

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

- **ACQUISITION BY AFFIN BANK BERHAD (“ABB” OR “PURCHASER”), A WHOLLY-OWNED SUBSIDIARY OF AFFIN OF A PARCEL OF VACANT FREEHOLD COMMERCIAL DEVELOPMENT LAND, MEASURING APPROXIMATELY 54,266 SQUARE FEET WITH A GROSS FLOOR AREA (“GFA”) OF 823,439 SQUARE FEET (“SQ FT”) (“PROPERTY”) WITHIN THE TUN RAZAK EXCHANGE (“TRX”) (“ACQUISITION”)**

(Unless otherwise defined, the abbreviations used throughout this announcement shall be the same as the previously defined in the announcement dated 10 August 2015.

The Company wishes to provide the following additional information:-

1. BASIS AND JUSTIFICATION IN ARRIVING AT THE PURCHASE CONSIDERATION

The Purchase Consideration was arrived at on the basis of a willing-buyer willing-seller basis after taking into consideration the market value of the Property of RM261.0 million as appraised by the independent registered valuer, C H Williams Talhar & Wong (“**Independent Valuer**”) as at 3 April 2015 as well as the terms of the SPA set out in Section 2.1 below. The Purchase Consideration of RM255.0 million represents a discount of RM6.0 million or approximately 2.3% to the market value of the Property of RM261.0 million.

The Property has a land area of approximately 54,266 sq ft and planning approvals dated 3 April 2012 and development orders dated 12 June 2015 and 8 July 2015 have been granted for the approved plan of the development of an international class Grade A, 35-storey office building development with a GFA of 823,439 sq ft feet and up to 830 parking bays (“**Building**”). The Purchase Consideration of RM255.0 million for the Acquisition represents price per GFA of RM309.67 per sq ft based on the plot ratio of 15.2 times.

The valuation for the Property by the Independent Valuer had been carried out using the comparison method and residual method of valuation.

The comparison method of valuation entails analyzing recent transactions and asking prices of similar properties in and around the locality for comparison purposes with adjustments made for differences in location/surrounding, accessibility/road frontage, shape/condition, size, land use/zoning, tenure, approval, Multimedia Super Corridor (“**MSC**”) status, TRX development tax incentives, stand alone/stratified and other relevant characteristics to arrive at the market value.

The residual method of valuation which entails gross development value (being the estimated gross proceeds obtainable from the completed development) of the project and deducting therefrom the estimated cost of development including construction costs, professional fees, financing charges and developer’s profit. The resultant amount is then deferred over the period of time required for the completion of the project to arrive at the market value.

2. SALIENT TERMS OF THE SPA

2.1 Basis of sale

The Property is sold:-

- on the Purchaser’s commitment to carry out and complete the development of the Property for the Building consistent with the development concept and in compliance with the guidelines and plot controls that are set out in the TRX district level and site-wide requirements of the master plan and other rules and regulations (“**Development Code**”), and such other directions or orders as may be issued by the Development Code administrator or the committee of the Development Code (“**Design Review Board**”) in accordance with the SPA;
- with vacant possession;

- (iii) free from encumbrances;
- (iv) subject to freehold tenure, the category of land use and all express conditions endorsed on the title (when issued) which will be consistent with the Building and to all implied conditions to the title as prescribed under the National Land Code;
- (v) subject to all covenants (restrictive or otherwise), easements, rights and interests affecting the Property which is consistent with the terms of the SPA; and
- (vi) on the basis that on the date when the vacant possession of the Property is delivered or deemed to have been delivered to the Purchaser (“**VP Date**”), the Property will remain in substantially the same state and condition as of the date of the SPA save and except for any changes which have been effected by the Vendor by reason of the Infrastructures works and/or the Vendor’s works.

2.2 Consideration and payment

(i) Purchase Consideration

Subject to any adjustments as may be permitted under the SPA, the agreed Purchase Consideration for the Property shall be the amount of RM255.0 million.

(ii) Manner of payment of the Purchase Consideration

The Purchase Consideration shall be paid by the Purchaser to the Vendor in the following manner:-

- (a) The deposit shall be paid by the Purchaser to the Vendor upon execution of the SPA; and
- (b) The balance Purchase Consideration shall be paid by the Purchaser to the Vendor within 14 days from the date for the Vendor’s written notification to the Purchaser of its receipt of the title duly issued by the appropriate authority and in exchange for the transfer and the transfer documents.

(iii) Vendor’s works

Both the Vendor and Purchaser (collectively referred to as “**Parties**”) agree that the Property is sold in its existing state and condition. The Purchaser may make a written request for the Vendor to carry out or to procure the carrying out of certain works for and on its behalf on the Property. If the Vendor agrees to carry out or procure to be carried out such works for on behalf of the Purchaser, such works shall be carried out at the sole costs of the Purchaser and on terms and conditions to be mutually agreed between the Parties.

2.3 Annulment of the Acquisition and adjustment of Purchase Consideration

- (i) In the event the shape and/or location of the Property materially differs from the shape or location as set out in the layout plan of the SPA, the Purchaser will be entitled to terminate the SPA by notice to the Vendor.

- (ii) If the area of the Property shall be different from its area as shown in the title when it is issued by the Land Office, then there shall be an adjustment to the Purchase Consideration for the difference in excess of 2% of the area stated therein calculated at RM4,700 per sq ft. If the area as shown in the title is in excess of 7% of the area as stated therein and such difference has an adverse impact on the Purchaser's ability to carry out and complete the development works in accordance with the Development Concept, the Purchaser will be entitled to terminate the SPA by notice.
- (iii) Any payment resulting from the adjustment and required to be paid by the Vendor or the Purchaser, as the case may be, pursuant to Section 2.3(ii) above shall be paid within 14 days from the date of the written notice of the Vendor, failing which the payor shall pay to the payee interest on such adjustment sum calculated from day to day at the rate of 10% per annum commence immediately after expiry of 14 days from the date of the written notice until payment of such adjustment sum.

2.4 Development

(i) Permitted Use

The Purchaser has notice of and acknowledges that 1MDBRE ("**Master Developer**") is the master developer of TRX District under which the Property and the other plots within TRX District will be developed as a whole into an international financial district as contemplated under the master plan and that the Purchaser agrees and covenants to build or cause to be built the Building on the Property which shall be consistent with the permitted use and in accordance with the terms and conditions of the SPA.

The Purchaser undertakes as follows: -

- (a) the Building to be developed on the Property will predominantly be an office tower and the retail space which forms part thereof are merely complimentary to the office tower;
- (b) the Purchaser shall ensure that the Building shall not be designed or used or operated as a commercial retail mall; and
- (c) the aggregate GFA in respect of the retail space within the Building which will be made available for leasing or letting by third party tenants shall not exceed 30,000 sq ft.

(ii) Time Period for Commencement and Completion of Development Works

The Purchaser undertakes to commence the development works no later than 12 months from the date the title is registered in the name of the Purchaser or such later date as the Parties may agree in writing ("**Development Works Commencement Date**") and complete the Development Works on the last of the following dates ("**Development Works Completion Date**"):-

- three (3) years from the Development Works Commencement Date; or
- 31 December 2019; or
- such later date as the Parties may agree in writing.

2.5 Termination and breach

(i) Vendor's right to terminate

The Vendor shall be entitled to give notice in writing to the Purchaser terminating the SPA if:-

- (a) the Purchaser fails to pay the Purchase Consideration in accordance with the terms of the SPA. For the avoidance of doubt, in the event the Purchase Consideration has been fully paid by the Purchaser to the Vendor and/or the Vendor's solicitors, the Vendor shall not have a right to terminate the SPA; or
- (b) prior to completion date, the Purchaser fails, neglects, or refuses to perform or comply with any of its obligations under the SPA and fails neglects or refuses to rectify such breach within 30 days from the date of the Vendor's written notice requiring such breach to be remedied; or
- (c) prior to the Purchaser being registered as the owner of the Property, any of the representations or warranties of the Purchaser is found to be untrue or inaccurate or misleading and the Purchaser fails, neglects or refuses to rectify such breach within 14 days from the date of the Vendor's written notice requiring the Purchaser to remedy such breach.

(ii) Purchaser's right to terminate

The Purchaser shall be entitled to give notice in writing to the Vendor terminating the SPA if:-

- (a) prior to completion date, the Vendor fails, neglects or refuses to perform or comply with any of its obligations under the SPA and fails, neglects or refuses to rectify such breach within 30 days from the date of the Purchaser's written notice requiring the Vendor to remedy such breach; or
- (b) prior to the Purchaser being registered as the owner of the Property, any of the representations or warranties of the Vendor is found to be untrue or inaccurate or misleading and the Vendor fails, neglects or refuses to rectify such breach within 14 days from the date of the Purchaser's written notice requiring the Vendor to remedy such breach.

For the avoidance of doubt, the Parties agree that neither party shall be entitled to terminate the SPA after completion date save for the circumstances as set out in Section 2.5(i)(c) or Section 2.5(ii)(b) above.

(iii) Consequences of termination

Upon the SPA being terminated under Section 2.6(i) above -

- (a) the Purchaser shall re-deliver vacant possession of the Property to the Vendor if the same has been delivered to the Purchaser, in the same state as delivered to/taken by the Purchaser; and
- (b) the Vendor shall, in exchange of the delivery of the prescribed documents, return all moneys received by the Vendor (except the deposit together with any interest accrued shall be forfeited in favour of the Vendor as agreed liquidated damages) to the Purchaser within 30 days of the date of the relevant termination notice.

If the Vendor shall fail or neglect to refund all or any part of the moneys as set out in (b) above despite the Purchaser having complied with its prescribed obligations, the Vendor shall be liable to pay to the Purchaser interest on such moneys which are outstanding from the Vendor, calculated from day to day at the rate of 10% per annum.

Upon the SPA being terminated under Section 2.6(ii) above:-

- (a) if the Title shall have been transferred and registered in the name of the Purchaser, the Purchaser shall execute and deliver to the Vendor a valid and registrable memorandum of transfer in respect of the Property in favour of the Vendor and such documents as shall be necessary for the purpose of effecting the re-transfer of the title to the Vendor provided always that the stamp duty and registration fees shall be borne by the Vendor;
- (b) the Purchaser shall re-deliver vacant possession of the Property to the Vendor if the same has been delivered to the Purchaser, in the same state as delivered to/taken by the Purchaser;
- (c) the Vendor shall in exchange for the delivery of the prescribed documents and the redelivery of vacant possession referred to in (b) above, return all moneys received by the Vendor (including the interest accrued) to the Purchaser within 30 days of the date of the relevant termination notice; and
- (d) the Vendor shall pay to the Purchaser a sum equivalent to the deposit as agreed liquidated damages within 30 days of the date of the relevant termination notice.

3. RATIONALE AND PROSPECTS OF THE ACQUISITION

The Acquisition is undertaken premised on the following rationale:

- (i) ABB had been renting its current corporate office for more than 10 years, whilst AFFIN's other subsidiaries are located in offices in different buildings, thus the Acquisition provides an opportunity to house AFFIN and its subsidiary companies ("**AFFIN Group**" or "**Group**") under one roof as well as to allow for better synergies and collaboration within the Group;
- (ii) an opportunity for AFFIN to invest in TRX which is set to become a leading centre for international finance and business in the heart of Kuala Lumpur;
- (iii) the Group stands to enjoy potential capital appreciation on the Property as TRX progresses to be an international hub as a financial district;
- (iv) having AFFIN's new head office located in TRX will reinforce AFFIN's branding and position in the market; and
- (v) the plan to develop a new head office is a part of the transformation initiative and to cater to future expansion in line with the corporate plan to take the Group to the next wave of growth.

4. RISK FACTORS

4.1 Approval on the development order for the Property

Save for the approvals obtained as disclosed in Section 6 below, the proposed development for the Property is still subject to planning and development approvals from the relevant authorities. In order to develop and complete the office tower, AFFIN must obtain various permits, licences, certificates and other approvals from the relevant authorities including, amongst others, planning permits and construction permits, at various stages of the development process. So there may be a possibility that AFFIN may not be able to obtain the relevant approvals on time or to fulfil the conditions required for obtaining the relevant approvals. As a result thereof, any failure to obtain and/or delays in obtaining the requisite approvals may affect the timing of completion, incur costs overruns and thereby affecting the Group's cash flows position.

In this respect, the Board will exercise due care and take pro-active measures to counter such risks through effective planning, timely implementation, continuous reviews and pro-active engagements with relevant regulatory authorities.

4.2 Completion of the SPA

The completion of the SPA is conditional upon the terms and conditions as stated in the SPA being fulfilled and/or waived as the case maybe. There can be no assurance that the Acquisition can be completed within the time frame set out in the SPA or that the Acquisition will not be exposed to risks such as the inability to obtain the approvals from the relevant parties and/or inability to comply with the conditions imposed by the relevant authorities, if any. Nevertheless, AFFIN will take and continue to take all reasonable steps to ensure satisfaction and/or waiver, as the case may be, to ensure completion of the Acquisition.

5. FINANCIAL EFFECTS OF THE ACQUISITION

The Acquisition will not have any effect on AFFIN's share capital and substantial shareholders' shareholding.

(i) Earnings and earnings per share ("EPS")

For illustrative purposes, based on the audited consolidated profit after tax of AFFIN for FYE 31 December 2014 and on the assumption the Acquisition had been completed on 1 January 2014, the proforma consolidated profit after tax per AFFIN share immaterial compared to its 31 December 2014 position as set out below:

(RM'million unless otherwise stated)	FYE 31 December 2014	⁽¹⁾After the Acquisition
Consolidated profit after taxation ("PAT") (attributable to shareholders)	605.27	605.27
Less: Estimated transaction costs in relation to the Acquisition	-	0.1
Pro forma consolidated PAT after one-off costs	605.27	605.17
EPS (sen)	35.25	35.25

(ii) NA per share and gearing

Based on the latest audited consolidated financial statements of AFFIN as at 31 December 2014, the proforma effects of the Acquisition on AFFIN's consolidated NA are immaterial set out below:-

(RM'million unless otherwise stated)	As at 31 December 2014	After the Acquisition
Share capital	1,942.95	1,942.95
Reserves:		
Share premium	2,185.71	2,185.71
Retained profits	2,099.83	⁽¹⁾ 2,099.73
Available-for-sale revaluation reserves	34.36	34.36
Statutory reserves	1,502.62	1,502.62
Retained profits	187.91	187.91
NA (attributable to ordinary equity holders of the Company)	7,953.38	7,953.28
Number of AFFIN Shares (million)	1,942.95	1,942.95
NA per AFFIN Share (RM)	4.09	4.09
Borrowings	972.46	972.46
Gearing (times)	0.12	0.12

Note:

(1) After taking into account the professional fees paid to the Independent Valuer while the other transaction costs in relation to the Acquisition of approximately RM15.6 million will be capitalized as part of the land costs.

6. APPROVALS REQUIRED

The following approvals have been obtained in relation to the development in the TRX District:

- (i) Dewan Bandaraya Kuala Lumpur (“**DBKL**”) planning approval of TRX as mixed use development which had been obtained on 3 April 2012 (“**Planning Approval**”);; and
- (ii) DBKL approval of the amendments on the Planning Approval which had been obtained on 8 July 2015.

The development of the Building on the Property is still subject to development order and building approvals to be obtained at the later stage.

7. DIRECTORS’ STATEMENT

The Board (save for Tan Sri Lodin who has voluntarily abstained from all deliberations and decision making with regard to the Acquisition), having considered all aspects of the Acquisition, including but not limited to the rationale and prospects of the Property and its surrounding potential developments, financial effects of the Acquisition and the valuation of the Property, is of the opinion that the Acquisition is in the best interest of the AFFIN Group.

8. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA and the valuation report dated 8 April 2015 by the Independent Valuer are 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 12 August 2015.