All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this Abridged Prospectus unless stated otherwise.

THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER(S) IMMEDIATELY.

If you have sold or transferred all your AFFIN Shares, you should at once hand this Abridged Prospectus and the accompanying NPA and RSF to the agent/broker through whom you effected the sale or transfer for onward transmission to the purchaser or transferee. All enquiries concerning the Rights Issue should be addressed to our Special Share Registrar, Tricor Investor Services Sdn Bhd, Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia.

The Documents are only to be despatched to the Entitled Shareholders (other than an Authorised Nominee who has subscribed for NRS service) whose names appear in our Record of Depositors as at 5.00 p.m. on 12 June 2014 at their registered addresses in Malaysia or who have provided our Special Share Registrar with a registered address in Malaysia not later than 5.00 p.m. on 12 June 2014. If you are an Authorised Nominee who has subscribed for NRS with Bursa Depository, an electronic copy of this Abridged Prospectus and the Rights Issue Subscription File will be transmitted to you electronically by Bursa Securities through its existing network facility with the Authorised Nominees. The Documents are not intended to be (and will not be) issued, circulated or distributed, and the Rights Issue will not be made or offered or deemed to be made or offered, as such, in any countries or jurisdictions other than Malaysia. Persons receiving the Documents (including without limitation, custodians, nominees and trustees), must not, in connection with the Rights Issue distribute or send the Documents outside of Malaysia. No action has been or will be taken to ensure that the Rights Issue or the Documents comply with the laws of any countries or jurisdictions other than the laws of Malaysia. The Rights Issue to which the Documents relate is only available to persons receiving the Documents within Malaysia. The Documents do not constitute an offer, solicitation or invitation to subscribe for the Rights Issue in any jurisdictions other than Malaysia or to any person to whom it may be unlawful to make such an offer, solicitation or invitation. It shall be the sole responsibility of our shareholders whose names appear on the Record of Depositors of our Company as at the close of business on the Entitlement Date and/or their renouncee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia to consult their legal and/or other professional advisers as to whether their acceptance or renunciation (as the case may be) of his/her entitlement to the Rights Issue would result in the contravention of any laws of such countries or jurisdictions. Such Entitled Shareholders and/or their renouncee(s) (if applicable) should also note the additional terms and restrictions as set out in Section 4 of this Abridged Prospectus. Neither our Company nor AFFIN Investment shall accept any responsibility or liability whatsoever to any party in the event that any acceptance or sale/renunciation made by the Entitled Shareholders and/or their renouncee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in any countries or jurisdictions in which the Entitled Shareholder and/or his renouncee (if applicable) is a resident.

A copy of this Abridged Prospectus has been registered with the SC. The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of this Abridged Prospectus together with the NPA and RSF has also been lodged with the Registrar of Companies who takes no responsibility for their contents.

Our shareholders have approved the Rights Issue at the EGM held on 21 April 2014. Approval has also been obtained from Bursa Securities via its letter dated 27 March 2014 for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities. However, this is not an indication that Bursa Securities recommends the Rights Issue. The listing of and quotation for the Rights Shares on the Main Market of Bursa Securities are in no way reflective of the merits of the Rights Issue. Neither Bursa Securities nor the SC takes any responsibility for the correctness of any statement made or opinions expressed in the Documents. The listing of and quotation for the Rights Shares on the Main Market of Bursa Securities will commence after, amongst others, receipt of confirmation from Bursa Depository that all the Central Depository System accounts of the Entitled Shareholders and/or their renouncee(s) (if applicable) have been duly credited and notices of allotment have been despatched to the Entitled Shareholders and/or their renouncee(s) (if applicable).

Our Board has seen and approved all the documentation relating to this Rights Issue. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in these documents false or misleading.

AFFIN Investment, being the Principal Adviser and the Co-ordinator for the Rights Issue, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH YOU SHOULD CONSIDER, PLEASE REFER TO SECTION 5 OF THIS ABRIDGED PROSPECTUS.

AFFINHOLDINGS

AFFIN HOLDINGS BERHAD

(Company No. 23218-W)
(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE RIGHTS ISSUE OF 448,372,741 NEW ORDINARY SHARES OF RM1.00 EACH IN AFFIN ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TEN (10) EXISTING ORDINARY SHARES OF RM1.00 EACH HELD AS AT 5.00 P.M. ON 12 JUNE 2014, AT AN ISSUE PRICE OF RM2.76 PER RIGHTS SHARE

Principal Adviser and Co-ordinator

AFFININVESTMENTBANK

AFFIN INVESTMENT BANK BERHAD (9999-V)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Joint Underwriters

RHB Investment Bank Berhad (19663-P)	**Public Investment Bank Berhad** (20027-W)	**AmInvestment Bank Berhad** (23742-V)	**Credit** Suisse Securities (Malaysia) Sdn Bhd (499609-H)

IMPORTANT RELEVANT DATES AND TIME

Entitlement date	:	Thursday, 12 June 2014 at 5.00 p.m.
Last date and time for:		
Sale of provisional allotment of Rights Shares	:	Thursday, 19 June 2014 at 5.00 p.m.
Transfer of provisional allotment of Rights Shares	:	Tuesday, 24 June 2014 at 4.00 p.m.
Acceptance and payment	:	Friday, 27 June 2014 at 5.00 p.m.*
Excess application and payment	:	Friday, 27 June 2014 at 5.00 p.m.*

* or such later date and time as our Board may decide in its absolute discretion and announce not less than two (2) Market Days before the stipulated closing date and time

This Abridged Prospectus is dated 12 June 2014

ALL TERMS AND ABBREVIATIONS USED HEREIN SHALL HAVE THE SAME MEANINGS AS THOSE DEFINED IN THE "DEFINITIONS" SECTION OF THIS ABRIDGED PROSPECTUS UNLESS STATED OTHERWISE.

THE SC AND BURSA SECURITIES SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS IS DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

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DEFINITIONS

The following definitions shall apply for the purpose of this Abridged Prospectus unless otherwise indicated:

"Abridged Prospectus"	:	This Abridged Prospectus dated 12 June 2014
"Acquisition"	:	The acquisitions by AFFIN of the Hwang IB Shares (after the completion of the Pre-Closing Reorganisation) held by Hwang-DBS and the Minority Shares held by the Minority Shareholder, which were completed on 7 April 2014
"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, 49% interest in AIIM and 100% interest in HDM Futures
"AFFIN" or "Company"	:	AFFIN Holdings Berhad (23218-W)
"AFFIN Bank"	:	AFFIN Bank Berhad (25046-T)
"AFFIN Group" or "Group"	:	AFFIN and its subsidiaries, collectively
"AFFIN Investment" or "Principal Adviser" or "Co-ordinator"	:	AFFIN Investment Bank Berhad (9999-V), a Participating Organisation of Bursa Securities
"AFFIN Share(s)" or "Share(s)"	:	Ordinary share(s) of RM1.00 each in AFFIN
"AIIM"	:	Asian Islamic Investment Management Sdn Bhd (256674-T)
"ATM"	:	Automatic teller machine
"AUM"	:	Assets under management
"Authorised Nominee(s)"	:	A person who is authorised to act as a nominee as defined under the Rules of Bursa Depository
"BEA"	:	The Bank of East Asia, Limited
"BHB"	:	Boustead Holdings Berhad (3871-H)
"Board"	:	The Board of Directors of our Company
"CAR"	:	Capital adequacy ratio
"CDS"	:	Central Depository System
"Closing Date"	:	27 June 2014 at 5.00 p.m., being the last date and time for the acceptance, application and payment for the Rights Shares or such later date and time as our Board may mutually decide and announce not later than two (2) Market Days before the stipulated date and time
"Credit Suisse"	:	Credit Suisse Securities (Malaysia) Sdn Bhd (499609-H)
"Director(s)"	:	The director(s) of our Company and shall have the meaning given in Section 4 of the Act
"Documents"	:	The Abridged Prospectus, NPA and RSF, collectively

"EGM"	:	Extraordinary General Meeting of our Company
"Electronic Application"	:	Application for the Rights Shares and/or Excess Rights Share through the ATMs of Participating Financial Institutions
"Entitled Shareholder(s)"	:	Shareholders of our Company whose names appear on the Record of Depositors of our Company as at the close of business on the Entitlement Date
"Entitlement Date"	:	12 June 2014 at 5.00 p.m., being the date and time on which the shareholders of our Company must be registered on the Record of Depositors of our Company in order to be entitled to the Rights Shares
"EPF"	:	Employees Provident Fund Board
"EPS"	:	Earnings per share
"Excess Rights Share(s)"	:	Rights Share(s) which are not taken up or not validly taken up by the Entitled Shareholders and/or their renouncee(s) prior to the Excess Rights Shares Application
"Excess Rights Shares Application(s)"	:	Application(s) for Excess Rights Share(s) in excess of an Entitled Shareholder's entitlement under the Rights Issue as set out in Section 2.8 of this Abridged Prospectus
"Foreign Addressed Shareholder(s)"	:	Our foreign shareholders who have not provided an address in Malaysia for the service of documents on the Entitlement Date
"FPE"	:	Financial period ended
"FYE"	:	Financial year(s) ended/ending
"HDM Futures"	:	HDM Futures Sdn Bhd (258146-M)
"Hwang-DBS"	:	Hwang Capital (Malaysia) Berhad (formerly known as Hwang-DBS (Malaysia) Berhad) (238969-K)
"Hwang IB"	:	HwangDBS Investment Bank Berhad (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 (429786-T)
"Internet Application"	:	Application for the Rights Shares within Malaysia through an Internet Participating Financial Institution
"Internet Participating Financial Institution"	:	Participating financial institution for the Internet Applications as referred to in Section 4.4.3 of this Abridged Prospectus
"Joint Underwriters"	:	Collectively, RHB Investment Bank Berhad, Public Investment Bank Berhad, AmInvestment Bank Berhad and Credit Suisse
"Listing Requirements"	:	Main Market Listing Requirements issued by Bursa Securities
"LPD"	:	20 May 2014, being the latest practicable date prior to the registration of this Abridged Prospectus
"LTAT"	:	Lembaga Tabung Angkatan Tentera
"Major Shareholders"	:	The major shareholders of our Company, namely LTAT, BHB and BEA

DEFINITIONS *(Cont'd)*

"Management and Underwriting Agreement"	:	Management and underwriting agreement dated 29 May 2014 entered into amongst our Company, the Co-ordinator and the Joint Underwriters relating to the Rights Issue
"Market Day(s)"	:	Any day from Monday to Friday (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for trading of securities
"Merged Investment Bank"	:	The investment bank licensed under FSA resulting from the Merger pursuant to a vesting order granted by the High Court of Malaya pursuant to Section 102 of the FSA and Section 139 of the CMSA
"Merger"	:	The merger of the businesses, assets (excluding Merchant Nominees Tempatan Sdn Bhd and Classic Precision Sdn Bhd) and liabilities of AFFIN Investment with that of Hwang IB after the Acquisition
"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 in Hwang IM, constituting approximately 17% of the entire issued and paid-up share capital of Hwang IM held by the Minority Shareholder
"NA"	:	Net assets (attributable to ordinary equity holders of our Company)
"NPA"	:	Notice of Provisional Allotment in relation to the Rights Issue
"NRS"	:	Nominee Rights Subscription service offered by Bursa Depository, at the request of our Company, to Authorised Nominees for electronic subscription of Rights Shares through Bursa Depository's existing network facility with the Authorised Nominees
"Participating Financial Institution"	:	Participating financial institution for Electronic Applications as referred to in Section 4.4.2 of this Abridged Prospectus
"PAT"	:	Profit after taxation
"PBT"	:	Profit before taxation
"Pre-Closing Reorganisation"	:	The pre-closing reorganisation undertaken by Hwang-DBS prior to the completion of the Acquisition which involved 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. The Pre-Closing Reorganisation was completed on 7 April 2014
"Provisional Rights Shares"	:	Rights Shares provisionally allotted to the Entitled Shareholders
"PRS"	:	Private Retirement Scheme
"Record of Depositors"	:	A record of securities holders established and maintained by Bursa Depository
"Rights Issue"	:	Renounceable rights issue of 448,372,741 Rights Shares, on the basis of three (3) Rights Shares for every ten (10) AFFIN Shares held on the Entitlement Date, at an issue price of RM2.76 per Rights Share

DEFINITIONS ***(Cont'd)***

"Rights Share(s)"	:	New AFFIN Share(s) to be issued pursuant to the Rights Issue
"Rights Share Subscription File"	:	An electronic file submitted by an Authorised Nominee who has subscribed for NRS, to Bursa Depository containing information pertaining to such Authorised Nominee's subscription of the Rights Shares or Excess Rights Shares
"RM"	:	Ringgit Malaysia
"RSF"	:	Rights subscription form
"Rules of Bursa Depository"	:	Rules of a central depository as defined in the SICDA
"Settlement Date"	:	Shall have the meaning given to it in Section 2.1
"Share Registrar"	:	Boustead Management Services Sdn Bhd (7059-M)
"SPA"	:	The conditional share sale and purchase agreement dated 22 January 2014 entered into between our Company and Hwang-DBS to give effect to the Acquisition
"Special Share Registrar"	:	Tricor Investor Services Sdn Bhd (118401-V), being the special share registrar for the Rights Issue
"TERP"	:	Theoretical ex-rights price
"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 Rights Issue
"USD"	:	United States Dollars
"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
"SICDA"	:	Securities Industry (Central Depository) Act, 1991

REGULATORY BODIES

"BNM"	:	Bank Negara Malaysia
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd (165570-W)
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (635998-W)
"MOF"	:	The Minister of Finance of Malaysia
"SC"	:	Securities Commission Malaysia

All references to "our Company" and/or "AFFIN" in this Abridged Prospectus are to AFFIN Holdings Berhad. References to "our Group" and/or "AFFIN 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 Abridged Prospectus are to the Entitled 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/or neuter genders and *vice versa*. Reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Abridged Prospectus 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 discrepancies in the tables between the amounts listed and the totals in the Abridged Prospectus are due to rounding.

Any references to a time of day or date in this Abridged Prospectus shall be a reference to Malaysian time or date respectively, unless otherwise stated.

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CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name/Designation	Address	Age	Nationality	Profession
Gen. (R) Tan Sri Dato' Seri DiRaja Mohd Zahidi bin Haji Zainuddin *(Non-Independent Non-Executive Chairman)*	Villa Perkasa 17 Jalan P10D, Presint 10 Wilayah Persekutuan 62550 Putrajaya	66	Malaysian	Company Director
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin *(Non-Independent Non-Executive Deputy Chairman)*	124, Jalan Athinahapan 1 Taman Tun Dr Ismail 60000 Kuala Lumpur	65	Malaysian	▪ Chief Executive, LTAT ▪ Deputy Chairman and Group Managing Director, BHB
Raja Dato' Seri Aman bin Raja Haji Ahmad (*Independent Non-Executive Director*)	No. 12, Jalan Satu Taman Tun Abdul Razak 68000 Ampang	68	Malaysian	Company Director
Dato' Mustafa bin Mohamad Ali (*Independent Non-Executive Director*)	32, Jalan Setiakasih Satu Damansara Heights 50490 Kuala Lumpur	77	Malaysian	Company Director
Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff (*Independent Non-Executive Director*)	No. 1, Jalan SS12/3C 47500 Subang Jaya Selangor Darul Ehsan	67	Malaysian	Company Director
Abd Malik bin A Rahman (*Independent Non-Executive Director*)	10, Jalan Rimba Riang 9/8 Seksyen 9, Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan	65	Malaysian	Company Director
Rosnah binti Omar (*Independent Non-Executive Director*)	No 12, Jalan Elitis Danau Valencia Sungai Buloh 47000 Selangor Darul Ehsan	60	Malaysian	Company Director
Professor Arthur Li Kwok Cheung (Non-Independent Non-Executive Director)	34C The Albany 1 Albany road Mid-Levels Hong Kong	68	Chinese	Deputy Chairman, BEA
Ignatius Chan Tze Ching (Non-Independent Non-Executive Director)	Flat 6D Portofino Villas 88 Pak To Avenue Clearwater Bay Hong Kong	57	Hong Kong/ Chinese	Senior Adviser

CORPORATE DIRECTORY *(Cont'd)*

Name/Designation	Address	Age	Nationality	Profession
Adrian David Li Man Kiu (*Alternate Director to Ignatius Chan Tze Ching*)	5/F May Tower II 5 May Road Hong Kong	40	British	Deputy Chief Executive, BEA
Peter Yuen Wai Hung (*Alternate Director to Professor Arthur Li Kwok Cheung*)	Flat C, 11/F Block 10, Yee Lai Court South Horizons, Ap Lei Chau Hong Kong	51	American	Company Director

AUDIT COMMITTEE

Name	Designation	Directorship
Raja Dato' Seri Aman bin Raja Haji Ahmad	Chairman	Independent Non-Executive Director
Dato' Mustafa bin Mohamad Ali	Member	Independent Non-Executive Director
Abd Malik bin A Rahman	Member	Independent Non-Executive Director

COMPANY SECRETARY	:	Nimma Safira binti Khalid @ Mat Khalid (LS0009015) 396, Jalan B6 Taman Melawati 53100, Kuala Lumpur
REGISTERED / HEAD / MANAGEMENT OFFICE	:	7th Floor, Chulan Tower 3 Jalan Conlay 50450 Kuala Lumpur Malaysia Tel. No: +603 2142 9569 Fax No: +603 2143 1057 Website: www.affin.com.my *(Information in our website does not form any part of this Abridged Prospectus)*
AUDITORS AND REPORTING ACCOUNTANTS FOR THE RIGHTS ISSUE	:	PricewaterhouseCoopers (AF 1146) Level 10, 1 Sentral Jalan Travers Kuala Lumpur Sentral P.O.Box 10192 50706 Kuala Lumpur
PRINCIPAL BANKERS	:	AFFIN Bank Berhad Tingkat 17, Menara Affin No 80 Jalan Raja Chulan 50200 Kuala Lumpur RHB Bank Berhad Level 7, Tower Three RHB Centre, Jalan Tun Abdul Razak 50400 Kuala Lumpur Public Bank Berhad KL City Main Office Ground Floor, Menara Public Bank 146, Jalan Ampang 50450 Kuala Lumpur

CORPORATE DIRECTORY *(Cont'd)*

PRINCIPAL ADVISER AND CO-ORDINATOR	:	AFFIN Investment Bank Berhad 27th Floor, Menara Boustead 69, Jalan Raja Chulan 50200 Kuala Lumpur Malaysia
JOINT UNDERWRITERS	:	RHB Investment Bank Berhad Level 10, Tower One RHB Centre Jalan Tun Razak 50400 Kuala Lumpur Malaysia Public Investment Bank Berhad 25th Floor, Menara Public Bank 146, Jalan Ampang 50450 Kuala Lumpur Malaysia AmInvestment Bank Berhad Level 21, Bangunan AmBank Group 55 Jalan Raja Chulan 50200 Kuala Lumpur Malaysia Credit Suisse Securities (Malaysia) Sdn Bhd Suite 7.6, Level 7 Menara IMC 8 Jalan Sultan Ismail 50250 Kuala Lumpur Malaysia
SHARE REGISTRAR	:	Boustead Management Services Sdn Bhd 13th Floor, Menara Boustead 69, Jalan Raja Chulan 50200 Kuala Lumpur Tel. No: +603 2141 9044 Fax. No: +603 2144 3016
SPECIAL SHARE REGISTRAR	:	Tricor Investor Services Sdn Bhd Level 17, The Gardens North Tower Mid Valley City, Lingkaran Syed Putra 59200 Kuala Lumpur Tel. No: +603 2264 3883 Fax. No: +603 2282 1886
SOLICITORS FOR THE RIGHTS ISSUE	:	Adnan, Sundra & Low Level 11, Menara Olympia 8, Jalan Raja Chulan 50200 Kuala Lumpur Tel. No: +603 2070 0466 Fax. No: +603 2078 3382
SOLICITORS FOR CREDIT SUISSE	:	Foong & Partners 13-1 Menara 1MK Kompleks 1 Mont' Kiara No. 1 Jalan Kiara 50480 Kuala Lumpur
STOCK EXCHANGE LISTING AND LISTING SOUGHT	:	Main Market of Bursa Securities

AFFINHOLDINGS

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
Malaysia

12 June 2014

Board of Directors:

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

To: Our Entitled Shareholders

Dear Sir/ Madam,

RENOUNCEABLE RIGHTS ISSUE OF 448,372,741 RIGHTS SHARES ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TEN (10) SHARES HELD AS AT 5.00 P.M. ON 12 JUNE 2014 AT AN ISSUE PRICE OF RM2.76 PER RIGHTS SHARE

1. INTRODUCTION

On 15 April 2013, our Company announced that BNM had, vide its letter dated 12 April 2013, stated that it had no objection for our Company 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.

On 4 September 2013, our Company announced that it had entered into an exclusivity agreement on the same date with Hwang-DBS in relation to the Acquisition.

On 10 January 2014, on behalf of our Board, AFFIN Investment announced that our Company had received a letter from BNM advising our Company that the MOF had granted its approvals under the FSA for the Acquisition and the Merger. BNM had in the same letter granted its approval for the increase in the issued and paid-up share capital in our Company pursuant to the Rights Issue. In addition, the SC had also on the same date granted its approval for the Acquisition and the Merger.

On 22 January 2014, on behalf of our Company, AFFIN Investment announced that we had entered into the SPA to acquire the Hwang IB Shares (after the Pre-Closing Reorganisation) and the Minority Shares, and that our Company intends to undertake the Merger.

On 4 March 2014, on behalf of our Company, AFFIN Investment announced that the SC had vide its letter dated 3 March 2014 granted its approval for the exemption to our Company from the obligation to undertake a mandatory offer for the remaining 30% voting shares in Hwang IM not already owned by our Company (via Hwang IB) after the Acquisition under paragraph 20.1 of Practice Note 9 of the Code.

On 10 March 2014, AFFIN Investment, on behalf of our Board, announced that our Company proposes to undertake the Rights Issue in conjunction with the Acquisition and Merger.

AFFIN Investment had on 27 March 2014 announced, on behalf of our Board, that Bursa Securities had, vide its letter dated the same date, granted its approval for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities.

The approval of Bursa Securities is subject to the following conditions:

Conditions imposed		**Status of compliance**
1.	AFFIN and AFFIN Investment must comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue	Noted
2.	AFFIN and AFFIN Investment to inform Bursa Securities upon the completion of the Rights Issue	To be complied
3.	AFFIN to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue is completed	To be complied

On 7 April 2014, AFFIN Investment, on behalf of our Board, announced the completion of the Acquisition and following the completion of the Acquisition, the Merger will be implemented.

At the EGM on 21 April 2014, our shareholders had approved the Rights Issue. A certified true extract of the ordinary resolution pertaining to the Rights Issue passed at the aforesaid EGM is set out in Appendix I of this Abridged Prospectus.

On 23 May 2014, AFFIN Investment had, on behalf of our Board, announced the following:

(a) the issue price of the Rights Shares has been fixed at RM2.76 per Rights Share; and

(b) the entitlement basis for the Rights Issue has been fixed as three (3) Rights Shares for every ten (10) existing Shares held by the Entitled Shareholders.

On 29 May 2014, AFFIN Investment, on behalf of our Board, announced the Entitlement Date.

No person is authorised to give any information or to make any representation not contained in this Abridged Prospectus in connection with or in relation to the Rights Issue and if given or made, such information or representation must not be relied upon as having been authorised by us and/or AFFIN Investment. The delivery of this Abridged Prospectus shall under no circumstances constitute a representation or create any implication that there has been no material change in the affairs of our Company or any of our subsidiary companies since the date of this Abridged Prospectus.

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser(s) immediately.

2. DETAILS OF THE RIGHTS ISSUE

2.1 Particulars

In accordance with the terms of the Rights Issue as approved by our shareholders at the EGM held on 21 April 2014 and subject to the conditions of the Documents, our Company shall provisionally allot 448,372,741 Rights Shares for subscription by the Entitled Shareholders on a renounceable basis of three (3) Rights Shares for every ten (10) existing AFFIN Shares held as at the Entitlement Date.

The Rights Issue will raise proceeds of approximately RM1,237.51 million.

As an Entitled Shareholder, your CDS account will be duly credited with the number of provisionally allotted Rights Shares which you are entitled to subscribe for in full or in part under the terms of the Rights Issue. You will find enclosed with this Abridged Prospectus, the NPA setting out the number of provisionally allotted Rights Shares which you are entitled to subscribe for under the terms of the Rights Issue and the RSF which is to be used for acceptance and subscription of the Rights Shares provisionally allotted to you as well as to apply for any Excess Rights Shares, should you wish to do so. Rights Shares that are not taken up for any reason, if any, will be made available for application under the Excess Rights Shares Application.

In determining the Entitled Shareholders' entitlements to the Rights Shares, fractional entitlements of a Rights Share, if any, shall be dealt with in such manner as the Board in its absolute discretion deems fit and in the best interest of our Company and our shareholders.

ENTITLED SHAREHOLDERS CAN SUBSCRIBE FOR/OR RENOUNCE THEIR RIGHTS ENTITLEMENTS TO THE RIGHTS SHARES IN FULL OR IN PART.

The Entitled Shareholders can either fully or partially renounce their entitlements for the Rights Shares. Any unsubscribed Rights Shares shall be offered to the other Entitled Shareholders and/or their renouncee(s) (as the case may be) under the Excess Rights Shares Application. Further details are set out in Section 2.8 below.

Upon allotment and issuance by our Company, the Rights Shares will be credited directly into the respective CDS accounts of the Entitled Shareholders and/or their renouncee(s) (as the case may be) who have successfully subscribed for such Rights Shares. No physical share certificate will be issued to the Entitled Shareholders and/or their renouncee(s) (as the case may be).

Our Company shall, within eight (8) Market Days from the last date and time for acceptance and payment in respect of the Rights Shares or such other periods as may be required by the Listing Requirements, allot and issue the Rights Shares and despatch notices of allotment to the successful applicants ("**Settlement Date**"). The Rights Shares will then be quoted on the Main Market of Bursa Securities two (2) Market Days after the application for the listing of and quotation for the Rights Shares has been made to Bursa Securities.

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

As announced on 23 May 2014, the issue price of the Rights Shares had been fixed by our Board at RM2.76 per Right Share which represents a discount of approximately RM0.69 or 20.0% to the TERP of RM3.45 per Share, calculated based on the five (5)-days VWAMP of AFFIN Shares up to and including 22 May 2014 (being the five (5) Market Days immediately preceding the price-fixing date) of RM3.66 per Share.

The issue price of the Rights Shares was determined by our Board after taking into consideration, amongst others, the then prevailing market conditions and market price of AFFIN Shares, AFFIN's issued and paid-up share capital, the resultant TERP of AFFIN Shares, the par value of AFFIN Shares and the pricing for rights issue exercises undertaken by listed Malaysian banking financial institutions. The discount of approximately 20.0% for the Rights Issue is in line with the range of discount to the TERP for the rights issue exercises undertaken by Malaysian banking financial institutions since 2007 and up to LPD, as per the price-fixing announcements by the respective banking financial institutions.

2.3 Ranking of the Rights Shares

The Rights Shares shall, upon issuance and allotment, rank *pari passu* in all respects with the then existing AFFIN Shares, save and except that the Rights Share will not be entitled to any dividends, rights, allotments and/or any 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 Other corporate exercises

Save for the Rights Issue and the Merger, our Company does not have any other intended corporate exercise/scheme which have been announced and approved by our shareholders and regulatory authority (where applicable) but pending completion or implementation as at the date of this Abridged Prospectus.

2.5 Undertakings by the Major Shareholders

The Rights Issue will be undertaken on a full subscription basis.

Our 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 the their respective entitlements in view of the current public shareholding spread level of our Company, which is below 25% of our total issued and paid-up share capital.

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

Major Shareholders	Shareholdings as at LPD (No. of AFFIN Shares)	(%)	Rights Shares to be subscribed pursuant to the Undertakings (No. of Shares)	(%)
LTAT	525,834,263	35.2	157,750,278	35.2
BHB	309,240,407	20.7	92,772,122	20.7
BEA	351,494,226	23.5	105,448,267	23.5
Total	**1,186,568,896**	**79.4**	355,970,667	**79.4**

2.6 Underwriting Arrangement

On 29 May 2014, our Company had entered into the Management and Underwriting Agreement with the Co-ordinator and Joint Underwriters where the Joint Underwriters will underwrite the remaining portion of 92,402,074 Rights Shares ("**Underwritten Rights Shares**") representing approximately 20.6% of the Rights Shares at a co-ordinator commission of 0.65% ("**Co-ordinator's Commission**") and an underwriting commission of 1.10% ("**Underwriting Commission**"), of the total value of the Underwritten Rights Shares respectively, subject to the terms and conditions of the Management and Underwriting Agreement.

The number of Underwritten Rights Shares underwritten by each Joint Underwriter is as follows:

Joint Underwriters	No. of Underwritten Rights Shares
RHB Investment Bank Berhad	52,547,002
Public Investment Bank Berhad	18,115,942
AmInvestment Bank Berhad	18,115,942
Credit Suisse	3,623,188
Total	**92,402,074**

The Underwriting Commission, the Co-ordinator's Commission and all related costs in relation to the Management and Underwriting Agreement will be fully borne by our Company.

2.7 Salient Terms of the Management and Underwriting Agreement

On 29 May 2014, our Company, AFFIN Investment, RHB Investment Bank Berhad, Public Investment Bank Berhad, AmInvestment Bank Berhad and Credit Suisse entered into the Management and Underwriting Agreement whereby the Joint Underwriters shall underwrite an aggregate of the remaining portion of 92,402,074 Rights Shares for which no irrevocable written undertakings have been obtained. In this connection, any Underwritten Rights Shares not taken up or not duly applied for by way of the Excess Rights Shares Application will be subscribed by the Joint Underwriters proportionately.

An extract of the salient terms of the Management and Underwriting Agreement is set out below:

(i) Each of the Joint Underwriters agrees to procure, (either by itself or through one or more affiliates and at its discretion and in the manner and otherwise as it thinks fit), subscribers for, and failing which, to subscribe equally for the Underwritten Rights Shares not taken up at the Issue Price.

(ii) The Joint Underwriters' obligations to underwrite the Underwritten Rights Shares are conditional upon the following:

(a) the delivery of a certified true copy of the following documents on or before the date of Management and Underwriting Agreement:

(I) the Memorandum and Articles of Association of the Company;

(II) the resolutions of the Board approving the Management and Underwriting Agreement, and the execution of the same and approving the Rights Issue;

(III) the letter from Bursa Securities of its Approval for the listing and quotation of the Rights Shares on the Main Market of Bursa Securities and the admission of the Rights Shares to the Official List of the Main Market of Bursa Securities; and

(IV) the resolutions of the shareholders at the EGM for the Rights Issue;

(b) the delivery of a certified true copy of the documents on or before the Closing Date:

(I) the resolutions of the Board approving the Abridged Prospectus and the issuance of the same;

(II) the resolutions of the Board confirming that each of the Directors has seen and approved the Abridged Prospectus and collectively and individually accept full responsibility for the accuracy of the information given and having made all reasonable enquiries, confirms that to the best of his knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement in the Abridged Prospectus false or misleading;

(III) the resolutions of the Board provisionally allotting the Rights Shares as set out in Clause 5 of the Management and Underwriting Agreement; and

(IV) the Abridged Prospectus registered with the Securities Commission and lodged with the Companies Commission of Malaysia ("**CCM**");

(c) the following approvals ("**Approvals**") having been obtained and remaining in full force and effect and there shall not have occurred any withdrawal or revocation of any of the same:

(I) the approval of shareholders granted by way of a resolution to be passed at the EGM for the issue of the Rights Shares;

(II) the approval of Bursa Securities for the listing and quotation of the Rights Shares on the Main Market of Bursa Securities; and

(III) the approval of any other relevant authorities if required;

(d) any condition imposed by the shareholders of the Company, Bursa Securities or any other relevant authorities in giving their respective Approvals or imposed by Bursa Securities, the Securities Commission or such other relevant authorities thereafter, which is required to be fulfilled on or before two (2) Market Days after receipt of the Underwriting Notice from the Co-ordinator ("**Payment Date**") or the Settlement Date, being fulfilled on or before such date to the reasonable satisfaction of the Co-ordinator and the Joint Underwriters;

(e) the registration of the Abridged Prospectus with the Securities Commission in accordance with Sections 232, 233 and 237 of the CMSA on the date on which the Abridged Prospectus is registered with the Securities Commission, being no later than 9 June 2014, or such date to be agreed between the Company, the Co-ordinator and the Joint Underwriters ("**Registration Date**") and the lodgement of the Abridged Prospectus together with the NPA and RSF with the CCM in accordance with Section 234 of the CMSA;

(f) there having been, as at the Payment Date and as at the Settlement Date, no registration or lodgement of any amendment, supplement or replacement to the Abridged Prospectus with the Securities Commission or the CCM without the prior written approval of the Co-ordinator and the Joint Underwriters;

(g) the compliance by the Company with all its obligations under the Management and Underwriting Agreement, by the respective dates stated herein, where applicable;

(h) each of the Management and Underwriting Agreement and the Undertakings ("**Transaction Documents**"), has each been duly executed, stamped and delivered, and the performance of each of the Transaction Documents has become unconditional on or before the Registration Date (save that in the case of the Management and Underwriting Agreement, other than for conditions that are expressly stated to be fulfilled after the Registration Date) by or on behalf of all parties thereto (other than for the Co-ordinator and the Joint Underwriters) and remain in full force and effect;

(i) each of the parties to the Undertakings having performed their obligations thereunder, and not being in breach thereto;

(j) each Transaction Document is in full force and effect (and not amended or supplemented, save as agreed in writing by the Co-ordinator and the Joint Underwriters), there shall not have occurred any breach or non-compliance by any of the parties thereto (other than a breach of any sub-underwriting, placement, purchase or similar agreement entered into by any of the Joint Underwriters which is not caused or contributed to directly or indirectly in whole or in part, by the Company, any of its affiliates, or any of their respective directors, officers and employees) of their obligations and agreements under such documents (or only in the case of any such obligations and agreements which are not qualified by any materiality requirements), each of the conditions precedent (if any) in each of the Transaction Documents shall have been satisfied or waived (provided that any such waiver shall not have any material adverse effect on the transaction contemplated by such Transaction Document);

(k) no stop order, withdrawal of approval or similar order having been issued by the Securities Commission, Bursa Securities or any court or other judicial, governmental or regulatory authority in relation to the Rights Issue nor the sale and subscription and/or purchase of the Rights Shares in accordance with the provisions of the Abridged Prospectus or any of the Transaction Documents or the execution and performance of the Abridged Prospectus or any of the Transaction Documents being prohibited by any statute, order, rule, regulation or directive issued by, or objected to by any legislative, executive or regulatory body or authority of Malaysia (including, without limitation, Bursa Securities) or elsewhere,

by the third (3rd) Market Day after the Closing Date provided however, that the Co-ordinator and the Joint Underwriters may, at their discretion, by expressly so stating in writing, waive satisfaction of any of the conditions set out under Section 2.7(ii) above or extend the time provided for fulfilment of any such conditions in respect of all or any part of the performance thereof, provided always that any such waiver as aforesaid shall be without prejudice to the right of the Co-ordinator or the Joint Underwriters to elect to treat any further or other breach, failure or event as releasing and discharging the Co-ordinator or (as the case may be) the Joint Underwriters, in whatever capacity from their respective obligations under the Management and Underwriting Agreement and shall be without prejudice to the right of the Co-ordinator or the Joint Underwriters to terminate the Management and Underwriting Agreement by notice pursuant to Clause 11 of the Management and Underwriting Agreement.

(iii) The Company shall pay to the Joint Underwriters an underwriting commission of 1.10% in respect of 92,402,074 Rights Shares multiplied by the Issue Price.

(iv) The Management and Underwriting Agreement may be terminated at any time on, amongst others, the following grounds:

(a) there occurs any breach of, or any event rendering untrue, misleading or incorrect in any respect (or in the case of any representation or warranty which is not qualified by materiality, in any material respect) any of the warranties, representations and undertakings provided by the Company or any failure to perform in any material respect any of the undertakings or agreements by any party (other than the terminating party) in the Management and Underwriting Agreement;

(b) there shall have occurred a suspension, establishment of minimum prices, moratorium or restriction of trading in shares or securities generally on Bursa Securities or any moratorium on banking activities or foreign exchange rating or securities settlement or clearing services in or affecting Malaysia, which event or events shall in the reasonable opinion of the Co-ordinator or (as the case may be) the Joint Underwriters:

(I) be likely to prejudice materially the ability of the Co-ordinator or the Joint Underwriters to market the Rights Issue, to enforce contracts for the subscription and distribution of the Rights Shares and PAL Rights or dealings in the Rights Shares or PAL Rights in the secondary market; or

(II) be likely to have a Material Adverse Effect;

"Material Adverse Effect" means, in the context of the Rights Issue, a material adverse effect on (a) the financial condition, results of operations, earnings, business or prospects of the Company or of the Group taken as a whole, whether or not arising in the ordinary course of business or (b) the ability of the Company to perform in any material respect its obligation under or with respect to, or consummate the transactions contemplated by the Transaction Documents or the Abridged Prospectus, other than for any material adverse effect of potential impairment charges the nature and extent of which is disclosed in the Company's annual report 2013 issued by the Company on Bursa Securities on 28 March 2014;

(c) If there shall have been, since the date of the agreement:

(I) any change, or any development involving a prospective Material Adverse Effect;

(II) any introduction or prospective introduction of (as announced by a competent authority) or any change or any prospective change in (as announced by a competent authority) any legislation, regulation, order, policy, rule, guideline or directive in Malaysia (whether or not having the force of law and including, without limitation, any directive or request issued by Bursa Securities, the SC or the CCM) or in the interpretation or application thereof by any court, government body, regulatory authority or other competent authority in Malaysia; or

(III) any formal investigation, proceeding or inquiry by or before any court or governmental or regulatory authority against the Company, which has been disclosed to the public, announced in the media or otherwise appears in the media, for which such party or parties has not or have not been able to provide an explanation to the satisfaction of the Co-ordinator and the Joint Underwriters, which event or events shall in the reasonable opinion of the Co-ordinator and the Joint Underwriters:

(1) be likely to prejudice materially the ability of Co-ordinator and the Joint Underwriters to market the Rights Issue, to enforce contracts for the subscription and distribution of the Rights Shares or PAL Rights, the success of the Rights Issue or dealing in the Rights Shares or PAL Rights in the secondary market; or

(2) be likely to have a Material Adverse Effect; or

(3) be likely to result in the withdrawal of any of the Approvals granted by Bursa Securities, the SC, or the shareholders of the Company in connection with the Rights Issue;

(d) if Bursa Securities, the SC, the CCM or any other regulatory or governmental body in Malaysia, shall make any stop order, ruling (or revoke any ruling previously made) the effect of which is to prevent the issue, and the listing and quotation of the Rights Shares on the Main Board of Bursa Securities;

(e) if the subscription for the Rights Shares shall be prohibited by any statute, order, rule, regulation or directive issued by, or objective to by any legislative, executive or regulatory body or authority of Malaysia (including without limitation, Bursa Securities, the SC or the CCM);

(f) if Bursa Securities suspends the trading of the shares of the Company for any reason whatsoever; if Bursa Securities removes the Company from the official list of the Main Board of Bursa Securities for any reason whatsoever or if the Company requests for a voluntary suspension of the trading of its shares for any reason whatsoever for a duration of more than one Market Day without the prior approval of the Co-ordinator and the Joint Underwriters;

(g) if the allotment date of the Rights Shares does not occur by the next business day after the Payment Date and the Settlement Date does not occur within (3) three Market Days of the Payment Date; or

(h) any of the Undertakings becomes void or unenforceable or performance of the relevant party's obligations thereunder becomes unlawful impossible or unenforceable for whatever reason.

2.8 Excess Rights Shares Application

Any Rights Shares which are not taken up or not validly taken up by the Entitled Shareholders and/or their renouncee(s) (if applicable) shall be made available for Excess Rights Shares Application. The allocation of the Excess Rights Shares (if any) will be determined by our Board at its discretion in a fair and equitable manner on the basis set out in Section 4.7 of this Abridged Prospectus.

3. RATIONALE FOR THE RIGHTS ISSUE AND UTILISATION OF PROCEEDS

3.1 Rationale for the Rights Issue

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

(i) to primarily enable us to raise the required capital to partially repay the bridge loans obtained to fund the Acquisition. The rationale for undertaking the Acquisition is set out under Section 3.2 below;

(ii) to provide our existing shareholders with an opportunity to maintain their equity interest in our Company as well as increase their equity participation at a discount to the prevailing market price of our Shares and ultimately, participate in the prospects and future growth of our Company; and

(iii) to further strengthen the capital position and consequently improve the shareholders' funds and gearing of our Company which will provide greater flexibility in optimising our capital structure in the future. This will place our Company in a better position to take advantage of growth and business opportunities from the enlarged investment banking operations following the Acquisition and Merger as well as the opportunities in commercial banking activities through AFFIN Bank and AFFIN Islamic Bank Berhad.

3.2 Rationale for the Acquisition

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 to secure leading positions in their respective businesses.

In view of the above, the Acquisition provides an opportunity for AFFIN Investment to increase the scale of its stockbroking and asset management businesses and broaden its customer reach in Malaysia. The 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 bank-backed investment bank in Malaysia. The Acquisition will drive our vision to become Malaysia's preferred one stop financial services provider.

The combination of AFFIN Investment and Hwang IB will substantially strengthen our competitive position in Malaysia by:

(i) 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);

(ii) quadrupling our distribution network to 25 branches and 765 remisiers (from the 6 branches and 215 remisiers previously as at 31 March 2014) which would enable the combined entity to expand its market reach; and

(iii) creating a top five asset management company in Malaysia (based on AUM), with a pro forma combined AUM of RM32.1 billion (as at 31 March 2014) (Source: Management of AFFIN).

The 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 Acquisition, the addition of the collective experience and expertise of the Hwang-DBS businesses' management team and employees are expected to enhance AFFIN Group's branding in the local investment banking and asset management businesses.

3.3 Utilisation of Proceeds from the Rights Issue

The gross proceeds expected to be raised from the Rights Issue and its intended utilisation are as follows:

Details of Utilisation	**Expected timeframe for utilisation**[(1)]	**RM' million**
Capital injection into AFFIN Bank[(2)]	Within 1 month	200.00
Partial repayment of the bridge loans obtained to fund the Acquisition[(3)]	Within 1 month	1,037.51
		1,237.51

Notes:

(1) *From the date of listing of the Rights Shares.*

(2) *To fund future growth for the existing businesses of AFFIN Bank. An application was made on 14 March 2014 to seek BNM's approval for the capital injection. As at LPD, the said decision from BNM is still pending.*

(3) *A bridge loans facility of RM1,400 million was obtained by our Company to fund the Acquisition. The bridge loans are for a tenure of one (1) year from the date of drawdown of 7 April 2014 and the interest cost payable on the bridge loans is based on the lenders' cost of funds plus 0.75% per annum. The partial repayment of the bridge loans from the proceeds of the Rights Issue will result in interest savings over the remaining tenure of the bridge loans of approximately RM29.0 million assuming completion of the Rights Issue in end July 2014 and an interest cost of 4.1% per annum.*

Expenses relating to the Rights Issue estimated at appoximately RM6.0 million will be funded from internally generated funds.

4. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE / TRANSFER OF THE PROVISIONAL ALLOTMENT OF RIGHTS SHARES AND EXCESS RIGHTS SHARES APPLICATION

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES PROVISIONALLY ALLOTTED TO YOU AND/OR YOUR RENOUNCEE(S) (IF APPLICABLE) AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU AND YOUR RENOUNCEE(S) (IF APPLICABLE) WISH TO DISPOSE OF ALL OR ANY PART OF YOUR ENTITLEMENTS AS WELL AS FOR EXCESS RIGHTS SHARES APPLICATION ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF. YOU ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS, THE RSF AND/OR THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY.

THE NPA AND RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THIS ABRIDGED PROSPECTUS.

ACCEPTANCES WHICH DO NOT CONFORM STRICTLY TO THE TERMS OF THIS ABRIDGED PROSPECTUS, THE RSF AND THE NOTES AND INSTRUCTIONS PRINTED THEREIN OR WHICH ARE ILLEGIBLE MAY BE REJECTED AT THE ABSOLUTE DISCRETION OF OUR COMPANY.

4.1 General

As an Entitled Shareholder, your CDS account will be duly credited with the number of provisionally allotted Rights Shares, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue (fractional entitlement, if any, having been disregarded). You (other than an Authorised Nominee who has subscribed for NRS) will find enclosed with this Abridged Prospectus, the NPA notifying you of the crediting of such provisionally allotted Rights Shares into your CDS account and the RSF to enable you to subscribe for the Rights Shares provisionally allotted to you, as well as to apply for Excess Rights Shares if you choose to do so. A copy of this Abridged Prospectus and the RSF is also available on the website of Bursa Securities (http://www.bursamalaysia.com).

The provisionally allotted Rights Shares are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in the provisionally allotted Rights Shares will be by book entries through CDS accounts and will be governed by the SICDA and the Rules of Bursa Depository.

If you are an Authorised Nominee who has subscribed for NRS with Bursa Depository, an electronic copy of this Abridged Prospectus and the Rights Issue Entitlement File will be transmitted to you electronically by Bursa Depository through its existing network facility with the Authorised Nominees. Please refer to Section 4.4.4 and 4.7.4 of this Abridged Prospectus for the procedures for acceptance as well as to apply for Excess Rights Shares if you choose to do so.

4.2 Important relevant dates and time

Last date and time for the sale of provisional allotment of Rights Shares	:	Thursday, 19 June 2014 at 5.00 p.m.
Last date and time for the transfer of provisional allotment of Rights Shares	:	Tuesday, 24 June 2014 at 4.00 p.m.
Last date and time for acceptance and payment	:	Friday, 27 June 2014 at 5.00 p.m.
Last date and time for application for Excess Rights Shares and payment	:	Friday, 27 June 2014 at 5.00 p.m.

Our Board may decide in its absolute discretion to extend the last date and time for acceptance, application for Excess Rights Shares and payment to any later time(s) and/or date(s). We will announce not less than two (2) Market Days before the stipulated date and time. Proof of time of postage shall not constitute proof of time of receipt by our Special Share Registrar.

4.3 Methods of application

You may subscribe for such number of Rights Shares that you have been provisionally allotted as well as to apply for Excess Rights Share, if you so choose, using either of the following methods:

Method of application	Category of Entitled Shareholders
RSF(1)	All Entitled Shareholders
Electronic Application(2) or Internet Application(3)	All Entitled Shareholders
NRS	Authorised Nominee who has subscribed for NRS

Notes:

(1) A copy of the RSF will be enclosed together with the Abridged Prospectus. The RSF is also available on the website of Bursa Securities (http://www.bursamalaysia.com).

(2) The following surcharge per Electronic Application will be charged by the Participating Financial Institution:

Public Bank Berhad – RM4.00

(3) The following processing fee per Internet Application will be charged by the respective Internet Participating Financial Institution:

Public Bank Berhad (www.pbebank.com) – RM4.00

4.4 Procedures for full or part acceptance and payment

4.4.1 By way of RSF

If you wish to accept the Rights Shares provisionally allotted to you either in full or in part, you are required to complete Parts I(A) and II of the RSF in accordance with the notes and instructions provided therein (including specifying the number of Rights Shares which you are accepting in the stipulated proportions). Each completed RSF together with the relevant remittance must be submitted using the reply envelope provided (one reply envelope for each completed RSF) by **ORDINARY POST, COURIER** or **DELIVERED BY HAND** at your own risk to our Special Share Registrar at the following address:

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel. No: +603 2264 3883
Fax. No: +603 2282 1886

so as to arrive not later than 5.00 p.m. on Friday, 27 June 2014, being the last date and time for acceptance and payment (or such later date and time as our Board in its absolute discretion may decide and announce not less than two (2) Market Days before the stipulated date and time).

The minimum number of Rights Shares that can be accepted is one (1) Rights Share (fractional entitlement having been disregarded). Applicants should take note that a trading board lot comprises one hundred (100) Shares. If you do not wish to accept the Rights Shares provisionally allotted to you in full, you are entitled to accept part of your entitlements that can be subscribed/applied for. You are entitled to accept part of your entitlement of the provisionally allotted Rights Shares PROVIDED ALWAYS that:

(i) the minimum number of Rights Shares that may be accepted is one (1) Rights Share (fractional entitlements having been disregarded); and

(ii) any part acceptance shall be in the proportion of one (1) Rights Share (fractional entitlements having been disregarded).

You have to complete Parts I(A) and II of the RSF by specifying the number of Rights Shares which you are accepting (in the stipulated proportions). The portion of the Rights Shares that has not been accepted will be allotted to applicants applying for Excess Rights Shares in the manner as set out in Section 4.7 below.

One (1) RSF can only be used for acceptance of the provisionally allotted Rights Shares standing to the credit of one (1) CDS account. If you have more than one (1) CDS account credited with the provisionally allotted Rights Shares, separate RSF must be used for the acceptance of the provisionally allotted Rights Shares standing to the credit of each CDS account. If successful, Rights Shares accepted by you will be credited into the respective CDS accounts in which the provisionally allotted Rights Shares were standing to the credit.

Acceptance and payment for the Rights Shares provisionally allotted to you must be made on the RSF enclosed with this Abridged Prospectus, which must be completed in accordance with the notes and instructions contained in these documents. Acceptances which do not strictly conform to the terms and conditions of this Abridged Prospectus or the RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of our Board.

Each completed RSF must be accompanied by the appropriate remittance in RM for the full amount payable for the Rights Shares accepted in the form of Banker's Draft(s), Cashier's Order(s), Money Order(s) or Postal Order(s) drawn on a bank or post office in Malaysia crossed **"ACCOUNT PAYEE ONLY"** and made payable to **"AFFIN RIGHTS ISSUE ACCOUNT"** and endorsed on the reverse side with your name in block letters, contact number and your CDS account number, which must be received by our Special Share Registrar by the stipulated last date and time for acceptance and payment.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD, DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SPECIAL SHARE REGISTRAR IN RESPECT OF THE RIGHTS ISSUE. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARES, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND DESPATCHED BY ORDINARY POST TO YOU AT YOUR OWN RISK TO THE ADDRESSES SHOWN IN THE RECORD OF DEPOSITORS WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES OR SUCH OTHER DATE AS MAY BE PRESCRIBED BY BURSA SECURITIES.

PROOF OF POSTAGE SHALL NOT CONSTITUTE PROOF OF RECEIPT BY OUR SPECIAL SHARE REGISTRAR OR COMPANY.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

FOR FOREIGN ADDRESSED SHAREHOLDERS, ACCEPTANCE AND PAYMENT ARE SUBJECT TO CERTAIN RESTRICTIONS WHICH ARE SET OUT IN SECTION 4.11 OF THIS ABRIDGED PROSPECTUS.

If acceptance and payment for the Rights Shares provisionally allotted to you is not received by our Special Share Registrar by 5.00 p.m. on Friday, 27 June 2014, being the last date and time for acceptance and payment, (or such later date and time as our Board in its absolute discretion may decide and announce not less than two (2) Market Days before the stipulated date and time), such provisional allotment of Rights Shares to you or remainder thereof (as the case may be) will be deemed to have been declined and will be cancelled. Such Rights Shares not taken up will be made available for applicants who have applied for Excess Rights Shares.

Our Board reserves the right not to accept or to accept in part only any application accompanied by payment other than in the manner prescribed herein or which is otherwise howsoever incomplete or not in order, without assigning any reasons thereof.

If you lose, misplace or for any other reasons require another copy of the RSF, you may obtain additional copies from your stockbrokers, Bursa Securities' website (www.bursamalaysia.com), our Special Share Registrar at the address stated above or our Registered Office.

YOU SHOULD NOTE THAT ALL RSF AND REMITTANCES SO LODGED WITH OUR SPECIAL SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN. WHERE THE APPLICATION IS NOT ACCEPTED OR ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO YOU WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS AT YOUR OWN RISK.

4.4.2 By way of Electronic Application

Only Malaysian individuals who are Entitled Shareholders may apply for the Rights Share by way of Electronic Application.

Please read carefully and follow the terms of this Abridged Prospectus, the procedures, terms and conditions for Electronic Application and the procedures set out at the ATMs of the Participating Financial Institution before making an Electronic Application.

(i) Steps for Electronic Applications through a Participating Financial Institution's ATM

The procedures for Electronic Applications at the ATMs of the Participating Financial Institution are set out on the ATM screens of the relevant Participating Financial Institution **("Steps")**. For illustration purposes, the procedures for Electronic Applications at ATMs are set out below. The Steps set out the actions that you must take at the ATM to complete an Electronic Application. Please read carefully the terms of this Abridged Prospectus, the Steps and the Terms and Conditions for Electronic Applications set out below before making an Electronic Application.

(a) You must have an account with a Participating Financial Institution and an ATM card issued by that Participating Financial Institution to access the account. An ATM card issued by one of the Participating Financial Institution cannot be used to apply for the Rights Share at an ATM belonging to other Participating Financial Institutions;

(b) You are advised to read and understand this Abridged Prospectus **BEFORE** making the application; and

(c) You shall apply for the Rights Share via the ATM of the Participating Financial Institution by choosing the Electronic Application option. Mandatory statements required in the application are as set out in **"Terms and conditions for Electronic Applications"** (please refer to Section 4.4.2(iii) below). You shall enter at least the following information through the ATM when the instructions on the ATM screen require you to do so:

- Personal Identification Number (**"PIN"**);
- AFFIN Rights Issue Account;
- CDS Account number;
- Number of Rights Share applied for and/or the RM amount to be debited from the account;
- Current contact number (for e.g. your mobile phone number); and
- Confirmation of several mandatory statements.

Upon the completion of your Electronic Application transaction, you will receive a computer-generated transaction slip **("Transaction Record")**, confirming the details of your Electronic Application. The Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the Electronic Application or any data relating to such an Electronic Application by the Company or the Special Share Registrar. The Transaction Record is for your record and is not required to be submitted with your Application.

You must ensure that you use the number of the CDS Account held in your name when making an Electronic Application. If you operate a joint bank account with any of the Participating Financial Institution, you must ensure that you enter the number of the CDS Account held in your name when using an ATM card issued to you in your name. Your application will be rejected if you fail to comply with the foregoing.

(ii) Participating Financial Institution

Electronic Applications may be made through an ATM of the following Participating Financial Institution and their branches within Malaysia:

- Public Bank Berhad

(iii) Terms and Conditions of Electronic Applications

The Electronic Application shall be made on, and subject to, the terms of this Abridged Prospectus, as well as the terms and conditions of the Participating Financial Institution and those appearing herein:

(a) You are required to confirm the following statements (by pressing pre-designated keys or buttons on the ATM keyboard) and undertake that the following information given are true and correct:

- You have attained 18 years of age as at the last day for application and payment;

- You have read the relevant Abridged Prospectus and understood and agreed with the terms and conditions of the application;

- You authorise the financial institution with which you have a bank account to deduct the full amount payable for the Rights Shares (including the processing fee as mentioned in Section 4.3 (Note 2) of this Abridged Prospectus) from your bank account with the Participating Financial Institution; and

- You hereby give consent to our Company, Bursa Depository, our Special Share Registrar, the relevant Participating Financial Institution, their respective agents and any third party involved in facilitating the application/refund, to disclose information pertaining to yourself and your account with the Participating Financial Institution and Bursa Depository to the relevant authorities and any person as may be necessary or expedient to facilitate the making of the application/refund.

Your application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless you complete all the steps required by the Participating Financial Institution. By doing so, you shall have confirmed each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia including Section 134(1) of the FSA, 1989 and Section 45(1)(a) of the SICDA, to the disclosures as described above.

(b) You confirm that you are not applying for the Rights Shares as a nominee of any other person and that any Electronic Application that you make is made by you as the beneficial owner.

(c) You must have sufficient funds in your account with the relevant Participating Financial Institution at the time you make your Electronic Application, failing which your Electronic Application will not be completed. Any Electronic Application, which does not strictly conform to the instructions set out on the screen of the ATM through which the Electronic Application is being made, will be rejected.

(d) You agree and undertake to subscribe for or purchase and to accept the number of Rights Shares applied for as stated on the Transaction Record in respect of your Electronic Application. Your confirmation (by your action of pressing the pre-designated keys (or buttons) on the ATM) of the number of Rights Shares applied for shall signify, and shall be treated as, your acceptance of the number of Rights Shares that may be allotted to you.

Should you encounter any problems in your Electronic Application, please refer to the Participating Financial Institution.

(e) By making and completing your Electronic Application, you, if successful, requests and authorises our Company to credit the Rights Shares allotted to you into your CDS Account.

(f) You acknowledge that your Electronic Application is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond the control of our Company, our Special Share Registrar, the Participating Financial Institution or Bursa Depository and irrevocably agrees that if:

- Our Company, our Special Share Registrar or Bursa Depository does not receive your Electronic Application; or

- Data relating to your Electronic Application is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to our Company, our Special Share Registrar or Bursa Depository, you shall be deemed not to have made an Electronic Application and you shall not make any claim whatsoever against our Company, our Special Share Registrar, the Participating Financial Institution or Bursa Depository for the Rights Shares applied for or for any compensation, loss or damage relating to the application for the Rights Shares.

You shall be deemed not to have made an Electronic Application and you shall not make any claim whatsoever against our Company, our Special Share Registrar, the Participating Financial Institution or Bursa Depository for the Rights Shares applied for or for any compensation, loss or damage relating to the application for the Rights Shares.

(g) All of your particulars, including your nationality and place of residence, in the records of the relevant Participating Financial Institution at the time you make your Electronic Application shall be true and correct, and our Company, our Special Share Registrar, the relevant Participating Financial Institution and Bursa Depository shall be entitled to rely on the accuracy thereof.

(h) You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Participating Financial Institution are correct and identical. Otherwise, your Electronic Application will be rejected. You must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allocation will be sent to your correspondence address last maintained with Bursa Depository.

(i) By making and completing an Electronic Application, you agree that:

(a) In consideration of our Company agreeing to allow and accept your application for the Rights Shares via the Electronic Application facility established by the Participating Financial Institution at their respective ATMs, your Electronic Application is irrevocable and cannot be subsequently withdrawn;

(b) Our Company, the Participating Financial Institution, Bursa Depository and our Special Share Registrar shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Electronic Application due to a breakdown or failure of transmission or communication facilities or to any cause beyond our control;

(c) Notwithstanding the receipt of any payment by or on behalf of our Company, the notice of successful allocation for prescribed securities issued in respect of the Rights Shares for which your Electronic Application has been successfully completed is the only confirmation for the acceptance of this offer to subscribe for and purchase the said Rights Shares; and

(d) You agree that in relation to any legal action, proceedings or dispute arising out of or in relation with the contract between the parties and/or the Electronic Application and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that you irrevocably submits to the jurisdiction of the Courts of Malaysia.

(j) Our Special Share Registrar, on the authority of our Company, reserves the right to reject applications which do not conform to these instructions.

(k) Notification on the outcome of your application for the Rights Shares will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk within the timelines as follows:

- successful application — a notice of allotment will be despatched within eight (8) Market Days from the last day for application and payment for the Rights Shares; or

- unsuccessful/partially successful application — the full amount or the surplus application monies, as the case may be, will be refunded without interest within fifteen (15) Market Days from the last day for application and payment for the Rights Shares.

The refund will be credited directly into your bank account from which your Electronic Application was made. Kindly take note of the terms and conditions as stated in Section 4.4.2(iii) of this Abridged Prospectus and the required consent in making your Electronic Application.

If the crediting of the refund into your bank account from which your Electronic Application was made is unsuccessful, the refund will then be made via cheque which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk.

4.4.3 By way of Internet Application

All Entitled Shareholders may apply for the Rights Shares by way of Internet Application.

Please read carefully and follow the terms of this Abridged Prospectus, the procedures, terms and conditions for Internet Application and the procedures set out on the internet financial services website of the Internet Participating Financial Institution before making an Internet Application.

(i) Step 1: Set up of account

Before making an application by way of Internet Application, you **must have all** of the following:

(a) an existing account with access to internet financial services with **Public Bank Berhad** at www.pbebank.com. Accordingly, you will need to have your user identification and PIN/password for the internet financial services facility; and

(b) a CDS Account held in your name.

(ii) Step 2: Read the Abridged Prospectus

You are advised to read and understand this Abridged Prospectus **BEFORE** making your application.

(iii) **Step 3: Apply through Internet**

While we will attempt to provide you with assistance in your application for the Rights Shares through Internet Applications, please note that the actual steps for Internet Applications through the internet financial services website of a particular Internet Participating Financial Institution may differ from the steps outlined below. The possible steps set out below are purely for illustration purposes only.

(a) Connect to the internet financial services website of the Internet Participating Financial Institution with which you have an bank account;

(b) Log in to the internet financial services facility by entering your use identification and PIN/password;

(c) Navigate to the section of the website on applications in respect of the Rights Shares;

(d) Select the counter in respect of the Rights Shares to launch the Electronic Abridged Prospectus and the terms and conditions of the Internet Application;

(e) Select the designated hyperlink on the screen to accept the abovementioned terms and conditions, having read and understood such terms and conditions;

(f) At the next screen, complete the online application form;

(g) Check that the information contained in your online application form, such as the share counter (in this case, AFFIN Rights Issue Account), your NRIC number, your current contact number (for e.g. your mobile phone number), your CDS Account number, number of Rights Shares applied for and the account number to debit are correct. Then select the designated hyperlink on the screen to confirm and submit the online application form;

(h) Upon submission of the online application form, you will be linked to the website of the Authorised Financial Institution (as defined below) to effect the online payment of your money for the Rights Issue;

(i) You must pay for the Rights Issue through the website of the Authorised Financial Institution (as defined below), failing which the Internet Application is not completed, despite the display of the Confirmation Screen. "Confirmation Screen" refers to the screen which appears or is displayed on the internet financial services website, which confirms that the Internet Application has been completed and states the details of your Internet Application, including the number of Rights Shares applied for, which can be printed out for your record;

As soon as the transaction is completed, a message from the Authorised Financial Institution (as defined below) pertaining to the payment status will appear on the screen of the website through which the online payment for the Rights Shares is being made. Subsequently, the Internet Participating Financial Institution shall confirm that the Internet Application has been completed, via the Confirmation Screen on its website; and

(j) You are advised to print out the Confirmation Screen for your reference and record.

(iv) Terms and Conditions of Internet Applications

The Internet Application shall be made on, and subject to, the terms of this Abridged Prospectus, as well as the terms and conditions of the Internet Participating Financial Institution and those appearing herein:

(a) After selecting the designated hyperlink on the screen, you are required to confirm and undertake that the following information given are true and correct:

- You have attained 18 years of age as at the last day of application and payment;

- You have, prior to making the Internet Application, receive and/or have had access to a printed/electronic copy of this Abridged Prospectus, the contents of which you have read and understood;

- You agree to all the terms and conditions of the Internet Application as set out in this Abridged Prospectus and have carefully considered the risk factors set out in this Abridged Prospectus, in addition to all other information contained in this Abridged Prospectus, before making the Internet Application;

- You authorise the financial institution with which you have a bank account to deduct the full amount payable for the Rights Shares (including the processing fee as mentioned in Section 4.3 (Note 3) of this Abridged Prospectus) from your bank account with the Participating Financial Institution; and

- You hereby give consent in accordance with the relevant laws of Malaysia (including Section 134(1) of the FSA and Section 45(1)(a) of the SICDA) for the disclosure by our Company, Bursa Depository, our Special Share Registrar, the relevant Internet Participating Financial Institution, their respective agents and any third party involved in facilitating the application/refund, of information pertaining to yourself, the Internet Application made by you, your account with the Internet Participating Financial Institution and/or the Authorised Financial Institution and Bursa Depository, to the relevant authorities and any person as may be necessary or expedient to facilitate the application/refund.

(b) You confirm that you are not applying for the Rights Shares as a nominee of any other person and that the Internet Application is made in your own name, as beneficial owner and subject to the risks referred to in this Abridged Prospectus.

(c) You agree and undertake to subscribe for or purchase and to accept the number of Rights Shares applied for as stated on the Confirmation Screen in respect of your Internet Application. Your confirmation of the number of Rights Shares applied for shall signify, and shall be treated as, your acceptance of the number of Rights Shares that may be allotted to you. Should you encounter any problems in your Internet Application, please refer to the Internet Participating Financial Institution.

(d) By making and completing your Internet Application, you, if successful, request and authorise our Company to credit the Rights Shares allotted to you into your CDS Account.

(e) You acknowledge that your Internet Application is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond the control of our Company, our Special Share Registrar, the Internet Participating Financial Institution or Bursa Depository and irrevocably agrees that if:

- Our Company, our Special Share Registrar or Bursa Depository does not receive your Internet Application; or

- Data relating to your Internet Application is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to our Company, our Special Share Registrar or Bursa Depository, you shall be deemed not to have made an Internet Application and you shall not make any claim whatsoever against our Company, our Special Share Registrar, the Internet Participating Financial Institution or Bursa Depository for the Rights Shares applied for or for any compensation, loss or damage relating to the application for the Rights Shares.

(f) All of your particulars, including your nationality and place of residence, in the records of the relevant Internet Participating Financial Institution at the time you make your Internet Application shall be true and correct, and our Company, our Special Share Registrar, the relevant Internet Participating Financial Institution and Bursa Depository shall be entitled to rely on the accuracy thereof.

(g) You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Internet Participating Financial Institution are correct and identical. Otherwise, your Internet Application will be rejected. You must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allocation will be sent to your correspondence address last maintained with Bursa Depository.

(h) By making and completing an Internet Application, you agree that:

- In consideration of our Company agreeing to allow and accept your application for the Rights Shares via the Internet Application facility established by the Internet Participating Financial Institution at their respective internet financial services website, your Internet Application is irrevocable and cannot be subsequently withdrawn;

- Our Company, the Internet Participating Financial Institution, Bursa Depository and our Special Share Registrar shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Internet Application due to a breakdown or failure of transmission or communication facilities or to any cause beyond our control;

- Notwithstanding the receipt of any payment by or on behalf of our Company, the notice of successful allocation for prescribed securities issued in respect of the Rights Shares for which your Internet Application has been successfully completed is the only confirmation for the acceptance of this offer to subscribe for and purchase the said Rights Shares; and

- You agree that in relation to any legal action, proceedings or dispute arising out of or in relation with the contract between the parties and/or the Internet Application and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that you irrevocably submit to the jurisdiction of the Courts of Malaysia.

(i) Our Special Share Registrar, on the authority of our Company, reserves the right to reject applications which do not conform to these instructions.

(j) Notification on the outcome of your application for the Rights Shares will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk within the timelines as follows:

- successful application — a notice of allotment will be despatched within eight (8) Market Days from the last day for application and payment for the Rights Shares; or

- unsuccessful/partially successful application — the full amount or the surplus application monies, as the case may be, will be refunded without interest within fifteen (15) Market Days from the last day for application and payment for the Rights Shares.

  The refund will be credited directly into your bank account with the Authorised Financial Institution from which payment of your subscription monies was made. Kindly take note of the terms and conditions as stated in Section 4.4.3(iv) of this Abridged Prospectus and the required consent in making your Internet Application.

  If the crediting of the refund into your bank account with the Authorised Financial Institution from which payment of your subscription monies was made is unsuccessful, the refund will then be made via cheque which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk.

(k) You authorise the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, Bursa Securities or other relevant parties in connection with the Rights Issue, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Application services or if such disclosure is requested or required in connection with the Rights Issue. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information furnished by you to the Internet Participating Financial Institution in connection with the use of the Internet Application services;

4.4.4 By way of NRS

Our Company has appointed Bursa Depository to provide NRS to our shareholders who are Authorised Nominees. Only our Entitled Shareholders who are Authorised Nominees and who have subscribed for NRS with Bursa Depository may apply via NRS.

Please read carefully and follow the terms of this Abridged Prospectus, the procedures, terms and conditions for application via NRS and Bursa Depository's terms and conditions for NRS and User Guide for NRS (which are made available to all Authorised Nominees who have subscribed for NRS with Bursa Depository) before making the application.

(i) Steps for applications via NRS

(a) If you are an Entitled Shareholder, and who is an Authorised Nominee who has subscribed for NRS with Bursa Depository, you will not be receiving this Abridged Prospectus, the RSF nor the NPA by post.

(b) Instead, this Abridged Prospectus and a Rights Issue Entitlement File will be transmitted electronically to you by Bursa Depository through Bursa Depository's existing network facility with the Authorised Nominees in the manner as set out in Bursa Depository's User Guide for NRS, on the next business day after the Entitlement Date.

(c) A notification of the delivery of the Abridged Prospectus and the Rights Issue Entitlement File will also be sent to you via email using the details you have provided to Bursa Depository when you subscribed for NRS with Bursa Depository.

(d) You are advised to read carefully, understand and follow the terms of this Abridged Prospectus, **BEFORE** making the application.

(e) You may accept, on behalf of your client, partially or fully, their respective allocation under the Rights Issue.

(f) To apply for the Rights Shares, you will be required to submit your subscription information via a Rights Shares Subscription File which is to be prepared based on the format as set out in Bursa Depository's User Guide for NRS.

(g) Once completed, you will need to submit the Rights Share Subscription File to Bursa Depository at any time daily before 5pm, but in any event no later than the last day and time for acceptance and payment.

(h) Together with the Rights Shares Subscription File, you will also need to submit a confirmation to Bursa Depository of the following information:

(i) Confirmation that you have, prior to making the application via NRS, received and/or had access to the electronic copy of this Abridged Prospectus, the contents of which you have read, understood and agreed; and

(ii) Consent to the disclosure of your information to facilitate electronic refunds where applicable.

(i) With regards to payment for the Rights Shares which you have applied for, you must transfer the amount payable directly to our bank account, the details of which are as follows:

Bank: **AFFIN BANK BERHAD**
Account Name: **AFFIN RIGHTS ISSUE ACCOUNT**
Bank Account No.: **100020418792**

prior to submitting the Rights Shares Subscription File to Bursa Depository.

(j) Upon completion of the transfer/payment, you may receive a transaction slip **("Transaction Record")** from the transacting financial institution confirming the details of your transfer/payment. The Transaction Record is only a record of the completed transaction and not a record of the receipt of the application via NRS or any data relating to such an application by our Company or Bursa Depository. The Transaction Record is for your record and is not required to be submitted with your application via NRS.

(k) You will be notified on the outcome of your application for the Rights Shares electronically within the timelines as stated below. No physical notice of allotment will be mailed to you.

(i) successful application — an electronic notification will be sent to you within eight (8) Market Days from the last day for application and payment for the Rights Shares; or

(ii) unsuccessful/partially successful application — the full amount or the surplus application monies, as the case may be, will be refunded without interest within fifteen (15) Market Days from the last day for application and payment for the Rights Shares.

The refund will be credited directly into your bank account(s) from which payment of your subscription monies were made. Kindly take note of the terms and conditions as stated in Section 4.4.4(ii)(a) of this Abridged Prospectus and the required consent in making the application via NRS.

If the crediting of the refund into your bank account(s) (as provided by you in the Rights Shares Subscription File) from which payment of your subscription monies were made is unsuccessful, the refund will then be made via cheque(s) which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk.

(l) Upon crediting of the Rights Shares allotted to you into your CDS account(s), you will also receive an electronic confirmation of the crediting from Bursa Depository.

(m) You should note that all applications made for the Rights Shares submitted under NRS will be irrevocable upon submission of the Rights Shares Subscription File to Bursa Depository and cannot be subsequently withdrawn.

(ii) Terms and Conditions for applications via NRS

The application via NRS shall be made on, and subject to, the terms of this Abridged Prospectus, Bursa Depository's terms and conditions for NRS and Bursa Depository's User Guide for NRS as well as the terms and conditions appearing herein:

(a) For purposes of making the electronic refund, you hereby give consent in accordance with the relevant laws of Malaysia, including Section 134(1) of the FSA and Section 45(1)(a) of the SICDA, to the disclosure by our Company, Bursa Depository, our Special Share Registrar, the relevant financial institution, their respective agents and any third party involved in facilitating the payment of refunds to you as the case may be, of information pertaining to yourself and your account with the relevant financial institution and Bursa Depository, to the relevant authorities and any person as may be necessary or expedient to facilitate the making of refunds or for any other purpose in connection with such payments. You will be required to provide confirmation of your consent in the manner prescribed in Bursa Depository's terms and conditions for NRS.

(b) You agree and undertake to subscribe for or purchase and to accept the number of Rights Shares applied for as stated on your Rights Shares Subscription File in respect of your application via NRS. Your application shall signify, and shall be treated as, your acceptance of the number of Rights Shares that may be allotted to you.

(c) You acknowledge that by completing and submitting the Rights Shares Subscription File to Bursa Depository, you, if successful, requests and authorises our Company to credit the Rights Shares allotted to you into the respective CDS Account(s) as indicated in the Rights Shares Subscription File.

(d) You acknowledge that your application via NRS is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond the control of our Company, our Special Share Registrar, the relevant financial institution or Bursa Depository, and irrevocably agree that if:

(i) our Company or our Special Share Registrar or Bursa Depository does not receive your application via NRS; or

(ii) the data relating to your application via NRS is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to our Company or our Special Share Registrar or Bursa Depository,

you shall be deemed not to have made your application and you shall not make any claim whatsoever against our Company, Bursa Depository, our Special Share Registrar or the relevant financial institution for the Rights Shares applied for or for any compensation, loss or damage relating to the application for the Rights Shares.

(e) By completing and submitting the Rights Shares Subscription File to Bursa Depository, you agree that:

(i) In consideration of our Company agreeing to allow and accept your application for the Rights Shares via the NRS facility established by Bursa Depository, your application via NRS is irrevocable and cannot be subsequently withdrawn;

(ii) Our Company, the relevant financial institutions, Bursa Depository and our Special Share Registrar shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your application via NRS due to a breakdown or failure of transmission or communication facilities or to any cause beyond our control;

(iii) Notwithstanding the receipt of any payment by or on behalf of our Company, the electronic notification of allotment in respect of the Rights Shares issued is the only confirmation for the acceptance of this offer to subscribe for and purchase the said Rights Shares; and

(iv) You agree that in relation to any legal action, proceedings or dispute arising out of or in relation to with the contract between the parties and/or the application via NRS and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that you irrevocably submit to the jurisdiction of the Courts of Malaysia.

(f) Our Special Share Registrar and Bursa Depository, on the authority of our Company, reserve the right to reject applications which do not conform to these instructions.

4.5 Procedures for sale/transfer of provisional allotment of Rights Shares

The provisional allotment of Rights Shares is renounceable and will be traded on Bursa Securities commencing 13 June 2014 up to and including 19 June 2014. As such, you and/or your renouncee(s) may sell/transfer all or part of your entitlement to the Rights Shares.

As the provisional allotment of the Rights Shares are prescribed securities, you may wish to sell/transfer all or part of your entitlements to the Rights Shares to one (1) or more than one (1) person(s) may do so immediately through your stockbrokers without first having to request for a split of the provisionally allotted Rights Shares standing to the credit of your CDS account. To sell/transfer all or part of your provisionally allotted Rights Shares, you may sell such entitlements in the open market of Bursa Securities for the period up to the last day and time for sale of the provisionally allotted Rights Shares (in accordance with the Rules of Bursa Depository) or transfer such entitlement to such persons as may be allowed pursuant to the Rules of Bursa Depository for the period up to the last day and time for transfer of the provisionally allotted Rights Shares (in accordance with the Rules of Bursa Depository).

In selling/transferring all or part of your provisionally allotted Rights Shares, you need not deliver any document including the RSF, to any stockbroker in respect of the portion of the provisional allotment sold/transferred. However, you and/or your renouncee(s) (if applicable) must ensure that there is sufficient provisionally allotted Rights Shares standing to the credit of your CDS account that are available for settlement of the sale or transfer.

If you have sold or transferred only part of your provisionally allotted Rights Shares, you may still accept the balance of the entitlements of the Rights Shares by completing Parts I(A) and II of the RSF and forwarding the RSF together with the full amount payable on the balance of the Rights Shares applied for to our Special Share Registrar in accordance with the instructions set out in Section 4.4.4 of this Abridged Prospectus.

ENTITLED SHAREHOLDERS ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.

YOU SHOULD NOTE THAT ALL RSF AND REMITTANCES SO LODGED WITH OUR SPECIAL SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

4.6 Purchase of rights

If you have purchased any provisional allotment of Rights Shares on Bursa Securities, you should obtain and complete the RSF in order to enable you to accept the Rights Shares. The RSF can be obtained from one of the following:

(i) Any Malaysian stockbroking companies

(ii) The website of Bursa Securities at http://www.bursamalaysia.com

(iii) Our Company's Registered Office at:

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

(iv) Our Special Share Registrar at:

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel. No: +603 2264 3883
Fax. No: +603 2282 1886

YOU ARE TO COMPLETE THE RSF AND SUBMIT THE SAME WITH THE REQUISITE PAYMENT TO OUR SPECIAL SHARE REGISTRAR AS DESCRIBED UNDER SECTION 4.4 OF THIS ABRIDGED PROSPECTUS.

YOU ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS ABRIDGED PROSPECTUS AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS ABRIDGED PROSPECTUS AND THE RSF CAREFULLY.

IF YOU ARE LOCATED OUTSIDE OF MALAYSIA, YOU SHOULD TAKE NOTE OF CERTAIN RESTRICTIONS AS SET OUT IN SECTION 4.11 OF THIS ABRIDGED PROSPECTUS.

4.7 Procedures for Excess Rights Shares Application

4.7.1 By way of RSF

You and/or the renouncee(s) (if applicable) who have accepted the provisionally allotted Rights Shares may apply for Excess Rights Shares by completing Part I(B) of the RSF (in addition to Parts I(A) and II) and forwarding it (together with a separate remittance for the full amount payable in respect of the Excess Rights Shares applied for) to our Special Share Registrar at the address set out in Section 4.4.1 above, so as to arrive not later than 5.00 p.m. on Friday, 27 June 2014 being the last date and time for acceptance and payment (or such later date and time as our Board in its absolute discretion may decide and announce not less than two (2) Market Days before the stipulated date and time).

Payment for the Excess Rights Shares Applications should be made in the same manner described in Section 4.4.1 of this Abridged Prospectus, except that the Banker's Draft(s), Cashier's Order(s), Money Order(s) or Postal Order(s) drawn on a bank or post office in Malaysia and crossed **"ACCOUNT PAYEE ONLY"**, should be made payable to **"AFFIN EXCESS RIGHTS ISSUE ACCOUNT"** and endorsed on the reverse side with your name in block letters, contact number and your CDS account number which must be received by our Special Share Registrar by the stipulated last date and time for acceptance and payment.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

It is the intention of our Board to allot the Excess Rights Shares, if any, on a fair and equitable basis and in the following priority:

(i) firstly, to minimise the incidence of odd lots;

(ii) secondly, for allocation to our Entitled Shareholders who have applied for the Excess Rights Shares on a pro-rata basis and in board lots, calculated based on their respective shareholdings in our Company on the Entitlement Date;

(iii) thirdly, for allocation to our Entitled Shareholders who have applied for the Excess Rights Shares on a pro-rata basis and in board lots, calculated based on the quantum of their respective Excess Rights Shares Application; and

(iv) finally, for allocation to the renouncee(s) who have applied for the Excess Rights Shares on a pro-rata basis and in board lots, calculated based on the quantum of their respective Excess Rights Shares Application.

Nevertheless, our Board reserves the right to allot any Excess Rights Shares applied for under the RSF in such manner as it deems fit and expedient and in the best interest of our Company. Our Board also reserves the right to accept any Excess Rights Shares Application, in full or in part, without assigning any reason.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF FOR THE EXCESS RIGHTS SHARES APPLICATION OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SPECIAL SHARE REGISTRAR IN RESPECT OF THE EXCESS RIGHTS SHARES. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR EXCESS RIGHTS SHARES, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND DESPATCHED BY ORDINARY POST TO YOU AT YOUR OWN RISK TO THE ADDRESSES SHOWN IN THE RECORD OF DEPOSITORS WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE AND TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE EXCESS RIGHTS SHARES OR SUCH OTHER DATE AS MAY BE PRESCRIBED BY BURSA SECURITIES.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS RIGHTS SHARES APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND DESPATCHED TO THE APPLICANTS WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE EXCESS RIGHTS SHARES BY ORDINARY POST TO THE ADDRESSES SHOWN IN THE RECORD OF DEPOSITORS AT YOUR OWN RISK.

If you lose, misplace or for any other reasons require another copy of the RSF, you may obtain additional copies from your stockbrokers, Bursa Securities' website (www.bursamalaysia.com), our Special Share Registrar at the address stated above or our Registered Office.

4.7.2 By way of Electronic Application

If you are a Malaysian individual who is an Entitled Shareholder and/or a renouncee and/or a transferee and/or if you have purchased any Provisional Rights Shares, and wish to apply for additional Rights Shares via Electronic Application in excess of your entitlement, you may do so by following the same steps as set out in Section 4.4.2 of this Abridged Prospectus save and except that you shall proceed with the option for Excess Rights Shares Application and the amount payable to be directed to **"AFFIN EXCESS RIGHTS ISSUE ACCOUNT"** for the Excess Rights Shares applied.

The minimum number of Excess Rights Shares that can be applied for is one (1) Excess Rights Share. However, you should take note that a trading board lot comprises of 100 AFFIN Shares.

It is the intention of our Board to allocate the Excess Rights Shares, if any, in a fair and equitable manner in the following priority:

(i) firstly, to minimise the incidence of odd lots;

(ii) secondly, for allocation to our Entitled Shareholders who have applied for the Excess Rights Shares on a pro-rata basis and in board lots, calculated based on their respective shareholdings in our Company on the Entitlement Date;

(iii) thirdly, for allocation to our Entitled Shareholders who have applied for the Excess Rights Shares on a pro-rata basis and in board lots, calculated based on the quantum of their respective Excess Rights Shares Application; and

(iv) finally, for allocation to the renouncee(s) who have applied for the Excess Rights Shares on a pro-rata basis and in board lots, calculated based on the quantum of their respective Excess Rights Shares Application.

Nevertheless, our Board reserves the right to allot any Excess Rights Shares applied for in such manner as it deems fit and expedient and in the best interest of our Company subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in (i) to (iv) above is achieved. Our Board also reserves the right not to accept any Excess Rights Shares Application, in full or in part, without assigning any reason.

The Electronic Application for Excess Rights Shares shall be made on, and subject to, the same terms and conditions appearing in Section 4.4.2 of this Abridged Prospectus, as well as the terms and conditions as stated below:

(i) You agree and undertake to subscribe for or purchase and to accept the number of Excess Rights Shares applied for as stated on the Transaction Record or any lesser number of Excess Rights Shares that may be allotted to you in respect of your Electronic Application. In the event that our Company decides to allot any lesser number of such Excess Rights Shares or not to allot any Excess Rights Shares to you, you agree to accept any such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the pre-designated keys (or buttons) on the ATM) of the number of Excess Rights Shares applied for shall signify, and shall be treated as, your acceptance of the number of Excess Rights Shares that may be allotted to you.

(ii) Our Special Share Registrar, on the authority of our Company, reserves the right to reject applications which do not conform to these instructions.

(iii) Notification on the outcome of your application for the Excess Rights Shares will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk within the timelines as follows:

    (a) successful application — a notice of allotment will be despatched within eight (8) Market Days from the last day for application and payment for the Excess Rights Shares; or

    (b) unsuccessful/partially successful application — the full amount or the surplus application monies, as the case may be, will be refunded without interest within fifteen (15) Market Days from the last day for application and payment for the Excess Rights Shares.

    The refund will be credited directly into your bank account from which your Electronic Application was made. Kindly take note of the terms and conditions as stated in Section 4.4.2(iii) of this Abridged Prospectus and the required consent in making your Electronic Application.

If the crediting of the refund into your bank account from which your Electronic Application was made is unsuccessful, the refund will then be made via cheque which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk.

4.7.3 By way of Internet Application

If you are an Entitled Shareholder and/or a renouncee and/or a transferee and/or if you have purchased any Provisional Rights Shares, and wish to apply for additional Rights Shares via Internet Application in excess of your entitlement, you may do so by following the same steps as set out in Section 4.4.3 of this Abridged Prospectus save and except that you shall proceed with the option for Excess Rights Shares Application and the amount payable to be directed to **"AFFIN EXCESS RIGHTS ISSUE ACCOUNT"** for the Excess Rights Shares applied.

The minimum number of Excess Rights Shares that can be applied for is one (1) Excess Rights Share. However, you should take note that a trading board lot comprises of 100 AFFIN Shares.

It is the intention of our Board to allocate the Excess Rights Shares, if any, in a fair and equitable manner in the following priority:

(i) firstly, to minimise the incidence of odd lots;

(ii) secondly, for allocation to our Entitled Shareholders who have applied for the Excess Rights Shares on a pro-rata basis and in board lots, calculated based on their respective shareholdings in our Company on the Entitlement Date;

(iii) thirdly, for allocation to our Entitled Shareholders who have applied for the Excess Rights Shares on a pro-rata basis and in board lots, calculated based on the quantum of their respective Excess Rights Shares Application; and

(iv) finally, for allocation to the renouncee(s) who have applied for the Excess Rights Shares on a pro-rata basis and in board lots, calculated based on the quantum of their respective Excess Rights Shares Application.

Nevertheless, our Board reserves the right to allot any Excess Rights Shares applied for in such manner as it deems fit and expedient and in the best interest of our Company subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in (i) to (iv) above is achieved. Our Board also reserves the right not to accept any Excess Rights Shares Application, in full or in part, without assigning any reason.

The Internet Application for Excess Rights Shares shall be made on, and subject to, the same terms and conditions appearing in Section 4.4.3 of this Abridged Prospectus, as well as the terms and conditions as stated below:

(i) You agree and undertake to subscribe for or purchase and to accept the number of Excess Rights Shares applied for as stated on the Confirmation Screen or any lesser number of Excess Rights Shares that may be allotted to you in respect of your Internet Application. In the event that our Company decides to allot any lesser number of such Excess Rights Shares or not to allot any Excess Rights Shares to you, you agree to accept any such decision as final. If your Internet Application is successful, your confirmation (by your action of clicking the designated hyperlink on the relevant screen of the website) of the number of Excess Rights Shares applied for shall signify, and shall be treated as, your acceptance of the number of Excess Rights Shares that may be allotted to you.

(ii) Our Special Share Registrar, on the authority of our Company, reserves the right to reject applications which do not conform to these instructions.

(iii) Notification on the outcome of your application for the Excess Rights Shares will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk within the timelines as follows:

(a) successful application — a notice of allotment will be despatched within eight (8) Market Days from the last day for application and payment for the Excess Rights Shares; or

(b) unsuccessful/partially successful application — the full amount or the surplus application monies, as the case may be, will be refunded without interest within fifteen (15) Market Days from the last day for application and payment for the Excess Rights Shares.

The refund will be credited directly into your bank account with the Authorised Financial Institution from which payment of your subscription monies was made. Kindly take note of the terms and conditions as stated in Section 4.4.3(iv) of this Abridged Prospectus and the required consent in making your Internet Application.

If the crediting of the refund into your bank account with the Authorised Financial Institution from which payment of your subscription monies was made is unsuccessful, the refund will then be made via cheque which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk.

4.7.4 By way of NRS

If you are an Authorised Nominee who has subscribed for NRS with Bursa Depository who is an Entitled Shareholder and/or a renouncee and/or a transferee and/or if you have purchased any Provisional Rights Shares, and wish to apply for additional Rights Shares via NRS in excess of your entitlement, you may do so by following the same steps as set out in Section 4.4.4 of this Abridged Prospectus save and except for the amount payable to be directed to **"AFFIN EXCESS RIGHTS ISSUE ACCOUNT" (Bank Account No. 100020418789 with AFFIN BANK BERHAD)** for the Excess Rights Shares applied and also that you should complete the details for Excess Rights Shares Application at the designated fields for excess applications in the Rights Shares Subscription File.

The minimum number of Excess Rights Shares that can be applied for is one (1) Excess Rights Share. However, you should take note that a trading board lot comprises of 100 AFFIN Shares.

It is the intention of our Board to allocate the Excess Rights Shares, if any, in a fair and equitable manner in the following priority:

(i) firstly, to minimise the incidence of odd lots;

(ii) secondly, for allocation to our Entitled Shareholders who have applied for the Excess Rights Shares on a pro-rata basis and in board lots, calculated based on their respective shareholdings in our Company on the Entitlement Date;

(iii) thirdly, for allocation to our Entitled Shareholders who have applied for the Excess Rights Shares on a pro-rata basis and in board lots, calculated based on the quantum of their respective excess Rights Shares application; and

(iv) finally, for allocation to the renouncee(s) who have applied for the Excess Rights Shares on a pro-rata basis and in board lots, calculated based on the quantum of their respective Excess Rights Shares Application.

Nevertheless, our Board reserves the right to allot any Excess Rights Shares applied for in such manner as it deems fit and expedient and in the best interest of our Company subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in (i) to (iv) above is achieved. Our Board also reserves the right not to accept any Excess Rights Shares Application, in full or in part, without assigning any reason.

The Application for Excess Rights Shares via NRS shall be made on, and subject to, the same terms and conditions appearing in Section 4.4.4 of this Abridged Prospectus, Bursa Depository's terms and conditions for NRS and User Guide for NRS (which are made available to all Authorised Nominees who wish to register for NRS), as well as the terms and conditions as stated below:

(i) You agree and undertake to subscribe for or purchase and to accept the number of Excess Rights Shares applied for as stated on the Right Shares Subscription File or any lesser number of Excess Rights Shares that may be allotted to you in respect of your application via NRS. In the event that our Company decides to allot any lesser number of such Excess Rights Shares or not to allot any Excess Rights Shares to you, you agree to accept any such decision as final. If your application via NRS is successful, your submission of the Rights Shares Subscription File to Bursa Depository shall signify, and shall be treated as, your acceptance of the number of Excess Rights Shares that may be allotted to you.

(ii) Our Special Share Registrar, on the authority of our Company, reserves the right to reject applications which do not conform to these instructions.

(iii) You will be notified on the outcome of your application for the Excess Rights Shares electronically within the timelines as stated below. No physical notice of allotment will be mailed to you.

(a) successful application — an electronic notification will be sent to you within eight (8) Market Days from the last day for application and payment for the Excess Rights Shares; or

(b) unsuccessful/partially successful application — the full amount or the surplus application monies, as the case may be, will be refunded without interest within fifteen (15) Market Days from the last day for application and payment for the Excess Rights Shares.

The refund will be credited directly into your bank account(s) (as provided by you in the Rights Shares Subscription File) from which payment of your subscription monies were made. Kindly take note of the terms and conditions as stated in Section 4.4.4(ii)(a) of this Abridged Prospectus and the required consent in making the application via NRS.

If the crediting of the refund into your bank account(s) from which payment of your subscription monies were made is unsuccessful, the refund will then be made via cheque(s) which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk.

4.8 Procedures for refund

In respect of unsuccessful or partially successful Excess Rights Shares Applications, the full amount or the surplus application monies, as the case may be, shall be refunded without interest and despatched to the applicants within fifteen (15) Market Days from the last date for acceptance and payment for the Excess Rights Shares by ordinary post to the addresses shown in the Record of Depositors at your own risk.

Further, as set out in Section 5.2(b) below, the Rights Issue is exposed to risks that it may be aborted or delayed on the occurrence of any circumstances which are beyond the control of our Company, arising prior to the implementation of the Rights Issue. In addition, as stated in Section 2.5 above, our Company has procured the Undertakings from our Major Shareholders whom have irrevocably and unconditionally undertaken, *inter-alia*, to subscribe in full for their respective entitlements to the Rights Shares.

In the event that the Rights Issue is not successful, the application monies will be refunded to Entitled Shareholders and/or their renouncee(s) (if applicable) who have applied and paid for the subscription of the Rights Shares. All application monies will be refunded in accordance with Section 243 of the CMSA except for the costs of purchasing the provisional allotment of the Rights Shares and any expenses associated therewith.

Our Board will take all necessary steps to start the refund process immediately to ensure that Entitled Shareholders and/or their renouncee(s) (if applicable) receive the application monies as soon as reasonably practicable.

4.9 Splitting

Under the CDS environment, the processes of splitting, nomination and renunciation are generated by electronic book-entries made in the CDS accounts of the Entitled Shareholders and the new purchaser. The provisional allotment of Rights Shares will be credited into your CDS account. You will be notified of the crediting via the NPA which is enclosed with this Abridged Prospectus. You may sell part of or all of the Rights Shares provisionally allotted to you.

4.10 Form of issuance

Bursa Securities has already prescribed the securities of our Company listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares are prescribed securities and as such, all dealings in the said securities will be by book entry through CDS accounts and will be governed by the SICDA, Securities Industry (Central Depositories) (Amendment) Act, 1998 and the Rules of Bursa Depository. You are required to have valid and subsisting CDS accounts in order to subscribe for the Rights Shares.

Failure to comply with the specific instructions or inaccuracy in the CDS account number may result in the application being rejected.

No physical share certificate will be issued to you under the Rights Issue in respect of the Rights Shares. The Rights Shares will be credited directly into your CDS accounts maintained with Bursa Depository and a notice of allotment shall be despatched to you at the address maintained with Bursa Depository. Notices of allotment will be issued and forwarded by ordinary post to the successful applicants at their own risk at the addresses shown in the Record of Depositors within eight (8) Market Days from the last date for acceptance and payment for the Rights Shares and Excess Rights Shares Application.

Any persons who intend to subscribe for the Rights Shares as a renouncee by purchasing the provisional allotment of Rights Shares from an Entitled Shareholder will have his Rights Shares credited directly as prescribed securities into his/her CDS account. The Excess Rights Shares, if allotted to the successful applicant who applied for Excess Rights Shares will be credited directly as prescribed securities into his/her CDS account.

If you have more than one (1) CDS account which has been credited with the provisional allotment of the Rights Shares, you are required to use separate RSFs to make the application for acceptance for each CDS account. If successful, the Rights Shares that you have subscribed for will be credited into the CDS account where the provisional allotment of the Rights Shares is standing to the credit. You may not request for the Rights Shares accepted/ applied for in a particular CDS account to be credited into more than one (1) CDS account.

4.11 Foreign Addressed Shareholders

The Documents have not been made and will not be made to comply with the laws of any foreign jurisdictions other than the laws of Malaysia and have not been lodged and will not be, lodged, approved or registered pursuant to or under any legislation or with or by any regulatory authorities of any countries or jurisdictions outside Malaysia. The Documents are not intended to be (and will not be) issued, circulated or distributed and the Rights Issue will not be made or offered or deemed made or offered for purchase or subscription, in any countries or jurisdictions other than Malaysia or to persons who are or may be subject to the laws of any countries or jurisdictions other than the laws of Malaysia.

No action has been taken to ensure that the Rights Issue and the Documents comply with the laws of any countries or jurisdictions other than the laws of Malaysia. The Rights Issue to which the Documents relate is only available to persons receiving the Documents within Malaysia. The Documents do not constitute and may not be used for the purpose of an offer to sell, solicitation or invitation of an offer to subscribe for the Rights Shares in any countries or jurisdictions outside Malaysia or to any person to whom it would be unlawful to make such offer, solicitation or invitation.

Entitled Shareholders and/or their renouncee(s) (if applicable) may only accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of the Rights Issue to the extent that it would be lawful to do so and our Company, our Directors and officers, AFFIN Investment and Joint Underwriters and/or any other experts ("**Parties**") would not, in connection with the Rights Issue, be in breach of the laws of any countries or jurisdictions other than the laws of Malaysia to which that the Entitled Shareholders and/or their renouncee(s) (if applicable) are or may be subject to.

The Parties shall not accept any responsibility or liability whatsoever to any party in the event that any acceptance, renunciation, sale or transfer by any Entitled Shareholder and/or their renouncee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions in which the Entitled Shareholders and/or their renouncee(s) (if applicable) is a resident. Entitled Shareholders and/or their renouncee(s) (if applicable) will also have no claims whatsoever against the Parties in respect of their entitlement or to any net proceeds thereof or the market prices of our Shares.

Entitled Shareholders and/or their renouncee(s) (if applicable) into whose possession the Documents may come or to whom such Rights Issue are made are required to inform themselves of and to observe all applicable laws of other jurisdiction which may prohibit or restrict the issue, circulation or distribution of the Documents to them or which may prohibit or restrict the offering, solicitation or invitation to subscribe for the securities under the Documents pursuant to the relevant laws of the countries or jurisdictions they are subjected to. Our Company will assume that the Rights Issue and the acceptance thereof by the Entitled Shareholders and/or their renouncee(s) (if applicable) would be in compliance with the terms of the Rights Issue and would not be in breach of the laws of any countries or jurisdictions. Our Company will further assume that Entitled Shareholders and/or their renouncee(s) (if applicable) had accepted the Rights Issue in Malaysia and will at all applicable times be subject to the laws of Malaysia.

By signing the RSF or subscribing for or acquiring of Rights Shares, the Entitled Shareholders and/or their renouncee(s) (if applicable) are deemed to have represented, acknowledged, agreed and declared in favor of (and which representations, acknowledgements, agreements and declarations will be relied upon by) the Parties (or if in the case of a broker-dealer or custodian acting on behalf of its customer, such customer has confirmed to it that he/she has so represented, acknowledged, agreed and declared in respect of itself) that:

(i) the Parties would not, by acting on the acceptance or renunciation in connection with the Rights Issue, be in breach of the laws of any countries or jurisdiction to which the Entitled Shareholders and/or their renouncee(s) (if applicable) are or may be subject to;

(ii) Entitled Shareholders and/or their renouncee(s) (if applicable) have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation;

(iii) Entitled Shareholders and/or their renouncee(s) (if applicable) are not nominees or agents of persons in respect of whom the Parties would, by acting on the acceptance or renunciation, be in breach of the laws of any countries or jurisdiction to which those persons are or may be subject to;

(iv) Entitled Shareholders and/or their renouncee(s) (if applicable) are aware that the Rights Shares can only be transferred, sold or otherwise disposed of, charged, hypothecated or pledged or dealt with in any way in accordance with all applicable laws in Malaysia;

(v) Entitled Shareholders and/or their renouncee(s) (if applicable) have received a copy of the Documents and have had access to such financial and other information and have been provided the opportunity to pose such questions to the representatives of the Parties and receive answers thereto as they deem necessary in connection with their decision to subscribe or purchase the Rights Shares; and

(vi) Entitled Shareholders and/or their renouncee(s) (if applicable) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares.

Persons receiving the Documents (including without limitation, custodians, nominees and trustees), must not, in connection with the Rights Issue distribute or send the Documents outside of Malaysia. If the Documents are received by any person outside of Malaysia, or by the agent or nominee of such a person, he must not seek to accept the Rights Issue unless he has complied with and observed the laws of the relevant jurisdiction in connection therewith.

Any person who forwards the Documents, to any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section, and we reserve the right to reject a purported acceptance of the Rights Shares from any such application by the foreign Entitled Shareholders and/or their renounces (if applicable) in any jurisdiction other than Malaysia.

We reserve the right, in our absolute discretion, to treat any acceptance as invalid, if we believe that such acceptance may violate applicable legal or regulatory requirements. The provisionally allotted Rights Shares relating to any acceptance which is treated as invalid will be included in the pool of Excess Rights Shares available for Excess Rights Shares Application.

Entitled Shareholders without a correspondence address in Malaysia as at the Entitlement Date may collect the Documents in person from our Special Share Registrar at the address as stated in Section 4.3 above, in which event our Special Share Registrar shall be entitled to request for such evidence as our Special Share Registrar deems necessary to satisfy itself as to the identity and authority of the person collecting the Documents. Such collection may be done during normal business hours from Mondays to Fridays (except public holidays) from the date hereof until 5.00 p.m. on 27 June 2014 (or such later date and time as our Board in its absolute discretion may decide and announce not less than two (2) Market Days before the stipulated date and time).

5. RISK FACTORS

In addition to other information contained in this Abridged Prospectus, you and/or your renouncee(s) (if applicable) should carefully consider the following risk factors before subscribing for or investing in the Rights Issue. You should note that these risk factors are not exhaustive. There may be additional risk factors, which are not disclosed below, that are not presently known to us or that we currently deem to be less significant, which may materially and adversely affect our business, financial condition, results of operations and prospects.

5.1 Risks relating to our Group and industry in which our Group operates

As a financial services group providing a host of services, including commercial and retail banking, offshore banking, Islamic financial services, corporate advisory, trading of financial instruments, securities trading on behalf of clients, management of funds and underwriting of life insurance business, we are subject to various risk factors set out below which have implications on our financial condition and may adversely affect our financial position.

(i) Credit risks

Our Group's exposure to credit risks stems primarily from adverse changes in the credit quality and recoverability of loans, advances and amounts due from counterparties. Such risks could arise from a general deterioration in local or global economic conditions or from systemic risks within the financial systems, all of which would affect the recoverability and value of our Group's assets. This could lead to an increase in our Group's provisions for impairment of our assets and other credit exposures. Such credit risks may materially and adversely affect our Group's business, financial condition, results or operations and prospects.

(ii) Market risks

Our Group is susceptible to movements in market forces such as interest rates, foreign exchange rates and volatility movement.

Our Group is exposed to market risks from trading and investment activities in securities, derivatives and other structured financial products. In addition, the financial performance of our Group is also subject to inherent risks associated with the assets management industry, such as overall economic and financial market conditions, interest rate fluctuation and stability of local currency.

For trading activities, the risk may arise from customer-related businesses or from our Group's proprietary positions. As for investment activities, our Group holds an investment portfolio to meet liquidity and statutory reserve requirements and for investment purposes. Our returns on holding of these portfolios may be affected by any adverse movements in interest rates and foreign exchange rates which in turn may materially and adversely affect our Group's financial performance.

Our asset management businesses are susceptible to general and specific risks associated with the unit trust funds and portfolio of the funds. Various asset classes will generally exhibit different levels of risk. These include market risk, specific stock risk, interest rate risk, credit/default risk, liquidity risk, etc. Hence, deterioration in the funds performance will adversely affect the AFFIN Group as a whole.

(iii) Operational risks

Operational risks and losses can result from inadequate or failed internal processes, action on or by people, infrastructure or technology or events which are beyond our Group's immediate control which have an operational impact including natural disasters. Although our Group has implemented risk controls and loss mitigation strategies whereby substantial resources are devoted to developing efficient procedures, there can be no assurance that such measures will be successful.

We are also subject to risks of action on or by people which may be caused by fraud, error by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules. In addition, although our Group seeks to protect our computer systems and network infrastructure from physical break-ins as well as security breaches, there may be unanticipated problems and other disruptive problems caused by our Group's increased use of the Internet. Computer break-ins and power disruptions could affect the security of information stored in, and transmitted through, these computer systems and network infrastructure. Our Group employs security systems, including firewalls and password encryption, designed to minimise the risk of security breaches, however there can be no assurance that these security measures will be entirely and timelessly adequate or successful due to evolving technology.

A significant fraud, system failure, calamity or failure in security measures could have a material adverse effect on our Group's business, financial condition, results of operations and prospects. In addition, our Group's reputation could be adversely affected by fraud committed by employees, customers or other third parties.

(iv) Liquidity risks

Our Group is exposed to risk arising from our Group's inability to efficiently meet our present and future (both anticipated and unanticipated) funding needs or regulatory obligations when they fall due as well as inability to access funds at reasonable cost. The risk primarily arises from mismatches in the timing of cash flows. Our Group's liquidity risk management policy is to maintain high quality and well diversified portfolios of liquid assets and sources of funds under both normal business and stress conditions. Nevertheless, there is no assurance that our Group is able to continue to maintain a stable funding base. For instance, if significant deposits are withdrawn or not rolled over upon maturity, our Group's liquidity position could be adversely affected and our Group may need to borrow from alternative short-term or long-term sources at a higher cost to fund our operations. This may materially and adversely affect our Group's business, financial condition, results of operations and prospects.

(v) Regulatory risks

Our core businesses such as banking, broking, insurance and fund management, fall under the regulatory purview of amongst others, FSA, Islamic Financial Services Act 2013 and the CMSA. Any changes in regulatory measures imposed by the relevant regulatory bodies such as changes in the statutory reserve requirements, changes in the overnight policy rates, credit restrictions or capital adequacy requirements which are not predictable and are beyond our Group's control, changes in such laws, regulations and regulatory policies may have an adverse effect on our financial condition and results of operations.

In addition, any failure to comply with any of these laws, measures and/or requirements of the authorities would lead to us becoming subject to investigations and/or fines with sanctions which may adversely affect our business.

Financial institutions are also required to comply with BNM's CAR requirements and may be subject to other capital requirements which may be imposed by BNM from time to time. As part of our Group's policy, each of our banking and insurance subsidiaries is to maintain an internal target CAR which is above BNM's minimum supervisory CAR requirements. While, to date, our subsidiaries have always complied with BNM's minimum supervisory CAR requirements, there is no assurance that our Group will be able to comply with BNM's minimum supervisory CAR requirements at all times in the future. For example, a substantial provisioning will reduce the profits hence lowering the CAR and this may adversely impact our financial condition.

(vi) Competition

The Malaysian banking industry operates in a very competitive environment. Over the last few years, the Malaysian banking industry has been consolidating with other market players moving aggressively to increase their scale of operations through inorganic growth. We expect competition to continue to intensify where market players are aggressively offering a wider range of products and providing better service to customers. Any increased competition could have an adverse effect, on our Group's operations in the form of reduced margins, smaller market share and reduced income generally.

In addition, our Group's future growth will be subject to competition from other financial service providers in the markets in which our Group operates. As such, there can be no assurance that our Group will be able to maintain or increase our present market share in the future or that increased competition will not materially and adversely affect our Group's business, financial condition, results of operations and prospects.

(vii) Political and economic factors

Political and economic conditions and development in Malaysia could have a profound effect on the financial performance of our Group. Adverse political and economic conditions or developments, such as unstable political system, nationalisation and severe fluctuations in interest and currency exchange rate, create uncertainty and could discourage the free flow of investment capital and affect trade, ultimately resulting in adverse developments in national economic activity. This in turn may have a negative impact on the financial performance of our Group as a financial service provider.

In addition, due to the globalisation of economic markets, economic or market problems in a single country or region increasingly affect other markets generally, and if persistent, could cause a chain reaction that may adversely affect our Group's businesses.

(viii) Dependence on key personnel

The success of our Group depends to a significant extent upon the abilities, experience and efforts of our key management. There can be no assurance that we will be able to retain our key management as well as to attract and retain suitable new key management in the future such that our business will not be materially and adversely affected by any loss of our key management. Although continuous efforts are being made to retain our key management and to have a succession plan in place, there can be no assurance that we would be successful in retaining our key management or that a successor can be found in a timely manner should any of our key management leave.

Being a service-oriented industry, we rely significantly on certain of our key employees in the banking, investment banking, insurance and fund management businesses. Further, for our stockbroking business, remisiers and dealers representatives play an important role in generating revenue. The knowledge and experience of our key employees have been and are expected to continue to be pivotal to our success in these businesses. Although we strive to retain such key employees, remisiers and dealers representatives by offering attractive remuneration and benefits, there is no assurance that we can retain these persons at all times. Should our key employees, remisiers and dealers representatives resign and join our competitors, our business may be materially and adversely affected.

(ix) Risks relating to requirement for additional capital

We may require additional capital in the future in order for us to meet regulatory capital adequacy requirements, remain competitive, meet our liquidity needs and business growth. If our existing working capital is not sufficient to satisfy our requirements, we may have to seek new external sources. Our ability to obtain additional capital from external sources in the future is subject to a variety of uncertainties, including:

(a) our future financial condition, results of operations and cash flows;

(b) our ability to obtain the necessary regulatory approvals for capital raising on a timely basis;

(c) any tightening of credit markets and general market conditions for debt and equity fund raising activities; and

(d) general economic, political and social conditions in Malaysia.

Although we have not, in the past, encountered such difficulty, there can be no assurance that we will be able to obtain additional capital in a timely manner or on acceptable terms, if at all, in the future. Future debt financing may include terms that restrict our financial flexibility, or our ability to manage our businesses or pay dividends. Besides that, additional capital raised through issuance of equity securities to third parties or which are not on a pro-rata manner to our shareholders may result in dilution to our shareholders' equity interests.

(x) Integration and acquisition risks

The Acquisition was completed on 7 April 2014 and the implementation of the Merger involving the businesses of AFFIN Investment and Hwang IB is presently on-going. The synergistic benefits arising from the Merger will be dependent upon the full and successful integration of the 2 businesses. In this regard, there can be no assurance that:

- there will be no disruptions to key business processes or impact on business continuity, including integration of customers and accounts during the transition and integration process;
- the key employees of both groups will remain and that possible differences between business cultures and practices of the two investment banks can be addressed;
- the accounting policies and the risk management framework of Hwang IB can be aligned with AFFIN Investment successfully without any material provision having to be made;
- the management of both AFFIN Investment and Hwang IB will remain focused on on-going business concerns during the implementation of the integration process; and
- there will not be reduction in the customer base for the Merged IB during the transitional period.

To the extent that the two businesses fail to integrate fully or successfully, our Group may not be able to realise the anticipated benefits arising from the Acquisition.

In addition, our expected return on investment from the Acquisition is significantly affected by the financial performance of the Acquisition Entities which in turn is subject to the risk factors as set out in this section. Crystallisation of the risks herein may adversely affect the financial performance of the Acquisition Entities if those risks could not be mitigated.

In such circumstances, we may not be able to fully realise our expected rate of return of from our investment in the Acquisition Entities or recoup the investment cost of the Acquisition.

5.2 Risks relating to the Rights Issue

(i) Failure or delay in the implementation of the Rights Issue

The Rights Issue is exposed to the risk that it may be aborted or delayed on the occurrence of any circumstances which are beyond the control of our Company, arising prior to the implementation of the Rights Issue.

As stated in Section 2.5 above, our Company has procured Undertakings from our Major Shareholders to subscribe in full for their respective entitlements to the Rights Shares.

As a consequence of the Rights Issue, the market price of AFFIN Shares as quoted on Bursa Securities will be adjusted based on an ex-entitlement basis. The market price of AFFIN Shares as quoted on Bursa Securities will not be adjusted to cum-entitlement basis in the event of a failure in implementing the Rights Issue. Additionally, in the event the Rights Issue is not successful, renouncees/purchasers of the provisional allotment of rights will be entitled to a refund of the monies paid for their Rights Shares application in accordance with Section 243 of the CMSA except for the costs of purchasing the provisional allotment of the Rights Shares and any expenses associated therewith.

Notwithstanding the above, our Company will take all necessary steps to ensure the successful implementation of the Rights Issue.

(ii) Capital market risk

The performance of Bursa Securities is influenced by external factors such as the performance of the regional and world bourses and flow of foreign funds. Sentiments are also largely driven by internal factors such as, among others, the economic and political conditions of the country, interest rates and foreign exchange policies as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes on Bursa Securities, thus adding risk to the market price of the Rights Shares.

The performance of AFFIN Shares on Bursa Securities is also influenced by, amongst others, the prevailing market sentiments, the volatility of the equity markets, the liquidity of AFFIN Shares, interest rates, our financial performance and fluctuations in our Group's operating results and revenue levels, announcements of developments relating to our Group's business and disposal of a significant number of our Shares in the open market. Therefore, there is no assurance that the market price of AFFIN Shares will be maintained at any particular level subsequent to the Rights Issue and/or the Rights Shares will trade above the issue price of RM2.76 on the Main Market of Bursa Securities.

(iii) Potential dilution

Entitled Shareholders who do not or are not able to accept their Provisional Rights Shares will have their proportionate ownership and voting interests in our Company reduced, and the percentage of our enlarged issued and paid-up ordinary share capital represented by their holdings of AFFIN Shares will also be reduced accordingly.

(iv) **Termination of Management and Underwriting Agreement**

The Management and Underwriting Agreement allows for the Joint Underwriters to terminate their commitments under certain circumstances and/or if the Joint Underwriters are of the reasonable opinion that the success of the Rights Issue is likely to be materially and adversely affected by certain events. The salient terms of the Management and Underwriting Agreement are set out in Section 2.7 above.

No assurance can be given that the Management and Underwriting Agreement will not be terminated if, in the reasonable opinion of the Joint Underwriters, the termination events as set out in the Management and Underwriting Agreement have occurred. In the situation where the Rights Issue could not be completed, all monies paid in respect of all applications for any Rights Shares will be returned without interest in accordance with Section 243 of the CMSA.

(v) **Forward-looking statements**

Certain statements in this Abridged Prospectus are based on historical data which may not be reflective of our future results and others are forward-looking in nature which may be subject to uncertainties and contingencies. All forward looking statements are based on forecasts and assumptions made by our Company, unless stated otherwise, and although our Board believes these forward looking statements to be reasonable, they are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include but are not limited to those set out in this Abridged Prospectus. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Abridged Prospectus should not be regarded as a representation or warranty by our Company or our advisers that the plans and objectives of our Group will be achieved.

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6. INDUSTRY REVIEW AND FUTURE PROSPECTS OF OUR GROUP

6.1 Malaysia

(i) Overview and Outlook of the Malaysian Economy

The Malaysian economy registered a strong growth of 6.2% in the first quarter of 2014 (4Q2013: 5.1%), driven by a stronger expansion in domestic demand a turnaround in net 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 grew by 0.8% (4Q2013: 1.9%).

Private consumption growth remained strong at 7.1% (4Q2013: 7.4%) in the first quarter, supported by stable employment conditions and continued wage growth. Growth in public consumption increased to 11.2% (4Q2013: 5.2%), reflecting higher Government spending on supplies and services. Gross fixed capital formation grew by 6.3% (4Q2013: 6.5%), driven by robust private sector capital spending amidst a decline in public investment growth. Growth in private investment remained strong at 14.1% (4Q2013: 16.6%), underpinned by capital spending in the manufacturing and services sectors. Public investment declined by 6.4% (4Q2013: -1.4%), reflecting the contraction in capital spending by both the Federal Government and the public enterprises.

On the supply side, growth was supported by major economic sectors. The services sector expanded further, driven by the improvement in finance and insurance and sustained growth in consumption-and production-related services. Growth in the manufacturing sector was underpinned by the stronger performance in the export-oriented industries. The construction sector recorded stronger growth, driven mainly by the residential sub-sector. Meanwhile, the agriculture sector registered higher growth, underpinned by the production of good crops while the mining sector registered a lower decline due to a smaller contraction in the output of crude oil.

The headline inflation rate, as measured by the annual change in the Consumer Price Index (CPI), average at 3.4% in the first quarter of 2014 (4Q2013: 3%). The increase was on account of higher inflation in the housing, water, electricity gas and other fuels and transport categories.

Going forward, recovery in the global economy is expected to continue. International trade will be supported by the continued recovery in the advanced economies. In Asia, while domestic demand is expected to moderate, it will continue to underpin the overall performance of these economies, with additional support coming from the improving external conditions. Continued uncertainty over the monetary policy in key advanced economies, economic developments in both the advanced and emerging market economies, as well as geopolitical developments, are likely to generate continued volatility in the global financial markets.

For the Malaysian economy, growth will remain anchored by domestic demand, with additional support from the improvement in the external environment. Exports will continue to benefit from the recovery in the advanced economies while private domestic demand is expected to remain the key driver of the overall growth. Going forward, the Malaysian economy is therefore expected to remain on a steady growth path.

(Source: BNM Quarterly Bulletin for the 1st quarter of 2014)

(ii) Overview and Prospects of the Financial Sector in Malaysia

The Malaysian financial system continued to demonstrate resilience throughout the first quarter despite volatility in the global and domestic financial markets. 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 remained well-capitalised with the common equity tier 1 (CET1) capital ratio, tier 1 capital ratio and total capital ratio well above the minimum regulatory levels, at 12%, 12.8% and 14.4%, respectively. The total capital buffer of the banking system stood at more than RM80 billion. More than 80% of banks' total capital consists of high quality capital, in the form of paid-up capital, retained earnings and reserves. Similarly, the CAR of the insurance sector remained strong at 249.7% (4Q 2013: 246.1%), with an excess capital buffer of RM25 billion.

(Source: BNM Quarterly Bulletin for the 1st quarter of 2014)

6.2 Prospects of our Group

Moving forward, our commercial banking arm, AFFIN Bank will strive for controlled loans growth and effective balance sheet management in order to achieve its business and performance targets. In addition, as a result of increasing competition, margins are likely to come under greater pressure more so with the impact of any potential hike in the overnight policy rate. As this would dampen AFFIN Bank's net interest income, more emphasis will be given on increasing its fee-based income with new banking products particularly in treasury, foreign exchange and wealth management. At the same time, there will be continued focus on prudent asset liability management.

Our Group expects that for the consumer segments, higher end auto financing and mortgages will remain as main drivers for loan growth. In addition, as part of our Group's strategic plan, AFFIN Bank will also emphasise on cross-selling activities for among others, its credit cards, unit trust and insurance business products.

Further, our management expects business opportunities from economic transformation plan projects as announced by the Government of Malaysia since 2010 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.

For the investment banking business, notwithstanding the concerns over the United States of America's tapering of its quantitative easing program and the anticipated slowdown in China's economy, the capital market in Malaysia is expected to hold up with the on-going implementation of projects under the economic transformation plan and various domestic economic corridors initiated under the Ninth Malaysia Plan to bridge economic development imbalances throughout Malaysia through public-private partnerships.

Further, our Group expects the Acquisition and Merger to strengthen our investment banking business. It will increase the scale of our stockbroking and asset management businesses, adding a suite of complementary strengths and capabilities to drive AFFIN Investment's vision to become one of the leading investment banks in Malaysia. The expected synergistic benefits from the Acquisition include cross-selling opportunities, larger distribution and proprietary platforms, wide range of broking and asset management products and fund management capabilities.

For our life insurance business, given the rapid expansion of new business by the agency distribution channel as well as the bancassurance segment in the past years, our jointly-controlled entity, AXA AFFIN Life Insurance Berhad is poised to maintain the momentum of growth in 2014, with the multi distribution strategy in the agency distribution channel despite intense competition.

(Source: Management of AFFIN)

7. FINANCIAL EFFECTS OF THE ACQUISITION, RIGHTS ISSUE AND MERGER

7.1 Share capital

The pro forma effects of the Rights Issue on the issued and paid-up share capital of our Company as at the LPD are set out below:

	Par value (RM)	No. of AFFIN Shares (million)	Amount (RM' million)
Issued and paid-up share capital as at LPD	1.00	1,494.6	1,494.6
To be issued pursuant to the Rights Issue	1.00	448.4	448.4
Enlarged issued and paid-up share capital		**1,943.0**	**1,943.0**

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7.2 NA, NA per share and gearing

The pro forma effects of the Rights Issue based on the audited consolidated NA of our Company as at 31 December 2013, assuming the Rights Issue, Acquisition and Merger have been completed on 31 December 2013 are set out below.

(RM' million unless otherwise stated)	Audited as at 31 December 2013	(I) After the Acquisition	(II) After I, Rights Issue and settlement of bridge loans
Share capital	1,494.6	1,494.6	1,943.0
Reserves:			
Share premium	1,400.4	1,400.4	(3)2,183.5
Statutory reserves	1,469.1	1,469.1	1,469.1
Available-for-sale revaluation reserves	15.1	15.1	15.1
Retained profits	1,997.5	(2)1,954.4	(4)1,954.4
NA	**6,376.7**	**6,333.6**	**7,565.1**
Number of AFFIN Shares (million)	1,494.6	1,494.6	1,943.0
NA per AFFIN Share (RM)(1)	4.27	4.24	3.89
Borrowings	972.4	2,372.4	(5)972.4
Gearing (times)	0.15	0.37	0.13

Notes:

(1) NA per AFFIN Share is computed based on the NA (attributable to ordinary equity holders of the Company) divided by the number of AFFIN Shares in circulation.

(2) After deducting the total transaction costs incurred in relation to the Acquisition of RM24.5 million (as per Section 7.3) and estimated financing costs associated with the bridge loans of approximately RM18.6 million (as per Section 7.3).

(3) After deducting estimated costs of approximately RM6.0 million associated with the Rights Issue in accordance with Malaysian Financial Reporting Standards (MFRS) 132 – Financial Instruments.

(4) Excludes any integration costs 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 Merger.

(5) After repayment of the bridge loans of RM1,400 million (RM1,037.5 million will be repaid from the gross proceeds of the Rights Issue and RM362.5 million will be fully settled via internally generated funds arising from the Merger).

Our Pro Forma Consolidated Statements of Financial Position based on our audited consolidated financial statements as at 31 December 2013 together with Reporting Accountants' letter thereon are set out in Appendix III of this Abridged Prospectus.

7.3 Earnings and EPS

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

Assuming the Rights Issue, Acquisition and Merger have been completed prior to 1 January 2013 and based on our 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 our Company are as follows.

(RM' million unless otherwise stated)	Audited FYE 31 December 2013	(I) After the Acquisition[1]	(II) After I, Rights Issue and settlement of bridge loans[5][6]
Consolidated PAT	650.0	650.0	657.8
Add: Contribution from the Acquisition Entities [2][3]			
- Hwang IB	-	29.5	-
- Hwang IM	-	22.0	-
- AIIM	-	0.7	-
- HDM Futures	-	(1.3)	-
Pro forma consolidated PAT before one-off costs	**650.0**	**700.9**	**657.8**
Less: Transaction costs incurred in relation to the Acquisition	-	(24.5)	-
Estimated financing costs	-	[4](18.6)	-
Pro forma consolidated PAT after one-off costs	**650.0**	**657.8**	**657.8**
EPS (RM)[7]	0.43	0.44	0.38

Notes:

(1) Excludes any integration costs 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 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 our Company.

(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 which were not part of the Acquisition. These companies were transferred to Hwang-DBS under the Pre-Closing Reorganisation by Hwang IB. HwangDBS Custodian Services Sdn Bhd had been dissolved at the expiry of 3 months from 22 November 2013, i.e. the date of lodgement of the "Return by Liquidator Relating to Final Meeting" to the Companies Commission of Malaysia and the Official Receiver.

(4) The financing costs incurred by our Company will be for an interim period only based on the assumption that the bridge loans of RM1,400 million are repaid after the completion of the Rights Issue in end July 2014 from the proceeds to be raised from the 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 Rights Issue.

(6) The proceeds to be received by AFFIN from the Merger will be partly utilised for settlement of the remaining bridge loans of RM362.49 million.

(7) EPS is computed based on the consolidated PAT of AFFIN Group divided by 1,716.92 million AFFIN Shares, based on the weighted average number of AFFIN Shares.

Pursuant to the Acquisition, our Company incurred one-off transaction costs associated with the transaction costs and financing costs in relation to the Acquisition. However, given the complementary fit of the businesses of the Acquisition Entities with that of our Company, and the expected synergies to be derived, the impact on our Company's future earnings is expected to be positive in the long-term.

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8. WORKING CAPITAL, BORROWINGS, MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

8.1 Working capital

Our Board has considered, amongst others, the funding requirements of our Group (after taking into consideration the operations of our Group as well as the internally generated funds and credit facilities available) and our Group's ability to raise financing before determining the minimum amount to be raised from the Rights Issue. Therefore, our Board is of the opinion that based on our Group's available banking facilities, our Group's cash balance, internally generated funds from our Group's operations as well as the proceeds to be raised from the Rights Issue, our Group will have sufficient working capital to meet its present and future requirements for a period of 12 months from the date of issue of this Abridged Prospectus.

8.2 Borrowings

As at LPD, the total outstanding borrowings of our Group amount to approximately RM2,269.74 million, all of which are interest bearing and the details of which are as follows:

	Amount (RM'000)
Short term borrowings	
- Term loan	66,310
- Bridge loans	1,300,755
Long term borrowings	
- Term loan	902,677
Total Borrowings	2,269,742

There has not been any default on payments of either interest and/or principal sums by our Group in respect of any borrowings throughout the past one (1) financial year and for the subsequent financial period up to the LPD.

8.3 Contingent liabilities

Save as disclosed below, as at 31 March 2014 in relation to our Group (excluding the Acquisition Entities) (being the date of the latest financial statements which are publicly available) and 31 January 2014 in relation to the Acquisition Entities (being the date of the latest quarterly financial statements which are publicly available), there are no material contingent liabilities which may, upon being enforceable, have a material adverse effect on our Group's financial position or business.

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Our Group, excluding the Acquisition Entities (as at 31 March 2014):

	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	787,105	-	787,105	756,855
Transaction-related contingent items	1,964,420	-	982,210	911,240
Short-term self-liquidating trade-related contingencies	340,808	-	68,162	40,289
Obligation under underwriting commitments	-	-	-	-
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	4,431,382	26,103	94,015	36,518
- one year to less than five years	594,154	1,963	57,319	16,660
- five years and above	96,030	708	16,325	-
Interest rate related contracts #				
- less than one year	975,058	4,367	1,911	623
- one year to less than five years	2,631,909	12,080	64,217	17,817
- five years and above	703,148	13,936	68,909	28,104
Irrevocable commitments to extend credit				
- maturity more than one year	2,085,751	-	1,042,875	1,428,726
- maturity less than one year	8,463,862	-	1,692,772	805,525
Commitments that are unconditionally cancelled at any time by the bank without prior notice or that effective provide for automatic cancellation due to deterioration in a borrower's credit worthiness	234,763	-	-	-
Unutilised credit card lines	181,515	-	36,303	27,049
	23,489,905	**59,157**	**4,912,123**	**4,069,406**

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 our Company as at 31 March 2014.*

Acquisition Entities (as at 31 January 2014):

Commitments and Contingencies	**Acquisition Entities RM'000**
Obligations under Management and Underwriting Agreement	**19,917**
Commitments to extend credits with maturity of:	
- up to one (1) year	274,874
- over one (1) year	94,070
	368,944
Derivative financial instruments	
Foreign exchange related contracts:	
- up to one (1) year	1,316,659
- over one (1) year to five (5) years	893,824
Interest rate related contracts:	
- up to one (1) year	200,000
- over one (1) year to five (5) years	100,000
	2,510,483

8.4 Material commitments

Save as disclosed below, as at 31 March 2014 in relation to our Group (excluding the Acquisition Entities) (being the date of the latest financial statements which are publicly available) and 31 January 2014 in relation to the Acquisition Entities (being the date of the latest quarterly financial statements which are publicly available), there are no other material commitments incurred or known to be incurred by our Group which may, upon being enforceable, have a material adverse effect on our Group's financial position or business:

Our Group (excluding the Acquisition Entities):

	RM'000
As at 31 March 2014, the authorised capital expenditure not provided for in the financial statements:	
- Contracted	7,364
- Not contracted	25,771
	33,135

Acquisition Entities:

	RM'000
As at 31 January 2014, the authorised capital expenditure not provided for in the financial statements:	
- Contracted	185
- Not contracted	11,713
	11,898

9. TERMS AND CONDITIONS

The issuance of the Rights Shares pursuant to the Rights Issue is governed by the terms and conditions set out in this Abridged Prospectus and the notes and instructions as contained in the NPA and RSF.

10. FURTHER INFORMATION

Please refer to the attached Appendices for further information.

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

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

CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE PASSED AT OUR EGM HELD ON 21 APRIL 2014

AFFIN HOLDINGS

EXTRACT MINUTES OF THE EXTRAORDINARY GENERAL MEETING ("EGM") OF AFFIN HOLDINGS BERHAD ("AFFIN" OR "THE Company") HELD AT TAMING SARI GRAND BALLROOM, THE ROYALE CHULAN HOTEL, 5 JALAN CONLAY, 50450 KUALA LUMPUR ON 21 APRIL 2014 AT 12.15 P.M.

IT IS HEREBY APPROVED:

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 renouncee(s) to be credited as fully paid-up upon full payment, on an entitlement basis and at an issue price to be determined and announced by the Board at a later date;

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 renouncee(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 respects 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;

CERTIFIED TRUE COPY

....

NIMMA SAFIRA KHALID
Company Secretary
AFFIN HOLDINGS BERHAD

Page 1/2

CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE PASSED AT OUR EGM HELD ON 21 APRIL 2014 *(Cont'd)*

....cont'd/-

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, with 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."

CERTIFIED EXTRACT

....

Nimma Safira Khalid
Company Secretary

Dated this : 30th April 2014

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INFORMATION ON OUR COMPANY

1. HISTORY AND BUSINESS

Our Company was incorporated on 31 May 1975 as a private limited company under the name of I.M.A. Sendirian Berhad. Our Company converted into a public company and adopted its present name on 6 May 1991.

Our Company was listed on the Main Market of Bursa Securities (previously the Main Board of Kuala Lumpur Stock Exchange) on 4 November 1991.

Our Company is principally engaged in the business of investment holdings. The principal activities of each of our subsidiaries, jointly controlled entity and associated companies are set out in Section 5 of Appendix II.

2. SHARE CAPITAL AND MOVEMENTS IN SHARE CAPITAL

(i) The authorised and issued and fully paid-up ordinary share capital of our Company as at LPD are as follows:

Type	No. of Shares	Par value (RM)	(RM)
Authorised share capital	5,000,000,000	1.00	5,000,000,000
Issued and paid-up share capital	1,494,575,806	1.00	1,494,575,806

(ii) The authorised share capital of our Company is RM5,000,000,000 divided into 5,000,000,000 ordinary shares of RM1.00 each. There have been no changes in the authorised share capital of our Company for the past 3 years preceding the LPD.

(iii) The issued and paid-up share capital of our Company is RM1,494,575,806 divided into 1,494,575,806 ordinary shares of RM1.00 each. There have been no changes in the issued and paid-up share capital of our Company for the past 3 years preceding the LPD.

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3. **Shareholdings of Substantial Shareholders**

The pro forma effects of the Rights Issue on the shareholdings of the substantial shareholders based on the Register of Substantial Shareholders of the Company are set out below:

	(I)				(II)			
	As at the LPD				After the Rights Issue			
	Direct		Indirect		Direct		Indirect	
Substantial shareholder	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
LTAT	525,834,263	35.2	(1)309,640,407	20.7	683,584,541	35.2	(1)402,532,529	20.7
BHB	309,240,407	20.7	(2)400,000	^	402,012,529	20.7	(2)520,000	^
BEA	351,494,226	23.5	-	-	456,942,493	23.5	-	-
EPF	120,072,100	8.0	-	-	156,093,730	(3)8.0	-	-

Notes:

^ *Negligible*

(1) Deemed interest by virtue of its shareholding 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 to the Rights Shares.

INFORMATION ON OUR COMPANY *(Cont'd)*

4. BOARD OF DIRECTORS

Please refer to the Corporate Directory on page (viii) of this Abridged Prospectus for details of the age, professions, nationalities, designations and addresses of our Directors. The pro forma effects of the Rights Issue on the shareholdings of our Directors based on their shareholdings as at LPD, assuming such Director subscribe for the Rights Issue and does not apply for additional Rights Share(s) in excess of the their respective entitlements, are as follows:

	(I)				(II)			
	As at the LPD				After the Rights Issue			
	Direct		Indirect		Direct		Indirect	
Director	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Gen (R) Tan Sri Dato' Seri DiRaja Mohd Zahidi Bin Haji Zainuddin	30,000	^	-	-	39,000	^	-	-
Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin	808,714	^	-	-	1,051,328	^	-	-

Note:
^ *Negligible*

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5. LIST OF SUBSIDIARY, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANY

Our subsidiary companies as at the date of this Abridged Prospectus are as follows:

Name of subsidiaries	Place and date of incorporation	Issued and paid-up capital (RM'000)	Effective equity interest (%)	Principal activities
Subsidiaries of AFFIN				
AFFIN Bank	23 October 1975 Malaysia	1,621,430	100.00	Provision of commercial banking and hire purchase services
AFFIN Investment	3 October 1970 Malaysia	222,246	100.00	Provision of investment banking services
AFFIN Moneybrokers Sdn Bhd	15 September 1983 Malaysia	1,000	100.00	Money-broking
AFFIN Capital Sdn Bhd (in member's voluntary winding-up)	19 June 1997 Malaysia	-	100.00	In members' voluntary winding-up
AFFIN-ACF Holdings Sdn Bhd	20 June 1995 Malaysia	338,382	100.00	Investment holding
Hwang IB	26 April 1973 Malaysia	500,000	100.00	Investment banking, stockbroking and related financial services
Subsidiaries of AFFIN Bank				
AFFIN Islamic Bank Berhad	13 September 2005 Malaysia	360,000	100.00	Provision of Islamic banking services
ABB Trustee Berhad^	3 December 1990 Malaysia	1000	100.00	Trustee management services
PAB Properties Sdn Bhd	5 May 1983 Malaysia	8,000	100.00	Property management services
ABB Nominee (Tempatan) Sdn Bhd	9 February 1978 Malaysia	40	100.00	Share Nominee services
ABB Nominee (Asing) Sdn Bhd	25 June 1996 Malaysia	@	100.00	Dormant
AFFIN Factors Sdn Bhd	26 December 1995 Malaysia	10,000	100.00	Dormant

INFORMATION ON OUR COMPANY *(Cont'd)*

Name of subsidiaries	Place and date of incorporation	Issued and paid-up capital (RM'000)	Effective equity interest (%)	Principal activities
PAB Property Development Sdn Bhd	20 March 1991 Malaysia	250	100.00	Dormant
PAB Property Management Services Sdn Bhd	8 April 1991 Malaysia	30	100.00	Dormant
ABB Venture Capital Sdn Bhd	4 December 1995 Malaysia	@	100.00	Dormant
AFFIN Futures Sdn Bhd	25 July 1995 Malaysia	13,000	100.00	Dormant
ABB IT & Services Sdn Bhd	9 October 1995 Malaysia	2,000	100.00	Dormant
BSNCB Nominees (Tempatan) Sdn Bhd	9 October 1985 Malaysia	500	100.00	Dormant
BSNC Nominees (Tempatan) Sdn Bhd	21 November 1995 Malaysia	10	100.00	Dormant
BSN Merchant Nominees (Asing) Sdn Bhd	3 December 1996 Malaysia	10	100.00	Dormant
AFFIN Recoveries Berhad	5 July 1995 Malaysia	125,000	100.00	Dormant
AFFIN-ACF Nominees (Tempatan) Sdn Bhd	25 January 1985 Malaysia	25	100.00	Dormant
Subsidiaries of AFFIN Investment				
AFFIN Fund Management Berhad	18 April 1975 Malaysia	12,000	100.00	Asset management and management of unit trust
AFFIN Nominees (Tempatan) Sdn Bhd	7 February 1998 Malaysia	@	100.00	Nominee services
AFFIN Nominees (Asing) Sdn Bhd	7 February 1998 Malaysia	@	100.00	Nominee services
Classic Precision Sdn Bhd (in member's voluntary winding-up)	17 May 2002 Malaysia	-	67.00	In members' voluntary winding-up

INFORMATION ON OUR COMPANY *(Cont'd)*

Name of subsidiaries	Place and date of incorporation	Issued and paid-up capital (RM'000)	Effective equity interest (%)	Principal activities
Merchant Nominees (Tempatan) Sdn Bhd (in member's voluntary winding-up)	30 May 1974 Malaysia	-	100.00	In members' voluntary winding-up
Subsidiary of AFFIN-ACF Holdings Sdn Bhd				
AFFIN-ACF Capital Sdn Bhd (in member's voluntary winding-up)	24 February 1966 Malaysia	-	100.00	In members' voluntary winding-up
Subsidiary of Hwang IB				
HDM Futures	16 February 1993 Malaysia	5,000	100.00	Licensed futures broker dealing in options and futures
HDM Nominees (Tempatan) Sdn Bhd	10 August 1978 Malaysia	5	100.00	Provision of nominee services to local clients
HDM Nominees (Asing) Sdn Bhd)	11 October 1993 Malaysia	**	100.00	Provision of nominee services to foreign clients
Hwang IM	2 May 1997 Malaysia	10,000	70.00	Management of unit trust funds and provision of fund management services
Jointly-controlled entity of AFFIN				
AXA AFFIN Life Insurance Berhad*	15 February 2006 Malaysia	288,000	51.00	Underwriting of life insurance business
Jointly-controlled entities of AFFIN Islamic Bank Berhad				
AFFIN-I Nadayu Sdn Bhd#	13 March 2008 Malaysia	1,000	50.00	Property development
KL South Development Sdn Bhd#	18 October 2001 Malaysia	500	30.00	Property development
Associated company of AFFIN				
AXA AFFIN General Insurance Berhad*	12 July 1975 Malaysia	119,048	33.62	Underwriting of general insurance business
AIIM	19 January 1993 Malaysia	10,000	49.00	Islamic fund management activities

Notes:

^ *80% held by directors of AFFIN Bank, in trust for AFFIN Bank.*
* *Shareholdings held directly by our Company.*
** *Issued and paid-up capital of RM5.00.*
@ *Issued and paid-up capital of RM2.00.*
# *Shareholding held directly by AFFIN Islamic Bank Berhad.*

6. PROFIT AND DIVIDEND RECORD

Our profit record based on our Group's audited consolidated financial statements for past 3 financial years FYE 31 December 2011 to 2013 and unaudited consolidated financial statements for the 3-month FPE 31 March 2014 are as follows:

	← Audited FYE 31 December		→	Unaudited
	2011	2012	2013	3-month FPE 31 March 2014
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	**2,655,610**	**2,971,723**	**3,029,014**	**764,893**
Interest income	1,972,102	2,106,615	2,215,000	558,983
Interest expense	(1,102,525)	(1,209,786)	(1,298,209)	(340,001)
Net interest income	**869,577**	**896,829**	**916,791**	**218,982**
Net Islamic banking income	198,933	216,772	220,745	56,733
Other operating income	313,072	408,458	388,213	95,381
Net income	**1,381,582**	**1,522,059**	**1,525,749**	**371,096**
Other operating expense	(658,761)	(700,315)	(716,621)	(180,399)
Operating profit before allowance for impairment on loans, advances and financing	**722,821**	**821,744**	**809,128**	**190,697**
Allowance for impairment on loans, advances and financing	8,331	18,835	66,087	6,271
Allowance for impairment on other assets	874	(408)	2,079	207
Operating profit	**732,026**	**840,171**	**877,294**	**197,175**
Finance cost	(22,521)	(41,021)	(42,592)	(10,579)
Share of results of jointly controlled entities	(4,590)	1,823	5,221	(3,190)
Share of results of associate	4,233	32,765	24,005	2,412
Profit before zakat and taxation	**709,148**	**833,738**	**863,928**	**185,818**
Zakat	(6,337)	(7,086)	(9,692)	(164)
PBT	**702,811**	**826,652**	**854,236**	**185,654**
Taxation	(194,816)	(197,710)	(204,215)	(42,926)
Net profit for the financial year	**507,995**	**628,942**	**650,021**	**142,728**
EPS attributable to the equity holders of the Company (sen)				
- Basic and fully diluted	33.99	42.08	43.49	9.55

Commentaries:

FYE 31 December 2013 compared to FYE 31 December 2012

The Group registered a PBT and zakat of RM863.9 million for FYE 31 December 2013, surpassing the RM833.7 million recorded in previous financial year. The improved results were achieved on the back of a higher revenue of RM3.03 billion (FYE 2012: RM2.97 billion).

AFFIN Bank group remained the key contributor, although faced with continued compressed net interest margins along with stiff competition, registered a PBT and zakat of RM762.2 million, a RM59.0 million or 8.4% increase compared with the RM703.2 million registered in FYE 31 December 2012. This was achieved on the back of 8.0% growth in loans and 11.7% increase in deposit from customers. AFFIN Bank's wholly owned subsidiary, AFFIN Islamic Bank Berhad ("**AFFIN Islamic**") recorded a PBT and zakat of RM87.3 million in FYE 31 December 2013 as compared to RM106.4 million achieved in the previous financial year. This was mainly due to lower write-back of allowance for financing impairment of RM15.1 million, higher overhead expenses of RM6.4 million net of higher operating income of RM2.3 million for the financial year under review.

AFFIN Investment group registered a lower PBT and zakat of RM85.0 million for FYE 31 December 2013 as compared to RM91.0 million recorded for the previous financial years. The lower PBT and zakat was due to lower investment income while its advisory and management fees as well as brokerage income saw an increase for the same financial year under review.

AFFIN Moneybrokers Sdn Bhd ("**AMB**") reported a PBT of RM2.2 million for the financial year under review as compared to RM2.7 million recorded in the previous financial year primarily as a result of lower net brokerage income recorded for the financial year of RM11.2 million (FYE 2012: RM11.8 million), representing a decrease of RM0.6 million. The decrease was mainly attributable to the slower trading activity in Malaysia as well as the financial market volatilities in the US and Europe.

AXA AFFIN Life Insurance Berhad ("**AALI**"), the jointly controlled entity reported a higher PBT of RM9.9 million for the FYE 31 December 2013, signifying a RM7.3 million jump from the RM2.6 million reported in FYE 31 December 2012. The improvement was contributed by the Life Fund which benefited from the increase in the risk-free yield curve and the robust growth in gross premiums where gross premiums grew by 36.9% to RM314.0 million for the financial year under review (FYE 2012: RM229.3 million).

FYE 31 December 2012 compared to FYE 31 December 2011

The Group's PBT and zakat for the FYE 31 December 2012 was RM833.7 million, a 17.6% increase compared with RM709.1 million for the previous financial year. This was achieved on the back of a revenue of RM3.0 billion for the FYE 2012 (FYE 2011: RM2.7 billion).

AFFIN Bank group, the main contributor, registered an improved PBT and zakat of RM703.2 million compared with RM613.1 million recorded in the previous financial year on the back of a sturdy growth of approximately 12.0% on loan and 12.9% on deposit from customers. AFFIN Islamic achieved a higher PBT and zakat of RM106.4 million during the financial year under review (FYE 2011: RM74.9 million) mainly due to net write-back of allowance for financing impairment of RM15.4 million as compared to a charge of RM10.8 million in the previous year, higher operating income of RM10.9 million net of higher overhead expenses of RM5.6 million.

AFFIN Investment group recorded a PBT and zakat of RM91.1 million (FYE 2011: RM88.9 million). Operating income grew by 28.3% to RM84.7 million (FYE 2011: RM66.0 million) contributed mainly by growth in fee income of 18.1% and investment income of 51.0%.

AMB recorded a lower PBT of RM2.7 million for the financial year compared with RM3.3 million recorded in previous financial year mainly due to lower net brokerage income recorded during for financial year of RM11.8 million (FYE 2012: RM12.2 million), representing a decrease of RM0.4 million. The decrease was mainly attributable to the slower trading activity in Malaysia as a result of global economic uncertainties.

AALI reported a PBT of RM3.9 million for the year compared with the pretax loss of RM3.1 million for FYE 2011. The improved performance was mainly due to growth of the regular premium business from the Life Fund and the improved performance of Non-Participating Funds.

FPE 31 March 2014 compared to FPE 31 March 2013

The Group reported a lower PBT before zakat of RM185.8 million for the FPE 31 March 2014 as compared to RM203.5 million for the preceding year's corresponding period, mainly due to higher allowance for loan impairment of RM6.8 million and higher overhead expenses of RM8.0 million. The increase in Islamic banking income and share of profit in associate of RM1.8 million and RM1.9 million respectively were however offset by the share of losses in jointly controlled entities of RM3.2 million as compared to share of profits of RM0.5 million for the preceding year's corresponding period.

AFFIN Bank group registered a lower PBT before zakat of RM175.3 million for the FYE 31 March 2014 as compared to RM185.1 million for the preceding year's corresponding period mainly due to reduction in other operating income of RM6.0 million and the increase in allowance for loan impairment of RM5.8 million, net of higher Islamic banking income of RM1.8 million for the financial period under review.

AFFIN Investment group's PBT before zakat of RM13.9 million for the FPE 31 March 2014, was a decrease of RM2.7 million as compared to the PBT before tax of RM16.6 million reported for the preceding year corresponding period. For the financial period under review, other operating income increased by 22.1% or RM6.0 million mainly due to higher fee income of RM11.4 million, net of lower gains on investment of RM5.6 million. On the other hand, overhead expenses also increased by 33.2% or RM8.1 million mainly attributable to the write-back of provision for litigation losses of RM4.3 million in 2013 and higher personnel cost of RM2.5 million.

AALI reported a loss before taxation of RM1.6 million for the FPE 31 March 2014 as compared to the PBT of RM0.7 million for preceding year corresponding period. This was mainly due to the deficit of RM1.8 million of the Life Fund Revenue Account ("**NPF**") as compared to a surplus of RM0.7 million achieved in the previous financial period. The deficit of the NPF was mainly attributable to higher reserves for future policyholders' liabilities of RM1.6 million arising from lower Malaysian Government Securities (MGS) yield as well as lower realised and unrealised gains on investments of RM0.5 million for the financial period under review.

7. 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 June 2013 to May 2014 are as follows:

	High (RM)	Low (RM)
2013		
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	4.00
February	4.17	4.00
March	4.13	3.77
April	3.92	3.76
May	3.77	3.61

The last transacted market price of the AFFIN Shares on 7 March 2014, being the last trading day prior to the date of announcement of the Rights Issue was RM4.03 per AFFIN Share.

The last transacted market price of the AFFIN Shares on 20 May 2014, being the last transacted market price on the LPD was RM3.62 per AFFIN Share.

The last transacted market price of the AFFIN Shares on 9 June 2014, being the last transacted market price on the date prior to the ex-date for the Rights Issue was RM[•] per AFFIN Share.

(Source: Bloomberg (Malaysia) Sdn Bhd)

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pwc

The Board of Directors
AFFIN Holdings Berhad
Level 7, Chulan Tower
3, Jalan Conlay
50450 Kuala Lumpur

28 May 2014

PwC/SHKY/TCW/NSZ/py/0130C

Dear Sirs,

AFFIN Holdings Berhad

Report on the Compilation of Pro forma Consolidated Statements of Financial Position

1 We have completed our assurance engagement to report on the compilation of the Pro forma Consolidated Statements of Financial Position of AFFIN Holdings Berhad ("AFFIN") and its subsidiaries ("AFFIN Group"), as set out in Appendix I (which we have stamped for the purpose of identification) for inclusion in the Abridged Prospectus to be dated 12 June 2014 in connection with the renounceable rights issue of 448,372,741 new ordinary shares of RM1.00 each in AFFIN on the basis of 3 Rights Shares for every 10 existing ordinary share of RM 1.00 each held as at 5.00 P.M. on 12 June 2014, at an issue price of RM 2.76 per Rights Share ("Rights Issue").

2 The applicable criteria on the basis of which the Directors have compiled the Pro forma Consolidated Statements of Financial Position are described in Note 1 of the Appendix I and are specified in Appendix 4 of the *Prospectus Guidelines – Abridged Prospectus* issued by the Securities Commission Malaysia.

3 The Pro forma Consolidated Statements of Financial Position have been compiled by the Directors, for illustrative purposes only, to show the effects of the Completed Acquisition of HwangDBS Investment Bank Berhad ("Hwang IB") Group, Rights Issue; and Settlement of Bridge Loans as defined in Note 2 of Appendix I (collectively known as "Transactions") on the audited consolidated statement of financial position of AFFIN Group as at 31 December 2013 had the Transactions been effected on that date. As part of this process, information has been extracted by the Directors from the audited financial statements of AFFIN Group as at 31 December 2013.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
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pwc

The Board of Directors
AFFIN Holdings Berhad
PwC/SHKY/TCW/NSZ/0130C
28 May 2014

The Directors' Responsibility for the Pro forma Consolidated Statements of Financial Position

4 The Directors are responsible for compiling the Pro forma Consolidated Statements of Financial Position on the basis set out in Note 1 of the Appendix I aud in accordance with the requirements of the *Prospectus Guidelines– Abridged Prospectus*.

Our Responsibilities

5 Our responsibility is to express an opinion as required by the Prospectus Guidelines, about whether the Pro forma Consolidated Statements of Financial Position have been compiled, in all material respects, by the Directors on the basis set out in Note 1 of the Appendix I.

6 We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3420 *"Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus"*, issued by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro forma Consolidated Statements of Financial Position on the basis set out in Note 1 of the Appendix I.

7 For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any financial information used in compiling the Pro forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro forma Consolidated Statements of Financial Position. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

8 The purpose of the Pro forma Consolidated Statements of Financial Position included in the Abridged Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at that date would have been as presented.

9 A reasonable assurance engagement to report on whether the Pro forma Consolidated Statements of Financial Position have been compiled in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

pwc

The Board of Directors
AFFIN Holdings Berhad
PwC/SHKY/TCW/NSZ/0130C
28 May 2014

Our Responsibilities (continued)

10 The procedures selected depend on our judgment, having regard to our understanding of the nature of the AFFIN Group, the event or transaction in respect of which the Pro forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the Pro forma Consolidated Statements of Financial Position.

11 We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

12 In our opinion, the Pro forma Consolidated Statements of Financial Position have been properly compiled, in all material respects on the basis set out in Note 1 of the Appendix I.

Other Matters

13 This report is issued for the sole purpose of inclusion in the Abridged Prospectus in connection with the Rights Issue and should not be used or relied upon for any other purpose. We accept no duty of responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any transaction other than the Rights Issue.

Yours faithfully,

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS
(No. AF 1146)
Chartered Accountants

SOO HOO KHOON YEAN
(No. 2682/10/15 (J))
Chartered Accountant

Appendix I
Page 1

AFFIN HOLDINGS BERHAD

PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

The Pro forma Consolidated Statements of Financial Position of AFFIN Group have been prepared solely for illustrative purposes only, to show the effects on the audited consolidated statements of financial position of AFFIN Group as at 31 December 2013 had the Completed Acquisition of Hwang IB Group, Rights Issue and Settlement of Bridge Loans as set out in Note 2.1 and Note 2.2 respectively been effected on that date.

	AFFIN Group	Completed Acquisition of Hwang IB Group		Rights Issue and final settlement of bridge loans	
	Audited as at 31 December 2013	Adjustments	Proforma I	Adjustments	Proforma II
	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short term funds	9,331,374	1,346,474	10,677,848	(168,491)	10,509,357
Deposits and placements with banks and other financial institutions	468,585	-	468,585		468,585
Securities held-for-trading	149,544	55,319	204,863		204,863
Securities available-for-sale ("AFS")	8,767,991	1,412,841	10,180,832		10,180,832
Securities held-to-maturity	624,033	370,268	994,301		994,301
Loans, advances and financing	36,909,384	390,346	37,299,730		37,299,730
Clients' and brokers' balances	176,706	225,613	402,319		402,319
Derivative assets	55,776	36,579	92,355		92,355
Other assets	309,011	88,538	397,549		397,549
Statutory deposits with Bank Negara Malaysia	1,545,144	65,750	1,610,894		1,610,894
Amount due from associate	67,257	-	67,257		67,257
Investment in jointly-controlled entity	135,539	-	135,539		135,539
Investment in associate	208,396	4,489	212,885		212,885
Tax recoverable	11,316	8,336	19,652		19,652
Deferred tax assets	14,475	2,280	16,755		16,755
Property & equipment	167,038	12,194	179,232		179,232
Investment property	-	-	-		-
Intangible assets	1,009,988	584,374	1,594,362		1,594,362
TOTAL ASSETS	59,951,557	4,603,401	64,554,958	(168,491)	64,386,467
LIABILITIES AND EQUITY					
Deposits from customers	47,353,514	678,840	48,032,354		48,032,354
Deposits and placements of banks and other financial institutions	3,983,912	1,985,862	5,969,774		5,969,774
Bills and acceptances payable	90,208	-	90,208		90,208
Clients' and brokers' balances	179,078	223,964	403,042		403,042
Derivative liabilities	93,868	45,883	139,751		139,751
Recourse obligation on loans sold to Cagamas Berhad	397,790	-	397,790		397,790
Other liabilities	467,454	287,307	754,761		754,761
Amount due to related companies		-	-		-
Taxation	36,405	809	37,214		37,214
Deferred tax liabilities	172	-	172		172
Borrowings	972,432	1,400,000	2,372,432	(1,400,000)	972,432
TOTAL LIABILITIES	53,574,833	4,622,665	58,197,498	(1,400,000)	56,797,498
EQUITY					
Share capital	1,494,576		1,494,576	448,373	1,942,949
Reserves:-					
Share premium	1,400,410		1,400,410	783,136	2,183,546
Retained profits	1,997,542	(43,109)	1,954,433		1,954,433
AFS revaluation reserves	15,148		15,148		15,148
Statutory reserve	1,469,048		1,469,048		1,469,048
Non-controlling Interest	-	23,845	23,845		23,845
	-				
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	6,376,724	(43,109)	6,333,615	1,231,509	7,565,124
TOTAL EQUITY	6,376,724	(19,264)	6,357,460	1,231,509	7,588,969
TOTAL LIABILITIES AND EQUITY	59,951,557	4,603,401	64,554,958	(168,491)	64,386,467
NET ASSETS PER SHARE (RM)	4.27		4.25		3.91
NET ASSETS PER SHARE (Exclude MI)(RM)	4.27		4.24		3.89

AFFIN HOLDINGS BERHAD

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

1. BASIS OF PREPARATION

1.1 The Pro forma Consolidated Statements of Financial Position as at 31 December 2013 together with the Notes herein (collectively known as "Pro forma Consolidated Statements of Financial Position") of AFFIN and AFFIN Group, for which the Directors of AFFIN are solely responsible, have been prepared for illustrative purposes only, for the purpose of inclusion in this Abridged Prospectus issued in connection with the renounceable rights issue of 448,372,741 new ordinary shares of RM1.00 each in AFFIN on the basis of 3 Rights Shares for every 10 existing ordinary share of RM 1.00 each held as at 5.00 P.M. on 12 June 2014, at an issue price of RM 2.76 per Rights Share.

The shareholders of AFFIN had approved the Rights Issue at the Extraordinary General Meeting of AFFIN held on 21 April 2014. Approval has also been obtained from Bursa Securities via its letter dated 27 March 2014 for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities.

The Pro forma Consolidated Statements of Financial Position show the effects of the Completed Acquisition of Hwang IB Group referred to in Note 2.1, Rights Issue and Settlement of Bridge Loans referred to in Note 2.2 undertaken by AFFIN Group and may not, because of their nature, reflect the actual financial position of AFFIN Group.

1.2 As the Pro forma Consolidated Statements of Financial Position are prepared for illustrative purposes only, such information, because of its nature, does not give a true picture of the effects of the Completed Acquisition of Hwang IB Group and Rights Issue and Settlement of Bridge Loans on the financial position of AFFIN Group had these transactions occurred on 31 December 2013. Further, such information does not purport to predict AFFIN Group's future financial position.

1.3 The Pro forma Consolidated Statements of Financial Position have been prepared based on the following basis:-

(a) The unadjusted financial information is extracted from the audited consolidated financial statements of AFFIN Group as at 31 December 2013, prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

(b) The pro forma Consolidated Statements of Financial Position is presented in a manner consistent with both the format of the consolidated statement of financial position of AFFIN Group as at 31 December 2013 and the accounting policies of AFFIN Group except that the identifiable assets acquired and liabilities assumed including intangible assets and contingent liabilities and the related tax impacts of acquired entities from Hwang-DBS (Malaysia) Berhad ("Hwang-DBS") have not been measured at their respective fair values. For illustration purpose, the assets and liabilities of these acquired entities are extracted from the audited financial statements of Hwang IB, HDM Futures Sdn Bhd ("HDM Futures") and Hwang Investment Management Berhad ("HIM") for the financial year ended 31 July 2013. Upon completion of a purchase price allocation review, fair value adjustments to the carrying values of assets and liabilities of these entities will have a corresponding effect on goodwill and non-controlling interests. Similarly, such fair value adjustments may cause additional amortisation or depreciation of assets which may affect expenses of AFFIN Group.

AFFIN HOLDINGS BERHAD

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 (CONTINUED)

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

1.3 The Pro forma Consolidated Statements of Financial Position have been prepared based on the following basis:- (continued)

(c) Share of investment in associate of Asian Islamic Investment Management Berhad ("AIIM") is extracted from the audited financial statements of Hwang-DBS.

(d) The Pro forma Consolidated Statements of Financial Position had not taken into consideration of the final purchase consideration as the quantum of such amount is not available as at the date of the Abridged Prospectus.

2 TRANSACTIONS

2.1 COMPLETED ACQUISITION OF HWANG IB GROUP

2.1.1 On 7 April 2014, AFFIN Investment Bank Berhad ("AFFIN Investment Bank") had announced to Bursa Malaysia Securities Berhad on behalf of the Board of AFFIN that the Company had completed the acquisitions of the 500,000,000 ordinary shares of RM1.00 each, constituting 100% of the entire issued and paid-up share capital in HwangDBS Investment Bank Berhad ("Hwang IB Shares') held by Hwang-DBS (Malaysia) Berhad and the 1,700,000 ordinary shares of RM1.00 each, constituting approximately 17% of the entire issued and paid-up share capital of Hwang Investment Management Berhad ("Minority Shares") held by the minority shareholder ("Acquisition").

2.1.2 Prior to the Acquisition of ordinary shares in Hwang IB from Hwang-DBS by AFFIN, Hwang-DBS undertook an internal pre-closing reorganization. The restructured Hwang IB Group ("Hwang IB Group") consists of the following entities:

(a) 100% interest in Hwang IB;
(b) 100% interest in HDM Futures;
(c) 53% interest in HIM; and
(d) 49% interest in AIIM

("Pre-Closing Reorganisation").

AFFIN HOLDINGS BERHAD

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 (CONTINUED)

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2 TRANSACTIONS (CONTINUED)

2.1 COMPLETED ACQUISITION OF HWANG IB GROUP (CONTINUED)

2.1.3 <u>Settlement of Base Price</u>

The Acquisition entails AFFIN to acquire Hwang IB Group held by Hwang-DBS and 17% minority interest in HIM for a sum of RM1,363.0 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 ("Base Price"). On 7 April 2014, AFFIN had paid the Base Price for the Acquisition.

The Base Price of RM1,363.0 million comprises:-

(a) RM1,088.0 million for Hwang IB (including 100% interest in HDM Nominees (Tempatan) Sdn Bhd and 100% interest in HDM Nominees (Asing) Sdn Bhd, and excluding 100% interest in HwangDBS Custodian Services Sdn Bhd and 51% interest in HwangDBS Vickers Research Sdn Bhd);

(b) RM262.0 million for the aggregate of 70% interest in HIM and interest in AIIM; and

(c) RM13.0 million for HDM Futures.

A deposit of RM68.2 million was paid to Hwang-DBS in September 2013 before the completion of the Acquisition.

The final purchase consideration will only be finalised after the completion audit.

2.1.4 <u>Bridge Loans</u>

The cash consideration was financed by bridge loans of RM1,400.0 million drawn down subsequent to 31 December 2013.

AFFIN HOLDINGS BERHAD

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 (CONTINUED)

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2 TRANSACTIONS (CONTINUED)

2.1 COMPLETED ACQUISITION OF HWANG IB GROUP (CONTINUED)

2.1.5 Other receipts and payments

The following cash receipts and payments were made at the completion of the Acquisition:

(a) Payment to Hwang-DBS of RM35.1 million for the net gain derived from the disposals of the Ampang Land and the Penang Land (collectively referred as the "Lands") completed on 15 January 2014 and 17 March 2014 respectively. The net gain was computed based on sales proceeds less incidental costs of RM82.9 million less net book value of the Lands as at 31 July 2014 of RM47.8 million.

(b) Settlement of term loan granted of RM5.0 million by Hwang DBS to HDM Futures.

(c) Receipt from Hwang-DBS as settlement of term loan of RM34.5 million granted by Hwang IB to HDM Properties Sdn Bhd, a subsidiary of Hwang-DBS.

(d) Receipt from Hwang-DBS in respect of identified loan assets of Hwang IB of RM40.0 million that do not form part of the Acquisition.

2.1.6 Transaction Cost

The estimated expenses in relation to the Acquisition of RM43.1 million will be settled in cash and charged out as an expense in profit and loss.

2.1.7 For illustrative purposes, it is assumed that transaction described in Note 2.1.3, Note 2.1.4, Note 2.1.5 and Note 2.1.6 had been effected on 31 December 2013.

AFFIN HOLDINGS BERHAD

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 (CONTINUED)

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2 TRANSACTIONS (CONTINUED)

2.2 RIGHTS ISSUE AND SETTLEMENT OF BRIDGE LOANS

2.2.1 AFFIN is undertaking a renounceable rights issue of 448,372,741 New Ordinary Shares of RM1.00 each in AFFIN on the basis of 3 Rights Shares of every 10 existing Ordinary Shares of RM1.00 each held as at 5.00 P.M. on 12 June 2014, at an issue price of RM2.76 per share to raise gross proceeds of RM1,237.5 million on assumption that all shareholders of AFFIN will subscribe in full for their entitlement.

2.2.2 The issue price of Rights Shares represents a discount of approximately RM0.69 or 20.0% to the TERP of RM3.45 per Share, calculated based on the 5-days VWAMP of AFFIN Shares up to and including 22 May 2014 (being the 5 Market Days immediately preceding the price-fixing date) of RM3.66.

2.2.3 Expenses relating to the Rights Issue estimated at approximately RM6 million will be funded from iuternally generated funds.

2.2.4 The gross proceeds of approximately RM1,237.5 million will be used for partial repayment of approximately RM1,050.0 million of the bridge loans obtained to fund the Acquisition and a RM200.0 million capital injection into AFFIN Bank Berhad.

2.2.5 AFFIN Group proposes to fully settle the remaining RM350.0 million bridge loans via internally generated funds, subsequent to the merger of the businesses, assets aud liabilities of AFFIN Investment Bank and and Hwang IB. For illustrative purposes, any iutegration costs of the merger and opportunity costs of internal cash used to repay the bridge loans or from the capital injections had not been taken into account.

2.2.6 For illustrative purposes, it is assumed that transaction described above had been effected on 31 December 2013.

AFFIN HOLDINGS BERHAD

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 (CONTINUED)

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

3 PRO FORMA ADJUSTMENTS

The Pro forma Consolidated Statements of Financial Position of AFFIN Group have been prepared solely for illustrative purposes only, to show the effects on the audited consolidated statements of financial position of AFFIN Group as at 31 December 2013 had the Completed Acquisition of Hwang IB Group, Rights Issue and Settlement of Bridge Loans as set out in Note 2.1 and Note 2.2 respectively been effected on that date.

Pro Forma I

Pro forma I incorporate on pro forma basis the effects of the Completed Acquisition of Hwang IB Group as described in Note 2.1 on the audited consolidated statement of financial position of AFFIN Group as at 31 December 2013.

The breakdown of adjustments for Pro forma I are as follows:

	Acquired assets and liabilities RM'000	Settlement of Base Price Note 2.1.3 RM'000	Bridge Loans Note 2.1.4 RM'000	Other Receipts and Payments Note 2.1.5 RM'000	Transaction Cost Note 2.1.6 RM'000	Elimination of inter-company balances of acquired entities RM'000	Total adjustments for Pro Forma I RM'000
ASSETS							
Cash and short term funds	1,210,920	(1,294,850)	1,400,000	117,344	(43,109)	(43,831)	1,346,474
Deposits and placements with banks and other financial institutions	-						-
Securities held-for-trading	55,319						55,319
Securities available-for-sale ("AFS")	1,412,841						1,412,841
Securities held-to-maturity	370,268						370,268
Loans, advances and financing	464,850			(74,504)			390,346
Clients' and brokers' balances	225,613						225,613
Derivative assets	36,579						36,579
Other assets	156,688	(68,150)					88,538
Statutory deposits with Bank Negara Malaysia	65,750						65,750
Tax recoverable	8,336						8,336
Deferred tax assets	2,280						2,280
Investments in associate	4,489						4,489
Property, plant and equipment	12,194						12,194
Investment property	47,840			(47,840)			-
Intangible assets	162,502	421,872					584,374
TOTAL ASSETS	4,236,469	(941,128)	1,400,000	(5,000)	(43,109)	(43,831)	4,603,401
LIABILITIES AND EQUITY							
Deposits from customers	678,840						678,840
Deposits and placements of banks and other financial institutions	2,029,693					(43,831)	1,985,862
Clients' and brokers' balances	223,964						223,964
Derivative liabilities	45,883						45,883
Other liabilities	287,307						287,307
Taxation	809						809
Borrowings	5,000		1,400,000	(5,000)			1,400,000
TOTAL LIABILITIES	3,271,496	-	1,400,000	(5,000)	-	(43,831)	4,622,665
EQUITY							
Retained profits					(43,109)		(43,109)
Non-controlling interest	23,845						23,845
TOTAL EQUITY	23,845	-	-	-	(43,109)	-	(19,264)
TOTAL LIABILITIES AND EQUITY	3,295,341	-	1,400,000	(5,000)	(43,109)	(43,831)	4,603,401

AFFIN HOLDINGS BERHAD

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 (CONTINUED)

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

3 PRO FORMA ADJUSTMENTS (CONTINUED)

Pro Forma II

Pro forma II incorporates on pro forma basis the effects of Pro forma I and the Rights Issue and Final Settlement of Bridge Loan as described in Note 2.2.

4 APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of AFFIN in accordance with a resolution dated 12 May 2014.

Tan Sri Dato' Seri Lodin bin Wok Kamaruddin
DIRECTOR
AFFIN Holdings Berhad

Company No.

23218	W

AFFIN HOLDINGS BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2013

PRICEWATERHOUSECOOPERS
KUALA LUMPUR
for identification
only
Chartered Accountants

Company No.

23218	W

AFFIN HOLDINGS BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2013

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Company No.	
23218	W

AFFIN HOLDINGS BERHAD

(Incorporated in Malaysia)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin (Chairman)
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin (Deputy Chairman)
Raja Dato' Seri Aman bin Raja Haji Ahmad
Dato' Mustafa bin Mohamad Ali
Dr. the Hon. Sir David Li Kwok Po (Resigned on 6.8.2013)
Professor Arthur Li Kwok Cheung
Abd Malik bin A Rahman
Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff
Tan Sri Jamaluddin bin Haji Ahmad Damanhuri (Resigned on 6.3.2013)
Ignatius Chan Tze Ching (Appointed on 6.8.2013)
Rosnah binti Omar (Appointed on 5.2.2014)
Adrian David Li Man Kiu (Alternate Director to Ignatius Chan Tze Ching)
Peter Yuen Wai Hung (Alternate Director to Professor Arthur Li Kwok Cheung)

SECRETARY

Nimma Safira binti Khalid

REGISTERED OFFICE

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

PricewaterhouseCoopers
Level 10, 1 Sentral
Jalan Travers, Kuala Lumpur Sentral
P.O. Box 10192
50706 Kuala Lumpur
Malaysia

AFFIN HOLDINGS BERHAD (23218-W)
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are commercial banking and hire purchase business, Islamic banking business, investment banking and stock-broking, money-broking, fund and unit trusts management.

The principal activity of the jointly controlled entities are underwriting of life insurance business and property development while the associate is principally engaged in the underwriting of general insurance business.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit before taxation and zakat	863,928	298,772
Zakat	(9,692)	-
Profit before taxation	854,236	298,772
Taxation	(204,215)	(19,221)
Net profit for the financial year	650,021	279,551

DIVIDENDS

The dividends on ordinary shares paid by the Company since 31 December 2012 were as follows:-

	RM'000
In respect of the financial year ended 31 December 2013:-	
An interim tax exemption dividend of 8.9 sen per share and a single-tier dividend of 6.1 sen per share, paid on 30 December 2013.	224,186

At the forthcoming Annual General Meeting, the directors do not propose any final dividend in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements and notes to the financial statements.

AFFIN HOLDINGS BERHAD (23218-W)
(Incorporated in Malaysia)

DIRECTORS' REPORT

DIRECTORS

The directors who have held office during the period since the date of the last report are:-

Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin
Raja Dato' Seri Aman bin Raja Haji Ahmad
Dato' Mustafa bin Mohamad Ali
Dr. the Hon. Sir David Li Kwok Po (Resigned on 6.8.2013)
Professor Arthur Li Kwok Cheung
Abd Malik bin A Rahman
Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff
Tan Sri Jamaluddin bin Haji Ahmad Damanhuri (Resigned on 6.3.2013)
Ignatius Chan Tze Ching (Appointed on 6.8.2013)
Rosnah binti Omar (Appointed on 5.2.2014)
Adrian David Li Man Kiu (Alternate Director to Ignatius Chan Tze Ching)
Peter Yuen Wai Hung (Alternate Director to Professor Arthur Li Kwok Cheung)

In accordance with Article 104 of the Company's Articles of Association, Abd Malik bin A Rahman and Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff who retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Article 110 of the Company's Articles of Association, Ignatius Chan Tze Ching and Rosnah binti Omar retire and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Pursuant to section 129(6) of the Companies Act, 1965, Dato' Mustafa bin Mohamad Ali retires and offers himself for re-appointment at the forthcoming Annual General Meeting.

DIRECTORS' BENEFITS

During and at end of the financial year, no arrangements subsisted to which the Company or its subsidiaries is a party, with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than directors' remuneration as disclosed in Note 36 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

AFFIN HOLDINGS BERHAD (23218-W)
(Incorporated in Malaysia)

DIRECTORS' REPORT

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interest of directors in office at end of the financial year in shares in the Company and its related companies are as follows:-

	Number of ordinary shares of RM1 each			
The Company	**At 1.1.2013**	**Bought**	**Sold**	**At 31.12.2013**
Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin	30,000	-	-	30,000
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	808,714*	-	-	808,714*

* Shares held in trust by nominee company

Related Companies				
Boustead Heavy Industries Corporation Berhad				
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	2,000,000	-	-	2,000,000
Abd Malik bin A Rahman	3,000	-	-	3,000
Boustead Petroleum Sdn Bhd				
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	5,916,465	-	-	5,916,465
Al-Hadharah Boustead REIT				
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	250,000	-	-	250,000
Pharmaniaga Berhad				
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	5,681,886	12,500,148 ^	-	12,500,148

^ Shares split on 4 June 2013 involving the subdivision of every one (1) existing ordinary share of RM1.00 each into two (2) ordinary shares of RM0.50 each which give rise to the additional 11,363,772 shares and the bonus issue of 1,136,376 bonus shares after share split on the basis of 1 bonus share for every ten (10) subdivided shares held.

	Number of ordinary shares of 50 sen each			
Related Company	**At 1.1.2013**	**Bought**	**Sold**	**At 31.12.2013**
Boustead Holdings Berhad				
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	28,192,758	-	-	28,192,758

	Number of redeemable preference shares of RM1 each			
Related Company	**At 1.1.2013**	**Bought**	**Sold**	**At 31.12.2013**
Boustead Petroleum Sdn Bhd				
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	50	-	50	-

Other than the above, the directors in office at end of the financial year did not have any other interest in the shares in the Company or its related companies during the financial year.

AFFIN HOLDINGS BERHAD (23218-W)
(Incorporated in Malaysia)

DIRECTORS' REPORT

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps:-

(a) to ascertain that proper action had been taken in relation to the writing-off of bad debts and financing and the making of allowance for doubtful debts and financing and satisfied themselves that all known bad debts had been written-off and that adequate allowances had been made for doubtful debts and financing; and

(b) to ensure that any current assets, other than debts and financing, which were unlikely to realise in the ordinary course of business, their value as shown in the accounting records of the Group and the Company, have been written-down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:-

(a) which would render the amounts written-off for bad debts and financing or the amount of allowances for doubtful debts and financing in the financial statements of the Group and the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

At the date of this report, there does not exist:-

(a) any charge on the assets of the Group and the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group or the Company to meet their obligations when they fall due.

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the directors:-

(a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to substantially affect the results of the operations of the Group or the Company for the financial year in which this report is made.

AFFIN HOLDINGS BERHAD (23218-W)
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DIRECTORS' REPORT

ULTIMATE HOLDING CORPORATE BODY

The directors regard Lembaga Tabung Angkatan Tentera, a corporate body established under the Tabung Angkatan Tentera Act, 1973, as the ultimate holding corporate body of the Company.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 26 February 2014.

TAN SRI DATO' SERI LODIN BIN WOK KAMARUDDIN DIRECTOR	RAJA DATO' SERI AMAN BIN RAJA HAJI AHMAD DIRECTOR

Kuala Lumpur
26 February 2014

AFFIN HOLDINGS BERHAD (23218-W)
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION - 31 DECEMBER 2013

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds	2	9,331,374	7,359,658	131,710	33,209
Deposits and placements with banks and other financial institutions	3	468,585	492,356	4,460	101,958
Reverse repurchase agreements with financial institutions		-	20,057	-	-
Trade receivables	4	176,706	213,751	-	-
Financial assets held-for-trading	5	149,544	165,592	-	-
Financial investments available-for-sale	6	8,767,991	9,404,237	-	-
Financial investments held-to-maturity	7	624,033	548,324	-	-
Derivative financial assets	8	55,776	66,015	-	-
Loans, advances and financing	9	36,909,384	34,163,168	-	-
Other assets	10	309,011	313,277	68,494	346
Statutory deposits with Bank Negara Malaysia	11	1,545,144	1,507,480	-	-
Amount due from subsidiaries	12	-	-	904,972	904,960
Amount due from associate	13	67,257	67,240	67,257	67,240
Investment in subsidiaries	14	-	-	3,582,882	3,582,882
Investment in jointly controlled entities	15	135,539	129,788	146,880	146,880
Investment in associate	16	208,396	183,696	10,681	10,597
Taxation recoverable		11,316	14,775	5,173	5,021
Deferred tax assets	25	14,475	-	-	-
Property and equipment	17	167,038	178,093	470	659
Intangible assets	18	1,009,988	1,006,784	1	4
TOTAL ASSETS		59,951,557	55,834,291	4,922,980	4,853,756
LIABILITIES AND EQUITY					
Deposits from customers	19	47,353,514	42,944,986	-	-
Deposits and placements of banks and other financial institutions	20	3,983,912	4,588,209	-	-
Bills and acceptances payable		90,208	152,400	-	-
Trade payables	21	179,078	213,690	-	-
Derivative financial liabilities	22	93,868	59,560	-	-
Recourse obligation on loans sold to Cagamas Berhad	23	397,790	413,549	-	-
Other liabilities	24	467,454	364,964	19,634	5,829
Provision for taxation		36,405	63,751	-	-
Deferred tax liabilities	25	172	16,335	108	143
Amount due to subsidiaries	26	-	-	400,258	400,258
Borrowings	27	972,432	972,343	972,432	972,343
TOTAL LIABILITIES		53,574,833	49,789,787	1,392,432	1,378,573
EQUITY					
Share capital	28	1,494,576	1,494,576	1,494,576	1,494,576
Share premium		1,400,410	1,400,410	1,400,410	1,400,410
Reserves	29	3,481,738	3,149,518	635,562	580,197
TOTAL EQUITY		6,376,724	6,044,504	3,530,548	3,475,183
TOTAL LIABILITIES AND EQUITY		59,951,557	55,834,291	4,922,980	4,853,756
COMMITMENTS AND CONTINGENCIES	43(d)	22,222,815	19,096,585	-	-

The accounting policies on pages 16 to 36 and the notes on pages 37 to 135 form an integral part of these financial statements.

AFFIN HOLDINGS BERHAD (23218-W)
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	30	3,029,014	2,971,723	367,221	309,519
Interest income	31	2,215,000	2,106,615	52,873	51,984
Interest expense	32	(1,298,209)	(1,209,786)	-	-
Net interest income		916,791	896,829	52,873	51,984
Net Islamic banking income	33	220,745	216,772	-	-
		1,137,536	1,113,601	52,873	51,984
Other operating income	34	388,213	408,458	314,405	292,519
Net income		1,525,749	1,522,059	367,278	344,503
Other operating expenses	35	(716,621)	(700,315)	(25,914)	(9,993)
Operating profit before allowance for impairment on loans, advances and financing		809,128	821,744	341,364	334,510
Allowance for impairment on loans, advances and financing	37	66,087	18,835	-	-
Allowance for impairment on other assets	38	2,079	(408)	-	-
Operating profit		877,294	840,171	341,364	334,510
Finance cost	39	(42,592)	(41,021)	(42,592)	(41,021)
Share of results of jointly controlled entities		5,221	1,823	-	-
Share of results of associate		24,005	32,765	-	-
Profit before taxation and zakat		863,928	833,738	298,772	293,489
Zakat		(9,692)	(7,086)	-	-
Profit before taxation		854,236	826,652	298,772	293,489
Taxation	40	(204,215)	(197,710)	(19,221)	(13,167)
Net profit for the financial year attributable to equity holders of the Company		650,021	628,942	279,551	280,322
Earnings per share attributable to equity holders of the Company (sen) - Basic and fully diluted	41	43.49	42.08		

The accounting policies on pages 16 to 36 and the notes on pages 37 to 135 form an integral part of these financial statements.

AFFIN HOLDINGS BERHAD (23218-W)
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Profit after taxation		650,021	628,942	279,551	280,322
Other comprehensive income:					
Items that will be reclassified subsequently to profit or loss:					
- Net fair value change in financial investments available-for-sale		(123,893)	7,692	-	-
- Deferred tax on revaluation of financial investments available-for-sale	25	30,278	(1,268)	-	-
Other comprehensive income for the financial year, net of tax		(93,615)	6,424	-	-
Total comprehensive income for the financial year		556,406	635,366	279,551	280,322
Attributable to equity holders of the Company:					
- Total comprehensive income		556,406	635,366	279,551	280,322

The accounting policies on pages 16 to 36 and the notes on pages 37 to 135 form an integral part of these financial statements.

AFFIN HOLDINGS BERHAD (23218-W)
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		< ---- Attributable to Equity Holders of the Company ---- >					
	Note	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS revaluation reserves RM'000	Retained profits RM'000	Total equity RM'000
At 1 January 2013		**1,494,576**	**1,400,410**	**1,293,665**	**108,763**	**1,747,090**	**6,044,504**
Comprehensive income:							
- Net profit for the financial year		**-**	**-**	**-**	**-**	**650,021**	**650,021**
Other comprehensive income (net of tax):							
- Financial investments available-for-sale		**-**	**-**	**-**	**(93,615)**	**-**	**(93,615)**
Total comprehensive income for the financial year		**-**	**-**	**-**	**(93,615)**	**650,021**	**556,406**
Transfer to statutory reserves		**-**	**-**	**175,383**	**-**	**(175,383)**	**-**
Dividends declared and paid for the financial year	**42**	**-**	**-**	**-**	**-**	**(224,186)**	**(224,186)**
At 31 December 2013		**1,494,576**	**1,400,410**	**1,469,048**	**15,148**	**1,997,542**	**6,376,724**
At 1 January 2012		1,494,576	1,400,410	1,127,843	102,339	1,467,056	5,592,224
Comprehensive income:							
- Net profit for the financial year		-	-	-	-	628,942	628,942
Other comprehensive income (net of tax):							
- Financial investments available-for-sale		-	-	-	6,424	-	6,424
Total comprehensive income for the financial year		-	-	-	6,424	628,942	635,366
Transfer to statutory reserves		-	-	165,822	-	(165,822)	-
Dividends declared and paid for the financial year	42	-	-	-	-	(183,086)	(183,086)
At 31 December 2012		1,494,576	1,400,410	1,293,665	108,763	1,747,090	6,044,504

The accounting policies on pages 16 to 36 and the notes on pages 37 to 135 form an integral part of these financial statements.

AFFIN HOLDINGS BERHAD (23218-W)
(Incorporated in Malaysia)

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	Share capital RM'000	< Non-Distributable > Share premium RM'000	< Distributable > Retained profits RM'000	Total equity RM'000
At 1 January 2013		**1,494,576**	**1,400,410**	**580,197**	**3,475,183**
Total comprehensive income for the financial year:					
- Net profit for the financial year		**-**	**-**	**279,551**	**279,551**
Dividends declared and paid for the financial year	**42**	**-**	**-**	**(224,186)**	**(224,186)**
At 31 December 2013		**1,494,576**	**1,400,410**	**635,562**	**3,530,548**
At 1 January 2012		1,494,576	1,400,410	482,961	3,377,947
Total comprehensive income for the financial year:					
- Net profit for the financial year		-	-	280,322	280,322
Dividends declared and paid for the financial year	42	-	-	(183,086)	(183,086)
At 31 December 2012		1,494,576	1,400,410	580,197	3,475,183

The accounting policies on pages 16 to 36 and the notes on pages 37 to 135 form an integral part of these financial statements.

AFFIN HOLDINGS BERHAD (23218-W)
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	2013 RM'000	2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	854,236	826,652
Adjustments for items not involving the movement of cash and cash equivalents:-		
Interest income from:-		
- financial assets held-for-trading	(230)	(1,009)
- financial investments available-for-sale	(262,140)	(269,759)
- financial investments held-to-maturity	(25,923)	(29,889)
Dividend income from financial investments available-for-sale	(4,058)	(4,100)
Amortisation of premium net of accretion of discount:-		
- financial investments available-for-sale	(12,051)	(11,999)
- financial investments held-to-maturity	(1,024)	366
Gain on disposal/redemption:-		
- financial assets held-for-trading	(3,336)	(6,125)
- financial investments available-for-sale	(32,823)	(49,523)
- financial investments held-to-maturity	(6,144)	(19,466)
Unrealised (gain)/loss on revaluation:-		
- financial assets held-for-trading	(455)	188
- derivatives	(8,055)	(12,669)
- foreign exchange	54,137	(42,282)
(Write-back of)/additional allowance for impairment loss:-		
- financial investments available-for-sale	(2,079)	744
- financial investments held-to-maturity	-	(336)
Depreciation of property and equipment	18,630	20,313
Property and equipment written-off	95	182
Gains arising from waiver of debts	-	(8)
Net gain on disposal of property and equipment	(4,064)	(1,297)
Gain on disposal of foreclosed properties	(11,041)	(10,141)
Amortisation of intangible assets	8,615	9,162
Bad debts written-off	4,583	7,784
Share of results of jointly controlled entities	(5,221)	(1,823)
Share of results of associate	(24,005)	(32,765)
Additional allowance for impairment on loans, advances and financing		
- collective impairment	13,911	3,296
- individual impairment	43,930	78,147
(Write-back of)/additional allowance for impaired debts – other debtors	(372)	157
Zakat	9,692	7,086
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL	604,808	460,886

AFFIN HOLDINGS BERHAD (23218-W)
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

	2013 RM'000	2012 RM'000
(Increase)/decrease in operating assets:-		
Deposits and placements with banks and other financial institutions	23,771	(212,898)
Reverse repurchase agreements with financial institutions	20,057	(20,057)
Financial assets held-for-trading	20,069	(8,814)
Loans, advances and financing	(2,808,640)	(3,815,549)
Statutory deposits with Bank Negara Malaysia	(37,664)	(97,339)
Trade receivables	37,045	(53,512)
Other assets	(32,495)	(106,164)
Increase/(decrease) in operating liabilities:-		
Deposits from customers	4,408,528	3,581,572
Deposits and placements of banks and other financial institutions	(604,297)	(2,278,838)
Bills and acceptances payable	(62,192)	70,341
Trade payables	(34,612)	56,782
Recourse obligation on loans sold to Cagamas Berhad	(15,759)	(14,910)
Other liabilities	126,755	(66,057)
Cash generated from/(used in) operating activities	1,645,374	(2,504,557)
Tax and zakat paid	(237,531)	(163,874)
Tax refund	510	17,088
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	1,408,353	(2,651,343)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net disposal/(purchase) of financial investments available-for-sale	557,986	(210,647)
Net (purchase)/disposal of financial investments held-to-maturity	(68,541)	122,035
Proceeds from disposal of property and equipment	7,552	4,372
Proceeds from disposal of foreclosed properties	21,961	21,611
Purchase of property and equipment	(22,206)	(23,584)
Purchase of intangible assets	(1,513)	(2,098)
Subscription of shares in a jointly controlled entity	(150)	(11,220)
Interest received from:-		
- financial investments available-for-sale	262,140	269,759
- financial investments held-to-maturity	25,923	29,889
Dividend received from associate	-	2,520
Dividend received from financial investments available-for-sale	4,058	4,100
Amount due from associate	(17)	17
Purchase of shares in associate	(84)	-
NET CASH GENERATED FROM INVESTING ACTIVITIES	787,109	206,754

AFFIN HOLDINGS BERHAD (23218-W)
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	2013 RM'000	2012 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in borrowings	89	302,698
Dividends paid to shareholders of the Company	(224,186)	(183,086)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(224,097)	119,612
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,971,365	(2,324,977)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,350,141	9,675,118
CASH AND CASH EQUIVALENTS AT END OF YEAR	9,321,506	7,350,141
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds (Note 2)	9,331,374	7,359,658
Adjustment for money held in trust on behalf of remisiers (Note 24)	(9,868)	(9,517)
Cash and cash equivalents	9,321,506	7,350,141

The accounting policies on pages 16 to 36 and the notes on pages 37 to 135 form an integral part of these financial statements.

AFFIN HOLDINGS BERHAD (23218-W)
(Incorporated in Malaysia)

COMPANY STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	2013 RM'000	2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	298,772	293,489
Adjustments for items not involving the movement of cash and cash equivalents:-		
Gross dividends from subsidiaries	(314,349)	(254,175)
Gross dividend from associate	-	(3,360)
Depreciation of property and equipment	204	244
Amortisation of intangible assets	3	5
Property and equipment written-off	4	-
Gain on winding-up of a subsidiary	-	(34,984)
Gain on disposal of property and equipment	(52)	-
OPERATING (LOSS)/PROFIT BEFORE CHANGES IN WORKING CAPITAL	(15,418)	1,219
INCREASE/(DECREASE) IN OPERATING ACTIVITIES		
Decrease/(increase) in operating assets:-		
Deposits and placements with banks and other financial institutions	97,498	114,438
Other assets	(68,148)	38
Increase in operating liabilities:-		
Other liabilities	13,805	295
Cash generated from operating activities	27,737	115,990
Tax paid	(1,555)	(1,882)
NET CASH GENERATED FROM OPERATING ACTIVITIES	26,182	114,108
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from subsidiaries	296,496	242,784
Dividend received from associate	-	2,520
Net cash movement in amount due from subsidiaries	(12)	(301,937)
Proceeds from disposal of property and equipment	52	-
Purchase of property and equipment	(19)	(8)
Amount due from associate	(17)	17
Subscription of shares in a licensed bank subsidiary	-	(200,000)
Subscription of shares in a jointly controlled entity	-	(11,220)
Purchase of shares in associate	(84)	-
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	296,416	(267,844)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in borrowings	89	302,698
Dividends paid to shareholders of the Company	(224,186)	(183,086)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(224,097)	119,612
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	98,501	(34,124)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	33,209	67,333
CASH AND CASH EQUIVALENTS AT END OF YEAR	131,710	33,209
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds (Note 2)	131,710	33,209

The accounting policies on pages 16 to 36 and the notes on pages 37 to 135 form an integral part of these financial statements.

AFFIN HOLDINGS BERHAD (23218-W)
(Incorporated in Malaysia)

SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

1 BASIS OF PREPARATION

The financial statements of the Group and the Company have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements incorporate those activities relating to Islamic banking business which has been undertaken by the Group. Islamic banking refers generally to the acceptance of deposits and granting of financing under the Syariah principles.

The financial statements of the Group and the Company have been prepared under the historical cost convention, unless otherwise indicated in this summary of significant accounting policies.

The preparation of the financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from these estimates.

a) Standards, amendments to published standards and interpretations that are applicable and effective to the Group

The new and revised accounting standards and amendments to published standards that are effective and applicable to the Group and the Company for the financial year beginning 1 January 2013 are as follows:-

- MFRS 10 "Consolidated Financial Statements"
- MFRS 11 "Joint Arrangements"
- MFRS 12 "Disclosures of Interest in Other Entities"
- MFRS 13 "Fair Value Measurement"
- Revised MFRS 127 "Separate Financial Statements"
- Revised MFRS 128 "Investments in Associates and Joint Ventures"
- MFRS 3 "Business Combinations" (IFRS 3 Business Combinations issued by IASB in March 2004)
- Amendment to MFRS 7 "Financial Instruments: Disclosures"
- Amendment to MFRS 101 "Presentation of Items of Other Comprehensive Income"
- Amendment to MFRS 119 "Employee Benefits"
- Amendment to MFRS 134 "Interim Financial Reporting"
- Amendments to MFRS 10, MFRS 11 and MFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"

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1 BASIS OF PREPARATION (continued)

a) **Standards, amendments to published standards and interpretations that are applicable and effective to the Group** (continued)

The new and revised accounting standards and amendments to published standards that are effective and applicable to the Group and the Company for the financial year beginning 1 January 2013 are as follows:-

- Annual improvements 2009-2011 Cycle
  - MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards" - Repeated application of MFRS 1 and borrowing costs
  - MFRS 101 "Presentation of Financial Statements" - Clarification of the requirements for comparative information
  - MFRS 116 "Property, Plant and Equipment" - Classification of servicing equipment
  - MFRS 132 "Financial Instrument: Presentation" - Tax effect of distribution to holders of equity instruments
  - MFRS 134 "Interim Financial Reporting" - Interim financial reporting and segment information for total assets and liabilities

The adoption of the above new and revised accounting standards, amendments did not have any significant impact to the results of the Group and Company.

b) **Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective.**

i. Financial year beginning on/after 1 January 2014

- Amendments to MFRS 132 "Financial Instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

- Amendments to MFRS 10, MFRS 12 and MFRS 127 (effective 1 January 2014) introduce an exception to consolidation of investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both and evaluate the performance of its investments on fair value basis. The amendments require investment entities to measure particular subsidiaries at fair value instead of consolidating them.

- Amendments to MFRS 136 "Impairment of Assets" (effective 1 January 2014) clarify that disclosure of recoverable amount is required for an asset or cash generating unit when an impairment loss has been recognised or reversed during the period. When the recoverable amount of impaired assets is based on fair value less costs of disposal, additional information about fair value measurement is required. This amendment removes the unintended requirement to disclose the recoverable amount for a cash-generating unit (containing goodwill or indefinite lived intangible assets) when no impairment loss has been recognised or reversed during the period.

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1 BASIS OF PREPARATION (continued)

b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective (continued)

i. Financial year beginning on/after 1 January 2014 (continued)

- Amendments to MFRS 139 "Financial Instrument: Recognition and Measurement" Novation of Derivatives and Continuation of Hedge Accounting (effective 1 January 2014) provides relief from discontinuing hedge accounting in a situation where a derivative (which has been designated as a hedging instrument) is novated to effect clearing with a central counterparty as a result of laws or regulation, subject to meeting the following criteria – the parties to the hedging instrument agree that the central counterparty replaces the original counterparty, other changes to the hedging instrument are limited to those that are necessary to effect replacement of the counterparty.

ii. Financial year beginning on/after 1 January 2017

- MFRS 9 "Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities" (effective from 1 January 2017) replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

The Group will apply these standards when effective. The adoption of the above standards, amendments to published standards and interpretations to existing standards are not expected to have any significant impact on the financial statements of the Group and Company except for MFRS 9. The financial effect of adoption of MFRS 9 is still being assessed by the Group and the Company.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors dated 26 February 2014.

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2 CONSOLIDATION

The consolidated financial statements include the financial statements of the Company, subsidiaries, jointly controlled entities and associates, made up to the end of the financial year.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognise any non-controlling interest in the acquiree on an acquisition by acquisition basis enter at fair value or at non-controlling interest proportionate share of recognised assets of acquired identified net assets.

The Group applies predecessor accounting to account for business combinations under common control. Under the predecessor accounting, assets and liabilities acquired are not restated to their respective fair values but at the carrying amounts from the consolidated financial statements of the ultimate holding company within the Group and adjusted to ensure uniform accounting policies of the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) of the acquired entity is recorded as an adjustment to retained earnings. No additional goodwill is recognised.

The acquired entity's results, assets and liabilities are consolidated from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements do not reflect the results of the acquired entity for the period before the transaction occurred. The corresponding amounts for the previous year are not restated.

If the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the identified net assets acquired is recorded as goodwill. If the total of the consideration, non-controlling interest recognised previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 CONSOLIDATION (continued)

(b) Jointly controlled entities

Jointly controlled entities are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

The Group's interest in jointly controlled entities is accounted for in the financial statements by the equity method of accounting. Under the equity method of accounting, interests in jointly controlled entities are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entities), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entities.

(c) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

(d) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(e) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed off the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(f) Investments in subsidiaries, jointly controlled entity and associate

In the Company's separate financial statements, the investments in subsidiaries, jointly controlled entity and associate are carried at cost less accumulated impairment losses.

On disposal of investment in subsidiaries, jointly controlled entity and associate, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

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3 INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries, jointly controlled entities and associates over the fair value of the Group's share of the identifiable net assets at the date of acquisition.

Goodwill on acquisition of subsidiaries is included in the statement of financial position as intangible assets. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicated that the goodwill may be impaired. The amount retained in the consolidated financial statements is stated at cost less accumulated impairment losses. Impairment losses on goodwill (inclusive of impairment losses recognised in a previous interim period) are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to the respective subsidiaries, representing the cash-generating units ("CGUs") of the Group for the purpose of impairment testing. The allocation is made to those CGUs that are expected to benefit from the synergies of the business combination in which goodwill arose identified according to operating segment.

Goodwill on acquisition of jointly controlled entities and associates are included in investments in jointly controlled entities and associates respectively. Such goodwill is tested for impairment as part of the overall balances.

Computer software

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which are three to five years and are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

4 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand, bank balances and deposits and placements maturing within one month which are held for the purpose of meeting short-term commitments and are readily convertible into cash without significant risk of changes in value.

6 TRADE RECEIVABLES

Trade receivables arising from the stock-broking business are carried at cost net of impairment allowances.

The Group assesses at each reporting date whether there is objective evidence of impairment. It is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition (a 'loss event') and that loss event (or events) has an impact on the estimated collateral value.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:-

- Breach of trading accounts terms and conditions;
- Significant financial difficulty;
- Probability of bankruptcy; and
- Conduct of dealer.

The Group assesses whether objective evidence of impairment exists individually for trade receivables. The amount of the loss is measured as the difference between the carrying amount and the collateral value.

If the Group determines that no objective evidence of impairment exists for individual assessment, it will be collectively assessed for impairment in a pool of similar assets with similar risk characteristic for losses that have been incurred but not yet identified. The required impairment allowance is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

7 INCOME TAX

Current tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period where the Group's subsidiaries and branches operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

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7 INCOME TAX (continued)

Deferred tax

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax is recognised on temporary differences arising on investment in subsidiaries, jointly controlled entities and associates except where the timing of the reversal of the temporary difference can be controlled by the Group and it is possible that the temporary difference will not reverse in the foreseeable future.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on net basis.

8 PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Freehold land is not depreciated as it has an infinite life. Other property and equipment are depreciated on the straight line basis to write-off the cost of the assets or their revalue amounts, to their residual values over their estimated useful lives, summarised as follows:-

Buildings on freehold land	50 years
Leasehold buildings	50 years or over the remaining lease period, whichever is shorter
Renovation and leasehold premises	5 to 10 years or the period of the lease, whichever is greater
Furniture and equipment	3 to 10 years
Computer equipment and software	4 to 10 years
Motor vehicles	5 years

Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

Residual value and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date.

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8 PROPERTY AND EQUIPMENT AND DEPRECIATION (continued)

At each reporting date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Any subsequent increase in the recoverable amount is recognised in the income statement.

Gains and losses on disposal are determined by comparing proceeds with carrying amount and are recognised in the income statement.

9 LEASES

Accounting by lessee:-

(i) *Finance leases*

Leases of property and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property and equipment acquired under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in income statement over the lease term on the same basis as the lease expense.

(ii) *Operating leases*

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on the straight line basis over the lease period.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are recognised in income statement when incurred.

Accounting by lessor:-

(i) *Finance leases*

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return.

(ii) *Operating leases*

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

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10 FORECLOSED PROPERTIES

Foreclosed properties are stated at the lower of cost and net realisable value.

11 BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represent bills and acceptances rediscounted and outstanding in the market.

12 EMPLOYEE BENEFITS

Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

Defined contribution plan

The defined contribution plan is a pension plan under which the Group pays fixed contributions to the National Pension Scheme, the Employees' Provident Fund ("EPF") and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The Group's contribution to the defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without any possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

13 FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised.

The liability is subsequently recognised at the higher of the amount determined in accordance with MFRS 137 "Provisions, contingent liabilities and contingent assets" and the amount initially recognised less cumulative amortisation, where appropriate.

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13 FINANCIAL GUARANTEE CONTRACTS (continued)

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Group for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

14 OTHER PROVISIONS

Provisions are recognised by the Group when all of the following conditions have been met:-

(i) the Group has a present legal or constructive obligation as a result of past events;
(ii) it is probable that an outflow of resources to settle the obligation will be required; and
(iii) a reliable estimate of the amount of obligation can be made.

Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

15 PROFIT EQUALISATION RESERVE

The wholly-owned Islamic banking subsidiary, namely AFFIN Islamic Bank Berhad ("AiBB") has adopted the Revised Guidelines on Profit Equalisation Reserve ("Revised PER Guidelines") issued by Bank Negara Malaysia on 19 May 2011. The revised guidelines are applicable to AiBB in managing the Displaced Commercial Risk ("DCR") in accordance with Syariah principles.

With the Revised PER Guidelines, the release of PER shall be appropriated from both Investment Account Holder ("IAH") and AiBB's portion based on the contractual profit sharing ratio at the point of utilisation. The amount of PER shall be limited to the maximum of either the PER of IAH or AiBB's depending on prevailing profit sharing ratio.

The IAH portion of the existing PER shall be classified as a liability and is recognised at cost. Subsequent apportionments will be recognised in the income statement. The eventual distribution of PER as profit distributable to the IAH will be treated as an outflow of funds due to the settlement of the obligation to the IAH.

The PER of the AiBB's shall be classified as a separate reserve in equity and subsequent apportionments from and distributions to retained earnings will be treated as a transfer between reserves.

16 ZAKAT

This represents business zakat payable by the Group to comply with the principles of Syariah and as approved by the Syariah Supervisory Council. The Group only pays zakat on its Islamic operations and does not pay zakat on behalf of depositors or shareholders.

Zakat provision is calculated based on either 2.5775% prior year's of net assets of the Islamic operations, 2.5% of the Syariah compliant income net of allocated cost or 2.5% of the net operating income from the management of Islamic funds, whichever applicable to the subsidiaries.

17 DIVIDENDS

Dividends on ordinary shares are recognised as liabilities when shareholders' right to receive the dividends is established.

18 RECOGNITION OF INTEREST AND FINANCING INCOME AND EXPENSES

Interest and financing income and expense for all interest/profit-bearing financial instruments measured at amortised cost and interest/profit bearing financial assets classified as held-for-trading and available-for-sale are recognised within "interest income", "interest expense" and "net Islamic banking income" respectively in the income statement using the effective interest/profit method.

The effective interest/profit method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest and financing income or expense over the relevant period. The effective interest/profit rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest/profit rate, the Group takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Interest or income on impaired financial assets is recognised using the rate of interest/profit used to discount the future cash flows for the purpose of measuring the impairment loss. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

19 RECOGNITION OF FEES AND OTHER INCOME

Fees and commissions are recognised as income when all conditions precedent are fulfilled. Commitment fees for loans, advances and financing that are likely to be drawn down are deferred (together with related direct costs) and income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest/profit rate on the financial instrument.

Portfolio management fees, commitment fees, guarantee fees, agency fees and commissions are recognised as income based on time apportionment.

Corporate advisory fees, project feasibility study, management and participation fees, acceptance and underwriting commissions are recognised as income where progress payments are agreed, by reference to the stage of completion.

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19 RECOGNITION OF FEES AND OTHER INCOME (continued)

For stock-broking business, brokerage income is recognised on execution of contract.

For fund and unit trusts management, initial service charge and management fee are recognised as income on an accrual basis at the rates stated in the prospectus of the respective unit trust funds. Distribution income from the unit trust funds is recognised on the ex-distribution date.

Dividends are recognised when the right to receive payment is established.

20 FINANCIAL ASSETS

All financial assets which include derivative financial instruments have to be recognised in the statement of financial position and measured in accordance with their assigned category.

The Group allocates financial assets to the following categories: loans, advances and financing; financial assets at fair value through profit or loss, financial investments available-for-sale; and financial investments held-to-maturity. Management determines the classification of its financial instruments at initial recognition.

a) Loans, advances and financing

Loans, advances and financing are non-derivative financial assets with fixed or determinable payments that are not quoted in active market.

Loans, advances and financing are initially recognised at fair value which is the cash consideration to originate or purchase the loan including any transaction costs and measured subsequently at amortised cost using the effective interest rate method, less impairment allowance.

An uncollectible loan, advance and financing or portion of a loan, advance and financing classified as bad is written-off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

At each reporting date, the Group assesses whether there is objective evidence that a loan or group of loans is impaired. A loan or a group of loans is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the loan or group of loans that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include among others:

- Past due contractual payments;
- Significant financial difficulties of borrower;
- Probability of bankruptcy or other financial re-organisation;
- Default of related borrower;
- A breach of contract;
- The lender grants a concession to the borrower in relation to the borrower's financial difficulties;
- The disappearance of an active market for that financial asset because of financial difficulties; and
- Measurable decrease in estimated future cash flows from a group of financial assets.

The estimated period between a loss occurring and its identification for credit cards is six months and for all other loans vary between three months and twelve months.

20 FINANCIAL ASSETS (continued)

The Group first assesses whether objective evidence of impairment exists individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a group of loans with similar credit risk characteristics and collectively assesses them for impairment. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. Loans that are individually assessed for impairment and for which no impairment loss is required (over collateralised loans) are collectively assessed as a separate segment.

The amount of the loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest rate. The carrying amount of the loan is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such loans by being indicative of the borrowers' ability to pay all amounts due according to the contractual terms of the loans being evaluated.

Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans in the Group and historical loss experience for loans with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of loans should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

b) Rescheduled and restructured loans

Where a loan shows evidence of credit weaknesses, the Group may seek to renegotiate the loan rather than to take possession of collateral. This may involve an extension of the .payment arrangements via rescheduling or the renegotiation of new loan terms and conditions via restructuring. Management monitors the renegotiated loan to ensure that all the revised terms are met and that the repayments are made promptly for a continuous period. Where an impaired loan is renegotiated, the borrower must adhere to the revised and/or restructured repayment terms for a continuous period of six months before the loan is classified as non-impaired. These loans continue to be subjected to individual or collective impairment assessment.

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20 FINANCIAL ASSETS (continued)

c) Financial assets at fair value through profit or loss

This category comprises two sub-categories: financial assets classified as held-for-trading and financial assets designated at fair value through profit or loss upon initial recognition.

A financial asset is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated and effective as hedging instruments. Derivatives are recognised in the statement of financial position as 'Derivative financial assets' when their fair values are positive. Financial assets held-for-trading consist of debt instruments, including money-market papers, traded corporate and bank loans, and equity instruments, as well as financial assets with embedded derivatives. They are recognised in the statement of financial position as 'Financial assets held-for-trading'.

Financial instruments included in this category are recognised initially at fair value; transaction costs are taken directly to the income statement. Financial assets at fair value through profit or loss are subsequently carried at fair value. Changes in fair values including the effects of currency translation, interest and dividend income are recognised in the income statement in the period in which the changes arise.

The Group may designate certain financial assets upon initial recognition as at fair value through profit or loss (fair value option). This designation cannot subsequently be changed. The fair value option is only applied when the following conditions are met:-

- the application of the fair value option reduces or eliminates an accounting mismatch that would otherwise arise; or
- the financial assets are part of a portfolio of financial instruments which is risk managed and reported to senior management on a fair value basis; or
- the financial assets consist of debt host and an embedded derivatives that must be separated.

Financial assets for which the fair value option is applied are recognised in the statement of financial position as 'Financial assets designated at fair value'. Fair value changes relating to financial assets designated at fair value through profit or loss are recognised in the income statement.

The Group may choose to reclassify a non-derivative financial assets held-for-trading out of this category where:-

- in rare circumstances, it is no longer held for the purpose of selling or repurchasing in the near term; or
- it is no longer held for the purpose of trading, it would have met the definition of a loan and receivable on initial classification and the Group has the intention and ability to hold it for the foreseeable future or until maturity.

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20 FINANCIAL ASSETS (continued)

d) Financial investments available-for-sale

Financial investments available-for-sale are non-derivative financial assets that are either designated in this category or not classified as loans and receivables, held-for-trading or held-to-maturity investments.

Financial instruments available-for-sale are initially recognised at fair value plus transaction costs and subsequently measured at fair value.

Investments in equity instruments where there is no quoted market price in an active market and whose fair value cannot be reliably measured, will be stated at cost.

Any gains or losses arising from the change in fair value adjustments are recognised directly in statement of comprehensive income except for impairment losses and foreign exchange gains or losses. When the financial asset is derecognised, the cumulative gains or losses previously recognised in statement of comprehensive income shall be transferred to the income statement.

Financial investments available-for-sale that would have met the definition of loans and receivables may only be transferred from the available-for-sale classification where the Group has the intention and the ability to hold the asset for the foreseeable future or until maturity.

Impairment of financial investments available-for-sale is assessed when there is an objective evidence of impairment. Cumulative unrealised losses that had been recognised directly in equity shall be removed and recognised in income statement even though the securities have not been derecognised. Impairment loss in addition to the above unrealised losses is also recognised in the income statement. Subsequent reversal of impairment on debt instrument in the income statement is allowed when the decrease in impairment can be related objectively to an event occurring after the impairment was recognised.

For debt securities, impairment is assessed based on the similar criteria used to assess financial investment held-to-maturity.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. Impairment losses recognised in the income statement on equity instruments shall not be reversed.

e) Financial investments held-to-maturity

Financial investments held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Financial investments held-to-maturity are initially recognised at fair value plus transaction costs, and subsequently measured at amortised cost using the effective interest method. Gains or losses are recognised in income statement when the securities are derecognised or impaired and through the amortisation process.

If, as a result of a change in intention or ability, it is no longer appropriate to classify a financial investment as held-to-maturity, the investment is reclassified as available-for-sale and re-measured at fair value, and the difference between its carrying amount and fair value shall be recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

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20 FINANCIAL ASSETS (continued)

e) Financial investments held-to-maturity (continued)

Any sale or reclassification of a significant amount of financial investments held-to-maturity before maturity during the current financial year or preceding two financial years will "taint" the entire category and result in the remaining financial investments held-to-maturity being reclassified to available-for-sale except for sales or reclassification that:-

- are so close to maturity or call date that changes in the market rate of interest would not have significant effect on the financial asset's fair value;
- occur after the Group has collected substantially all of the financial asset's original principal; or
- are attributable to an isolated event that is beyond the Group 's control, non-recurring and could not have been reasonably anticipated by the Group.

Impairment of financial investments held-to-maturity is assessed when there is an objective evidence of impairment. The impairment loss is measured as the difference between the financial investments' carrying amount and the present value of estimated future cash flows discounted at the financial investments' original effective interest rate. Subsequent reversal of impairment is allowed in the event of an objective decrease in impairment. Recognition of impairment losses and its reversal is made through the income statement.

f) Recognition

The Group uses settlement date accounting for regular way contracts when recording financial asset transactions. Financial assets that are transferred to a third party but do not qualify for de-recognition are presented in the statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or re-pledge them.

g) De-recognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Group and the Company test control to ensure that continuing involvement on the basis of any retained powers of control does not prevent de-recognition).

21 FINANCIAL LIABILITIES

All financial liabilities which include derivative financial instruments have to be recognised in the statement of financial position and measured in accordance with their assigned category.

The Group's holding in financial liabilities are in financial liabilities at fair value through profit or loss (including financial liabilities held-for-trading and those that are designated at fair value) and financial liabilities at amortised cost. Financial liabilities are derecognised when extinguished.

a) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held-for-trading, and financial liabilities designated by the Group as at fair value through profit or loss upon initial recognition.

21 FINANCIAL LIABILITIES

a) Financial liabilities at fair value through profit or loss (continued)

A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated and effective as hedging instruments. Derivatives are recognised in the statement of financial position as 'Derivative financial liabilities' when their fair values are negative.

Gains and losses arising from changes in fair value of financial liabilities classified held-for-trading are included in the income statement.

b) Financial liabilities measured at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. All the financial liabilities except for derivative financial liabilities of the Group and the Company are measured at amortised cost.

c) De-recognition

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

22 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously.

23 SALE AND REPURCHASE AGREEMENTS

Securities purchased under resale agreements are securities which the Group has purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the statements of financial position.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group has sold from its portfolio, with a commitment to repurchase at future dates. Such financing and the obligation to repurchase the securities is reflected as a liability on the statement of financial position.

The difference between sale and repurchase price as well as purchase and resale price are amortised as interest income and interest expense respectively on an effective yield method.

24 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently re-measured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are classified as assets when fair values are positive and as liabilities when fair values are negative.

24 DERIVATIVE FINANCIAL INSTRUMENTS

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designed as a hedging instrument, and if so, the nature of the item being hedged. The Group designated certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge). Hedge accounting is used for designated derivatives provided certain criteria are met.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessments, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used, is amortised to income statement over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained profits until disposal of the equity security.

b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the statement of comprehensive income. The gain and loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in other comprehensive income are recycled to the income statement in the periods in which the hedged item will affect income statement (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

c) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

24 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Gains and losses on interest rate swaps, futures, forward and option contracts that qualify as hedges are deferred and amortised over the life of hedged assets or liabilities as adjustments to interest income or interest expense. Gains and losses on interest rate swaps, futures, forward and option contracts that do not qualify as hedges are recognised in the current financial year using the mark-to-market method and are included in the income statement.

25 CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Group's functional and presentation currency.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in the statement of comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary financial assets denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the financial asset and other changes in the carrying amount of the financial asset. Translation differences related to changes in the amortised cost are recognised in income statement, and other changes in the carrying amount are recognised in the statement of comprehensive income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets are recognised in income statement as part of fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in the statement of comprehensive income.

26 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

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27 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Board of Directors has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments as well as making strategic decisions for the Group.

28 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) *Allowance for losses on loans, advances and financing*

The accounting estimates and judgements related to the impairment of loans and provision for off-balance sheet positions is a critical accounting estimate because the underlying assumptions used for both the individually and collectively assessed impairment can change from period to period and may significantly affect the Group's results of operations.

In assessing assets for impairment, management judgement is required. The determination of the impairment allowance required for loans which are deemed to be individually significant often requires the use of considerable management judgement concerning such matters as local economic conditions, the financial performance of the counterparty and the value of any collateral held, for which there may not be a readily accessible market. The actual amount of the future cash flows and their timing may differ from the estimates used by management and consequently may cause actual losses to differ from the reported allowances.

The impairment allowance for portfolios of smaller-balance homogenous loans, such as those to individuals and small business customers of the private and retail business, and for those loans which are individually significant but for which no objective evidence of impairment exists, is determined on a collective basis. The collective impairment allowance is calculated on a portfolio basis using statistical models which incorporate numerous estimates and judgements, and therefore is subject to estimation uncertainty. The Group performs regular review of the models and underlying data and assumptions as far as possible to reflect the current economic circumstances. The probability of default, loss given defaults, and loss identification period, amongst other things, are all taken into account during this review.

b) *Estimated impairment of goodwill*

The Group performs an impairment review on an annual basis to ensure that the carrying value of the goodwill does not exceed its recoverable amounts from cash-generating units to which the goodwill is allocated. The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercise judgement in estimating the future cash flows, growth rate and discount rate.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are commercial banking, Islamic banking business, investment banking and stock-broking, money-broking, fund and unit trusts management. The principal activities of the jointly controlled entities are underwriting of life insurance business and property development while the associate is principally engaged in general insurance business.

The number of employees in the Group and the Company as at 31 December 2013 was 3,943 (2012: 3,853) and 20 (2012: 22) employees respectively.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of the Bursa Malaysia Securities.

2 CASH AND SHORT-TERM FUNDS

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances with banks and other financial institutions	262,234	209,572	33	58
Money at call and deposits placements maturing within one month	9,069,140	7,150,086	131,677	33,151
	9,331,374	7,359,658	131,710	33,209

The cash and short-term funds is inclusive of remisiers' trust monies of RM9,867,502 (2012: RM9,516,802).

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Licensed banks	468,585	392,348	4,460	101,958
Bank Negara Malaysia	-	100,008	-	-
	468,585	492,356	4,460	101,958

Included in deposits placed with banks and other financial institutions of the Group and the Company is RM2,652,000 (2012: RM2,571,000) pledged with licensed banks for term loan facilities of the Group and Company.

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4 TRADE RECEIVABLES

	Group 2013 RM'000	2012 RM'000
Amount due from stock-broking clients		
- performing accounts	175,068	125,450
- impaired accounts (a)	3,633	3,575
Amount due from Bursa Securities Clearing Sdn Bhd	-	86,856
Management fees receivable on fund management	1,657	1,466
	180,358	217,347
Allowance for impairment (b)		
- collective impairment	(19)	(21)
- individual impairment	(3,633)	(3,575)
	176,706	213,751

(a) Movements of impaired amount due from clients are as follows:-

Balance at beginning of financial year	3,575	3,572
Amount classified as impaired during the financial year	232	161
Amount recovered	(174)	(158)
Balance at end of financial year	3,633	3,575

(b) Movements in allowance for impairment on trade receivables:-

Collective impairment		
Balance at beginning of financial year	21	211
Allowance made/(reversed) during the financial year	134	(190)
Amounts recovered	(136)	-
Balance at end of financial year	19	21
Individual impairment		
Balance at beginning of financial year	3,575	3,572
Allowance made during the financial year	232	161
Amounts recovered	(174)	(158)
Balance at end of financial year	3,633	3,575

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

5 FINANCIAL ASSETS HELD-FOR-TRADING

	Group	
	2013	2012
At fair value	RM'000	RM'000
Bank Negara Malaysia Notes	149,544	-
Negotiable Instruments of Deposit	-	150,276
Unquoted securities		
- Private Debt Securities in Malaysia	-	15,316
Total financial assets held-for-trading	149,544	165,592

6 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group	
	2013	2012
	RM'000	RM'000
At fair value		
Malaysian Government Securities	-	35,574
Malaysian Government Investment Issuance	2,361,979	2,441,657
Cagamas Bonds	85,228	151,524
Sukuk Perumahan Kerajaan	385,742	150,689
Khazanah Bonds	237,441	193,746
Bankers' Acceptance and Islamic Acceptance Bills	196,522	163,751
Bank Negara Malaysia Notes	629,674	884,069
Negotiable Instruments of Deposit and Islamic Debt Certificate	99,572	209,934
	3,996,158	4,230,944
Quoted securities		
- Shares in Malaysia	27,631	31,427
- Private Debt Securities in Malaysia	2,167	4,173
- Irredeemable Convertible Unsecured Loan Stock in Malaysia	-	4,124
Unquoted securities		
- Shares in Malaysia	165,656	151,946
- Private Debt Securities in Malaysia	4,039,105	4,458,510
- Private Debt Securities outside Malaysia	623,725	619,432
	8,854,442	9,500,556
Allowance for impairment of securities	(86,451)	(96,319)
Total financial investments available-for-sale	8,767,991	9,404,237

Movements in allowance for impairment loss

	2013	2012
Balance at beginning of financial year	96,319	76,767
Allowance made during the financial year	499	812
Amount written-back during the financial year	(2,578)	(68)
Amount written-off during the financial year	(7,789)	(9,976)
Transfer from financial investments held-to-maturity	-	28,784
Balance at end of financial year	86,451	96,319

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

7 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group 2013 RM'000	Group 2012 RM'000
At amortised cost		
Quoted securities		
- Private Debt Securities in Malaysia	31,781	31,781
Unquoted securities		
- Private Debt Securities in Malaysia	648,616	578,691
- Redeemable Convertible Unsecured Loan Stock in Malaysia	1,554	1,554
	681,951	612,026
Allowance for impairment of securities	(57,918)	(63,702)
Total financial investments held-to-maturity	624,033	548,324

	Group 2013 RM'000	Group 2012 RM'000
Movements in allowance for impairment loss		
Balance at beginning of financial year	63,702	100,851
Allowance made during the financial year	-	9,590
Amount written-back during the financial year	-	(9,926)
Amount written-off during the financial year	(5,784)	(8,029)
Transfer to financial investments available-for-sale	-	(28,784)
Balance at end of financial year	57,918	63,702

8 DERIVATIVE FINANCIAL ASSETS

	Group 2013		Group 2012	
	Contract/ Notional Amount RM'000	Assets RM'000	Contract/ Notional Amount RM'000	Assets RM'000
At fair value				
Foreign exchange derivatives:				
- Currency forwards	312,079	6,960	581,337	9,504
- Cross currency swaps	1,230,649	19,660	1,871,775	35,657
Interest rate derivatives:				
- Interest rate swaps	1,754,685	29,156	740,057	20,854
	3,297,413	55,776	3,193,169	66,015

8 DERIVATIVE FINANCIAL ASSETS (continued)

	Group 2013 RM'000	Group 2012 RM'000
By maturity structure		
Maturing within one year	28,219	41,340
One year to three years	7,320	12,848
Three years to five years	5,597	3,575
Over five years	14,640	8,252
	55,776	66,015

9 LOANS, ADVANCES AND FINANCING

	Group 2013 RM'000	Group 2012 RM'000
BY TYPE		
Overdrafts	1,752,882	1,834,204
Term loans/financing		
- Housing loans/financing	5,510,534	5,176,283
- Syndicated term loans/financing	1,826,170	1,758,162
- Hire purchase receivables	10,524,044	9,595,286
- Business term loans/financing	12,825,062	11,476,993
Bills receivables	318,677	452,075
Trust receipts	435,591	435,425
Claims on customers under acceptance credits	986,666	1,040,695
Staff loans/financing (of which RM Nil to directors)	146,065	150,823
Credit/charge cards	82,137	85,258
Revolving credit	2,988,889	2,688,873
Margin financing	56,705	26,342
Factoring	7,073	4,186
Gross loans, advances and financing	37,460,495	34,724,605
Less: Allowance for impairment		
- Collective impairment	(307,142)	(330,797)
- Individual impairment	(243,969)	(230,640)
Total net loans, advances and financing	36,909,384	34,163,168

Included in term loans are housing loans amounting to RM397,790,000 (2012: RM413,549,000) sold to Cagamas Berhad with recourse.

Included in business term loans/financing is a term financing of RM47.4 million (2012: RM35.2 million) granted by AFFIN Islamic Bank Berhad to a jointly controlled entity, namely AFFIN-i Nadayu Sdn Bhd.

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9 LOANS, ADVANCES AND FINANCING (continued)

	Group	
	2013	2012
	RM'000	RM'000
BY MATURITY STRUCTURE		
Maturing within one year	7,427,643	7,310,427
One year to three years	5,109,102	3,888,636
Three years to five years	6,709,415	7,203,938
Over five years	18,214,335	16,321,604
	37,460,495	34,724,605

	Group	
	2013	2012
	RM'000	RM'000
BY TYPE OF CUSTOMER		
Domestic banking institutions	-	1,335
Domestic non-banking institutions		
- Stock-broking companies	241	253
- Others	1,622,525	1,702,223
Domestic business enterprises		
- Small medium enterprise	5,932,508	5,185,194
- Others	13,847,266	12,885,089
Government and statutory bodies	162,591	117,523
Individuals	15,003,354	14,014,481
Other domestic entities	251,166	128,982
Foreign entities	640,844	689,525
	37,460,495	34,724,605

	Group	
	2013	2012
	RM'000	RM'000
BY INTEREST/PROFIT RATE SENSITIVITY		
Fixed rate		
- Housing loans/financing	314,506	312,170
- Hire purchase receivables	10,524,043	9,595,286
- Other fixed rate loans/financing	4,181,013	4,240,497
- Margin financing	56,705	26,342
Variable rate		
- BLR plus	14,098,831	13,680,021
- Cost plus	8,285,397	6,870,289
	37,460,495	34,724,605

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

9 LOANS, ADVANCES AND FINANCING (continued)

	Group	
	2013	2012
	RM'000	RM'000
BY ECONOMIC PURPOSE		
Construction	2,082,699	2,119,630
Purchase of landed property of which		
- Residential	5,985,909	5,202,552
- Non-residential	5,009,095	4,738,255
Purchase of securities	433,206	137,344
Purchase of transport vehicles	11,232,452	10,032,763
Fixed assets other than land and building	238,059	330,383
Personal use	941,023	964,440
Credit card	82,137	85,258
Consumer durable	868	860
Merger and acquisition	370,192	615,084
Working capital	10,230,340	9,859,245
Others	854,515	638,791
	37,460,495	34,724,605

	Group	
	2013	2012
	RM'000	RM'000
BY SECTOR		
Primary agriculture	478,281	611,421
Mining and quarrying	649,621	473,549
Manufacturing	2,538,773	2,675,086
Electricity, gas and water supply	359,796	596,854
Construction	3,467,735	3,122,642
Real estate	4,702,439	3,789,840
Wholesale and retail trade and restaurants and hotels	2,166,051	1,799,305
Transport, storage and communication	2,069,268	1,880,894
Finance, insurance and business services	4,465,887	4,220,105
Education, health and others	1,408,839	1,326,793
Household	15,146,265	14,157,675
Others	7,540	70,441
	37,460,495	34,724,605

AFFIN HOLDINGS BERHAD (23218-W)
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9 LOANS, ADVANCES AND FINANCING (continued)

	Group 2013 RM'000	Group 2012 RM'000
BY GEOGRAPHICAL DISTRIBUTION		
Perlis	85,125	84,463
Kedah	1,088,305	1,051,167
Pulau Pinang	1,825,875	1,665,271
Perak	1,163,213	1,037,353
Selangor	11,557,789	10,992,142
Wilayah Persekutuan	10,924,938	10,150,522
Negeri Sembilan	813,316	754,375
Melaka	869,233	767,272
Johor	3,224,541	2,825,308
Pahang	755,143	679,379
Terengganu	989,295	844,224
Kelantan	244,022	243,555
Sarawak	1,137,113	995,737
Sabah	1,692,677	1,533,859
Labuan	553,770	187,347
Outside Malaysia	536,140	912,631
	37,460,495	34,724,605
IMPAIRED LOANS, ADVANCES AND FINANCING		
Movements of impaired loans, advances and financing		
Balance at beginning of financial year	790,438	882,958
Classified as impaired during the financial year	432,629	558,599
Reclassified as non-impaired during the financial year	(298,268)	(375,518)
Amount recovered	(132,998)	(126,485)
Amount written-off	(50,843)	(149,116)
Balance at end of financial year	740,958	790,438
Impaired loans, advances and financing by economic purpose		
Construction	65,797	61,437
Purchase of landed property of which:		
- Residential	272,103	329,360
- Non-residential	23,707	26,575
Purchase of securities	46,292	13,800
Purchase of transport vehicles	75,350	54,781
Fixed assets other than land and building	282	5,063
Personal use	7,937	6,738
Credit card	476	508
Consumer durable	14	29
Working capital	234,888	280,983
Others	14,112	11,164
	740,958	790,438

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9 LOANS, ADVANCES AND FINANCING (continued)

	Group 2013 RM'000	2012 RM'000
Impaired loans, advances and financing by sector		
Primary agriculture	6,335	7,482
Mining and quarrying	-	62
Manufacturing	62,914	73,295
Electricity, gas and water supply	118	1,641
Construction	193,447	181,800
Real estate	190	3,797
Wholesale and retail trade and restaurants and hotels	43,373	40,735
Transport, storage and communication	9,542	7,212
Finance, insurance and business services	60,065	63,880
Education, health and others	1,868	4,107
Household	363,106	399,141
Others	-	7,286
	740,958	790,438

	Group 2013 RM'000	2012 RM'000
Impaired loans, advances and financing by geographical distribution		
Perlis	472	138
Kedah	23,005	24,622
Pulau Pinang	18,781	18,684
Perak	14,081	20,754
Selangor	352,921	382,049
Wilayah Persekutuan	117,927	142,360
Negeri Sembilan	28,827	31,248
Melaka	8,368	7,452
Johor	46,552	52,426
Pahang	12,038	10,058
Terengganu	5,465	3,681
Kelantan	4,124	4,153
Sarawak	6,290	5,741
Sabah	11,298	10,460
Labuan	-	21
Outside Malaysia	90,809	76,591
	740,958	790,438

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

9 LOANS, ADVANCES AND FINANCING (continued)

	Group	
	2013	2012
	RM'000	RM'000
Movements in allowance for impairment on loans, advances and financing		
Collective impairment		
Balance at beginning of financial year	330,797	462,953
Allowance (net of write-back) made during the financial year	13,913	3,486
Amount written-off during the financial year	(37,568)	(135,642)
Balance at end of financial year	307,142	330,797
Individual impairment		
Balance at beginning of financial year	230,640	179,878
Allowance made during the financial year	49,053	80,860
Amount recovered during the financial year	(5,181)	(2,716)
Exchange difference	256	-
Amount written-off during the financial year	(12,974)	(13,362)
Unwinding discount of allowance	(17,825)	(14,020)
Balance at end of financial year	243,969	230,640

10 OTHER ASSETS

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Cheque clearing accounts	169,141	233,351	-	-
Foreclosed properties (a)	15,825	26,745	-	-
Other debtors, deposits and prepayments (b)	51,708	50,436	342	346
Amount due from jointly controlled entities (c)	4,187	2,745	2	-
Deposit with an Escrow Agent (d)	68,150	-	68,150	-
	309,011	313,277	68,494	346

	Group	
	2013	2012
	RM'000	RM'000
(a) Foreclosed properties		
As at beginning of the financial year	26,745	40,950
Disposal during the financial year	(10,920)	(12,083)
	15,825	28,867
Provision for diminution in value of foreclosed properties during the year	-	(2,122)
As at end of the financial year	15,825	26,745

10 OTHER ASSETS (continued)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
(b) Other debtors, deposits and prepayments				
Other debtors, deposits and prepayments	61,252	60,353	342	346
Less: Allowance for bad and doubtful debts	(9,544)	(9,917)	-	-
	51,708	50,436	342	346

(c) Amount due from jointly controlled entities

The amount due from jointly controlled entities are unsecured, interest-free and have no fixed term of repayment.

(d) Deposit with an Escrow Agent

The deposit with an Escrow Agent is in relation to the Proposed Acquisition of HwangDBS Investment Bank Berhad and other financial services businesses of Hwang-DBS (Malaysia) Berhad as disclosed in Note 48 (b) to the financial statements.

11 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act 2009, the amounts of which are determined as a set percentages of total eligible liabilities.

12 AMOUNT DUE FROM SUBSIDIARIES

	Company 2013 RM'000	2012 RM'000
10-year subordinated term loan to a licensed bank subsidiary:-		
- Term Loan I (a)	300,921	300,920
- Term Loan II (b)	301,288	301,285
- Term Loan III (c)	302,756	302,755
Other receivables (d)	7	-
	904,972	904,960

(a) The 10-year subordinated term loan I to a licensed bank subsidiary is unsecured and carries an interest rate of 5.09% per annum during the financial year. The term loan will be fully prepaid by the subsidiary on 10 March 2014.

(b) The 10-year subordinated term loan II to a licensed bank subsidiary is unsecured and carries an interest rates ranging from 4.34% to 4.40% per annum during the financial year. The term loan has a bullet repayment on 26 May 2021.

(c) The 10-year subordinated term loan III to a licensed bank subsidiary is unsecured and carries an interest rates ranging from 4.34% to 4.35% per annum during the financial year. The term loan has a bullet repayment on 16 January 2022.

(d) The other receivables from subsidiaries are unsecured, interest-free and have no fixed term of repayment.

13 AMOUNT DUE FROM ASSOCIATE

	Group and Company 2013 RM'000	2012 RM'000
10-year subordinated loan (a)	67,255	67,240
Other receivable (b)	2	-
	67,257	67,240

(a) The 10-year subordinated loan to associate is unsecured and carries a fixed interest rate of 8.00% per annum during the financial year. The subordinated loan has a bullet repayment on 28 April 2020.

(b) The other receivables from associate is unsecured, interest-free and has no fixed term of repayment.

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14 INVESTMENT IN SUBSIDIARIES

	Company 2013 RM'000	Company 2012 RM'000
Unquoted shares at cost	3,582,882	3,582,882
Allowance for impairment losses	-	-
	3,582,882	3,582,882

The subsidiaries, all of which are incorporated in Malaysia, are as follows:-

Name	Principal activities	Issued and paid up share capital RM'000	Effective percentage of equity held 2013 %	Effective percentage of equity held 2012 %
(1) AFFIN Bank Berhad	Provision of commercial banking and hire purchase services	1,518,337	100	100
- AFFIN Islamic Bank Bhd	Islamic banking business	360,000	100	100
- ABB Trustee Berhad #	Trustee management services	500	100	100
- PAB Properties Sdn Bhd	Property management services	8,000	100	100
- ABB Nominee (Tempatan) Sdn Bhd	Share nominee services	40	100	100
- ABB Nominee (Asing) Sdn Bhd	Share nominee services	@	100	100
- AFFIN Factors Sdn Bhd	Dormant	10,000	100	100
- PAB Property Development Sdn Bhd	Dormant	250	100	100
- PAB Property Management Services Sdn Bhd	Dormant	30	100	100
- ABB Venture Capital Sdn Bhd	Dormant	@	100	100
- AFFIN Futures Sdn Bhd	Dormant	13,000	100	100
- ABB IT & Services Sdn Bhd	Dormant	2,000	100	100
- BSNCB Nominees (Tempatan) Sdn Bhd	Dormant	500	100	100
- BSNC Nominees (Tempatan) Sdn Bhd	Dormant	10	100	100

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14 INVESTMENT IN SUBSIDIARIES (continued)

Name	Principal activities	Issued and paid up share capital RM'000	Effective percentage of equity held 2013 %	Effective percentage of equity held 2012 %
- BSN Merchant Nominees (Asing) Sdn Bhd	Dormant	10	100	100
- AFFIN Recoveries Berhad	Dormant	125,000	100	100
- ABB Asset Management (M) Berhad	Dissolved on 22 November 2013	-	-	100
- AFFIN-ACF Nominees (Tempatan) Sdn Bhd	Dormant	25	100	100
(2) AFFIN Investment Bank Berhad	Provision of investment banking services	222,246	100	100
- AFFIN Fund Management Berhad	Asset management and management of unit trust	12,000	100	100
- AFFIN Nominees (Tempatan) Sdn Bhd	Nominees services	@	100	100
- AFFIN Nominees (Asing) Sdn Bhd	Nominees services	@	100	100
- Classic Precision Sdn Bhd	In members' voluntary winding-up	-	67	67
- Merchant Nominees (Tempatan) Sdn Bhd	In members' voluntary winding-up	-	100	100
- Merchant Nominees (Asing) Sdn Bhd	Dissolved on 2 October 2013	-	-	100
(3) AFFIN Moneybrokers Sdn Bhd	Money-broking	1,000	100	100
(4) AFFIN Capital Sdn Bhd	In members' voluntary winding-up	-	100	100
(5) AFFIN-ACF Holdings Sdn Bhd	Investment holding	338,382	100	100
- AFFIN-ACF Capital Sdn Bhd	In members' voluntary winding-up	-	100	100

\# 80% held by directors of AFFIN Bank Berhad, in trust for AFFIN Bank Berhad
@ Subsidiaries with issued and paid up share capital of RM 2 each

15 INVESTMENT IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Unquoted shares at cost	147,530	147,380	146,880	146,880
Group's share of post-acquisition losses	(11,991)	(17,592)	-	-
	135,539	129,788	146,880	146,880

	Group	
	2013	2012
	RM'000	RM'000
Group's share of net assets	135,539	129,788
The summarised financial information of the major jointly controlled entity namely AXA AFFIN Life Insurance Berhad ("AALI") is as follows:-		
Revenue	355,943	253,169
Profit after tax	10,184	3,014
Total assets	929,311	1,036,240
Total liabilities	652,614	773,845
Capital commitment for property and equipment	-	-
Reconciliation of the summarised financial information to the carrying amount of the interest in AALI recognised in the consolidated financial statements:-		
Opening net assets 1 January	254,371	228,489
Profit for the financial year	10,644	2,550
Other comprehensive income	747	1,332
Purchase of additional interest	-	22,000
Closing net assets 31 December	265,762	254,371
Interest in AALI :-		
- In percentage (%)	51%	51%
- In thousand (RM'000)	135,539	129,729
Aggregate information of other jointly controlled entities that are not individually material :-		
The Group's share of losses for the year	(210)	(230)
Aggregate carrying amount of the Group's interest in these jointly controlled entities	-	59

Name	Principal activities	Issued and paid up share capital	Percentage of equity held 2013	2012
		RM'000	%	%
AXA AFFIN Life Insurance Berhad *	Underwriting of life insurance business	288,000	51	51
AFFIN-i Nadayu Sdn Bhd #	Property development	1,000	50	50
KL South Development Sdn Bhd #	Property development	500	30	-

* Shareholding held directly by the Company.

Shareholding held directly by AFFIN Islamic Bank Berhad.

16 INVESTMENT IN ASSOCIATE

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Unquoted shares at cost	10,681	10,597	10,681	10,597
Group's share of post-acquisition profits	197,715	173,099	-	-
	208,396	183,696	10,681	10,597

	Group 2013 RM'000	Group 2012 RM'000
Group's share of net assets	208,972	184,222
Discount on acquisition	(576)	(526)
Group's share of net assets	208,396	183,696
The summarised financial information of associate are as follows:-		
Revenue	968,844	834,750
Profit after tax	70,943	89,819
Total assets	2,135,917	1,865,074
Total liabilities	1,504,044	1,307,743
Capital commitment for property and equipment	5,102	4,670
Reconciliation of the summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:-		
Opening net assets 1 January	548,280	474,275
Profit for the financial year	70,655	82,611
Other comprehensive income	2,599	(8,606)
Closing net assets 31 December	621,534	548,280
Interest in associate:-		
- In percentage (%)	33.622%	33.600%
- In thousand (RM'000)	208,972	184,222

The associate was incorporated in Malaysia and the details are as follows:-

Name	Principal activities	Issued and paid up share capital RM'000	Percentage of equity held 2013 %	Percentage of equity held 2012 %
AXA AFFIN General Insurance Berhad *	Underwriting of general insurance business	119,048	33.62	33.60

* Shareholding held directly by the Company

During the year, the Company acquired additional 26,498 ordinary shares of RM1.00 of AXA AFFIN General Insurance Berhad at RM3.17 per share.

17 PROPERTY AND EQUIPMENT

Group	Freehold land RM'000	<- Leasehold land -> 50 years or more RM'000	Less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Renovations RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Computers RM'000	Total RM'000
2013											
Cost											
At 1 January	21,126	12,862	5,380	29,950	89,069	122,298	65,293	6,993	7,951	88,153	449,075
- Additions	-	-	-	-	-	8,180	2,747	2,734	6,032	2,513	22,206
- Disposals	(1,450)	-	-	(3,147)	-	(2,530)	(713)	(784)	-	(1,854)	(10,478)
- Write-off	-	-	-	-	-	(755)	(620)	(149)	-	(2)	(1,526)
- Reclassification	-	-	-	-	-	89	26	-	(115)	-	-
- Reclassification to intangible assets (Note 18)	-	-	-	-	-	-	-	-	(11,048)	-	(11,048)
At 31 December	19,676	12,862	5,380	26,803	89,069	127,282	66,733	8,794	2,820	88,810	448,229
Accumulated depreciation											
At 1 January	-	2,034	1,572	12,962	23,371	104,344	45,414	4,999	-	76,146	270,842
- Charge for the financial year	-	112	121	442	1,789	7,114	3,535	1,042	-	4,475	18,630
- Disposals	-	-	-	(1,131)	-	(2,530)	(691)	(784)	-	(1,854)	(6,990)
- Write-off	-	-	-	-	-	(750)	(530)	(149)	-	(2)	(1,431)
At 31 December	-	2,146	1,693	12,273	25,160	108,178	47,728	5,108	-	78,765	281,051
Impairment losses											
At 1 January/ 31 December	140	-	-	-	-	-	-	-	-	-	140
Net book value											
At 31 December	19,536	10,716	3,687	14,530	63,909	19,104	19,005	3,686	2,820	10,045	167,038

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17 PROPERTY AND EQUIPMENT (continued)

		< - Leasehold land - >									
Group	Freehold land RM'000	50 years or more RM'000	Less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Renovations RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Computers RM'000	Total RM'000
2012											
Cost											
At 1 January	22,811	12,862	5,380	32,013	89,069	118,223	62,287	7,679	1,876	87,886	440,086
- Additions	-	-	-	-	-	7,387	4,133	503	6,504	5,057	23,584
- Disposals	(1,685)	-	-	(2,063)	-	(637)	(199)	(1,189)	-	(2,608)	(8,381)
- Write-off	-	-	-	-	-	(2,675)	(928)	-	-	(2,182)	(5,785)
- Reclassification to intangible assets (Note 18)	-	-	-	-	-	-	-	-	(429)	-	(429)
At 31 December	21,126	12,862	5,380	29,950	89,069	122,298	65,293	6,993	7,951	88,153	449,075
Accumulated depreciation											
At 1 January	-	1,923	1,452	13,266	21,582	99,828	42,859	5,159	-	75,368	261,437
- Charge for the financial year	-	111	120	498	1,789	7,786	3,502	950	-	5,557	20,313
- Disposals	-	-	-	(802)	-	(607)	(181)	(1,110)	-	(2,604)	(5,304)
- Write-off	-	-	-	-	-	(2,663)	(766)	-	-	(2,175)	(5,604)
At 31 December	-	2,034	1,572	12,962	23,371	104,344	45,414	4,999	-	76,146	270,842
Impairment losses											
At 1 January/ 31 December	140	-	-	-	-	-	-	-	-	-	140
Net book value											
At 31 December	20,986	10,828	3,808	16,988	65,698	17,954	19,879	1,994	7,951	12,007	178,093

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17 PROPERTY AND EQUIPMENT (continued)

Company	Renovations RM'000	Furniture and equipment RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Total RM'000
2013					
Cost					
At 1 January	565	575	264	547	1,951
- Additions	-	11	8	-	19
- Write-off	-	(12)	-	(149)	(161)
At 31 December	565	574	272	398	1,809
Accumulated depreciation					
At 1 January	361	405	232	294	1,292
- Charge for the financial year	56	48	20	80	204
- Write-off	-	(8)	-	(149)	(157)
At 31 December	417	445	252	225	1,339
Net book value					
At 31 December	148	129	20	173	470
2012					
Cost					
At 1 January	565	570	261	547	1,943
- Additions	-	5	3	-	8
At 31 December	565	575	264	547	1,951
Accumulated depreciation					
At 1 January	305	350	206	187	1,048
- Charge for the financial year	56	55	26	107	244
At 31 December	361	405	232	294	1,292
Net book value					
At 31 December	204	170	32	253	659

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18 INTANGIBLE ASSETS

Group	Goodwill RM'000	Computer Software RM'000	Total RM'000
2013			
Cost			
At 1 January	989,741	133,916	1,123,657
Reclassification from property and equipment (Note 17)	-	11,048	11,048
Additions	-	1,513	1,513
Disposal	-	(148)	(148)
Write-off	-	(9)	(9)
Adjustment	-	(742)	(742)
At 31 December	989,741	145,578	1,135,319
Accumulated amortisation and impairment losses			
At 1 January	-	116,873	116,873
Charge for the financial year	-	8,615	8,615
Disposal	-	(148)	(148)
Write-off	-	(9)	(9)
At 31 December	-	125,331	125,331
Net book value			
At 31 December	989,741	20,247	1,009,988
2012			
Cost			
At 1 January	989,741	131,418	1,121,159
Reclassification from property and equipment (Note 17)	-	429	429
Additions	-	2,098	2,098
Disposal	-	(29)	(29)
At 31 December	989,741	133,916	1,123,657
Accumulated amortisation and impairment losses			
At 1 January	-	107,740	107,740
Charge for the financial year	-	9,162	9,162
Disposal	-	(29)	(29)
At 31 December	-	116,873	116,873
Net book value			
At 31 December	989,741	17,043	1,006,784

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

18 INTANGIBLE ASSETS (continued)

	Computer Software 2013 RM'000	Computer Software 2012 RM'000
Company		
Cost		
At 1 January/ 31 December	20	20
Accumulated amortisation and impairment losses		
At 1 January	16	11
Charge for the financial year	3	5
At 31 December	19	16
Net book value		
At 31 December	1	4

Goodwill

The carrying amount of goodwill has been allocated to the respective subsidiaries (based on their principal activities), representing the cash-generating units ("CGUs") of the Group as follows:-

Cash generating units	Carrying amount RM'000	Discount rate %
Commercial banking	829,478	9.26
Investment banking	97,346	9.91
Stock-broking	51,797	10.71
Money-broking	11,120	8.92
	989,741	

Goodwill is allocated to the Group's CGUs which are expected to benefit from the synergies of the acquisitions. For annual impairment testing purposes, the recoverable amount of the CGUs are based on their value-in-use calculations using the cash flow projections based on 5 years financial budgets of the respective subsidiaries, which were approved by directors based on the historical Gross Domestic Product ("GDP") growth rate of Malaysia, revised for current economic conditions. The cash flows beyond the fifth year are assumed to grow at 5% on perpetual basis for all CGUs except for stockbroking where the cash flow projections are assumed to grow at conservative 1.0%.

The cash flow projections are derived based on a number of key factors including past performance and management's expectations of the market developments. The discount rates used are based on the pre-tax weighted average cost of capital plus an appropriate risk premium where applicable ("WACC"), at the date of assessment of the CGUs.

No impairment charge was required for goodwill arising from all the CGUs. The directors are of the view that any reasonable possible changes to the assumptions applied are not likely to cause the recoverable amount of all the CGUs to be lower than its carrying amount.

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19 DEPOSITS FROM CUSTOMERS

	Group 2013 RM'000	2012 RM'000
By type of deposits		
Money market deposits	1,050,233	859,141
Demand deposits	8,202,729	7,349,979
Savings deposits	2,004,242	1,710,748
Fixed deposits	29,039,949	26,808,102
Negotiable instruments of deposit ("NID")	6,482,169	5,383,884
Special investment deposits	574,192	833,132
	47,353,514	42,944,986
Maturity structure of fixed deposits and NID are as follows:-		
Due within six months	29,007,708	25,383,497
Six months to one year	6,392,507	6,469,401
One year to three years	80,239	137,768
Three years to five years	31,344	201,320
Five years and above	10,320	-
	35,522,118	32,191,986
By type of customers		
Government and statutory bodies	9,127,809	7,480,566
Business enterprise	14,715,136	13,808,996
Individuals	11,660,423	8,974,563
Others	11,850,146	12,680,861
	47,353,514	42,944,986

20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group 2013 RM'000	2012 RM'000
Licensed banks	3,285,513	3,436,442
Licensed investment banks	282,459	114,135
Bank Negara Malaysia	-	612,055
Other financial institutions	415,940	425,577
	3,983,912	4,588,209
Maturity structure of deposits are as follows:-		
Due within six months	3,779,530	4,587,226
Six months to one year	204,382	983
	3,983,912	4,588,209

21 TRADE PAYABLES

	Group 2013 RM'000	Group 2012 RM'000
Amount due to clients	158,273	213,690
Amount due to Bursa Securities Clearing Sdn Bhd	20,805	-
	179,078	213,690

The trade payables represent amount payable under outstanding sales contracts in relation to the stock-broking business.

22 DERIVATIVE FINANCIAL LIABILITIES

	Group 2013 Contract/ Notional Amount RM'000	Group 2013 Liabilities RM'000	Group 2012 Contract/ Notional Amount RM'000	Group 2012 Liabilities RM'000
At fair value:-				
Foreign exchange derivatives:				
- Currency forwards	498,726	5,099	340,155	2,870
- Cross currency swaps	2,284,085	51,018	1,188,783	23,725
Interest rate derivatives:				
- Interest rate swaps	2,033,725	37,751	1,695,980	32,965
	4,816,536	93,868	3,224,918	59,560

	Group 2013 RM'000	Group 2012 RM'000
<u>By maturity structure</u>		
Maturing within one year	41,852	23,852
One year to three years	19,528	24,676
Three years to five years	11,880	4,584
Over five years	20,608	6,448
	93,868	59,560

23 RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD

In the normal course of banking operations, the banking subsidiaries sell loans and advances to Cagamas Berhad with recourse to the banking subsidiaries at values equivalent to the unpaid principal balances of loans and advances due from mortgages.

The banking subsidiaries are liable in respect of housing loans and hire purchase portfolio sold directly and indirectly to Cagamas Berhad, under the condition that the banking subsidiaries undertake to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on agreed prudential criteria. Such financing transactions and the obligations to buy back the loans are reflected as a liability in the reporting date.

24 OTHER LIABILITIES

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes	27,897	28,644	-	-
Margin and collateral deposits	108,258	82,131	-	-
Trust accounts for remisiers	9,868	9,517	-	-
Defined contribution plan (a)	13,912	13,688	-	-
Accrued employee benefits (b)	1,060	1,381	55	107
Other creditors and accruals	295,057	219,174	15,727	1,931
Provision for zakat	11,402	10,429	-	-
Amount pledged by subsidiary	-	-	3,852	3,791
	467,454	364,964	19,634	5,829

(a) Defined contribution plan

The Group contributes to the Employees Provident Fund ("EPF"), the national defined contribution plan. Once the contributions have been paid, the Group has no further payment obligations.

(b) Accrued employee benefits

This refers to the accruals for short-term employee benefits for leave entitlement. Under employment contract, employees earn their leave entitlement which they are entitled to carry forward and will lapse if not utilised in the following accounting period.

25 DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets and current tax liabilities and when the deferred tax related to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:-

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets				
- to be recovered after more than 12 months	(5,425)	-	-	-
- to be recovered within 12 months	19,900	-	-	-
	14,475	-	-	-
Deferred tax liabilities				
- to be recovered after more than 12 months	(121)	(6,315)	(57)	(57)
- to be recovered within 12 months	(51)	(10,020)	(51)	(86)
	(172)	(16,335)	(108)	(143)
	14,303	(16,335)	(108)	(143)
At beginning of the financial year	(16,335)	(20,259)	(143)	(587)
Credited to income statements (Note 40)	31	6,638	35	444
Credited/(charged) to equity *	30,607	(2,714)	-	-
At end of the financial year	14,303	(16,335)	(108)	(143)

The movements in deferred tax assets and liabilities during the financial year are as follows:-

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year	(16,335)	(20,259)	(143)	(587)
Credited to income statements (Note 40)	31	6,638	35	444
- property and equipment	412	142	34	43
- intangible assets	(620)	1,650	1	1
- collective allowances	-	(217)	-	-
- provision for other liabilities	264	4,638	-	-
- unabsorbed capital allowances	(21)	21	-	-
- others	(4)	404	-	400
Credited/(charged) to equity*	30,607	(2,714)	-	-
At end of the financial year	14,303	(16,335)	(108)	(143)

* The deferred tax on revaluation of financial investment available-for-sale of RM30,278,000 (2012:RM1,218,000) as shown in the Statements of Comprehensive Income includes the net deferred tax asset of RM329,000 (2012: Net deferred tax liability of RM1,446,000) on revaluation of financial investments available-for-sale of associate and jointly controlled entity.

25 DEFERRED TAX ASSETS/(LIABILITIES) (continued)

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Subject to income tax:-				
Deferred tax assets (before offsetting):-				
Property and equipment	-	29	-	-
Provision for other liabilities	24,926	24,662	-	-
Allowance for impairment of securities	2	2	-	-
AFS revaluation reserves	2,187	-	-	-
Unabsorbed capital allowances	-	21	-	-
	27,115	24,714	-	-
Offsetting	(12,640)	(24,714)	-	-
Deferred tax assets (after offsetting)	14,475	-	-	-
Deferred tax liabilities (before offsetting):-				
Property and equipment	(5,463)	(5,904)	(108)	(142)
Intangible assets	(4,854)	(4,234)	-	(1)
AFS revaluation reserves	(2,497)	(30,917)	-	-
Others	2	6	-	-
	(12,812)	(41,049)	(108)	(143)
Offsetting	12,640	24,714	-	-
Deferred tax liabilities (after offsetting)	(172)	(16,335)	(108)	(143)

The Group did not recognise the unused tax losses of certain dormant subsidiaries as deferred tax assets as at the reporting date as follows:-

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Tax losses	99,209	103,114	-	-

26 AMOUNT DUE TO SUBSIDIARIES

The amount due to subsidiaries is unsecured, interest-free and has no fixed term of repayment.

27 BORROWINGS

	Group and Company	
	2013	2012
	RM'000	RM'000
Unsecured borrowings		
(a) 5-year floating rate term loan	302,029	301,984
(b) 5-year floating rate term loan ("Term Loan II")	301,213	301,207
(c) 5-year floating rate term loan ("Term Loan III")	302,590	302,581
(d) 5-year fixed rate term loan	66,600	66,571
	972,432	972,343

(a) <u>5-year floating rate term loan</u>

The 5-year floating rate term loan is unsecured and carries interest rate of 4.84% per annum during the financial year, repayable in one (1) lump sum five (5) years from the date of first drawdown on 11 May 2009 (i.e. 12 May 2014).

(b) <u>5-year floating rate term loan ("Term Loan II")</u>

The 5-year floating rate term loan is unsecured and carries interest rates ranging from 4.09% to 4.15% per annum during the financial year, repayable in one (1) lump sum five (5) years from the date of first drawdown on 26 May 2011.

(c) <u>5-year floating rate term loan ("Term Loan III")</u>

The 5-year floating rate term loan is unsecured and carries interest rates ranging from 4.09% to 4.10% per annum during the financial year, repayable in one (1) lump sum five (5) years from the date of first drawdown on 16 January 2012.

(d) <u>5-year fixed rate term loan</u>

The 5-year fixed rate term loan is unsecured and carries a fixed interest rate of 5.32% per annum during the financial year, repayable in one (1) lump sum five (5) years from the date of first drawdown on 30 April 2010.

28 SHARE CAPITAL

Group and Company	Number of ordinary shares of RM1.00 each 2013 '000	2012 '000	Amount 2013 RM'000	2012 RM'000
Authorised:-				
Ordinary shares of RM1.00 each	5,000,000	5,000,000	5,000,000	5,000,000
Issued and fully paid up:-				
Ordinary shares of RM1.00 each	1,494,576	1,494,576	1,494,576	1,494,576

29 RESERVES

	Group 2013 RM'000	2012 RM'000	Company 2013 RM'000	2012 RM'000
Retained profits	1,997,542	1,747,090	635,562	580,197
AFS revaluation reserves	15,148	108,763	-	-
Statutory reserves	1,469,048	1,293,665	-	-
	3,481,738	3,149,518	635,562	580,197

(a) A single tier company tax was introduced effective 1 January 2008. Under this single tier system, tax on a company's profits is a final tax, and dividends distributed to shareholders will be exempted from tax. Companies with Section 108 tax credit balance are given an option to elect to move to a single tier system immediately or allowed to use the Section 108 credit balance for the purpose of dividend distribution during a transitional period of 6 years until 31 December 2013.

The Company has elected to use its Section 108 credit balance for the purpose of dividend distribution during a transitional period of 6 years until 31 December 2013. The Section 108 balance of the Company as at 31 December 2007 will be frozen and can only be adjusted downwards for any tax discharged, remitted or refunded during the 6 years period.

As at 31 December 2013, the Company has a tax credit balance of RM2,429,387 under Section 108 of the Income Tax Act, 1967 and tax exempt account balance of RM168,743 under Section 12 of the Income Tax (Amendment) Act 1999.

(b) The statutory reserves of the Group are maintained in compliance with the provisions of the Financial Services Act 2013 and Islamic Financial Services Act 2013 and are not distributable as cash dividends.

(c) AFS revaluation reserves represent the unrealised gains or losses arising from the change in fair value of investments classified as financial investments available-for-sale. The gains or losses are transferred in the income statement upon disposal or when the securities become impaired.

30 REVENUE

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Gross interest income (Note 31)	2,215,000	2,106,615	52,873	51,984
Other operating income:-				
Fee income	229,167	213,520	-	-
Income from financial instruments	58,725	94,471	-	-
Dividend income	-	-	314,348	257,535
Foreign exchange gains/(losses)				
- realised	121,045	29,795	-	-
- unrealised	(54,137)	42,282	-	-
Miscellaneous operating income	1,047	1,396	-	-
	355,847	381,464	314,348	257,535
Income from Islamic operations:-				
Income derived from investment of depositors' funds and others	428,386	459,994	-	-
Income derived from the investment of Islamic Banking Capital funds	29,781	23,650	-	-
	458,167	483,644	-	-
TOTAL OPERATING REVENUE	3,029,014	2,971,723	367,221	309,519

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31 INTEREST INCOME

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Loans, advances and financing	1,647,938	1,557,404	-	-
Money at call and deposits with financial institutions	171,295	149,966	6,095	6,211
Reverse repurchase agreements with financial institutions	234	117	-	-
Financial assets held-for-trading	230	1,009	-	-
Financial investments available-for-sale	262,140	269,759	-	-
Financial investments held-to-maturity	25,923	29,889	-	-
Derivatives	88,796	81,492	-	-
Subordinated term loan	5,305	5,320	46,778	45,773
Others	64	26	-	-
	2,201,925	2,094,982	52,873	51,984
Amortisation of premium less accretion of discount	13,075	11,633	-	-
	2,215,000	2,106,615	52,873	51,984
The above interest income includes interest/income earned on impaired loans, advances and financing - unwinding discount of allowance (Net)	11,219	7,544	-	-

32 INTEREST EXPENSE

	Group 2013 RM'000	Group 2012 RM'000
Deposits and placements of banks and other financial institutions	109,722	135,005
Deposits from customers	1,071,432	965,004
Loans sold to Cagamas Berhad	19,164	19,891
Derivatives	94,783	87,626
Others	3,108	2,260
	1,298,209	1,209,786

33 NET ISLAMIC BANKING INCOME

	Group 2013 RM'000	Group 2012 RM'000
Income derived from investment of depositors' funds and others	428,386	459,994
Less: Income attributable to depositors	(237,422)	(266,872)
	190,964	193,122
Income derived from investment of shareholders' funds	29,781	23,650
	220,745	216,772

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34 OTHER OPERATING INCOME

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Fee income:-				
Net brokerage	72,740	53,946	-	-
Underwriting fees	4,418	2,284	-	-
Portfolio management fees	15,660	12,363	-	-
Corporate advisory fees	12,716	8,868	-	-
Commission	13,873	13,735	-	-
Service charges and fees	62,905	64,119	-	-
Guarantee fees	21,243	22,960	-	-
Arrangement fees	13,224	22,535	-	-
Agency fees	2,801	1,766	-	-
Other fee income	9,587	10,944	-	-
	229,167	213,520	-	-
Income from financial instruments:-				
Gains/(losses) arising on financial assets held-for-trading				
- net gains on disposal	3,336	6,125	-	-
- unrealised gains/(losses)	455	(188)	-	-
Gains on derivatives				
- realised	3,156	2,776	-	-
- unrealised	8,055	12,669	-	-
Gains arising on financial investments available-for-sale				
- net gains on disposal	32,823	49,523	-	-
- gross dividend income	4,756	4,100	-	-
Gains arising on financial investments held-to-maturity				
- net gains on redemption	6,144	19,466	-	-
	58,725	94,471	-	-
Other income:-				
Foreign exchange gains/(losses)				
- realised	121,045	29,795	-	-
- unrealised	(54,137)	42,282	-	-
Rental income	1,453	1,618	-	-
Surplus on realisation of assets of a subsidiary placed under members' voluntary winding-up	-	670	-	-
Gain on winding-up of a subsidiary	-	-	-	34,984
Gains on disposal of property and equipment	4,064	1,297	52	-
Gains on disposal of foreclosed properties	11,041	10,141	-	-
Gains arising from waiver of debts	-	8	-	-
Gross dividends received from subsidiaries	-	-	314,348	254,175
Gross dividend received from associate	-	-	-	3,360
Other non-operating income	16,855	14,656	5	-
	100,321	100,467	314,405	292,519
Total other operating income	388,213	408,458	314,405	292,519

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35 OTHER OPERATING EXPENSES

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
Wages, salaries and bonus	334,645	321,501	2,463	2,895
Defined contribution plan	54,475	52,409	429	500
Other personnel costs	41,378	41,691	410	496
	430,498	415,601	3,302	3,891
Promotion and marketing-related expenses				
Business promotion and advertisement	9,495	9,762	-	-
Entertainment	3,331	3,912	-	-
Travelling and accommodation	4,888	4,048	-	-
Dealer's handling fees	2,526	1,205	-	-
Others	2,186	2,106	-	-
	22,426	21,033	-	-
Establishment-related expenses				
Rental of premises	28,750	28,064	802	802
Equipment rental	1,067	1,103	6	5
Repair and maintenance	29,506	35,116	61	90
Depreciation of property and equipment	18,630	20,313	204	244
Amortisation of intangible assets	8,615	9,162	3	5
IT consultancy fee	61,893	60,972	-	-
Dataline rental	3,890	4,324	-	-
Security services	13,566	12,109	-	-
Electricity, water and sewerage	10,354	9,959	22	20
Insurance and indemnities	4,492	5,474	42	47
Others	3,926	5,024	-	-
	184,689	191,620	1,140	1,213
General and administrative expenses				
Telecommunication expenses	8,167	7,341	26	37
Auditors' remuneration	2,660	2,034	798	209
Professional fees	20,078	7,031	14,927	1,208
Property and equipment written-off	95	182	4	-
Postage and courier charges	2,782	4,150	4	14
Stationery and consumables	9,563	9,625	12	15
Commission and brokerage expenses	4,091	5,715	-	-
Donations	3,990	3,929	1,263	1,013
Settlement, clearing and bank charges	7,334	5,995	12	2
Stamp duties	198	3,102	-	-
(Write-back of)/allowance for litigation losses	(4,210)	3,633	-	-
Commissioned dealers representative performance incentive	3,801	3,035	-	-
Subscription fees	2,160	2,218	24	22
Transaction levy	2,177	1,475	-	-
Subsidies and allowances	924	865	-	-
Others	15,198	11,731	4,402	2,369
	79,008	72,061	21,472	4,889
Total other operating expenses	716,621	700,315	25,914	9,993

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35 OTHER OPERATING EXPENSES (continued)

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
The above expenditure includes the following statutory disclosures:-				
Directors' remuneration (Note 36)	2,547	2,211	1,447	1,266
Auditors' remuneration:-				
- Statutory audit fees	1,337	1,329	172	172
- Under provision prior year	2	-	-	-
- Audit related fees	581	430	58	28
- Non audit fees	740	275	568	9

36 DIRECTORS' REMUNERATION

The directors of the Company in office during the year are as follows:-

Non-executive directors

Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin
Raja Dato' Seri Aman bin Raja Haji Ahmad
Dato' Mustafa bin Mohamad Ali
Dr. the Hon. Sir David Li Kwok Po (Resigned on 6.8.2013)
Professor Arthur Li Kwok Cheung
Abd Malik bin A Rahman
Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff
Tan Sri Jamaluddin bin Haji Ahmad Damanhuri (Resigned on 6.3.2013)
Ignatius Chan Tze Ching (Appointed on 6.8.2013)
Adrian David Li Man Kiu (Alternate Director to Ignatius Chan Tze Ching)
Peter Yuen Wai Hung (Alternate Director to Professor Arthur Li Kwok Cheung)

36 DIRECTORS' REMUNERATION (continued)

The aggregate amount of emoluments receivables by directors of the Company during the financial year are as follows:-

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-executive directors				
- fees	2,067	1,826	1,136	1,027
- other emoluments	438	343	269	197
- estimated money value of benefits-in-kind	42	42	42	42
Total directors' remuneration	2,547	2,211	1,447	1,266
Total directors' remuneration excluding estimated money value of benefits-in-kind	2,505	2,169	1,405	1,224

Other emoluments comprise mainly fixed allowances and meeting allowances paid by the Group and Company during the year.

The number of directors of the Company whose total remuneration (including benefits-in-kind) received from the Group falls into the following remuneration bands:-

	Group Number of Non-Executive Directors	
	2013	2012
Remuneration band:-		
RM1 – RM50,000	3	-
RM50,001 – RM100,000	-	4
RM100,001 – RM200,000	3	-
RM200,001 – RM300,000	1	3
RM300,001 – RM400,000	2	1
RM400,001 – RM500,000	1	-
RM500,001 – RM600,000	-	-
RM600,001 – RM700,000	-	1
RM700,001 – RM800,000	1	-

37 ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

	Group 2013 RM'000	Group 2012 RM'000
Collective impairment		
- made during the financial year	13,911	3,296
Individual impairment		
- made during the financial year	49,285	81,021
- written-back during the financial year	(5,355)	(2,874)
Bad debts		
- recovered	(128,139)	(108,219)
- written-off	4,583	7,784
(Write-back of)/additional allowance for impaired debts		
- other debtors	(372)	157
	(66,087)	(18,835)

38 ALLOWANCE FOR IMPAIRMENT ON OTHER ASSETS

	Group 2013 RM'000	Group 2012 RM'000
Allowance made for impairment loss		
- Financial investments available-for-sale	499	812
- Financial investments held-to-maturity	-	9,590
Write-back of allowance for impairment loss		
- Financial investments available-for-sale	(2,578)	(68)
- Financial investments held-to-maturity	-	(9,926)
	(2,079)	408

Allowance for impairment loss on financial investments available-for-sale and financial investments held-to-maturity were made by certain subsidiaries to write-down the carrying value of the securities to the recoverable amount.

39 FINANCE COST

	Group and Company 2013 RM'000	Group and Company 2012 RM'000
Interest expenses		
- Term loans	42,592	41,021

40 TAXATION

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:-				
- Current tax	203,854	206,371	19,254	14,089
- Deferred tax (Note 25)	(31)	(6,638)	(35)	(444)
	203,823	199,733	19,219	13,645
Under/(over) provision in prior years	392	(2,023)	2	(478)
	204,215	197,710	19,221	13,167

The numeric reconciliation between the applicable statutory income tax rate to the effective income tax rate of the Group and of the Company is as follows:-

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit before taxation and zakat	863,928	833,738	298,772	293,489
Tax on current year's profit based on statutory tax rate in Malaysia of 25% (2012: 25%)	215,982	208,435	74,693	73,372
Tax effect in respect of:-				
Non-allowable expenses	7,617	4,439	5,259	1,377
Non-taxable income	(12,560)	(9,388)	(60,733)	(61,104)
Recognition of deferred tax previously not recognised	(181)	-	-	-
Effect of different tax rate	(6,503)	(3,510)	-	-
Change in tax rate	390	-	-	-
Utilisation of previously unrecognised tax losses	(922)	(243)	-	-
Under/(over) provision in prior years	392	(2,023)	2	(478)
	204,215	197,710	19,221	13,167

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41 EARNINGS PER SHARE

The basic and diluted earnings per share of the Group has been calculated based on the net profit attributable to the equity holders of the Company of RM650,021,000 (2012: RM628,942,000) divided by the weighted average number of ordinary shares in issue of 1,494,575,806 (2012: 1,494,575,806) during the financial year.

	Group	
	2013	2012
	RM'000	RM'000
Net profit attributable to equity holders of the Company	650,021	628,942
Weighted average number of ordinary shares in issue	1,494,576	1,494,576
Basic and diluted earnings per share (sen)	43.49	42.08

42 DIVIDENDS

Dividends declared for the financial year and recognised as distribution to ordinary equity holders of the Company are as follows:-

	Group and Company			
	2013		2012	
	Gross dividend per share	Amount of dividend	Gross dividend per share	Amount of dividend
	sen	RM'000	sen	RM'000
Interim dividend :-				
- Single tier dividend	6.1	91,169	-	-
- Tax exempt dividend	8.9	133,017	4.0	59,783
- Franked dividend	-	-	11.0	123,303
	15.0	224,186	15.0	183,086

At the forthcoming Annual General Meeting, the directors do not propose any final dividend in respect of the current financial year.

43 COMMITMENTS AND CONTINGENCIES

	Group 2013 RM'000	Group 2012 RM'000
(a) Capital commitments		
Property and equipment:-		
Authorised capital expenditure contracted but not provided for	7,541	2,864
Capital expenditure approved by the Board but not contracted for	24,483	19,006
	32,024	21,870

(b) Lease commitments

The Group has lease commitments in respect of rented premises and hired equipment, all of which are classified as operating leases. A summary of the non-cancellable long-term commitments, net of sub-leases are as follows:-

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Within one year	17,199	26,601	808	808
One year to five years	9,665	17,517	813	1,621

	Group 2013 RM'000	Group 2012 RM'000
(c) Operating commitments		
Operating expenditure approved by the Directors but not provided for in the financial statements amounted to approximately:-	201,823	266,106

43 COMMITMENTS AND CONTINGENCIES (continued)

(d) Other commitments and contingencies

In the normal course of the business, the Group makes various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

Group	< ---------- 2013	----------	----------	---------- >
	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	-
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

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

The fair value of these derivatives has been recognised as "derivative financial assets" in the statement of financial position and disclosed in Note 8 to the financial statements.

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43 COMMITMENTS AND CONTINGENCIES (continued)

(d) Other commitments and contingencies (continued)

In the normal course of the business, the Group makes various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

	< ---------- 2012	----------	----------	---------- >
Group	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	466,624	-	466,624	451,137
Transaction-related contingent items	2,147,100	-	1,073,550	924,690
Short-term self-liquidating trade-related contingencies	453,772	-	90,754	54,644
Obligation under underwriting commitments	-	-	-	-
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)	19,939	-	19,939	-
Foreign exchange related contracts #				
- less than one year	3,730,256	40,777	95,561	28,247
- one year to less than five years	251,794	4,384	17,127	6,430
Interest rate related contracts #				
- less than one year	107,156	563	122	49
- one year to less than five years	1,785,733	12,039	37,042	9,986
- five years and above	543,148	8,252	51,487	22,022
Irrevocable commitments to extend credit				
- maturity more than one year	2,978,964	-	1,489,482	1,395,014
- maturity less than one year	6,420,996	-	1,284,199	1,074,941
Unutilised credit card lines	191,103	-	38,221	28,693
	19,096,585	66,015	4,664,108	3,995,853

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

The fair value of these derivatives has been recognised as "derivative financial assets" in the statement of financial position and disclosed in Note 8 to the financial statements.

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44 LITIGATION AGAINST THE GROUP

(a) A syndicate of lenders, including AFFIN Bank Berhad (the 'Bank'), had granted facilities of RM62.5 million (the 'Facilities') to a borrower to, inter alia, finance a development project. At borrower's request, the Facilities were restructured in 1999 but in July 2000, continued drawdown under the restructured Facilities was refused as borrower had failed to comply with conditions precedent for such drawdown. The lenders and borrower negotiated to resolve the default and the Facilities were restructured again in 2003. Further financing was also granted in 2004 and the Project was completed with certificate of fitness in January 2005.

Subsequent to the completion of the project, borrower brought a claim against the lead banker, as the agent of the syndicate lenders, for loss and damage arising from alleged breach of duty and obligations owed by the lead banker to the borrower in relation to various actions taken or omitted to be taken in disbursements and transactions under the Facilities. The lead banker filed an action against the borrower and its guarantor of the Facilities, for recovery of the amounts outstanding under the Facilities.

The 2 actions were consolidated and heard together at full trial. On 6 May 2009, the High Court granted judgment in favour of borrower against the lead banker, as an agent of the lenders, and dismissed the lenders' action for recovery of the Facilities. The judgment against the lead banker included a sum of RM115.5 million to be paid, as well as further damages to be assessed and an immediate release of all security granted by the borrower and its guarantors for the Facilities. The award of damages of RM115.5 million was made despite parties' agreement that the trial proceed only on issue of liability and no evidence of damage/loss was produced. If the judgment of 6 May 2009 is maintained, lead banker will seek contribution from the lenders, including the Bank. The Bank's share is about RM34.65 million.

The lead banker and agent appealed to the Court of Appeal against the High Court decision. An effort at mediation on 9 March 2012 failed as the parties could not come to a settlement. Hearing dates were then fixed for the appeal. The appeal has been argued twice before the Court of Appeal i.e. on 3 August 2012 and 9 November 2012. The hearing was continued on 23 January 2013 and 31 January 2013.

On 27 September 2013, the Court of Appeal allowed the Bank's appeal with cost of RM120,000 and set-aside the award of damages of RM115.5 million. The judgement was also entered against the borrower and the guarantors for the outstanding Facilities.

The borrower and the guarantor have applied for leave to appeal to the Federal Court against the Court of Appeal decision of 27 September 2013. The Federal Court application for leave to appeal was fixed for hearing on 29 January 2014.

On 29 January 2014, the application for leave to appeal to the Federal Court was dismissed with costs of RM30,000.

(b) Other than the above, there are various other legal suits against AFFIN Bank Berhad ("ABB") in respect of claims and counter claims of approximately RM117.6 million (31 December 2012: RM73.8 million). Based on legal advice, the Directors of the Bank are of the opinion that no provision for damages need to be made in the financial statements, as the probability of adverse adjudication against ABB is remote.

45 CAPITAL MANAGEMENT

The Group actively manages its capital to counter underlying risks in its business activities and to enable future business growth. The Group's capital management strategy is to continue to maximise shareholders and stakeholders values via efficient capital structure, whilst ensuring compliance with regulatory capital requirements. The allocation of capital resources forms part of the Group's strategic planning review and is subject to the approval of the Board of Directors.

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45 CAPITAL MANAGEMENT (continued)

With effect from 1 January 2013, the total capital and capital adequacy ratios of the banking subsidiaries are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) dated 28 November 2012. In line with the transitional arrangements under the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier I ("CET I") Capital Ratio and Tier I Capital Ratio are 3.5% and 4.5% respectively for year 2013. The minimum regulatory capital adequacy requirement remains at 8.0% (2012: 8.0%) for total capital ratio.

The components of the capital base and capital adequacy ratios of the banking subsidiaries are disclosed in Note 46.

46 CAPITAL ADEQUACY

The Group has adopted the Standardised Approach for credit risk and market risk, and Basic Indicator Approach for operational risk computation.

The components of CET I, Tier I and Tier II capital, breakdown of risk-weighted assets and capital adequacy ratios of all banking subsidiaries namely, AFFIN Bank, AFFIN Islamic Bank and AFFIN Investment Bank are as follows:-

2013	AFFIN Bank RM'000	AFFIN Islamic Bank RM'000	AFFIN Investment Bank RM'000
a) The components of CET I, Tier I and Tier II Capital:-			
CET I/Tier I Capital			
Share capital	1,518,337	360,000	222,246
Share premium	529,337	-	142,270
Statutory reserves	1,144,350	173,026	202,821
Retained profits	798,118	178,966	70,679
Unrealised gains/(losses) on AFS	6,533	(9,112)	2,762
	3,996,675	702,880	640,778
Less : - Goodwill	(137,323)	-	(54,648)
- Deferred tax assets ^	(8,553)	(773)	(3,879)
- 55% of cumulative unrealised gains of AFS	(3,593)	-	(1,518)
- Investment in subsidiaries	-	-	(6,904)
Total CET I/ Tier I Capital (a)	3,847,206	702,107	573,829
Tier II Capital			
Subordinated loans	810,000	-	-
Collective impairment #	123,103	20,470	6,847
Total Tier II Capital (b)	933,103	20,470	6,847
Total Capital (a) + (b)	4,780,309	722,577	580,676
Less :- Investment in capital instruments of other banking institutions	-	(650)	-
- Investment in subsidiaries	(389,088)	-	(6,847)
Capital base before proposed dividends	4,391,221	721,927	573,829
Proposed dividends	(91,100)	-	(25,558)
Capital base after proposed dividends	4,300,121	721,927	548,271

46 CAPITAL ADEQUACY (continued)

2013	AFFIN Bank RM'000	AFFIN Islamic Bank RM'000	AFFIN Investment Bank RM'000
b) The breakdown of risk-weighted assets:-			
Credit risk	31,911,266	4,712,068	1,480,154
Market risk	296,107	3,570	296,735
Operational risk	1,902,412	339,365	249,689
Total risk-weighted assets	34,109,785	5,055,003	2,026,578
c) Capital adequacy ratios:-			
Before deducting proposed dividends:-			
CET I capital ratio	11.279%	13.889%	28.315%
Tier I capital ratio	11.279%	13.889%	28.315%
Total capital ratio	12.874%	14.281%	28.315%
After deducting proposed dividends:-			
CET I capital ratio	11.012%	13.889%	27.054%
Tier I capital ratio	11.012%	13.889%	27.054%
Total capital ratio	12.607%	14.281%	27.054%

^ Deferred tax assets exclude deferred tax arising from AFS revaluation reserves.

\# Qualifying collective impairment is restricted to allowances on the unimpaired loans, advances and financing.

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46 CAPITAL ADEQUACY (continued)

2012	AFFIN Bank RM'000	AFFIN Islamic Bank RM'000	AFFIN Investment Bank RM'000
a) The components of the Tier I and Tier II Capital:-			
Tier I capital			
Share capital	1,518,337	360,000	222,246
Share premium	529,337	-	142,270
Statutory reserves	1,017,200	143,451	184,163
Retained profits	659,603	149,390	65,544
	3,724,477	652,841	614,223
Less : - Goodwill	(137,323)	-	(53,061)
- Deferred tax assets ^	(10,227)	(600)	-
Total Tier I Capital (a)	3,576,927	652,241	561,162
Tier II Capital			
Subordinated loans	900,000	-	-
Collective impairment #	128,568	23,782	8,189
Total Tier II Capital (b)	1,028,568	23,782	8,189
Total Capital (a) + (b)	4,605,495	676,023	569,351
Less :- Investment in capital instruments of other banking institutions	(10,034)	-	(1,964)
- Investment in subsidiaries	(387,389)	-	(13,751)
Capital base before proposed dividends	4,208,072	676,023	553,636
Proposed dividends	(91,100)	-	(24,169)
Capital base after proposed dividends	4,116,972	676,023	529,467
b) The breakdown of risk-weighted assets:-			
Credit risk	28,731,138	4,135,300	1,534,927
Market risk	258,838	1,782	33,351
Operational risk	1,864,563	323,284	242,878
Total risk-weighted assets	30,854,539	4,460,366	1,811,156
c) Capital adequacy ratios:-			
Before deducting proposed dividends:-			
Core capital ratio	11.590%	14.623%	30.568%
Risk-weighted capital ratio	13.640%	15.156%	30.568%
After deducting proposed dividends:-			
Core capital ratio	11.300%	14.623%	29.234%
Risk-weighted capital ratio	13.340%	15.156%	29.234%

^ Deferred tax assets exclude deferred tax arising from AFS revaluation reserves.

\# Qualifying collective impairment is restricted to allowances on the unimpaired loans, advances and financing.

47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of, and their relationship with the Group and the Company are as follows:-

Related parties	Relationship
Subsidiaries of the Company as disclosed in Note 14	Subsidiaries
AXA AFFIN Life Insurance Berhad AFFIN-i Nadayu Sdn Bhd & KL South Development Sdn Bhd	Jointly controlled entities
AXA AFFIN General Insurance Berhad	Associate
Lembaga Tabung Angkatan Tentera ("LTAT")	Ultimate holding corporate body, which is Government-Linked Investment Company ("GLIC") of the Government of Malaysia
Subsidiaries and associates of LTAT	Subsidiaries and associated companies of the Ultimate holding corporate body
The Bank of East Asia, Limited	Substantial shareholder
Key management personnel	The key management personnel of the Group and Company consists of:- - Directors of the Company - Chief Executive Officer/Managing Director of banking subsidiaries - Members of senior management team of banking subsidiaries
Related parties of key management personnel (deemed as related to the Company)	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, jointly controlled, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

Key management personnel include the directors of the Company in office during the year and their remuneration for the financial year is disclosed in Note 36.

47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The Group and the Company do not have any significant transactions outside the ordinary course of business with the Government of Malaysia and government related entities. In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances.

(a) The significant transactions of the Group and Company with the related parties

	Ultimate holding corporate body		Other related parties		Jointly controlled entities / Associate		Substantial shareholder		Key management personnel	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Income										
Interest income on advances	-	-	38,736	36,339	7,979	7,108	3,660	6,901	81	55
Interest income on private debt securities	-	-	-	-	-	-	-	648	-	-
Fee income	128	118	10,896	15,589	-	-	-	-	-	-
Brokerage income	17,102	6,403	292	97	4	10	-	-	-	-
Commission income	-	-	-	-	7,197	6,867	-	-	-	-
Others	-	-	2,084	-	-	-	-	-	6	6
	17,230	6,521	52,008	52,025	15,180	13,985	3,660	7,549	87	61
Expenses										
Interest expenses:-										
- deposits from other customers	16,486	12,698	9,034	9,362	6,010	5,693	3	1	242	166
Rental of premises	239	301	18,258	18,219	-	-	-	-	-	-
Insurance premium	-	-	-	-	42,639	40,023	-	-	-	-
Other expenses	-	5	3,422	3,061	-	-	7	-	-	-
	16,725	13,004	30,714	30,642	48,649	45,716	10	1	242	166

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47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) The significant transactions of the Group and Company with the related parties (continued)

	Subsidiaries		Other related parties		Jointly controlled entities / Associate	
	2013	2012	2013	2012	2013	2012
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Income						
Interest income:-						
- money at call and deposits with financial institutions	6,082	6,204	-	-	-	-
- subordinated term loan	41,473	40,453	-	-	5,305	5,319
	47,555	46,657	-	-	5,305	5,319
Expenses						
Professional fees	1,200	1,215	-	-	-	-
Rental of premises	-	-	802	803	-	-
Other expenses	75	39	342	294	78	84
	1,275	1,254	1,144	1,097	78	84

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47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Related parties balances

Group	Ultimate holding corporate body		Other related companies		Jointly controlled entities / Associate		Substantial shareholder		Key management personnel	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Amount due from										
Loans, advances and financing	-	-	1,029,221	1,159,926	47,380	35,223	274,274	386,219	2,812	3,370
Rental deposits	102	102	4,314	4,312	-	-	-	-	-	-
Purchase of securities	10,148	30,734	-	-	-	-	-	-	-	-
Fees receivable	128	11	5,825	7,108	62	-	-	-	-	-
Subordinated loan	-	-	-	-	67,259	67,240	-	-	-	-
Other assets	3	-	-	-	4,185	2,745	-	-	-	-
Financial investments available-for-sale	-	-	52,881	3,034	-	-	-	-	-	-
	10,381	30,847	1,092,241	1,174,380	118,886	105,208	274,274	386,219	2,812	3,370
Amount due to										
Deposits from customers	662,161	738,921	410,603	294,785	-	-	100	100	11,123	4,066
Deposits and placements of banks and other financial institutions	-	-	-	-	187,830	196,420	-	-	-	-
Sales of securities	1,540	64,955	-	-	-	-	-	-	-	-
Current accounts	160,123	66,856	323,642	276,215	9,426	11,172	194	200	6,002	10,995
	823,824	870,732	734,245	571,000	197,256	207,592	294	300	17,125	15,061
Commitments	-	-	1,285,050	1,424,613	68,115	80,399	168,854	400,955	-	-

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47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Related parties balances (continued)

Company	Ultimate holding corporate body 2013 RM'000	Ultimate holding corporate body 2012 RM'000	Subsidiaries 2013 RM'000	Subsidiaries 2012 RM'000	Other related parties 2013 RM'000	Other related parties 2012 RM'000	Jointly controlled entities / Associate 2013 RM'000	Jointly controlled entities / Associate 2012 RM'000
Amount due from								
Cash and bank balances with banks and other financial institutions	-	-	16	41	-	-	-	-
Money at call and deposits placements maturing within one month	-	-	131,676	33,150	-	-	-	-
Deposits and placements with banks and other financial institutions	-	-	1,808	101,196	-	-	-	-
Subordinated term loan	-	-	904,964	904,960	-	-	67,255	67,240
Other assets	3	-	8	-	201	201	4	-
	3	-	1,038,472	1,039,347	201	201	67,259	67,240
Amount due to								
Interest-free advances	-	-	400,258	400,258	-	-	-	-
Other liabilities	-	-	5,089	3,791	-	-	-	-
	-	-	405,347	404,049	-	-	-	-

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47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Key management personnel compensation

The remuneration of key management personnel of the Group and Company during the year are as follows:-

	Group		**Company**	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Directors' fees	2,067	1,826	1,136	1,027
Directors' other emoluments	438	343	269	197
Salaries	14,780	14,755	-	-
Bonuses	16,414	16,504	-	-
Defined contribution plan ("EPF")	5,334	5,331	-	-
Other employee benefits	1,939	2,103	-	-
Benefits-in-kind	860	556	42	42
	41,832	41,418	1,447	1,266

Included in the above are Directors' remuneration as disclosed in Note 36.

48 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Establishment of a jointly controlled entity namely KL South Development Sdn Bhd

On 2 January 2013, AFFIN Islamic Bank Berhad ("AiBB") entered into a Musharakah Joint Venture Agreement ("JV Agreement") with Albatha Bukit Kiara Holdings Sdn Bhd ("Albatha"), a subsidiary of Bukit Kiara Capital Sdn Bhd, to jointly develop a project namely "VERVE Suites KL South" at Jalan Klang Lama, Kuala Lumpur.

Pursuant to the JV Agreement, AiBB acquired 30% stake in the joint venture company namely KL South Development Sdn Bhd ["KL South"] (formerly known as Grand Duplex Sdn Bhd) by way of subscription of 150,000 shares of RM1.00 each in KL South at par. The remaining stake of 70% in KL South is held by Albatha.

Under the Musharakah structure, AiBB would be the sole banker to KL South, providing financing using the Islamic concept such as Ijarah for the purchase of building and Istina' for the bridging financing.

Major strategic operation and financial decisions relating to the activities of KL South requires consent by both joint venture parties. The Group's interest in KL South has been treated as investment in jointly controlled entity, which has been accounted for in the consolidated financial statements using the equity method of accounting.

KL South has commenced operations and the project is scheduled for completion by mid-2016.

(b) Proposed Acquisition of HwangDBS Investment Bank Berhad ("Hwang IB") including other Financial Services Businesses of Hwang-DBS (Malaysia) Berhad (Hwang-DBS)

On 15 April 2013, the Board of Directors of AFFIN Holdings Berhad (the "Company" or "AHB") announced that Bank Negara Malaysia ("BNM") had vide its letter dated 12 April 2013 stated that it had no objection for AHB to commence preliminary negotiations with Hwang-DBS to acquire and merge the businesses of Hwang IB including other financial services businesses of Hwang-DBS with AFFIN banking group.

On 4 September 2013, the Company entered into an exclusivity agreement with Hwang-DBS in relation to the proposed acquisition by AHB of 100% interest in Hwang-IB and HDM Futures Sdn Bhd ("HDM Futures"), 70% interest in Hwang Investment Management Berhad ("Hwang IM") and 49% interest in Asian Islamic Investment Management Sdn Bhd ("AIIM") ["Proposed Acquisition"].

On 10 January 2014, the Company received a letter from BNM advising the Company that the Minister of Finance had granted its approvals under the Financial Services Act 2013 for the Proposed Acquisition and the merger of Hwang IB with AFFIN Investment Bank Berhad ("AIBB") ["Proposed Merger"]. The Securities Commission Malaysia ("SC") had also approved the Proposed Acquisition and Proposed Merger on the same day.

On 22 January 2014, the Company entered into a conditional share sale and purchase agreement ("SPA") with Hwang-DBS in relation to the Proposed Acquisition. In conjunction with the Proposed Acquisition, the Board of AHB also proposed to undertake the Proposed Merger.

48 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

(b) Proposed Acquisition of HwangDBS Investment Bank Berhad ("Hwang IB") including other Financial Services Businesses of Hwang-DBS (Malaysia) Berhad (Hwang-DBS) (continued)

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 a purchase consideration of RM1,363 million ("Base Price"), subject to adjustment as set out in item 2(a) below, to be fully satisfied in cash ("Purchase Price").

Prior to the implementation of the Proposed Acquisition, Hwang-DBS will undertake a pre-closing reorganisation which is an internal restructuring exercise of Hwang-DBS involving the following:-

(i) transfer by Hwang-DBS of its 100% interest in HDM Futures to Hwang IB;
(ii) transfer by Hwang-DBS of its 53% interest in Hwang IM to Hwang IB;
(iii) transfer by Hwang-DBS of its 49% interest in AIIM to Hwang IB; and
(iv) transfer by Hwang IB of its 100% interest in HwangDBS Custodian Services Sdn Bhd and its 51% interest in HwangDBS Vickers Research Sdn Bhd (hereinafter collectively referred to as the "Excluded Companies") to Hwang-DBS.

(collectively referred to as the "Proposed Pre-Closing Reorganisation").

Following the Proposed Pre-Closing Reorganisation, AHB will acquire the Hwang IB Shares and the Minority Shares for the Purchase Price, to be fully satisfied in cash.

The Base Price of RM1,363.00 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 IM and 49% interest in AIIM; and
(iii) RM13.00 million for 100% interest in HDM Futures.

Hwang IB [including HDM Nominees (Tempatan) Sdn Bhd and HDM Nominees (Asing) Sdn Bhd], Hwang IM, AIIM and HDM Futures are collectively referred to as the "Acquisition Entities".

48 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

(b) **Proposed Acquisition of HwangDBS Investment Bank Berhad ("Hwang IB") including other Financial Services Businesses of Hwang-DBS (Malaysia) Berhad (Hwang-DBS)** (continued)

2) Salient Terms of the SPA

a) Consideration

(i) The consideration for the sale and purchase of the Hwang IB Shares under the SPA shall be an amount in cash equal to the sum of the Base Price and as adjusted on the NA Adjustment as contemplated in the SPA.

(ii) In the case where the NA of Hwang IB, Hwang IM and HDM Futures (collectively referred to as the "Target Companies") together with HDM Nominees (Tempatan) Sdn Bhd and HDM Nominees (Asing) Sdn Bhd [collectively referred to as the "Target Companies' Subsidiaries" and the Target Companies and the Target Companies' Subsidiaries are collectively referred to as the "Target Group Companies"] and AIIM as at the business day falling 7 business days after the Unconditional Date (as defined below) ("Closing Date") has fallen by 3% or more below the sum of RM900,279,694 comprising the agreed aggregate NA value as at 31 January 2013 of Hwang IB (multiplied by the shareholding percentage held by Hwang-DBS in Hwang IB, HDM Nominees (Tempatan) Sdn Bhd and HDM Nominees (Asing) Sdn Bhd), and Hwang IM, HDM Futures and AIIM (multiplied by the shareholding percentage held by Hwang IB in each of Hwang IM, HDM Futures and AIIM after the completion of the Proposed Pre-Closing Reorganisation) ("Benchmark") (such fall in the NA below the Benchmark shall hereinafter be referred to as "Shortfall") (as determined in accordance with the SPA), the Purchase Price shall be the Base Price adjusted by a reduction equal to the differential value between the Shortfall and RM700,000.

(iii) In the case where the NA of the Target Group Companies and AIIM as at the closing date has increased by 3% or more above the Benchmark (such increase in the NA above the Benchmark shall hereinafter be referred to as "Surplus") (as determined in accordance with the SPA), 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.

(ii) and (iii) are collectively referred to as (NA Adjustment")

(iv) In circumstances other than that stipulated under Sections 2(a)(ii) and (iii) above, the Purchase Price shall be the Base Price adjusted by an increase equal to RM700,000.

48 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

(b) Proposed Acquisition of HwangDBS Investment Bank Berhad ("Hwang IB") including other Financial Services Businesses of Hwang-DBS (Malaysia) Berhad (Hwang-DBS) (continued)

b) Conditions:-

The SPA is subject to and conditional upon the following:-

(i) the passing at a general meeting of Hwang-DBS of the requisite resolutions;

(ii) the passing at a general meeting of AHB, if required, of the requisite resolutions;

(iii) exemption from the SC under Paragraph 20.1, Practice Note 9 or other applicable rules of the Malaysian Code on Take-overs and Mergers, 2010 ("Code") from an obligation to carry out a mandatory offer for the remaining 30% voting shares of Hwang IM;

(iv) in respect of the 4,900,000 ordinary shares of RM1.00 each constituting approximately 49% of the entire issued and paid-up share capital in AIIM ("AIIM Shares"), by Nikko Asset Management Asia Ltd ("Nikko") waiving its pre-emption rights pursuant to Clause 9 of the Subscription and Joint Venture Agreement dated 12 November 2008 entered into by Nikko, Hwang-DBS and AIIM ("AIIM Shareholders' Agreement") and Article 39C of the Articles of Association of AIIM for the transfer of AIIM Shares from Hwang-DBS to Hwang IB pursuant to the Proposed Pre-Closing Reorganisation and for the indirect change in the shareholders of AIIM following the completion of the sale of the Hwang IB Shares pursuant to the SPA ("Closing"), which was obtained on 30 October 2013.

The Unconditional Date is defined as the date on which the last of the conditions precedent in Item 2(b) above is fulfilled or satisfied in accordance with the SPA.

3) Source of funds

The Purchase Price will be initially funded via bridge loans of RM1.4 billion and internally generated funds (if required). For the long-term funding plan, AHB will pursue a fund raising exercise which includes a rights issue of new AHB shares, to raise gross proceeds of up to approximately RM1.25 billion. The details of the fund raising exercise will be announced at a later date upon finalisation of the terms.

The major shareholders of AHB have provided their support to provide irrevocable undertakings to support any related fund-raising initiatives for the Proposed Acquisition such as the rights issue.

The proceeds of the rights issue are intended to be used for partial repayment of the bridge loans and capital injection into AFFIN Bank to fund future growth. The remaining bridge loans are intended to be repaid by cash proceeds from the Proposed Merger and internally generated funds.

49 SEGMENT ANALYSIS

The segment analysis is presented based on the principal activities of the subsidiaries. The Group's operations are principally conducted in Malaysia and accordingly, no analysis in respect of geographical segments has been presented.

The format of the segment analysis is based on the internal financial reporting system which reflects the Group's management reporting structure. The Group comprises the following main segments:-

Commercial Banking

The Commercial Banking segment focuses on business of banking in all aspects which includes Islamic Banking operations. Its activities are generally structured into two key areas, Consumer Banking and Enterprise Banking Services.

Consumer Banking comprises the full range of products and services offered to individuals, including savings and fixed deposits, remittance services, current accounts, consumer loans such as vehicle loans (i.e. hire purchase), housing loans, overdrafts and personal loans, credit cards, unit trusts and bancassurance products.

Enterprise Banking provides a full range of financial products and services to cater mainly the business and funding needs of corporate customers, ranging from large corporate and the public sector to small and medium enterprises. The products and services offered include long-term loans, project and equipment financing and short-term credit such as overdrafts and trade financing and other fee-based services.

Investment Banking

The Investment Banking segment focuses on business of a merchant bank, stock-broking, fund and unit trusts management.

This segment focuses on business needs of mainly large corporate customers and financial institutions. The products and services offered to customers include advisory services and structuring of private debt securities, corporate finance and advisory services for corporate listings, mergers and acquisitions, capital raising through issues of equity and debt instruments, corporate and debts restructuring exercises.

It also provides structured lending solutions mainly in support of corporate finance and capital market activities as well as access to variety of funds and capital market investment products to both corporate and institutional investors for competitive returns and other investment benefits including portfolio diversification and liquidity enhancement.

The stock-broking business comprises institutional and retail stock-broking business for securities listed on Bursa Malaysia Securities Berhad, investment management and research services.

Insurance

The insurance segment includes the business of underwriting all classes of general and life insurance businesses in Malaysia.

Others

Other business segments in the Group include operation of investment holding companies, money-broking and other related financial services whose results are not material to the Group and therefore do not render separate disclosure in the financial statements and have been reported in aggregate.

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49 SEGMENT ANALYSIS (continued)

The segment analysis of the Group by activities in 2013 and 2012 are as follows:

2013	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Group RM'000
Segment revenue	2,746,586	266,395	-	10,715	-	3,023,696
Intersegment revenue	38,958	21,774	-	1,540	(62,272)	-
Unallocated revenue	-	-	-	5,318	-	5,318
Revenue	2,785,544	288,169	-	17,573	(62,272)	3,029,014
Segment results	762,422	85,009	-	2,847	46,318	896,596
Unallocated expenses	-	-	-	(61,894)	-	(61,894)
Share of results of jointly controlled entities (net of tax)	-	-	5,431	(210)	-	5,221
Share of results of associate (net of tax)	-	-	24,005	-	-	24,005
Profit before taxation and zakat						863,928
Taxation and zakat						(213,907)
Net profit for the financial year						650,021
Segment assets	56,149,599	3,299,950	-	14,090	-	59,463,639
Investment in jointly controlled entities	-	-	135,539	-	-	135,539
Investment in associate	-	-	208,396	-	-	208,396
Unallocated assets	-	-	-	143,983	-	143,983
Total segment assets						59,951,557
Segment liabilities	50,605,074	1,981,353	-	1,314	-	52,587,741
Unallocated liabilities	-	-	-	987,092	-	987,092
Total segment liabilities						53,574,833

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49 SEGMENT ANALYSIS (continued)

2013	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Unallocated RM'000	Group RM'000
Non-cash items						
Capital expenditure	18,679	4,711	-	310	19	23,719
Depreciation of property and equipment	16,019	2,195	-	212	204	18,630
Amortisation of intangible assets	7,989	622	-	1	3	8,615
Allowances for impairment on loans, advances and financing	59,125	(1,284)	-	-	-	57,841
Other non-cash items*	(221,007)	(84,233)	(29,436)	210	(48)	(334,514)

* Other non-cash items are mainly due to income earned from financial assets held-for-trading, financial investments available-for-sale and held-to-maturity.

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49 SEGMENT ANALYSIS (continued)

The segment analysis of the Group by activities in 2013 and 2012 are as follows (continued):-

2012	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Group RM'000
Segment revenue	2,656,784	298,210	-	11,402	-	2,966,396
Intersegment revenue	43,464	20,749	-	1,517	(65,730)	-
Unallocated revenue	-	-	-	5,327	-	5,327
Revenue	2,700,248	318,959	-	18,246	(65,730)	2,971,723
Segment results	703,459	91,058	-	3,663	45,442	843,622
Unallocated expenses	-	-	-	(44,472)	-	(44,472)
Share of results of jointly controlled entities (net of tax)	-	-	2,053	(230)	-	1,823
Share of results of associate (net of tax)	-	-	32,765	-	-	32,765
Profit before taxation and zakat						833,738
Taxation and zakat						(204,796)
Net profit for the financial year						628,942
Segment assets	51,598,765	3,832,393	-	13,875	-	55,445,033
Investment in jointly controlled entities	-	-	129,728	60	-	129,788
Investment in associate	-	-	183,696	-	-	183,696
Unallocated assets	-	-	-	75,774	-	75,774
Total segment assets						55,834,291
Segment liabilities	46,484,183	2,329,422	-	1,651	-	48,815,256
Unallocated liabilities	-	-	-	974,531	-	974,531
Total segment liabilities						49,789,787

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49 SEGMENT ANALYSIS (continued)

2012	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Unallocated RM'000	Group RM'000
Non-cash items						
Capital expenditure	21,074	4,268	-	332	8	25,682
Depreciation of property and equipment	17,784	2,165	-	120	244	20,313
Amortisation of intangible assets	8,568	587	-	2	5	9,162
Allowances for impairment on loans, advances and financing	76,169	5,274	-	-	-	81,443
Other non-cash items*	(304,628)	(137,241)	(34,818)	233	-	(476,454)

* Other non-cash items are mainly due to income earned from financial assets held-for-trading, financial investments available-for-sale and held-to-maturity.

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has set up objectives and policies to manage the risks that arise in connection with financial instruments. The risk management framework and policies of the Group are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate the salient risk elements in the operations of the Group. The establishment of the overall financial risk management objectives is consistent and in tandem with the strategy to create and enhance shareholders' value, whilst guided by a prudent and robust framework of risk management policies. In achieving the objective of maximising returns to shareholders, the Board takes cognisance of the risk elements that the Group is confronted with in its operations. In view of the multi-faceted risks inherent especially in the Group's operations in the banking sector, the Group places great emphasis on the importance of risk management and has put in place clear and comprehensive risk management mechanisms and strategies to identify, monitor, manage and control the relevant risk factors.

Credit Risk

Credit risk is the potential financial loss resulting from the failure of the customer or counterparty to settle the financial and contractual obligation to the Group. Credit risk emanates mainly from loans, advances and financing, loan commitments arising from such lending activities, as well as through financial transactions with counterparties including interbank money market activities, derivative instruments used for hedging and debt securities.

The management of credit risk in the Group is governed by a set of credit policies, guidelines and procedures. Approval authorities are delegated to Senior Management and the Group Management Loan Committee to implement the credit policies and ensure sound credit granting standards.

An independent Group Risk Management ('GRM') function headed by Group Chief Risk Officer ("GCRO") with direct reporting line to Board Risk Management Committee ('BRMC') is in place to ensure adherence to risk standards and discipline. Portfolio management risk reports are submitted regularly to BRMC.

Lending guidelines and credit strategies are formulated and incorporated in the Annual Credit Plan. New businesses are governed by the risk acceptance criteria and customer qualifying criteria/fitness standards prescribed in the Credit Plan. The Annual Credit Plan is reviewed at least annually and approved by the BRMC.

Credit Risk measurement

i) Loans, advances and financing

Credit evaluation is the process of analysing the creditworthiness of the prospective customer against the Group's underwriting criteria and the ability of the Group to make a return commensurate to the level of risk undertaken. A critical element in the evaluation process is the assignment of a credit risk grade to the counterparty. This assists in the risk assessment and decision making process. The Group has developed internal rating models to support the assessment and quantification of credit risk.

For consumer mass market products, statistically developed application scorecards are used by the Business to assess the risks associated with the credit application. The scorecards are used as a decision support tool at loan origination.

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50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk measurement (continued)

ii) Over-the-Counter ('OTC') Derivatives

The OTC derivatives credit exposure is computed using the Current Exposure Method. Under the Current Exposure Method, computation of credit equivalent exposure for interest rate and exchange rate related contracts is derived from the summation of the two elements; the replacement costs (obtained by marking-to-market) of all contracts and the potential future exposure of outstanding contracts (Add On charges depending on the specific remaining tenor to maturity).

Risk limit control and mitigation policies

The Group employs various policies and practices to control and mitigate credit risk.

i) Lending limits

The Group establishes internal limits and related lending guidelines to manage large exposures and avoid undue concentration of credit risk in its credit portfolio. The limits include single customer groupings, large exposure, connected parties, geographical and industry segments. These risks are monitored regularly and the limits reviewed annually or sooner depending on changing market and economic conditions.

The credit risk exposure for derivative and loan books is managed as part of the overall lending limits with customers together with potential exposure from market movements.

ii) Collateral

Credits are established against borrower's capacity to repay rather than rely solely on security. However, collateral may be taken to mitigate credit risk. The main collateral types accepted and given value by the Group are:

- Mortgage over residential properties;
- Charges over commercial real estate or vehicles financed;
- Charges over business assets such as business premises, inventory and accounts receivable; and
- Charges over financial instruments such as marketable equities.

Documentary and commercial letters of credit are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

iii) Credit related commitments

Commitment to extend credit represents unutilised portion of approved credit in the form of loans, guarantees or letters of credit. In terms of credit risk, the Group is potentially exposed to loss in an amount equal to the total unutilised commitments. However, the potential amount of loss is less than the total unutilised commitments, as most commitments to extend credit are contingent upon customers maintaining specific minimum credit standards.

The Group monitor the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than short-term commitments.

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk (continued)

Credit Risk monitoring

Retail credits are actively monitored and managed on a portfolio basis by product type. A collection management system in place to promptly identify, monitor and manage delinquent accounts at early stages of delinquency.

Corporate credits and large individual accounts are reviewed by the Business Units at least once a year against updated information. This is to ensure that the credit grades remain appropriate and detect any signs of weaknesses or deterioration in the credit quality. Remedial action is taken where evidence of deterioration exists.

Early Alert Process is in place as part of a means to pro-actively identify, report and manage deteriorating credit quality. Watchlist accounts are closely reviewed and monitored with corrective measures initiated to prevent them from turning non-impaired. As a rule, Watchlist accounts are either worked up or worked out within a period of twelve months.

Active portfolio monitoring enables the Group to understand the overall risk profile and identify any adverse trends or areas of risk concentrations affecting asset quality so that appropriate actions are adopted to manage and mitigate risks.

Credit Risk culture

The Group recognise that learning is a continuous journey and is committed to enhance the knowledge and required skills of its staff. It places strong emphasis in creating and enhancing risk awareness in the organization.

For effective and efficient staff learning, the Group has implemented an E–Learning Program with an online Learning Management System ('LMS'). The LMS provides staff with a progressive self-learning alternative at own pace.

Group Risk Management implements an Internal Credit Certification ('ICC') Programme for both Business Banking and Consumer Credit.

The aim of the ICCs is to assist the core credit related group of personnel in the Group achieve a minimum level of knowledge and analytical skills required to make sound corporate and commercial loans to customers.

a) Maximum exposure to credit risk

For financial assets recognised on the statement of financial position, the exposure to credit risk equals their carrying amount. For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that the Group and the Company would have to pay if guarantee were to be called upon. For loan commitments and other commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

All financial assets of the Group and the Company are subject to credit risk except for cash in-hand, equity securities held as financial assets held-for-trading or financial investments available-for-sale, as well as non-financial assets.

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50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk (continued)

a) Maximum exposure to credit risk (continued)

The exposure to credit risk of the Group and the Company equals their carrying amount in the statements of financial position as at reporting date, except for the following:-

		Group		Company	
2013		Carrying Value RM'000	Maximum Credit Exposure RM'000	Carrying Value RM'000	Maximum Credit Exposure RM'000
Credit risk exposures of on-balance sheet assets					
Cash and short-term funds	*	9,331,374	9,164,030	131,710	131,709
Financial investments available-for-sale	#	8,767,991	8,619,502	-	-
Other assets	^	309,011	275,209	68,494	68,439
		18,408,376	18,058,741	200,204	200,148
Credit risk exposure of off-balance sheet items					
Financial guarantees	@	3,430,165	2,442,763	-	-
Loan commitments and other credit related commitments	@	18,532,406	3,003,602	-	-
Obligation under underwriting agreement	@	260,244	-	-	-
		22,222,815	5,446,365	-	-
Total maximum credit risk exposure		**40,631,191**	**23,505,106**	**200,204**	**200,148**
2012					
Credit risk exposures of on-balance sheet assets					
Cash and short-term funds	*	7,359,658	7,188,173	33,209	33,208
Financial investments available-for-sale	#	9,404,237	9,266,931	-	-
Other assets	^	313,277	271,134	346	286
		17,077,172	16,726,238	33,555	33,494
Credit risk exposure of off-balance sheet items					
Financial guarantees	@	2,613,724	1,540,174	-	-
Loan commitments and other credit related commitments	@	16,482,861	3,123,934	-	-
Obligation under underwriting agreement	@	-	-	-	-
		19,096,585	4,664,108	-	-
Total maximum credit risk exposure		**36,173,757**	**21,390,346**	**33,555**	**33,494**

The following have been excluded for the purpose of maximum credit risk exposure calculation:-

* Cash in-hand
\# Investment in quoted and unquoted shares
^ Prepayment

@ Amount stated at notional value

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk (continued)

a) Maximum exposure to credit risk (continued)

Whilst the Group and the Company's maximum exposure to credit risk is the carrying value of the assets, or in the case of off-balance sheet items, the amount guaranteed, committed or accepted, in most cases the likely exposure is far less due to collateral, credit enhancements and other actions taken to mitigate the credit exposure.

The financial effect of collateral held for loans, advances and financing is 67% (2012: 67%). The financial effects of collateral for the other financial assets are insignificant.

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50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk (continued)

b) Credit risk concentrations

Credit risk is the risk of financial loss from the failure of customers to meet their obligations. Exposure to credit risk is managed through portfolio management. The credit portfolio's risk profiles and exposures are reviewed and monitored regularly to ensure that an acceptable level of risk diversification is maintained. Exposure to credit risk is also managed in part by obtaining collateral security and corporate and personal guarantees.

The credit risk concentrations of the Group and the Company, by industry concentration, as at the reporting date:-

Group 2013	Short-term funds and placements with banks and other financial institutions RM'000	Reverse repurchase agreement with financial institutions RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing RM'000	Trade receivables and other assets RM'000	Derivative financial assets RM'000	On-balance sheet total RM'000	Commitments and contingencies RM'000
Agriculture	-	-	-	38,866	-	475,721	5,551	78	520,216	98,279
Mining and quarrying	-	-	-	-	-	649,621	-	-	649,621	121,024
Manufacturing	-	-	-	156,085	140,539	2,513,052	79	2,446	2,812,201	562,016
Electricity, gas and water	-	-	-	485,513	-	359,796	-	308	845,617	13,212
Construction	-	-	-	352,427	195,105	3,314,783	1,236	-	3,863,551	1,085,571
Real estate	-	-	-	93,688	1,525	4,702,439	1,928	-	4,799,580	435,212
General commerce	-	-	-	60,430	23,907	2,148,677	673	91	2,233,778	1,189,593
Transport, storage and communication	-	-	-	134,986	103,200	2,139,295	15	-	2,377,496	261,510
Finance, insurance and business services	1,652,773	-	-	3,728,567	159,741	4,374,039	5,257	52,853	9,973,230	735,735
Government and government agencies	7,959,802	-	149,544	3,392,561	-	117,523	214	-	11,619,644	158,639
Purchase of landed property, securities and vehicles	20,040	-	-	-	-	56,583	173,795	-	250,418	-
Others	-	-	-	176,379	16	16,364,997	262,532	-	16,803,924	785,574
Total	9,632,615	-	149,544	8,619,502	624,033	37,216,526*	451,280^	55,776	56,749,276	5,446,365

* Not inclusive of collective allowance amounting to RM307 million.
^ Not inclusive of collective allowance on trade receivables amounting to RM19,000.

Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 43.

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50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk (continued)

b) **Credit risk concentrations** (continued)

Group 2012	Short-term funds and placements with banks and other financial institutions RM'000	Reverse repurchase agreement with financial institutions RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing RM'000	Trade receivables and other assets RM'000	Derivative financial assets RM'000	On-balance sheet total RM'000	Commitments and contingencies RM'000
Agriculture	-	-	-	39,109	-	609,728	-	13	648,850	74,359
Mining and quarrying	-	-	-	-	-	473,549	-	481	474,030	30,460
Manufacturing	-	-	-	39,697	180,595	2,649,225	104	770	2,870,391	628,604
Electricity, gas and water	-	-	-	495,633	-	595,275	64	28	1,091,000	26,204
Construction	-	-	-	293,573	200,410	3,002,975	54	-	3,497,012	1,270,240
Real estate	-	-	-	46,138	-	3,777,029	454	-	3,823,621	592,892
General commerce	-	-	-	110,027	20,040	1,780,676	1,039	155	1,911,937	281,869
Transport, storage and communication	-	-	-	147,578	147,263	1,887,727	7,695	-	2,190,263	260,061
Finance, insurance and business services	842,976	-	165,592	4,400,188	-	4,181,636	3,751	64,568	9,658,711	838,062
Government and government agencies	6,817,977	20,057	-	3,527,316	-	117,522	213	-	10,483,085	137,225
Purchase of landed property, securities and vehicles	19,576	-	-	-	-	26,220	212,609	-	258,405	-
Others	-	-	-	167,672	16	15,392,403	258,923	-	15,819,014	524,132
Total	7,680,529	20,057	165,592	9,266,931	548,324	34,493,965*	484,906^	66,015	52,726,319	4,664,108

* Not inclusive of collective allowance amounting to RM331 million.
^ Not inclusive of collective allowance on trade receivables amounting to RM21,000.

Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 43.

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50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk (continued)

b) Credit risk concentrations (continued)

Company	Short-term funds and placements with banks and other financial institutions RM'000	Other assets RM'000	On-balance sheet total RM'000
2013			
Finance, insurance and business services	136,169	-	136,169
Others	-	68,439	68,439
	136,169	68,439	204,608
2012			
Finance, insurance and business services	135,166	-	135,166
Others	-	286	286
	135,166	286	135,452

c) Collateral

The main types of collateral obtained by the Group are as follows:-

- For personal housing loans, mortgages over residential properties;
- For commercial property loans, charges over the properties being financed;
- For hire purchase, charges over the vehicles or plant and machineries financed; and
- For other loans, charges over business assets such as premises, inventories, trade receivables or deposits.

d) Total loan, advances and financing - credit quality

All loans, advances and financing are categorised into "neither past due nor impaired", "past due but not impaired" and "impaired". Past due loans refer to loans that are overdue by one day or more. Impaired loans are loans with months-in-arrears more than 3 months or with impairment allowances.

i) Distribution of loans, advances and financing by credit quality

	Group 2013 RM'000	Group 2012 RM'000
Neither past due nor impaired	34,266,081	31,282,117
Past due but not impaired	2,453,456	2,652,050
Impaired	740,958	790,438
Gross loans, advances and financing	37,460,495	34,724,605
Less: Allowance for impairment		
- individual impairment	(243,969)	(230,640)
- collective impairment	(307,142)	(330,797)
Net loans, advances and financing	36,909,384	34,163,168

Past due but not impaired includes accounts within grace period amounting to RM1.0 billion (2012: RM1.0 billion).

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk (continued)

d) Total loan, advances and financing - credit quality (continued)

ii) Loans neither past due nor impaired

Analysis of loans, advances and financing that are neither past due nor impaired analysed based on the Group's internal credit grading system is as follows:-

	Group 2013 RM'000	Group 2012 RM'000
Quality classification:-		
Satisfactory *	31,053,725	28,091,411
Special mention #	3,212,356	3,190,706
	34,266,081	31,282,117

* Satisfactory: Exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or levels of expected loss.

\# Special mention: Exposures require varying degrees of special attention and default risk is of greater concern.

iii) Loans past due but not impaired

Certain loans, advances and financing are past due but not impaired as the collateral values of these loans are in excess of the principal and profit outstanding. Allowances for these loans may have been set aside on a portfolio basis. The Group's loans, advances and financing which are past due but not impaired are as follows:-

	Group 2013 RM'000	Group 2012 RM'000
Past due up to 30 days	1,333,146	1,468,414
Past due 30-60 days	767,638	813,727
Past due 60-90 days	352,672	369,909
	2,453,456	2,652,050

iv) Loans that are individually determined to be impaired as at reporting date

	Group 2013 RM'000	Group 2012 RM'000
Analysis of impaired assets:-		
Gross impaired loans	740,958	790,438
Individually impaired loans	142,800	147,644

v) Collateral and other credit enhancements obtained

During the year, the Group has not obtained any assets by taking possession of collateral held as security or calling upon other credit enhancements.

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50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk (continued)

d) Private debt securities, treasury bills and derivatives

Private debt securities, treasury bills and other eligible bills included in financial assets held-for-trading and financial investments available-for-sale are measured on a fair value basis. The fair value will reflect the credit risk of the issuer.

Most listed and some unlisted securities are rated by external rating agencies. The Group mainly uses external credit ratings provided by RAM, MARC, Standard & Poors' or Moody's.

The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency:-

Group	AAA RM'000	AA- to AA+ RM'000	A- to A+ RM'000	Lower than A- RM'000	Unrated RM'000	Impaired * RM'000	Total RM'000
2013							
Financial assets held-for-trading:-							
- Bank Negara Malaysia Monetary Notes	-	-	-	-	149,544	-	149,544
Financial investments available-for-sale:-							
- Malaysian Government Investment Issuance	-	-	-	-	2,361,979	-	2,361,979
- Cagamas Bonds	85,228	-	-	-	-	-	85,228
- Bank Negara Malaysia Monetary Notes	-	-	-	-	629,674	-	629,674
- Others	-	-	80,043	-	453,492	-	533,535
- Private debt securities	2,680,248	1,104,228	538,502	73,774	226,590	2	4,623,344
- Sukuk Perumahan Kerajaan	337,661	-	-	-	48,081	-	385,742
Financial investments held-to-maturity:-							
- Private debt securities	-	-	-	-	556,126	67,907	624,033
Total	3,103,137	1,104,228	618,545	73,774	4,425,486	67,909	9,393,079