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ESR GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1821)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
THE DISPOSAL OF LOGISTICS ASSET PORTFOLIO TO
CHINA INCOME VENTURE**

On 3 July 2022,

- (i) Gamma and Gamma I (the “**Portfolio Sellers**”, each a wholly-owned subsidiary of the Company), as sellers, and EG Phoenix IX Limited (the “**Buyer**”, a wholly-owned subsidiary of JV HoldCo), as purchaser, entered into the Portfolio SPA relating to the sale by the Portfolio Sellers to the Buyer of the Portfolio Sale Shares comprising 100% of the issued shares in each of the Target Companies (the “**Portfolio Share Transfer**”); and
- (ii) Delte (a wholly-owned subsidiary of the Company) and Ambition Mind Holdings Limited (an independent third party) (together, the “**Fanxin Sellers**”), as sellers, and the Buyer, as purchaser, entered into the Fanxin SPA relating to the sale by the Fanxin Sellers to the Buyer of the Fanxin Sale Shares comprising 100% of the issued shares in Fanxin (the “**Fanxin Share Transfer**”, together with the Portfolio Share Transfer, the “**Share Transfers**”).

As at the date of this announcement, the Target Companies and Fanxin are holding companies of logistics and warehousing facilities in the PRC and are indirectly wholly-owned (in the case of the Target Companies) and 90% owned (in the case of Fanxin) by the Company. Upon completion of the Share Transfers, each of the Target Companies and Fanxin will become indirectly wholly-owned by JV HoldCo and will cease to be a subsidiary of the Company.

JV HoldCo is a new China income venture. As at the date of this announcement, JV HoldCo is owned as to 10% by ESR Investor (a wholly-owned subsidiary of the Company) and 90% by RECO Investor. On 3 July 2022, ESR Investor, RECO Investor and JV HoldCo entered into the Investment Agreement pursuant to which ESR Investor and RECO Investor agreed to contribute capital to JV HoldCo in proportion to their shareholding percentages of 10% and 90%, respectively (the “**JV HoldCo Investment**”). The proceeds of the JV HoldCo Investment will be used to capitalise JV HoldCo for the purposes of funding the Share Transfer Price payable by the Buyer and funding other projects in accordance with the terms of the Investment Agreement. The Group will also act as the investment manager of JV HoldCo and asset manager of JV HoldCo’s properties.

As the highest applicable percentage ratio in respect of the Share Transfers (on an aggregated basis) exceeds 5% but is less than 25%, the Share Transfers constitute discloseable transactions under Chapter 14 of the Listing Rules. Accordingly, the Share Sale and Purchase Agreements and the Share Transfers contemplated thereunder are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. The Investment Agreement and the JV HoldCo Investment do not constitute a discloseable transaction under Chapter 14 of the Listing Rules.

INTRODUCTION

On 3 July 2022, the Portfolio Sellers and Fanxin Sellers, as sellers, and the Buyer, as purchaser, entered into the Share Sale and Purchase Agreements with effect from 30 June 2022 relating to the Share Transfers, on the terms as further described below.

THE SHARE SALE AND PURCHASE AGREEMENTS

(a) The Portfolio SPA

The principal terms of the Portfolio SPA are set out below:

Date: 3 July 2022

Parties: (i) Gamma (a wholly-owned subsidiary of the Company);
(ii) Gamma I (a wholly-owned subsidiary of the Company);
and
(iii) the Buyer (a wholly-owned subsidiary of JV HoldCo).

Subject Matter: Gamma and Gamma I agreed to sell and the Buyer agreed to purchase the Portfolio Sale Shares comprising 100% of the issued shares in each of the Target Companies.

Portfolio Share Transfer Price: The aggregate consideration for the Portfolio Sale Shares is the US Dollars equivalent of approximately RMB1.81 billion, subject to adjustments as set out below.

The Portfolio Share Transfer Price was determined after arm's length negotiations between the parties with reference to (i) the gross asset value of each relevant property held by the Target Companies; and (ii) the pro forma net asset value of each Target Company according to its corresponding consolidated balance sheet as of 31 December 2021 and is expected to be funded by the capital commitments received by JV HoldCo as further described in the section headed "The JV HoldCo Investment" below.

The Portfolio Share Transfer Price will be paid by the Buyer to the Portfolio Sellers on the Closing Date.

Portfolio Share Transfer Price Adjustments: The Portfolio Share Transfer Price is subject to the following adjustments:

(i) Post-Closing Adjustment

If, with respect to any Target Company, the final net asset value as of the Portfolio Closing Date exceeds the pro forma net asset value of such Target Company according to its corresponding consolidated balance sheet as of 31 December 2021, the Portfolio Share Transfer Price will be increased by the amount by which the final net asset value exceeds the pro forma net asset value. The relevant adjustment amount will be paid by the Buyer to the relevant Portfolio Seller within ten business days after the final net asset value becomes available.

If, with respect to any Target Company, the final net asset value as of the Portfolio Closing Date is less than the pro forma net asset value of such Target Company according to its corresponding consolidated balance sheet as of 31 December 2021, the Portfolio Share Transfer Price will be reduced by the amount by which the final net asset value is less than the pro forma net asset value. The relevant amount will be paid by the relevant Portfolio Seller to the Buyer within ten business days after the final net asset value becomes available.

(ii) *Earn-Out Adjustment*

The occurrence of the earlier of (i) JV HoldCo having consummated the disposal of its properties; and (ii) the fifth anniversary of the Portfolio Closing Date shall constitute an earn-out realisation event for the purposes of the Portfolio SPA. To the extent that JV HoldCo achieves certain internal rate of return as at the occurrence of an earn-out realisation event, in respect of each Target Company, the relevant Portfolio Seller shall be entitled to an earn-out amount payable by the Buyer.

(iii) *Collected Receivable Adjustment*

In the event that one of the Target Group Companies or its designated entity has collected and received any outstanding amounts payable to it under a loan agreement, Gamma I will be entitled to such amount as additional share transfer price payable by the Buyer.

**Conditions
Precedent:**

The completion of the Portfolio Share Transfer is conditional upon the satisfaction of certain conditions, including, among others, obtaining consents from or giving written notifications to certain third parties and maintaining 90% occupancy rate for certain properties held by the Target Group Companies.

Completion:

The completion of the Portfolio Share Transfer shall take place within ten business days after all the conditions precedent have been satisfied or waived, or on such other dates as the parties to the Portfolio SPA agree in writing.

(b) The Fanxin SPA

The principal terms of the Fanxin SPA are set out below:

Date: 3 July 2022

Parties:

- (i) Delte (a wholly-owned subsidiary of the Company);
- (ii) Ambition Mind Holdings Limited (an independent third party); and
- (iii) the Buyer.

Subject Matter: The Fanxin Sellers agreed to sell and the Buyer agreed to purchase the Fanxin Sale Shares comprising 90% (in the case of Delte) and 10% (in the case of Ambition Mind Holdings Limited) of the issued shares in Fanxin.

Fanxin Share Transfer Price: The aggregate consideration for the Fanxin Sale Shares is the US Dollars equivalent of approximately RMB388 million, subject to adjustment as set out below.

The Fanxin Share Transfer Price was determined after arm's length negotiations between the parties with reference to (i) the gross asset value of the property held by Fanxin; and (ii) the pro forma net asset value of Fanxin according to its corresponding consolidated balance sheet as of 31 December 2021 and is expected to be funded by the capital commitments received by JV HoldCo as further described in the section headed "The JV HoldCo Investment" below.

The Fanxin Share Transfer Price will be paid by the Buyer to the Fanxin Sellers on the closing date of the Fanxin Share Transfer.

Fanxin Share Transfer Price Adjustments: The Fanxin Share Transfer Price is subject to the following adjustment:

If, with respect to Fanxin, the final net asset value as of the Fanxin Closing Date exceeds the pro forma net asset value of Fanxin according to its corresponding consolidated balance sheet as of 31 December 2021, the Fanxin Share Transfer Price of each Fanxin Seller will be increased by the amount by which the final net asset value exceeds the pro forma net asset value in proportion to their respective shareholding percentages in Fanxin. The relevant adjustment amount will be paid by the Buyer to the Fanxin Sellers within ten business days after the final net asset value becomes available.

If, with respect to Fanxin, the final net asset value as of the Fanxin Closing Date is less than the pro forma net asset value of Fanxin according to its corresponding consolidated balance sheet as of 31 December 2021, the Fanxin Share Transfer Price of each Fanxin Seller will be reduced by the amount by which the final net asset value is less than the pro forma net asset value in proportion to their respective shareholding percentages in Fanxin. The relevant amount will be paid by the Fanxin Sellers to the Buyer within ten business days after the final net asset value becomes available.

Conditions Precedent:	The completion of the Fanxin Share Transfer is conditional upon the satisfaction of certain conditions, including, among others, obtaining consents from certain third parties.
Completion:	The completion of the Fanxin Share Transfer shall take place within ten business days after all the conditions precedent have been satisfied or waived, or on such other dates as the parties to the Fanxin SPA agree in writing.

THE JV HOLCO INVESTMENT

As at the date of this announcement, ESR Investor (a wholly-owned subsidiary of the Company) is the registered owner of 10% of the total issued shares of JV HoldCo, and RECO Investor is the registered owner of 90% of the total issued shares of JV HoldCo.

On 3 July 2022, ESR Investor entered into the Investment Agreement with RECO Investor and JV HoldCo, pursuant to which ESR Investor and RECO Investor agreed to contribute capital to JV HoldCo in proportion to their shareholding percentages of 10% and 90% by ESR Investor and RECO Investor, respectively (the “**JV HoldCo Investment**”). ESR Investor and RECO Investor will satisfy their capital commitment to JV HoldCo (up to their respective total capital commitment and pro rata to their respective shareholding percentage in JV HoldCo) by subscribing for shares in cash or providing shareholder loans when capital calls are made by JV HoldCo in accordance with the terms of the Investment Agreement. The Group will also act as the investment manager of JV HoldCo and asset manager of JV HoldCo’s properties.

The proceeds of the JV HoldCo Investment will be used to capitalise JV HoldCo for the purposes of funding the Share Transfer Price payable by the Buyer and funding other projects in accordance with the terms of the Investment Agreement. Based on the Group’s maximum capital commitment to JV HoldCo, the Investment Agreement and the JV HoldCo Investment do not constitute a discloseable transaction under Chapter 14 of the Listing Rules.

REASONS FOR, AND BENEFITS OF, THE SHARE TRANSFERS

The disposal of the beneficial interest in the Target Companies, Fanxin and the relevant properties held by the Target Companies and Fanxin pursuant to the Share Sale and Purchase Agreements will allow the Group to realise gains on disposal and is in line with the Group’s capital recycling strategy of transferring balance sheet assets into investment vehicles it manages and co-invests in. Following the completion of the Share Transfers, the Group will continue to maintain an indirect interest in the Target Companies and Fanxin through its minority interest in JV HoldCo. In addition, the Group will act as the investment manager of JV HoldCo and asset manager of its property assets and earn management fees for such services.

The Directors, having regard to the reasons and benefits of entering into the Share Sale and Purchase Agreements referred to above, are of the view that the terms of the Share Sale and Purchase Agreements and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Share Transfers (on an aggregated basis and based on the Company's current estimate of the maximum final Share Transfer Price after adjustments as described in "The Share Sale and Purchase Agreements" above) exceeds 5% but is less than 25%, the Share Transfers constitute discloseable transactions under Chapter 14 of the Listing Rules. Accordingly, the Share Sale and Purchase Agreements and the Share Transfers are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INFORMATION ON THE TARGET COMPANIES AND FANXIN

(a) The Target Companies

As at the date of this announcement, the entire issued share capital of each Target Company is indirectly owned by the Company through Gamma or Gamma I.

Based on the unaudited consolidated financial statements of Gamma and Gamma I prepared in accordance with Chinese Generally Accepted Accounting Principles, aligned to International Financial Reporting Standards, the unaudited net profits attributable to the Target Companies and their subsidiaries before and after taxation and extraordinary items for the two years ended 31 December 2020 and 31 December 2021 are:

	For the year ended	
	31 December	
	2020	2021
	RMB'000	RMB'000
Net profit before taxation and extraordinary items	306,484	191,122
Net profit after taxation and extraordinary items	243,690	169,238

The unaudited consolidated net asset value of the Target Companies and their subsidiaries as at 30 June 2022 was approximately RMB1.6 billion.

Upon completion of the Portfolio Share Transfer, each Target Company will be indirectly wholly-owned by JV HoldCo and will cease to be a subsidiary of the Company.

Based on the difference between the Portfolio Share Transfer Price and the estimated aggregate net asset value of the Target Companies upon the Portfolio Closing Date, the Group expects to recognise an estimated gain on disposal of approximately RMB264.7 million in connection with the Portfolio Share Transfer. The sale proceeds to be received by the Group pursuant to the Portfolio SPA will predominantly be used as capital return to the Group.

(b) Fanxin

As at the date of this announcement, Fanxin is indirectly owned as to 90% by the Company (through Delte) and 10% by Ambition Mind Holdings Limited (an independent third party).

Based on the unaudited consolidated financial statements of Fanxin prepared in accordance with Chinese Generally Accepted Accounting Principles, aligned to International Financial Reporting Standards, the unaudited net profits of Fanxin and its subsidiaries before and after taxation for the two years ended 31 December 2020 and 31 December 2021 are:

	For the year ended	
	31 December	
	2020	2021
	RMB'000	RMB'000
Net profit before taxation	33,456	44,985
Net profit after taxation	26,088	34,956

The unaudited consolidated net asset value of the Fanxin and its subsidiaries as at 30 June 2022 was approximately RMB317.3 million.

Upon completion of the Fanxin Share Transfer, Fanxin will be indirectly wholly-owned by JV HoldCo. and will cease to be a subsidiary of the Company.

Based on the difference between the Fanxin Share Transfer Price and the estimated net asset value of Fanxin upon Fanxin Closing Date, the Group expects to recognise an estimated gain on disposal of approximately RMB31.6 million in connection with the Fanxin Share Transfer. The sale proceeds to be received by the Group pursuant to the Fanxin SPA will predominantly be used as capital return to the Group.

INFORMATION ON THE BUYER AND JV HOLDCO

The Buyer is a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of JV HoldCo. Its principal business is investment holding.

JV HoldCo is a company incorporated in the British Virgin Islands with limited liability. Its principal business is to engage in the acquisition, development, investment and operation of certain logistics and warehousing facilities within the PRC. As at the date of this announcement, JV HoldCo is held as to 10% and 90% by ESR Investor (a wholly-owned subsidiary of the Company) and RECO Investor, respectively.

RECO Investor is an investment holding company and indirectly wholly-owned by GIC (Realty) Private Limited, which is the investment holding company for GIC Pte Ltd's real estate investments. GIC Pte Ltd, a global long-term investor with over US\$100 billion in assets in over 40 countries worldwide, is established to manage Singapore's foreign reserves. To the best of the Company's knowledge, GIC Pte Ltd holds less than 5% of the shares of the Company as at the date of this announcement.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, RECO Investor and its other ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

INFORMATION ON THE GROUP

The Group is largest real asset manager in Asia-Pacific powered by the new economy and the third largest listed real estate investment manager globally. The Group's fully integrated development and investment management platform extends across key Asia-Pacific markets, including China, Japan, South Korea, Australia, Singapore, India, New Zealand and Southeast Asia and also includes an expanding presence in Europe and the U.S. The Group provides a diverse range of real asset investment solutions and new economy real estate development opportunities across its private funds business, which allow capital partners and customers to capitalise on the most significant secular trends in APAC.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of directors of the Company
“Buyer”	EG Phoenix IX Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of JV HoldCo
“Company”	ESR Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1821)
“Delte”	Delte Offshore Holdings (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Directors”	the directors of the Company
“ESR Investor”	ECN V Offshore Holdings (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Fanxin”	ABM Capital Limited, a company incorporated in the British Virgin Islands with limited liability
“Fanxin Closing Date”	the date of completion of the Fanxin Share Transfer
“Fanxin Sale Shares”	100% of the issued shares in Fanxin
“Fanxin Sellers”	collectively, Delte and Ambition Mind Holdings Limited
“Fanxin Share Transfer”	the transfer of Fanxin Sale Shares from the Fanxin Sellers to the Buyer pursuant to the Fanxin SPA
“Fanxin Share Transfer Price”	The aggregate consideration for the Fanxin Share Transfer
“Fanxin SPA”	the share sale and purchase agreement dated 3 July 2022 entered into between the Fanxin Sellers and the Buyer in relation to the Fanxin Share Transfer

“Gamma”	Gamma Offshore Holdings (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Gamma I”	Gamma Offshore Holdings I (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Investment Agreement”	the investment agreement dated 3 July 2022 entered into between ESR Investor, RECO Investor and JV HoldCo in relation to the JV HoldCo Investment
“JV HoldCo”	ECN IV Offshore Holdings (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability
“JV HoldCo Investment”	the capital commitment to JV HoldCo by RECO Investor and ESR Investor pursuant to the Investment Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended and supplemented from time to time)
“Portfolio Closing Date”	the date of completion of the Portfolio Share Transfer
“Portfolio Sale Shares”	100% of the issued shares in each of the Target Companies
“Portfolio Sellers”	collectively, Gamma and Gamma I
“Portfolio Share Transfer”	the transfer of Portfolio Sale Shares from the Portfolio Sellers to the Buyer pursuant to the Portfolio SPA
“Portfolio Share Transfer Price”	the aggregate consideration for the Portfolio Share Transfer
“Portfolio SPA”	the share sale and purchase agreement dated 3 July 2022 entered into between Gamma, Gamma I and the Buyer in relation to the Portfolio Share Transfer
“RECO Investor”	RECO Mandarina Private Limited, a company incorporated in Singapore with limited liability

“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Share Sale and Purchase Agreements”	the Portfolio SPA and the Fanxin SPA
“Share Transfer Price”	the Portfolio Share Transfer Price and the Fanxin Share Transfer Price
“Share Transfers”	the Portfolio Share Transfer and the Fanxin Share Transfer
“Shareholders”	the holders of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	collectively, <ul style="list-style-type: none"> (i) Sword Overseas Holdings (BVI) Limited, a company incorporated in the British Virgin Islands; (ii) Pluto Offshore Holdings (BVI) Limited, a company incorporated in the British Virgin Islands; (iii) Impulse Offshore Holdings (BVI) Limited, a company incorporated in the British Virgin Islands; (iv) RCLF Changsha 2 Pte. Ltd., a company incorporated in Singapore; (v) Global Offshore Holdings (BVI) Limited, a company incorporated in the British Virgin Islands; (vi) Zeta Offshore Holdings (BVI) Limited, a company incorporated in the British Virgin Islands; (vii) e-Shang GZ (BVI) Limited, a company incorporated in the British Virgin Islands; and (viii) Vanlog Holdings A, Limited (BVI), a company incorporated in the British Virgin Islands
“Target Group Companies”	the Target Companies and their subsidiaries

“US\$” or “US Dollars” United States Dollars, the lawful currency of the United States of America

“%” per cent.

By order of the Board
ESR Group Limited
Jinchu Shen
Director

Hong Kong, 3 July 2022

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. Wei Hu, Mr. Hwee Chiang Lim, Dr. Kwok Hung Justin Chiu and Mr. Rajeev Veeravalli Kannan 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.