

FINANCIAL STATEMENTS

For the period 14 May 2003 (date of constitution) to 31 December 2003

APS Alpha Fund



APS Asset Management Pte Ltd

APS FUNDS - APS ALPHA FUND

Manager	:	APS Asset Management Pte Ltd 3 Anson Road #24-03 Springleaf Tower Singapore 079909
Trustee	:	Dexia Trust Services Singapore Limited 9 Raffles Place #42-01 Republic Plaza Singapore 048619
Auditors	:	KPMG 16 Raffles Quay #22-00 Hong Leong Building Singapore 048581
Registrar	:	Dexia Fund Services Singapore Pte Ltd 9 Raffles Place #42-01 Republic Plaza Singapore 048619
Solicitors to the Managers	:	Rodyk & Davidson 80 Raffles Place #33-00 UOB Plaza 1 Singapore 048624
Solicitors to the Trustee	:	Stamford Law Corporation 9 Raffles Place #32-00 Republic Plaza Singapore 048619

Content

	Page
Management Review for Financial Year Ended 31 December 2003	3
Report of the Trustee	5
Statement by the Manager	6
Auditor Report to the unitholders of APS Funds - APS Alpha Fund	7
Statement of Total Return	8
Balance Sheet	9
Statement of Movements in Unitholders' Funds	10
Portfolio Statement	11
Summary of Financial Highlights	15
Notes to the Financial Statements	17

Management Review for Financial Year Ended 31 December 2003

Dear Investor,

It has been four months since the launch of the APS Alpha Fund and we would like to thank you for your continued support. We are pleased to announce that the Alpha Fund was the largest Singapore retail equity fund launched over the last three years. The fund size currently stands at S\$ 88m.

The fund was launched with no fixed fees because we believe investors like yourself would like to pay fees only if their managers deliver, a philosophy we share with you. Hence we became the first Singapore-based fund management firm to launch a zero-expense ratio unit trust, the APS Alpha Fund.

During the launch of the fund, we incurred and absorbed S\$ 474,000 of start-up, advertising and administrative expenses. We also incurred an additional S\$ 78,000 of legal, administration, custodial and audit fees. In a conventional unit trust, with the exception of advertising expenses you will have to bear all these expenses. But in the case of the Alpha Fund the manager bears all of these third party expenses. For the uniqueness of the fund, the APS Alpha Fund was awarded in February '04 as the "Most Innovative Product in Singapore for 2003" by Asia Asset Management magazine.

For the year 2003, the fund had a positive performance of 3.5% net of fees. We are aware that this performance has been somewhat subdued. In our recent CIO's review of the 2003 performance, we explained that much of the rally in the Asian equity markets was driven by large capitalization stocks which benefited from liquidity flows. However, we are not sure these stocks will produce the medium- and long-term performance we are seeking. Our research in the last 6 months did not produce the evidence that fundamentals of these large cap stocks would see substantial improvements in 2004. In Singapore, for instance, banks and property companies are likely to face challenges in growing their core businesses. Our CIO had reinforced the original objective of the Fund, which is to generate an annualized return of 6% as stated in the Prospectus. Nevertheless, at the point of writing, your Fund has risen to 11% net of fees.

It is our intention to include in the Portfolio primarily stocks of well-managed and profitable companies which are undervalued by the market. We will resist buying stocks favoured by the prevailing consensus or change our investment style as a result of temporary unsatisfactory performance. Please refer to our Q4 03 report for our detailed investment strategy.

We assure you that at APS we are fully committed to make the fund successful as APS and its staff have invested S\$10m of our own money. We thank you once again for your continued support.

Yours sincerely,

Wong Kok Hoi
Chief Investment Officer
APS Asset Management

Pieter van Putten
Managing Director
APS Asset Management

Singapore
3 March 2004

REPORT OF THE TRUSTEE

The Trustee is under a duty to take into custody and hold the assets of APS Funds - APS Alpha Fund in trust for the unitholders. In accordance with the Securities and Futures Act (Cap 289), its subsidiary legislation and the Code on Collective Investment Schemes (collectively referred to as the “laws and regulations”), the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting period and report thereon to unitholders in an annual report which shall contain the matters prescribed by the laws and regulations as well as the recommendations of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” issued by the Institute of Certified Public Accountants of Singapore and the provisions of the Trust Deed.

To the best knowledge of the Trustee, the Managers have, in all material respects, managed APS Funds - APS Alpha Fund during the period covered by these financial statements in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed, laws and regulations and otherwise in accordance with the provisions of the Trust Deed.

For and on behalf of the Trustee
Dexis Trust Services Singapore Limited

Marcel Weicker
Managing Director

Singapore
19 March 2004

STATEMENT BY THE MANAGER

In the opinion of the directors of APS Asset Management Pte Ltd, the accompanying financial statements set out on pages 8 to 19, comprising the Statement of Total Return, Balance Sheet, Statement of Movements in Unitholders' Funds, Portfolio Statement, Summary of Financial Highlights and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of APS Funds - APS Alpha Fund as at 31 December 2003, the total return and movements in unitholders' funds for the period then ended and have been properly prepared in accordance with the recommendations of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore and the provisions of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that APS Funds - APS Alpha Fund will be able to meet its financial obligations as and when they materialise.

For and on behalf of directors of APS Asset Management Pte Ltd

Wong Kok Hoi
Director

Singapore
19 March 2004

AUDITORS' REPORT TO THE UNITHOLDERS OF APS FUNDS - APS ALPHA FUND

(Constituted under a Trust Deed in the Republic of Singapore)

We have audited the financial statements of APS Funds - APS Alpha Fund (the "Fund") set out on pages 8 to 19, comprising the Statement of Total Return, Balance Sheet, Statement of Movements in Unitholders' Funds, Portfolio Statement, Summary of Financial Highlights and Notes to the Financial Statements. These financial statements are the responsibility of APS Asset Management Pte Ltd (the "Manager") and Dexia Trust Services Singapore Limited (the "Trustee") of the Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Manager, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2003, the total return and movements in unitholders' fund for the period then ended, in accordance with the recommendations of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore and the provisions of the Trust Deed.

KPMG

Certified Public Accountants

Singapore

19 March 2004

Statement of Total Return

for the period 14 May 2003 (date of constitution) to 31 December 2003

	Note	APS Alpha Fund Period from 14/5/2003 to 31/12/2003 \$
Investment income		
Dividends		231,045
Interest		703
		231,748
Less:		
Expenses		
Performance fees		1,246,573
GST expense		49,863
		1,296,436
Net investment income before income tax		(1,064,688)
Less:		
Income tax	3	-
Net investment income after income tax		(1,064,688)
Net gain on value of investments		
Net realised loss on investments sold during the period		(103,263)
Net unrealised appreciation on investments for the period		4,506,226
Net foreign exchange loss		(377,933)
Net gain on value of investments		4,025,030
Total return for the period		\$ 2,960,342

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

Balance Sheet

as at 31 December 2003

	Note	APS Alpha Fund 31/12/2003 \$
Portfolio of investments		87,210,748
Current assets		
Receivables	4	371,397
Cash and bank balances		3,126,086
		3,497,483
Less:		
Current liabilities		
Payables	5	1,792,501
Net current assets		1,704,982
Net assets		\$88,915,730
Unitholders' funds		\$88,915,730
Units in issue	6	85,994,190
Net asset value per unit		\$ 1.03

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

Statement of Movements in Unitholders' Funds

for the period 14 May 2003 (date of constitution) to 31 December 2003

	APS Alpha Fund Period from 14/5/2003 to 31/12/2003 \$
Income from investment operations	
Net investment income after income tax	(1,064,688)
Net gain on value of investments	4,025,030
Net increase in net assets resulting from operations	2,960,342
Unitholders' contributions/(withdrawals)	
Creation of units	87,952,509
Cancellation of units*	(1,997,121)
Net increase in net assets resulting from net creation and cancellation of units	85,955,388
Total increase in net assets	88,915,730
Net assets	\$88,915,730

* Amounts redeemed on cancellation of units include performance fees of \$14,941.

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

Portfolio Statement

as at 31 December 2003

	APS Alpha Fund		
	Holdings	Market	Percentage of
	31/12/2003	Value	Net Assets
	(shares/units)	31/12/2003	31/12/2003
		(\$)	(%)
By Geography (Primary)			
Quoted Equities			
China			
Jiangsu Expressway Co	1,866,000	1,686,255	1.90
Hong Kong			
Kingmaker Footwear Holdings Ltd	2,756,000	2,082,984	2.34
IDT International Ltd	5,998,000	1,629,355	1.83
Varitronix International Ltd	868,284	1,464,671	1.65
Texwinca Holdings Ltd	1,458,000	1,804,652	2.03
Kingboard Chemical Holdings	1,084,000	2,837,819	3.19
		9,819,481	11.04
Malaysia			
Unisem (M) Bhd	828,400	4,115,357	4.63
British American Tobacco	144,000	2,803,472	3.15
		6,918,829	7.78
Singapore			
Del Monte Pacific Ltd	3,590,000	2,100,150	2.36
Kim Eng Holdings Ltd	367,000	440,400	0.50
IDT Holdings (Singapore) Ltd	1,946,000	4,067,140	4.57
Venture Corporation Ltd	198,000	3,960,000	4.45
Want Want Holdings Ltd	1,294,000	2,090,671	2.35
Hong Leong Finance Limited	247,000	649,610	0.73
Hi-P International Ltd	1,865,000	1,519,975	1.71
Kingboard Copper Foil Holdings Ltd	5,821,000	2,735,870	3.08
		17,563,816	19.75

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

Portfolio Statement

as at 31 December 2003

APS Alpha Fund			
	Holdings 31/12/2003 (shares/units)	Market Value 31/12/2003 (\$)	Percentage of Net Assets 31/12/2003 (%)
By Geography (Primary)			
Quoted Equities			
South Korea			
Hyundai Motor Co Ltd	31,900	2,295,905	2.58
LG Card Co Ltd	429,810	1,865,244	2.10
Hankuk Electric Glass Co Ltd	4,700	525,823	0.59
Samsung Electronics Co Ltd	4,140	2,661,024	2.99
Namyang Diary Products Co Ltd	2,100	897,868	1.01
Dongbu Insurance Co Ltd	459,570	2,655,916	2.99
Hyundai Fire & Marine Ins Co	40,720	2,025,373	2.28
Daewoo Shipbuilding & Marine Engineering	147,960	3,226,321	3.63
Posco	1,500	348,458	0.39
SK Telecom Co Ltd	2,250	638,127	0.72
		17,140,059	19.28
Taiwan			
Basso Industry Corporation Ltd	1,659,000	5,522,432	6.21
Feng Tay Enterprise Co Ltd	2,360,000	3,839,350	4.32
Pihsiang Machinery Manufacturing Co	614,000	3,626,709	4.08
Global Union Industrial Corporation	3,312,000	6,117,572	6.88
Fu Sheng Industrial Co Ltd	965,000	2,946,589	3.31
Meiloon Co Ltd	2,415,000	5,705,865	6.42
Powercom Co Ltd	542,280	1,275,804	1.44
		29,034,321	32.66

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

Portfolio Statement

as at 31 December 2003

	APS Alpha Fund		
	Holdings	Market	Percentage of
	31/12/2003	Value	Net Assets
	(shares/units)	31/12/2003	31/12/2003
		(\$)	(%)
By Geography (Primary)			
Quoted Equities			
Thailand			
Bangkok Bank - NVDR	196,200	918,000	1.03
Hana Microelectronics - Foreign	769,700	4,129,987	4.64
		<u>5,047,987</u>	<u>5.67</u>
Portfolio of investments		87,210,748	98.08
Net current assets		<u>1,704,982</u>	<u>1.92</u>
Net assets		<u>\$88,915,730</u>	<u>100.00</u>

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

Portfolio Statement

as at 31 December 2003

	APS Alpha Fund Percentage of Net Assets 31/12/2003 (%)
By Geography (Summary)	
Quoted	
China	1.90
Hong Kong	11.04
Malaysia	7.78
Singapore	19.75
South Korea	19.28
Taiwan	32.66
Thailand	5.67
Portfolio of investments	98.08
Net current assets	1.92
Net assets	100.00

	Market Value 31/12/2003 (\$)	Percentage of Net Assets 31/12/2003 (%)
By Industry (Summary)		
Consumer discretionary	22,292,684	25.07
Consumer staples	19,715,598	22.17
Financials	8,554,543	9.62
Industrials	13,230,787	14.88
Information technology	22,430,551	25.23
Materials	348,458	0.39
Telecom services	638,127	0.72
Portfolio of investments	87,210,748	98.08
Net current assets	1,704,982	1.92
Total	88,915,730	100.00

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

Summary of Financial Highlights

for the period 14 May 2003 (date of constitution) to 31 December 2003

	APS Alpha Fund
	31/12/2003
	\$
<u>Per Unit Data</u>	
Net asset value at beginning of period	1.00
Income from investment operations	
Net investment income after income tax	(0.01)
Net gain on value of investments	0.04
Total return from investment operations	<u>0.03</u>
Less distribution	<u>-</u>
Net asset value at end of period	<u>1.03</u>
Total return	<u>0.03</u>

Supplemental Data and Ratios

	31/12/2003
	\$
Net assets at end of period	\$88,915,730
Ratio of expenses to weighted average net assets	0.06%
Ratio of net investment income to weighted average net assets	(1.28%)
Portfolio turnover rate	7.40%

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

Summary of Financial Highlights

for the period 14 May 2003 (date of constitution) to 31 December 2003

10 Largest Holdings at Balance Sheet Date

	Market Value 31/12/2003 \$
<u>Equity investments</u>	
Global Union Industrial Corporation	6,117,572
Meiloon Co Ltd	5,705,865
Basso Industry Corporation Ltd	5,522,432
Hana Microelectronics - Foreign	4,129,987
Unisem (M) Bhd	4,115,357
IDT Holdings (Singapore) Ltd	4,067,140
Venture Corporation Ltd	3,960,000
Feng Tay Enterprise Co Ltd	3,839,350
Pihsiang Machinery Manufacturing Co	3,626,709
Daewoo Shipbuilding & Marine Engineering	<u>3,226,321</u>

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

Notes to the Financial Statements

31 December 2003

1. General

APS Funds is an open-ended umbrella fund constituted pursuant to the Deed of Trust dated 14 May 2003, as amended by an Amending and Restating Deed dated 18 July 2003. The Deed of Trust and Amending and Restating Deed are governed by the laws of the Republic of Singapore.

Only units in APS Alpha Fund (a sub-fund of APS) are currently being offered. The principal objective of APS Alpha Fund is to achieve capital appreciation in the medium to long term through investment in listed equities on the recognised stock exchanges of Asia (excluding Japan). APS Alpha Fund is included under the Central Provident Fund Investment Scheme.

2. Summary of Significant Accounting Policies

(a) Basis of preparation

The financial statements, expressed in Singapore Dollars, are prepared on the historical cost basis, as modified by the revaluation of marketable investments, and in accordance with Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore.

For the purposes of preparation of these financial statements, the basis used for calculating the ratio of expenses and portfolio turnover rate are in accordance with the guidelines issued by the Investment Management Association of Singapore and the Code on Collective Investment Schemes (under the Securities and Futures Act 2001) respectively.

(b) Basis of valuation of investments

Marketable investments are stated at market value based on the closing prices as of the last day of the financial period. The difference between the market value of the portfolio of investments and the original cost (which includes brokerage and other transaction costs) is taken directly to the Statement of Total Return. Realised gains and losses on disposal of investments are computed on the basis of the difference between weighted average cost and selling price and are taken directly to the Statement of Total Return.

Notes to the Financial Statements

31 December 2003

(c) Recognition of income

Dividend income is recognised in the profit and loss account when the right to receive payment is established.

(d) Foreign currency translation

All monetary assets and liabilities in currencies other than Singapore dollars are translated at exchange rates ruling at the end of the accounting period and transactions in currencies other than Singapore dollars during the period are translated at rates of exchange ruling on transaction dates. Translation differences are dealt with through the Statement of Total Return.

3. Taxation

The Fund is a designated unit trust under the Singapore Income Tax Act (Chapter 134). As a result, the following income will not be taxed at the Fund level:

- gains or profits derived from Singapore or elsewhere from the disposal of securities; and
- interest (other than interest for which Singapore tax has been withheld).

4. Receivables

	2003
	\$
Amounts receivable for creation of units	242,777
Accrued dividends receivable	102,297
Amount due from the Manager (non-trade)	26,323
	<hr/>
	\$ 371,397
	<hr/> <hr/>

Notes to the Financial Statements

31 December 2003

5. Payables

	2003
	\$
Payable to unit holders for cancellation of units	334,902
Accrued performance fees payable to the Manager	1,261,514
Other accrued expenses	196,085
	<u>\$1,792,501</u>

Accrued performance fees payable to the Manager include \$14,941 relating to performance fees on redemption of units during the year.

6. Units in Issue

	Period from 14/5/2003 to 31/12/2003
At date of constitution	-
Units created	88,138,206
Units cancelled	(2,144,016)
At end of the period	<u>85,994,190</u>

7. Distribution

The Managers did not propose any distribution to unitholders for the financial period ended 31 December 2003. No distribution was paid for the financial period ended 31 December 2003.

8. Related Party Transactions

In the normal course of the business of the Fund, a performance fee is payable to the Manager, as stated in note 5 to the financial statements, in accordance with terms of the Amending and Restating Deed dated 18 July 2003.

9. Comparative Figures

No comparative figures are presented as this is the first set of audited financial statements since the constitution of the Fund.

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