FINANCIAL STATEMENTS

Year ended 31st December 2008

APS Alpha Fund

In search of alpha

APS Asset Management Pte Ltd

APS FUNDS - APS ALPHA FUND

Manager	**:**	**APS Asset Management Pte Ltd** **3 Anson Road** **#23-01 Springleaf Tower** **Singapore 079909**
Trustee	**:**	**RBC Dexia Trust Services Singapore Limited** **20 Cecil Street** **#28-01 Equity Plaza** **Singapore 049705**
Auditors	**:**	**KPMG LLP** **16 Raffles Quay** **#22-00 Hong Leong Building** **Singapore 048581**
Registrar	**:**	**RBC Dexia Investor Services Singapore Pte Ltd** **20 Cecil Street** **#28-01 Equity Plaza** **Singapore 049705**
Solicitors to the Manager	**:**	**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**

Contents

Investment Review for Year Ended 31st December 2008

Economic And Market Background

2008 would go down in history as one of the worst bear market years. This crisis started with the subprime loans and CDOs. It quickly plunged the world into a deep recession and savage bear market. In the US, major financial institutions' equities were almost wiped out. Credit markets froze. For the first time since World War II, the US, Europe and Asia went into recession simultaneously.

Governments and central banks around the world panicked and hastily came up with bail-out plans and Keynesian's stimulus measures. Despite these efforts, the economy continued to stay sluggish and markets remained jittery. The MSCI World Index lost 42% last year, whilst most Asian bourses fared even worse in local currencies terms.

The recession and de-leveraging of speculative funds caused energy and commodities to plummet from their peak levels. Crude oil corrected by more than 70%! Metals did not escape the sell-off either. The collapse of the BDI is probably most dramatic: it fell from 12,000 in May 08 to 663 in December 08; 95% lower in merely six and a half months. Worries about inflation in early 2008 swiftly gave way to concerns on deflation.

Fund Performance Analysis

If the past year's economic data and stock market performance are some indication, the emerging markets have not decoupled from the developed countries. Although emerging markets might have seen more resilient domestic demand and have been trading more with each other, the internal orders for goods failed to fill the production lines idled by plummeting consumer demand from the US and Europe. Therefore, the manufacturing names in our portfolio were adversely affected by their exposure to the US or Europe demands.

The macro environment is full of headwinds for companies. Many investors will waver in such a situation. However, we continue to believe that in the long term, the stronger manufacturing companies will benefit from the continued increase in outsourcing from their US or European clients. The outsourcing trend will go on for simple economic reasons: manufacturing costs in Asia are still way below those in the US or Europe. The inherent competitiveness of these contract manufacturers, Hon Hai Precision for instance, has been in no way different from two years ago when it was delivering 30% annual growth amid much scepticism.

Investment Review for Year Ended 31st December 2008

Being a bottom-up fund manager, we stuck to our strategy of favoring stocks of companies that are well managed with quality earnings and strong balance sheets, although these companies tend to be less exciting and not well researched by investors.

Our old argument that quality stocks will sooner or later attract smart investors was validated when one of our companies attracted the interest of a renowned investor. One such example was one of our key holdings, **BYD Company Ltd**, was bought by none other than Warren Buffet who took a 10% stake. Before the acquisition, there had been concerns for more than a year that the Chinese battery and auto maker would be adversely affected by slower handset sales and the litigation case with FIH, a competitor in the EMS industry. Our research and numerous visits and calls with senior management increased our conviction in the company's fundamentals. An independent check with one of its key customers confirmed our view that the company had been excellent in innovation and execution, which reinforced our view that it would continue to gain market share in the handset OEM industry. Its competitive edge in battery technology would place it in a strong position to develop electric cars and energy storage devices. In addition, we concluded that most likely case, the outcome of the litigation suit with FIH will not have any material impact on BYD's operations. We took advantage of the depressed share price and the negative view about the company's prospects by adding to our position. The share price outperformed the market by 42%.

Chaoda Modern Agriculture Holding Ltd, the largest vegetable grower in China, outperformed the local index by 20%. We like the structural growth story of Chaoda, especially amid the ongoing agricultural reforms in China. With a large scale, modern vegetable cultivation technology and a centralized logistics system, Chaoda is in the enviable position all competitors will like to be in. Unfortunately, this story is not well understood by investors, made worse by poor coverage. However, its consistent strong earnings attracted some investor interest. To be fair, some investors chose to stay away from the stock because of corporate governance concerns. To reduce that possible risk, we hold a low weighting of 0.6%. We believe the risk while possible, is mitigated by the large stake held by the chairman and the low valuation, which provides a comfortable margin of safety.

Portfolio Activities

Korea Market

The Korean portfolio was revamped as numerous opportunities presented themselves, especially in the 1st half of 2008.

Investment Review for Year Ended 31st December 2008

We added **Daesang Corporation** in Korea. Daesang is a food company that makes seasonings, sauces, monosodium glutamate, corn starch and instant foods, etc. As a result of strong restructuring efforts, which included the termination of loss-making products, reduction of its workforce and system optimization, operating margin should increase sharply from 2.6% in FY06 to 6.8% in FY08.

Dongbu Corporation is a mid-sized construction company focused mainly on the domestic market. It is a branded housing market leader in Korea. The company should experience a fundamental turnaround when they succeed in the presale of some relatively high-margin apartments. Consequently, revenue from its housing division will grow dramatically from KRW247bn in 2007 to KRW557bn in 2008 and KRW760bn in 2009 (i.e 75% CAGR). Future growth of housing sales will be driven by apartment reconstruction. Ratio of unsold to sold units is low. The company is currently trading below book value and 5x FY08 earnings. Dongbu's turnaround should stand out in these uncertain times in the Korean property market.

Doosan Corporation is deleveraging. The management confirmed that the group's future focus will be to enhance the current businesses and restructuring rather than expansion. They announced officially that non-core assets including 5 subsidiaries and a real estate development were subject to disposal. After these disposals, the company will have a net-cash position. The management indicated also that they planned to cancel treasury shares held by the company (25% of total outstanding shares) to enhance shareholders' value. The recent stock price is at a 70% discount to its net asset value. We believe the discount is likely to narrow to 40-50% discount level if they deleverage successfully.

Also known as Sebang Global Battery, **Global & Yuasa Battery Co., Ltd** is one of the largest automotive and industrial battery makers in Korea, with a 4% global market share. Margins are fast expanding due to its ability to pass on lead (Pb) price hikes to customers. The recently reported 1Q08 operating profit has already exceeded 2007 full year results, despite 1Q being its weakest season. We estimate that its operating profit for FY08 will exceed KRW90b, three times higher than FY07. At the time of purchase, Global & Yuasa Battery was valued at only 3.3x FY08 earnings.

We bought into **GS Home Shopping Incorporated**. It is one of the largest home shopping companies in Korea. The company is undervalued, trading at 2008E PER and PBR of 6.7x and 1.0x respectively while generating 19% ROE. In particular, the company has a low EV/EBITDA of 2.1x and pays out a dividend yield of 6%. Earnings are likely to pick up again with an expected net profit growth of 16% in 2008 as the company continues to reduce marketing costs and scale back operations at GS e-Store, which has been a drag on earnings in the past. Despite sluggish consumption trend, the company is likely to post relatively strong earnings, resulting from changing sales mix to better suit consumer tastes and corporate restructuring exercise to reduce costs.

We added **Hannong Chemical Incorporated**. From humble beginnings as a producer of agrochemical surfactants in 1976, Hannong Chemical has expanded its product range to include glycol ethers used in semiconductor cleaners, surface coatings used in paints and lacquers, and ethanolamines used in detergents and electronic materials. From 2003 to 2007, Hannong Chemical recorded annual growth of 18% p.a. and 34% p.a. in sales and operating profit respectively. This was driven by increases in demand, capacity and market share. It now dominates the Korean market with a 75% market share. In 2007, the company developed functional monomers employed in prism sheets for LCD backlighting, previously supplied only by 3M. With Hannong Chemical's cost advantage and hence cheaper prices, it should take market share from 3M beginning this year. Earnings per share are expected to grow 18% and 43% in FY08 and FY09 respectively, driven by the launch of new products. At purchase, the stock was priced at 6.9x and 4.8x FY08 and FY09 earnings respectively, with a price to book value ratio close to 1x. In the past, management was reluctant to keep investors informed of fundamental improvements for fear of being taken over by Dongbu Hitek (then a 25% owner). With the recent exit of Dongbu Hitek, their attitude has changed, and they are now more willing to talk with investors.

We added **Hyundai Development Company**. It is the leading property developer in Korea. Despite adverse macroeconomic and negative sentiment towards this sector, we believe the company is relatively well positioned with low exposure to contingent liabilities compared to its peers. We believe the sector will remain challenging but company-specific fundamentals remain relatively positive, as its in-house projects should continue to provide positive operating cash flow in the medium term. Moreover, the company has succeeded in pre-selling its 2 major projects (Wooding in Pusan and Kwonsun in Suwon). EPS is likely to grow by 25% (2009) and 66% (2010) respectively. The stock was trading at PER of 7.3x (2009) and 5.4x (2010) and at PBR of 0.9x (2009).

We bought **Nexen Tire Corporation**. Nexen is the third largest maker of tires in Korea. Over the last three years, its sales and operating profit have risen 46% and 150% respectively, driven by improved productivity, sales mix and capacity expansion. It has managed operating margins well by passing rising raw material costs on to customers. Its factory in China, which recently commenced production, will be the company's next growth driver. We purchased the stock at 7.4x FY08 earnings and 1.4x book value.

We added **Polyplus Co., Ltd**. Polyplus is a Korea-based company engaged in the production and supply of various resin compounds and master batches. It discovered a novel Protein Transduction Domain (PTD) of human origin, which aids the transport of large molecules into cells. This can provide an effective drug delivery platform, and has attracted great interest from the pharmaceutical industry. Like-for-like against current alternatives, PTD technology is less toxic, and less likely to trigger an auto-immune response. The company has secured the patents needed for commercial exploitation. Presently, it is in talks with Novo Nordisk to license out a PTD-based drug for rheumatoid arthritis. They are likely to enter into the license agreement in two months' time, after drug testing on mice is concluded. Meanwhile, the company is collaborating with Boehringer Ingelheim on licensing out a PTD-based siRNA delivery system. The upfront license fee is generally 5-10% of the potential market size, with further milestone payments subject to passing clinical trials and obtaining marketing approval. Rheumatoid arthritis' estimated market size is about US$5bn, implying an upfront license fee of US$250-500m. If this first licensing deal succeeds, the company should be able to license out other PTD-based protein drugs in its pipeline. Hence, the commercial value for this technology is enormous. While risks remain high until the technology is commercialized, the risk-reward ratio is favourable when considering: 1) pending out-licensing contract, 2) scalability of PTD technology, 3) uniqueness of technology.

Other stocks we added include **Green Cross Corporation, Industrial Bank of Korea Ltd and SK Broadband Co., Ltd**.

We exited **Hana Financial Grp Inc, Hanil Cement Manufacturing and Lotte Shopping Co., Ltd**.

Taiwan Market

In Taiwan, we sold stocks like **Catcher Technology Co., Ltd**, a maker of light metal casings used in notebook PCs, and Quanta Computer, a notebook PC OEM manufacturer. We believe that these companies are likely to be hard hit in the event of a slowing global economy and rising competition. We also exited Eastern Media and Qisda on corporate governance and competitiveness concerns.

Investment Review for Year Ended 31st December 2008

We made several new investments in Taiwan in anticipation of the potential benefits to be brought forth by the closer economic ties with mainland China. We added **Ambassador Hotel**. As of November 2006, immigration statistics estimated that about 3.7% of Taiwan's foreign visitors come from mainland China. This equates to about 11,000 visitors per month and is expected to rise to a minimum of 1,000 a day under the pro-China policies of the present KMT government. More tourists mean more expected stays in hotels, and Ambassador will be the prime beneficiary.

We also bought **First Financial Holding Co., Ltd**. Although the banking industry in Taiwan is fragmented, First Financial is a major player. Under the pro-China policies of the KMT, banks are no longer restricted from extending loans to Taiwanese corporations expanding into China. There is a possibility of direct lending to Chinese corporates as well, which bodes well for the banking industry and in particular First Financial.

Yuanta Financial Holding Co., Ltd was another stock we added. The new Taiwanese government is pro-China and keen to defuse the cross-straits tension that has long deterred foreign capital. As restrictions to inward capital flows from overseas (including mainland China) are lifted, stock market trading volumes will rise, boosting Yuanta's broking profits.

Hong Kong Market

We sold **Jiangsu Expressway Co., Ltd.** Jiangsu Expressway relies heavily on the Shanghai-Nanjing Expressway for the bulk of its revenue and profits. However, we are expecting slower revenue growth going forward due to a diversion in traffic to a competing railway network. An asset injection from its parent is also unlikely in the near term. Absent of a catalyst to re-rate this company in the near term, we expect further downside in the medium to long term. Based on our DCF model, we have derived a price target of HK$3.34 which is about half of its existing market price. Therefore, we decided to sell the stock.

We also exited **Samson Holdings Ltd** and **Singamas Container Holdings Ltd** on concerns of the adverse effects brought forward by the sluggish global economy.

We added two independent power producers (IPPs). The IPPs have been hit hard by rising thermal coal prices and supply shortages in 1H08. Approved tariff increases have not allowed a full cost pass-through, and some IPPs have already issued profit warnings for 1H08. In the short term, there are uncertainties surrounding the IPPs. However, given their low price/book valuations, downside is limited. Declines in coal prices, whether due to curbs by the government, or lower oil prices, will benefit the Chinese IPPs and lead to a sector re-rating. Further tariff adjustments will also be beneficial. We purchased **China Power International Development Ltd** on the basis of its lower gearing and aggressive growth plans, relative to its peers.

Philippines Market

We sold off **Manila Water Co., Ltd.**

Singapore Market

In Singapore, we sold **City Developments Ltd** on concerns that the slowing economy would negatively affect the property sector.

Malaysia Market

The political turmoil following the unexpectedly poor election results in the 1st half of 2008 is likely to slow down any attempts to pump-prime the Malaysian economy. Business and consumer sentiments have weakened. We sold most of our holdings, including **Bumiputra-Commerce Holdings Bhd, Malaysia Airline System Bhd** and **YTL Corporation Bhd.**

We exited **IJM Corporation Bhd.** Construction companies have come under severe margin pressure in view of rising raw material and energy costs. The political impasse in Malaysia also hampered/delayed construction activities in the country. In addition, with the global economy entering a cyclical downturn, the stock is likely to underperform.

In view of the deteriorating economic conditions in the Middle East, we sold **WCT Engineering Bhd**, whose construction orders are concentrated in that region.

Investment Review for Year Ended 31st December 2008

We added **CB Industrial Product Holdings.** We like CB Industrial for its strong growth momentum from both its key divisions. The Group's recently proposed plantation acquisitions are scheduled for completion by end 2Q08 and therefore stronger plantation earnings going forward. Estimated unbilled order book of RM378m is sufficient to provide earnings visibility of its E&C division until 1H09.

Outlook Strategy

2008 turned out to be one of the worst markets we have seen. Hedge fund investors, high net worth individuals and proprietary trading desks particularly lost heavily on the same trades. Many companies including banks which leveraged themselves to the hilt in order to continue to meet investors' growth expectations have turned in dismal results, with some in serious capital and cash flow problems.

2009 will not be an easy year either. The world economy is already in a deep recession with no signs of abating. We dare not make any attempt to forecast when it will recover. Nassim Taleb in his widely acclaimed book, 'The Black Swan', warned that such attempts are unlikely to yield positive results. At APS, all of our research efforts are geared to uncover stocks of companies trading at values well below their intrinsic values.

This bear market has seen indiscriminate selling of stocks, a typical market behavior in the first phase of a bear market. In the second phase, selling would be more discerning. We are seeing investors favoring companies with better earnings outlook. Companies that have adopted aggressive growth strategies have seen their stocks hit particularly hard.

Our portfolio has favored companies with 2 major characteristics. One group of companies that we like is those with resilient earnings. They do not necessarily have to be companies with earnings growth, not in this environment, but must still earn a respectable ROE and selling at a fraction to their book value. For instance, **Kingboard Chemical Holdings** is likely to post a 20% decline in earnings but still earn a respectable ROE of 10% and selling at a PBV ratio of 0.5x. Of course, a company like **Hi-P International Ltd**, earning a ROE of 19% and selling at PBV ratio of 0.5x and a PER of 2.5x, which can still grow its earnings by 60% would make it to one of our top 5 holdings.

Investment Review for Year Ended 31st December 2008

The other company that has the same characteristics as **Hi-P is KH Vatec Co., Ltd** in Korea.

The other group of companies that we like is companies that are selling way below their asset values or below cash. **Hankuk Electric Glass Co., Ltd** in Korea, 22,500 won is selling below its cash value of 30,000 won per share! If all the other assets are included then it is only selling at a PBV of 0.4x. Regardless of how rough the world will be in the coming quarters, companies like Hankuk will survive and will survive well.

We think that our portfolio offer tremendous value and yet is low in risk.

Our portfolio has always been light with banks and property stocks. This strategy is likely to continue till we see more asset write-downs and higher reported NPLs by banks and further decline in property prices.

Fund managers are going through one of the most challenging times in recent memory. Many managers have reduced their staff costs to keep afloat. Many have also closed down. We are also going through difficult times too but fortunately we have enough reserves to last for at least another 10 years. Therefore, there is no worry whatsoever that we may not able to maintain our investment team.

APS Asset Management Pte Ltd, 19th March 2009

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 Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the year covered by these financial statements, set out on pages 16 to 31, comprising the Statement of Total Return, Balance Sheet, Portfolio Statement and Notes to the 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
RBC Dexia Trust Services Singapore Limited

Dominique H.A.H. Draux
Managing Director

Singapore
19th March 2009

Statement by the Manager

In the opinion of the directors of APS Asset Management Pte Ltd, the accompanying financial statements set out on pages 16 to 31, comprising the Statement of Total Return, Balance Sheet, Portfolio Statement, 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 2008 and the total return for the year then ended, in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore.

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 the directors of
APS Asset Management Pte Ltd

Lim Lian Sar
Director

Singapore
19th March 2009

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"), which comprise the Balance Sheet and Portfolio Statement as at 31 December 2008, the Statement of Total Return for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 16 to 31.

Manager's Responsibility for the Financial Statements

The Fund's Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Fund's Manager, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2008 and the total return for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore.

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore
19th March 2009

Statement of Total Return

Year ended 31st December 2008

	Note	2008	2007
		$	$
Income			
Dividends		767,319	717,358
Interest		13,583	14,472
Other income		5,401	-
		786,303	731,830
Less:			
Expenses			
Performance fees		133,880	69,768
Goods and Service Tax ("GST") expense		5,401	4,246
Others		16,177	1,221
		155,458	75,235
Net income		630,845	656,595
Net losses on value of investments			
Net realised (losses)/gains on investments sold		(2,723,246)	3,591,654
Net change in fair value of investments		(14,386,152)	(3,896,781)
Net foreign exchange loss		(314,376)	(192,488)
		(17,423,774)	(497,615)
Total return for the year before income tax		(16,792,929)	158,980
Less: Taxation	3	(70,818)	(104,265)
Total return for the year		(16,863,747)	54,715

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

Balance Sheet

As at 31st December 2008

	Note	2008 $	2007 $
Assets			
Portfolio of investments		25,714,938	25,883,632
Receivables	4	49,019	6,448
Cash and bank balances		2,876,131	877,930
Total assets		28,640,088	26,768,010
Liabilities			
Payables	5	166,362	113,520
Due to brokers		312,630	65,616
Net assets attributable to unitholders	6	28,161,096	26,588,874
Total liabilities		28,640,088	26,768,010

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

Portfolio Statement

As at 31st December 2008

By Geography* (Primary) Quoted Equities	Holdings at 31/12/2008	Fair value at 31/12/2008 $	Percentage of total net assets attributable to unitholders at 31/12/2008 %
CHINA (Including HONG KONG SAR)			
BYD Company Limited	413,600	972,380	3.45
BYD Electronic International Company Limited	365,500	183,362	0.65
Chaoda Modern Agriculture Holdings Limited	568,318	520,773	1.85
China Power International Development Limited	4,535,000	1,334,830	4.74
China Telecom Corporation Limited	582,000	310,290	1.10
Foxconn International Limited	49,000	23,221	0.08
Geely Automobile Holdings Limited	1,425,000	160,915	0.57
IDT International Limited	13,480,000	421,724	1.50
Kingboard Chemical Holdings Limited	354,500	897,747	3.19
Shenzhen Chiwan Wharf Holdings Limited	65,743	81,298	0.29
Shenzhen International Holdings Limited	5,875,000	364,338	1.29
Varitronix International Limited	4,781,000	1,832,065	6.51
Xinyi Glass Holdings Corporation Limited	3,512,000	1,352,289	4.80
Total China (Including Hong Kong SAR)		8,455,232	30.02
MALAYSIA			
CB Industrial Product Holdings Limited	273,400	191,285	0.68
Total Malaysia		191,285	0.68
SINGAPORE			
Del Monte Pacific Limited	1,524,000	594,360	2.11
Hi-P International Limited	4,961,000	1,488,300	5.28
Hsu Fu Chi International Limited	447,000	379,950	1.35
IDT Holdings Singapore Limited	1,183,000	278,005	0.99
Kingboard Copper Foil Holdings Limited	2,745,000	494,100	1.75
Memtech International Limited	8,168,000	449,240	1.60
Total Singapore		3,683,955	13.08

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

Portfolio Statement
As at 31st December 2008

By Geography* (Primary) Quoted Equities	Holdings at 31/12/2008	Fair value at 31/12/2008 $	Percentage of total net assets attributable to unitholders at 31/12/2008 %
SOUTH KOREA			
Ace Digitech Company Limited	9,535	47,792	0.17
Daesang Corporation	24,630	156,279	0.56
Dongbu Corporation	83,460	529,560	1.88
Doosan Corporation	7,255	791,743	2.81
Global & Yuasa Battery Corporation Limited	34,830	603,085	2.14
Green Cross Corporation	3,848	405,470	1.44
GS Home Shopping Incorporated	3,941	212,348	0.75
Handsome Company Limited	21,615	192,304	0.68
Hankuk Electric Glass Corporation Limited	52,110	1,344,531	4.77
Hannong Chemicals Incorporated	191,620	371,083	1.32
Hyundai Development Company	10,250	379,480	1.35
Industrial Bank of Korea Limited	28,990	253,955	0.90
KH Vatec Company Limited	84,118	1,068,428	3.79
Nexen Tire Corporation	146,720	322,573	1.15
Polyplus Company Limited	19,123	277,746	0.99
Samsung Electronics Corporation Limited	804	413,977	1.47
SK Broadband Company Limited	42,028	267,628	0.95
Total South Korea		7,637,982	27.12
TAIWAN			
Ambassador Hotel (Taiwan)	243,000	358,001	1.27
Eva Airways Corporation	229,000	75,083	0.27
First Financial Holding Corporation Limited	245,916	184,911	0.66
Foxconn Technology Corporation Limited	82,699	279,103	0.99
Hon Hai Precision Industry Corporation	271,373	761,639	2.70
Huang Hsiang Construction Company	183,300	99,765	0.35
Huaka Development Corporation Limited	149,500	227,767	0.81
King Slide Works Corporation Limited	77,700	298,918	1.06
Meiloon Industrial Corporation	685,631	209,815	0.75
Taiwan Chi Cheng Enterprise Corporation	199,894	65,540	0.24
Yuanta Financial Holding Corporation Limited	591,000	378,506	1.34
Total Taiwan		2,939,048	10.44
Total Quoted Equities		22,907,502	81.34

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

Portfolio Statement

As at 31st December 2008

By Geography* (Primary) Quoted Convertible Bonds	Holdings at 31/12/2008	Fair value at 31/12/2008 $	Percentage of total net assets attributable to unitholders at 31/12/2008 %
SINGAPORE			
Olam International 1% Due 03/07/2013	1,200,000	1,136,756	4.04
Yanlord Land 0% Due 06/02/2012	2,000,000	1,670,680	5.93
Total Singapore		2,807,436	9.97
Total Quoted Convertible Bonds		2,807,436	9.97
Portfolio of investments		25,714,938	91.31
Other net assets		2,446,158	8.69
Net assets attributable to unitholders		**28,161,096**	**100.00**

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

Portfolio Statement
As at 31st December 2008

By Geography* (Summary) Quoted equities and convertible bonds	Percentage of total net assets attributable to unitholders at 31/12/2008 %	Percentage of total net assets attributable to unitholders at 31/12/2007 %
China (including Hong Kong SAR)	30.02	15.54
Malaysia	0.68	15.48
Philippines	-	1.27
Singapore	23.05	12.70
South Korea	27.12	18.22
Taiwan	10.44	34.00
Thailand	-	0.14
Portfolio of investments	91.31	97.35
Other net assets	8.69	2.65
Net assets attributable to unitholders	100.00	100.00

* Geographical classification is based on the country in which the funds/companies are listed.

By Industry (Secondary) Quoted equities and convertible bonds	Fair value at 31/12/2008 $	Percentage of total net assets attributable to unitholders at 31/12/2008 %	Percentage of total net assets attributable to unitholders at 31/12/2007 %
Consumer discretionary	3,833,054	13.61	15.52
Consumer staples	2,788,118	9.90	3.30
Financials	2,815,584	10.00	8.88
Health care	405,470	1.44	-
Industrials	4,714,785	16.74	24.18
Information technology	8,102,250	28.77	35.01
Materials	1,142,929	4.06	2.72
Telecom services	577,918	2.05	2.73
Utilities	1,334,830	4.74	5.01
Portfolio of investments	25,714,938	91.31	97.35
Other net assets	2,446,158	8.69	2.65
Net assets attributable to unitholders	28,161,096	100.00	100.00

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

1 General

APS Funds (the "Fund") is an open-ended umbrella fund constituted pursuant to the Deed of Trust dated 14 May 2003, as amended by Amending and Restating Deeds dated 18 July 2003, 29 June 2004 and 2 August 2004 between APS Asset Management Pte Ltd (the "Manager") and Dexia Trust Services Singapore Limited (the "Trustee"). The Deed of Trust and Amending and Restating Deeds 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 the Fund is to achieve capital appreciation in the medium to long term through investment in listed equities on the recognised stock exchanges of Far East (excluding Japan) and other approved investments under CPFIS Regulations.

The Fund is included under the Central Provident Fund Investment Scheme.

2 Summary of Significant Accounting Policies

2.1 Basis of preparation

The financial statements, expressed in Singapore dollars, are prepared on the historical cost basis, as modified by the revaluation of quoted 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 (Cap. 289) respectively.

2.2 Basis of valuation of investments

Quoted investments are stated at fair value based on the bid prices of the last day of the financial year. The difference between the fair 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 on contract date.

Financial derivatives, included in Portfolio of investments, are entered into for effective portfolio management purposes and are remeasured to fair value at the balance sheet date. The net resultant profit or loss is included in the Statement of Total Return on contract date.

2.3 Recognition of income

Dividend income is recognised when declared and is stated gross of tax credits. Interest income is recognised on the accrual basis.

2.4 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 year and transactions in currencies other than Singapore dollars during the year are translated at rates of exchange ruling on transaction dates. Non-monetary assets and liabilities in currencies other than Singapore dollars that are measured at fair value are retranslated at the exchange rate at the date on which the fair value was determined. Translation differences are dealt with through the Statement of Total Return.

2.5 Units

All units issued by the Fund provide the investors with the right to redemption for cash, the value proportionate to the investor's share in the Fund's net assets at redemption date. Such instruments give rise to a financial liability for the present value of the redemption amount.

3 Taxation

The taxation charge relates to tax deducted at source and withholding tax suffered on dividend income and interest income.

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

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

4 Receivables

	2008 $	2007 $
Accrued dividends receivable	-	699
Amount due from the Manager	806	849
Amounts receivable for creation of units	-	4,900
Amount receivable from sale of investment	48,213	-
	49,019	6,448

5 Payables

	2008 $	2007 $
Payable to unit holders for cancellation of units	18,056	38,071
Accrued performance fees payable to the Manager	130,983	74,269
Other accrued expenses	17,323	1,180
	166,362	113,520

6 Net Assets Attributable to Unitholders

	Note	31/12/2008 $	31/12/2007 $
At the beginning of the financial year		26,588,874	34,971,306
Operations			
Changes in net assets attributable to unitholders resulting from operations		(16,863,747)	54,715
Unitholders' contributions/(withdrawals)			
Creation of units		22,792,028	190,436
Cancellation of units		(4,356,059)	(8,627,583)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		18,435,969	(8,437,147)
Total increase/(decrease) in net assets attributable to unitholders		1,572,222	(8,382,432)
At the end of the financial year		28,161,096	26,588,874
Units in issue	7	47,290,827	22,598,867
Net assets attributable to unitholders per unit		0.595	1.18

Quoted investments have been valued at the current bid price.

For the purpose of calculation of the net asset attributable to unitholders per unit for the issuance and redemption of units, quoted investments are stated at the last available transacted price, in accordance with the Code on Collective Investment Scheme.

7 Capital

(a) Units in issue

	2008	2007
	$	$
At beginning of the year	22,598,867	29,497,533
Units created	30,400,935	153,643
Units cancelled	(5,708,975)	(7,052,309)
At end of the year	47,290,827	22,598,867

(b) Capital management

The Fund's capital is represented by units in issue.

The objective of the Fund is to provide medium to long-term capital appreciation through investment in listed equities and other approved investments under CPFIS Regulations. Investments will include listed equities in recognised stock exchanges of countries in the Far East (excluding Japan) and quoted convertible bonds.

The Fund strives to invest the subscriptions of units in investments that meet the Fund's investment objectives while maintaining sufficient liquidity to meet unitholder redemptions. At 31 December 2008, the Fund had capital of $28,161,096 (2007: $26,588,874).

The Fund is not subject to externally imposed capital requirements, and there were no changes in the Fund's approach to capital management during the year.

8 Financial Instruments

Risk Management Objectives and Policies

The Fund is a Far East market (excluding Japan) equity investment fund and as such is exposed to market price risk, interest rate risk, credit risk, liquidity risk, foreign currency risk, and economic and political risk arising from the financial instruments it holds. The risk management policies employed by the Fund to manage these risks are discussed below:

Market price risk

Market price risk is the risk of loss to the value of a financial instrument resulting from movements in market risk factors such as security prices, interest rates and foreign exchange rates.

The Manager manages its market price risk through constant monitoring to ensure effective portfolio diversification via countries, industries and stocks to limit its exposure. The Manager also takes active steps to prevent unintended large underweight or overweight positions. The Manager also performs regular portfolio reviews to revalidate the weightings of each stock, sector and country.

Liquidity risk

Liquidity risk arises from not being able to fund redemptions or liquidate positions in a timely manner at a reasonable price. Liquidity risk exists when a particular investment is difficult to purchase or sell. These circumstances could prevent the Fund from promptly liquidating unfavourable positions and therefore resulting in losses to the Fund and corresponding decreases in the net assets value per unit. The Manager manages liquidity risk by investing primarily in marketable securities.

Foreign currency risk

The reporting currency of the Fund is Singapore dollars. Significant portion of the assets of the Fund is denominated in several foreign currencies which include Korean Won, Taiwan dollars and Hong Kong dollars. Consequently, the Fund is exposed to the effects of changes in these foreign currencies' exchange rates relative to Singapore dollars. The Fund is not actively hedging the foreign currency exposure. The Manager considers it unnecessary to pursue active management of foreign currency risks as the objective of the Fund is to seek long to medium term capital appreciation.

The table below summarises the Fund's exposure to currency risks based on Singapore dollar equivalents.

	HKD $	KRW $	MYR $	SGD $	TWD $	USD $	OTHERS $	Total $
As at 31 December 2008								
Assets								
Portfolio of investments	8,455,232	7,637,982	191,285	6,491,391	2,939,048	-	-	25,714,938
Receivables	-	48,213	-	806	-	-	-	49,019
Cash and bank balances	181,011	26,644	794,572	283,137	154,152	1,436,615	-	2,876,131
Total assets	8,636,243	7,712,839	985,857	6,775,334	3,093,200	1,436,615	-	28,640,088
Liabilities								
Payables	-	-	-	160,370	-	5,992	-	166,362
Due to brokers	191,981	50,251	-	70,398	-	-	-	312,630
Net assets attributable to unitholders	-	-	-	28,161,096	-	-	-	28,161,096
Total liabilities	191,981	50,251	-	28,391,864	-	5,992	-	28,640,088
As at 31 December 2007								
Assets								
Portfolio of investments	4,129,558	4,843,691	4,110,161	3,377,150	9,042,147	-	380,925	25,883,632
Receivables	-	-	-	5,749	-	-	699	6,448
Cash and bank balances	84,207	-	30,783	478,220	284,658	62	-	877,930
Total assets	4,213,765	4,843,691	4,140,944	3,861,119	9,326,805	62	381,624	26,768,010
Liabilities								
Payables	-	-	-	113,520	-	-	-	113,520
Due to brokers	47,103	-	-	-	15,961	2,552	-	65,616
Net assets attributable to unitholders	-	-	-	26,588,874	-	-	-	26,588,874
Total liabilities	47,103	-	-	26,702,394	15,961	2,552	-	26,768,010

Interest rate risk

The Fund's exposure to market risk for changes in interest rates relates primarily to the Fund's cash and bank balances. The Fund does not use derivative financial instruments to hedge its interest rate risk.

The following table provides a breakdown of the repricing period and the interest sensitivity gap of the assets and liabilities of the Fund as at balance sheet date.

	Up to 1 year	1-5 years	After 5 years	Non- interest bearing	Total
	$	$	$	$	$
As at 31 December 2008					
Assets					
Portfolio of investments	-	2,807,436	-	22,907,502	25,714,938
Receivables	-	-	-	49,019	49,019
Cash and bank balances	2,876,131	-	-	-	2,876,131
Total assets	2,876,131	2,807,436	-	22,956,521	28,640,088
As at 31 December 2008					
Liabilities					
Payable	-	-	-	166,362	166,362
Due to brokers	-	-	-	312,630	312,630
Net assets attributable to unitholders	-	-	-	28,161,096	28,161,096
Total liabilities	-	-	-	28,640,088	28,640,088
Total interest sensitivity gap	2,876,131	2,807,436	-	(5,683,567)	-
As at 31 December 2007					
Assets					
Portfolio of investments	-	-	-	25,883,632	25,883,632
Receivables	-	-	-	6,448	6,448
Cash and bank balances	877,930	-	-	-	877,930
Total assets	877,930	-	-	25,890,080	26,768,010
Liabilities					
Payable	-	-	-	113,520	113,520
Due to brokers	-	-	-	65,616	65,616
Net assets attributable to unitholders	-	-	-	26,588,874	26,588,874
Total liabilities	-	-	-	26,768,010	26,768,010
Total interest sensitivity gap	877,930	-	-	(877,930)	-

Counterparty risk

Counterparty risk is the risk that the contracting parties to the Fund will not be able to fulfill their obligations due to deterioration of the counterparty's financial situation or some other failure by the counterparty. It consists of both pre-settlement and settlement risks.

All new counterparties are subject to stringent review which include a due diligence process with defined criteria, proper approval and ongoing monitoring. The Fund limits its dealing to listed equities and quoted convertible bonds with reputable brokers who are regulated thus limiting its counterparty risk exposure.

Estimation of fair value

Investments in equity

Quoted investments are stated at fair value based on the bid prices of the last day of the financial year.

Other financial assets and liabilities

The notional amounts of financial assets and liabilities with a maturity of less than one year (including receivables, cash and bank balances and payables) are assumed to approximate their fair values because of the short period to maturity.

Fair value

At the balance sheet dates, the carrying value of the financial assets and liabilities approximate their fair value.

9 Financial Ratios

	31/12/2008	**31/12/2007**
	%	%
Expense ratio – (excluding performance fee and GST expense) for the 12 months ended (note 1)	0.06	0.00
Expense ratio – (including performance fee and GST expense) for the 12 months ended (note 1)	0.58	0.24
Turnover ratio for the 12 months ended (note 2)	106.69	74.35

Note 1 - The expenses used in calculating the "Ratio of expenses to average net assets" include only performance fees, GST expense, initial sales charge and realisation charge, as no management fee is payable and all other expenses are borne by the Manager. The above expense ratios are not reflective of the actual performance fees paid by any individual investor during the reporting period. The actual performance fees paid by any individual investor would depend on the entry and exit dates of the investment.

Note 2 - The turnover ratio is calculated based on the lesser of purchase or sales expressed as a percentage over the daily average net asset value.

10 Related Party Transactions

In the normal course of the business of the Fund, a performance fee is payable to the Manager, as stated in the Statement of Total Return, in accordance with terms of the Trust Deed dated 14 May 2003, and Amending and Restating Deeds dated 18 July 2003, 29 June 2004 and 2 August 2004.

11 Soft Dollar Arrangements

In its management of the Fund, the Manager receives soft dollar commissions from, or enters into soft dollar arrangements in respect of the Fund. The soft dollars received would be restricted to the following kinds of services:

(a) Research and advisory services;

(b) Economic and political analysts;

(c) Portfolio analyses, including valuation and performance measurement;

(d) Market analyses;

(e) Data and quotation services;

(f) Computer hardware and software that are incidental to the provision of above services;

(g) Custodial services in relation to the investments managed for clients; and

(h) Investment related publications.

Disclaimer

This publication is strictly for information purposes only and should not be construed as an offer or solicitation to deal in the securities/investments mentioned herein. Unless stated otherwise, any opinions expressed are based on our internal forecasts and should not be relied upon as indicating any guarantee of return from an investment in our products. **Past performance of the Fund and the Investment Manager and any forecasts made are not necessarily indicative of future or likely performance of the Fund or the Investment Manager. Investors may wish to seek advice from a financial advisor before making a commitment to purchase the Fund. In the event that the investor chooses not to seek advice from a financial advisor, he should consider whether the Fund in question is suitable for him**. We have made every effort to ensure that the information provided herein is accurate. Please note, however, that some data has been derived from sources that we believe to be reliable but its correctness is not guaranteed. Investments in unit trusts are not obligations of, deposits in, guaranteed or insured by APS Asset Management Pte Ltd (the "Investment Manager") and are subject to investment risks, including the possible loss of principal amount invested. Investors should refer to the prospectus for a full disclosure of all risk factors. All applications for units in the Fund must be made on the application form accompanying the prospectus. Investors may obtain a copy of the prospectus from the Investment Manager or any of its appointed distributors. Investors should read the prospectus before deciding to purchase units in the Fund. The value of the units and the income derived from them may fall as well as rise.

In search of αlpha

APS Asset Management Pte Ltd
3 Anson Road, #23-01 Springleaf Tower, Singapore 079909.
Tel: (65) 6333 8600 Fax: (65) 6333 8900 E-mail: info@aps.com.sg
Website: www.aps.com.sg Company Regn No.: 1980-00835-G