

## IOI PROPERTIES GROUP BERHAD ("IOIPG" OR "COMPANY")

### MEMORANDUM OF AGREEMENT BETWEEN IOI PROPERTIES GROUP BERHAD AND HONGKONG LAND INTERNATIONAL HOLDINGS LIMITED IN RELATION TO A PROPOSED JOINT VENTURE

#### 1. INTRODUCTION

The Board of Directors of the Company is pleased to announce that the Company and Hongkong Land International Holdings Limited ("**HKLI**") have on 12 June 2017 entered into a Memorandum of Agreement ("**MOA**"), and subject to certain regulatory and other approvals, they have agreed to use their respective subsidiary companies ("**Nominated Subsidiary(ies)**") to enter into a joint venture ("**Proposed Joint Venture**") through Wealthy Link Pte. Ltd. ("**Wealthy Link**") as the joint venture company, to jointly own and undertake a proposed development and management of a land parcel at Central Boulevard in Singapore ("**Central Boulevard Site**"), which Wealthy Link had successfully tendered for on 11 November 2016 from the Urban Redevelopment Authority ("**URA**") acting for and on behalf of the Government of Singapore.

IOIPG and HKLI are jointly referred to as the "Parties" and individually as "Party".

#### 2. INFORMATION ON HKLI

HKLI is an investment holding company incorporated in the Bermuda. HKLI is a wholly-owned subsidiary of Hongkong Land Holdings Limited ("**HKL**").

HKL is a listed leading property investment, management and development group. HKL is incorporated in Bermuda and has a standard listing on the London Stock Exchange, with secondary listings in Bermuda and Singapore. HKL is a member of the Jardine Matheson Group.

Founded in 1889, HKL owns and manages almost 800,000 sq. m. of prime office and luxury retail property in key Asian cities, principally in Hong Kong and Singapore. The group's Hong Kong Central portfolio represents some 450,000 sq. m. of prime property in Hong Kong's Central Business District. Some of the properties held and managed include One, Two & Three Exchange Square, Gloucester Tower, Chater House, Landmark and Jardine House.

It has a further 165,000 sq. m. of prestigious office space in Singapore mainly held through joint ventures. Properties held and managed include Marina Bay Financial Centre and One Raffles Quay.

### 3. SALIENT TERMS OF THE MOA

#### 3.1 Objective of the MOA

The MOA sets out the Parties' mutual understanding in relation to the Proposed Joint Venture, which will be formalized in a joint venture agreement ("**JVA**"). The MOA is intended to constitute a contractually binding arrangement between the Parties, subject to obtaining certain regulatory and other approvals, to jointly develop and manage the Central Boulevard Site through Wealthy Link, the joint venture vehicle.

#### 3.2 Conditions precedent

The Parties' agreement to proceed with the joint venture on the terms of the MOA is conditional on the fulfilment of certain conditions precedent, which include, *inter alia*:-

- (a) the approval of URA for the change in the shareholding structure of Wealthy Link for purpose of the Proposed Joint Venture; and
- (b) the approval of Bank Negara Malaysia for the change in the corporate guarantee relating to the bridging loan and novation of shareholder loan from IOIPG to its Nominated Subsidiary, for purpose of the Proposed Joint Venture.

Upon fulfillment of all the Conditions Precedent, and the issue of the fulfilment notice, the Parties will procure their respective Nominated Subsidiaries to enter into subscription agreements (each a "**SA**") for the subscription of shares in Wealthy Link in the proportion of 67% by IOIPG's Nominated Subsidiary and 33% by HKLI's Nominated Subsidiary.

If all of the conditions precedent are not satisfied by the Long-Stop Date, either Party may terminate the MOA and on termination, neither Party shall have any claim or demand against the other Party for damages, costs or otherwise save and except for any antecedent breach.

#### 3.3 Subscription Agreements (SA)

Under the terms of the SA, on the Closing date:-

- (a) IOIPG's Nominated Subsidiary and HKLI's Nominated Subsidiary will each pay in cash the subscription price for the issue of shares to IOIPG's Nominated Subsidiary and HKLI's Nominated Subsidiary in the proportion of 67% and 33% respectively;
- (b) IOIPG will novate to its Nominated Subsidiary the loans advanced by IOIPG to Wealthy Link;

- (c) HKLI's Nominated Subsidiary will contribute its 33% proportion of shareholder loans to Wealthy Link, proceeds of which will be used by Wealthy Link to (i) partially reduce Wealthy Link's existing bridging loan and (ii) partially repay the IOIPG loan which is novated to its Nominated Subsidiary;
- (d) the JVA will be entered into by the Parties, their respective Nominated Subsidiaries and Wealthy Link;
- (e) Wealthy Link will enter into a project management agreement ("**PMA**") with another subsidiary of IOIPG, who will provide project management services to Wealthy Link; and
- (f) Wealthy Link will enter into an asset management agreement ("**AMA**") with another subsidiary of HKLI, who will provide asset management services to Wealthy Link.

For information purposes, IOIPG's Nominated Subsidiary's and HKLI's Nominated Subsidiary's share of consideration (including corporate guarantee and shareholders' loans to be provided) in relation to the Proposed Joint Venture is approximately SGD1.90 billion and SGD0.94 billion, respectively

Separate announcements will be made by the Company on the execution of the SA, and on the execution of the JVA, PMA and AMA.

#### **4. SALIENT TERMS OF THE JVA, PMA AND AMA**

##### **4.1 Salient terms of JVA**

###### **4.1.1 Share capital and shareholder loans**

The equity and debt structure of Wealthy Link will be held by IOIPG's Nominated Subsidiary and HKLI's Nominated Subsidiary in the proportion of 67% and 33% respectively.

###### **4.1.2 Board representation**

The board of Wealthy Link will consist of 6 directors comprising 4 directors appointed by IOIPG's Nominated Subsidiary and 2 directors appointed by HKLI's Nominated Subsidiary.

The board will establish an executive committee ("**EC**") which will be responsible for overseeing the development and management of the project.

The EC will consist of 5 members (who need not be directors) with 3 members nominated by IOIPG's Nominated Subsidiary and 2 members nominated by HKLI's Nominated Subsidiary.

#### 4.1.3 Project and asset management agreements

Concurrently with the execution of the JVA, Wealthy Link will:-

- (a) appoint Progressive View Pte Ltd ("**Progressive View**"), a subsidiary of IOIPG, as the project manager to provide project management services to Wealthy Link on the terms of the PMA; and
- (b) appoint Central Boulevard Asset Management Pte Ltd ("**CBAM**"), a subsidiary of HKLI's as the asset manager ("**Asset Manager**") to provide asset management services to Wealthy Link on the terms of the AMA.

#### 4.1.4 Funding

The Parties' respective Nominated Subsidiaries, as shareholders of Wealthy Link agree that all requirements of Wealthy Link for funding the business, including funding of total project costs, capital expenditure and working capital, shall be funded in the following order of priority:-

- (a) financing from banks and financial institutions;
- (b) loans from shareholders in their shareholding proportion; and
- (c) subscription of share capital in Wealthy Link in their shareholding proportion.

#### 4.1.5 Restrictions on transfer of shares in Wealthy Link

No shareholder shall be permitted to sell its shares prior to the issue of temporary occupation permit ("**TOP**") for the project.

After issue of TOP, a selling shareholder must comply with the pre-emption rights of the other shareholder in accordance with the relevant provisions in the JVA.

#### 4.1.6 Duration of JVA

The JVA will continue in full force and effect until terminated in accordance with the relevant provisions in the JVA.

### 4.2 Salient terms of PMA

The project manager is appointed for the entire project period to provide project management services in connection with the design and construction of the project.

The project management fee is a percentage of the total construction cost payable in stages.

#### **4.3 Salient terms of AMA**

The asset manager is appointed for the entire period from the date of issue of TOP of the project and for the residue of the leasehold title of the Central Boulevard Site.

Services to be provided by the asset manager include building management, lease administration, financial management, formal reporting, secretarial, accounting and administration.

The annual asset management fee is a percentage of accrued income from the property, payable by monthly instalments.

The appointment of the asset manager may be terminated in certain events, including, *inter alia*, where Hongkong Land Holdings Limited ceases to hold directly or indirectly at least 33% interest in Wealthy Link.

#### **5. LIABILITIES TO BE ASSUMED BY HKLI'S NOMINATED SUBSIDIARY**

Save for the shareholder loan and corporate guarantee to be provided by HKLI's Nominated Subsidiary pursuant to the SA, there are no liabilities to be assumed by HKLI's Nominated Subsidiary arising from the Proposed Joint Venture.

#### **6. ORIGINAL COST OF INVESTMENT**

The Company's original cost of investment in Wealthy Link as at 31 March 2017 is approximately SGD2.84 billion.

#### **7. RATIONALE**

The Proposed Joint Venture will enable the Company to jointly develop and manage Central Boulevard with HKL, being one of Asia's leading property investment and management group. The venture will provide the opportunity for the Parties to introduce a new prime office building to Singapore's Central Business District, being one of Asia's premier business hubs.

The collaboration is also anticipated to allow both companies to leverage on its individual strengths, knowledge, networking and expertise to ensure that Central Boulevard will be a successful venture for both parties.

HKL currently manages both One Raffles Quay and Marina Bay Financial Centre through Raffles Quay Asset Management Pte Ltd with Central Boulevard located between these two properties. The Proposed Joint Venture would provide seamless connectivity between these buildings and enhance connectivity at Marina Bay.

## 8. RISK FACTORS

The main risk factor associated with the Proposed Joint Venture is the risk of termination of the joint venture. However, such risk is mitigated as the Company has and will continue to exercise due care in maintaining a good relationship between the joint venture parties and is strongly committed towards the development of the Proposed Joint Venture. The joint venture parties will formalise the terms and conditions of the Proposed Joint Venture via the JVA, which regulates the joint venture parties' relationships as shareholders of Wealthy Link in the conduct of the business and affairs of Wealthy Link. In addition, the Proposed Joint Venture will be undertaken with an established and reputable joint venture partner. Moreover, as the Group has existing joint venture projects in Singapore, the risk associated with the Proposed Joint Venture will be addressed as part of the Company's ordinary course of business.

## 9. EFFECTS OF THE TRANSACTION

### 9.1 Issued and paid-up share capital and substantial shareholders' shareholdings

The Proposed Joint Venture will not have any effect on the issued and paid-up share capital and substantial shareholders' shareholdings in IOIPG as it does not involve any issuance of new shares in IOIPG.

### 9.2 Earnings and earnings per share ("EPS")

The Proposed Joint Venture is not expected to have a material impact on the earnings and EPS of IOIPG Group for the financial year ending 30 June 2017. However, the Proposed Joint Venture is expected to contribute positively to the future earnings and EPS of IOIPG Group.

### 9.3 Net assets ("NA") and gearing

The Proposed Joint Venture is not expected to have a material effect on the NA and gearing of IOIPG Group for the financial year ending 30 June 2017.

## 10. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Joint Venture pursuant to paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") is 16.04%. The ratio indicates that the transaction does not require the approval of the shareholders of the Company but requires an announcement to be made to Bursa Securities.

## 11. DIRECTORS' AND/OR MAJOR SHAREHOLDERS' INTERESTS AND/OR PERSON(S) CONNECTED

None of the Directors and/or Major Shareholders and/or persons connected to them has any interest, direct or indirect in the Proposed Joint Venture.

## **12. APPROVALS REQUIRED**

Save for the required approvals stated in section 3.2, approval of the shareholders of the Company or any regulatory authorities for the Proposed Joint Venture are not required.

## **13. EXPECTED TIME FRAME FOR COMPLETION**

Barring any unforeseen circumstances, the Proposed Joint Venture is expected to be completed before the first quarter of calendar year 2018.

## **14. STATEMENT BY THE BOARD OF DIRECTORS**

The Board of Directors of the Company, after having considered the rationale for the Proposed Joint Venture, is of the opinion that the Proposed Joint Venture is in the best interest of the Company.

## **15. DOCUMENTS AVAILABLE FOR INSPECTION**

The MOA is available for inspection at the registered office of the Company at Two IOI Square, IOI Resort, 62502 Putrajaya, Malaysia during normal office hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 12 June 2017.