

GENERAL ANNOUNCEMENT

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Subject : AFFIN HOLDINGS BERHAD ("AFFIN")

ALLOCATION OF STOCK OPTIONS TO A DIRECTOR OF AFFIN HWANG ASSET MANAGEMENT BERHAD ("AHAM"), A 70% INDIRECT SUBSIDIARY OF AFFIN PURSUANT TO THE STOCK OPTION PLAN OF UP TO 10% OF THE ENLARGED ISSUED AND PAID-UP SHARE CAPITAL OF AHAM TO KEY EMPLOYEES ("STOCK OPTION PLAN")

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1. INTRODUCTION

Pursuant to Paragraph 6.06(4)(c) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), the Board of Directors of AFFIN ("**Board**") wishes to announce that the Board has today approved the allocation of options to purchase ordinary shares of RM1.00 each in AHAM ("**Share(s)**") ("**Options**") to Teng Chee Wai ("**TCW**") (Managing Director/Chief Executive Officer of AHAM) pursuant to the stock option plan of AHAM ("**Stock Option Plan**").

AFFIN had on 7 April 2014 completed the acquisitions of 70% equity stake in AHAM and 49% equity stake in Asian Islamic Investment Management Sdn Bhd ("**AIIMAN**") (collectively, "**Acquisitions**"). Please refer to the announcement dated 22 January 2014 for details of the Acquisitions.

The Stock Option Plan was established following the completion of the Acquisitions with a view to promote the interests of AHAM and its shareholders by providing certain key employees of AHAM and its subsidiary companies ("**AHAM Group**") ("**Key Employees**") with an appropriate incentive to encourage them to continue in the employment of AHAM and to improve the growth and profitability of AHAM.

2. DETAILS OF THE STOCK OPTION PLAN

The Stock Option Plan serves to attract, retain, motivate and reward valuable key employees of AHAM Group.

The Stock Option Plan provides for the Key Employees to be vested with Options ("**Grantee(s)**") to purchase Shares, which in total, if all vested Options are exercised will amount to 10% of the total shareholdings of AHAM.

In accordance to the Stock Option Plan, AHAM will use its best endeavors to undertake an initial public offering ("**IPO**") on Bursa Securities in the event the pre-determined financial targets are achieved.

Pursuant to the Stock Option Plan, up to 515 Options (subject to adjustment) have been allocated to TCW. Each Option carries the right to purchase 1,111 Shares. Assuming exercise of all the vested Options, TCW will own 5.15% of the enlarged issued and paid-up capital of AHAM.

Apart from TCW, the Key Employees comprise certain senior management personnel of AHAM who are not directors of AHAM.

2.1 Other salient terms and conditions of the Stock Option Plan

2.1.1 Maximum number of new Shares available under the Stock Option Plan

Subject to any adjustment as set out in Section 2.1.6 below, the number of Shares to be allotted and issued to the Grantee upon exercise of one (1) vested Option is 1,111 Shares. The aggregate number of Shares to be issued upon conversion of the Options will be equivalent to 1,111,000 Shares, representing approximately 10% of ownership in AHAM if all Options are exercised.

2.1.2 Eligibility, basis of allocation and maximum allowable allotment

The aggregate number of Options allocated to the Key Employees is determined after taking into consideration the performance appraisal, position, seniority, number of years in service of the Key Employees, his/her potential for future development and contribution to the success and development of AHAM.

The total Options allocated to a Key Employee is staggered over 5 years. The allocation of 250 Options under the performance-linked will be given to Key Employees upon meeting the specified assets under management ("AUM") and profit before tax ("PBT") targets and another 250 Options will be given upon meeting the stretch targets as set out in Appendix I below. In addition, if the Key Employee voluntarily leaves, all the vested Options will lapse. These arrangements are expected to retain, incentivize and motivate the Key Employees towards the growth and profitability of AHAM.

2.1.3 Duration of the Stock Option Plan

The Stock Option Plan shall be in force for a period of 10 years commencing from the effective date, i.e. 1 June 2014.

Please refer to Appendix I for further details of the performance objectives envisaged under the Stock Option Plan.

The Grantee may exercise all or any of his vested Options:-

- (i) at any time after approval is obtained for the IPO of AHAM but before the issuance of the IPO prospectus; and
- (ii) at any time after the IPO subject to the regulations of such stock exchange or over-the-counter securities transactions market rules.

With respect to the Shares that are to be issued to the Grantee upon exercise of the vested Options, AHAM must cause the issue of the Shares to the Grantee in accordance with the regulations of the exchange or over-the-counter securities transactions market on which the Shares are listed or, if those Shares are not listed as at the date of allotment, in accordance with the memorandum and articles of association of AHAM and the Companies Act 1965.

All remaining vested Options which have not been exercised will expire on 1 June 2024.

2.1.4 Ranking of and rights to the new Shares

The new Shares to be issued as a result of the exercise of the vested Options will, upon issue and allotment, rank equally in all respects with the existing Shares, except that they will not be entitled to any dividends (other than the Deferred Economic Benefits (defined in Section 2.1.8 below), rights, benefits, entitlements or other distributions, the books closure date of which precedes the date of allotment of the new Shares.

2.1.5 Listing of and quotation for the new Shares

If the IPO of AHAM is successful, the new Shares to be allotted and issued pursuant to the exercise by the Grantee will be listed and quoted on the applicable exchange.

2.1.6 Adjustment on Shares to be issued on exercise of an Option

The number of Shares to be allotted and issued on the exercise of any Options will be adjusted if there is any reorganisation based on the following formula:-

$$\begin{aligned} & \text{No. of Shares for grant after adjustment} \\ &= \text{No. of Shares for grant before adjustment} \times \frac{\text{No. of Shares after split/consolidation}}{\text{No. of Shares before split/consolidation}} \end{aligned}$$

For the avoidance of doubt, the reorganization shall comprise the following events:-

- (a) any distribution of cash or securities by way of a return of capital;
- (b) any bonus issue by AHAM;
- (c) any rights issue by AHAM;
- (d) any share split, consolidation or other similar action in respect of the share capital of AHAM;
- (e) any other reorganization, recapitalization, reclassification or similar event with respect to the share capital of AHAM, including on or as a preliminary step to the IPO; and
- (f) or any one or more of them or any other variation to any rights applicable to any of the Shares or other share capital of AHAM.

The above adjustment clause is customary to reflect the fundamental principle that the Option holder shall not be disadvantaged as a result of corporate action undertaken by AHAM.

2.1.7 Exercise price

The exercise price of each Option is based on the acquisition price paid by AFFIN for the Acquisitions.

2.1.8 Deferred economic benefits

Entitlement

The Option holders are entitled to deferred economic benefits equivalent to the total amount of dividends declared by AHAM in respect of the vested Options ("**Deferred Economic Benefits**") based on the formula set out below:

Deferred Economic Benefit = Total dividends per Share from vesting¹ – (Acquisition price² x cost of funding³ x vested Option holding period / 365).

The Deferred Economic Benefits in respect of the Options vested are based on all dividends declared by AHAM on or after the vesting date of these vested Options (i.e. 1 June 2014) and up to the date upon which these vested Options are either exercised or bought back.

The Deferred Economic Benefits in respect of all other vested Options as set out in the stock option agreement, i.e. time-linked, performance-linked or bonus kicker or any other provisions as set out in the stock option agreement, are to be based on all dividends declared by AHAM on or after the vesting date of the vested Options and up to the date upon which the vested Option is either exercised or bought back, and including any dividends declared in respect of profits accruing in the financial year immediately preceding the vesting date of such vested Options.

Accrual

All Deferred Economic Benefits are immediately due to the Grantee after the Grantee exercises the applicable vested Option or requests AHAM to buy-back the applicable vested Option, as the case may be, unless the Grantee authorises all or any part of the Deferred Economic Benefits to be released to AHAM in satisfaction of all or any part of the exercise price for the Shares to be issued on the exercise of such vested Option.

2.1.9 Buy-back of the Options

If the IPO has not taken place after the 5th Option anniversary, i.e. 1 June 2019, the Option holders may request AHAM to buy back the Options as follows:

- (i) 1/3 of the Options during the month of March 2020;
- (ii) 2/3 of the Options during the month of March 2021; and
- (iii) All the Options during the month of March 2022.

All vested Options which have not been exercised will expire on 1 June 2024 (expiration date).

As set out in Appendix I, the buy-back price is determined based on the difference between the theoretical price of the Shares at the time of the buy-back and the exercise price.

¹ Options are entitled to the dividends declared after the vesting date.

² Being the acquisition price paid by AFFIN for the Acquisitions.

² Being the acquisition price paid by AFFIN for the Acquisitions.

³ Refers to Malaysian Base Lending Rate as determined by Bank Negara Malaysia at the date of dividend declaration.

3. RATIONALE FOR THE STOCK OPTION PLAN

The Stock Option Plan is intended to:-

- (i) motivate and encourage the Key Employees of AHAM by giving recognition to their contributions towards a greater level of commitment, dedication, loyalty and to drive enhanced productivity;
- (ii) reward and retain the Key Employees whose services are vital to the businesses, continued growth and future expansion of AHAM Group. TCW was instrumental in growing AHAM business since 2001. Further details of TCW's credentials are set out in Section 4 below; and
- (iii) reinforce a greater sense of ownership and belonging among the Key Employees and contribute towards the profitability and growth of AHAM Group.

4. INFORMATION ON TCW

TCW is currently the Managing Director / Chief Executive Officer of AHAM. He is responsible for managing the overall asset management business comprising both conventional and shariah-compliant businesses.

Prior to his current position, TCW was founder and Chief Executive Officer of Hwang Investment Management Berhad (now known as AHAM) where he built AHAM into one of the fastest-growing and the only independent asset management house ranked in Malaysia's top five in terms of the size of its AUM.

TCW has more than 20 years' experience in the asset management industry. He graduated with a Bachelor of Science from the National University of Singapore and has a Post-Graduate Diploma in Actuarial Studies from City University, London. He does not have any family relationship with any director and/or major shareholder of AFFIN or its subsidiaries, nor any personal interest arrangement involving AFFIN or its subsidiaries, save for the Options allocated to him under the Stock Option Plan.

5. EFFECTS OF THE STOCK OPTION PLAN

The Stock Option Plan is not expected to have any effects on the issued and paid-up share capital, and substantial shareholders' shareholding of AFFIN.

The Stock Option Plan does not have any material effect on the consolidated earnings, earnings per share, net asset per share and gearing of AFFIN.

Pursuant to the Stock Option Plan, the effective interest in AHAM held by AFFIN will be reduced from 70% via its wholly-owned subsidiary, Affin Hwang Investment Bank Berhad ("**AHIB**") to 63% on a fully diluted basis.

6. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

None of the Directors, major shareholders of AFFIN and/or persons connected with them have any interest, direct or indirect, in the Stock Option Plan.

7. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Stock Option Plan (including but not limited to the rationale for and effects of the Stock Option Plan), is of the opinion that the allocation of Options to TCW pursuant to the Stock Option Plan is fair and reasonable and in the best interest of AFFIN.

This announcement is dated 30 June 2016.

Appendix I

Salient terms of the Stock Option Plan

Term		Parameter	Remark
1. Joining Options vesting		250 units	
2. Time-linked options vesting		On the 2 nd , 3 rd and the 4 th Option anniversary, i.e. 1 June 2016 – 125 units; 1 June 2017 – 62.5 units; and 1 June 2018 – 62.5 units	
3. Performance-linked Options vesting	3.1 Financial thresholds for the 2 nd Option anniversary, i.e. 1 June 2016	Total units: 125 AUM: RM30 billion PBT: RM60 million for FYE 31 December 2015	Financial targets are on a combined group basis
	3.2 Financial thresholds for the 3 rd Option anniversary, i.e. 1 June 2017	Total units: 62.5 AUM: RM34 billion PBT: RM70 million for FYE 31 December 2016	
	3.3 Financial thresholds for the 4 th Option anniversary, i.e. 1 June 2018	Total units: 62.5 AUM: RM38 billion PBT: RM80 million for FYE 31 December 2017	
4. Bonus kicker Options vesting		On the 5 th Option anniversary, i.e. 1 June 2019, if stretch targets of RM50 billion of AUM and RM100 million of PBT (both of the 2 targets) are met: 250 units will be vested	The stretch targets are on a combined group basis
5. Vesting in the case of any listing		All performance-linked financial conditions as per items 3.1, 3.2 and 3.3 above will disappear	
6. Dividend accruals		Option holders have Deferred Economic Benefits (deferred in escrow accounts) equivalent to the dividends from the vesting date less the corresponding funding costs for all vested Options	Those economic benefits are deferred until those Option holders exercise their Options or ask AHAM to buy back
7. Exercise		Option holders can exercise their vested Options at any time after the approval is obtained for the IPO and at any time after the IPO	

Salient terms of the Stock Option Plan

Term	Parameter	Remark
8. Buy-back (in the event IPO has not taken place by 5th Option anniversary, i.e. 1 June 2019)	8.1 Buy-back price	<p>Price per Option = 1,111 x (Theoretical price per Share – Exercise price)</p> <p>Theoretical price per Share is lower of the below (a) or (b):</p> <p>(a) (Average of the preceding 3 year PAT of AHAM and AIIMAN)/(Number of Shares after dilution) x Buy-back PE multiple</p> <p>(b) (Average of the preceding 3 year AUM of AHAM and AIIMAN)/(Number of Shares after dilution) x Buy-back AUM multiple</p> <p>Buy-back PE (or AUM) multiple is equal to the implied multiple which is derived from the below formula:</p> <p>(a) Implied PE multiple = (100% basis AHAM acquisition price + 100% basis AIIMAN acquisition price) / Latest PAT</p> <p>(b) Implied AUM multiple = (100% basis AHAM acquisition price + 100% basis AIIMAN acquisition price) / Latest AUM</p>
	8.2 Buy-back window	Once per year (from March 1 to March 31) from the 5 th Option anniversary (1 June 2019) to the expiration date
	8.3 Maximum amount of the buy-back	Until the 6 th anniversary: 1/3. Before the 8 th anniversary: 2/3. Thereafter: All
9. Expiration	9.1 Term	10 years
	9.2 Leaving (voluntary, fraud, etc.)	Leavers lose both vested and unvested Options
	9.3 Leaving (downsizing, asked to leave, death, etc)	Leavers keep vested Options but lose unvested Options. Leavers must sell all their holdings at the first available window
10. Others (Tag along)		When AHIB sells its entire holdings to a 3 rd party (other than NAM), each Option holders can ask AHIB to make sure that he can sell its holdings to the 3 rd party, at the sale price less the exercise price

Notes:-

PAT Denotes profit after taxation for the respective financial year of AHAM Group

PE Denotes price-to-earnings multiple

* In the event of an IPO, all financial conditions will no longer be applicable and all unvested Options will vest automatically to the Grantee on the date on which approval is obtained for the IPO from the applicable stock exchange or relevant regulatory bodies