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ESR GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1821)

DISCLOSEABLE TRANSACTION

FORMATION OF JV AND DEEMED DISPOSAL

FORMATION OF JV UPON COMPLETION OF THE DEEMED DISPOSAL

On 15 August 2022, Victory Door (a wholly-owned subsidiary of the Company), the JV Partners and the JV Company entered into the SSA in relation to the Formation of JV, pursuant to which:

- (i) Victory Door agreed to subscribe for 509 shares in the JV Company at the consideration of US\$509 (equivalent to approximately HK\$3,996), which together with the 1 share in the JV Company issued to JV Company prior to the entering into of the SSA, represent 51% of the total issued share capital of the JV Company upon Completion;
- (ii) CCG agreed to subscribe for 300 shares in the JV Company at the consideration of US\$300 (equivalent to approximately HK\$2,355), representing 30% of the total issued share capital of the JV Company upon Completion; and
- (iii) CCG-HK agreed to subscribe for 190 shares in the JV Company at the consideration of US\$190 (equivalent to approximately HK\$1,492), representing 19% of the total issued share capital of the JV Company upon Completion.

Completion took place immediately following the execution of the SSA. Upon Completion, Victory Door and the JV Partners will, through the JV Group Companies, jointly implement the Project pursuant to the SSA.

Furthermore, upon Completion, the JV Company ceased to be a subsidiary of the Company. As such, the JV Company will be equity accounted for in the financial statements of the Group and its financial results will not be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

In respect of the Formation of JV, as the highest applicable percentage ratio exceeds 5% but is less than 25%, the Formation of JV constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

In respect of the Deemed Disposal, as the highest applicable percentage ratio in respect of the Deemed Disposal exceeds 5% but is less than 25%, the Deemed Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The grant of the Call Option and Put Option would be treated as a transaction and classified with reference to the percentage ratios pursuant to Rules 14.04(1)(b) and 14.73 of the Listing Rules.

The exercise of the Call Option is at the discretion of Victory Door. According to Rule 14.75(1) of the Listing Rules, on the grant of the Call Option, only the premium (which is nil) will be taken into consideration for calculating the percentage ratios. The Company will comply with the relevant Listing Rules on the exercise of the Call Option (where required).

The exercise of the Put Option is not at the discretion of Victory Door. According to Rule 14.74(1) of the Listing Rules, on the grant of the Put Option, the transaction will be classified as if the Put Option had been exercised. Since the applicable percentage ratios for the grant of the Put Option are greater than 5% but less than 25%, the grant of the Put Option constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 21 July 2022 in relation to the successful Tender of the Land through Sunrise Victory.

Prior to the entering into of the SSA, Sunrise Victory was indirectly wholly-owned by the JV Company, which in turn was wholly-owned by Victory Door, a wholly-owned subsidiary of the Company.

FORMATION OF JV UPON COMPLETION OF THE DEEMED DISPOSAL

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- (iii) CCG-HK agreed to subscribe for 190 shares in the JV Company at the consideration of US\$190 (equivalent to approximately HK\$1,492), representing 19% of the total issued share capital of the JV Company upon Completion.

Completion took place immediately following the execution of the SSA. Upon Completion, Victory Door and the JV Partners will, through the JV Group Companies, jointly implement the Project pursuant to the SSA.

Other principal terms of the SSA are as follows:

- Date : 15 August 2022
- Parties : (1) Victory Door
(2) CCG and CCG-HK, being the JV Partners
(3) the JV Company

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the JV Partners and their ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

- Capital structure : Prior to the entering into of the SSA, the JV Company was owned as to 100% by Victory Door. Upon Completion, the JV Company will be held as to 51%, 30% and 19% by Victory Door, CCG and CCG-HK, respectively.

- Business of the JV Company : Unless otherwise unanimously agreed in writing between the shareholders of the JV Company, the sole business of the JV Company and its subsidiaries shall be the implementation of the Project.

- Shareholders' loans : Prior to the entering into of the SSA, Victory Door advanced a loan in the aggregate amount of HK\$1,633,463,907 to the JV Company, which was further advanced to Sunrise Victory for the acquisition of the Land.

Upon execution of the SSA, CCG and CCG-HK shall each advance a loan in the amount of HK\$960,861,122 and HK\$608,545,378 to the JV Company, respectively, such that the aggregated amount of loans advanced by each of Victory Door, CCG and CCG-HK to the JV Company shall be in proportion to their respective interest in the JV Company.

The advancement of the shareholders' loan by each of Victory Door and the JV Partners to the JV Company was determined after arm's length negotiations with reference to the following:

- (i) the existing loan advanced by Victory Door to the JV Company;
- (ii) the proportion of interest in the JV Company to be held by each of Victory Door, CCG and CCG-HK after Completion;
- (iii) the capital requirements of the JV Company; and
- (iv) the expected cost of implementation of the Project.

Capital calls : All further capital requirements of the JV Company exceeding the JV Company's own resources from time to time shall be met first by way of external borrowings or financing to be sought from banks or financial institutions, and failing which by way of further shareholders' loans to be advanced by the shareholders of the JV Company proportional to their respective shareholding in the JV Company.

Total capital commitment : The total amount of funding (whether by way of subscription of shares in the JV Company, provision of shareholder's loan(s), guarantee(s), security(ies) and undertaking(s) provided to banks and/or financial institutions for external borrowings) advanced by the shareholders of the JV Company shall be no more than HK\$14,000,000,000 and with reference to the proportion of each shareholder's respective interest in the JV Company.

Board composition and management : For so long as Victory Door and the JV Partners remain the only shareholders of the JV Company and the proportion of the respective shareholding of Victory Door (on one hand) and the JV Partners collectively (on the other hand) in the JV Company remain at 51% and 49%, respectively:

- (i) Victory Door shall be entitled to nominate two (2) directors of each JV Group Company; and

- (ii) the JV Partners, together, shall be entitled to nominate two (2) directors of each JV Group Company.

The chairman of the board of directors of each JV Group Company shall be a director nominated by Victory Door, who shall not be entitled to a second or casting vote in the relevant board meeting.

If and when Victory Door (on one hand) and the JV Partners collectively (on the other hand) no longer hold 51% and 49% of the interest in the JV Company, or if there is any addition of shareholders of the JV Company, the nomination rights of each shareholder of the JV Company shall be as follows:

- (i) shareholders owning at least 10% but less than 30% of the shares in the JV Company shall be entitled to nominate one (1) director of each JV Group Company;
- (ii) shareholders owning at least 30% but not more than 50% of the shares in the JV Company shall be entitled to nominate two (2) directors of each JV Group Company; and
- (iii) shareholders owning more than 50% of the shares in the JV Company shall be entitled to nominate such minimum number of directors as is equal to a simple majority of directors of each JV Group Company.

The parties to the SSA shall procure that a management committee be established for the implementation of the Project as soon as practicable after the execution of the SSA, comprising two (2) members nominated by Victory Door and two (2) members jointly nominated by the JV Partners.

All matters to be determined by the board of directors of each JV Group Company or the management committee shall be passed by a simple majority in a meeting, or (in the case of matters to be determined by the board of directors of a JV Group Company) by resolutions in writing signed by all the directors of the relevant JV Group Company, save for certain reserved matters as set out in the SSA (including but not limited to amendments to articles, change of authorised or issued share capital, consolidation, merger or liquidation), which shall be unanimously approved in writing by both Victory Door and the JV Partners and for some of the reserved matters, either (i) shareholders with 10% or more shareholding in the JV Company or (ii) all directors of the relevant JV Group Company.

Distribution : Subject to the discharge of all secured and unsecured obligations owned by the JV Company to banks and financial institutions, any surplus cash of any JV Group Company shall be distributed to the shareholders firstly for the repayment of the outstanding shareholders' loans, and secondly for payment of dividends to the shareholders in proportion to their respective interest in the relevant JV Group Company.

Call Option and Put Option : Call Option:

During the period of 6 months commencing on the date of the SSA (the "**Call Option Period**"), Victory Door is entitled to require CCG-HK to sell to Victory Door (or its nominee) all the Option Interests at such amount representing the total amount of funding by way of subscription of shares and provision of shareholder's loans provided by CCG-HK to the JV Company (the "**Option Price**") by serving an option notice to CCG-HK.

Put Option:

During (i) the period of 1 month commencing on the date immediately following the last day of the Call Option Period (the “**Put Option Period**”); or (ii) if there is a deadlock under the SSA prior to the commencement of the Put Option Period, during the 120-day deadlock buy-sell offer period as provided under the SSA, CCG-HK is entitled to require Victory Door (or its nominee) to acquire all the Option Interests at the Option Price by serving an option notice to Victory Door.

Completion of the sale and purchase of the Option Interests under the Call Option or the Put Option shall take place on the 20th business day after the date of the relevant option notice.

In addition to the Option Price, upon completion of the sale and purchase of the Option Interests, the relevant transferee and assignee of the Option Interests shall pay to CCG-HK a holding fee equivalent to:

- (i) if the Put Option is exercised, 6% p.a. on the Option Price; or
- (ii) if the Call Option is exercised, 10% p.a. on the Option Price.

accruing from the date of the SSA up to the date on which completion of the sale and purchase of the Option Interests takes place.

For illustrative purposes only and assuming that there is no change in the shareholding structure of the JV Company after Completion, upon completion of the sale and purchase of the Option Interests under the Call Option or the Put Option (as the case may be), Victory Door’s shareholding interest the JV Company will be increased from 51% to 70%, and in such case, the JV Company will become an indirect subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group.

INFORMATION ON THE JV COMPANY

The JV Company is a company established in the BVI with limited liability on 15 February 2022 and is an investment holding company which holds the entire equity interest in Sunrise Victory. Sunrise Victory is the holding company of the Land.

Based on the unaudited consolidated financial information of the JV Company for the period from 15 February 2022 to 15 August 2022, which has been prepared in accordance with IFRS, the JV Company did not record any profit or loss for the period from 15 February 2022 to 15 August 2022.

The unaudited consolidated total asset and consolidated net asset value of the JV Company as at 15 August 2022 was approximately HK\$1,633,467,903 and USD1 (approximately HKD7.85) respectively.

FINANCIAL IMPACT OF THE DEEMED DISPOSAL

Immediately prior to the entering into of the SSA, the JV Company is a direct wholly-owned subsidiary of Victory Door. Upon Completion, the JV Company is owned as to 51% by Victory Door, 30% by CCG and 19% by CCG-HK. However, as the Company has no majority control of the board of the JV Company, the JV Company is treated as a joint venture of the Company and ceases to be a subsidiary of the Company upon completion of the Deemed Disposal. As such, the JV Company will be equity accounted for in the financial statements of the Group and its financial results will not be consolidated into the financial statements of the Group.

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

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JOINT VENTURE UPON COMPLETION OF THE DEEMED DISPOSAL

The Group remains positive on the outlook for Hong Kong's logistics sector. In particular, the Group expects that the vacancy rate for Hong Kong's logistics spaces will be around 1.4% as at the second quarter of 2022, which is the lowest since the fourth quarter of 2014. The Group is confident that the logistics facility which it is constructing with the JV Partners on the Land will capture opportunities from the high demand but expected low supply of logistics space in Hong Kong in the near future. Such facility is also expected to generate stable income for the Group given the expected increase in rental prices for new modern logistics centres to cater to growing e-commerce demand in Hong Kong and to serve cross-border requirements to China.

The Formation of JV allows the Group to work with like-minded partners to grow and rejuvenate logistics assets in Hong Kong. At the same time, the Group will also be able to diversify the risks in the implementation of the Project. The subscription of shares in and advancement of the shareholders' loan to the JV Company by Victory Door and the JV Partners in accordance with their respective shareholding in the JV Company also reduces the Group's contribution and total capital commitment towards the JV Company, which improves the Group's liquidity and allows for allocation of its financial resources in other areas of business.

The common owner of the Partners is one of the leading property developers in Hong Kong since 1960. With the Formation of JV with the JV Partner, the Group would be able to capitalise on the extensive knowledge, experience and expertise of the JV Partners in the real estate industry in Hong Kong, which are considered crucial for the future success of the Project and potential return of the Group's investment in the Land. The Project also marks the beginning of a strategic collaboration with the JV Partners, as the parties endeavour to explore more new economy assets, including logistics and data centres in Hong Kong as well as the Greater Bay Area in China.

Based on the above, the Directors are of the view that the transactions contemplated under the SSA are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

In the event of a further disposal of the Group's interest in the JV Company in the future, which may or may not materialise, the Company may make further announcement(s) to comply with the applicable requirements under the Listing Rules.

LISTING RULES IMPLICATIONS

In respect of the Formation of JV, as the highest applicable percentage ratios exceeds 5% but is less than 25%, the Formation of JV constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

In respect of the Deemed Disposal, as the highest applicable percentage ratio in respect of the Deemed Disposal exceeds 5% but is less than 25%, the Deemed Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The grant of the Call Option and Put Option would be treated as a transaction and classified with reference to the percentage ratios pursuant to Rules 14.04(1)(b) and 14.73 of the Listing Rules.

The exercise of the Call Option is at the discretion of Victory Door. According to Rule 14.75(1) of the Listing Rules, on the grant of the Call Option, only the premium (which is nil) will be taken into consideration for calculating the percentage ratios. The Company will comply with the relevant Listing Rules on the exercise of the Call Option (where required).

The exercise of the Put Option is not at the discretion of Victory Door. According to Rule 14.74(1) of the Listing Rules, on the grant of the Put Option, the transaction will be classified as if the Put Option had been exercised. Since the applicable percentage ratios for the grant of the Put Option are greater than 5% but less than 25%, the grant of the Put Option constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL INFORMATION

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 the Asia-Pacific region.

Victory Door is a company incorporated in the BVI with limited liability. The principal activity of Victory Door is investment holding.

The JV Partners

CCG is a company incorporated in the BVI with limited liability and a member of the Chinachem group. The principal business activities of CCG is property investment.

CCG-HK is a company incorporated in Hong Kong with limited liability and a member of the Chinachem group. The principal business activities of the CCG-HK is property investment.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the JV Partners and their ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

DEFINITION

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

“Board”	the board of Directors of the Company
“BVI”	the British Virgin Islands
“Call Option”	Victory Door’s option to require CCG-HK to sell to Victory Door (or its nominees) all the Option Interests
“CCG”	Brave Vision Ventures Limited, a company incorporated in the BVI with limited liability and a member of the Chinachem group
“CCG-HK”	Sheen Peak Investment Limited (順平投資有限公司), a company incorporated in Hong Kong with limited liability and a member of the Chinachem group
“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)
“Completion”	completion of the SSA
“Deemed Disposal”	the reduction of Victory Door’s interest in the JV Company from 100% to 51% upon Completion

“Director(s)”	the director(s) of the Company
“Formation of JV”	the formation of the JV Company as a joint venture contemplated under the SSA
“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
“IFRS”	International Financial Reporting Standards as issued by the International Accounting Standards Board, or any successor entity thereto, applicable as at the date on which such principles are to be applied or on which any calculation or determination is required to be made
“JV Company”	Victory Lane Development Limited, a company incorporated in the BVI with limited liability, a direct wholly-owned subsidiary of the Company immediately prior to the entering into of the SSA and owned as to 51%, 30% and 19% by Victory Door, CCG and CCG-HK, respectively, upon Completion
“JV Group Company(ies)”	the JV Company and its subsidiaries from time to time (including Sunrise Victory as at the date of this announcement)
“JV Partners”	CCG and CCG-HK
“Land”	a piece of land located at the junction of Mei Ching Road and Container Port Road South, Kwai Chung, New Territories registered in the Land Registry as Kwai Chung Town Lot No. 531
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended and supplemented from time to time)
“Option Interests”	<ul style="list-style-type: none"> (i) all shares in the JV Company registered in the name of CCG-HK, representing 19% of the total issued share capital of the JV Company; and (ii) all shareholder’s loan owing by the JV Company to CCG-HK, representing 19% of all shareholders’ loan owing by the JV Company to all its shareholders

“Project”	a project relating to, inter alia, the acquisition, design, development, sale, lease, marketing, management and maintenance of the Land, including any financing or other incidental activities arising therefrom
“Put Option”	CCG-HK’s option to require Victory Door to purchase (or procure that its nominee purchases) all the Option Interests from CCG-HK
“SSA”	the shares subscription and shareholders’ agreement dated 15 August 2022 entered into between Victory Door, the JV Partners and the JV Company in relation to the Formation of JV
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunrise Victory”	Sunrise Victory Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the JV Company
“Tender”	sale of the Land by the Government of Hong Kong by way of public tender
“US\$”	United States dollar, the lawful currency of the United States of America
“Victory Door”	Victory Door Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company

By order of the Board
ESR Group Limited
Jinchu Shen
Director

Hong Kong, 15 August 2022

For illustration purposes only, in this announcement, unless otherwise specified, the exchange rate of US\$1=HK\$7.85 is adopted. The exchange rate adopted in this announcement does not constitute a representation that any amount has been, could have been or may be converted at such rates or any other rates.

As at the date of this notice, 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.