

Company No.

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AFFIN MONEYBROKERS SDN BHD

(Incorporated in Malaysia)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

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Company No.

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AFFIN MONEYBROKERS SDN BHD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

CONTENTS	PAGE
Directors' report	1 – 8
Income statement	9
Balance sheet	10
Statement of changes in equity	11
Cash flow statement	12 – 13
Notes to the financial statements	14 – 36
Statement by Directors	37
Statutory declaration	37
Independent auditors' report	38 – 39

Company No.

106666	U
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AFFIN MONEYBROKERS SDN BHD
(Incorporated in Malaysia)

**DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008**

The Directors hereby submit their report together with the audited financial statements of the Company for the financial year ended 31 December 2008.

PRINCIPAL ACTIVITY

The principal activities of the Company are that of a broker for the interbank foreign exchange and money market. There has been no significant change in the nature of the principal activities during the financial year.

FINANCIAL RESULTS

	RM
Profit for the year	1,294,560

DIVIDENDS

The dividends on ordinary shares paid by the Company in respect of the financial year ended 31 December 2008 was as follows:

	RM
Interim dividend of 80 sen gross per share, less income tax of 26%, paid on 26 December 2008	592,000

At the forthcoming Annual General Meeting, the Directors do not propose any final gross dividend in respect of the financial year ended 31 December 2008.

RESERVE AND PROVISIONS

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

SUBSEQUENT EVENTS

There were no material events subsequent to the balance sheet date that require disclosure or adjustments to the financial statements.

Company No.

106666	U
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AFFIN MONEYBROKERS SDN BHD
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (continued)

DIRECTORS

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

Y. Bhg Tan Sri Dato' Nasruddin bin Bahari
Mej. Gen (B) Datuk Ahmad Merican bin S.T Merican
Tuan Haji Mohd Mokhtar bin Ghazali
Datuk Haji Abdul Aziz bin Ismail

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interest of Directors in office at the end of the financial year in shares, warrants and options over shares in the Company and its related corporations are as follows:

	Number of shares of RM1.00 each			
	At <u>1.1.2008</u>	<u>Bought</u>	<u>Sold</u>	At <u>31.12.2008</u>
<u>AFFIN Holdings Berhad</u>				
Datuk Haji Abdul Aziz bin Ismail	15,000	-	-	15,000
Y. Bhg Tan Sri Dato' Nasruddin bin Bahari	30,000	-	-	30,000

	Number of warrants 2000/2010			
	At <u>1.1.2008</u>	<u>Granted</u>	<u>Sold</u>	At <u>31.12.2008</u>
<u>AFFIN Holdings Berhad</u>				
Datuk Haji Abdul Aziz bin Ismail	2,500	-	-	2,500

Each warrant of the holding company ("AFFIN Warrants 2000/2010") entitles the registered holder to subscribe for one new ordinary share of RM1.00 each in the holding company at any time from the date of issue of 8 July 2000 at the exercise price of RM3.10 per share. The original exercise period of the AFFIN Warrants 2000/2010 was expired on 7 July 2005. The warrant was extended for another 5 years and will expire on 7 July 2010 ("AFFIN Warrants 2000/2010").

Other than the above, none of the other Directors at the end of the financial year has any interest in the shares, warrants and options over shares of the Company and its related corporations during the financial year.

Company No.

106666	U
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AFFIN MONEYBROKERS SDN BHD
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (continued)

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangement 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 of the Company has received or become entitled to receive any benefit (other than directors' remuneration as disclose in Note 21 of 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 except that certain Directors received remuneration as directors/executives of related companies and warrants granted to the Directors of the Company by the holding company and the ultimate holding corporate body.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statement and balance sheet 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 the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their value as shown in the accounting records of the Company had 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 or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

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 Company to meet its obligations when they fall due.

Company No.

106666	U
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AFFIN MONEYBROKERS SDN BHD
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (continued)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (continued)

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

- (a) any charge on the assets of 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 Company which has arisen since the end of the financial year.

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 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 affect substantially the results of the operations of the Company for the financial year in which this report is made.

CORPORATE GOVERNANCE

- (i) Board responsibility and oversight

The Board of Directors which comprises of four (4) non-executive Directors with a wide range of experience and knowledge, has been instrumental in the formulation and crafting of the Company's vision and its strategic business direction.

The Board meets on a bi-monthly basis, to review the Company's financial and business performance, to oversee the conduct of the Company's business as well as to ensure that adequate internal control system are in place.

- (ii) Internal audit and internal control activities

The internal control systems are based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. The key processes that the Board has established in reviewing the adequacy and integrity of the internal control systems are as follows:

The Company has an organisation chart which clearly defines the responsibilities and accountabilities of the staff.

Company No.

106666	U
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AFFIN MONEYBROKERS SDN BHD
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (continued)

CORPORATE GOVERNANCE (continued)

(ii) Internal audit and internal control activities (continued)

The Board of Directors meets bi-monthly to ensure that it maintains full and effective supervision over appropriate controls.

A comprehensive budget and business strategy is established annually.

The Management meets every month to review, deliberate and approve matters relating to business strategy, performance of the Company, operational issues and financial position.

Continuous review by Internal Audit which is focussed on areas of significant risks and effectiveness of internal control in accordance to the approved Audit Plan.

Establishment of guidelines in respect of control applications and environment of computer information systems.

Establishment of system in maintaining and reviewing control accounts and trial balances.

(iii) Management reports

The Management report is submitted to AFFIN Holding Bhd every month and tabled to the Board on bi-monthly basis.

COMMENTARY OF BUSINESS PLAN

1. Business strategy for the current financial year (Year 2008)

The net brokerage income performance for 2008 is RM9,247,865. This 2008 results is higher by RM259,031 or 2.9% in comparison with the corresponding period in 2007 of RM8,988,834. In comparison against the budget of RM9,229,000, the performance is higher by RM18,865 or 0.2%.

The slight increase in net brokerage income for the year of 2008 is mainly due to the adverse impact of the global financial crisis beginning in the fourth quarter of 2008.

Company No.

106666	U
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AFFIN MONEYBROKERS SDN BHD
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (continued)

COMMENTARY OF BUSINESS PLAN (continued)

2. Outlook for the next financial year (Year 2009)

(a) Outline of objectives and strategies

- (i) To strive for higher market share through improving broking skills, knowledge and professionalism.
- (ii) To reward shareholder by maximising profit target.

(b) Key assumptions (Including Critical Success Factors, Competition, Risk and Opportunities)

(i) Brokerage Liberalization Impact

With the liberalization of brokerage fees, effective April 2006, as outlined in the Financial Sector Masterplan, competitive negotiations will continue to capture a larger market share and this invariable battle of discounts will effect brokerage income. Currently discounts average 40% to 45% on most products and further erosion can be expected.

(ii) E-Broking

The eventual entry and acceptance by market participants of e-broking will also have a negative impact on conventional voice broking. As witnesses in other major financial centres, the success of e-broking especially in foreign exchange trading is extremely detrimental to voice broking. The Company has however taken preventive measures and our involvement in PET-an electronic trading system, allows us to take advantage of electronic trading opportunities.

(iii) Consolidation/Merger of Moneybrokers

Due to liberalization of brokerage fee structure and the movement of staff, some of the moneybroking companies are barely breaking even. With escalating operational costs and lower income margin, we foresee further consolidation or mergers in the industry.

(iv) Consolidation of the Financial Industry

The ongoing consolidation of financial institution to form Investment Banks has reduced market players thereby siphoning liquidity in the wholesale market. The Government's plan to establish large and well capitalized banks to compete in the global market place may result in the further consolidation of the banking industry.

Company No.

106666	U
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AFFIN MONEYBROKERS SDN BHD
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (continued)

COMMENTARY OF BUSINESS PLAN (continued)

2. Outlook for the next financial year (Year 2009) (continued)

(b) Key assumptions (Including Critical Success Factors, Competition, Risk and Opportunities)
(continued)

(v) Subprime Mortgage Crisis

The US subprime mortgage crisis has spread to various areas of the globe with grave consequences. Large financial institutions have collapsed and major players have huge write-downs in the balance sheet. This has moved the Fed to intervene and "assist" the industry to normalize. Due to the subprime crisis, financial institutions are less likely to take any risks, especially in the derivatives market. This slowdown will have negative impact on the GDP and with growth slowing down, markets will take time to recover.

(vi) Islamic Banking

The approval by Bank Negara to issue new Islamic Banking License will add greater depth to the Islamic Banking in the industry. The expected growth of Islamic banking products and services will have a tremendous positive effect in the domestic market. More international conventional banks will also likely to commence operation locally.

(vii) New Market participants

The greater dealing requirements of Insurance companies and the probable entry of large corporate bodies like EPF and Petronas will be beneficial to the market.

(viii) Strategic Plan

With the possible consolidation or merger of moneybroking companies the total brokerage income potential will surely increase. However, the globalization of financial markets i.e. borderless trading, will see the entry of large international foreign moneybroking companies competing in the domestic inter-bank market. These companies have a wide network and are superior in term of technology and technical expertise. Their innovative skills to introduce new products and services will have devastating impact on local moneybroking companies. This will be further exasperated if and when the Ringgit is a freely traded currency. There is positive indication that a large foreign moneybroking company will make a presence in the near future and that Bank Negara has allowed the companies to own a majority interest. We have anticipated this situation and have been constantly engaged to identify and establish a formal alliance with a reputable international partner. There has been no positive outcome in this matter due to several "other" issues. Our strategic plan is devoid of any foreign inter-dealer broker operating domestically. However, if the inevitable were to occur, the business plan will be severely impacted.

Company No.

106666	U
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AFFIN MONEYBROKERS SDN BHD
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (continued)

HOLDING COMPANY AND ULTIMATE HOLDING CORPORATE BODY

The Directors regard AFFIN Holdings Berhad, incorporated in Malaysia as the holding company and Lembaga Tabung Angkatan Tentera, a statutory body incorporated 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.

In accordance with a resolution of the Board of Directors dated 23 February 2009.

TUAN HAJI MOHD MOKHTAR BIN GHAZALI
DIRECTOR

DATUK HAJI ABDUL AZIZ BIN ISMAIL
DIRECTOR

Kuala Lumpur

Company No.

106666	U
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AFFIN MONEYBROKERS SDN BHD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	<u>Note</u>	<u>2008</u> RM	<u>2007</u> RM
Interest income	3	211,984	154,013
Non interest income	4	<u>9,249,365</u>	<u>8,979,627</u>
Net income		9,461,349	9,133,640
Other operating expenses	5	<u>(7,624,285)</u>	<u>(7,270,895)</u>
Profit before taxation		1,837,064	1,862,745
Taxation	6	<u>(542,504)</u>	<u>(531,101)</u>
Net profit for the year		<u>1,294,560</u>	<u>1,331,644</u>
Earnings per share (sen) - Basic and fully diluted	7	<u>1.29</u>	<u>1.33</u>

The accompanying notes to the financial statements form an integral part of these financial statements.

Company No.

106666	U
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AFFIN MONEYBROKERS SDN BHD
(Incorporated in Malaysia)

BALANCE SHEET AS AT 31 DECEMBER 2008

	<u>Note</u>	<u>2008</u> RM	<u>2007</u> RM
ASSETS			
Cash and short term funds	8	1,691,390	1,065,648
Deposit placements with a licensed financial institution	9	4,500,000	4,000,000
Securities available-for-sale	10	51,640	46,640
Trade receivables	11	778,480	1,156,193
Other assets	12	371,020	386,496
Amount due from related companies	13	47,335	58,184
Property and equipment	14	615,415	942,345
Intangible assets	15	20,232	22,852
TOTAL ASSETS		<u>8,075,512</u>	<u>7,678,358</u>
LIABILITIES			
Other liabilities	16	720,919	882,337
Provision for tax		8,922	107,500
Deferred taxation	17	53,575	102,000
Total liabilities		<u>783,416</u>	<u>1,091,837</u>
SHAREHOLDER'S EQUITY			
Capital and reserves			
Share capital		1,000,000	1,000,000
Retained earnings		6,292,096	5,586,521
		<u>7,292,096</u>	<u>6,586,521</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		<u>8,075,512</u>	<u>7,678,358</u>

The accompanying notes to the financial statements form an integral part of these financial statements.

Company No.

106666	U
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AFFIN MONEYBROKERS SDN BHD
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008**

	<u>Share capital</u> RM	<u>Non-distributable Statutory reserve</u> RM	<u>Equity reserve</u> RM	<u>Distributable Retained profit</u> RM	<u>Total</u> RM
As at 1 January 2008	1,000,000	1,000,000	(1,060)	4,587,581	6,586,521
Net change in fair value of securities available-for-sale	-	-	5,000	-	5,000
Deferred tax on revaluation of securities available-for-sale	-	-	(1,985)	-	(1,985)
Income and expense recognised directly in equity	-	-	3,015	-	3,015
Net profit for the year	-	-	-	1,294,560	1,294,560
Total recognised income and expense for the financial year	-	-	3,015	1,294,560	1,297,575
Dividend	-	-	-	(592,000)	(592,000)
At 31 December 2008	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,955</u>	<u>5,290,141</u>	<u>7,292,096</u>
As at 1 January 2007	1,000,000	700,000	(5,800)	3,920,937	5,615,137
Net change in fair value of securities available for sale	-	-	5,740	-	5,740
Deferred tax on revaluation of securities available-for-sale	-	-	(1,000)	-	(1,000)
Income and expense recognised directly in equity	-	-	4,740	-	4,740
Net profit for the year	-	300,000	-	1,031,644	1,331,644
Total recognised income and expense for the financial year	-	-	4,740	1,031,644	1,336,384
Dividend	-	-	-	(365,000)	(365,000)
At 31 December 2007	<u>1,000,000</u>	<u>1,000,000</u>	<u>(1,060)</u>	<u>4,587,581</u>	<u>6,586,521</u>

The accompanying notes to the financial statements form an integral part of these financial statements.

Company No.

106666	U
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AFFIN MONEYBROKERS SDN BHD
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	<u>Note</u>	<u>2008</u> RM	<u>2007</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,837,064	1,862,745
Adjustments for:			
Depreciation of property and equipment		381,882	376,836
Amortisation of intangible assets		6,970	5,783
Write-back of impairment loss		-	(37,924)
Interest income		(211,984)	(154,013)
Operating profit before working capital changes		<u>2,013,932</u>	<u>2,053,427</u>
(Increase)/decrease in operating assets			
Trade receivables		377,713	(79,750)
Amount due from related companies		10,849	12,037
Other assets		18,672	(80,559)
		<u>2,421,166</u>	<u>1,932,362</u>
Increase/(decrease) in operating liabilities			
Other liabilities		(161,418)	22,861
Tax paid		(691,491)	(427,775)
Interest received		208,788	154,013
Net cash generated from operating activities		<u>1,777,045</u>	<u>1,681,461</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(54,953)	(65,000)
Purchase of intangible assets (computer software)		(4,350)	(9,050)
Net cash used in from investing activities		<u>(59,303)</u>	<u>(74,050)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(592,000)	(365,000)
Net cash used in financing activities		<u>(592,000)</u>	<u>(365,000)</u>

Company No.

106666	U
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AFFIN MONEYBROKERS SDN BHD
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

	<u>Note</u>	<u>2008</u> RM	<u>2007</u> RM
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,125,742	1,354,811
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>5,065,648</u>	<u>3,710,837</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>6,191,390</u></u>	<u><u>5,065,648</u></u>

Cash and equivalents comprise the following:

Cash and short term funds	8	1,691,390	1,065,648
Deposit placements with a licensed financial institution	9	<u>4,500,000</u>	<u>4,000,000</u>
		<u><u>6,191,390</u></u>	<u><u>5,065,648</u></u>

The accompanying notes to the financial statements form an integral part of these financial statements.

Company No.

106666	U
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AFFIN MONEYBROKERS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

1 CORPORATE INFORMATION

The principal activities of the Company are that of a broker in the interbank foreign exchange and money market. There has been no significant changes in the nature of the principal activities during the financial year.

The Company is a private limited company, incorporated and domiciled in Malaysia. The registered office is located at 10th Floor, Menara Hap Seng, No. 1& 3 Jalan P. Ramlee 50250 Kuala Lumpur. The principal place at which business is carried on is located at Level 25, Menara Boustead, Jalan Raja Chulan, 50200 Kuala Lumpur.

The number of employees in the Company at the end of the financial year was 47 (2007: 47).

The immediate holding company is AFFIN Holdings Berhad and the ultimate holding corporate body is Lembaga Tabung Angkatan Tentera (LTAT), a corporate body established under the Tabung Angkatan Tentera Act 1973. Both the holding company and the corporate body are incorporated and domiciled in Malaysia.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A Basis of preparation of the financial statements

The financial statements of the Company have been prepared under the historical cost convention.

The financial statements of the Company have been prepared in accordance with the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, Bank Negara Malaysia ("BNM") Guidelines and the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with the MASB Approved Accounting Standards for Entities Other Than Private Entities, 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 the Directors to exercise their judgment in the process of applying the Company's accounting policies. Although these estimates and judgments are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.