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ESR GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1821)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
DISPOSALS TO JOINT VENTURE FOR NEW DISTRIBUTION
CENTRE PROJECT**

On 4 August 2023, the Group entered into the following agreements in connection with the development of the Project for a new distribution centre in Japan with the Investor:

- (i) ESR Investor 3, the JV Company and the JV Manager (each a wholly-owned subsidiary of the Company) entered into the Shareholders' Agreement with the Investor in relation to the governance of the JV Company, which will become the holding vehicle of the Project. Pursuant to the Shareholders' Agreement, ESR Investor 3 and the Investor agreed to fund the Project by contributing up to a maximum capital commitment to the JV Company in accordance with their respective Equity Percentage Allocation of 40% and 60%. The capital commitments will be satisfied by each of ESR Investor 3 and the Investor subscribing for new shares in or issuance of promissory notes to the JV Company on a pro rata basis in accordance with the Equity Percentage Allocation when funding notices are made by the JV Manager in accordance with the terms of the Shareholders' Agreement;
- (ii) the Seller (a 70% owned subsidiary of the Company) as seller, and the JV Company, as purchaser, entered into the Sale and Purchase Agreement in relation to the Share Transfers, pursuant to which the JV Company agreed to purchase and the Seller agreed to sell the Sale Shares (being the entire issued share capital of the Sale Companies, which are investment holding companies indirectly holding the entire interest in the Project), in consideration for the Shares Consideration; and

- (iii) in connection with the Share Transfers, the Sale and Purchase Agreement provides that on the date of the Share Transfers Completion, the Seller will enter into the Shareholder Loans Assignment Agreements with the JV Company in relation to the Shareholder Loans Assignment, pursuant to which the Seller will assign to the JV Company all the Seller's rights, title, interest and benefits in and to the Shareholder Loans, in consideration for the Shareholder Loans Consideration.

As the highest applicable percentage ratio in respect of the Deemed Disposal of the JV Company, the Share Transfers and the Shareholder Loans Assignment, on an aggregated basis, exceeds 5% but is less than 25%, the Deemed Disposal, the Share Transfers and the Shareholder Loans Assignment constitute discloseable transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As all applicable percentage ratios in respect of the ESR Capital Commitment are under 5%, the ESR Capital Commitment does not constitute a discloseable transaction under Chapter 14 of the Listing Rules.

A. INTRODUCTION

On 4 August 2023, the Group entered into the Shareholders' Agreement and the Sale and Purchase Agreement in connection with the development of the Project for a new distribution centre in Japan with the Investor.

B. THE SHAREHOLDERS' AGREEMENT

On 4 August 2023, ESR Investor 3, the JV Company and the JV Manager (each a wholly-owned subsidiary of the Company) entered into the Shareholders' Agreement with the Investor in relation to the governance of the JV Company, which will become the holding vehicle of the Project.

(1) Capital Commitment to the JV Company

Pursuant to the Shareholders' Agreement, ESR Investor 3 and the Investor agreed to fund the Project by contributing up to a maximum capital commitment to the JV Company in accordance with their respective Equity Percentage Allocation of 40% and 60%. The capital commitments will be satisfied by each of ESR Investor 3 and the Investor subscribing for new shares in or issuance of promissory notes to the JV Company on a pro rata basis in accordance with the Equity Percentage Allocation when funding notices are made by the JV Manager in accordance with the terms of the Shareholders' Agreement.

The Group's maximum capital commitment (the “**ESR Capital Commitment**”) to the JV Company is JPY13.8 billion. The ESR Capital Commitment, which will be satisfied by a combination of the issue of a promissory note and payment of cash, does not constitute a discloseable transaction under Chapter 14 of the Listing Rules.

(2) Subscription and Deemed Disposal of the JV Company

The JV Company was formed by the JV Manager on 4 April 2022 for the purpose of investing in logistics and distribution assets in Japan. As of the date of the Shareholders' Agreement, the JV Company was a wholly owned subsidiary of the Company.

Upon the satisfaction or waiver of the conditions to the Shareholders' Agreement, the JV Company shall allot and issue shares to each of ESR Investor 3 and the Investor for nominal subscription amount such that ESR Investor 3 and the Investor will hold shares in the JV Company in the same proportion as the Equity Percentage Allocation, being 40% by ESR Investor 3 and 60% by the Investor. As the JV Company will cease to be accounted as a subsidiary by the Company in its consolidated financial statements following such share issuance, it will constitute a deemed disposal of 100% of the shares in the JV Company (the “**Deemed Disposal**”).

Each of ESR Investor 3 and the Investor will subscribe for additional new shares in the JV Company on a pro rata basis in accordance with the Equity Percentage Allocation pursuant to the funding notices to be served by the JV Manager in accordance with the terms of the Shareholders' Agreement.

C. DISPOSAL OF SHARES IN SUBSIDIARIES AND ASSIGNMENT OF SHAREHOLDER LOANS

On 4 August 2023, the Seller (a 70% owned subsidiary of the Company) as seller, and the JV Company, as purchaser, entered into the Sale and Purchase Agreement.

(1) Principal Terms of the Sale and Purchase Agreement

Subject Matter: *Share Transfers*

Pursuant to the Sale and Purchase Agreement, the JV Company agreed to purchase and the Seller agreed to sell Sale Share 1 and Sale Share 2, being the entire issued share capital of Sale Company 1 and Sale Company 2, respectively, which are investment holding companies indirectly holding the entire interest in the Project.

Shareholder Loans Assignment

Pursuant to the Sale and Purchase Agreement, on the date of the Share Transfers Completion, the Seller will enter into the Shareholder Loans Assignment Agreements with the JV Company, pursuant to which the Seller will assign to the JV Company all the Seller's rights, title, interest and benefits in and to the Shareholder Loans.

Consideration:

Shares Consideration

The Shares Consideration shall be the amount which results from taking the Sale Companies Estimated Net Assets in the amount of JPY12.9 billion in aggregate, and:

- (i) adding the Adjustment Payment if the Sale Companies Net Asset Value is greater than the Sale Companies Estimated Net Assets; or
- (ii) subtracting the Adjustment Payment if the Sale Companies Net Asset Value is less than the Sale Companies Estimated Net Assets.

Shareholder Loans Consideration

The consideration for the Shareholder Loans Assignment is JPY5.3 billion, being the aggregate outstanding principal amounts under the Shareholder Loans, comprising:

- (i) the outstanding principal amount of JPY2.6 billion under the shareholder loan from the Seller to Sale Company 1; and
- (ii) the outstanding principal amount of JPY2.7 billion under the shareholder loan from the Seller to Sale Company 2.

Each of the Shares Consideration and the Shareholder Loans Consideration was determined after arm's length negotiation between the parties to the Sale and Purchase Agreement and is expected to be funded by the capital commitments received by the JV Company as further described in the section headed "B. The Shareholders' Agreement" above and proceeds received by the JV Company from project level refinancing.

On the date of the Share Transfers Completion, the JV Company shall pay or procure that an amount equal to JPY16.2 billion (the "**Closing Payment**"), being the sum of 84.45% of the Sale Companies Estimated Net Assets and 100% of the Shareholder Loans Consideration, is paid to the Seller in the following manner:

- (i) 60% of the Closing Payment by wire transfer in immediately available funds to the Seller's designated account; and
- (ii) 40% of the Closing Payment through an irrevocable and unconditional assignment of all of the JV Company's rights, title, interest and benefits under the promissory note issued by ESR Investor 3 to the JV Company.

On 30 November 2023 (or such other date as agreed in writing by the Seller and the JV Company), the JV Company shall pay or procure that an amount equal to JPY2 billion, being 15.55% of the Sale Companies Estimated Net Assets, is paid to the Seller by wire transfer in immediately available funds to the Seller's designated account.

Adjustment Payment: The settlement of the Adjustment Payment will be made on or before the date falling 20 Business Days after the date on which the preparation of the Net Asset Statement is completed, in the following manner:

- (i) 60% of the Adjustment Payment by wire transfer in immediately available funds: (a) if the Sale Companies Net Asset Value exceed the Sale Companies Estimated Net Assets, by the JV Company to the Seller's designated account; or (b) if the Sale Companies Estimated Net Assets exceed the Sale Companies Net Asset Value, by the Seller to the JV Company's designated account; and
- (ii) 40% of the Adjustment Payment (a) if the Sale Companies Net Asset Value exceed the Sale Companies Estimated Net Assets, through an irrevocable and unconditional assignment by the JV Company to the Seller of all of the JV Company's rights under a new promissory note issued by ESR Investor 3 to the JV Company to demand payment of and to receive such amount of principal and interest equal to 40% of the Adjustment Payment; or (b) if the Sale Companies Estimated Net Assets exceed the Sale Companies Net Asset Value, either one or a combination of the following at the Seller's discretion: (I) an irrevocable and unconditional assignment by the Seller to the JV Company of a new promissory note issued by Redwood Investor (Higashi) Ltd. to the Seller of all of the Seller's rights under the such new promissory note to demand payment of and to receive such amount of principal and interest thereunder; and (II) payment by the Seller to the JV Company's designated account.

Refinancing costs:

If (a) the Share Transfers Completion does not occur or the Sale and Purchase Agreement is terminated; (b) the Share Transfers Completion has occurred but the refinancing of certain project level onshore facilities had not yet completed at the time of preparation of the Net Asset Statement but proceeds to complete following finalisation of the Net Asset Statement; or (c) the parties to the Sale and Purchase Agreement agreed not to proceed with such refinancing, the Buyer shall pay to the Seller certain costs relating to the refinancing (which shall be up to a maximum cap of JPY100 million).

If the refinancing of certain project level onshore facilities had not yet completed at the time of preparation of the Net Asset Statement or the parties to the Sale and Purchase Agreement agreed not to proceed with such refinancing, the unamortised financing costs relating to the existing indebtedness of the Sale Companies will remain as capitalised assets in the Net Asset Statement, and all costs relating to the refinancing will be borne by the Buyer in accordance with the Sale and Purchase Agreement.

If the refinancing of certain project level onshore facilities completes following the finalisation of the Net Asset Statement, the Seller shall pay to the Buyer an amount equal to the unamortised financing costs relating to the existing indebtedness of the Sale Companies (which is estimated to be no more than JPY50 million).

Conditions:

The Share Transfers Completion is conditional on the satisfaction or waiver of the conditions that the Initial Subscription Closing has taken place pursuant to the Shareholders' Agreement (which is also conditional on merger control clearance) and the JV Company having taken out and maintained a warranty and indemnity insurance policy in respect of claims against the Seller for breach of Seller's warranties and tax indemnity under or in connection with the Share and Purchase Agreement.

Completion:

The Share Transfers Completion will take place on the tenth Business Day after the day on which the conditions to the Share Transfers are satisfied or waived or such other date as may be agreed by the parties to the Sale and Purchase Agreement.

D. REASONS FOR, AND BENEFITS OF, THE DEEMED DISPOSAL, SHARE TRANSFERS AND SHAREHOLDER LOANS ASSIGNMENT

The disposal of the interest in the Sale Companies (and indirectly, the Project) and the assignment of the Shareholder Loans pursuant to the Sale and Purchase Agreement to, and the Deemed Disposal of the JV Company in connection with, a new joint venture established pursuant to the Shareholders' Agreement 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 Share Transfers Completion, the Group will continue to maintain an indirect interest in the Sale Companies and the Project through its minority interest in the JV Company. In addition, the Group will act as the JV Manager of the JV Company and earn management fees for such services. It is the Group's intention to further transfer up to 30% of the interests in the JV Company into a new fund to be managed by the Group.

Based on the above, the Directors are of the view that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder and the Deemed Disposal under the Shareholders' Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

E. IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio in respect of the Deemed Disposal, the Share Transfers (based on the Company's current estimate of the maximum Shares Consideration after adjustments as described in the section headed "C. Disposal of Shares in Subsidiaries and Assignment of Shareholder Loans" above) and the Shareholder Loans Assignment, on an aggregated basis, exceeds 5% but is less than 25%, the Deemed Disposal, the Share Transfers and the Shareholder Loans Assignment constitute discloseable transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As all applicable percentage ratios in respect of the ESR Capital Commitment are under 5%, the ESR Capital Commitment does not constitute a discloseable transaction under Chapter 14 of the Listing Rules.

F. INFORMATION ON THE PARTIES

(1) The Investor

The 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, established to manage Singapore's foreign reserves in 1981, is a global long-term investor in over 40 countries worldwide. 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 knowledge, information and belief of the Directors having made all reasonable enquiries, the Investor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

(2) JV Company

The JV Company is a company incorporated in Singapore with limited liability on 4 April 2022 and is a special purpose company for the purpose of investing in logistics and distribution assets in Japan. As at the date of this announcement, the JV Company is wholly-owned by ESR Investor 3, which is in turn a wholly-owned subsidiary of the Company.

Based on the unaudited financial statements of the JV Company for the period from 4 April 2022 to 31 December 2022 which was prepared in accordance with Singapore Financial Reporting Standards, the unaudited net losses before and after taxation of the JV Company are JPY0.6 million and JPY0.6 million, respectively.

The unaudited net liability value of the JV Company as at 30 June 2023 was JPY0.9 million.

Upon the Deemed Disposal, the JV Company will be held as to 40% and 60% by ESR Investor 3 and the Investor, respectively.

(3) Sale Company 1 and Sale Company 2

Each of Sale Company 1 and Sale Company 2 is a company incorporated in Singapore with limited liability principally engaged in investment holding. As at the date of this announcement, each of Sale Company 1 and Sale Company 2 is wholly-owned by the Seller, which is in turn a 70% owned subsidiary of the Company.

Based on the unaudited pro forma consolidated financial statements of Sale Company 1 and Sale Company 2 prepared in accordance with Singapore Generally Accepted Accounting Principles, which is consistent with International Financial Reporting Standards, the unaudited proforma consolidated net profits before and after taxation of Sale Company 1 and Sale Company 2 for the two years ended 31 December 2021 and 31 December 2022 are:

	For the year ended 31 December	
	2021	2022
Net profit before taxation	JPY3.2 billion	JPY6.5 billion
Net profit after taxation	JPY2.8 billion	JPY5.7 billion

The unaudited estimated consolidated net asset value of Sale Company 1 and Sale Company 2 as at 30 June 2023 including shareholder loans was approximately JPY17.2 billion.

Based on the difference between the current estimate of the maximum Shares Consideration and Shareholder Loans Consideration and the net asset values of Sale Company 1 and Sale Company 2 as at 30 June 2023 including shareholder loans, a gain on disposal before transaction costs of approximately JPY1.1 billion (equivalent to approximately HK\$0.06 billion) is expected in connection with the Share Transfers. The sale proceeds to be received by the Group pursuant to the Share Transfers will predominantly be used as capital return to the Group.

Upon the Share Transfers Completion, each of Sale Company 1 and Sale Company 2 will be wholly-owned by the JV Company (which will in turn be, following the Deemed Disposal, 60% owned by the Investor) and will cease to be a subsidiary of the Company.

G. 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.

H. DEFINITIONS

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

“Adjustment Payment”	the difference between the Sale Companies Net Asset Value and the Sale Companies Estimated Net Assets
“Board”	the board of Directors of the Company
“Business Day”	any day other than a Saturday, Sunday and any day on which the major retail banks in Singapore and Tokyo are not open for non-automated customer services
“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)
“Consideration”	collectively, the Shares Consideration and the Shareholder Loans Consideration
“Deemed Disposal”	the reduction of ESR Investor 3’s interest in the JV Company from 100% to 40% upon the share issuance to ESR Investor 3 and the Investor
“Directors”	the directors of the Company
“ESR Capital Commitment”	ESR Investor 3’s capital commitment to the JV Company in the total amount of JPY13.8 billion
“ESR Investor 3”	ESR Investor 3 (Cayman), Ltd., a company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of the Company
“Equity Percentage Allocation”	the allocation of the maximum aggregate capital commitment to the JV Company as between ESR Investor 3 and the Investor, being 40% and 60% by ESR Investor 3 and the Investor, respectively
“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
“Initial Subscription”	the subscription of shares in the JV Company by ESR Investor 3 and the Investor pursuant to the first funding notice served by the JV Manager
“Initial Subscription Closing”	the closing of the Initial Subscription, which shall take place no earlier than 10 Business Days from the date of the first funding notice
“Investor”	Reco Oleander Private Limited, a company incorporated in Singapore with limited liability
“JPY”	Japanese yen, the lawful currency of Japan
“JV Company”	RW HO B Pte. Ltd., a company incorporated in Singapore with limited liability, a wholly-owned subsidiary of the Company immediately prior to the entering into of the Shareholders’ Agreement and will be owned as to 40% and 60% by ESR Investor 3 and the Investor, respectively, upon the Deemed Disposal
“JV Manager”	ESR Singapore Pte. Ltd., a company incorporated in Singapore with limited liability and a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended and supplemented from time to time)
“Net Asset Statement”	the statement setting out the aggregated net asset value of the Sale Companies to be prepared and determined by the process in accordance with the Sale and Purchase Agreement
“Project”	a distribution centre project known as ESR HO B distribution centre project, located at 23 Higashi Ogishima, Kawasaki ward, Kawasaki city, having a gross land area of around 66,115.80 square metres
“Sale and Purchase Agreement”	the sale and purchase agreement dated 4 August 2023 entered into between the Seller and the JV Company in relation to the Share Transfers and the Shareholder Loans Assignment

“Sale Companies”	collectively, Sale Company 1 and Sale Company 2
“Sale Companies Estimated Net Assets”	the aggregated net asset value of the Sale Companies and their respective subsidiaries as set out in the pro forma net asset statement based on (i) the unaudited management accounts of the Sale Companies and their respective subsidiaries for the accounting reference period ended on 31 March 2023, and (ii) estimates for the unaudited management accounts of the Sale Companies and their respective subsidiaries as at 30 June 2023
“Sale Companies Net Asset Value”	the aggregated net asset value of the Sale Companies and their respective subsidiaries as set out in the Net Asset Statement
“Sale Company 1”	RW Higashi SPE 1 Pte. Ltd., a company incorporated in Singapore with limited liability
“Sale Company 2”	HGS Japan Pte. Ltd., a company incorporated in Singapore with limited liability
“Sale Share 1”	one ordinary share in the capital of Sale Company 1, being the entire issued share capital of Sale Company 1
“Sale Share 2”	one ordinary share in the capital of Sale Company 2, being the entire issued share capital of Sale Company 2
“Sale Shares”	collectively, Sale Share 1 and Sale Share 2
“Seller”	RW Higashi Pte. Ltd., a company incorporated in Singapore with limited liability and a 70% owned subsidiary of the Company
“Share Transfers”	the transfers of Sale Share 1 and Sale Share 2 by the Seller to the JV Company pursuant to the Sale and Purchase Agreement
“Share Transfers Completion”	the completion of the Share Transfers in accordance with the Sale and Purchase Agreement
“Shareholder Loans”	the interest free shareholder loans from the Seller to Sale Company 1 and Sale Company 2

“Shareholder Loans Assignment”	the assignment of all the Seller’s rights, title, interest and benefits in and to the Shareholder Loans by the Seller to the JV Company pursuant to the Shareholder Loans Assignment Agreements
“Shareholder Loans Assignment Agreements”	the assignment agreements to be entered into between the Seller and the JV Company on the date of the Share Transfers Completion in relation to the Shareholder Loans Assignment
“Shareholder Loans Consideration”	the aggregate consideration for the Shareholder Loans Assignment
“Shareholders”	the holders of the shares of the Company
“Shareholders’ Agreement”	the shareholders’ agreement dated 4 August 2023 entered into between ESR Investor 3, the JV Company, the JV Manager and the Investor
“Shares Consideration”	the aggregate consideration for the Share Transfers
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By order of the Board
ESR Group Limited
Jinchu Shen
Director

Hong Kong, 6 August 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.