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ESR GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1821)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
SALE OF ARA PRIVATE FUNDS BUSINESS**

THE SALES

On March 8, 2024 (after trading hours), subsidiaries of the Company entered into the Share Purchase Agreements to dispose of their interests in the ARA Private Funds business in Australia, Singapore, South Korea and USA to entities which include an affiliate of Sumitomo Mitsui Finance and Leasing Co. for the Initial Consideration which is based on an agreed enterprise value of US\$270 million for the businesses, subject to adjustments. The Sales are subject to certain regulatory and other conditions.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Sales (based on the Company's current estimated maximum aggregate consideration to be received by the Group on Completion) exceeds 5% but is less than 25%, the Sales constitute discloseable transactions of the Company and are therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

A. INTRODUCTION

On March 8, 2024 (after trading hours), Seller 1 and Seller 2 (as sellers) entered into the Share Purchase Agreements with Purchaser 1 and Purchaser 2 to dispose of their interests in the ARA Private Funds business in Australia, Singapore, South Korea and USA. The Sales are structured as the disposal of the Group's interests in certain indirect subsidiaries of the Company, collectively referred to as the Target Companies.

B. THE SHARE PURCHASE AGREEMENTS

On March 8, 2024 (after trading hours):

- (i) Seller 1 (as transferor), Purchaser 1 (as transferee) and the Guarantor (as guarantor) entered into the Non-US Share Purchase Agreement in relation to the transfer of all the shares held by Seller 1 in the Non-US Target Holdco which will indirectly own all of the issued and outstanding shares in the Non-US Target Companies; and
- (ii) Seller 2 (as transferor) and Purchaser 2 (as transferee) entered into the US Share Purchase Agreement in relation to the transfer of all the shares held by Seller 2 in the US Target Company.

The principal terms of the Share Purchase Agreements are set out below:

Subject Matter: The Sellers agreed to transfer, and the Purchasers agreed to purchase, all of the issued and outstanding shares in the relevant Target Companies.

Consideration: The aggregate Initial Consideration for the transfer of all of the issued and outstanding shares in the Target Companies is based on an aggregate enterprise value of US\$270,000,000 subject to adjustments as further described in detail below.

The Initial Consideration for the transfer of all of the issued and outstanding shares in the Non-US Target Holdco is US\$267,420,653, (being the agreed enterprise value of the Non-US Target Group), (a) less the amount equal to (i) the Target Net Working Capital; and (ii) 10% of distributable cash held by the Non-US Target Companies in Korea as at Completion; and (b) plus (i) the Agreed Net Asset Amount of the Non-US Target Group and (ii) the amount of any investment by a member of the Non-US Target Group and the Seller 1 Group in any Non-US Target Company or certain fund entity managed or co-invested by the Non-US Target Companies (without double counting) between the date of the Non-US Share Purchase Agreement and the Completion as approved under the Non-US Share Purchase Agreement or otherwise approved by the Purchaser 1.

The Initial Consideration for the transfer of all of the issued and outstanding shares in the US Target Company equals to US\$2,579,347, (being the agreed enterprise value of the US Target Group), (a) less the amount equal to the Proposed Dividend Distribution; and (b) plus (i) the Agreed Net Asset Amount of the US Target Group and (ii) the amount of any investment by a member of the US Target Group and the Seller 2 Group in the US Target Company or certain fund entity managed or co-invested by the US Target Company (without double counting) between the date of the US Share Purchase Agreement and the Completion as approved under the US Share Purchase Agreement or otherwise approved by the Purchaser 2.

The Initial Consideration is subject to adjustment based on the difference between (i) the net asset value of the US Target Group or the Non-US Target Group (as applicable) at Completion and (ii) the Agreed Net Asset Amount of the US Target Group or the Non-US Target Group (as applicable) as at December 31, 2023 (collectively, the “**Final Consideration**”). It is agreed that the Final Consideration shall be subject to a cap which will not trigger the shareholders’ approval requirement of the Company in relation to the Sales under the Listing Rules and in respect of the US Target Group the Final Consideration shall not exceed US\$3.5 million.

In addition, outstanding intercompany payables owed by any member of the US Target Group or the Non-US Target Group (as applicable) to any member of the Seller 1 Group or the Seller 2 Group (as applicable) and intercompany receivables due to any member of the US Target Group or the Non-US Target Group (as applicable) by any member of the Seller 1 Group or the Seller 2 Group (as applicable) at Completion shall be settled on Completion.

Purchaser 1 shall advance funds to the Non-US Target Companies in an amount sufficient to repay all of the outstanding intra group debt owed to the Seller 1 Group (which as of December 31, 2023 was US\$53,496,964).

Basis of consideration:

The consideration for the transfer of all of the issued and outstanding shares in the Non-US Target Holdco and the US Target Company was determined after arm's length negotiation between the parties to the relevant Share Purchase Agreements with reference to the net assets of the Target Companies and a market valuation for the funds management platform operated by the Target Companies using an EBITDA multiple approach.

Payment manner:

Initial Consideration:

The Initial Consideration shall be settled by the Purchasers in cash on the date of Completion.

Final Consideration:

Within ten (10) Business Days after the Completion Accounts become final and binding, the Seller or the Purchaser (as applicable) under each Share Purchase Agreement shall make a payment to the other of the difference between the Final Consideration and the Initial Consideration and the difference between intercompany payables owed by any member of the US Target Group or the Non-US Target Group (as applicable) to any member of the Seller 1 Group or the Seller 2 Group (as applicable) or any fund managed thereby and intercompany receivables due to any member of the US Target Group or the Non-US Target Group (as applicable) by any member of the Seller 1 Group or the Seller 2 Group (as applicable) or any fund managed thereby at Completion (and such intercompany payables and receivables will be treated as discharged to the extent of such payments).

Conditions:

Completion is conditional on the satisfaction of certain conditions, including but not limited to (a) receipt of approval from Monetary Authority of Singapore and the Ministry of Land, Infrastructure and Transport in Korea; (b) obtaining certain third-party consents legally or contractually required to be made for the Sellers and the Purchasers to consummate the Sales; (c) amending an asset management agreement to extend the term thereof; (d) continuance of employment of certain senior employees and a specified percentage of the transferring employees; (e) completion of a restructuring of the Target Companies (f) simultaneous occurrence of the Completion under both the Non-US Share Purchase Agreement and the US Share Purchase Agreement; (g) amendment, novation or execution of certain agreements relating to post-Completion ongoing or transitional arrangements; (h) no event having material adverse effect on the business of the Target Companies and no proceedings which would prevent the Sales from Completion; (i) other than certain intra group payables/receivables and existing loans, which will be addressed as part of the completion funds flows, there being no outstanding loans between the Seller 1 Group and the Non-US Target Group (subject to certain exceptions); and (j) certain of the warranties set out in the Share Purchase Agreements being true and correct in all material respects on the date of Completion and certain of them being true and correct to the extent that there would be no material adverse effect on the business.

Certain of the conditions under each Share Purchase Agreement are capable of waiver by the relevant Seller or the relevant Purchaser.

Completion:

Completion shall take place on the first date which is ten (10) Business Days or more after the date on which all of the conditions have been satisfied or waived and which is the last day of the month, provided that if the last day of the month is not a Business Day, then Completion shall take place on the first Business Day preceding such date, or such other date as may be agreed by the Sellers and the Purchasers in writing.

Upon Completion, each of the Target Companies will become a subsidiary of the relevant Purchaser and will cease to be a subsidiary of the Company.

Guarantee:

The Guarantor irrevocably and unconditionally agrees, as a primary and continuing obligation, that if, and each time that, Purchaser 1 fails to comply properly and punctually with its obligations under the Non-US Share Purchase Agreement, the Guarantor shall immediately (without requiring Seller 1 or any other person first to take steps against Purchaser 1) procure such compliance (and, where applicable, pay the defaulted amount) in accordance with the Non-US Share Purchase Agreement as if it were the principal obligor in respect thereof.

C. REASONS FOR, AND BENEFITS OF, THE SALES

As at the date of this announcement, the board of Directors has identified up to US\$750 million of non-core businesses of the Group to be divested, and the Sales represents the first of those divestments. In total, 22 funds are being divested by way of the Sales, representing US\$9.8 billion in AUM, with close to 100% of the assets in these funds sitting outside of the Group's focus on New Economy real estate sectors such as logistics, data centres and life sciences.

The Directors believe that the sale of these traditional economy funds through the Sales will streamline and simplify the business of the Group and allow increased focus of the Group on growing the New Economy segment. The cash from the Sales will be primarily used to reduce the Group's financial indebtedness.

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

D. FINANCIAL EFFECT OF THE SALES

Based on the difference between the estimated maximum aggregate consideration to be received by the Group in relation to the Sales and the estimated proforma unaudited net asset values of the Target Companies as at December 31, 2023, a gain on disposal of approximately US\$50.0 million¹ is expected in connection with the Sales. The estimated net proceeds (after transaction costs and tax) of approximately US\$290 million to be received by the Group pursuant to the Sales will be predominantly used to repay certain of the Group's third party indebtedness.

E. IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Sales (based on the Company's current estimated maximum aggregate consideration to be received by the Group on Completion) exceeds 5% but is less than 25%, the Sales on an aggregated basis constitute discloseable transactions of the Company and are therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

F. INFORMATION ON THE PARTIES

(1) The Purchasers

(a) *Purchaser 1*

Purchaser 1 is a company incorporated in Singapore and is principally engaged in investment holding. As of the date of this announcement, Purchaser 1 is owned as to 70% and 30% by SMFL MIRAI Partners (Singapore) Pte. Ltd. (a wholly-owned subsidiary of the Guarantor) and Kenedix, Inc., respectively. The Company owns a 30% stake in Kenedix, Inc. and will therefore continue to own an approximately 9% look-through stake in the Non-US Target Companies. The remaining 70% stake in Kenedix Inc. is owned by a wholly-owned subsidiary of the Guarantor.

Save as disclosed, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, each of Purchaser 1 and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

¹ Before estimated transaction costs and tax of US\$21 million.

(b) *Purchaser 2*

Purchaser 2 is a limited liability company incorporated in the United States and is principally engaged in investment holding.

As of the date of this announcement, Mr. Jin Yong Lee, a director of certain subsidiaries of the Company, all of which are insignificant subsidiaries of the Company (both individually and in the aggregate), is the sole managing agent of Purchaser 2, and Mr. Moses K Song, the current CEO of ARA Asset Management Limited (a wholly-owned subsidiary of the Company) who will be transferring to the Target Companies as part of the Sales, is the member of Purchaser 2. Pursuant to the operating agreement of Purchaser 2, the operations, business, property and affairs of Purchaser 2 shall be managed by the sole managing agent, and no other member of Purchaser 2 shall have any authority or right to act on behalf of or bind Purchaser 2. Accordingly, Purchaser 2 is not a connected person of the Company under Chapter 14A of the Listing Rules.

(2) *The Guarantor*

The Guarantor is a company incorporated under the Laws of Japan and is owned as to 50% and 50% by Sumitomo Mitsui Financial Group, Inc. (“**SMFG**”) and Sumitomo Corporation, respectively, both of which are entities listed on the Tokyo Stock Exchange. It is principally engaged in leasing and installment sales of a variety of equipment and machinery, loans and factoring, and providing other related services. To the best of the Company’s knowledge, Sumitomo Mitsui Banking Corporation, a subsidiary of SMFG, holds less than 5% of the shares of the Company as at the date of this announcement.

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

(3) *The Target Companies*

(a) *Non-US Target Companies*

All the Non-US Target Companies are principally engaged (directly or through their subsidiaries) in operating private funds management businesses and holding co-investments in funds which manage traditional economy assets in South Korea, Singapore, Europe, Australia and China.

Based on the unaudited consolidated financial statements of the Non-US Target Companies prepared in accordance with International Financial Reporting Standards (“IFRS”), the unaudited net profits before and after taxation of the Non-US Target Companies for the two years ended December 31, 2021 and 2022 are:

	For the year ended	
	December 31,	
	2021	2022
	<i>US\$'000</i>	<i>US\$'000</i>
Net profit before taxation	7,186	70,378
Net profit after taxation	5,860	55,147

The unaudited consolidated net asset value of the Non-US Target Companies as at December 31, 2022 was approximately US\$136,108,000.

(b) *US Target Company*

The US Target Company is principally engaged (directly or through its subsidiaries) in operating a private fund management business and holding co-investments in funds which hold assets in the United States.

Based on the unaudited consolidated financial statements of the US Target Company prepared in accordance with IFRS, the unaudited net profits before and after taxation of the US Target Company for the two years ended December 31, 2021 and 2022 are:

	For the year ended	
	December 31,	
	2021	2022
	<i>US\$'000</i>	<i>US\$'000</i>
Net profit before taxation	1,406	586
Net profit after taxation	1,084	447

The unaudited consolidated net asset value of the US Target Company as at December 31, 2022 was approximately US\$3,142,000.

G. 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.

H. DEFINITIONS

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

“Agreed Net Asset Amount”	an amount equal to US\$5,712,037 (for the purpose of the Non-US Share Purchase Agreement) and US\$2,113,305 (for the purpose of the US Share Purchase Agreement)
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday) on which banks in Bermuda, Tokyo, Hong Kong, Seoul, New York and Singapore are generally open for business
“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”	the completion of the Sales under the Share Purchase Agreements
“Completion Accounts”	the net asset statement of the Target Companies as at the date of Completion to be prepared by the Sellers and delivered to the Purchasers within 60 Business Days of Completion
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries

“Guarantor”	Sumitomo Mitsui Finance and Leasing Co., a company incorporated under the Laws of Japan
“Initial Consideration”	the initial consideration for the transfer of all of the issued and outstanding shares in the Target Companies, further details of which are set out in the paragraph headed “B. The Share Purchase Agreements — Consideration” in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended and supplemented from time to time)
“Non-US Share Purchase Agreement”	the share purchase agreement dated March 8, 2024 entered into between Seller 1, Purchaser 1 and the Guarantor in relation to the transfer of all the shares held by Seller 1 in the Non-US Target Holdco which will indirectly own all of the issued and outstanding shares in the Non-US Target Companies
“Non-US Target Companies”	collectively, the Non-US Target Holdco, ARA Fund Management Pte. Ltd., ARA Fund Management (PIP) Limited, ARA Fund Management (Mapleleaf) Limited, ARA Fund Management (Century) Limited, ARA Managers (SJ Partnership) Pte. Ltd., ARA-SMBCG Investments JV Pte. Ltd., ARA Australia (Holdings) Pte. Ltd., ARA Korea Limited, ARA Real Estate Investors XV Limited, ARA Real Estate Investors XVIII Pte. Ltd., ARA Real Estate Investors 38 Pte. Ltd., ARA Real Estate Investors 39 Pte. Ltd., ARA Real Estate Investors 41 Pte. Ltd., ARA Real Estate Investors 26 Pte. Ltd, ARA Real Estate Investors VIII Limited, ARA Real Estate Investors XVII Pte. Ltd., Asia-Pacific SDIEF GP Pte. Ltd., ARA Australia Investments Limited, ARAM Australia Pty Ltd, APM Australia (ARA) Pty Ltd, ARAM Managers (Quadreal) Pty Ltd, ARA Australia Developments Pty Ltd, ARA Korea (REF) Limited, ARA (ECO) (Laz1) Pte. Ltd., ARA (ECO) (SDIEF) Pte. Ltd., and ARA (ECO)(26CB) Pte. Ltd., all of which are subsidiaries of the Company
“Non-US Target Group ”	collectively, the Non-US Target Holdco and its direct and indirect subsidiaries, including but not limited to the Non-US Target Companies

“Non-US Target HoldCo”	Aravest Pte. Ltd., a private limited company incorporated in Singapore and a wholly-owned subsidiary of Seller 1 as at the date of this announcement
“Proposed Dividend Distribution”	an amount equal to US\$1,438,848 (or such other amount as may be agreed between the parties to the US Share Purchase Agreement)
“Purchaser 1”	MPSK Pte. Ltd., a private limited company incorporated in Singapore
“Purchaser 2”	Claymore Encore Holdings, LLC, a limited liability company incorporated in the United States
“Purchaser(s)”	collectively, Purchaser 1 and Purchaser 2
“Sales”	collectively: <ul style="list-style-type: none"> (i) the disposal of all of the issued and outstanding shares in the Non-US Target Holdco pursuant to the Non-US Share Purchase Agreement; and (ii) the disposal of all of the issued and outstanding shares in the US Target Company pursuant to the US Share Purchase Agreement
“Seller 1”	ARA Asset Management Limited, an exempted company incorporated in Bermuda with limited liability and a subsidiary of the Company
“Seller 1 Group”	collectively, Seller 1 and each of its affiliates
“Seller 2”	ARA US (Holdings) Pte. Ltd., a company incorporated in Singapore with limited liability and a subsidiary of the Company
“Seller 2 Group”	collectively, Seller 2 and each of its affiliates
“Sellers”	collectively, Seller 1 and Seller 2
“Shareholder(s)”	the holder(s) of the shares of the Company

“Share Purchase Agreement(s)”	collectively, the Non-US Share Purchase Agreement and the US Share Purchase Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company(ies)”	collectively, the Non-US Target Companies and the US Target Company
“Target Net Working Capital”	an amount equal to US\$10,000,000
“US\$”	United States dollars, the lawful currency of the United States of America
“US Share Purchase Agreement”	the share purchase agreement dated March 8, 2024 entered into between Seller 2 and Purchaser 2 in relation to the transfer of all the shares held by Seller 2 in the US Target Company
“US Target Company”	ARA US Investments Inc., a company incorporated in the United States and a subsidiary of the Company
“US Target Group”	collectively, the US Target Company and its direct and indirect subsidiaries

By order of the Board
ESR Group Limited
Jinchu Shen
Director

Hong Kong, March 11, 2024

As at the date of this announcement, the board of Directors of the Company comprises Mr. Jinchu Shen and Mr. Stuart Gibson as Executive Directors, Mr. Jeffrey David Perlman as the Chairman and Non-executive Director, Mr. Charles Alexander Portes, Mr. Hwee Chiang Lim, Dr. Kwok Hung Justin Chiu, Mr. Rajeev Veeravalli Kannan and Ms. Joanne Sarah McNamara as Non-executive Directors, Mr. Brett Harold Krause, Mr. Simon James McDonald, Ms. Jingsheng Liu, Ms. Serene Siew Noi Nah and Ms. Wei-Lin Kwee as Independent Non-executive Directors.