

## AFFIN HOLDINGS BERHAD (“AFFIN” OR THE “COMPANY”)

### PROPOSED INTERNAL RESTRUCTURING INVOLVING:

- (I) PROPOSED ACQUISITION OF 12,000,000 ORDINARY SHARES OF RM1.00 EACH IN AFFIN FUND MANAGEMENT BERHAD (“AFFIN FUND”) (“SALE SHARES”), REPRESENTING THE ENTIRE EQUITY INTEREST IN AFFIN FUND BY HWANG INVESTMENT MANAGEMENT BERHAD (“HWANG IM”) (“PROPOSED AFFIN FUND ACQUISITION”); AND
- (II) PROPOSED TRANSFER OF THE WHOLE OF THE ASSETS, LIABILITIES AND BUSINESS UNDERTAKINGS OF AFFIN FUND TO HWANG IM AFTER THE PROPOSED AFFIN FUND ACQUISITION (“PROPOSED IM MERGER”)

(COLLECTIVELY REFERRED TO AS THE “PROPOSED FUND MERGER”)

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*Unless otherwise stated, abbreviations and definitions used throughout this announcement shall be the same as those previously defined in the announcement dated 22 January 2014.*

## 1. INTRODUCTION

We refer to the earlier announcement dated 7 April 2014 wherein it was announced that AFFIN had on the same date completed the Acquisition. Following the completion of the Acquisition, the merger of the businesses, assets (excluding Merchant Nominees (Tempatan) Sdn Bhd, Classic Precision Sdn Bhd and AFFIN Fund) and liabilities of AFFIN Investment Bank Berhad (“**AFFIN Investment**”) with that of Hwang IB (“**IB Merger**”) is in the process of implementation.

In conjunction with the IB Merger, the Company also proposes to undertake the Proposed Fund Merger. In this regard, on behalf of the Board of Directors of AFFIN (“**Board**”), AFFIN Investment wishes to announce that Hwang IM has on 14 August 2014 entered into a shares transfer agreement with AFFIN Investment to acquire 100% equity interest in AFFIN Fund (“**AFFIN Fund Shares Transfer Agreement**”). In addition, Hwang IM and AFFIN Fund will enter into a business transfer agreement for the Proposed IM Merger after completion of the Proposed AFFIN Fund Acquisition.

Hwang IM is a 70% subsidiary of Hwang IB, which is in turn a wholly-owned subsidiary of AFFIN. Similarly, AFFIN Investment is a wholly-owned subsidiary of AFFIN.

## 2. PROPOSED FUND MERGER

### 2.1 Details of the Proposed Fund Merger

In view of the 2 licences held whereby 1 licence needs to be surrendered, and to create an enlarged platform for the merged fund management business of AFFIN, the Board proposes to undertake the Proposed Fund Merger.

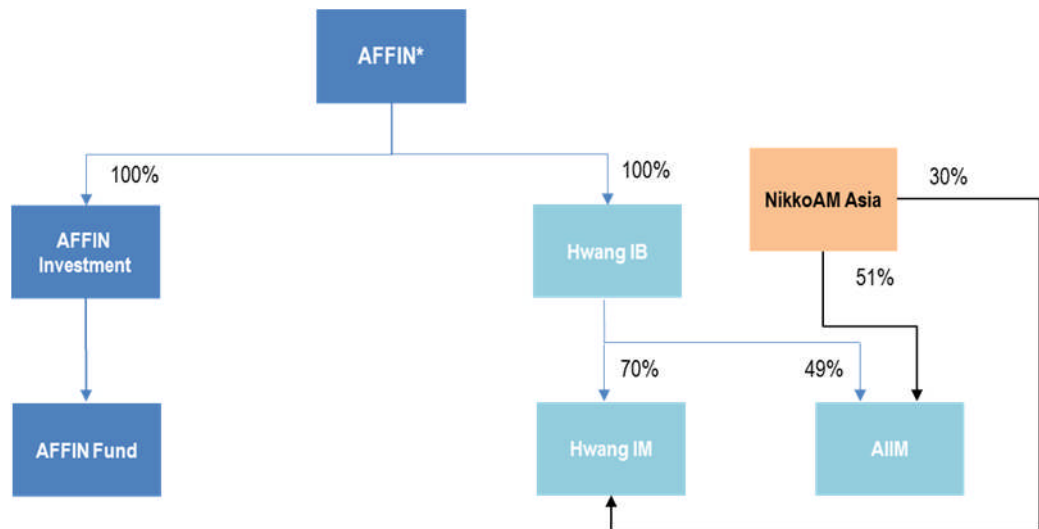
The Proposed Fund Merger will entail the following steps:

- (i) Proposed AFFIN Fund Acquisition; and
- (ii) Proposed IM Merger.

Upon completion of the Proposed IM Merger, AFFIN Fund will surrender its licence and subsequently be wound up.

The corporate structure of AFFIN and its subsidiaries (“**AFFIN Group**”) before and after the Proposed Fund Merger is depicted below.

Before the Proposed Fund Merger

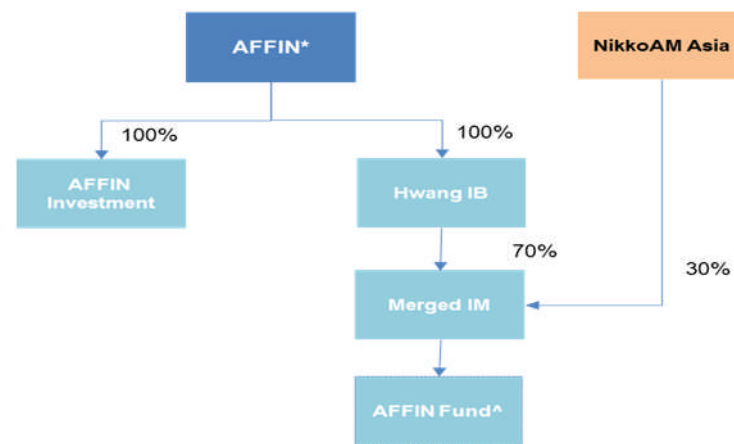


Notes:

\* Excludes other subsidiaries of AFFIN.

NikkoAM Asia : Denotes Nikko Asset Management Asia Limited (“**NikkoAM Asia**”).

After the Proposed Fund Merger



Notes:

\* Excludes other subsidiaries of AFFIN.

^ AFFIN Fund will become a shell company and subsequently be wound up.

# Hwang IM has been identified as the surviving entity pursuant to the Proposed IM Merger.

Merged IM : Denotes the merged entity involved Hwang IM and AFFIN Fund upon completion of the Proposed Fund Merger.

## **2.2 Basis of and justification for the purchase consideration**

The purchase consideration of RM55.0 million for 100% interest in AFFIN Fund, was arrived at on a “willing buyer-willing seller” basis which represents a price-to-earnings multiple of 5.6 times based on its latest audited profit after tax (“PAT”) for the financial year ended (“FYE”) 31 December 2013 of RM9.8 million.

## **2.3 Salient terms of the AFFIN Fund Shares Transfer Agreement**

### **2.3.1 Consideration**

The purchase consideration for the Sale Shares shall be the sum of RM55.0 million only, payable by Hwang IM to AFFIN Investment at completion.

### **2.3.2 List of conditions precedent**

The Proposed AFFIN Fund Acquisition and in connection therewith the completion, are conditional upon all of the following conditions being fulfilled:

- (a) the approval of the board of directors of AFFIN Investment and Hwang IM being obtained for the Proposed AFFIN Fund Acquisition;
- (b) the approval of the shareholders of AFFIN Investment and/or Hwang IM, if applicable, being obtained for the Proposed AFFIN Fund Acquisition;
- (c) the approval of Securities Commission Malaysia (“SC”) being obtained for the Proposed Fund Merger; and
- (d) the receipt of any other approvals or consents as may be required to be obtained from relevant regulatory authorities, if applicable, for the Proposed AFFIN Fund Acquisition.

### **2.3.3 Unconditional Date**

The AFFIN Fund Shares Transfer Agreement becomes unconditional on the day upon which the conditions precedent are fulfilled or waived in accordance with the provisions of the AFFIN Fund Shares Transfer Agreement (“Unconditional Date”).

### **2.3.4 Completion**

Subject always to the conditions precedent having been fulfilled and none of the approvals referred to in **Clause 2.3.2** having been revoked or varied in any material respect, completion of the Proposed AFFIN Fund Acquisition shall take place on the date which is within (5) business days from the Unconditional Date at the office of AFFIN Investment or such other mutually agreed place.

## **2.4 Source of funds**

The source of funding for the Proposed AFFIN Fund Acquisition and Proposed IM Merger will be satisfied via internally generated funds.

## **2.5 Assumption of liabilities**

There are no liabilities, including contingent liabilities and guarantees to be assumed by Hwang IM upon the completion of the Proposed Fund Merger.

## **2.6 Estimated additional financial commitments**

Save for the integration cost for the merger of the businesses of AFFIN Fund and Hwang IM pursuant to the Proposed Fund Merger which cannot be determined at this time, the Board does not expect to incur any additional financial commitments as the businesses are operating on a going concern basis.

## **2.7 Highest percentage ratio**

The highest percentage ratio applicable to the Proposed Fund Merger pursuant to paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 0.9%. Hence, the approval of the shareholders of AFFIN is not required for the Proposed Fund Merger.

### **3. RATIONALE FOR THE PROPOSED FUND MERGER**

Following the completion of the Acquisition, AFFIN currently holds 2 Capital Markets and Services Licences to conduct the following regulated activities:

<b>Entity</b>	<b>Regulated activities</b>
AFFIN Fund	Fund management and dealing in securities (unit trusts)
Hwang IM	Fund management, dealing in securities (unit trusts and private retirement schemes)

The Proposed Fund Merger is thus undertaken pursuant to the requirements of the SC for 1 fund management licence to be surrendered following the Acquisition.

The Proposed Fund Merger will create a larger fund management company in terms of assets under management (“**AUM**”) with combined AUM size of RM27.3 billion (combined AUM size of AFFIN Fund and Hwang) as at 31 July 2014. The Proposed Fund Merger will help to increase the number of funds, institutional clients, and share of retail AUM for the asset management operations of AFFIN. It is intended to kick-start the regional expansion of funds for AFFIN's asset management operations as the sourcing of AUM abroad will increase due to branding and the regional visibility of the funds' performance. It will also catalyse greater cross-selling between business units thereby providing AFFIN with the opportunity to establish a larger and more competitive asset management team.

### **4. FINANCIAL EFFECTS OF THE PROPOSED FUND MERGER**

The Proposed Fund Merger does not have any effects on the issued and paid-up share capital and substantial shareholders' shareholdings of the AFFIN Group.

The Proposed Fund Merger does not have any material effects on the net assets, net assets per share and gearing of AFFIN Group. The Proposed Fund Merger shall also have no material effect on the earnings and earnings per share of AFFIN Group for the FYE 31 December 2014.

## **6. APPROVALS REQUIRED**

The Proposed Fund Merger is subject to the following approvals:

- (i) Proposed AFFIN Fund Acquisition
  - (a) the approval of SC for the Proposed Fund Merger;
  - (b) the approval of the shareholders of AFFIN Investment and/or Hwang IM; and
  - (c) any other relevant authorities and/or parties, where required.
- (ii) Proposed IM Merger
  - (a) the High Court of Malaya for the grant of a vesting order for the transfer of the whole of the business of AFFIN Fund to Hwang IM pursuant to Section 139 of the Capital Markets and Services Act 2007 (“**CMSA**”), as applicable; and
  - (b) any other relevant authorities and/or parties, where required.

The Proposed Fund Merger is not conditional upon any other corporate exercise undertaken or to be undertaken by AFFIN.

## **7. ESTIMATED TIME FRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to the approvals (as set out in **Section 6** above) being obtained, the Proposed Fund Merger is expected to be completed by 4<sup>th</sup> quarter 2014.

## **8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED**

None of our Directors, major shareholders and/or persons connected to them have any interest, either direct or indirect, in the Proposed Fund Merger.

## **9. DIRECTORS' RECOMMENDATION**

The Board, having considered, all aspects of the Proposed Fund Merger such as the rationale and effects of the Proposed Fund Merger, is of the opinion that the Proposed Fund Merger is in the best interest of the Company.

## **10. DOCUMENTS FOR INSPECTION**

A copy of the AFFIN Fund Shares Transfer Agreement will be available for inspection at the registered office of AFFIN at 7<sup>th</sup> Floor, Chulan Tower, 3 Jalan Conlay, 50450 Kuala Lumpur during normal business hours from Monday to Friday (except public holidays) for a period of three months from the date of this announcement.

**This announcement is dated 14 August 2014.**

## INFORMATION ON HWANG IM

### 1. Background information

Hwang IM was incorporated in Malaysia as a private limited company on 2 May 1997 and converted into a public company on 31 January 2001.

Hwang IM is principally involved in the management of unit trust funds, private retirement schemes and provision of fund management services.

### 2. Authorised, issued and paid-up share capital

The authorised, issued and paid-up share capital of Hwang IM as at 8 August 2014, being the latest practicable date (“LPD”) are as follows:

	No. of shares	Total (RM)
<b>Authorised share capital</b>		
Ordinary shares of RM1.00 each	10,000,000	10,000,000
<b>Issued and fully paid up share capital</b>		
Ordinary shares of RM1.00 each	10,000,000	10,000,000

### 3. Substantial shareholders

As at LPD, the substantial shareholders of Hwang IM are as follows:

Name	Nationality/ Country of incorporation	Direct		Indirect	
		No. of shares	%	No. of shares	%
Hwang IB	Malaysia	7,000,000	70	-	-
NikkoAM Asia	Singapore	3,000,000	30	-	-
AFFIN	Malaysia	-	-	<sup>(1)</sup> 7,000,000	70
Lembaga Tabung Angkatan Tentera (“LTAT”)	Malaysia	-	-	<sup>(2)</sup> 7,000,000	70
Nikko Asset Management International Limited (“NikkoAM International”)	Singapore	-	-	<sup>(3)</sup> 3,000,000	30
Nikko Asset Management Co., Ltd.	Japan	-	-	<sup>(4)</sup> 3,000,000	30

*Notes:*

(1) Deemed interested by virtue of its shareholding in Hwang IB pursuant to Section 6A of the Companies Act 1965 (“Act”).

(2) Deemed interested by virtue of its shareholding in AFFIN pursuant to Section 6A of the Act.

(3) Deemed interested by virtue of its shareholding in NikkoAM Asia.

(4) Deemed interested by virtue of its shareholding in NikkoAM International.

**INFORMATION ON HWANG IM (Cont'd)**
**4. Directors**

The particulars of the directors of Hwang IM as at LPD are as follows:

<b>Name</b>	<b>Designation</b>
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	Non-Independent Chairman
Maimoonah binti Mohamed Hussain	Non-Independent Director
Abd Malik bin A Rahman	Independent Director
Teng Chee Wai	Chief Executive Officer & Executive Director
Tham Kwok Meng	Independent Director
Blair Chilton Pickerell	Non-Independent Director
Seet Oon Hui Eleanor (Xue Enhui Eleanor)	Alternate Director to Blair Chilton Pickerell

As at LPD, none of the directors has any interest, direct or indirect in Hwang IM.

**5. Subsidiaries and associated companies**

As at LPD, Hwang IM does not have any subsidiary or associated companies.

**6. Financial summary**

The summary of the financial information of Hwang IM based on the audited financial statements of Hwang IM for the past three (3) FYE 31 July 2011 to FYE 31 July 2013 are as follows:-

<b>FYE 31 July</b>	<b>&lt;-----Audited-----&gt;</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Operating revenue	71,452	111,905	183,948
Profit before taxation (" <b>PBT</b> ")	13,144	23,045	40,160
PAT	10,350	18,675	31,395
No. of ordinary shares ('000)	10,000	10,000	10,000
Gross earnings per share (" <b>EPS</b> ") (RM) <sup>(1)</sup>	1.31	2.30	4.02
Net EPS (RM) <sup>(2)</sup>	1.04	1.87	3.14
Shareholders' fund / Net asset (" <b>NA</b> ")	39,073	53,127	79,481
NA per share (RM) <sup>(3)</sup>	3.91	5.31	7.95
Current ratio (times)	1.66	1.38	1.35

Notes:-

(1) Computed based on PBT divided by the number of ordinary shares in issue.

(2) Computed based on PAT divided by the number of ordinary shares in issue.

(3) Computed based on shareholders' fund / NA divided by the number of ordinary shares in issue.

## INFORMATION ON AFFIN FUND

### 1. Background information

AFFIN Fund, a licenced Fund Manager under the CMSA is a wholly owned subsidiary of AFFIN Investment and is part of the larger Lembaga Tabung Angkatan Tentera group, the Armed Forces Provident Fund of Malaysia.

AFFIN Fund was incorporated on 18 April 1975 and began operations on 1 April 1997. On 1 July 2007, AFFIN Fund consolidated its asset management business with the unit trusts business of Affin Trust Management Berhad, thus allowing AFFIN Fund to manage both corporate and retail funds i.e. unit trust funds, pension funds, insurance companies and high net-worth clients in the form of discretionary and direct mandates.

### 2. Authorised, issued and paid-up share capital

The authorised, issued and paid-up share capital of AFFIN Fund as at LPD are as follows:

	No. of shares	Total (RM)
<b>Authorised share capital</b>		
Ordinary shares of RM1.00 each	23,000,000	23,000,000
5% redeemable preference shares of RM1.00 each	2,000,000	2,000,000
<b>Issued and fully paid up share capital</b>		
Ordinary shares of RM1.00 each	12,000,000	12,000,000

### 3. Substantial shareholders

As at LPD, the substantial shareholders of AFFIN Fund are as follows:

Name	Nationality/ Country of incorporation	Direct		Indirect	
		No. of shares	%	No. of shares	%
AFFIN Investment	Malaysia	12,000,000	100	-	-
AFFIN	Malaysia	-	-	<sup>(1)</sup> 12,000,000	100
LTAT	Malaysia	-	-	<sup>(2)</sup> 7,000,000	70

Note:

(1) Deemed interested by virtue of its shareholding in AFFIN Investment pursuant to Section 6A of the Act.

(2) Deemed interested by virtue of its shareholding in AFFIN pursuant to Section 6A of the Act.

After the completion of the Proposed AFFIN Fund Acquisition, AFFIN Fund will be wholly-owned by Hwang IM.



**INFORMATION ON AFFIN FUND (Cont'd)**
**4. Directors**

The particulars of the directors of AFFIN Fund as at LPD are as follows:

<b>Name</b>	<b>Designation</b>
Tunku Dato' Paduka Jaafar Laksmana bin Tunku Nong Jiwa	Independent Chairman
Major Gen Dato' Mamat Ariffin bin Abdullah (R)	Independent Director
Dato' Mohamad Ayob bin Abu Hassan	Chief Executive Director/Non-Independent Director
Datuk Haji Abdul Aziz bin Ismail	Independent Director
Maimoonah binti Mohamed Hussain	Non-Independent Director

As at LPD, none of the directors has any interest, direct or indirect in AFFIN Fund.

**5. Subsidiaries and associated companies**

As at LPD, AFFIN Fund does not have any subsidiary or associated companies.

**6. Financial summary**

<b>FYE 31 December</b>	<b>&lt;-----Audited-----&gt;</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Operating revenue	15,777	19,797	24,559
PBT	6,225	8,601	12,155
PAT	4,845	6,827	9,766
No. of ordinary shares ('000)	12,000	12,000	12,000
Gross EPS (RM) <sup>(1)</sup>	0.52	0.72	1.01
Net EPS (RM) <sup>(2)</sup>	0.40	0.57	0.81
Shareholders' fund / NA	21928	22,754	13,800
NA per share (RM) <sup>(3)</sup>	1.83	1.89	1.15
Current ratio (times)	7.25	8.87	4.60

Notes:-

(1) Computed based on PBT divided by the number of ordinary shares in issue.

(2) Computed based on PAT divided by the number of ordinary shares in issue.

(3) Computed based on shareholders' fund / NA divided by the number of ordinary shares in issue.