

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

PROPOSED TRANSFER OF THE FUTURES BROKING BUSINESS OF AFFIN HWANG FUTURES SDN BHD (FORMERLY KNOWN AS HDM FUTURES SDN BHD) (“AHF”) TO AFFIN HWANG INVESTMENT BANK BERHAD (FORMERLY KNOWN AS HWANGDBS INVESTMENT BANK BERHAD) (“AFFIN HWANG IB”) (“PROPOSED FUTURES TRANSFER”)

Unless otherwise stated, abbreviations and definitions used throughout this announcement shall be the same as those previously defined in the announcements dated 22 January 2014, 14 August 2014, 18 August 2014 and 22 September 2014.

1. INTRODUCTION

On 20 September 2014, AFFIN had completed the IB Merger, Nominees Merger and IM Merger and the AIIM Acquisition.

Following the completion of the IB Merger, Nominees Merger and IM Merger, the Board wishes to announce that Affin Hwang IB, a wholly-owned subsidiary of AFFIN proposes to undertake the Proposed Futures Transfer.

Pursuant thereto, Affin Hwang IB and AHF have on 30 January 2015 entered into the Business Transfer Agreement (“**Business Transfer Agreement**”) to effect the transfer of the whole of the assets, liabilities and business undertakings of AHF as a going concern to Affin Hwang IB by way of a vesting order from the High Court of Malaya pursuant to section 139 of the Capital Markets and Services Act 2007 (“**CMSA**”).

2. PROPOSED FUTURES TRANSFER

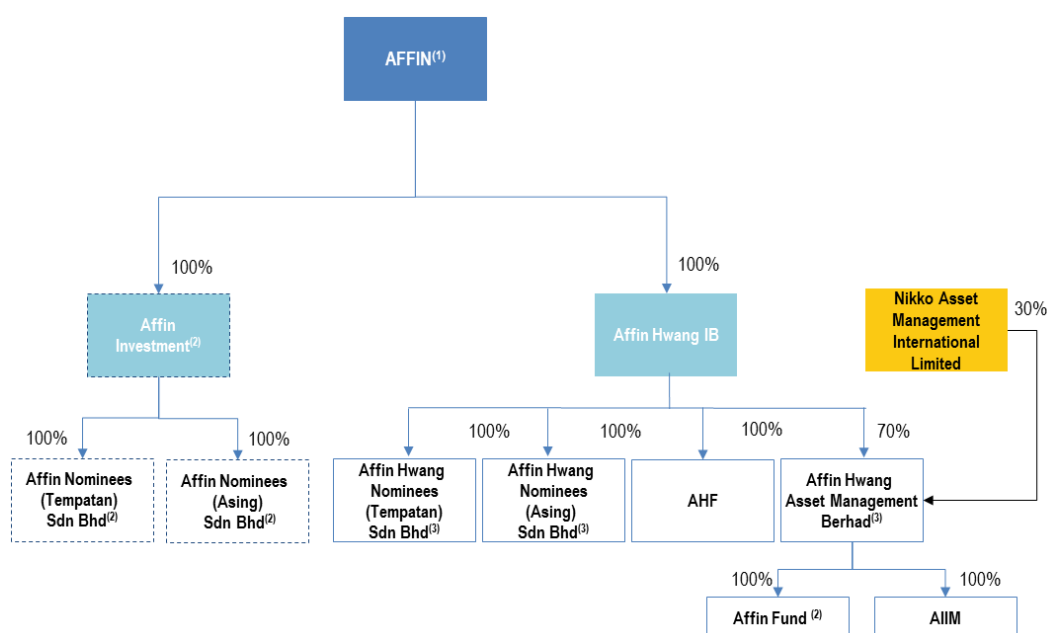
2.1 Details of the Proposed Futures Transfer

The Proposed Futures Transfer entails the transfer of the futures broking business of AHF to Affin Hwang IB. The Proposed Futures Transfer will involve the following:

- (i) Affin Hwang IB applying to the Securities Commission Malaysia (“**SC**”) for a variation of its CMSA licence to include dealing in derivatives;
- (ii) transferring AHF’s futures broking business into Affin Hwang IB;
- (iii) ceasing of AHF’s CMSA licence; and
- (iv) transferring the CMSA Futures Broker’s Representative licence of AHF to Affin Hwang IB.

There will be no change to the corporate structure of AFFIN group before and after the Proposed Futures Transfer as depicted below, save for AHF becoming a shell company.

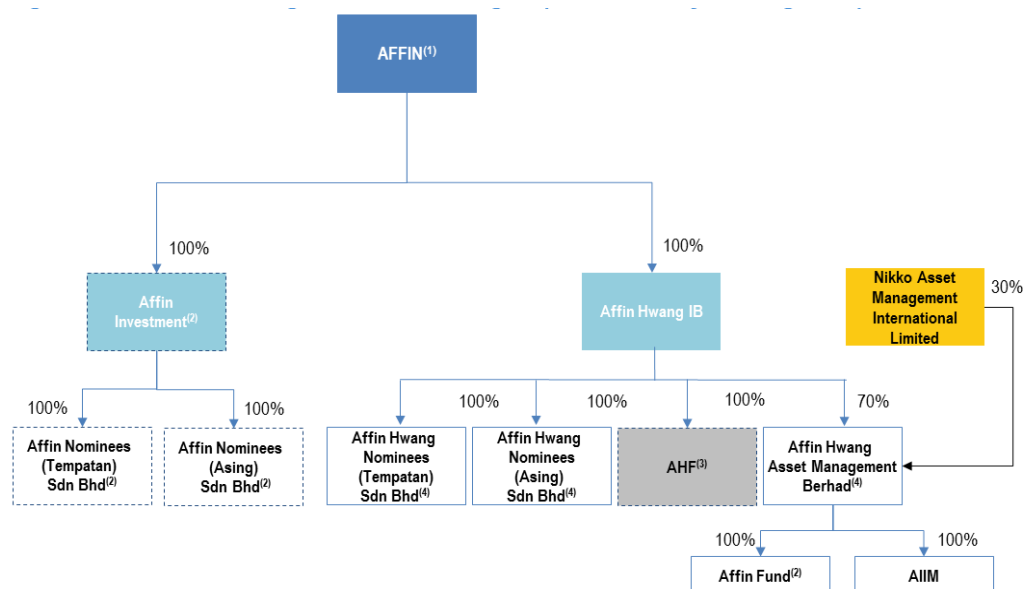
Before the Proposed Futures Transfer



Notes:

- (1) Excludes other subsidiaries companies of AFFIN.
- (2) The entities are dormant following the completion of the IB Merger, Nominees Merger and IM Merger on 20 September 2014.
- (3) Affin Hwang Nominees (Tempatan) Sdn Bhd, Affin Hwang Nominees (Asing) Sdn Bhd and Affin Hwang Asset Management Berhad are formerly known as HDM Nominees (Tempatan) Sdn Bhd, HDM Nominees (Asing) Sdn Bhd and Hwang Investment Management Berhad respectively.

After the Proposed Futures Transfer



Notes:

- (1) Excludes other subsidiaries companies of AFFIN.
- (2) The entities are dormant following the completion of the IB Merger, Nominees Merger and IM Merger on 20 September 2014.
- (3) AHF will be a shell company after completion of the Proposed Futures Transfer and be subsequently wound up.
- (4) Affin Hwang Nominees (Tempatan) Sdn Bhd, Affin Hwang Nominees (Asing) Sdn Bhd and Affin Hwang Asset Management Berhad are formerly known as HDM Nominees (Tempatan) Sdn Bhd, HDM Nominees (Asing) Sdn Bhd and Hwang Investment Management Berhad respectively.

2.2 Basis of and justification for the purchase consideration

The purchase consideration for the Proposed Futures Transfer ("**Purchase Consideration**") shall be an amount which is based on the net asset value of AHF, including assets and liabilities (excluding items set out in the Business Transfer Agreement) ("**NAV**") based on the last management accounts of AHF as at the month end immediately before the effective date of the Proposed Futures Transfer.

2.3 Salient terms of the Business Transfer Agreement

2.3.1 Purchase Consideration

- (i) The Purchase Consideration shall be an amount which is based on the NAV based on the last management accounts of AHF as at the month end immediately before the effective date ("**NAV**").
- (ii) AHF shall, not later than two (2) business days before the effective date, provide to Affin Hwang IB the management accounts of AHF and a statement stating the NAV based on the net asset value of the AHF business as stated in the management accounts whereupon Affin Hwang IB shall pay to AHF the Purchase Consideration which shall be satisfied by Affin Hwang IB by setting-off part or all of the Purchase Consideration from the RM5 million subordinated loan due by AHF to Affin Hwang IB and the balance, if any, to be paid in immediately available funds, or any other modes of payment mutually agreed between the parties, on the effective date, or, if the effective date falls on a non-business day, the payment shall be made on the business day immediately preceding the effective date or the business day immediately after the effective date of the Proposed Futures Transfer.

2.3.2 List of conditions precedent

The Business Transfer Agreement is conditional on:

- (i) the Proposed Futures Transfer being sanctioned by the High Court of Malaya via a Court Order;
- (ii) the approval of the boards of directors of AHF and Affin Hwang IB which have been obtained on 23 September 2014 and 24 September 2014 respectively;
- (iii) the approval of the shareholder of AHF, which has been obtained on 23 January 2015; and
- (iv) the receipt of all other approvals or consents as may be required to be obtained from relevant regulatory authorities (including from the foreign regulatory authorities, if applicable) for the Proposed Futures Transfer.

2.3.3 Unconditional Date

The date on which the last of the conditions precedent set out in Clause 2.3.2 is fulfilled or satisfied or waived shall be the unconditional date.

2.4 Details of Affin Hwang IB and AHF

Affin Hwang IB is a licensed investment bank which provides a comprehensive investment banking services offering including corporate finance advisory, debt and equity capital markets, structured lending, market trading and research, as well as asset management services.

AHF is a licensed futures broker dealing in options and futures. As a Trading Participant of BMD, AHF trades in all Bursa Malaysia Derivatives Berhad (“**BMD**”) products which include FTSE Bursa Malaysia KLCI futures and options, single stock futures, crude palm oil futures contract, 3-month Kuala Lumpur Interbank Offered Rate futures and Malaysian Government Securities futures. AHF is also a Clearing Participant of Bursa Malaysia Derivatives Clearing Berhad (“**Clearing House**”). Further information of AHF is set out in **Appendix I**.

2.5 Source of funds

The source of funding for the Proposed Futures Transfer will be satisfied via internally generated funds.

2.6 Assumption of liabilities

There are no liabilities, including contingent liabilities and guarantees to be assumed by Affin Hwang IB upon the completion of the Proposed Futures Transfer.

2.7 Estimated additional financial commitments

The Board does not expect to incur any additional financial commitments as the businesses are operating on a going concern basis.

3. RATIONALE FOR THE PROPOSED FUTURES TRANSFER

The minimum adjusted net capital (“**ANC**”), being the capital adequacy computation for a trading participant (“**Trading Participant**”) of BMD is currently RM500,000 or 10% of aggregate margins required to be deposited with Clearing House for its open futures contract positions, whichever is higher. As the clients’ trading volume and open futures contract positions increase, the ANC required to be maintained by a Trading Participant also increases.

As at 30 September 2014, AHF’s ANC level stood at RM14.2 million. Given the small balance sheet as compared to other Trading Participants which are merged into investment banks or stockbroking companies¹, AHF has to increase its capital in order to handle higher business volume in the future.

The Proposed Futures Transfer will enable the futures broking business to tap on Affin Hwang IB’s balance sheet. As an enlarged entity, the futures broking activities do not require a separate capital to be allocated to it as Affin Hwang IB is sufficiently capitalised to undertake the futures broking activities.

As at 30 September 2014, Affin Hwang IB’s total shareholders’ fund stood at RM1,428.9 million.

In addition, the Proposed Futures Transfer is expected to achieve business and operational synergies, economies of scale in resource utilisation and cost savings.

¹ Based on SC’s Licensing Handbook, the minimum capital requirement of these entities are as follows:

- (i) Investment bank – minimum capital funds unimpaired by losses of RM500 million or minimum capital funds unimpaired by losses of RM2 billion on a banking group basis;
- (ii) Universal broker – minimum paid-up capital of RM100 million and minimum shareholders’ funds of RM100 million to be maintained at all times; and
- (iii) Stockbroking company (other than investment bank or universal broker) – minimum paid-up capital of RM20 million or minimum shareholders’ funds of RM20 million to be maintained at all times.

4. FINANCIAL EFFECTS OF THE PROPOSED FUTURES TRANSFER

The Proposed Futures Transfer will not have any effects on the issued and paid-up share capital and substantial shareholders' shareholdings of AFFIN.

The Proposed Futures Transfer is not expected to have any material effect on the net assets ("NA"), NA per share and gearing, earnings and earnings per share of AFFIN group for the financial year ending ("FYE") 31 December 2015.

5. APPROVALS REQUIRED

The Proposed Futures Transfer is subject to the following approvals:

- (a) the approval of the SC for the Proposed Futures Transfer, which has been obtained on 18 December 2014;
- (b) the approval of the shareholder of AHF which has been obtained on 23 January 2015; and
- (c) any other relevant authorities and/or parties, where required.

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

6. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Futures Transfer is expected to be completed by end of February 2015.

7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED

None of the Directors and major shareholders of AFFIN and/or persons connected to them have any interest, either direct or indirect, in the Proposed Futures Transfer.

8. DIRECTORS' RECOMMENDATION

The Board, having considered, all aspects of the Proposed Futures Transfer such as the rationale and effects of the Proposed Futures Transfer, is of the opinion that the Proposed Futures Transfer is in the best interest of AFFIN group.

9. DOCUMENTS FOR INSPECTION

Copy of the Business Transfer Agreement will be available for inspection at the registered office of AFFIN at 7th 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 30 January 2015.

INFORMATION ON AHF

1. Background information

AHF was incorporated in Malaysia as a private limited company on 16 February 1993, under the name Hwang-DBS Futures Sdn Bhd and subsequently assumed the name of HDM Futures Sdn Bhd on 19 October 1994. It assumed the current name of Affin Hwang Futures Sdn Bhd on 18 September 2014.

AHF is a licensed futures broker dealing in options and futures. As a Trading Participant of BMD, AHF trades in all BMD products which include FTSE Bursa Malaysia KLCI futures and options, single stock futures, crude palm oil futures contract, 3-month Kuala Lumpur Interbank Offered Rate futures and Malaysian Government Securities futures. AHF is also a Clearing Participant of the Clearing House.

2. Authorised, issued and paid-up share capital

As at 23 January 2015, being the latest practicable date ("LPD"), the authorised, issued and paid-up share capital of AHF are as follows:

	No. of shares	Total (RM)
Authorised share capital		
Ordinary shares of RM1.00 each	5,000,000	5,000,000
Issued and fully paid up share capital		
Ordinary shares of RM1.00 each	5,000,000	5,000,000

3. Substantial shareholders

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

Name	Country of incorporation	Direct No. of shares	%	Indirect No. of shares	%
Affin Hwang IB	Malaysia	5,000,000	100	-	-
AFFIN	Malaysia	-	-	⁽¹⁾ 5,000,000	100
Lembaga Tabung Angkatan Tentera	Malaysia	-	-	⁽²⁾ 5,000,000	100

Notes:

(1) Deemed interested by virtue of its shareholding in Affin 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.

INFORMATION ON AHF (Cont'd)

4. Directors

As at LPD, the particulars of the directors of AHF are as follows:

Name	Designation
Gen Tan Sri Yaacob bin Mat Zain (R)	Non-Independent Non- Executive Director
Chua Bee Chin	Non-Independent Non- Executive Director
Tai Siew Moi	Non-Independent Executive Director

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

5. Subsidiaries and associated companies

As at LPD, AHF does not have any subsidiary or associated company.

6. Financial summary

The summary of the financial information of AHF based on the audited financial statements for the past two (2) FYE 31 July 2012 to FYE 31 July 2013 and unaudited financial statements for the 17-month financial period ended ("FPE") 31 December 2014 are as follows:

FYE 31 July	<-----Audited----->		Unaudited
	FYE 31 July 2012	FYE 31 July 2013	FPE 31 December 2014 ⁽¹⁾
	(RM'000)	(RM'000)	(RM'000)
Operating revenue	3,939	2,989	4,148
Profit / (Loss) before taxation	36	(1,426)	(425)
Profit / (Loss) after taxation	17	(1,341)	(498)
No. of ordinary shares ('000)	5,000	5,000	5,000
Gross loss per share (sen) ⁽²⁾	*	(28.52)	(8.50)
Net loss per share (sen) ⁽³⁾	*	(26.82)	(9.96)
Shareholder's funds / NA	17,686	16,345	15,847
NA per share (RM) ⁽⁴⁾	3.54	3.27	3.17
Current ratio (times)	1.21	1.32	1.31

Notes:

- (1) Following the completion of the IB Merger, Nominees Merger and IM Merger, AHF has changed its financial year end from 31 July to 31 December to be co-terminous with the financial year end of AFFIN.
- (2) Computed based on profit / (loss) before taxation divided by the number of ordinary shares in issue.
- (3) Computed based on profit / (loss) after taxation divided by the number of ordinary shares in issue.
- (4) Computed based on shareholder's funds divided by the number of ordinary shares in issue.
- Negligible.