

*Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company and its subsidiaries in Hong Kong or elsewhere.*



**ESR GROUP LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1821)**

**POSSIBLE DISCLOSEABLE TRANSACTION  
IN RELATION TO  
PROPOSED SPIN-OFF AND SEPARATE  
LISTING OF LOGISTICS ASSETS THROUGH A PUBLICLY  
OFFERED INFRASTRUCTURE SECURITIES INVESTMENT FUND  
ON THE SHANGHAI STOCK EXCHANGE**

**PROPOSED SPIN-OFF**

As disclosed in the announcements of the Company dated 13 December 2022, 6 March 2023 and 1 December 2023, the Proposed Spin-off involves the potential listing of the Assets on the Shanghai Stock Exchange through the REIT as a publicly offered infrastructure securities investment fund. The REIT will indirectly hold the Assets through the ABS Vehicle and the Project Company, upon completion of the Proposed Spin-off.

The Board is pleased to announce that on 21 June 2024, the Shanghai Stock Exchange issued a no objection letter in respect of the proposed listing of the REIT on the Shanghai Stock Exchange and the CSRC approved the registration of the REIT.

The Company will make a further announcement when the REIT Offering has commenced.

## IMPLICATIONS UNDER THE LISTING RULES

Upon completion of the Proposed Spin-off, the effective interest of the Company in the Project Company will be reduced from 100% to 34% and the Project Company will be deconsolidated from the Group's consolidated financial statements. Based on the latest information available to the Company as of the date of this announcement, it is expected that the highest applicable percentage ratio in respect of the Asset Disposal will be more than 5% but less than 25%, and the Asset Disposal may therefore constitute a possible discloseable transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Asset Disposal may be subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Based on the latest information available to the Company as of the date of this announcement, it is expected that the Group's subscription of 34% of the Units will not constitute a discloseable transaction under Chapter 14 of the Listing Rules.

The Company will make further announcement(s) (in relation to, among others, the commencement of the REIT Offering and the determination of the final offer price for the REIT Offering and the final consideration of the Asset Disposal) as and when appropriate in accordance with the requirements of the Listing Rules.

**Shareholders and potential investors should note that the Proposed Spin-off is subject to, among other things, the prevailing market conditions. Accordingly, Shareholders and potential investors should be aware that the Proposed Spin-off may or may not occur. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## A. INTRODUCTION

Reference is made to the announcements of the Company dated 13 December 2022, 6 March 2023 and 1 December 2023 in relation to the potential listing of Jiangsu Friend — I, Jiangsu Friend — II and Jiangsu Friend — III, three high-standard logistics projects located in Kunshan, Jiangsu Province, the PRC, through a publicly offered infrastructure securities investment fund (the “**REIT**”) on the Shanghai Stock Exchange pursuant to a pilot programme launched by the NDRC and the CSRC (the “**Proposed Spin-off**”).

## B. THE PROPOSED SPIN-OFF

On 21 June 2024, the Shanghai Stock Exchange issued a no objection letter in respect of the proposed listing of the REIT on the Shanghai Stock Exchange and the CSRC approved the registration of the REIT.

The Company will make a further announcement when the REIT Offering has commenced.

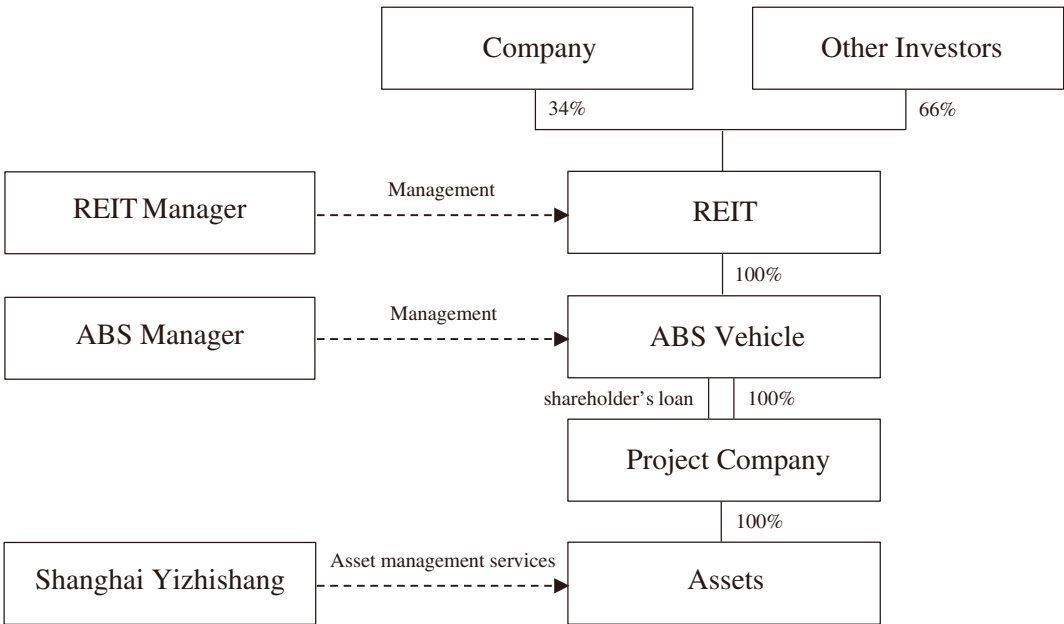
The Company will subscribe for 34% of the total number of Units of the REIT in issue at the time of the completion of the REIT Offering, with the remaining 66% of the Units to be subscribed by cornerstone investors, public institutions and retail investors.

The gross proceeds to be raised from the REIT Offering is expected to be approximately RMB2.438 billion and the annualised cash distribution rate by the REIT is expected to be 4.5% and 4.62% for 2024 and 2025, respectively. The final offer price for the REIT Offering will be announced in due course.

### 1. Structure of the REIT

For the purpose of the Proposed Spin-off, (a) AVIC Fund Management Co., Ltd. as the REIT Manager will set up the REIT as a publicly offered infrastructure securities investment fund and (b) the ABS Vehicle will be set up by the ABS Manager as required by the applicable PRC laws and regulations.

The structure of the REIT upon completion of the Proposed Spin-off is set out below:



In connection with the Proposed Spin-off, (i) the REIT will apply the proceeds from the REIT Offering to purchase all the securities issued by the ABS Vehicle; (ii) the ABS Vehicle will acquire the entire interest in SPV2 from SPV HoldCo at a nominal consideration and will inject the proceeds from the REIT Offering in the form of a combination of shareholder's loan and capital into SPV2; (iii) the Group will dispose of, and SPV2 will use the proceeds from the REIT Offering to acquire, the entire equity interest in the Project Company through the Asset Disposal (as described in “— 2. *Asset Disposal*” below); and (iv) SPV2 will be merged with the Project Company, following which the ABS Vehicle will become the new sole shareholder of the Project Company.

Shanghai Yizhishang, a wholly-owned subsidiary of the Company, and the Project Company has entered into an asset management services agreement, pursuant to which Shanghai Yizhishang will be the asset manager and will provide asset management (including property management) services to the Assets for management fees.

Save as otherwise disclosed in this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the REIT Manager, the ABS Manager and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

## **2. Asset Disposal**

Genius HK and Genius II HK (each an indirect wholly-owned subsidiary of the Company) as transferor entered into the First Equity Transfer Agreement with SPV1 as transferee on 20 November 2023 (which was amended by a supplemental agreement on 12 April 2024), pursuant to which Genius HK and Genius II HK agreed to sell and SPV1 agreed to acquire, the entire equity interest in the Project Company (the “**First Equity Transfer**”).

SPV1 as transferor entered into the Second Equity Transfer Agreement with SPV2 as transferee on 21 November 2023 (which was amended by a supplemental agreement on 12 April 2024), pursuant to which SPV1 agreed to sell and SPV2 agreed to acquire, the entire equity interest in the Project Company (the “**Second Equity Transfer**”).

**(a) *Consideration of the Asset Disposal***

The consideration of the Asset Disposal will be equal to the size of the offering of the Units minus certain funds required to be reserved by the REIT under the applicable PRC regulations and the shareholders loan to be provided by the ABS Vehicle to the Project Company and relevant taxes, audit fees and legal fees. The Company expects the consideration for the Asset Disposal to be approximately RMB2.28 billion. The final consideration for the Asset Disposal will be announced in due course.

The consideration of the Asset Disposal is determined after arm's length negotiation between the parties with reference to, among other things, the final offering size of the Units and the requirements of the NDRC, the CSRC and the Shanghai Stock Exchange, and will be ascertained upon completion of the offering of the Units. Under the applicable PRC regulations, the size of the Unit offering is required to be the same as the valuation of the Assets as at the time of the offering.

**(b) *Conditions Precedent to the Asset Disposal***

The payment of the consideration of the Asset Disposal is conditional upon the receipt of capital and shareholder's loan by SPV2 in connection with the acquisition of SPV2 by the ABS Vehicle, the delivery of certain corporate documents, the completion of the audit of SPV2 (including the Project Company) and the completion of relevant regulatory registration of the equity transfer.

The consideration for the Second Equity Transfer will be paid within five working days upon the fulfilment of the conditions. Upon receipt of the consideration for the Second Equity Transfer from SPV2, SPV1 will pay the consideration for the First Equity Transfer to Genius HK and Genius II HK in accordance with the agreed payment schedule.

**3. *Conditions Precedent to the Proposed Spin-off***

The Proposed Spin-off is conditional upon, among other things, the following conditions:

- (i) approval of the CSRC and the issuance of the no objection letter from the Shanghai Stock Exchange in respect of the proposed listing of the REIT, and approval of the Stock Exchange in respect of the Proposed Spin-off;

- (ii) the total portion of interest in the REIT subscribed by investors reaching 80% of the approved registration amount of the REIT;
- (iii) the total amount of funds raised from the public offering of the Units should be at least RMB200 million and there are at least 1,000 investors participating in the public offering;
- (iv) the Company, as the original owner of the Assets, must subscribe for at least 20% interest in the REIT by way of participating in the strategic placing tranche; 20% interest of the REIT held by the Company will be subject to a lock-up period of 60 months while the remainder of the Company's interest in the REIT will be subject to a lock-up period of 36 months; and
- (v) at least 70% of the public offering (after subtracting the strategic tranche) must be sold to offline investors.

As disclosed in the announcement of the Company dated 6 March 2023, the Company had made an application pursuant to Practice Note 15 of the Listing Rules and the Stock Exchange had confirmed that the Company may proceed with the Proposed Spin-off.

On 21 June 2024, the Shanghai Stock Exchange issued a no objection letter in respect of the proposed listing of the REIT on the Shanghai Stock Exchange and the CSRC approved the registration of the REIT.

## **C. FINANCIAL EFFECTS OF THE PROPOSED SPIN-OFF**

The Proposed Spin-off will result in a reduction of the Company's interest in the Project Company from 100% to 34%. The Project Company will cease to be a subsidiary of the Company and be deconsolidated from the Group's consolidated financial statements. The Assets will no longer be consolidated on the Group's balance sheet upon the completion of the Proposed Spin-off, and will instead be indirectly be held by the REIT (through the ABS Vehicle) and be assets of the REIT.

The overall impact on profit or loss that the Company expects to record from the Proposed Spin-off will include the difference between the consideration of the Asset Disposal, which depends on, among other things, the offer price of the REIT, and the carrying value of the Project Company in the consolidated accounts of the Company, and the relevant transaction costs.

The actual amount of gain or loss as a result of the Proposed Spin-off will be assessed after its completion and will be subject to the review and final audit by the auditors of the Company.

## **D. USE OF PROCEEDS**

The receipt of consideration from the Asset Disposal will free up capital on the Group's balance sheet to be further deployed on other projects to support future growth.

As required by the relevant regulations, at least 90% of the net proceeds from the Asset Disposal to be received by the Group (after deducting (i) issuance expenses and tax; (ii) the repayment of the existing bank loan; and (iii) the investment by the Group of 34% of the Units) will be invested in assets in the PRC. The net proceeds to be received by the Group from the Asset Disposal will be used for reinvestment into logistics or related projects of the Group in the PRC.

## **E. REASONS AND BENEFITS OF THE PROPOSED SPIN-OFF**

The Directors consider that the Proposed Spin-off will be commercially beneficial to the Group and to the REIT for the following reasons:

- (i) The Group will receive gross proceeds of approximately RMB2.28 billion from the Asset Disposal pursuant to the Proposed Spin-off.
- (ii) The Group develops, operates and manages a diverse portfolio of premium real assets in APAC which are either owned directly by the Group or by the funds and investment vehicles managed by the Group, and the management of such funds and investment vehicles. As has been consistently disclosed since the Company's prospectus dated 22 October 2019, the Group employs a capital recycling strategy of developing logistics properties on its balance sheet (using its own capital) or with development funds and investment vehicles managed by the Group, and disposing stabilised assets to core/core-plus funds and investment vehicles managed by the Group and REITs. The disposal of the Assets to the REIT is in line with such strategy.
- (iii) The receipt of consideration from the Asset Disposal will free up capital on the Group's balance sheet to be further deployed on other projects to support future growth. As required by the Notice on Further Implementing the Pilot Program of Real Estate Investment Trusts (REITs) in the Infrastructure Field (關於進一步做好基礎設施領域不動產投資信託基金 (REITs) 試點工作的通知) and Application Requirement for Pilot Projects of Real Estate Investment Trusts (REITs) in the Infrastructure Field (基礎設施領域不動產投資信託基金 (REITs) 試點項目申報要求), at least 90% of the net proceeds from the Asset Disposal to be received by the Group will be invested in assets in the PRC.



- (iv) In addition to the consideration to be received by the Group for the Asset Disposal, the Group will continue to earn management fees for asset management services to be provided to the Assets after completion of the Proposed Spin-off.
- (v) The REIT will receive stable income from the Assets, which are high quality, stabilised assets with high occupancy rate and rental income stability, to fund its distributions to investors.
- (vi) As required under the relevant NDRC rules, investors in the REIT will expect to receive a return of at least 3.8% per annum. The Company will hold 34% of the Units upon the completion of the Proposed Spin-off and will continue to benefit from the performance of the Assets in the form of stable distributions from the REIT.
- (vii) The Proposed Spin-off will allow the Assets to be listed separately on the Shanghai Stock Exchange, which will enhance the market image of the Group.
- (viii) The consideration of the Asset Disposal is determined by reference to the size of the offering of the Units, which is in turn required under the applicable PRC regulations to be the same as the valuation of the Assets at the time of the offering.

In view of the above, the Directors are of the view that the terms of the Proposed Spin-off (including the Asset Disposal) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **F. IMPLICATIONS UNDER THE LISTING RULES**

Upon completion of the Proposed Spin-off, the effective interest of the Company in the Project Company will be reduced from 100% to 34% and the Project Company will be deconsolidated from the Group's consolidated financial statements. Based on the latest information available to the Company as of the date of this announcement, it is expected that the highest applicable percentage ratio in respect of the Asset Disposal will be more than 5% but less than 25%, and the Asset Disposal may therefore constitute a possible discloseable transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Asset Disposal may be subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Based on the latest information available to the Company as of the date of this announcement, it is expected that the Group's subscription of 34% of the Units will not constitute a discloseable transaction under Chapter of the Listing Rules.



The Company will make further announcement(s) (in relation to, among others, the commencement of the REIT Offering and the determination of the final offer price for the REIT Offering and the final consideration of the Asset Disposal) as and when appropriate in accordance with the requirements of the Listing Rules.

## **G. INFORMATION ON THE PARTIES**

### **1. The REIT Manager**

The REIT Manager is principally engaged in sales and raising of funds, asset management (including that in respect of specific clients) and other businesses as approved by the CSRC.

### **2. The ABS Manager**

The ABS Manager is principally engaged in securities brokerage, securities investment and financial consulting, securities underwriting and sponsoring, securities asset management and securities lending.

### **3. The Project Company**

The Project Company is an indirect wholly-owned subsidiary of the Company and is an investment holding company which holds the Assets.

The selected financial information of the Project Company based on the audited financial statements of the Project Company for the two years ended 31 December 2023 prepared in accordance with PRC GAAP aligned to International Financial Reporting Standards is set out below:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2022</b>	<b>2023</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Net profit before taxation	22,407	884
Net profit after taxation	16,671	660

The audited total asset and net asset value of the Project Company as at 31 December 2023 were US\$472,562,000 and US\$300,613,000, respectively.

## H. INFORMATION ON THE GROUP

The Group is Asia-Pacific's ("APAC") leading real asset manager powered by the New Economy and one of the largest listed real estate investment managers. The Group's fully integrated fund management and development platform extends across various APAC markets, comprising Australia/New Zealand, Japan, South Korea, Greater China, Singapore, Southeast Asia ("SEA") and India, with a presence in Europe and the U.S. The Group is listed on the Main Board of The Stock Exchange of Hong Kong, and is a constituent of the FTSE Global Equity Index Series (Large Cap), Hang Seng Composite and MSCI Hong Kong Indices.

## I. DEFINITIONS

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

<b>"ABS Manager"</b>	AVIC Securities Co., Ltd. (中航證券有限公司), being the manager of the ABS Vehicle
<b>"ABS Vehicle"</b>	an infrastructure asset-backed specific plan established and managed by the ABS Manager
<b>"Asset Disposal"</b>	the disposal of the Project Company pursuant to the Equity Transfer Agreements
<b>"Assets"</b>	collectively, Jiangsu Friend — I, Jiangsu Friend — II and Jiangsu Friend — III, three high-standard logistics projects located in Kunshan, Jiangsu Province, the PRC
<b>"Company"</b>	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)
<b>"CSRC"</b>	the China Securities Regulatory Commission
<b>"Directors"</b>	the directors of the Company
<b>"Equity Transfer Agreements"</b>	collectively, the First Equity Transfer Agreement and the Second Equity Transfer Agreement

<b>“First Equity Transfer”</b>	the transfer of the entire equity interest in the Project Company from Genius HK and Genius HK II as transferor to SPV1 as transferee pursuant to the First Equity Transfer Agreement
<b>“First Equity Transfer Agreement”</b>	the equity transfer agreement dated 20 November 2023 (as amended by a supplemental agreement dated 12 April 2024) entered into between Genius HK, Genius II HK and SPV1 in relation to the transfer of the entire equity interest in the Project Company
<b>“Genius HK”</b>	Genius HK Offshore Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
<b>“Genius II HK”</b>	Genius II HK Offshore Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
<b>“Group”</b>	the Company and its subsidiaries
<b>“HK\$”</b>	Hong Kong dollar, the lawful currency of Hong Kong
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange (as amended and supplemented from time to time)
<b>“NDRC”</b>	the National Development and Reform Commission
<b>“PRC” or “China”</b>	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
<b>“Project Company”</b>	Jiangsu Friend Warehouse Co., Ltd. (江蘇富萊德倉儲有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company which holds the Assets

<b>“Proposed Spin-off”</b>	the proposed spin-off and separate listing of the Assets through the REIT on the Shanghai Stock Exchange
<b>“REIT Manager”</b>	AVIC Fund Management Co., Ltd. (中航基金管理有限公司), being the manager of the REIT
<b>“REIT Offering”</b>	the offering of the Units by the REIT pursuant to the Proposed Spin-off
<b>“Second Equity Transfer”</b>	the transfer of the entire equity interest in the Project Company from SPV1 as transferor to SPV2 as transferee pursuant to the Second Equity Transfer Agreement
<b>“Second Equity Transfer Agreement”</b>	the equity transfer agreement dated 21 November 2023 (as amended by a supplemental agreement dated 12 April 2024) entered into between SPV1 and SPV2 in relation to the transfer of the entire equity interest in the Project Company
<b>“Shanghai Yizhishang”</b>	Shanghai Yizhishang Enterprises Management Services Co., Ltd. (上海易之商企業管理服務有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
<b>“Shareholder(s)”</b>	the holders of the shares of the Company
<b>“SPV1”</b>	Kunshan Yilai Enterprise Management Consulting Co., Ltd. (昆山易萊企業諮詢管理有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
<b>“SPV2”</b>	Kunshan Yifu Enterprise Management Consulting Co., Ltd. (昆山易富企業管理諮詢有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
<b>“SPV HoldCo”</b>	Shanghai Jiachu Enterprise Management Consulting Co., Ltd. (上海佳初企業管理諮詢有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited

“Unit(s)”	the unit(s) in the REIT
“US\$”	US dollars, the lawful currency of the United States of America
“%”	per cent.

**Shareholders and potential investors should note that the Proposed Spin-off is subject to, among other things, the prevailing market conditions. Accordingly, Shareholders and potential investors should be aware that the Proposed Spin-off may or may not occur. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

By order of the Board  
**ESR Group Limited**  
**Jinchu Shen**  
*Director*

Hong Kong, 21 June 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, Mr. Rajeev Veeravalli Kannan and Ms. Joanne Sarah McNamara as Non-executive Directors, Mr. Brett Harold Krause, Mr. Simon James McDonald, Ms. Jingsheng Liu and Ms. Serene Siew Noi Nah as Independent Non-executive Directors.*