

## AFFIN BANK BERHAD (“ABB” OR “COMPANY”)

### ALLOTMENT OF SHARES IN AFFIN HWANG ASSET MANAGEMENT BERHAD (“AHAM”), A 70% INDIRECT SUBSIDIARY OF ABB, TO A DIRECTOR OF AHAM THROUGH THE EXERCISE OF OPTIONS PURSUANT TO AHAM’S STOCK OPTION PLAN OF UP TO 10% OF THE ENLARGED ISSUED SHARE CAPITAL OF AHAM TO KEY EMPLOYEES (“STOCK OPTION PLAN”)

Unless otherwise stated, the words and abbreviations used herein shall have the same meaning as those defined in the announcement dated 30 June 2016 made by Affin Holdings Berhad (“AFFIN”) in relation to the Stock Option Plan.

#### 1. INTRODUCTION

The Board wishes to announce that on 8 March 2019, 311,080 new ordinary shares in AHAM (“AHAM Shares”) were allotted and issued to Teng Chee Wai (“TCW”), the Managing Director of AHAM for a cash consideration of RM12.54 million pursuant to the Stock Option Plan (“Exercise of Options by TCW”).

#### 2. DETAILS OF THE EXERCISE OF OPTIONS BY TCW

Under the Stock Option Plan, a total of 1,000 Options were granted to the Key Employees, each carrying the right to purchase 1,111 AHAM Shares at an exercise price of RM40.30 per AHAM Share (“Exercise Price”). On 8 March 2019, all the Key Employees were allotted a total of 1,111,000 new AHAM Shares pursuant to the exercise of their respective Options (“Options Exercise”).

After the Options Exercise, TCW owns a 2.8% equity stake in the enlarged issued share capital of AHAM.

Further details of the Stock Option Plan have been disclosed in the announcement dated 30 June 2016 made by AFFIN.

##### 2.1 Basis and justification for the Exercise Price

The Exercise Price was derived from the purchase consideration for 70% equity stake in AHAM of RM282.13 million paid by AFFIN for the Acquisition (as defined in Section 3.2 below) in 2014, translating to an implied equity value of 100% in AHAM of RM403.0 million, divided by the total outstanding AHAM Shares of 10.0 million at the time.

The Exercise Price reflects the entry cost of AHAM into the ABB group in 2014 as set out in Section 2.2 below.

##### 2.2 Original cost and date of investment in the AHAM Shares

The original cost and date of investment by AFFIN for the AHAM Shares are set out below:

<u>Date of acquisition</u>	<u>No. of AHAM Shares</u>	<u>Cost of investment</u>
7 April 2014	5,300,000	219,490
7 April 2014	1,700,000	62,640
	<b>7,000,000</b>	<b>282,130</b>

##### 2.3 Utilisation of proceeds

The proceeds from the Exercise of Options by TCW is expected to be utilised by AHAM for working capital purposes within 12 months.

### 3. INFORMATION ON THE PARTIES

#### 3.1 TCW

TCW is 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.

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 the Company or its subsidiaries, nor any personal interest arrangement involving the Company or its subsidiaries, save for the Options allocated to him under the Stock Option Plan.

#### 3.2 AHAM

AHAM was incorporated in Malaysia as a private limited company on 2 May 1997 under the name of Hwang-DBS Capital Sdn Bhd. Hwang-DBS Capital Sdn. Bhd. was converted into a public company on 31 January 2001. Hwang-DBS Capital Berhad changed its name to Hwang Investment Management Berhad on 18 January 2012. AHAM assumed its present name on 2 September 2014.

AFFIN had on 7 April 2014 completed the acquisition of 70% equity stake in AHAM for a total cash consideration of RM282.13 million ("**Acquisition**").

As at 28 February 2019, being the latest practicable date prior to this announcement:

- (i) AHAM is principally involved in the management of unit trust funds and provision of fund management services. In 2012, AHAM was approved by the SC as one of the country's private retirement scheme providers;
- (ii) the issued share capital of AHAM prior to the Options Exercise is RM10.0 million comprising 10 million AHAM Shares. Following the Options Exercise, the issued share capital of AHAM will be increased to RM54.78 million, comprising 11.1 million AHAM Shares;
- (iii) the shareholders of AHAM and their respective shareholdings in AHAM are set out below:

	Direct		Indirect	
	No. of AHAM Shares	%	No. of AHAM Shares	%
ABB	-	-	*7,000,000	*70.00
Affin Hwang Investment Bank Berhad (" <b>AHIB</b> ")	7,000,000	70.00	-	-
Nikko Asset Management International Limited	3,000,000	30.00	-	-

**Note:**

\* Deemed interested by virtue of its shareholdings in AHIB pursuant to Section 8 of the Companies Act, 2016.

- (iv) the directors of AHAM are TCW, Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad, Datuk Maimoonah Mohamed Hussain, Abd Malik A Rahman, Dato' Latip Ismail and Eleanor Seet Oon Hui.

#### 4. RATIONALE

The Options Exercise, which includes the Exercise of Options by TCW, is to meet the objective of the Stock Option Plan of retaining the Key Employees through equity participation in AHAM.

#### 5. EFFECTS OF THE OPTIONS EXERCISE

The effective interest in AHAM held by ABB will be reduced from 70% to 63% on a fully diluted basis, following the Options Exercise.

For illustrative purposes, the effects of the Options Exercise is set out below:

##### 5.1 Share capital and substantial shareholders' shareholdings

The Options Exercise does not have any effect on the issued share capital and substantial shareholders' shareholding of ABB.

##### 5.2 Net assets ("NA"), NA per share and gearing

The Options Exercise will not have any material effect on the consolidated NA per share and gearing of ABB for the financial year ending 31 December 2019.

For information purposes, the following sets out the changes to NA of ABB group arising from the Options Exercise:

	<u>RM' million</u>
Gain on dilution in shareholding in AHAM accruing to AHIB	12.6
Non-controlling interest's share of goodwill and intangible assets pursuant to the full exercise of Options	(18.6)
<b>Total decrease in NA</b>	<b><u>(6.0)</u></b>

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

The Options Exercise will result in a RM12.58 million gain on dilution of interest at ABB group level. However, the said gain is not expected to have any material effect on the consolidated earnings and EPS of ABB for the financial year ending 31 December 2019.

#### 6. APPROVALS REQUIRED

The Options Exercise is not subject to the approval of ABB's shareholders and any regulatory authorities.

#### 7. INTEREST OF MAJOR SHAREHOLDER AND DIRECTORS

Save for TCW, none of the major shareholders and directors of AHAM and/or any persons connected to them have any interest, direct or indirect, in the Options Exercise.

None of the major shareholders and directors of ABB and/or persons connected to them have any interest, direct or indirect, in the Options Exercise.

**8. DIRECTORS' RECOMMENDATION**

The Board, having considered all aspects of the Options Exercise, including but not limited to the Exercise Price, rationale, prospects and the financial effects of the Options Exercise, is of the opinion that the Options Exercise is fair and reasonable as well as in the best interest of ABB group.

**9. STATEMENT BY THE BOARD AUDIT COMMITTEE**

The Board Audit Committee of ABB, after having considered all aspects of the Options Exercise, including but not limited to the basis of the Exercise Price, rationale, prospects and the financial effects of the Options Exercise, is of the view that the Options Exercise is:

- (i) in the best interest of ABB group;
- (ii) fair and reasonable; and
- (iii) not detrimental to the interests of the non-interested shareholders of ABB.

**10. TRANSACTIONS WITH THE SAME RELATED PARTY**

Save for the Exercise of Options by TCW, there were no other transactions between ABB group and TCW for the past 12 months preceding the date of this announcement.

**11. HIGHEST PERCENTAGE RATIO**

The highest percentage ratio applicable to the Exercise of Options by TCW pursuant to Chapter 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") is about 0.41% based on the audited consolidated financial statements of ABB for the financial year ended 31 December 2017.

**This announcement is dated 8 March 2019.**