

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from, or due to your reliance upon, the whole or any part of the contents of this Circular.

You should rely on your own evaluation to assess the merits and risks of the Proposed Rights Issue (as defined herein).



AFFIN HOLDINGS BERHAD

(Company No. 23218-W)

(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

**PROPOSED RENOUNCEABLE RIGHTS ISSUE OF NEW ORDINARY SHARES OF
RM1.00 EACH IN AFFIN HOLDINGS BERHAD TO RAISE GROSS PROCEEDS
OF UP TO RM1,250 MILLION**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser



AFFIN INVESTMENT BANK BERHAD (9999-V)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of Extraordinary General Meeting (“EGM”) of AFFIN Holdings Berhad is enclosed in this Circular. Only members registered in the Record of Depositors as at 11 April 2014 shall be eligible to attend, speak and vote at the EGM or appoint a proxy to attend, speak and vote on their behalf. The Proxy Form enclosed with this Circular should be completed in accordance with the instructions therein and deposited at the Registered Office of the Company at 7th Floor, Chulan Tower, 3, Jalan Conlay, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time stipulated for holding the meeting or adjournment thereof. The lodging of the Proxy Form will not preclude you from attending and voting in person should you subsequently wish to do so.

Last date and time for lodging the Proxy Form	:	19 April 2014 at 12.00 p.m.
Date and time of EGM	:	21 April 2014 at 12.00 p.m. or immediately after the conclusion of the 38 th Annual General Meeting which is to be held at the same venue and on the same day at 10.00 a.m., whichever is later
Venue of EGM	:	Taming Sari Grand Ballroom, The Royale Chulan Kuala Lumpur, 5 Jalan Conlay, 50450 Kuala Lumpur

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

“Acquisition Entities”	:	Collectively, 100% interest in Hwang IB (including 100% interest in HDM Nominees (Tempatan) Sdn Bhd and 100% interest in HDM Nominees (Asing) Sdn Bhd), 70% interest in Hwang IM (including the Minority Shares), 49% interest in AIIM and 100% interest in HDM Futures
“AFFIN Bank”	:	AFFIN Bank Berhad (Company No: 25046-T)
“AFFIN Fund”	:	AFFIN Fund Management Berhad (Company No: 22728-T), a wholly-owned subsidiary of AFFIN Investment
“AFFIN Investment”	:	AFFIN Investment Bank Berhad (Company No: 9999-V), a wholly-owned subsidiary of AFFIN
“AFFIN” or “Company”	:	AFFIN Holdings Berhad (Company No: 23218-W)
“AFFIN Group” or “Group”	:	AFFIN and its subsidiary companies
“AFFIN Share(s)” or “Share(s)”	:	Ordinary share(s) of RM1.00 each in AFFIN
“AFFIN Shareholder(s)”	:	Shareholders of AFFIN
“AIIM”	:	Asian Islamic Investment Management Sdn. Bhd. (Company No: 256674-T)
“AIIM Shares”	:	4,900,000 ordinary shares of RM1.00 each, constituting approximately 49% of the entire issued and paid-up share capital in AIIM
“AUM”	:	Assets under management
“Base Price”	:	The sum of RM1,363.00 million comprising RM1,300.36 million as the base price for the Hwang IB Shares (after the Pre-Closing Reorganisation) and RM62.64 million as the consideration for the Minority Shares. Further details of the Base Price are set out in Section 3.1 of this Circular
“BEA”	:	The Bank of East Asia, Limited
“Benchmark”	:	The sum of RM900,279,694 comprising the agreed NA value of the Acquisition Entities (excluding the Minority Shares) as at 31 January 2013
“BHB”	:	Boustead Holdings Berhad (Company No: 3871-H)
“Board” or “Directors”	:	Board of Directors of AFFIN
“Circular”	:	This Circular dated 28 March 2014 which sets out the details of the Proposed Rights Issue
“Closing”	:	The completion of the sale of the Hwang IB Shares and the Minority Shares pursuant to Clauses 6.1, 6.2 and 6.3 of the SPA
“Closing Date”	:	Business day falling seven (7) business days after the Unconditional Date

DEFINITIONS *(cont'd)*

“DBS”	:	DBS Bank Ltd., Singapore
“EGM”	:	Extraordinary general meeting
“Entitled Shareholder(s)”	:	Shareholder(s) of AFFIN whose name(s) appear in AFFIN’s Record of Depositors on the Entitlement Date in order to be entitled to the Proposed Rights Issue
“Entitlement Date”	:	5.00 p.m. on a date to be determined by the Board and announced later on which shareholders of AFFIN must be registered in the Record of Depositors of AFFIN in order to be entitled to participate in the Proposed Rights Issue
“EPF”	:	Employees Provident Fund (Malaysia)
“EPS”	:	Earnings per share
“Foreign Addressed Shareholder(s)”	:	The foreign shareholders of AFFIN on the Entitlement Date who have not provided an address in Malaysia for the service of documents to be issued for purposes of the Proposed Rights Issue
“FPE”	:	Financial period ended/ending
“FYE”	:	Financial year ended/ending
“GDP”	:	Gross domestic product
“HDM Futures”	:	HDM Futures Sdn Bhd (Company No: 258146-M)
“HDM Futures Shares”	:	5,000,000 ordinary shares of RM1.00 each, constituting 100% of the entire issued and paid-up share capital in HDM Futures
“Hwang-DBS”	:	Hwang-DBS (Malaysia) Berhad (Company No: 238969-K)
“Hwang IB”	:	HwangDBS Investment Bank Berhad (Company No: 14389-U)
“Hwang IB Shares”	:	500,000,000 ordinary shares of RM1.00 each, constituting 100% of the entire issued and paid up share capital in Hwang IB
“Hwang IM”	:	Hwang Investment Management Berhad (Company No: 429786-T)
“Hwang IM Shares”	:	5,300,000 ordinary shares of RM1.00 each, constituting 53% of the entire issued and paid-up share capital in Hwang IM
“Intended Gross Proceeds”	:	Gross proceeds intended to be raised by AFFIN under the Proposed Rights Issue of up to RM1,250 million
“LPD”	:	Latest practicable date as at the date of this Circular, being 28 February 2014
“LTAT”	:	Lembaga Tabung Angkatan Tentera
“Major Shareholders”	:	The major shareholders of AFFIN, namely LTAT, BHB and BEA
“Merged Investment Bank”	:	The investment bank licensed under FSA resulting from the proposed merger of the businesses of AFFIN Investment with that of Hwang IB pursuant to a vesting order to be granted by the High Court of Malaya pursuant to Section 102 of the FSA and Section 139 of the CMSA

DEFINITIONS *(cont'd)*

“Minority Shareholder”	:	Y.A.M. Tunku Dato’ Seri Nadzaruddin Ibni Almarhum Tuanku Ja’afar
“Minority Shares”	:	1,700,000 ordinary shares of RM1.00 each, constituting approximately 17% of the entire issued and paid up share capital in Hwang IM held by the Minority Shareholder
“NA”	:	Net assets
“NA Adjustment”	:	Has the meaning ascribed to it in Section 3.1 of this Circular
“Nikko”	:	Nikko Asset Management Asia Ltd
“PAT”	:	Profit after tax (attributable to ordinary equity holders of the company)
“PBT”	:	Profit before tax (attributable to ordinary equity holders of the company)
“Pre-Closing Reorganisation”	:	The pre-closing reorganisation be undertaken by Hwang-DBS prior to the completion of the Proposed Acquisition, as set out in Section 3.1 of this Circular
“Proposals”	:	Collectively, the Proposed Acquisition, Proposed Merger and Proposed Rights Issue
“Proposed Acquisition”	:	The proposed acquisition by AFFIN of the Hwang IB Shares (after the completion of the Proposed Pre-Closing Reorganisation) that are held by Hwang-DBS and the proposed acquisition of the Minority Shares held by the Minority Shareholder, for the Purchase Price to be fully satisfied in cash
“Proposed Merger”	:	The proposed merger of the businesses, assets and liabilities of AFFIN Investment with that of Hwang IB after the Proposed Acquisition
“Proposed Rights Issue”	:	Proposed renounceable rights issue of Rights Share to the entitled shareholders of AFFIN to raise the Intended Gross Proceeds
“Purchase Price”	:	The purchase consideration, to be satisfied in cash, for the sale and purchase of the Hwang IB Shares (after the Pre-Closing Reorganisation) and the Minority Shares, equal to the sum of the Base Price and adjusted for the NA Adjustment as outlined in Section 3.1 of this Circular and other adjustments
“Record of Depositors”	:	A record of depositors provided by Bursa Depository to the Company under Chapter 24.0 of the Rules of Bursa Depository including any amendments thereof by Bursa Depository
“Rights Share(s)”	:	The new AFFIN Share(s) to be issued pursuant to the Proposed Rights Issue
“RM” and “sen”	:	Ringgit Malaysia and sen respectively
“Rules of Bursa Depository”	:	The rules of Bursa Depository as issued pursuant to the Securities Industry (Centre Depositories) Act, 1991 including any amendments thereto that may be made from time to time

DEFINITIONS *(cont'd)*

“Shortfall”	:	Fall in the NA of the Acquisition Entities (excluding the Minority Shares) as at the Closing Date by 3% or more below the Benchmark
“SPA”	:	The conditional share sale and purchase agreement dated 22 January 2014 entered into between Hwang-DBS and AFFIN to give effect to the Proposed Acquisition
“Surplus”	:	Increase in the NA of the Acquisition Entities (excluding the Minority Shares) as at the Closing Date by 3% or more above the Benchmark
“Target Companies”	:	Collectively, Hwang IB, Hwang IM, HDM Futures, HDM Nominees (Tempatan) Sdn Bhd, HDM Nominees (Asing) Sdn Bhd and AIIM
“TERP”	:	Theoretical ex-rights price
“Unconditional Date”	:	The date on which the last of the conditions precedent in the SPA is satisfied
“Undertakings”	:	Written irrevocable undertakings dated 17 March 2014, 10 March 2014 and 11 March 2014 by LTAT, BHB and BEA respectively, to subscribe for their respective entitlement for the Rights Shares in full under the Proposed Rights Issue
“VWAMP”	:	Volume weighted average market price

ACTS AND GUIDELINES

“Act”	:	Companies Act 1965
“CMSA”	:	Capital Markets and Services Act, 2007
“Code”	:	Malaysian Code on Take-Overs and Mergers 2010
“FSA”	:	Financial Services Act 2013

REGULATORY BODIES

“BNM”	:	Bank Negara Malaysia
“Bursa Depository”	:	Bursa Malaysia Depository Sdn Bhd (Company No: 165570-W)
“Bursa Securities”	:	Bursa Malaysia Securities Berhad (Company No: 635998-W)
“MAS”	:	Monetary Authority of Singapore
“MOF”	:	The Minister of Finance of Malaysia
“SC”	:	Securities Commission Malaysia

DEFINITIONS *(cont'd)*

All references to “our Company” or “AFFIN” in this Circular are to AFFIN Holdings Berhad and references to “our Group” are to our Company and our subsidiaries. References to “we”, “us”, “our” and “ourselves” are to our Company, or where the context requires, our Group. All references to “you” in this Circular are references to the shareholders of our Company.

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment currently in force and as may be amended from time to time and any re-enactment thereof.

Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

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AFFIN HOLDINGS BERHAD

(Company No. 23218-W)
(Incorporated in Malaysia under the Act)

Registered Office:

7th Floor, Chulan Tower,
3 Jalan Conlay,
50450 Kuala Lumpur

28 March 2014

Board of Directors:

Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin	<i>(Non-Independent Non-Executive Chairman)</i>
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	<i>(Non-Independent Non-Executive Deputy Chairman)</i>
Dato' Mustafa bin Mohamad Ali	<i>(Independent Non-Executive Director)</i>
Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff	<i>(Independent Non-Executive Director)</i>
Abd Malik bin A Rahman	<i>(Independent Non-Executive Director)</i>
Rosnah binti Omar	<i>(Independent Non-Executive Director)</i>
Ignatius Chan Tze Ching	<i>(Non-Independent Non-Executive Director)</i>
Professor Arthur Li Kwok Cheung	<i>(Non-Independent Non-Executive Director)</i>
Raja Dato' Seri Aman bin Raja Haji Ahmad	<i>(Independent Non-Executive Director)</i>
Adrian David Li Man Kiu	<i>(Alternate Director to Ignatius Chan Tze Ching)</i>
Peter Yuen Wai Hung	<i>(Alternate Director to Professor Arthur Li Kwok Cheung)</i>

To: The Shareholders

Dear Sir/Madam,

PROPOSED RIGHTS ISSUE

1. INTRODUCTION

- 1.1 On 15 April 2013, AFFIN announced that BNM had, vide its letter dated 12 April 2013, stated that it had no objection for AFFIN to commence preliminary negotiations with Hwang-DBS to acquire and merge the businesses of Hwang IB including other financial services business of Hwang-DBS with AFFIN banking group.
- 1.2 On 4 September 2013, AFFIN announced that it had entered into an exclusivity agreement on the same date with Hwang-DBS in relation to the Proposed Acquisition.
- 1.3 On 10 January 2014, on behalf of the Board, AFFIN Investment announced that AFFIN had received a letter from BNM advising AFFIN that the MOF had granted its approvals under the FSA for the Proposed Acquisition and the Proposed Merger. BNM had in the same letter granted its approval for the increase in the issued and paid-up share capital in AFFIN pursuant to the Proposed Rights Issue. In addition, the SC had also on the same date granted its approval for the Proposed Acquisition and the Proposed Merger.

- 1.4 On 22 January 2014, on behalf of AFFIN, AFFIN Investment announced that AFFIN had entered into the SPA to acquire the Hwang IB Shares (after the Pre-Closing Reorganisation) and the Minority Shares, and that AFFIN intends to undertake the Proposed Merger.
- 1.5 On 4 March 2014, on behalf of AFFIN, AFFIN Investment announced that the SC had vide its letter dated 3 March 2014 granted its approval for the exemption to AFFIN from the obligation to undertake a mandatory offer for the remaining 30% voting shares in Hwang IM not already owned by AFFIN (via Hwang IB) after the Proposed Acquisition under paragraph 20.1 of Practice Note 9 of the Code.
- 1.6 On 10 March 2014, AFFIN Investment had announced that the Board also proposes to undertake the Proposed Rights Issue in conjunction with the Proposed Acquisition and Proposed Merger.
- 1.7 On 27 March 2014, on behalf of AFFIN, AFFIN Investment announced that Bursa Securities had given its approval for the listing of and quotation for up to 526,000,000 Rights Shares on the Main Market of Bursa Securities.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED RIGHTS ISSUE AND TO SEEK YOUR APPROVAL FOR THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED RIGHTS ISSUE TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE PROXY FORM ARE ENCLOSED TOGETHER IN THIS CIRCULAR.

THE DETAILS OF THE PROPOSED ACQUISITION AND PROPOSED MERGER SET OUT IN SECTIONS 3 AND 4 RESPECTIVELY OF THIS CIRCULAR ARE FOR INFORMATION ONLY AND NO ACTION IS REQUIRED.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDIX CONTAINED HEREIN BEFORE VOTING ON THE ORDINARY RESOLUTION TO GIVE EFFECT TO THE PROPOSED RIGHTS ISSUE AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED RIGHTS ISSUE

2.1 Basis and quantum

AFFIN proposes to undertake the Proposed Rights Issue to raise the Intended Gross Proceeds which is to be primarily used for the partial repayment of the bridge loans obtained to fund the Proposed Acquisition. Further details of the bridge loans are set out in Section 2.6 of this Circular.

The Proposed Rights Issue will be fully underwritten. The entitlement basis for the Proposed Rights Issue and the issue price have not been fixed at this juncture. The entitlement basis will be determined in conjunction with the fixing of the issue price closer to the implementation of the Proposed Rights Issue as further elaborated in Section 2.2 below. This will provide flexibility to the Board to determine the entitlement basis and number of shares to be issued such that the Company's objective of raising the Intended Gross Proceeds can be met.

Notwithstanding the above, the Intended Gross Proceeds have been determined upfront to provide clarity to AFFIN's shareholders with respect to the capital outlay required to fully subscribe for their respective entitlements under the Proposed Rights Issue, which can be approximated by multiplying the Intended Gross Proceeds with their respective percentage shareholdings in AFFIN.

For illustration purposes, based on 1,494.6 million AFFIN Shares in issue as at LPD, the capital outlay required from a shareholder holding 1,000 AFFIN Shares who wishes to subscribe for his/her entitlement is approximately RM836¹ (based on the Intended Gross Proceeds). The actual outlay required by the Entitled Shareholders to fully subscribe for their entitlements under the Proposed Rights Issue will depend on their shareholdings in AFFIN on the Entitlement Date and the level of subscription for the Rights Shares by the Entitled Shareholders.

The Proposed Rights Issue is renounceable in full or in part. Accordingly, the Entitled Shareholders can subscribe for and/or renounce their entitlements to the Rights Shares in full or in part.

The Rights Shares will be provisionally allocated to the Entitled Shareholders. Fractional entitlements under the Proposed Rights Issue, if any, shall be disregarded and will be dealt with in a fair and equitable manner as the Board in its absolute discretion deems fit and in the best interest of AFFIN and its shareholders.

The Rights Shares which are not taken up or validly taken up by the Entitled Shareholders shall be made available for the excess applications by the other Entitled Shareholders and/or their renounee(s). It is the intention of the Board to allocate the excess Rights Shares, if any, in a fair and equitable manner on a basis to be determined by the Board and announced later by AFFIN.

The full details of the Proposed Rights Issue will be set out in the abridged prospectus. The abridged prospectus together with the accompanying documents in relation to the Proposed Rights Issue will not be sent to the shareholders whose addresses in the Company's Record of Depositors are not in Malaysia to avoid any violation on the part of the Company of any securities laws applicable outside Malaysia.

2.2 Basis and justification of determining issue price of the Rights Shares

The issue price for the Rights Shares will be fixed, and accordingly the entitlement basis will be determined, by the Board and announced closer to the implementation of the Proposed Rights Issue, after taking into consideration, amongst others, the then prevailing market conditions and market price of the AFFIN Shares, AFFIN's issued and paid up share capital as at the entitlement date as well as the resultant TERP of the AFFIN Shares. The issue price of the Rights Shares shall in no event be lower than the par value of the AFFIN Shares of RM1.00 (in compliance with regulatory requirements).

The entitlement basis and the corresponding number of Rights Shares to be issued will be determined in conjunction with the fixing of the issue price such that approximately RM1,250 million is raised. It is the intention of the Board to fix an entitlement basis which will minimise the occurrence of odd lots and fractional entitlements.

¹ Based on the following:

Intended Gross Proceeds / No. of AFFN Shares in issue x 1,000
= RM1,250 million / (1,494.6 million) x 1,000 ≈ RM836

For illustration purposes only, below are the illustrative issue price and the entitlement basis based on a minimum discount of 15% to maximum discount of 35% to the TERP of AFFIN Shares:

	Scenario A	Scenario B	Scenario C
TERP (RM per AFFIN Share) ⁽¹⁾	3.96	3.83	3.66
Discount to TERP	15%	25%	35%
Illustrative issue price (RM per AFFIN Share)	3.36	2.87	2.38
Illustrative entitlement basis (approximate)	100 Rights Shares for every 402 existing AFFIN Shares held	125 Rights Shares for every 429 existing AFFIN Shares held	100 Rights Shares for every 284 existing AFFIN Shares held
Illustrative no. of Rights Shares to be issued (million)	371.8	435.5	526.0
Gross proceeds to be raised (RM' million)	1,250.0	1,250.0	1,250.0

Note:

(1) Based on 5-day VWAMP of AFFIN Shares up to the LPD of RM4.11.

The Board deems the indicative discount range of 15% to 35% to be reasonably attractive and is generally in line with the market discount rates for rights issue exercises in Malaysia.

The issue price and entitlement basis shown above are purely for illustration purposes only and should not be taken as an indication or reference to the final issue price or the entitlement basis.

2.3 Ranking of the Rights Shares

The Rights Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing AFFIN Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/or other forms of distributions that may be declared, made or paid in respect of which the entitlement date is before the allotment date of the Rights Shares.

2.4 Shareholders' undertaking and underwriting

The Proposed Rights Issue is intended to be undertaken on a full subscription basis.

The Major Shareholders have provided their Undertakings to subscribe in full for their respective entitlement for the Rights Shares. Further, they have provided the undertakings that they will not apply for additional Rights Share(s) in excess of their respective entitlements in view of the current public shareholding spread level of AFFIN of 20.55% as at LPD. Pursuant to the said undertakings, the Proposed Rights Issue will not affect the public shareholding spread level of AFFIN.

The shareholdings of the Major Shareholders and the amount of their full respective entitlements for the Rights Shares under the Proposed Rights Issue are set out as follows:

Major Shareholders	Shareholdings as at LPD		Entitlement amount⁽¹⁾	
	No. of AFFN Shares (million)	(%)	(RM' million)	(%)
LTAT	525.8	35.2	439.8	35.2
BHB	309.2	20.7	258.6	20.7
BEA	351.5	23.5	294.0	23.5
Total	1,186.5	79.4	992.4	79.4

(1) Based on the Intended Gross Proceeds of RM1,250 million.

The number of Rights Shares and percentages of the Major Shareholders' entitlements for the Rights Shares will only be known upon fixing of the issue price. For illustrative purpose, the number of Rights Shares and percentages of the Major Shareholders' entitlements for the Rights Shares based on the various scenarios set out in Section 2.2 of this Circular are as below:

	Scenario A		Scenario B		Scenario C	
	No. of Rights Shares (million)	% of total Rights Shares	No. of Rights Shares (million)	% of total Rights Shares	No. of Rights Shares (million)	% of total Rights Shares
LTAT	130.9	35.2	153.3	35.2	185.2	35.2
BHB	77.0	20.7	90.1	20.7	108.9	20.7
BEA	87.4	23.5	102.3	23.5	123.6	23.5

The remaining portion of Rights Shares, i.e RM257.6 million or 20.6% of the Intended Gross Proceeds, for which no undertaking is obtained will be fully underwritten by a consortium of underwriters to be appointed at a later date upon determination of the issue price of the Rights Shares. Such underwriting arrangement will be in place prior to the implementation of the Proposed Rights Issue, details of which will be set out in the Abridged Prospectus to be issued in connection with the Proposed Rights Issue.

The Major Shareholders have confirmed via their Undertakings that they have sufficient financial resources to pay for the Rights Shares and will make full payment for the Rights Shares upon subscription. AFFIN Investment has verified the sufficiency of financial resources of the Major Shareholders to subscribe for their respective number of Rights Shares undertaken based on the above.

2.5 Listing of and quotation for the Rights Shares

Bursa Securities had vide its letter dated 27 March 2014 granted its approval for the listing of and quotation for up to 526,000,000 Rights Shares pursuant to the Proposed Rights Issue.

2.6 Utilisation of proceeds raised from the Proposed Rights Issue

The Intended Gross Proceeds are proposed to be used for the partial repayment of the bridge loans obtained to fund the Proposed Acquisition and for a RM200 million capital injection into AFFIN Bank as follows:

	Timeframe for utilisation ⁽¹⁾	<u>RM'million</u>
Capital injection into AFFIN Bank ⁽²⁾	Within 1 month	200.0
Partial repayment of the bridge loans to be obtained to fund the Proposed Acquisition ⁽³⁾⁽⁴⁾	Within 1 month	1,050.0
Total		<u>1,250.0</u>

Notes:

- (1) From the date of listing of the Rights Shares.
- (2) To fund future growth for the existing businesses of AFFIN Bank.
- (3) The bridge loans of RM1,400 million will be drawn on Closing to fund the Proposed Acquisition which is expected to take place in early April 2014. The bridge loans will be for a tenure of 1 year from the date of drawdown and the interest cost payable on the bridge loans is based on the lenders' cost of funds plus 0.75% per annum. The repayment of the bridge loans will result in interest savings of approximately RM32 million assuming completion of the Proposed Rights Issue in early June 2014 and an interest cost of 4.1% per annum.
- (4) The purchase consideration for the Proposed Acquisition is assumed at the Base Price. The amount in excess of the Base Price, being the NA Adjustment (if any) will be paid by AFFIN through existing cash. Please refer to Section 3.1 of this Circular for further details of the Proposed Acquisition.

Expenses relating to the Proposed Rights Issue will be funded from internally generated funds.

2.7 Implications of the Code

Shareholder's attention is drawn to Section 9(1) of Part III of the Code and Section 217 of the CMSA. In particular, shareholders should note that they will be under an obligation to extend a take-over offer for the remaining AFFIN Shares not already owned by them and persons acting in concert with them if:

- (i) they acquire or hold or control, whether by virtue of the Rights Share or otherwise, AFFIN Shares which (together with AFFIN Shares already owned or acquired by them or persons acting in concert with them) carry more than 33% of the voting rights of the Company; or
- (ii) shareholders, together with persons acting in concert with them, hold more than 33% but not more than 50% of the voting rights of the Company, and either alone or together with persons acting in concert with them, acquire additional AFFIN Shares by virtue of the Rights Shares or otherwise in any period of 6 months, increasing such percentage of the voting rights by more than 2%.

In view of the underwriting arrangement to be made by the Company as well as the Undertakings, there will not be any take-over obligations triggered under the Code. However, in the event if an obligation to undertake a take-over offer is expected to arise resulting from your subscription of the Rights Shares, you may make an application to the SC for a waiver from the obligation to undertake a take-over offer pursuant to the Code prior to subscription of the Rights Shares.

2.8 Entitled Shareholders with Foreign address

An abridged prospectus together with the accompanying documents (collectively, the "**Documents**") which will be issued in due course, in connection with the Proposed Rights Issue are not and will not be made to comply with the laws of any countries or jurisdictions other than Malaysia, and have not and will not be registered under any applicable securities legislation of any countries or jurisdictions other than Malaysia, and the Proposed Rights Issue will not be offered for purchase or subscription in any countries or jurisdictions other than Malaysia.

Accordingly, the Documents will only be sent to the Entitled Shareholders who have a registered address or an address for service in Malaysia as registered in AFFIN's Record of Depositors as at the Entitlement Date. Foreign Addressed Shareholders who wish to provide Malaysia addresses should inform their respective stockbrokers to effect the change of address prior to the Entitlement Date.

Alternatively, such Foreign Addressed Shareholders may choose to collect the Documents from AFFIN's Registrar who shall be entitled to request for such evidence as they deem necessary to satisfy themselves as to the identity and authority of the person collecting the Documents.

AFFIN will not make or be bound to make any enquiry as to whether the entitled shareholders have a registered address other than as stated in AFFIN's Record of Depositors as at the Entitlement Date and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith.

Foreign Addressed Shareholders may only exercise their rights in respect of the Proposed Rights Issue to the extent that it would be lawful to do so, and AFFIN and/or AFFIN Investment would not, in connection with the Proposed Rights Issue, be in breach of the laws of any country or jurisdiction to which the Foreign Addressed Shareholders and/or their renouncee(s) might be subject to.

Foreign Addressed Shareholders will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such foreign country or jurisdiction and AFFIN shall be entitled to be fully indemnified and held harmless by such foreign applicants for any issue, transfer or any other taxes or duties as such person may be required to pay. They will have no claims whatsoever against AFFIN, AFFIN's Registrar and/or AFFIN Investment in respect of their rights or entitlements under the Proposed Rights Issue. Such applicants should also consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to exercise their rights in respect of the Proposed Rights Issue.

Foreign Addressed Shareholders shall be solely responsible to seek advice as to the laws of any jurisdiction to which they may be subject, and participation by the Foreign Addressed Shareholders in the Proposed Rights Issue shall be on the basis of a warranty by them that they may lawfully so participate without AFFIN and/or AFFIN Investment Bank being in breach of the laws of any jurisdiction.

Neither AFFIN, AFFIN Investment Bank nor any other advisers to the Proposed Rights Issue shall accept any responsibility or liability in the event that any acceptance of a Foreign Addressed Shareholder of his/her rights in respect of the Proposed Rights Issue is or shall become illegal, unenforceable, voidable or void in any country or jurisdiction.

AFFIN reserves the right in its absolute discretion to treat any acceptance as being invalid if the Company believes or has reason to believe that such acceptance may violate applicable legal or regulatory requirements.

3. INFORMATION ON THE PROPOSED ACQUISITION

3.1 Details of the Proposed Acquisition

The Proposed Acquisition entails the acquisition of the Hwang IB Shares held by Hwang-DBS and the acquisition of the Minority Shares held by the Minority Shareholder for the Base Price to be fully satisfied in cash.

Prior to the implementation of the Proposed Acquisition, Hwang-DBS will undertake the Pre-Closing Reorganisation involving the following:

- (a) transfer by Hwang-DBS of its 100% interest in HDM Futures to Hwang IB;
- (b) transfer by Hwang-DBS of its 53% interest in Hwang IM to Hwang IB;
- (c) transfer by Hwang-DBS of its 49% interest in AIIM to Hwang IB; and
- (d) transfer by Hwang IB of its 100% interest in HwangDBS Custodian Services Sdn Bhd and its 51% interest in HwangDBS Vickers Research Sdn Bhd to Hwang-DBS.

Following the Pre-Closing Reorganisation, AFFIN will acquire the Hwang IB Shares and the Minority Shares for the Purchase Price (being the Base Price of RM1,363 million adjusted for the NA Adjustment and other adjustment as outlined below) to be fully satisfied in cash.

The Base Price of RM1,363 million comprises:

- (i) RM1,088.00 million for 100% interest in Hwang IB (including 100% interest in HDM Nominees (Tempatan) Sdn Bhd and 100% interest in HDM Nominees (Asing) Sdn Bhd, and excluding the Excluded Companies);
- (ii) RM262.00 million for the aggregate of 70% interest in Hwang IM² ((including the Minority Shares) and 49% interest in AIIIM; and
- (iii) RM13.00 million for 100% interest in HDM Futures.

The Base Price is subject to adjustments as contemplated in the SPA as set out below:

- (i) NA adjustment
 - (a) In the case where the aggregate NA of the Acquisition Entities (excluding the Minority Shares) as at the month end prior to Closing Date has fallen by 3% or more below the Benchmark, the Purchase Price shall be the Base Price adjusted by a reduction equal to the differential value between the Shortfall and RM700,000.
 - (b) In the case where the aggregate NA of the Acquisition Entities (excluding the Minority Shares) as at the month end prior to Closing Date has increased by 3% or more above the Benchmark, the Purchase Price shall be the Base Price adjusted by an increase equal to the differential value between (a) the Surplus and (b) RM11,300,000.

Such adjustment shall be referred to as the “**NA Adjustment**”.

The threshold of 3% in determining the NA Adjustment had been commercially agreed between AFFIN and Hwang-DBS which is deemed as the materiality limit for any subsequent adjustment to the initial price agreed.

Any Shortfall will be paid by Hwang-DBS to AFFIN or any Surplus will be paid by AFFIN to Hwang-DBS, in either case within 5 business days after determination by the auditors of the aggregate NA value of the Target Companies multiplied by the shareholding percentage held by Hwang-DBS (or Hwang IB after the Pre-Closing Reorganisation after completion of the SPA).

- (ii) Other adjustment

In circumstances other than that stipulated under Section 3.1(i) above, the Purchase Price shall be the Base Price adjusted by an increase equal to RM700,000. This is illustrated as follows:

$$\begin{aligned} \text{Purchase Price} &= \text{Base Price} + \text{RM700,000} \\ &= \text{RM1,363 million} + \text{RM700,000} \\ &= \text{RM1,363.7 million} \end{aligned}$$

The adjustment of RM700,000 is for the reimbursement of part of the costs and expenses of the Pre-Closing Reorganisation that Hwang IB underwent prior to the completion of the transaction whereby the amount of RM700,000 was an amount which Hwang-DBS had requested for and AFFIN had agreed to bear.

² Consideration for the Minority Shares is RM62.64 million.

The Proposed Acquisition is subject to the following approvals being obtained:

- (i) the approval of the MOF (through BNM) and BNM, which was obtained on 10 January 2014;
- (ii) the approval of the shareholders of Hwang-DBS in respect of the disposal of the Hwang IB Shares at their EGM to be convened on 27 March 2014;
- (iii) the SC for the exemption to AFFIN from the obligation to undertake a mandatory offer for the remaining 30% voting shares in Hwang IM not already owned by AFFIN (via Hwang IB) after the Proposed Acquisition under paragraph 20.1 of Practice Note 9 of the Code, which was obtained on 3 March 2014;
- (iv) the approval of the SC for a change in the shareholding of Hwang IB resulting in a change of its controller pursuant to the Licensing Handbook, which was obtained on 13 January 2014;
- (v) the approval of the SC for a change in the shareholding of Hwang IM resulting in a change of its controller pursuant to the Licensing Handbook, which was obtained on 21 January 2014;
- (vi) the approval of the SC for a change in the shareholding of AllIM resulting in a change of its controller pursuant to the Licensing Handbook, which was obtained on 21 January 2014;
- (vii) the approval of the SC for a change in the shareholding of HDM Futures resulting in a change of its controller pursuant to the Licensing Handbook, which was obtained on 21 January 2014; and
- (viii) the approval of MAS for the Pre-Closing Reorganisation and the subsequent sale of the Hwang IB Shares by Hwang-DBS, upon the terms and conditions of the SPA which was obtained on 22 November 2013.

The Proposed Acquisition is not subject to the approval of the shareholders of AFFIN. As at the date of this Circular, all the other conditions precedent have been fulfilled. The SPA is expected to become unconditional in early April 2014 and thereafter completion shall take place on the Closing Date.

3.2 Basis of and justification for the Base Price

The Base Price was arrived at on a “willing buyer-willing seller” basis after taking into consideration the following:

- (a) the financial performance, earnings potential and future prospects of the Acquisition Entities;
- (b) the strategic rationale for the Proposed Acquisition and the potential synergistic benefits (as disclosed in Section 3.3 below) arising from the combination of AFFIN and the Acquisition Entities;
- (c) the precedent transactions involving the acquisition of comparable investment banking companies in Malaysia as set out below; and
- (d) the precedent transactions involving the acquisition of comparable and asset management companies in Malaysia and the Asia Pacific region as set out below:

(i) **Justification for the base price of RM1,088.00 million for Hwang IB**

The base price of RM1,088.00 million for 100% interest in Hwang IB represents a price to book multiple of 1.28 times, based on the unaudited NA as at 31 January 2013 (being the reference date for determining the NA Adjustment) of approximately RM849.26 million³, and is within the range of precedent investment banking transactions in Malaysia as shown below:

Acquirer	Target	Date	Stake Acquired (%)	Price (RM'million)	(¹)PBR (times)	Payment (²)(% cash)
AFFIN	Hwang IB	January 2014	100	1,088.00	(³)1.28	100
Southern Bank Berhad	Mohaiyani Securities Sdn Bhd	October 2003	100	82.27	1.70	70
South Peninsular Industries Berhad	BBMB Securities Sdn Bhd	October 2003	100	172.29 ⁽⁴⁾	(⁴)1.59	100
EON Capital Berhad	Leong and Company Sdn Bhd	March 2004	100	170.00	1.70	100
Alliance Bank Malaysia Berhad (formerly known as Malaysian Plantations Berhad)	Kuala Lumpur City Securities Sdn Bhd and related companies	June 2004	100	273.00	1.30	100
HLG Capital Berhad	SBB Securities Sdn Bhd	October 2007	100	(⁵)77.00	1.35	100
RHB Capital Berhad	OSK Investment Bank Berhad	May 2012	100	1,950.70	1.77	8
Kenanga Investment Bank Berhad	ECM Libra Investment Bank Berhad	June 2012	100	(⁶)875.11	(⁶)1.27	(⁶)75
				Mean	1.53	
				Median	1.59	

³ Being the adjusted NA of RM849.26 million for 100% interest in Hwang IB (including 100% interest in HDM Nominees (Asing) Sdn Bhd, and 100% interest in HDM Nominees (Tempatan) Sdn Bhd but excluding 100% interest in HwangDBS Custodian Services Sdn. Bhd. and 51% interest in HwangDBS Vickers Research Sdn. Bhd.) as at 31 January 2013.

Source: Company filings, Factiva, Bloomberg.
Exchange rates sourced from FactSet at the date of the announcement of the respective transactions.

Notes:

NM = Not Meaningful.

PER = Price-to-Earnings Ratio.

PBR = Price-to-Book Value Ratio.

Notes:

(1) Based on latest quarterly financial statements available prior to the transaction.

(2) Balance to 100% paid in newly issued acquirer shares.

(3) As at 31 January 2013. Book value adjusted to exclude 100% of HwangDBS Custodian Services Sdn Bhd and 51% of HwangDBS Vickers Research Sdn Bhd.

(4) Price paid by South Peninsular Industries Berhad and shareholders' equity exclude RM20 million dividend paid to Khazanah Nasional Berhad, a seller.

(5) Price based on indicative RM77 million price after taking into consideration the latest book value of SBB Securities Sdn Bhd and a capital repayment exercise, plus a premium of RM20 million.

(6) Based on FYE 31 January 2012 financial information and purchase consideration as disclosed in the shareholders' circular.

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(ii) **Justification for the base price of RM262.00 million for Hwang IM and AIIM**

The base price of RM262.00 million for 70% interest in Hwang IM (including the Minority Shares) and 49% interest in AIIM, represents a price to AUM percentage of 1.81%, based on the combined AUM of Hwang IM and AIIM as at 31 January 2013 (being the reference date for determining the NA Adjustment) of approximately RM20.86 billion; and is within the range of the price to AUM percentage of the precedent asset management transactions in Malaysia and the Asia Pacific region⁴ as shown below:

Acquirer	Target	Date	Stake acquired (%)	Price (RM'million)	(⁽¹⁾ AUM (RM'billion))	(⁽²⁾ Price / AUM (%))	Payment (⁽³⁾ % cash)
AFFIN	Hwang IM and AIIM	January 2014	70 / 49	262.00	(⁽⁴⁾20.86	(⁽⁴⁾1.81	100
Outside Malaysia							
Sumitomo Mitsui Trust Holdings	Nikko	July 2009	99	4,151.88	325.71	1.29	100
Pacific Century	PineBridge	September 2009	100	1,762.75	307.78	0.57	100
Nikko	DBS Asset Management	December 2010	100	330.04	22.40	1.47	(⁽⁵⁾)
Within Malaysia							
KAF-Seagrott & Campbell Berhad	Alliance Investment Management Berhad	September 2012	70	12.25	2.15	0.81	100
OCBC Capital (Malaysia)	Pacific Mutual Berhad ⁽⁶⁾	December 2012	85	40.34	1.98	2.40	36
Manulife Holding Berhad	MAAKL Mutual Berhad	November 2013	100	96.48	2.40	4.02	100
Outside Malaysia mean							
Outside Malaysia median							
1.11							
1.29							
Within Malaysia mean							
2.41							
Within Malaysia median							
2.40							

⁴ The precedent asset management transactions in the Asia Pacific region were also considered due to the limited transactions available in Malaysia.

Source: Company filings, SDC, FactSet.
Exchange rates sourced from FactSet at the date of announcement of the respective transactions.

Notes:

NM = Not Meaningful.

AUM = Assets Under Management.

Price / AUM = Price as a percentage of AUM.

- (1) Based on latest available AUM prior to the transaction.
- (2) Based on purchase price, with no adjustment for existing cash and debt on balance sheet, due to the lack of information available for all comparable transactions.
- (3) Balance to 100% paid in newly issued acquirer shares.
- (4) Combined AUM of Hwang IM and AIM as at 31 January 2013.
- (5) DBS Bank Ltd. used the proceeds to acquire a 7.25% interest in Nikko, thus allowing DBS Bank Ltd. to participate in the future growth of the combined business.
- (6) Vendor of Pacific Mutual Fund Berhad (85%) was PacificMas Berhad which is also controlled.

(iii) Justification for the base price of RM13.00 million for HDM Futures

The base price of RM13.00 million for 100% interest in HDM Futures, represents a price to book multiple of approximately 1.00 time, based on the unaudited NA as at 31 January 2013 (being the reference date for determining the NA Adjustment) of approximately RM12.59 million.

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3.3 Rationale for the Proposed Acquisition and Proposed Merger

Over the last few years, the Malaysian investment banking industry has experienced consolidation, with larger players aggressively increasing their scale of operations through inorganic growth and to secure leading positions in their respective businesses.

In view of the above, the Proposed Acquisition provides an opportunity for AFFIN Investment to increase the scale of its businesses in the stockbroking and asset management businesses and broaden its customer reach in Malaysia. The Proposed Acquisition will transform AFFIN Investment's existing investment banking franchise, adding a suite of complementary strengths and capabilities to drive its strategic plan to become a leading independent bank-backed investment bank in Malaysia. The Proposed Acquisition will drive AFFIN's vision to become Malaysia's preferred one stop financial services provider.

The combination will substantially strengthen AFFIN's competitive position in Malaysia by:

- Creating a top two brokerage house in Malaysia in terms of both trading value and volume traded, with approximately 10.78% and 14.42% combined market share respectively (based on Bursa Securities equity transactions from January to December 2013);
- quadrupling its distribution network of 25 branches and 770 remisiers (from the existing 6 branches and 218 remisiers) which would enable the combined entity to expand its market reach; and
- creating a top five asset management company in Malaysia (based on AUM), with pro forma combined AUM of RM27.9 billion.

The Proposed Acquisition will also bring about synergistic benefits to be derived from the integration of AFFIN Investment and Hwang IB which include, amongst others, cross-selling opportunities, knowledge sharing of best practices and improved efficiency resulting from scale optimisation as well as Hwang IB's distribution and proprietary platforms, wide range of broking and asset management products and fund management capabilities. AFFIN Investment also intends to leverage on the management team and employees of the Hwang-DBS Businesses to grow its investment banking franchise.

As a result of the Proposed Acquisition, AFFIN will be able to further grow its investment banking franchise through the addition of the collective experience and expertise of Hwang-DBS businesses' management team and employees and it is also expected to enhance AFFIN Group's branding in the local investment banking and asset management businesses.

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3.4 Information on the Acquisition Entities

(i) Hwang IB

(a) Background information

Hwang IB was incorporated in Malaysia as a private unlimited company on 26 April 1973 and converted into a public company on 24 September 1996.

Hwang IB is a Participating Organisation of Bursa Securities and was granted Universal Broker status in August 2001. On 28 December 2006, BNM and SC had acceded to Hwang IB's application to be a full-fledged Merchant Bank. On 26 December 2006, Minister of Finance II had granted a merchant banking license to Hwang IB which is effective from 25 January 2007. Hwang IB assumed its present name on 8 May 2007.

Hwang IB is principally involved in investment banking, stockbroking and related financial services. The subsidiaries of Hwang IB are involved in provision of nominee services to local and foreign clients and provision of research and stock analysis.

(b) Authorised, issued and paid-up share capital

The authorised, issued and paid-up share capital of Hwang IB as at 31 January 2014 are as follows:

	No. of shares	Total RM
Authorised share capital		
Ordinary shares of RM1.00 each	600,000,000	600,000,000
Issued and fully paid up share capital		
Ordinary shares of RM1.00 each	500,000,000	500,000,000

(c) Substantial shareholder

As at 31 January 2014, the shareholder of Hwang IB is as follows:

Name	Country of incorporation	Direct		Indirect	
		No. of shares	%	No. of shares	%
Hwang-DBS	Malaysia	500,000,000	100	-	-

Upon completion of the Proposed Acquisition, Hwang IB will be wholly owned by AFFIN.

(d) Board of directors

The particulars of the directors of Hwang IB as at 31 January 2014 are as follows:

Name	Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
Y.A.M. Tengku Syarif Bendahara Perlis Syed Badarudin Jamalullail Ibni Almarhum Tuanku Syed Putra Jamalullail <i>(Independent Non-Executive Chairman)</i>	Malaysian	-	-	-	-
Hwang Lip Teik <i>(Non-Independent Non-Executive Director)</i>	Malaysian	-	-	⁽¹⁾ 500,000,000	100
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar <i>(Non-Independent Non-Executive Director)</i>	Malaysian	-	-	-	-

Name	Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
Ang Teik Siew (Ang Teik Lim Eric) <i>(Non-Independent Non-Executive Director)</i>	Singaporean	-	-	-	-
Ng Wai Hung Andrew <i>(Non-Independent Non-Executive Director)</i>	Singaporean	-	-	-	-
Choe Tse Wei <i>(Non-Independent Non-Executive Director)</i>	Singaporean	-	-	-	-
Mohamed Tarmizi Tun Dr. Ismail <i>(Independent Non-Executive Director)</i>	Malaysian	-	-	-	-
Teoh Teik Kee <i>(Non-Independent Non-Executive Director)</i>	Singaporean	-	-	-	-
Tham Kwok Meng <i>(Independent Non-Executive Director)</i>	Malaysian	-	-	-	-

Note:

(1) *Deemed interested by virtue of Section 6A(4) of the Act held through Hwang-DBS.*

In accordance with the terms of the SPA, the existing board of directors of Hwang IB will resign and be substituted on Closing.

(e) Financial record

The summary of the financial information of Hwang IB based on the audited financial statements of Hwang IB for the past 3 FYE 31 July 2011 to 2013 and 3 month FPE 31 October 2013 are as follows:

	Unaudited	<----->	Audited	----->
	31 October	31 July	Restated	Restated
FYE/FPE	2013	2013	31 July	31 July
	(RM'000)	(RM'000)	2012*	2011*
Net interest income	12,850	49,232	49,875	56,855
Other operating income	23,844	102,808	128,718	138,762
Net operating income	36,694	152,040	178,593	195,617
PBT	8,847	38,755	67,238	74,937
PAT	6,435	30,044	50,776	56,490
No. of ordinary shares ('000)	500,000	500,000	500,000	500,000
Gross EPS (sen) ⁽¹⁾	1.77	7.75	13.45	14.99
Net EPS (sen) ⁽²⁾	1.29	6.01	10.16	11.30
Shareholder's funds / NA	877,041	866,463	861,360	835,691
NA per share (RM) ⁽³⁾	1.75	1.73	1.72	1.67

Notes:

* Restated as a result of adoption of new Malaysian Financial Reporting Standards ("MFRS") framework with retrospective application of MFRS 139, and adoption of Financial Reporting Standards Implementation Committee ("FSRIC") Consensus 18. The restated figures are extracted from the audited financial statements of Hwang IB for FYE 31 July 2013.

(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 shareholder's funds / NA divided by the number of ordinary shares in issue.

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(ii) **Hwang IM**

(a) 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 and provision of fund management services.

(b) Authorised, issued and paid-up share capital

The authorised, issued and paid-up share capital of Hwang IM as at 31 January 2014 are as follows:

	No. of shares	Total RM
Authorised share capital		
Ordinary shares of RM1.00 each	10,000,000	10,000,000
Issued and fully paid up share capital		
Ordinary shares of RM1.00 each	10,000,000	10,000,000

(c) Substantial shareholders

As at 31 January 2014, the substantial shareholders of Hwang IM are as follows:

Name	Nationality/ Country of incorporation	Direct		Indirect	
		No. of shares	%	No. of shares	%
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar	Malaysian	1,700,000	17	-	-
Nikko Asset Management Asia Limited	Singapore	3,000,000	30	-	-
HwangDBS	Malaysia	5,300,000	53	-	-

Upon completion of the Proposed Acquisition, Hwang IM will be 70% owned by Hwang IB and the remaining 30% will be owned by Nikko.

(d) Directors

The particulars of the directors of Hwang IM as at 31 January 2014 are as follows:

Name	Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
Hwang Lip Teik <i>(Non-Independent Non-Executive Director)</i>	Malaysian	-	-	⁽¹⁾ 5,300,000	53
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar <i>(Executive Director)</i>	Malaysian	1,700,000	17	-	-
Y.A.M. Tengku Syarif Bendahara Perlis Syed Badarudin Jamalullail Ibni Almarhum Tuanku Syed Putra Jamalullail <i>(Independent Non-Executive Director)</i>	Malaysian	-	-	-	-
Tham Kwok Meng <i>(Independent Non-Executive Director)</i>	Malaysian	-	-	-	-
Teng Chee Wai <i>(Chief Executive Officer & Executive Director)</i>	Malaysian	-	-	-	-

Name	Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
Blair Chilton Pickerell (Non-Independent Non-Executive Director)	United States	-	-	-	-
Seet Oon Hui Eleanor (Xue Enhui Eleanor) (Alternate Director to Blair Chilton Pickerell)	Singaporean	-	-	-	-

Note:

- (1) *Deemed interested by virtue of Section 6A(4) of the Act held through Hwang-DBS.*

The composition of the Board of Directors of Hwang IM is expected to change following the Proposed Acquisition.

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(e) Financial record

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

FYE	<-----	Audited	----->
	31 July 2013 (RM'000)	31 July 2012 (RM'000)	31 July 2011 (RM'000)
Operating revenue	183,948	111,905	71,452
PBT	40,160	23,045	13,144
PAT	31,395	18,675	10,350
No. of ordinary shares ('000)	10,000	10,000	10,000
Gross EPS (sen) ⁽¹⁾	4.02	2.30	1.31
Net EPS (sen) ⁽²⁾	3.14	1.87	1.04
Shareholder's funds / NA	79,481	53,127	39,073
NA per share (RM) ⁽³⁾	7.95	5.31	3.91
Current ratio (times)	1.35	1.38	1.66
Total borrowings ⁽⁴⁾	-	-	-
Gearing ratio ⁽⁴⁾ (times)	-	-	-

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 shareholder's funds / NA divided by the number of ordinary shares in issue.
- (4) Hwang IM has no interest bearing borrowings for the past 3 FYE 31 July 2011 to 2013.

The latest quarterly results of Hwang IM is not shown as it is not publicly available.

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(iii) **AIIM**

(a) Background information

AIIM was incorporated in Malaysia as a private limited company on 19 January 1993.

AIIM is an Islamic investment management company, principally focused on providing clients unique and innovative *Shariah* investment solutions that focus on Asian equities and global *Sukuk*.

(b) Authorised, issued and paid-up share capital

The authorised, issued and paid-up share capital of AIIM as at 31 January 2014 are as follows:

	No. of shares	Total RM
Authorised share capital		
Ordinary shares of RM1.00 each	10,000,000	10,000,000
Issued and fully paid up share capital		
Ordinary shares of RM1.00 each	10,000,000	10,000,000

(c) Substantial shareholders

As at 31 January 2014, the substantial shareholders of AIIM are as follows:

Name	Nationality/ Place of incorporation	Direct		Indirect	
		No. of shares	%	No. of shares	%
Nikko Asset Management Asia Limited	Singapore	5,100,000	51	-	-
HwangDBS	Malaysia	4,900,000	49	-	-

Upon completion of the Proposed Acquisition, AIIM will be 49% owned by Hwang IB and the remaining 51% will be owned by Nikko.

(d) Directors

The particulars of the directors of AIIM as at 31 January 2014 are as follows:

Name	Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
Hwang Lip Teik	Malaysian	-	-	⁽¹⁾ 4,900,000	49
<i>(Non-Independent Non-Executive Director)</i>					
Y.A.M. Tengku Syarif Bendahara Perlis Syed Badarudin Jamalullail Ibni Almarhum Tuanku Syed Putra Jamalullail	Malaysian	-	-	-	-
<i>(Independent Non-Executive Director)</i>					
Akmal Bin Hassan	Malaysian	-	-	-	-
<i>(Chief Executive Officer & Executive Director)</i>					
Blair Chilton Pickerell	United States	-	-	-	-
<i>(Non-Independent Non-Executive Director)</i>					
Seet Oon Hui Eleanor (Xue Enhui)	Singaporean	-	-	-	-
<i>(Alternate Director to Blair Chilton Pickerell)</i>					

Note:

- (1) Deemed interested by virtue of Section 6A(4) of the Act held through Hwang-DBS.

The composition of the Board of Directors of AIIM is expected to change following the Proposed Acquisition.

(e) Financial record

The summary of the financial information of AIIM based on the audited financial statements of AIIM for the FYE 31 March 2013, FPE 31 March 2012 and FYE 31 December 2010 are as follows:

	<----- 31 March 2013 (RM'000)	Audited 31 March 2012 [#] (RM'000)	-----> 31 December 2010 (RM'000)
FYE / FPE			
Operating revenue	6,307	4,796	2,905
PBT / Loss before taxation	1,464	347	(392)
PAT / Loss after taxation	1,430	295	(392)
No. of ordinary shares ('000)	10,000	10,000	10,000
Gross EPS / (Loss) per share (sen) ⁽¹⁾	14.64	3.47	(3.92)
Net EPS / (Loss) per share (sen) ⁽²⁾	14.30	2.95	(3.92)
Shareholder's funds / NA	8,465	7,024	6,729
NA per share (RM) ⁽³⁾	0.85	0.70	0.67
Current ratio (times)	11.58	37.43	11.89
Total borrowings ⁽⁴⁾	-	-	-
Gearing ratio ⁽⁴⁾ (times)	-	-	-

Notes:

FPE 31 March 2012 represents 15 months ended 31 March 2012 arising from the change in the financial year ended of AIIM from 31 December to 31 March

(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 shareholder's funds / NA divided by the number of ordinary shares in issue.

(4) AIIM has no interest bearing borrowings for the FYE 31 March 2013, FPE 31 March 2012 and FYE 31 December 2010.

The latest quarterly results of AIIM is not shown as it is not publicly available.

(iv) **HDM Futures**

(a) Background information

HDM Futures was incorporated in Malaysia as a private limited company on 16 February 1993.

HDM Futures is a wholly-owned subsidiary of Hwang-DBS and is a licensed futures broker dealing in options and futures.

(b) Authorised, issued and paid-up share capital

The authorised, issued and paid-up share capital of HDM Futures as at 31 January 2014 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

(c) Substantial shareholder

As at 31 January 2014, the substantial shareholder of HDM Futures is as follows:

Name	Country of incorporation	Direct		Indirect	
		No. of shares	%	No. of shares	%
HwangDBS	Malaysia	5,000,000	100	-	-

Upon completion of the Proposed Acquisition, HDM Futures will be wholly owned by Hwang IB.

(d) Directors

The particulars of the directors of HDM Futures as at 31 January 2014 are as follows:

Name	Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
Hwang Lip Teik	Malaysian	-	-	⁽¹⁾ 5,000,000	100
<i>(Non-Independent Non-Executive Director)</i>					
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar	Malaysian	-	-	-	-
<i>(Non-Independent Non-Executive Director)</i>					
Tai Siew Moi	Malaysian	-	-	-	-
<i>(Independent Non-Executive Director)</i>					

The composition of the Board of Directors of HDM Futures is expected to change following the Proposed Acquisition.

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(e) Financial record

The summary of the financial information of HDM Futures based on the audited financial statements of HDM Futures for the past 3 FYEs 31 July 2011 to 2013 are as follows:

FYE	<----- 31 July 2013 (RM'000)	Audited 31 July 2012 (RM'000)	-----> 31 July 2011 (RM'000)
Operating revenue	2,989	3,939	5,893
Loss before taxation / PBT	(1,426)	36	846
Loss after taxation / PAT	(1,341)	17	621
No. of ordinary shares ('000)	5,000	5,000	5,000
Gross (loss) / earnings per share (sen) ⁽¹⁾	(28.52)	*	16.92
Net (loss) / earnings per share (sen) ⁽²⁾	(26.82)	*	12.42
Shareholder's funds / NA	16,345	17,686	17,669
NA per share (RM) ⁽³⁾	3.27	3.54	3.53
Current ratio (times)	1.32	1.21	1.25
Total borrowings ⁽⁴⁾	-	-	-
Gearing ratio ⁽⁴⁾ (times)	-	-	-

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 shareholder's funds / NA divided by the number of ordinary shares in issue.
(4) HDM Futures has no interest bearing borrowings for the past 3 FYE 31 July 2011 to 2013.

The latest quarterly results of HDM Futures is not shown as it is not publicly available.

3.5 Source of funds

The Purchase Price will be initially funded via bridge loans of RM1,400 million and internally generated funds (if required).

The bridge loans will be repaid from the proceeds of the Proposed Rights Issue and internally generated funds.

3.6 Assumption of liabilities

Save as provided in the SPA, there are no liabilities, including contingent liabilities and guarantees to be assumed by AFFIN upon the completion of the Proposed Acquisition.

3.7 Estimated additional financial commitments

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

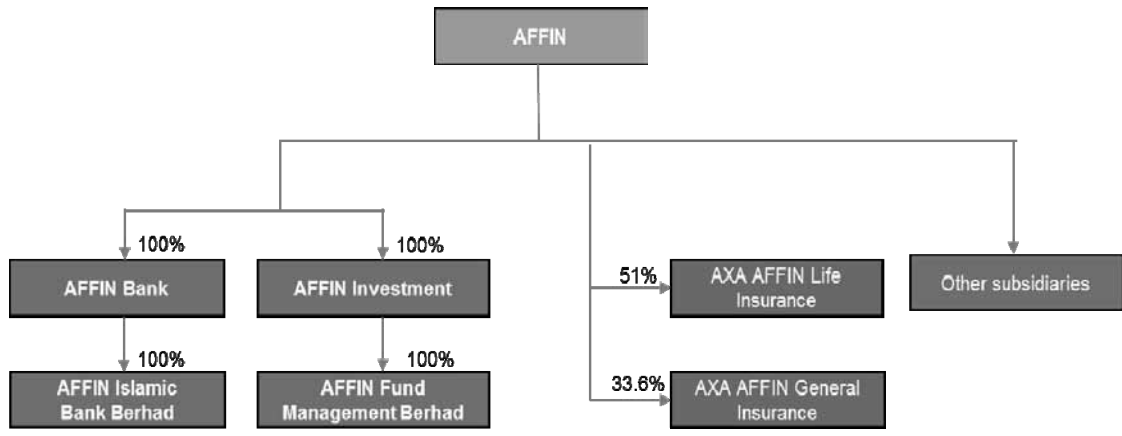
4. INFORMATION ON THE PROPOSED MERGER

Upon the completion of the Proposed Acquisition, AFFIN will undertake the Proposed Merger whereby the businesses of AFFIN Investment and Hwang IB shall be merged by way of a transfer of AFFIN Investment’s entire business as a going concern (including the whole of the assets, liabilities and business undertakings of AFFIN Investment) to Hwang IB by way of a vesting order to create the Merged Investment Bank.

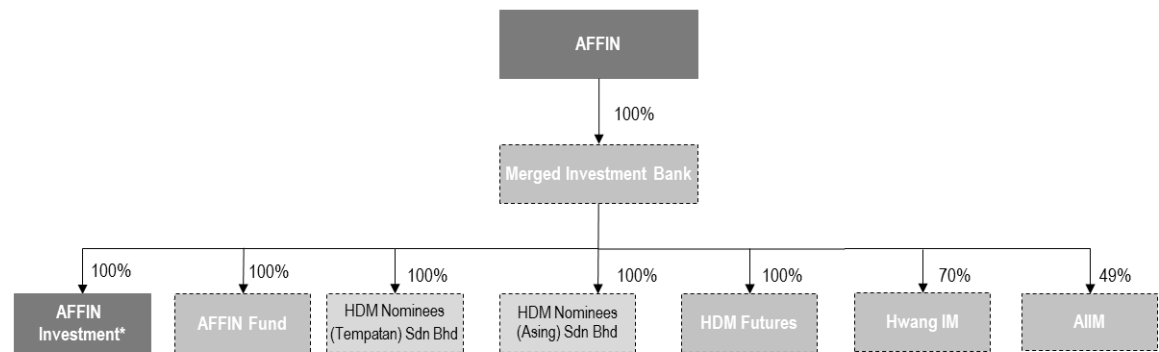
5. CORPORATE STRUCTURE

The corporate structure of AFFIN before and after the Proposed Acquisition and Proposed Merger are depicted below.

Before



After



Note:

The structure above excludes other subsidiaries of AFFIN Group

* AFFIN Investment will be a shell company after the Proposed Merger.

6. RATIONALE FOR THE PROPOSED RIGHTS ISSUE

After due consideration of the various funding options available to the Company, the Board is of the view that the Proposed Rights Issue is the most appropriate avenue of fund raising for AFFIN:

- (i) to primarily enable AFFIN to raise the required capital in partially repay the bridge loans obtained to fund the Proposed Acquisition;
- (ii) to provide existing shareholders of AFFIN with an opportunity to maintain their equity interest in the Company as well as increase their equity participation at a discount to the prevailing market price of AFFIN Shares and ultimately, participate in the prospects and future growth of AFFIN; and
- (iii) to further strengthen the capital position and consequently improve the shareholders' funds and gearing of AFFIN which will provide greater flexibility in optimising the capital structure of AFFIN in the future. This will place AFFIN in a better position to take advantage of growth and business opportunities from the enlarged investment banking operations following the Proposed Acquisition and Proposed Merger as well as the opportunities in commercial banking activities through AFFIN Bank and AFFIN Islamic Bank Berhad.

7. INDUSTRY REVIEW AND FUTURE PROSPECTS

7.1 Overview of the Malaysian Economy

The Malaysian economy has been making commendable progress since the launch of the transformation agenda in 2010 and is on track to become a high-income and developed nation by 2020. GDP growth has been strong with low unemployment and manageable inflation. As a result of the transformation agenda as well as other initiatives, domestic demand, particularly private investment and consumption, has increasingly been the driver of growth. Meanwhile, the export structure has become diversified with higher intra-regional trade. With a more balanced economic structure, Malaysia was able to achieve a steady growth of 4.2% in the first half of 2013, despite the increasingly volatile and challenging global economic environment. Given the resilience of the domestic economy and better growth prospects in the US, Japan and China during the second half of the year, the Malaysian economy is expected to expand at a firmer pace in the second half and to achieve 4.5% — 5% in 2013. Growth is supported by strong macroeconomic fundamentals as well as accommodative monetary and fiscal policies.

(Source: Economic Report 2013/2014)

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Global economic activity improved in the fourth quarter amid the gradual recovery in the major economies. Despite lingering fiscal uncertainties, the US economy registered stronger growth as consumption and investment improved. In the euro area, modest improvements in exports supported growth, but structural and fiscal issues weighed down domestic demand. Growth across Asia continued as moderating domestic demand was offset by better export performance. Similarly, the Malaysian economy expanded by 5.1% in the fourth quarter of 2013 (3Q 2013: 5.0%), supported by private sector demand and improvement in exports. On the supply side, the major economic sectors grew further, supported by both domestic and trade activities. On a quarter-on-quarter seasonally adjusted basis, the economy recorded a growth of 2.1% (3Q 2013: 1.7%). For the year 2013, the Malaysian economy grew by 4.7%.

For the Malaysian economy, domestic demand will remain supportive of growth. While domestic demand is expected to moderate following the on-going fiscal consolidation, the external sector is expected to benefit from the improving global conditions. The growth momentum is therefore expected to remain on a steady trajectory.

(Source: BNM Quarterly Bulletin for the 4th quarter of 2013)

7.2 Overview of the financial sector in Malaysia

The domestic financial system remained resilient throughout the fourth quarter, despite continued volatility in the global and domestic financial markets, and a challenging operating environment. The assessment of risks to financial stability revealed that financial intermediation continued to be well-supported by sound financial institutions, orderly financial market conditions and sustained confidence in the financial system.

The banking system continued to be well-capitalised. The common equity tier 1 (CET1) capital ratio, tier 1 capital ratio and total capital ratio were well above the minimum regulatory levels, 12%, 12.8% and 14.3%, respectively. The capital buffer of the banks in excess of the minimum total capital requirement stood at more than RM77 billion. Similarly, the capital adequacy ratio of the insurance sector remained strong at 245.9% (3Q 2013: 236.7%), with an excess capital buffer of more than RM 23.5 billion.

(Source: BNM Quarterly Bulletin for the 4th quarter of 2013)

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7.3 Prospects of the Group

The banking industry is expected to face increasing competition in 2014. Net interest margin is expected to be under pressure due to the impact of potential hike in Overnight Policy Rate.

The Group expects that for the consumer segments, higher end auto financing and mortgage will remain as main drivers for loan growth of its commercial banking business undertaken by AFFIN Bank. In addition, as part of the Group's strategic plan to face tougher operating conditions in 2014, AFFIN Bank will also emphasise on cross selling of its products such as cards, unit trust, insurance business and promoting new banking products particularly in treasury, foreign exchange and wealth management areas.

Further, the management expects business opportunities from economic transformation plan projects to be more significant for the commercial banking segment in the coming year and thus will give positive impact to the business banking sector. The growth in business financing is expected to soften the impact of lower net interest margin.

On the investment banking front, notwithstanding the concerns over the United States of America's tapering of its quantitative easing program and the anticipated slowdown in China's economy, capital market in Malaysia is expected to hold up with the ongoing implementation of projects under the economic transformation plan and various domestic economic corridors.

Further, the Group expects that its investment banking business to grow from strength to strength with the impending integration of AFFIN Investment with Hwang IB. The said integration will increase the scale of its businesses in the stockbroking and asset management businesses adding a suite of complementary strengths and capabilities and drive AFFIN's vision to become one of the leading investment bank in Malaysia. The expected synergistic benefits to be derived from the said integration include, amongst others, cross-selling opportunities, larger distribution and proprietary platforms, wide range of broking and asset management products and fund management capabilities.

In addition, AFFIN Investment will continue to look for new business opportunities both locally and regionally through strategic collaborations with local and foreign partners. This is expected to result in a positive impact to the Group's performance in the medium to long term.

In respect of the Group's life insurance business, it is poised to continue its growth momentum into 2014 with the multi distribution strategy in the agency distribution channel, whilst greater challenges are expected in 2014 in the general insurance business given the overall economic constraints and climate in Malaysia, mergers and acquisitions, rapid development in the legal and regulatory environment and impact of digital technology. However, the Group is committed to tackle the challenges with special focus on customer centricity and better cost management.

(Source: Management of AFFIN)

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Acquisition Entities

In 2006, from a universal broker, Hwang IB became a full-fledged investment bank, and has been expanding its products ever since. Hwang IB is currently the second (2nd) largest stockbroking franchise in Malaysia in terms of trading value, with approximately 10.78% market share based on the total trading values of equities transacted on Bursa Securities from January to December 2013. The prospects of Hwang IB are subject to the vagaries of the capital market. In the coming financial year, the Malaysian stock market is expected to remain volatile due to uncertainties in the global financial markets. Hwang IB's business will continue to be challenged by volatile trading activities in the local capital market as well as higher operating costs and fine brokerage rates amid intense competition in the industry. Notwithstanding, Hwang IB is anticipated to retain their market position, especially within the stockbroking industry, with numerous opportunities at hand.

(Source: Bursa Securities)

Hwang IM provides a wide range of products to the growing number of sophisticated investing community in Malaysia. Hwang IM has won many accolades for outstanding performance and excellence in its funds. Hwang IM, is projected to grow steadily with the launching of new unit trust funds to fulfill market needs. The focus will be on developing and applying best fit investment strategies to meet the various investment objectives and customers' expectations. In addition, Hwang IM being one of the approved PRS Providers, will be able to offer a range of retirement funds from which the wide segment of population can choose to invest to suit their individual retirement needs and risk appetites. In addition, Hwang IM's ability to deliver at low volatility rates, will enable them to provide continued assurance on the quality and performance of their products to their current clients and the clients of the Merged Investment Bank.

HDM Futures is one of the leading futures brokers in Malaysia. HDM Futures trades in all Bursa Malaysia Derivatives Berhad's products which include FTSE Bursa Malaysia KLCI futures and options, Single Stock futures, Crude Palm Oil futures, Crude Palm Kernel Oil futures, USD denominated Crude Palm Oil futures, 3-month Kuala Lumpur Interbank Offered Rate futures, Malaysian Government Securities futures and Gold futures. HDM Futures is also a Clearing Participant of Bursa Malaysia Derivatives Clearing Berhad. With their expertise and quality advisory services, backed up by a strong broking team, HDM Futures will continue in providing efficient dealing and trade execution services to their clients.

AIIM is an Islamic fund management company headquartered in Malaysia which is one of the world's Islamic financial hubs, with an asset size of above RM5.6 billion as at 31 January 2013. Through Nikko, AIIM has a global network that enables them to reach out to clients based in London, Tokyo, Hong Kong, Shenzhen, Singapore, Mauritius, Mumbai, Sydney, Auckland, New York and Kuala Lumpur. By means of this wide network, AIIM will be able to cater to their clients with in-depth investment management services, exchange investment ideas and research expertise. Hence, AIIM is well positioned to provide investors the access to different Shariah-compliant asset classes and capital markets.

The Acquisition Entities have an established track record and reputation, including an experienced and capable management team. Pursuant to the Proposed Acquisition, the businesses of Hwang IB, Hwang IM, HDM Futures and AIIM will complement the existing range of AFFIN's investment banking, stock broking and asset management businesses. With the proposed integration processes intended to ensure the smooth continuation of operations after the Proposed Merger, the Merged Investment Bank will be better positioned to compete with other industry players in the investment banking, stock broking and asset management sectors.

8. FINANCIAL EFFECTS OF THE PROPOSED RIGHTS ISSUE

The financial effects of the Proposed Rights Issue set out herein are shown after taking into consideration the Proposed Acquisition which is expected to be completed by 7 April 2014. For illustration purposes, the pro forma effects of the Proposed Rights Issue on the issued and paid-up share capital of, and substantial shareholders' shareholdings in the Company, NA and gearing, earnings and EPS of AFFIN group, which are based on the assumptions below.

AFFIN does not have any convertible securities as at the LPD.

Proposed Acquisition

- (i) The purchase price is based on the Base Price of RM1,363.0 million for the Proposed Acquisition;
- (ii) Assumes estimated transaction costs in relation to the Proposed Acquisition of RM32.0 million, and estimated financing costs associated with the bridge loans of RM33.0 million (being the upfront lender fee and assuming interest cost of 4.1% per annum on the RM1,400 million bridge loans for a period of 6 months), in aggregate amounting to RM65.0 million; and
- (iii) The integration costs are not reflected herein.

Proposed Rights Issue

- (i) Assumes an indicative issue price of RM2.87 per Rights Share which is at 25% discount to the TERP of AFFIN Shares of RM3.83 per AFFIN Share (based on the 5-day VWAMP of AFFIN Shares up to the LPD of RM4.11). This will result in the issuance of approximately 435.5 million Rights Shares on the basis of 125 Rights Shares for every 429 AFFIN Shares held by the Entitled Shareholders such that the Intended Gross Proceeds is raised.
- (ii) Assumes estimated Proposed Rights Issue costs of RM5.0 million.

The Board wishes to emphasise that the issue price and entitlement basis above are purely for illustration purposes only and should not be taken as an indication or reference to the final issue price or the entitlement basis of the Proposed Rights Issue which will be determined and announced by the Board closer to the implementation of the Proposed Rights Issue.

8.1 Issued and paid-up capital

The Proposed Acquisition will not have any effect on the issued and paid-up capital of AFFIN. The effect of the Proposed Rights Issue on the issued and paid-up share capital of AFFIN is as follows:

	No. of AFFIN Shares (million)	RM'million
Issued and paid-up share capital as at LPD	1,494.6	1,494.6
AFFIN Shares to be issued pursuant to the Proposed Rights Issue	435.5	435.5
Enlarged issued and paid-up share capital	1,930.1	1,930.1

8.2

Earnings and EPS

The Proposed Rights Issue will result in AFFIN's consolidated EPS being diluted as a result of the increase on the number of AFFIN Shares in issue. However, the actual impact of AFFIN's consolidated EPS will also depend on, amongst others, the actual number for Rights Shares to be issued and the financial performance of the enlarged AFFIN Group moving forward after taking into consideration, amongst others, the effects of the Proposed Acquisition and Proposed Merger.

Assuming the Proposals have been completed prior to 1 January 2013 and based on AFFIN's latest audited consolidated income statements for the FYE 31 December 2013 and the latest audited income statements of Hwang IB for the FYE 31 July 2013, HDM Futures for the FYE 31 July 2013, Hwang IM for the FYE 31 July 2013 and AIIM for the FYE 31 March 2013, the pro forma effects on the consolidated earnings of AFFIN are as follows:

(RM'million unless otherwise stated)	Audited for the FYE 31 December 2013	I After the Proposed Acquisition⁽¹⁾	II After I and Proposed Rights Issue⁽⁶⁾	II After II and Proposed Merger
Consolidated PAT	650.0	650.0	635.9	635.9
Add:	-	-	-	-
Contribution from the Acquisition Entities ⁽²⁾⁽³⁾	-	29.5	-	-
- Hwang IB	-	22.0	-	-
- Hwang IM	-	0.7	-	-
- AIIM	-	(1.3)	-	-
- HDM Futures	-	-	-	-
Pro forma consolidated PAT before one-off costs	650.0	700.9	635.9	635.9
Less:	-	-	-	-
Estimated transaction costs in relation to the Proposed Acquisition	-	(32.0)	-	-
Estimated financing costs	-	(4)(33.0)	-	-
Pro forma consolidated PAT after one-off costs	650.0	635.9	635.9	635.9
EPS (sen)	0.43	0.43	0.33	0.33

Notes:

[^] Negligible.

- (1) Excludes any integration cost and does not take into consideration any opportunity benefits/costs of the internal cash used to repay the bridge loans or from the capital injections into the Merged Investment Bank resulting from the Proposed Merger.
- (2) Contribution is based on the respective interests in the Acquisition Entities. No adjustment has been made for the different financial year ends of the Acquisition Entities relative to AFFIN.
- (3) Excludes the contributions based on the respective interests from HwangDBS Custodian Services Sdn Bhd and HwangDBS Vickers Research Sdn Bhd for the FPE 30 January 2013 and FYE 31 July 2013 respectively. HwangDBS Custodian Services Sdn Bhd has been placed under member's voluntary winding-up on 31 January 2013.
- (4) The financing costs incurred by AFFIN will be for an interim period only as the bridge loans will be repaid from the proceeds to be raised from the Proposed Rights Issue and internally generated funds.
- (5) Excludes the expected earnings to be generated from the capital injection of RM200 million into AFFIN Bank from the proceeds to be raised from the Proposed Rights Issue.

Pursuant to the Proposed Acquisition, AFFIN will incur a one-off transaction costs associated with the transaction costs and financing costs in relation to the Proposed Acquisition. However, given the complementary fit of the businesses of the acquisition entities with that of AFFIN, and the expected synergies to be derived, the impact on the future earnings of AFFIN is expected to be positive in the future.

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8.3

NA per AFFIN Share and gearing

The pro forma effects of the Proposals based on the audited consolidated NA of AFFIN as at 31 December 2013, assuming all the Proposals have been completed on 31 December 2013 is set out below:

	Audited for the FYE 31 December 2013	I After the Proposed Acquisition	II After I and Proposed Rights Issue	III After II and Proposed Merger
(RM' million unless otherwise stated)				
Share capital	1,494.6	1,494.6	⁽³⁾ 1,930.1	1,930.1
Reserves:				
Share premium	1,400.4	1,400.4	⁽³⁾⁽⁴⁾ 2,209.9	2,209.9
Statutory reserves	1,469.1	1,469.1	1,469.0	1,469.0
Available-for-sale revaluation reserves	15.1	15.1	15.1	15.1
Retained profits	1,997.5	⁽²⁾ 1,932.5	1,932.5	1,932.5
NA (attributable to ordinary equity holders of the Company)	6,376.7	6,311.7	7,556.6	7,556.6
Number of AFFIN Shares (million)	1,494.6	1,494.6	1,930.1	1,930.1
NA per AFFIN Share (RM) ⁽¹⁾	4.27	4.22	3.92	3.92
Borrowings	972.4	⁽⁵⁾ 2,372.4	⁽⁶⁾ 1,322.4	⁽⁷⁾ 972.4
Gearing (times)	0.15	0.38	0.17	0.13

Notes:

- (1) NA per AFFIN Share is computed based on the shareholders' funds (excluding minority interest) divided by the number of AFFIN Shares in circulation.
- (2) After deducting the total estimated transaction costs in relation to the Proposed Acquisition and estimated financing costs associated with the bridge loans of RM65.0 million.
- (3) The numbers of new AFFIN Shares to be issued is dependent on the issue price and entitlement basis for the Proposed Rights Issue. The difference between the amount raised and the total number of AFFIN Shares issued under the Proposed Rights Issue will be reflected in the share premium of AFFIN.
- (4) Assumes estimated costs of RM5.0 million associated with the Proposed Rights Issue.
- (5) After draw down of the bridge loans of RM1,400.0 million to initially fund the Proposed Acquisition.
- (6) After partial repayment of RM1,050.0 million bridge loans to initially fund the Proposed Acquisition.
- (7) After repayment of the remaining RM350.0 million bridge loans via internally generated funds.

8.4 Substantial shareholders' shareholdings

The Proposed Acquisition will not have any effect on the substantial shareholders' shareholdings of AFFIN. Save for the proportionate increase in the total number of AFFIN Shares held respectively by the substantial shareholders, the Proposed Rights Issue will not have any effect on the substantial shareholders' shareholdings of AFFIN in the event they subscribe in full for their entitlements of the Rights Shares.

Substantial shareholders	Existing as at LPD			After the Proposed Rights Issue		
	Direct No. of AFFIN Shares (million)	%	Indirect No. of AFFIN Shares (million)	Direct No. of AFFIN Shares (million)	%	Indirect No. of AFFIN Shares (million)
LTAT	535.8	35.2	(1)309.6	679.1	35.2	(1)399.9
BHB	309.2	20.7	(2)0.4	399.4	20.7	(2)0.5
BEA	351.5	23.5	-	453.9	23.5	-
EPF	117.9	7.9	-	(3)152.3	(3)7.9	-

Notes:

^ Negligible

(1) Deemed interest by virtue of its shareholdings in BHB pursuant to Section 6A of the Act.

(2) Deemed interest by virtue of its shareholding in UAC Berhad pursuant to Section 6A of the Act.

(3) Assumes that EPF subscribes in full to its entitlement for the Rights Shares.

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9. HISTORICAL SHARE PRICES

The monthly high and low prices of AFFIN Shares as traded on the Main Market of Bursa Securities for the last 12 months from March 2013 to February 2014 are as follows:

	<u>High</u>	<u>Low</u>
	RM	RM
2013		
March	3.43	3.27
April	3.63	3.33
May	4.56	3.42
June	4.36	3.90
July	4.31	4.06
August	4.30	3.87
September	4.39	4.01
October	4.37	4.19
November	4.32	4.00
December	4.34	4.06
2014		
January	4.26	4.06
February	4.17	4.10
Last transacted market price of AFFIN Shares on 7 March 2014, being the last trading day prior to the date of announcement of the Proposed Rights Issue		4.03
Last transacted market price of AFFIN Shares as at LPD		4.11

(Source: Bloomberg (Malaysia) Sdn Bhd)

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10. APPROVALS REQUIRED FOR THE PROPOSED RIGHTS ISSUE

The Proposed Rights Issue is conditional upon obtaining the following:

- (i) BNM for the increase in the issued and paid-up share capital of AFFIN pursuant to the Proposed Rights Issue, which was obtained on 10 January 2014;
- (ii) Bursa Securities for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities, the approval of which was obtained on 27 March 2014;
- (iii) the shareholders of AFFIN at an EGM to be convened; and
- (iv) any other relevant authorities, if required.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the approvals (as set out in Section 10 above) being obtained, the tentative timeline for the implementation of the Proposed Rights Issue is as set out below:

No.	Key milestones	Tentative timeline
(i)	EGM for the Proposed Rights Issue	21 April 2014
(ii)	Issuance of the Abridged Prospectus in relation to the Proposed Rights Issue	Mid May 2014
(iii)	Closing date for the acceptance of and applications for the Rights Shares	Mid May 2014
(iv)	Listing of and quotation for the Rights Shares on the Main Market of Bursa Securities	Early June 2014

The above tentative timetable is only an indication of timing and sequence of events.

12. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the Directors, major shareholders and/or persons connected to them has any interest, either direct or indirect, in the Proposed Rights Issue beyond their respective entitlements to the Rights Shares as shareholders of AFFIN for which all existing shareholders of AFFIN are similarly entitled to, including the right to apply for excess Rights Shares.

13. DIRECTORS' RECOMMENDATION

The Board, having considered, all aspects of the Proposed Rights Issue is of the opinion that the Proposed Rights Issue is in the best interest of shareholders' and the Company. Accordingly, the Board recommends that shareholders vote in favour of the ordinary resolution pertaining to the Proposed Rights Issue to be tabled at the forthcoming EGM.

14. CORPORATE EXERCISES/SCHEME ANNOUNCED AND PENDING IMPLEMENTATION

Save for the Proposals, there are no other corporate proposals which have been announced on Bursa Securities and are pending as at the LPD.

15. CONDITIONALITY OF THE PROPOSED RIGHTS ISSUE

The Proposed Rights Issue is conditional upon the Proposed Acquisition but not vice versa.

16. EGM

An EGM, the notice of which is enclosed in this Circular, will be held at Taming Sari Grand Ballroom, The Royale Chulan Kuala Lumpur, 5 Jalan Conlay, 50450 Kuala Lumpur on 21 April 2014 at 12.00 p.m., or immediately after the conclusion or adjournment (as the case may be) of the 38th Annual General Meeting which will be held at the same venue and on the same day at 10.00 a.m., whichever is later, for the purpose of considering and, if thought fit, passing with or without modifications, the ordinary resolution to give effect to the Proposed Rights Issue.

If you are unable to attend and vote in person at the EGM, please complete, sign and return the enclosed Proxy Form for the EGM to the Registered Office of the Company at 7th Floor, Chulan Tower, 3, Jalan Conlay, 50450 Kuala Lumpur, so as to arrive at the Company's Share Registrar's Office, no later than 48 hours before the time fixed for holding the EGM or any adjournment thereof. The Proxy Form should be completed strictly in accordance with the instruction contained therein. The lodging of the Proxy Form will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

17. FURTHER INFORMATION

You are advised to refer to the AppendixI contained in this Circular for further information.

Yours faithfully,
For and on behalf of the Board of
AFFIN HOLDINGS BERHAD

TAN SRI DATO' SERI LODIN BIN WOK KAMARUDDIN
Non-Independent Non-Executive Deputy Chairman

APPENDIX

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

The Board has seen and approved this Circular and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular false or misleading.

2. WRITTEN CONSENT AND CONFLICT OF INTEREST

AFFIN Investment is a wholly-owned subsidiary of AFFIN. Save as disclosed below, none of the directors of AFFIN Investment have any common directorship in AFFIN as at the LPD:

- (i) Tan Sri Dato' Seri Lodin bin Wok Kamaruddin is the Deputy Chairman of AFFIN and Non-Independent Non-Executive Director of AFFIN Investment. Tan Sri Dato' Seri Lodin bin Wok Kamaruddin also holds 808,714 ordinary shares (representing 0.05% equity interest in AFFIN) as at the LPD;
- (ii) Raja Dato' Seri Aman bin Raja Haji Ahmad is the Independent Non-Executive Director of AFFIN and Independent Non-Executive Director of AFFIN Investment; and
- (iii) Abd Malik bin A Rahman is the Independent Non-Executive Director of AFFIN and Independent Non-Executive Director of AFFIN Investment.

Notwithstanding the above, AFFIN Investment is of the view that the relationships as described above would not give rise to a situation of conflict of interest in AFFIN Investment's role as adviser to AFFIN for the Proposed Rights Issue based on the following reasons:

- (a) AFFIN Investment, as a licensed investment bank, believes in the maintenance of the highest standard of professional responsibility and will ensure that it discharges its professional duty accordingly;
- (b) the said directorships in AFFIN and AFFIN Investment of Tan Sri Dato' Seri Lodin bin Wok Kamaruddin, Raja Dato' Seri Aman bin Raja Haji Ahmad and Abd Malik bin A Rahman are not executive in nature; and
- (c) the said shareholding of Tan Sri Dato' Seri Lodin bin Wok Kamaruddin (being approximately 0.05%) in AFFIN is not substantial.

Further, the Board has confirmed that they have been informed and is aware of the situation as described above and is agreeable to the role of AFFIN Investment as the principal adviser for AFFIN for the Proposed Rights Issue.

AFFIN Investment has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all reference thereto, as the case may be, in the form and manner in which it so appears in this Circular.

APPENDIX

FURTHER INFORMATION (Cont'd)

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

3.1 Material commitments

Saved as disclosed below, as at 31 December 2013 (being the date of the latest audited financial statements which are available), there are no other material commitments incurred or known to be incurred by the AFFIN Group which may, upon being enforceable, have a material adverse effect on AFFIN Group's financial position or business:

	RM'000
As at 31 December 2013, the authorised capital expenditure not provided for in the financial statements:	
- Contracted	7,541
- Not contracted	24,483
	32,024

3.2 Contingent liabilities

Saved as disclosed below, as at 31 December 2013 (being the date of the latest audited financial statements which are available), there are no material contingent liabilities which may, upon being enforceable, have a material adverse effect on the AFFIN Group's financial position or business.

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk- Weighted Amount* RM'000
Direct credit substitutes	1,455,361	-	1,455,361	1,462,806
Transaction-related contingent items	1,974,804	-	987,402	864,908
Short-term self-liquidating trade-related contingencies	573,412	-	114,683	82,976
Obligation under underwriting commitments	260,244	-	-	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances transactions where these arise out of repo-style transactions (i.e. repurchase / reverse repurchase and securities lending / borrowing transactions)	-	-	-	-
Foreign exchange related contracts #				
- less than one year	3,635,355	24,107	73,201	33,246
- one year to less than five years	594,154	2,513	57,307	16,657
- five years and above	96,030	-	16,325	-

APPENDIX

FURTHER INFORMATION (Cont'd)

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent* Amount* RM'000	Risk- Weighted Amount* RM'000
Interest rate related contracts #				
- less than one year	793,040	4,112	2,271	820
- one year to less than five years	2,292,222	10,637	50,133	14,245
- five years and above	703,148	14,407	66,112	28,314
Irrevocable commitments to extend credit				
- maturity more than one year	2,181,871	-	1,090,935	992,841
- maturity less than one year	7,483,973	-	1,496,795	1,211,534
Unutilised credit card lines	179,201	-	35,840	26,839
	22,222,815	55,776	5,446,365	4,735,186

Notes:

* *The credit equivalent amount and risk-weighted amount are derived at using the credit conversion factors as per BNM guidelines.*

The fair value of these derivatives has been recognised as "derivative financial assets" and "derivative financial liabilities" in the statement of financial position of AFFIN as at 31 December 2013.

4. MATERIAL LITIGATION OF THE GROUP

As at the LPD, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board has no knowledge of any proceedings, pending or threatened against the Group or of any fact likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the AFFIN Group.

5. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at AFFIN's registered office at 7th Floor, Chulan Tower, 3, Jalan Conlay, 50450 Kuala Lumpur during normal business hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the EGM:

- (i) Memorandum and Articles of Association of AFFIN;
- (ii) audited consolidated financial statements of AFFIN for the past 2 financial years ended 31 December 2012 and 31 December 2013;
- (iii) the SPA in relation to the Proposed Acquisition;
- (iv) the undertaking letters by the Major Shareholders referred to in Section 2.3 of the Circular; and
- (v) the letter of consent referred to in Section 2 of this Appendix.



AFFIN HOLDINGS BERHAD

(Company No. 23218-W)

(Incorporated in Malaysia under the Companies Act, 1965)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (“**EGM**”) of AFFIN Holdings Berhad (“**AFFIN**” or “**the Company**”) will be held at Taming Sari Grand Ballroom, The Royale Chulan Kuala Lumpur, 5 Jalan Conlay, 50450 Kuala Lumpur on 21 April 2014 at 12.00 p.m. or immediately after the conclusion of the 38th Annual General Meeting which is to be held at the same venue and on the same day at 10.00 a.m., whichever is later or at any adjournment thereof, for the purpose of considering and if thought fit, passing the following ordinary resolution, with or without modifications:

ORDINARY RESOLUTION

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF NEW ORDINARY SHARES OF RM1.00 EACH (“RIGHTS SHARE(S)”) IN AFFIN HOLDINGS BERHAD TO RAISE GROSS PROCEEDS OF UP TO RM1,250 MILLION (“PROPOSED RIGHTS ISSUE”)

“**THAT** subject to the approvals of all relevant regulatory authorities and parties (where required) being obtained, and upon completion of the proposed acquisition by AFFIN of 100% of the issued and paid up share capital in HwangDBS Investment Bank Berhad (after the completion of an internal reorganisation which will be undertaken by Hwang-DBS (Malaysia) Berhad) and the proposed acquisition of 17% of the issued and paid up share capital in Hwang Investment Management Berhad, approval be and is hereby given to the Board of Directors of AFFIN (“**Board**”) to provisionally issue and allot by way of a renounceable rights issue, such number of Rights Shares to be determined later, to raise gross proceeds of up to RM1,250 million, to the entitled shareholders of the Company whose names appear on the Record of Depositors of the Company at the close of business on an entitlement date to be determined and announced by the Board, or their renounee(s) to be credited as fully paid-up upon full payment, on an entitlement basis and at issue price to be determined and announced by the Board;

AND THAT the Board be and is hereby empowered and authorised to deal with any fractional entitlements that may arise from the Proposed Rights Issue in such manner as the Board shall in its absolute deem fit and expedient, and in the best interest of the Company;

AND THAT any Rights Share which is not taken up or validly taken up by the entitled shareholders shall be made available for the excess applications by the other entitled shareholders and/or their renounee(s) in a fair and equitable manner on a basis to be determined by the Board and announced later by AFFIN;

AND THAT, the Rights Shares shall, upon allotment and issuance, rank *pari passu* in all aspects with the then existing ordinary shares in the issued and paid up share capital of the Company, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/or other forms of distributions that may be declared, made or paid in respect of which the entitlement date is before the allotment date of the Rights Shares;

AND THAT, the proceeds from the Proposed Rights Issue will be utilised for such purposes as set out in Section 2.5 of the circular to shareholders dated 28 March 2014 and the Board be authorised with full powers to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary or expedient, subject to (where applicable) the approval of the relevant authorities; and

AND THAT in order to implement, complete and give full effect to the Proposed Rights Issue, approval be and is hereby given to the Board to do or to procure to be done all such acts, deeds and things and to execute, sign and deliver on behalf of the Company, all such documents and enter into any arrangements, agreements and/or undertaking with any parties, as they may deem fit, necessary, expedient and/or appropriate to implement, finalise, and/or give full effect to complete the Proposed Rights Issue, will full powers to assent to any term, condition, modification, variation and/or amendment as may be agreed to/required by any relevant regulatory authority or as a consequence of any such requirements or as the Board shall in its absolute discretion deem fit, necessary, expedient and/or appropriate in connection with the Proposed Rights Issue and in the best interest of the Company.”

By Order of the Board

Nimma Safira Khalid
Secretary

Kuala Lumpur
28 March 2014

NOTES:

1. A member entitled to attend or vote at the meeting may appoint a proxy or proxies (not more than two) to attend and vote instead of him. A proxy need not be a member.
2. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. The instrument appointing a proxy in the case of any individual shall be signed by the appointor or his attorney and in the case of a corporation, under its common seal or under the hand of the officer duly authorised.
4. Unless voting instructions are indicated in the spaces provided above, the proxy may vote as he thinks fit.
5. The instrument appointing a proxy must be deposited at the registered office of the Company, located at 7th Floor, Chulan Tower, 3, Jalan Conlay, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time of the Meeting or any adjournment thereof.
6. Only members registered in the Record of Depositors as at 11 April 2014 shall be eligible to attend the EGM or appoint proxy to attend and vote on his/her behalf.

AFFIN HOLDINGS

AFFIN HOLDINGS BERHAD
(Company No.: 23218-W)
(Incorporated in Malaysia)

Proxy Form

I/We _____ NRIC(New)/Company No.: _____
(INSERT FULL NAME IN BLOCK CAPITAL)

of

being a member/members of AFFIN HOLDINGS BERHAD, hereby appoint _____

of

_____ failing/him,

of

or failing him, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf, at the Extraordinary General Meeting of the Company to be held at Taming Sari Grand Ballroom, The Royale Chulan Kuala Lumpur, 5 Jalan Conlay, 50450 Kuala Lumpur on 21 April 2014 at 12.00 p.m. or immediately after the conclusion of the 38th Annual General Meeting which is to be held at the same venue and on the same day at 10.00 a.m., whichever is later or at any adjournment thereof.

My/our proxy is to vote as indicated below:

No.	Ordinary Resolution	For	Against
1.	Proposed Rights Issue		

Dated this _____ day of _____ 2014

No. of ordinary shares held:	
CDS Account No.:	
Proportion of shareholdings to be represented by proxies	First Proxy: _____ %
	Second Proxy: _____ %
Contact No.:	

Signature of Member/Common Seal

NOTES:

1. A member entitled to attend or vote at the meeting may appoint a proxy or proxies (not more than two) to attend and vote instead of him. A proxy need not be a member.
2. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. The instrument appointing a proxy in the case of any individual shall be signed by the appointer or his attorney and in the case of a corporation, under its common seal or under the hand of the officer duly authorised.
4. Unless voting instructions are indicated in the spaces provided above, the proxy may vote as he thinks fit.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company, located at 7th Floor, Chulan Tower, 3, Jalan Conlay, 50450 Kuala Lumpur not less than forty-eight hours before the time of the Meeting or any adjournment thereof.
6. Only members registered in the Record of Depositors as at 11 April 2014 shall be eligible to attend the EGM or appoint proxy to attend and vote on his/her behalf.



Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary
AFFIN HOLDINGS BERHAD
7th Floor, Chulan Tower
3, Jalan Conlay
50450 Kuala Lumpur

1st fold here
