promote fees upon reaching or exceeding certain target internal rates of return and after the Group's capital partners have received their targeted capital returns.

(c) New Economy development segment earns development profit through the development, construction and sale of completed investment properties. The development profit includes construction income, fair value gains on investment properties under construction and gains on disposal of subsidiaries. The Group also derives pro rata earnings and pro rata value appreciation through the development activities of the development funds and investment vehicles managed by the Group in proportion to the Group's co-investments in those funds and investment vehicles.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, exchange differences, depreciation and amortisation, share-based compensation expense and corporate expenses are excluded from such measurement.

3. OPERATING SEGMENT INFORMATION *(Continued)*

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	Year ended 31 December 2023			
	Investment US$'000	Fund management US$'000	New Economy development US$'000	Total US$'000
Segment revenue	**78,329**	**736,747**	**56,250**	**871,326**
– Intersegment sales	**–**	**11,910**	**–**	**11,910**
	78,329	**748,657**	**56,250**	**883,236**
Reconciliation:				
Elimination of intersegment sales	**–**	**(11,910)**	**–**	**(11,910)**
Revenue from continuing operations	**78,329**	**736,747**	**56,250**	**871,326**
Operating expenses	**(28,630)**	**(187,723)**	**(76,715)#**	**(293,068)**
Fair value gains/(losses) on investment properties	**(1,787)**	**–**	**189,509**	**187,722**
Changes in carrying value of financial assets at fair value through profit or loss	**(2,126)**	**(42)**	**3,327**	**1,159**
Changes in fair value of assets held for sale	**(411)**	**–**	**(4,256)**	**(4,667)**
Changes in fair value of financial derivative assets	**–**	**(4,146)**	**–**	**(4,146)**
Share of profits and losses of joint ventures and associates, net	**(95,579)**	**25,984**	**49,226**	**(20,369)**
Loss on disposal of interests in joint ventures and associates	**–**	**–**	**(1,188)**	**(1,188)**
Gain on disposal of interests in financial assets at fair value through profit or loss	**69**	**292**	**1,784**	**2,145**
Gain on disposal of investment properties	**–**	**–**	**18,658**	**18,658**
Gain/(loss) on disposal of subsidiaries	**1,016**	**(197)**	**23,253**	**24,072**
Gain on disposal of assets held for sale	**1,378**	**–**	**–**	**1,378**
Dilution gain of interests in investment in an associate	**–**	**–**	**4,105**	**4,105**
Impairment of investments in joint ventures and associates	**–**	**–**	**(5,172)**	**(5,172)**
Other income	**–**	**1,332**	**1,000**	**2,332**
Dividend income	**81,844**	**2,435**	**–**	**84,279**
Segment result	**34,103**	**574,682**	**259,781**	**868,566**
Reconciliation:				
Depreciation and amortisation				**(50,343)**
Exchange loss				**(2,122)**
Interest income				**32,885**
Finance costs				**(312,901)**
Share-based compensation expense				**(19,178)**
Gain on early redemption of convertible bond				**17,181**
Other unallocated gains				**10,561**
Corporate and other unallocated expenses				**(150,411)**
Profit before tax from continuing operations				**394,238**
Other segment information:				
Depreciation and amortisation				**(50,343)**
Capital expenditure*				**362,398**
Investments in joint ventures and associates				**3,381,555**

Included construction cost of US$36,549,000

3. OPERATING SEGMENT INFORMATION *(Continued)*

	Year ended 31 December 2022			
	Investment US$'000	Fund management US$'000	New Economy development US$'000	Total US$'000
Segment revenue	97,123	713,297	10,734	821,154
– Intersegment sales	–	1,157	–	1,157
	97,123	714,454	10,734	822,311
Reconciliation:				
Elimination of intersegment sales	–	(1,157)	–	(1,157)
Revenue from continuing operations	97,123	713,297	10,734	821,154
Operating expenses	(28,908)	(190,830)	(57,946)#	(277,684)
Fair value gains on investment properties	63,167	–	132,264	195,431
Changes in carrying value of financial assets at fair value through profit or loss	(22,752)	(10)	30,802	8,040
Changes in carrying value of asset held for sale	2,869	–	2,522	5,391
Changes in fair value of financial derivative assets	–	6,191	–	6,191
Share of profits and losses of joint ventures and associates, net	63,606	27,436	135,674	226,716
Gain/(loss) on disposal of subsidiaries	21,278	(42)	26,937	48,173
Gain/(loss) on disposal of interests in joint ventures and associates	(8)	–	11,124	11,116
Loss on disposal of interests financial assets at fair value through profit or loss	(875)	(8)	–	(883)
Gain on disposal of investment properties	2,348	–	48,275	50,623
Gain on disposal of other assets	–	–	2,291	2,291
Other income	–	16,640	–	16,640
Dividend income	135,798	1,060	–	136,858
Segment result	333,646	573,734	342,677	1,250,057
Reconciliation:				
Depreciation and amortisation				(47,863)
Exchange gain				1,011
Interest income				16,867
Finance costs				(222,415)
Share-based compensation expense				(26,543)
Other unallocated gains				12,430
Corporate and other unallocated expenses				(168,419)
Profit before tax from continuing operations				815,125
Other segment information:				
Depreciation and amortisation				(47,863)
Capital expenditure*				2,511,252
Investments in joint ventures and associates				2,955,816

Included construction cost of US$9,802,000

* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets including assets from the acquisition of subsidiaries.

3. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2023	2022
	US$'000	US$'000
Greater China	**166,323**	206,671
Japan	**82,103**	102,253
South Korea	**201,831**	149,867
Australia and New Zealand	**209,884**	182,740
Southeast Asia	**155,412**	134,283
India	**12,400**	10,935
Europe	**35,893**	23,427
Others	**7,480**	10,978
	871,326	821,154

The revenue information of continuing operations above is based on the locations of the assets.

Information about major customers

Revenue from continuing operations of approximately US$89,800,000 was derived from fund management segment by a single customer during the year ended 31 December 2023 (2022: no revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the year ended 31 December 2022).

4. REVENUE AND OTHER INCOME AND GAINS, NET

(a) Revenue

An analysis of revenue is as follows:

	2023	2022
	US$'000	US$'000
Rental income from investment property operating leases	**71,992**	91,626
Management fee	**736,747**	713,296
Construction income	**56,250**	10,735
Solar energy income	**6,337**	5,497
Total	**871,326**	821,154

4. REVENUE AND OTHER INCOME AND GAINS, NET *(Continued)*

(a) Revenue *(Continued)*

Timing of revenue recognition

	2023 **US$'000**	2022 US$'000
Rental income from investment property operating leases	**71,992**	91,626
Point in time		
Management fee	**89,620**	177,569
Over time		
Management fee	**647,127**	535,727
Construction income	**56,250**	10,735
Solar energy income	**6,337**	5,497
	871,326	821,154

(b) Other income and gains, net

	2023 **US$'000**	2022 US$'000
Changes in carrying value of financial assets at fair value through profit or loss	**1,159**	8,040
Changes in fair value of financial derivative assets	**(4,146)**	6,191
Dilution gain of interests in investment in an associate	**4,105**	–
Dividend income	**84,279**	136,858
Exchange gain	**–**	1,011
Fair value gains on investment properties under construction	**189,509**	132,264
Fair value (losses)/gains on completed investment properties	**(1,787)**	63,167
Fair value (losses)/gains on assets held for sale	**(4,667)**	5,391
Gain/(loss) on disposal of interests in financial assets at fair value through profit or loss	**2,145**	(883)
Gain on early redemption of convertible bonds	**17,181**	–
Gain on disposal of asset held for sale	**1,378**	–
Gain on disposal of investment properties	**18,658**	50,623
Gain on disposal of other assets	**–**	2,291
Gain on disposal of subsidiaries	**24,072**	48,659
Interest income	**32,885**	16,867
(Loss)/gain on disposal of interests in joint ventures and associates	**(1,188)**	11,116
Others	**12,893**	28,578
	376,476	510,173

5. INCOME TAX EXPENSE

	2023 US$'000	2022 US$'000
Current tax	**103,268**	132,489
Deferred tax	**22,914**	51,527
	126,182	184,016

6. FINANCE COSTS

	2023 US$'000	2022 US$'000
Interest expense on bank loans	**298,168**	187,665
Interest expense on other borrowings	**1,587**	1,619
Interest expense on bonds	**17,169**	27,699
Interest expense on convertible bonds	**3,922**	5,250
Interest accretion on convertible bonds (note (i))	**7,979**	10,284
Interest expense on lease liabilities	**1,803**	1,347
	330,628	233,864
Less: Interest capitalised	**(17,727)**	(11,449)
	312,901	222,415

Note:

(i) Related to non-cash portion associated with the equity element of the convertible bonds.

7. DIVIDENDS

On 22 March 2023, the board of directors declared a final dividend of HK$12.5 cents per ordinary share for the financial year ended 31 December 2022 (2021: nil), amounting to US$69,886,000 (2021: nil).

The final dividend of US$69,886,000 was paid by the Company during the financial year ended 31 December 2023.

On 23 August 2023, the board of directors declared an interim dividend of HK$12.5 cents per ordinary share for the financial year ended 31 December 2023 (2022: interim dividend of HK$12.5 cents per ordinary share for the financial year ended 31 December 2022), amounting to US$69,744,000 (2022 interim dividend: US$70,777,000)

The interim dividend of US$69,744,000 was paid by the Company during the financial year ended 31 December 2023 (2022 interim dividend of US$70,777,000 was paid during the financial year ended 31 December 2022).

On 21 March 2024, the board of directors declared a final dividend of HK$12.5 cents per ordinary share for the financial year ended 31 December 2023 (2022: final dividend of HK$12.5 cents per ordinary share for financial year ended 31 December 2022), amounting to approximately US$67,000,000 (2022 final dividend: US$69,886,000).

8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2023	2022
	US$'000	US$'000
Earnings:		
Profit attributable to owners of the Company	**230,849**	574,145
Distributions to holders of perpetual capital securities issued by a subsidiary	**(27,215)**	–
Profit used to determine basic earnings per share	**203,634**	574,145
Weighted average number of ordinary shares in issue, used in the basic earnings per share calculation (in thousands)	**4,381,869**	4,456,506
Basic earnings per share (US$)	**0.05**	0.13
Diluted earnings per share (US$)	**0.05**	0.13

9. INVESTMENT PROPERTIES

	Completed investment properties US$'000	Investment properties under construction US$'000	Total US$'000
At 1 January 2022	2,197,783	1,506,460	3,704,243
Additions	119,405	784,188	903,593
Acquisition of subsidiaries	198,979	134,746	333,725
Disposal of subsidiaries	(831,380)	(97,971)	(929,351)
Disposal	(117,089)	(146,750)	(263,839)
Changes in fair values of investment properties	63,167	132,264	195,431
Transfer from investment properties under construction to completed investment properties	148,906	(148,906)	–
Transfer from completed investment properties to investment properties under construction for redevelopment	(65,659)	65,659	–
Reclassification to assets of a disposal group held for sale	(288,883)	(4,005)	(292,888)
Exchange realignment	(165,110)	(163,572)	(328,682)
At 31 December 2022 and 1 January 2023	**1,260,119**	**2,062,113**	**3,322,232**
Additions	**2,686**	**317,391**	**320,077**
Disposal of subsidiaries	**(134,042)**	**(332,826)**	**(466,868)**
Disposal	**–**	**(42,836)**	**(42,836)**
Changes in fair values of investment properties	**(1,787)**	**189,509**	**187,722**
Transfer from investment properties under construction to completed investment properties	**870,080**	**(870,080)**	**–**
Reclassification to assets of a disposal group held for sale	**–**	**(3,233)**	**(3,233)**
Exchange realignment	**(34,236)**	**(81,486)**	**(115,722)**
At 31 December 2023	**1,962,820**	**1,238,552**	**3,201,372**

10. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at 31 December 2023 and 31 December 2022, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December 2023 US$'000	As at 31 December 2022 US$'000
Within 90 days	**510,818**	347,924
91 to 180 days	**6,347**	3,904
Over 180 days	**15,696**	1,660
Total	**532,861**	353,488

11. TRADE PAYABLES

An ageing analysis of trade payables as at 31 December 2023 and 31 December 2022, based on the invoice date, is as follows:

	As at 31 December 2023 US$'000	As at 31 December 2022 US$'000
Within 30 days	**11,939**	13,932
31 to 60 days	**156**	256
Over 60 days	**1,586**	2,534
Total	**13,681**	16,722

12. BANK AND OTHER BORROWINGS

	As at 31 December 2023		As at 31 December 2022	
	Effective interest rate (%)	**US$'000**	Effective interest rate (%)	US$'000
Current				
Bank loans – secured	**1.77–9.90**	**111,904**	0.57–7.20	53,744
Bank loans – unsecured	**3.55–7.67**	**720,913**	2.20	95,382
Other borrowings – unsecured	**10.00**	**6,714**	0.50–10.00	52,560
Bonds – unsecured	**4.15**	**60,353**	4.25-6.00	88,766
		899,884		290,452
Non-current				
Bank loans – secured	**0.62–9.90**	**1,221,658**	0.57–9.40	1,270,017
Bank loans – unsecured	**0.66–8.17**	**3,480,574**	1.75–7.98	3,392,381
Bonds – unsecured	**1.16–5.10**	**377,437**	4.15–5.10	224,727
		5,079,669		4,887,125
Convertible bonds		**–**	5.03	319,053
		5,079,669		5,206,178
		5,979,553		5,496,630

12. BANK AND OTHER BORROWINGS *(Continued)*

Debt maturity profile of bank and other borrowings:

	As at 31 December 2023 US$'000	As at 31 December 2022 US$'000
Bank loans repayable		
Within one year	**832,817**	149,126
In the second year	**364,595**	1,161,178
In the third to fifth year, inclusive	**3,940,737**	3,038,692
Beyond five years	**396,900**	462,528
	5,535,049	4,811,524
Bonds and other borrowings repayable		
Within one year	**67,067**	141,326
In the second year	**168,745**	59,199
In the third to fifth year, inclusive	**138,889**	484,581
Beyond five years	**69,803**	–
	444,504	685,106
	5,979,553	5,496,630

ANNUAL GENERAL MEETING ("AGM")

The AGM will be held on Friday, 31 May 2024. A notice convening the AGM will be published in the manner required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in due course.

FINAL DIVIDEND

The Board has recommended a final dividend of HK$12.5 cents per share for the financial year ended 31 December 2023 (2022: HK$12.5 cents per share), representing a total payout of approximately HK$527 million (2022: approximately HK$550 million), payable on Friday, 28 June 2024, subject to the approval of shareholders of the Company (the "**Shareholders**") at the AGM, to Shareholders whose names appear on register of members of the Company at the close of business on Friday, 14 June 2024, being the record date for determining Shareholders' entitlement to the proposed final dividend. Combined with the interim dividend of HK$12.5 cents per share, the full year dividend amounts to HK$25 cents per share (2022: HK$25 cents per share).

CLOSURE OF REGISTER OF MEMBERS

AGM

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 28 May 2024 to Friday, 31 May 2024, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 27 May 2024.

Final Dividend

The register of members of the Company will be closed from Wednesday, 12 June 2024 to Friday, 14 June 2024 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for a final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Tuesday, 11 June 2024.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Share Repurchase

The Directors of the Company have been granted the general mandate (the "**Repurchase Mandate**") pursuant to resolutions of the Shareholders passed on 1 June 2022 and 7 June 2023, to repurchase shares of the Company (the "**Shares**") in the open market from time to time. Pursuant to the Repurchase Mandate, the Company is allowed to repurchase up to 10% of the total number of issued Shares as at date of passing such resolution.

During the financial year ended 31 December 2023, the Company had repurchased, under the Repurchase Mandate, a total of 151,674,000 Shares representing approximately 3.54% of the issued Shares as at 31 December 2023 for a consideration of approximately HK$1,698.5 million (approximately US$217.2 million, excluding transaction cost).

Month	**Number of Shares repurchased**	**Purchase price per Share**		**Aggregate consideration**
		Highest	**Lowest**	
		HK$	HK$	HK$ million
January 2023	7,614,400	17.68	15.44	127.2
February 2023	6,450,000	16.58	14.02	97.5
March 2023	2,147,000	14.14	13.14	29.5
April 2023	7,320,000	14.24	11.92	95.0
May 2023	13,753,800	12.64	10.94	161.7
June 2023	1,539,200	14.10	11.28	20.1
July 2023	2,142,800	13.14	12.44	27.5
August 2023	1,925,600	12.24	11.52	22.9
September 2023	17,100,000	12.04	10.38	187.1
October 2023	21,602,800	11.36	9.66	227.4
November 2023	28,971,200	10.46	9.77	291.4
December 2023	41,107,200	10.86	9.20	411.2
Total	151,674,000			1,698.5

At the date of this announcement, 151,674,000 repurchased Shares during the year ended 31 December 2023 have been cancelled.

The share repurchase reflects the Company's confidence in its financial position, business fundamentals and prospects, and would, ultimately, benefit the Company and create value to the Shareholders. The share repurchase was financed by the Company with its existing available cash. The Board believes that the current financial resources of the Company would enable it to implement the share repurchase while maintaining a solid and healthy financial position for the continued growth of the Group's operations.

Shares Purchased By Trustee Under The Long Term Incentive Scheme

During the financial year ended 31 December 2023, the trustee of the Long Term Incentive Scheme of the Company adopted on 2 June 2021 (the "**LTIS**"), pursuant to the rules and trust deed of the LTIS, purchased on the Stock Exchange a total of 3,559,146 Shares at a total consideration of approximately US$5.6 million (approximately HK$43.9 million, excluding transaction costs).

Redemption and Cancellation of Convertible Bonds Issued

In September 2020, the Company completed the issuance of US$350 million 1.50 per cent convertible bonds due 2025 (the "**Bonds**"). The Bonds were listed and traded on the Singapore Exchange Securities Trading Limited.

The Company announced on 15 September 2023 that, due to the declaration of interim dividend and final dividend for 2022 and interim dividend for 2023 respectively, accordingly the conversion price of the Bonds was adjusted to HK$31.61 per Share with effect from Friday, 17 June 2023, and to HK$31.29 per Share with effect from Friday, 15 September 2023 respectively, as per the adjustment provisions stipulated under the terms and conditions of the Bonds.

Based on the total outstanding principal amount of the Bonds of US$350,000,000 on the date of the announcement and the adjusted conversion price, 86,693,512 additional Shares would be issued upon conversion of all the outstanding Bonds.

On 29 September 2023, the Company received a conversion notice from a holder of the Bond for the exercise of the conversion rights attached to the Bonds in respect of the aggregate principal amount of US$800,000 (the "**Converted Bonds**"). All of the Converted Bonds have been converted to ordinary Shares (the "**Conversion Shares**") and a total number of 196,150 Conversion Shares were issued to the bondholder on 19 September 2023 in accordance with the terms and conditions of the Bonds.

The terms and conditions of the Bonds provide, among other matters, that the Company will, at the option of the holder of any Bond (the "**Put Option**"), redeem all or some only of such holder's Bonds on 30 September 2023 at 100 per cent. of their principal amount, together with interest accrued but unpaid up to but excluding such date.

At the same date, the Company announced that as the holders of the Bonds in an aggregate principal amount of US$348,600,000 gave notice to exercise their Put Option, the Company has on 29 September 2023 fully redeemed parts of the outstanding Bonds in an aggregate principal amount of US$348,600,000, representing approximately 99.6% of the initial aggregate principal amount of the Bonds.

On 4 October 2023, the Company served a notice to exercise its right to redeem all and not some only of the outstanding Bonds in the aggregate principal amount of US$600,000 on 3 November 2023. Following the above redemptions, all of the redeemed Bonds were cancelled in accordance with the terms and conditions of the Bonds and none of the Bonds remained outstanding.

For details, please refer to the announcements dated 29 September 2023 and 4 October 2023.

Saved as disclosed above, during the financial year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices with a view of enhancing the management efficiency of the Company as well as preserving the interests of the Shareholders of the Company as a whole. The Company has applied the principles of, and complied with, the applicable code provisions set out in Part 2 of the Corporate Governance Code contained in Appendix C1 to the Listing Rules throughout the year ended 31 December 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") contained in Appendix C3 of the Listing Rules as its own code of conduct regarding securities transactions of the Company by Directors. The Company has adopted a code of conduct regarding all Directors', officers and employees' securities transactions on terms no less exacting than the required standard set out in the Model Code. In response to specific enquiries made, all Directors confirmed that they have complied with the required standards set out in such code regarding their securities transactions throughout their tenure during the year ended 31 December 2023.

AUDIT COMMITTEE

The Company established the audit committee of the Company (the "**Audit Committee**") with written terms of reference in compliance with the Listing Rules. At the date of this announcement, the Audit Committee comprises Mr. Simon James McDonald (chairman of the Audit Committee), Mr. Brett Harold Krause and Ms. Serene Siew Noi Nah, all of whom are Independent Non-executive Directors.

The Audit Committee has reviewed the Company's consolidated annual results for the year ended 31 December 2023 and confirmed that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The Audit Committee has also discussed the auditing, internal control and financial reporting matters.

The annual results for the year ended 31 December 2023 have been prepared in accordance with IFRSs.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance have been expressed by Ernst & Young on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.esr.com) respectively. The annual report for the year ended 31 December 2023 containing all the information required by Appendix D2 to the Listing Rules will be published on the same websites in due course.

By order of the Board
ESR Group Limited
Jinchu Shen
Director

Hong Kong, 21 March 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, Dr. Kwok Hung Justin Chiu, Mr. Rajeev Veeravalli Kannan and Ms. Joanne Sarah McNamara as Non-executive Directors, Mr. Brett Harold Krause, Mr. Simon James McDonald, Ms. Jingsheng Liu, Ms. Serene Siew Noi Nah and Ms. Wei-Lin Kwee as Independent Non-executive Directors.