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ESR GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1821)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
DISPOSAL OF PROPERTIES TO CHINA RENMINBI INCOME FUND**

On 27 November 2023, the Group (as sellers) entered into the Equity Transfer Agreements with the Purchasers (each being 99.99% owned by the RMB Income Fund, an investment fund managed by the Group) and the Target Companies (each being the holding company of the relevant Target Properties) in relation to the transfer of the entire equity interests in the relevant Target Companies.

The Target Properties are comprised of six stabilised assets strategically located in major logistics and industrial hubs across different regions in China, including the Yangtze River Delta Region, the Greater Bay Area and the Beijing-Tianjin-Hebei Region, with a total gross floor area of 349,649 square meters.

Prior to entering into of the Equity Transfer Agreements, each of the Target Companies were indirect subsidiaries of the Company. Upon completion of the Disposals, each of the Target Companies will become a subsidiary of the relevant Purchaser (and indirectly owned by the RMB Income Fund) and will cease to be a subsidiary of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio in respect of the Disposals (based on the Company's current estimate of the maximum Final Consideration after adjustments as described in the section headed "B. The Equity Transfer Agreements — Adjustment Payment" below) exceeds 5% but is less than 25%, the Disposals constitute discloseable transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

A. INTRODUCTION

On 27 November 2023, the Group (as sellers) entered into the Equity Transfer Agreements with the Purchasers (each being 99.99% owned by the RMB Income Fund, an investment fund managed by the Group) and the Target Companies (each being the holding company of the relevant Target Properties) in relation to the transfer of the entire equity interests in the relevant Target Companies.

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Prior to entering into of the Equity Transfer Agreements, each of the Target Companies were indirect subsidiaries of the Company. Upon completion of the Disposals, each of the Target Companies will become a subsidiary of the relevant Purchaser (and indirectly owned by the RMB Income Fund) and will cease to be a subsidiary of the Company.

B. THE EQUITY TRANSFER AGREEMENTS

On 27 November 2023:

- (i) Seller 1 (as transferor), Purchaser 1 (as transferee) and Target Company 1 entered into the Equity Transfer Agreement 1 in relation to the transfer of the entire equity interests in Target Company 1;
- (ii) Seller 2 (as transferor), Purchaser 2 (as transferee) and Target Company 2 entered into the Equity Transfer Agreement 2 in relation to the transfer of the entire equity interests in Target Company 2;
- (iii) Seller 3 (as transferor), Purchaser 3 (as transferee) and Target Company 3 entered into the Equity Transfer Agreement 3 in relation to the transfer of the entire equity interests in Target Company 3;
- (iv) Seller 4 (as transferor), Purchaser 4 (as transferee) and Target Company 4 entered into the Equity Transfer Agreement 4 in relation the transfer of the entire equity interests in Target Company 4; and
- (v) Seller 5 (as transferor), Purchaser 5 (as transferee) and Target Company 5 entered into the Equity Transfer Agreement 5 in relation to the transfer of the entire equity interests in Target Company 5.

The principal terms of the Equity Transfer Agreements are set out below:

Subject Matter: Pursuant to the terms and conditions of the Equity Transfer Agreements, the Sellers agreed to transfer, and the Purchasers agreed to purchase, the entire equity interests in the relevant Target Companies, which are holding companies of the relevant Target Properties.

Consideration: *(1) Equity Transfer Agreement 1*

The consideration for the transfer of the entire equity interests in Target Company 1 shall be calculated according to the following formula based on the Closing Accounts of Target Company 1, subject to the Adjustment Payment:

$$A + B - C$$

, in which “A” refers to the core asset value of Target Company 1, “B” refers to the net asset value of Target Company 1 after excluding core assets, and “C” refers to the maintenance costs of the core assets of Target Company 1 in the amount of RMB1.45 million.

The initial consideration for the transfer of the entire equity interests in Target Company 1 calculated according to the above formula based on the Base Accounts is RMB94.0 million.

(2) Equity Transfer Agreement 2, Equity Transfer Agreement 3, Equity Transfer Agreement 4 and Equity Transfer Agreement 5

The consideration for the transfer of the entire equity interests in Target Company 2, Target Company 3, Target Company 4 and Target Company 5 shall be calculated according to the following formula based on the Closing Accounts of the relevant Target Company, subject to the Adjustment Payment:

$$A + B$$

, in which “A” refers to the core asset value of the relevant Target Company, and “B” refers to the net asset value of the relevant Target Company after excluding core assets.

The initial consideration for the transfer of the entire equity interests in Target Company 2, Target Company 3, Target Company 4 and Target Company 5 calculated according to the above formula based on the Base Accounts of the relevant Target Company are RMB566.0 million, RMB255.3 million, RMB213.9 million and RMB908.9 million, respectively.

The consideration for the transfer of the entire equity interests in each of the Target Companies was determined after arm's length negotiation between the parties to the relevant Equity Transfer Agreements with reference to the core asset values and other net assets of the Target Companies and relevant withholding tax.

The consideration to be paid by the Purchasers is expected to be funded by capital contributions from limited partners of the RMB Income Fund and external financing from banks by the Purchasers.

Upon the completion of the required industrial and commercial registration in accordance with the Equity Transfer Agreement:

- (i) within ten Business Days after providing written confirmation on (a) completion of the required tax filings and (b) receipt of a copy of the business registration certificate of the relevant Target Company, the Purchasers shall pay to the relevant Seller the amount resulting from taking the relevant Closing Consideration and deducting tax paid and deducting 50% of the core asset value of the relevant Target Company based on the Closing Accounts; and
- (ii) within 180 days after Closing, subject to (a) the completion of capital contributions by the limited partners of the RMB Income Fund and (b) the Purchasers obtaining external financing from bank, the Purchasers shall pay to the relevant Seller 50% of the core asset value of the relevant Target Company based on the Closing Accounts.

Adjustment Payment: Within five Business Days after receiving the Closing Accounts, the Purchasers may instruct the appointed auditor to audit the Closing Accounts and calculate the Final Consideration. The Purchaser shall notify the relevant Seller of the audited Closing Accounts and the Final Consideration. The Final Consideration will be the final agreed consideration for the transfer of the entire equity interests in the relevant Target Company.

In the event that the Final Consideration is lower than or higher than the Closing Consideration, the relevant Seller and Purchaser shall negotiate on the settlement of the Adjustment Payment.

Conditions: Closing is conditional on the satisfaction or waiver of certain conditions, including the parties having obtained all necessary board resolutions and shareholders' approval, the Target Companies having obtained necessary consent from respective lending banks and the Target Companies not having received any notice of restrictions or prohibitions imposed by government authorities.

Closing: Subject to the satisfaction or waiver of the conditions, Closing will take place on the date of receipt of new business certificates by the Target Companies and shall be no later than one year from the date of the Equity Transfer Agreements or such other date as may be agreed by the parties to the relevant Equity Transfer Agreement.

C. REASONS FOR, AND BENEFITS OF, THE DISPOSALS

The disposal of the Group's interest in the Target Companies (and indirectly, the Target Properties) pursuant to the Equity Transfer Agreements to an investment fund managed by the Group will allow the Group to realise gains on disposal and are 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 Disposals, the Group will continue to maintain an indirect interest in the Target Properties through its indirect minority interest in the Purchasers. In addition, the Group being the manager of the RMB Income Fund will receive recurring fees through managing the fund.

Based on the above, the Directors are of the view that the terms of each of the Equity Transfer Agreements and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

D. IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio in respect of the Disposals (based on the Company's current estimate of the maximum Final Consideration after adjustments as described in the section headed "B. The Equity Transfer Agreements — Adjustment Payment" above) exceeds 5% but is less than 25%, the Disposals constitute discloseable transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

E. INFORMATION ON THE PARTIES

(1) RMB Income Fund and the Purchasers

The RMB Income Fund was established by the Group as a limited partnership investment fund. Pursuant to the limited partnership agreement, the Group will, together with the RMB Income Fund LP, invest in the RMB Income Fund through subscription of capital. As of the date of this announcement, the Group and the RMB Income Fund LP hold 5% and 95% of the partnership interests in the RMB Income Fund, respectively. Each of the Purchasers is 99.99% owned by the RMB Income Fund.

The RMB Income Fund LP is a subsidiary of Taikang Insurance Group Co., Ltd. ("**Taikang Insurance Group**"). Taikang Insurance Group, headquartered in Beijing, is an insurance and financial service conglomerate focused on insurance, asset management and health and elderly care as main businesses.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, save for the Group's indirect minority interest in the RMB Income Fund, each of the Purchasers and their ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

(2) The Target Companies

(a) Target Company 1

Target Company 1 is a company incorporated in the PRC with limited liability and is principally engaged in investment holding. Prior to entering into of the Equity Transfer Agreement 1, Target Company 1 was wholly-owned by the Seller and an indirect 90% owned subsidiary of the Company. Upon completion of the Disposals, Target Company 1 will become 99.99% owned by the RMB Income Fund and will cease to be a subsidiary of the Company.

Based on the unaudited consolidated financial statements of Target Company 1 prepared in accordance with Chinese Generally Accepted Accounting Principles, aligned to International Financial Reporting Standards, the unaudited net profits before and after taxation of Target Company 1 for the two years ended 31 December 2021 and 2022 are:

	For the year ended	
	31 December	
	2021	2022
	RMB'000	RMB'000
Net profit before taxation	9,766	15,978
Net profit after taxation	7,039	11,626

The unaudited consolidated net asset value of Target Company 1 as at 30 September 2023 was approximately RMB70.3 million.

(b) Target Company 2

Target Company 2 is a company incorporated in the PRC with limited liability and is principally engaged in investment holding. Prior to entering into of the Equity Transfer Agreement 2, Target Company 2 was an indirect wholly-owned subsidiary of the Company. Upon completion of the Disposals, Target Company 2 will become 99.99% owned by the RMB Income Fund and will cease to be a subsidiary of the Company.

Based on the unaudited consolidated financial statements of Target Company 2 prepared in accordance with Chinese Generally Accepted Accounting Principles, aligned to International Financial Reporting Standards, the unaudited net profits before and after taxation of Target Company 2 for the two years ended 31 December 2021 and 2022 are:

	For the year ended	
	31 December	
	2021	2022
	RMB'000	RMB'000
Net profit before taxation	44,268	27,264
Net profit after taxation	33,176	20,414

The unaudited consolidated net asset value of Target Company 2 as at 30 September 2023 was approximately RMB484.5 million.

(c) Target Company 3

Target Company 3 is a company incorporated in the PRC with limited liability and is principally engaged in investment holding. Prior to entering into of the Equity Transfer Agreement 3, Target Company 3 was an indirect wholly-owned subsidiary of the Company. Upon completion of the Disposals, Target Company 3 will become 99.99% owned by the RMB Income Fund and will cease to be a subsidiary of the Company.

Based on the unaudited consolidated financial statements of Target Company 3 prepared in accordance with Chinese Generally Accepted Accounting Principles, aligned to International Financial Reporting Standards, the unaudited net profits before and after taxation of Target Company 3 for the two years ended 31 December 2021 and 2022 are:

	For the year ended	
	31 December	
	2021	2022
	RMB'000	RMB'000
Net profit before taxation	88,235	29,747
Net profit after taxation	66,176	22,310

The unaudited consolidated net asset value of Target Company 3 as at 30 September 2023 was approximately RMB228.1 million.

(d) Target Company 4

Target Company 4 is a company incorporated in the PRC with limited liability and is principally engaged in investment holding. Prior to entering into of the Equity Transfer Agreement 4, Target Company 4 was wholly-owned by the Seller and an indirect 55% owned subsidiary of the Company. Upon completion of the Disposals, Target Company 4 will become 99.99% owned by the RMB Income Fund and will cease to be a subsidiary of the Company.

Based on the unaudited consolidated financial statements of Target Company 4 prepared in accordance with Chinese Generally Accepted Accounting Principles, aligned to International Financial Reporting Standards, the unaudited net profits before and after taxation of Target Company 4 for the two years ended 31 December 2021 and 2022 are:

	For the year ended	
	31 December	
	2021	2022
	RMB'000	RMB'000
Net profit before taxation	13,418	34,587
Net profit after taxation	10,064	25,940

The unaudited consolidated net asset value of Target Company 4 as at 30 September 2023 was approximately RMB86.5 million.

(e) Target Company 5

Target Company 5 is a company incorporated in the PRC with limited liability and is principally engaged in investment holding. Prior to entering into of the Equity Transfer Agreement 5, Target Company 5 was an indirect wholly-owned subsidiary of the Company. Upon completion of the Disposals, Target Company 5 will become 99.99% owned by the RMB Income Fund and will cease to be a subsidiary of the Company.

Based on the unaudited consolidated financial statements of Target Company 5 prepared in accordance with Chinese Generally Accepted Accounting Principles, aligned to International Financial Reporting Standards, the unaudited net profits before and after taxation of Target Company 5 for the two years ended 31 December 2021 and 2022 are:

	For the year ended	
	31 December	
	2021	2022
	RMB'000	RMB'000
Net profit before taxation	49,925	87,827
Net profit after taxation	37,442	65,854

The unaudited consolidated net asset value of Target Company 5 as at 30 September 2023 was approximately RMB709.9 million.

Based on the difference between the current estimate of the maximum Final Consideration and the net asset values of the Target Companies as at 30 September 2023, a gain on disposal of approximately RMB337.6 million is expected in connection with the Disposals. The sale proceeds to be received by the Group pursuant to the Disposals will predominantly be used as capital return to the Group.

It is expected that the Disposals would not have any significant impact on the consolidated financial statements of the Group.

F. INFORMATION ON THE GROUP

The Group is the 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.

G. DEFINITIONS

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

“Adjustment Payment”	the difference between the Final Consideration and the Closing Consideration
“Base Accounts”	the accounts of the relevant Target Company as of 30 September 2023 prepared in accordance with the relevant Equity Transfer Agreement
“Board”	the board of Directors of the Company
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which banks in the PRC and Hong Kong are generally open for business
“Closing”	the closing of the Disposals, which shall be no later than one year from the date of the Equity Transfer Agreements or such other date as may be agreed by the parties to the relevant Equity Transfer Agreement
“Closing Accounts”	the accounts of the relevant Target Company as of the date of Closing prepared by the relevant Seller within fifteen days after Closing using the same preparation methods as the Base Accounts
“Closing Consideration”	the consideration for the transfer of the entire equity interests in the Target Companies calculated according to the relevant formula as set out in “B. The Equity Transfer Agreements — Consideration” based on the Closing Accounts
“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)
“Directors”	the directors of the Company

“Disposals”

collectively:

- (i) the disposal of the entire equity interests in Target Company 1 pursuant to the Equity Transfer Agreement 1;
- (ii) the disposal of the entire equity interests in Target Company 2 pursuant to the Equity Transfer Agreement 2;
- (iii) the disposal of the entire equity interests in Target Company 3 pursuant to the Equity Transfer Agreement 3;
- (iv) the disposal of the entire equity interests in Target Company 4 pursuant to the Equity Transfer Agreement 4; and
- (v) the disposal of the entire equity interests in Target Company 5 pursuant to the Equity Transfer Agreement 5

“Equity Transfer Agreement 1”

the equity transfer agreement dated 27 November 2023 entered into between Seller 1, Purchaser 1 and Target Company 1 in relation to the transfer of the entire equity interests in Target Company 1

“Equity Transfer Agreement 2”

the equity transfer agreement dated 27 November 2023 entered into between Seller 2, Purchaser 2 and Target Company 2 in relation to the transfer of the entire equity interests in Target Company 2

“Equity Transfer Agreement 3”

the equity transfer agreement dated 27 November 2023 entered into between Seller 3, Purchaser 3 and Target Company 3 in relation to the transfer of the entire equity interests in Target Company 3

“Equity Transfer Agreement 4”

the equity transfer agreement dated 27 November 2023 entered into between Seller 4, Purchaser 4 and Target Company 4 in relation to the transfer of the entire equity interests in Target Company 4

“Equity Transfer Agreement 5”	the equity transfer agreement dated 27 November 2023 entered into between Seller 5, Purchaser 5 and Target Company 5 in relation to the transfer of the entire equity interests in Target Company 5
“Equity Transfer Agreements”	collectively, the Equity Transfer Agreement 1, the Equity Transfer Agreement 2, the Equity Transfer Agreement 3, the Equity Transfer Agreement 4 and the Equity Transfer Agreement 5
“Final Consideration”	the consideration for the transfer of the entire equity interests in the Target Companies calculated according to the relevant formula as set out in “B. The Equity Transfer Agreements — Consideration” by the appointed auditor upon audit of the Closing Accounts
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended and supplemented from time to time)
“PRC” or “China”	the People’s Republic of China, but for the purposes of this announcement only, except where the context requires, references to PRC or China exclude Hong Kong, Macau and Taiwan
“Purchaser 1”	Xuzhou Yizhirong Logistics Co., Ltd. (徐州易之榮物流有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the RMB Income Fund
“Purchaser 2”	Langfang Yirong Logistics Co., Ltd. (廊坊易榮物流有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the RMB Income Fund

“Purchaser 3”	Haining Yirong Information Consulting Co., Ltd. (海寧易榮信息諮詢有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the RMB Income Fund
“Purchaser 4”	Suzhou Wujiang District Yirong Logistics Co., Ltd. (蘇州市吳江區易榮物流有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the RMB Income Fund
“Purchaser 5”	Dongguan Yirong Enterprise Management Consulting Co., Ltd. (東莞易榮企業管理諮詢有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the RMB Income Fund
“Purchasers”	collectively, Purchaser 1, Purchaser 2, Purchaser 3, Purchaser 4 and Purchaser 5
“RMB”	Renminbi, the lawful currency of the PRC
“RMB Income Fund”	Suzhou Yirong Equity Investment Partnership Enterprise (Limited Partnership) (蘇州易榮股權投資合夥企業(有限合夥)), a limited partnership investment fund managed by the Group
“RMB Income Fund LP”	Taikang Life Insurance Co., Ltd.
“Seller 1”	Lilac Offshore Holdings (HK) Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of the Company
“Seller 2”	e-Shang Brilliant HK Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of the Company
“Seller 3”	Endeavor Offshore Holdings (HK) Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of the Company
“Seller 4”	Alpha Offshore Holdings (HK) Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of the Company

“Seller 5”	Horizon HK Offshore Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of the Company
“Sellers”	collectively, Seller 1, Seller 2, Seller 3, Seller 4 and Seller 5
“Shareholders”	the holders of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	collectively, Target Company 1, Target Company 2, Target Company 3, Target Company 4 and Target Company 5
“Target Company 1”	Xuzhou GCL Cloud Warehouse Logistics Technology Development Co., Ltd. (徐州協鑫雲倉物流科技發展有限公司), a company incorporated in the PRC with limited liability
“Target Company 2”	Langfang Weidu International Logistics Co., Ltd. (廊坊唯度國際物流有限公司), a company incorporated in the PRC with limited liability
“Target Company 3”	Haining Haiyi Intelligent Equipment Co., Ltd. (海寧海易智能裝備有限公司), a company incorporated in the PRC with limited liability
“Target Company 4”	Suzhou Yishang Quansheng Warehousing Services Co., Ltd. (蘇州易商全盛倉儲服務有限公司), a company incorporated in the PRC with limited liability
“Target Company 5”	Dongguan Hongshang Warehousing Services Co., Ltd. (東莞鴻商倉儲服務有限公司), a company incorporated in the PRC with limited liability

“Target Properties”

collectively,

- (i) with respect to Target Company 1, the property situated at 18 Jinfeng Road, Xuzhou Economic and Technological Development Zone, the PRC with a total site area of 59,868 square meters and the buildings (including related equipment) thereon;
- (ii) with respect to Target Company 2, the property situated at 14 Fengwu Road, Langfang Development Zone, Hebei Province, the PRC with a total site area of 105,563 square meters and the buildings (including related equipment) thereon;
- (iii) with respect to Target Company 3, the property situated at 300 Gushui Road, Haichang Street, Haining City, Jiaxing City, Zhejiang Province, the PRC with a total site area of 85,371 square meters and the buildings (including related equipment) thereon;
- (iv) with respect to Target Company 4, the property situated at the East side of Lianqiu Road and the North side of Datong Road, Lili Town, Wujiang District, Suzhou City, Jiangsu Province, the PRC with a total site area of 39,840 square meters and the buildings (including related equipment) thereon; and

- (v) with respect to Target Company 5, (i) the property situated at Huaping E-commerce South China Headquarters (Phase I), Hongwuwo Village, Hongmei Town, Dongguan City, Guangdong Province, the PRC with a total site area of 102,017 square meters and the buildings (including related equipment) thereon, and (ii) the property situated at Huaping E-commerce South China Headquarters (Phase IV), Hongwuwo Village, Hongmei Town, Dongguan City, Guangdong Province, the PRC with a total site area of 69,261 square meters and the buildings (including related equipment) thereon

“%”

per cent.

By order of the Board
ESR Group Limited
Jinchu Shen
Director

Hong Kong, 27 November 2023

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 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.