

AMCORP PROPERTIES BERHAD (“AMPROP” OR “THE COMPANY”)
- CO-INVESTMENT AGREEMENT BETWEEN AMCORP GATEWAY LIMITED AND CHELSFIELD ASIA FUND 1, LIMITED PARTNERSHIP

1. INTRODUCTION

We refer to our announcements made on 16 April 2018 and 13 July 2018 (“**Earlier Announcements**”) in relation to the investment term sheet dated 16 April 2018 entered into between the Company and Chelsfield Asia Fund 1, Limited Partnership (“**Chelsfield**”) with the intention of setting up a joint venture to acquire five (5) floors of strata office properties in Lland Tower (“**the Properties**”) located at West Nanjing Road, Jing’an District, Shanghai, People’s Republic of China (“**PRC**”) (“**Proposed Acquisition**”).

Further to the Earlier Announcements, the Board of Directors of AMPROP wishes to announce that Amcorp Gateway Limited (“**Amcorp Gateway**”), an indirect wholly-owned subsidiary of AMPROP, had on 31 July 2018 entered into a co-investment agreement (“**Co-Investment Agreement**”) with Chelsfield, to jointly participate in the Proposed Acquisition, holding, management and ultimately dispose off the Properties via a joint venture company known as Glory Growth Holdings Limited (“**JV Co**”), which is also a party to the Co-Investment Agreement (“**Co-Investment**”).

Amcorp Gateway and Chelsfield are collectively referred to as the “**Co-Investors**”.

The Co-Investment Agreement governs the material aspects and the conduct of the business of the JV Co and regulates the Co-Investors’ participation in the JV Co.

For the purposes of this announcement, the exchange rate used is RMB1 : RM0.5954 as at 31 July 2018.

2. DETAILS OF THE CO-INVESTMENT

2.1 Information on the JV Co

The JV Co is a private limited company incorporated in the British Virgin Islands (“**BVI**”) on 15 March 2018 under the BVI Business Companies Act, 2004 and its principal activity is investment holding. The issued and paid-up share capital of the JV Co is USD1.00 comprising one (1) ordinary share, which is currently held by Chelsfield.

On or immediately after the execution of the Co-Investment Agreement, the existing ordinary share held by Chelsfield will be redeemed by the JV Co at the redemption price of USD1.00 and the Co-Investors shall subscribe for shares in the JV Co to reflect their respective interests in the JV Co in the following proportions (“**Subscription**”):

Co-Investors	No. of Shares	Eventual Equity Holding
Amcorp Gateway	700 of Co-Investor Shares	35%
Chelsfield	1,300 of Fund Shares	65%

The issued and paid-up share capital of the JV Co upon the Subscription will be USD2,000 comprising (a) 700 voting shares known as “**Co-Investor Shares**” and (b) 1,300 voting shares known as “**Fund Shares**” held by AMPROP and Chelsfield respectively, to be paid in RMB based on the USD:RMB mid-rate quoted by the Bank of China on the date being two days before the date of the drawdown notice for capital by the JV Co.

The two different classes of shares designated as per the Memorandum and Articles of Association of the JV Co is to distinguish the shares held by the respective Co-Investors.

The holder of the Fund Shares shall be entitled to appoint two directors while the Co-Investor Shares held by Amcorp Gateway shall entitle it to appoint one director to the board of the JV Co. Distributable cash attributable to the Co-Investor Shares shall be subject to deduction of any unpaid management fees and performance fee to the Manager [as defined under Section 3(c)], after repayment of a return of all its contributions and preferred return.

Pursuant to the terms and conditions of the Co-Investment Agreement, the Co-Investors shall commit to contribute capital to the JV Co in the agreed proportion as follows (“**Capital Commitment**”):

Co-Investors	Capital Commitment
Amcorp Gateway	An aggregate of RMB107,000,000.00 (equivalent to approximately RM63,707,800)
Chelsfield	An aggregate of RMB198,714,285.70 (equivalent to approximately RM118,314,485.71)

In relation to the total Capital Commitment of RMB305.7 million (equivalent to approximately RM182.0 million), approximately RMB240.0 million (equivalent to approximately RM142.9 million) from the Capital Commitment shall be drawn to part finance the Proposed Acquisition with the balance of approximately RMB65.7 million (equivalent to approximately RM39.1 million) to cater for costs associated with the Proposed Acquisition as well as set-up, operating, finance and upgrading costs in relation to the Properties.

In case any further capital is required in excess of their undrawn Capital Commitment, the Co-Investors may agree, but shall not be obligated, to provide additional contributions pro rata to such Co-Investors’ respective interests in the JV Co.

2.2 Information on the Co-Investors

Amcorp Gateway

Amcorp Gateway was incorporated in the BVI on 22 May 2018 as a private limited company under the BVI Business Companies Act, 2004 and its principal activity is investment holding. The issued and paid-up share capital of Amcorp Gateway is RMB10 comprising one (1) ordinary share. Amcorp Gateway is wholly-owned by Neo Elements Limited, which in turn is a wholly-owned subsidiary of AMPROP.

Chelsfield

Chelsfield is a limited partnership registered under the laws of the Cayman Islands. It is a closed-end private investment vehicle established by Chelsfield Asia GP 1 Limited in June 2017 to undertake value-add investment opportunities in real properties in Hong Kong, Shanghai, Singapore and Tokyo. Chelsfield Asia GP 1 Limited is part of the Chelsfield Group in United Kingdom, a London based international real estate investment and asset management firm.

2.3 Information on the Properties

The Properties comprise five (5) floors of strata offices (being the 6th, 7th, 8th, 29th, and 30th floors as per the legal title documents) with total gross floor area of 9,769.43 square metres in a 45-storey mixed-use building known as Lland Tower, located at No. 580, West Nanjing Road, Jing'an District, Shanghai, PRC. The Properties were completed in 1998 and have been renovated in 2014 and have good accessibility to public transportation with the West Nanjing Road Station located about 500 metres away. The West Nanjing Road Station is served by three (3) metro lines (i.e. Line 2, Line 12 and Line 13).

Further information on the Properties is set out in Appendix 1 of this announcement.

2.4 Details of the Proposed Acquisition

2.4.1. The JV Co will via its wholly-owned subsidiary, hold five (5) Hong Kong incorporated investment vehicles ("**Investment Companies**") that will acquire five (5) property holding companies incorporated in the PRC which hold the respective Properties ("**Project Entities**"). Each of the Project Entities currently holds one floor of the Properties.

2.4.2. The Investment Companies shall pursuant to the binding and conditional framework agreement previously entered into with the owners of the Project Entities, namely Shanghai Zhongyi Zhechen Dukun Investment Management Partnership and Shanghai Zhongyi Zhechen Investment Management Co., Ltd. ("**Vendors**"), sign a share exchange agreement ("**Share Exchange Agreement**") with the Vendors to acquire the entire equity interest in the Project Entities for a total consideration of RMB497 million (equivalent to approximately RM295.9 million) ("**Purchase Consideration**").

- 2.4.3. The Purchase Consideration was arrived at on a “willing buyer-willing seller” basis, after taking into consideration, inter alia, the market value of the Properties of RMB514.2 million (equivalent to approximately RM306.2 million) based on the valuation carried out by an independent firm of registered valuer for bank loan financing purposes, details of which are provided in Appendix 1 of this announcement.
- 2.4.4. It is intended that approximately RMB240 million (equivalent to approximately RM142.9 million) out of the Purchase Consideration will be financed by the Capital Commitment of the Co-Investors while approximately RMB257 million (equivalent to approximately RM153.0 million) will be financed via bank borrowings of the Investment Companies and Project Entities.
- 2.4.5. The Investment Companies shall pay RMB100 million (equivalent to approximately RM59.5 million) as initial deposit within ten (10) business days upon signing of the Share Exchange Agreement and a further RMB100 million after the approval of share transfer with the remaining balance to be paid prior to completion of the Proposed Acquisition.
- 2.4.6. The Proposed Acquisition is expected to be completed by 31 December 2018.

3. SALIENT TERMS OF THE CO-INVESTMENT AGREEMENT

The salient features of the Co-Investment Agreement are as follows:

- (a) The Co-Investment Agreement shall be in force for a period of four (4) years from the date of execution of the Co-Investment Agreement and may be further extended for up to two additional one-year periods subject to the approval of the Co-Investors representing in aggregate not less than 75% of the total Capital Commitments in the JV Co.
- (b) The board of directors (“**Board**”) of the JV Co shall comprise three (3) directors, two (2) of which shall be nominated by Chelsfield and one (1) to be nominated by Amcorp Gateway. The quorum of the Board meeting shall be two (2), and shall require the presence of one (1) director each appointed by Chelsfield and Amcorp Gateway throughout the Board meeting. All decisions of the Board shall be taken by simple majority of votes except for Board Reserved Matters and Material Board Reserved Matters (as defined in the Co-Investment Agreement) which shall require unanimous approval of the Board. The Board of the JV Co shall have the responsibility for the supervision and management of the JV Co.
- (c) Chelsfield Asia Management Company Limited or any other member of the Chelsfield Group shall be appointed as the manager (“**Manager**”) of the JV Co, under a separate management agreement between the JV Co and the Manager for managing and reporting on the affairs of the JV Co and its subsidiaries.

- (d) The Manager may draw down the Capital Commitment by delivery of a drawdown notice to each of the Co-Investors (“**Capital Contributions**”). The Capital Contributions are proportionate to each Co-Investor’s Capital Commitment and may be provided to the JV Co in the form of equity contributions or shareholder loans or a combination of the two.
- (e) Net proceeds attributable from the disposition of any or all of the Properties, or any or all of the Investment Companies or Project Entities, together with any dividends, interest or other income or distributions, after payment of the relevant expenses and making reasonable reserves, shall be distributed to the Co-Investors in proportion to their respective shareholdings and the order of repayment of all Capital Contributions followed by a certain priority return on Capital Contributions with any excess shared between the Co-Investors and the Manager.

4. RATIONALE FOR THE CO-INVESTMENT

Following AMPROP Group’s profitable ventures in London and Tokyo, the Co-Investment is part of the Group’s strategy to diversify its property investment and development portfolio and as an impetus towards its quest to embark on niche developments in high growth international markets such as Shanghai.

Through the Co-Investment, AMPROP Group would be able to leverage on the experience and branding of Chelsfield Group in diversifying its international property investments and development portfolio.

The Properties are located in West Nanjing Road, one of the most established central business districts in Shanghai with approximately 10 million square feet of Grade A office space and a number of high-end retail malls. Further, the area is undergoing regeneration backed by the full opening of HKRI Taikoo Hui (a joint development between Swire Properties Limited and HKR International Limited) which boasts Grade A offices, boutique hotels and a shopping mall which together with other planned developments in the vicinity is expected to enhance the commercial vibrancy of the area. This complements the strategy of the JV Co to upgrade the Properties to a standard commensurate with Grade A office buildings in Shanghai with the view of benefitting from enhancement in rental yield and asset value of the Properties

5. SOURCE OF FUNDING

The Capital Commitment of Amcorp Gateway will be funded by advances from AMPROP by way of internally generated funds of AMPROP Group and/or bank borrowings, the breakdown of which would be ascertained at a later date.

6. LIABILITIES TO BE ASSUMED

There is no liability to be assumed by Amcorp Gateway arising from the Co-Investment.

7. PROSPECTS

The Co-Investment is expected to contribute positively to the future earnings and growth of AMPROP Group.

8. RISK FACTORS

Save for general economic risk, currency risk and joint venture risk commonly associated with investment in joint venture, there are no significant risk factors involved in relation to the Co-Investment.

9. EFFECTS OF THE CO-INVESTMENT

9.1 Share capital and substantial shareholders' shareholding

The Co-Investment will not have any effect on the share capital and substantial shareholders' shareholding of AMPROP.

9.2 Net assets

The Co-Investment is not expected to have any material effect on the net assets per share of AMPROP Group for the financial year ending 31 March 2019.

9.3 Earnings

The Co-Investment is not expected to have a material effect on the earnings per share of AMPROP Group for the financial year ending 31 March 2019. However, it is expected to contribute positively to the future earnings of AMPROP Group in the longer term.

9.4 Gearing

The Co-Investment is not expected to have any material effect on the gearing of AMPROP Group for the financial year ending 31 March 2019.

10. APPROVALS REQUIRED

The Co-Investment is not subject to the approval of the shareholders of AMPROP nor any other relevant government authorities.

11. PERCENTAGE RATIO

The highest percentage ratio applicable to the Co-Investment pursuant to paragraph 10.02(g) of Bursa Malaysia Securities Berhad Main Market Listing Requirements is 6.94% based on the latest audited financial statements of AMPROP for the financial year ended 31 March 2018.

12. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the Directors and/or major shareholders of AMPROP and/or persons connected to them have any interest, direct or indirect in the Co-Investment.

13. STATEMENT BY DIRECTORS

Having considered all aspects of the Co-Investment, the Board of Directors of AMPROP is of the opinion that the Co-Investment is in the best interest of AMPROP.

14. ESTIMATED TIMEFRAME FOR COMPLETION

The Co-Investment Agreement takes effect from the date of its execution.

15. DOCUMENTS AVAILABLE FOR INSPECTION

The Co-Investment Agreement will be made available for inspection at the registered office of AMPROP during normal office hours from Monday to Friday (except public holidays) at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur for a period of three (3) months from the date of this announcement.

This announcement is dated 31 July 2018.

Appendix 1

Target Properties	Floor 6	Floor 7	Floor 8	Floor 29	Floor 30
Title number (based on Shanghai Certificate of Real Estate Ownership)	000751- 000755, 000758	000759	000760	000757	000756
Postal address	6F, Units A- F, Main Building, 580 West Nanjing Road	7F, Main Building, 580 West Nanjing Road	8F, Main Building, 580 West Nanjing Road	29F, Main Building, 580 West Nanjing Road	30F, Main Building, 580 West Nanjing Road
Registered leasehold owner	Shanghai Yushang Investment Consulting Co., Ltd.	Shanghai Zhixiang Investment Consulting Co., Ltd.	Shanghai Youchun Investment Consulting Co., Ltd.	Shanghai Liyu Investment Consulting Co., Ltd.	Shanghai Shuohong Investment Consulting Co., Ltd.
Number of units	6	1	1	1	1
Amount of lettable space /lettable space available for letting	2,064.39 sqm	2,099.45 sqm	2,099.45 sqm	1,753.07 sqm	1,753.07 sqm
Approximate age of building	20 years				
Leasehold Tenure	44-year leasehold interest till 12 February 2045				
Category use of the Properties	Office				
Existing use of the Properties	Office				
Percentage of occupancy	62%				
Details of rental	Approximately RMB17.43 million (equivalent to approximately RM10.38 million) per annum				
Potential rental	Potential rental income based on 95% occupancy is expected to be approximately RMB28.91 million (equivalent to approximately RM17.21 million) per annum				
Encumbrances	Mortgaged to Nanyang Commercial Bank (China) Limited, Shanghai Branch				
Independent registered valuer	Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd.				
Valuation date	31 January 2018				
Valuation methodologies	Based on weighted average of valuation derived from Discounted Cash Flow Approach & Direct Comparison Approach on 50:50 basis.				
Market Value	RMB514.20 million (equivalent to approximately RM306.15 million)				
Net book value (Based on latest audited financial statements for year ended 31/12/2016 that is made available)	RMB245.87 million (equivalent to approximately RM146.39 million)				