

FINANCIAL STATEMENTS

Year ended 31st December 2009

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

	Page
Investment Review for Year Ended 31st December 2009	3
Report of the Trustee	12
Statement by the Manager	13
Auditor’s Report to the Unitholders of APS Funds – APS Alpha Fund	14
Statement of Total Return	16
Balance Sheet	17
Portfolio Statement	18
Notes to the Financial Statements	22

Investment Review for Year Ended 31st December 2009

Performance

For the full year of 2009, the APS Alpha Fund returned 98.33 in SGD terms.

Economic And Market Background

New Year celebrations had barely ended when 2009 resumed its downward spiral, continuing the trends of one of history's worst bear markets. Market participants, economists and others were comparing the current crisis to the beginnings of the Great Depression. Indiscriminate selling by hedge funds and proprietary desks added to the downward acceleration. With the US, Europe and Asia all in deep recession and the credit markets frozen, there was little sign of any near-term improvement.

However, government and central bank bail-out plans and Keynesian stimulus measures began working and just as people feared for the worst, wondering how much deeper the recession could go, markets bottomed in early March. Then, sparked by a leaked Citigroup memo discussing that firm's positive operating profits, the market rebounded strongly and never looked back.

The Dow Jones Industrial Average rose 22.7% for the year and the S&P index rallied 26.5%. Asian markets were much stronger, with the MSCI Asia Pacific ex-Japan index rising 68.4% and the Shanghai Composite index rallying 82.6%.

Driven by eager demand for safe haven assets and a fear of inflation as a result of quantitative easing, gold prices surged more than 50% during the year, from a low of US\$800 per ounce to over US\$1200 per ounce. Crude oil also rebounded, rising more than 60% from its low.

Fund Performance Analysis

Our strategy of investing in undervalued stocks with resilient earnings prospects generated positive alpha in 2009. Investors sold indiscriminately, driving market valuation to lows not seen in many years. As Warren Buffett has noted, "It's only when the tide goes out that you learn who's been swimming naked." The tide may be revealing more than that, however, exposing to those who look for the hidden gems in the sand that, in normal times, would be more difficult to uncover. With meticulous analysis and strong conviction about fundamentals, we stuck to our undervalued stock picks and took advantage of the market meltdown to pocket such gems.

KH Vatec Co., Ltd, the Korean handset component manufacturer highlighted in our Investment Review 2008, surged 329% during the year. Despite a sluggish handset

Investment Review for Year Ended 31st December 2009

market, the company is estimated to have doubled its earnings in 2009. The company benefited from shifts in handset design as market preference moved from candy-bar type models to sliding mechanisms. The company has been sole supplier for Nokia's N97 and N97 mini models which should continue to see sales grow this year. KH Vatec's competitive strength in handset metal parts and sliding mechanisms should position the company as the most likely beneficiary of the design migration trend taking place at Nokia and Samsung.

Another stock mentioned in last year's Investment Review is **BYD Company Ltd** which saw its share price rise 439% during the year. Amidst rising energy prices and growing environmental protection awareness, investors recognized the beginning of a mega trend that should greatly benefit participants in the green revolution. Related stocks in the region were re-rated, including that of BYD. In addition, the company's F3 sedan was the best selling passenger car model in China last year, according to data compiled by the China Association of Automobile Manufacturers. BYD's total passenger car sales are estimated to have risen by 150% YoY on the back of its strong innovation and execution capabilities.

Another stock that performed well was **Ju Teng International Holdings Ltd** whose share price appreciated 124%. Ju Teng is the world's largest maker of plastic casings for notebook computers. Leveraging on its strong technical know-how in surface treatment and precision manufacturing of casing components, the company has delivered impressive growth since its establishment in 2000. The company maintains solid and balanced relationships with the top five notebook ODM (original design manufacturer) vendors, who, combined, comprise 70-80% of global notebook shipments. The company's market position has been further strengthened during the global financial crisis as many of its competitors were driven out of the business. Ju Teng is expected to further consolidate its strong market position and gain additional market share through its alliances with notebook ODM makers and due to its foray into metal casing manufacturing.

Stocks that did not do very well include **OCI Company Ltd and Del Monte Pacific Ltd**. **OCI Company Ltd** increased just 1% due to continuous selling by Mirae Asset Management, a substantial shareholder. **Del Monte** declined 11% and the company recorded a loss in 3Q due to a sales sharp drop which disappointed the market. Weak orders and major tropical storms in the Philippines led management to lower FY09 earning guidance, resulting in a significant YoY decline.

Portfolio Activities

Korea Market

We added **Pulmuone Holdings Co., Ltd**. Pulmuone Holdings produces natural health

Investment Review for Year Ended 31st December 2009

food. The company was transformed into a holding company structure to enhance its value proposition. Earnings and financial health are now more transparent and with the business' defensive nature, the valuation of the stock at 8x PE and 1x PB is attractive.

We initiated new position in **Jahwa Electronics Co., Ltd.** Jahwa Electronics is an integrated magnet component maker, producing such items as small motors for handsets, OA parts (rollers for ink cartridge) and auto focus actuators. Jahwa Electronics began production of autofocus actuators for high end phones in 2009 and this is growing rapidly due to the unique features offered in the company's products. Already, this business will account for close to 40% of the company's total revenue in 2009.

We bought **OCI Company Ltd.** OCI is one of the world's largest poly-silicon suppliers for solar cells manufacturers. We believe poly-silicon prices have bottomed after falling 84%. In addition, earnings should improve from 2H 2009 due to capacity expansion. The company's business outlook is stable and solid, with an order backlog through 2015. The share of long term contracts within its order book is high, with 85% of company revenues coming from long term contracts. Finally, stock valuation is compelling: PER 11X based on 2009 estimate, 6.5X based on 2010 estimate.

We added **Dongwon Industries Co., Ltd.** Dongwon Industries is a deep-sea fishing company produces and distributes canned fish and processed seafood products, including tuna and sashimi. The company suffered a loss in 4Q08 and 1Q09 on foreign exchange losses. At the operating level, however, the company continues to record year-on-year profit growth. Given that the Korean won has stabilized, we do not expect the company to experience significant foreign exchange gains or losses going forward. Shares are trading at a P/E ratio of below 4x, making it attractive at the current level.

We added **Korea Gas Corporation.** Korea Gas is the largest gas distributor in Korea, buying gas in overseas markets and selling it domestically. The company operates on a cost plus model and has maintained its stable growth over time. However, 2008 was an extraordinary year for the company as gas prices followed oil prices higher after a three-month lag. At first, the Korean government would not allow the company to pass on these higher costs to consumers. At the same time, the dramatic depreciation of the Korean won cast another heavy burden on the company, which receives revenues in Korean won while paying its costs in US dollars. Nervous investors sold, causing the stock valuation to halve in the process. In 2008, then, the company was unable to apply its cost-plus model. In future, however, we believe the company can pass on higher costs to its customers. With gas prices falling and the Korean won strengthening, we expect investors will come back to this stock and its valuation will return to normal.

We also added a new TFT-LCD panel stock into the portfolio. **LG Display Co., Ltd** is a manufacturer of TFT-LCD panels for use in televisions, notebooks, desktop monitors, mobile phones and other applications. The company posted an operating loss in 1Q09

Investment Review for Year Ended 31st December 2009

mainly due to overcapacity and weak consumer sentiment. However, we expect earnings to turn around in 2Q09, helped by rising panel prices and the full ramp-up of new 8G and 6G lines. Given improving fundamentals, we believe valuation is compelling at its current PBR of 1.1x, a discount to Taiwanese panel makers.

Another new name is **Melfas Inc.** Melfas is one of the leading touch solution providers, with key technology in capacitive touch screens. The company should benefit from the growing number of portable consumer electronic devices adopting touch screens, which offer better user interface and design. The company's clientele includes top-tiered names such as Samsung, LG, HTC and Fujitsu. Valuation is reasonable at 9x forward earnings versus 14x for its peers.

We participated in the IPO of **SK C&C Company Ltd.** SK C&C was formed as the result of the transformation of SK Group into a holding company structure. SK Group is the third largest family-run industrial group in South Korea. The deadline for the company to transform into a holding structure was 30 June 2009. However, the financial crisis held back this transformation and the listing of the new holding company, SK C&C. Therefore, the company was eager to complete the listing as soon as possible after the strong recovery of the stock market this year. To make the IPO successful, however, the company made the offer price very attractive, with a very substantial discount to net asset value. We took this opportunity to buy SK Group at an attractive discount.

We added **KPX Holdings Corporation.** KPX Holdings is a holding company with investments in KPX Chemical, KPX Fine Chemical, KPX Green Chemical, KPX Life Science and KPX Bio-Tech. Through its subsidiaries, the company is engaged in the manufacturing of organic compounds and other chemical products. Operating profits grew steadily for the past several years. However, net profit was adversely impacted by losses on a foreign exchange option transaction, resulting from the drastic depreciation of the Korean won. With the Korean won stabilizing this year, we expect earnings to recover strongly. Currently, shares are trading at a P/E of 3x for FY2009 and a 50% discount to NAV. We expect this discount to narrow after earnings recover this year.

Doosan Corporation sought to secure trillions of won in cash to relieve the financial burden of its acquisition of Ingersoll-Rand Company's Bobcat unit. We feel an imminent downside risk to its share price and, in view of its strong performance, we sold the stock to fund other purchases.

We took profit on **Daesang Corporation** after it surged to its recent high. In addition, the P/E ratio of 10x is no longer very attractive and, therefore, we switched into other stocks.

We also took profits on **Dongbu Corporation, Global & Yuasa Battery Co., Ltd** and **Nexen Tire Corporation** after their stock prices massively outperformed the market.

Investment Review for Year Ended 31st December 2009

We sold **Green Cross Corporation**, a swine flu related stock that more than doubled after the outbreak of the epidemic.

Taiwan Market

We added **United Microelectronics Corporation (UMC)**. UMC is the world's second largest semiconductor foundry. While its share price collapsed as a result of the global economic crisis, the company has seen early signs of business recovery, such as high utilization rates and positive order indications from customers. Trading at 1x book, the company's shares are valued at the lower end of their historical PB band and the stock seems an excellent proxy to ride any recovery of the semiconductor industry.

We sold **Taiwan Chi Cheng Enterprise Co., Ltd** after its share price doubled as we felt that the operating environment remains challenging for the company.

We sold **First Financial Holding Co., Ltd** because we realized its net interest margin (NIM) and non-performing loans (NPL) ratio will continue to be under pressure. There is no near-term improvement in sight for company fundamentals.

Hong Kong and China Markets

We bought into **China Shineway Pharmaceutical Group Ltd**. China Shineway, based in Hebei Province, is the largest Chinese medicine injection and soft capsule manufacturer in China. Its product portfolio consists of over 40 products, used for treatment of cardiovascular diseases, viral infections and other illnesses. Products are marketed under two well-regarded brand names, "Shineway" and "Wu Fu." The company has an extensive distribution network comprising of roughly 800 sales staff and over 100 first-tier distributors in 30 provinces and municipalities. In addition, the company has established dedicated farms to produce Chinese herbs, utilizing advanced facilities for extraction, production and packaging in order to ensure strict quality control. Its large production scale, high quality product and stringent operation management have resulted in a gross margin that is the highest among Modern Chinese Medicine (MCM) companies. The stock trades at 6x FY2009 P/E with dividend yield of over 5%. In addition, its net cash is nearly 40% of market cap. We feel the market is overly concerned about the potential mark-to-market loss of its deposits in Australian dollars. We believe this will be a one-off event unlikely to affect company fundamentals. Furthermore, the macro environment is favourable for the company as the central government's recent medical reforms plan to promote wider use of Chinese medicine.

Investment Review for Year Ended 31st December 2009

Ju Teng International Holdings Ltd is another interesting new stock. With a leading market share of 31%, Ju Teng is the world's largest maker of plastic casings for notebook computers. Leveraging its strong technical know-how in surface treatment and precision manufacturing of casing components, the company has delivered impressive growth since its establishment in 2000. The company maintains solid and balanced relationships with the top five notebook OEM (original equipment manufacturer) vendors, which comprise 70-80% of global notebook shipment. The company's strengthened its market position during the global financial crisis as many of its competitors were driven out of the business.

In the last quarter of the year, we bought **Tianneng Power International Ltd**. Tianneng Power is the largest lead-acid battery producer for electric bikes ("e-bikes") in China, with a domestic market share of 22% in 2008. The company also manufactures Nickel-hydride and Lithium-ion batteries. Recently, Tianneng announced plans to enter the battery market for solar and wind energy storage. There are several growth drivers for the company. Firstly, rising household income will drive demand for e-bikes. Second, the improvement in infrastructure also encourages use of e-bikes. Third, the company can leverage its experience in batteries to venture into electric vehicles and storage batteries. Finally, the stock trades at 10x P/E, which we feel is inexpensive given its growth potential.

We exited **Chaoda Modern Agriculture Holdings Ltd**. Management credibility at **Chaoda** has been further tarnished by its last share placement saga. Eventually, the share placement, the second to occur within the year, was cancelled and this led to a further loss in investor confidence. While we remain positive on the long-term prospect of Chaoda's business model, we are not comfortable with corporate governance and, as such, we decided to sell the stock.

We sold **Foxconn International Holdings Ltd**, **Kingboard Chemical Holdings Ltd** and **Shenzhen Chiwan Wharf Holdings Ltd** due to our concerns about the impact of the economic crisis.

Singapore Market

We added **Pacific Andes (Holdings) Ltd**. The company operates a fishing fleet and is the largest fishing logistics service provider for the China market. The valuation is very attractive, with the stock trading at 0.3x PB and 3x PER.

Indonesia Market

We added **Panin Financial Tbk PT** (formerly known as Panin Life Tbk PT). Panin

Investment Review for Year Ended 31st December 2009

Financial's share price currently trades at a 67% discount to its RNAV, with 95% of this attributable to the company's 46% stake in Panin Bank. Panin Bank is the seventh largest bank listed on Jakarta Stock Exchange and, over the past several years, the major shareholder of Panin Financial has been approached repeatedly by interested parties wanting to acquire its Panin Bank stake. In January this year, Australia New Zealand Bank raised its stake in Bank Panin to 38.2% from 29.8%. Any sale of Panin Financial's stake in Panin Bank would unlock the value of the company.

Outlook Strategy

We were fortunate to finish a very strong year the APS Far East Growth Fund in 2009. Instead of dwelling on our past victories, however, we prefer to look ahead at how we can continue to create alpha in 2010. We must not depend on last year's strategy to win this year's war, which is as true in warfare as in investing. For example, Asian consumption and health care have been popular themes and, as a result, these stocks fill many investors' portfolios. We wonder how much more alpha is left for investors. At APS, we have decided that this will not receive much attention this year. In investing, as in warfare, victories need surprises and overwhelming victories demand strong surprises. While we have no crystal ball in our hands, there are some things that we can prepare in advance. As Sun Tzu once said, "The general who wins the battle makes many calculations in his temple before the battle is fought. The general who loses makes but few calculations beforehand."

Some APS Portfolio Thoughts for 2010

2009 saw Asian equity markets rebound 50-80% across the board from their March lows, witnessing one of the strongest yearly performances in recent times. Despite this strong performance, we still believe the markets provide ample opportunities and we have evaluated the areas or themes we believe will provide strong alpha-generation possibilities.

First, however, we must comment on equity market valuations. Notwithstanding last year's rebound, we are still of the view that Asian equity markets are cheap relative to property, bonds or cash. With bond yields at 3-4%, bank deposit rates at 1% and property yields at around 3%, there is a growing pool of Asian domestic liquidity searching for an investment home. With stocks generating earnings yields of 6-8%, we believe this pool of liquidity will provide strong support to equity markets. Furthermore, valuations are not stretched in our opinion, given the solid growth most companies will enjoy.

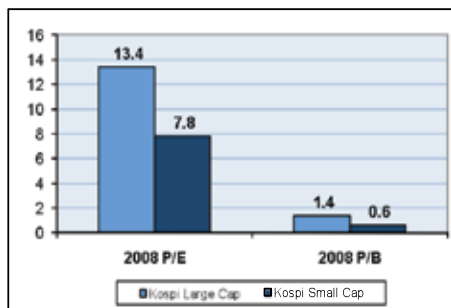
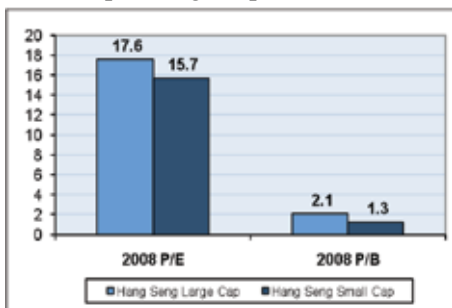
Investment Review for Year Ended 31st December 2009

	2009 P/E	2009 EPS Growth*	2010 EPS Growth*
Hong Kong	18.1	32%	19%
China	24.1	45%	24%
Korea	13.9	55%	33%
Taiwan	25.1	339%	54%

* Bloomberg estimates

On valuations alone, small- and mid-cap stocks continue to offer more attractive investment opportunities in 2010. Some of the companies in our portfolio, for example KH Vatec and Ju Teng, have posted very strong growth in a tough economic environment. Their strong earnings growth surprised many analysts and investors alike last year as many of these stocks have not been well covered or understood by the investment community. At APS, however, we were not surprised by their share price performances last year. As the market tends to be less efficient in this space, the valuations are thereby more attractive.

Small Cap vs Large Cap Valuations



We also believe there will be further profits to be reaped in the technology sector, which is seeing a strong resurgence in demand and little new capacity additions. The IT cycle witnessed a downturn between 2004 and 2007. The PC replacement cycle, which began in 2008, was delayed by the financial crisis and only was able to take hold in 2009, driven in part by the introduction of Windows 7. PC shipments were subsequently up 22% in 2009 and we believe all IT segments and equipment makers will continue to see a strong recovery in earnings in 2010. Outside the traditional technology areas there are also new and high growth areas, such as LEDs and touch screens.

A further area of opportunity in 2010 is what we call “Barking Dogs” or turnaround stocks. There are still many companies which have not yet seen a recovery in earnings

Investment Review for Year Ended 31st December 2009

and whose recovery may be one to two years out. These are often shunned by impatient investors and thereby afford very interesting valuations. These can either be company-specific or industry-specific turnaround stories—for example, industries where the worst has passed, such as container shipping or chemicals.

An additional theme we are evaluating is regional M&A targets for mainland Chinese companies. With so many Chinese companies flush with cash and benefiting from rich market valuations, we think that there is a high likelihood for a wave of outward investment by Chinese companies, especially in sectors such as resources, technology and distribution networks. These targets have to meet certain criteria, such as a management amenable to a takeover, fragmented share ownership structure and attractive fundamentals and valuation. The companies must be stocks we would be happy to own outright and whose investment case stands on its own. Whether we are fortunate enough to identify actual individual targets is less important as we believe the sector will see a re-rating should takeovers occur.

2010 will be much more of a stock picker's market than 2009 and we believe investors will pay a premium for companies with higher earnings visibility and strong, diverse business models. Creating alpha certainly won't be easy, just like 2009 or any year in the past. But those who continually look for new ideas, especially those bold enough to take a contrarian approach and kick the tyres diligently—those investors should have better odds. Also, in such a stock picker's environment, those who spend less time on macro predictions and most of their time on new idea generation and company fundamental research may be rewarded with a few more alpha points. It is this that we must do again this year—sadly or proudly, depending on how you see it, doing the same work year after year. It may seem boring to some but, for us, it is in such daily grind that we endeavour to be innovative and refreshing.

“God is on the side not of the big battalions, but of the best shot.”

- Voltaire

APS Asset Management Pte Ltd

15th March 2010

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 30, 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
15th March 2010

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 30, 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 2009 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
15th March 2010

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 2009, 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 30.

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.

Auditors' Report to the Unitholders of APS Funds - APS Alpha Fund (Constituted under a Trust Deed in the Republic of Singapore)

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 2009 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

15th March 2010

Statement of Total Return

Year ended 31st December 2009

	Note	2009 \$	2008 \$
Income			
Dividends		654,752	767,319
Interest		1,603	13,583
Other income		132	5,401
		<u>656,487</u>	<u>786,303</u>
Less:			
Expenses			
Performance fees		3,569,646	133,880
Goods and Service Tax ("GST") expense		255,526	5,401
Others		6	16,177
		<u>3,825,178</u>	<u>155,458</u>
Net (loss)/income		(3,168,691)	630,845
Net gains/(losses) on value of investments			
Net realised gains/(losses) on investments sold		3,836,171	(2,723,246)
Net change in fair value of investments		26,945,016	(14,386,152)
Net foreign exchange loss		(11,392)	(314,376)
		<u>30,769,795</u>	<u>(17,423,774)</u>
Total return for the year before income tax		27,601,104	(16,792,929)
Less: Taxation	3	(44,795)	(70,818)
Total return for the year		<u><u>27,556,309</u></u>	<u><u>(16,863,747)</u></u>

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

Balance Sheet

As at 31st December 2009

	Note	2009 \$	2008 \$
Assets			
Portfolio of investments		56,089,556	25,714,938
Receivables	4	481,685	49,019
Cash and bank balances		3,133,504	2,876,131
Total assets		<u>59,704,745</u>	<u>28,640,088</u>
Liabilities			
Payables	5	4,002,669	166,362
Due to brokers		35,906	312,630
Net assets attributable to unitholders	6	55,666,170	28,161,096
Total liabilities		<u>59,704,745</u>	<u>28,640,088</u>

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

Portfolio Statement

As at 31st December 2009

	Holdings at 31/12/2009	Fair value at 31/12/2009 \$	Percentage of total net assets attributable to unitholders at 31/12/2009 %
By Geography* (Primary)			
Quoted Equities			
CHINA (Including HONG KONG SAR)			
Ajisen China Holdings Limited	62,000	74,428	0.13
BYD Company Limited	221,600	2,740,338	4.92
BYD Electronic International Company Limited	365,500	419,604	0.75
China Power International Development Limited	5,326,000	1,877,647	3.36
China Shineway Pharmaceutical Limited	633,000	1,652,529	2.97
China Telecom Corporation Limited	448,000	261,613	0.47
Geely Automobile Holdings Limited	1,125,000	866,444	1.56
IDT International Limited	13,480,000	470,355	0.84
Ju Teng International Holdings Limited	2,498,000	3,468,422	6.23
Livzon Pharmaceutical Group Incorporated	202,400	704,766	1.27
Shenzhen International Holdings Limited	24,697,500	2,634,410	4.73
Sundart International Limited	450,000	213,967	0.38
Tianneng Power International Holdings Limited	736,000	477,695	0.86
Varitronix International Limited	4,781,000	2,074,475	3.73
Xinyi Glass Holdings Corporation Limited	428,000	543,973	0.98
Total China (Including Hong Kong SAR)		18,480,666	33.18
INDONESIA			
Panin Financial Tbk PT	39,253,500	813,110	1.46
Total Indonesia		813,110	1.46
MALAYSIA			
CB Industrial Product Holdings Limited	273,400	326,755	0.59
Total Malaysia		326,755	0.59
SINGAPORE			
Del Monte Pacific Limited	1,524,000	601,980	1.07
Hi-P International Limited	2,878,000	2,072,160	3.72
Hsu Fu Chi International Limited	715,000	1,537,250	2.76
IDT Holdings Singapore Limited	1,183,000	490,945	0.88
Kingboard Copper Foil Holdings Limited	3,877,000	1,124,330	2.02
Memtech International Limited	8,168,000	775,960	1.39
Pacific Andes Resources Development Limited	6,715,000	1,880,200	3.38
Total Singapore		8,482,825	15.22

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

Portfolio Statement

As at 31st December 2009

	Holdings at 31/12/2009	Fair value at 31/12/2009 \$	Percentage of total net assets attributable to unitholders at 31/12/2009 %
By Geography* (Primary)			
Quoted Equities			
SOUTH KOREA			
Dongwon Industrial Company Limited	4,827	653,252	1.17
Handsome Company Limited	32,805	625,490	1.12
Hankuk Electric Glass Corporation Limited	13,840	441,197	0.79
Hannong Chemicals Incorporated	158,020	710,943	1.28
Honam Petrochemical Company Limited	9,220	1,131,312	2.03
Industrial Bank of Korea Limited	44,870	752,976	1.35
Jahwa Electronic Company Limited	84,190	915,545	1.64
KH Vatec Company Limited	73,495	4,274,696	7.67
Korea Gas Corporation Limited	12,970	753,595	1.35
KPX Holdings Corporation Limited	11,600	816,328	1.47
LG Display Company Limited	16,980	800,709	1.44
Melfas Incorporation Limited	27,830	2,142,615	3.85
OCI Company Limited	1,858	487,252	0.88
Pulmuone Holdings Company Limited	8,096	509,358	0.92
Samsung Electronics Corporation Limited	1,068	1,022,670	1.84
SK Broadband Company Limited	104,432	603,012	1.08
SK C&C Company Limited	30,980	1,669,592	3.00
Total South Korea		18,310,542	32.88
TAIWAN			
Ambassador Hotel	151,000	260,089	0.47
Au Optronics Corporation Limited	347,110	589,510	1.06
Foxconn Technology Corporation Limited	54,376	295,516	0.53
Hon Hai Precision Industry Corporation Limited	312,078	2,072,186	3.72
Huaka Development Corporation Limited	149,500	532,047	0.96
Huang Hsiang Construction Corporation	210,795	568,183	1.02
King Slide Works Corporation Limited	42,570	324,643	0.58
Meiloon Industrial Company Limited	685,631	435,724	0.78
United Microelectrical Coporation Limited	2,126,000	1,598,012	2.87
Yuanta Financial Holding Corporation Limited	801,000	823,243	1.48
Total Taiwan		7,499,153	13.47
Total Quoted Equities		53,913,051	96.80

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

Portfolio Statement

As at 31st December 2009

	Holdings at 31/12/2009	Fair value at 31/12/2009 \$	Percentage of total net assets attributable to unitholders at 31/12/2009 %
By Geography* (Primary)			
Quoted Convertible Bonds			
SINGAPORE			
Olam International 1,2821% due 03/07/2013	749,000	1,843,338	3.31
Total Singapore		<u>1,843,338</u>	<u>3.31</u>
Total Quoted Convertible Bonds		<u>1,843,338</u>	<u>3.31</u>
Quoted Warrants			
South Korea			
Warrant – Daewoo Motors Limited	68,300	333,167	0.60
Total South Korea		<u>333,167</u>	<u>0.60</u>
Total Quoted Warrants		<u>333,167</u>	<u>0.60</u>
Portfolio of investments		56,089,556	100.71
Other net assets		(423,386)	(0.71)
Net assets attributable to unitholders		<u><u>55,666,170</u></u>	<u><u>100.00</u></u>

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

Portfolio Statement

As at 31st December 2009

	Percentage of total net assets attributable to unitholders at 31/12/2009 %	Percentage of total net assets attributable to unitholders at 31/12/2008 %
By Geography* (Summary)		
Quoted equities and convertible bonds		
China (including Hong Kong SAR)	33.18	30.02
Indonesia	1.46	-
Malaysia	0.59	0.68
Singapore	18.53	23.05
South Korea	33.48	27.12
Taiwan	13.47	10.44
Portfolio of investments	100.71	91.31
Other net assets	(0.71)	8.69
Net assets attributable to unitholders	<u>100.00</u>	<u>100.00</u>

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

By Industry (Secondary) Quoted equities and convertible bonds

	Fair value at 31/12/2009 \$	Percentage of total net assets attributable to unitholders at 31/12/2009 %	Percentage of total net assets attributable to unitholders at 31/12/2008 %
Consumer discretionary	4,301,332	7.72	13.61
Consumer staples	7,025,378	12.61	9.90
Financials	3,489,559	6.27	10.00
Health care	2,357,296	4.23	1.44
Industrials	6,133,926	11.01	16.74
Information technology	25,016,033	44.93	28.77
Materials	4,270,164	7.66	4.06
Telecom services	864,625	1.55	2.05
Utilities	2,631,243	4.73	4.74
Portfolio of investments	56,089,556	100.71	91.31
Other net assets	(423,386)	(0.71)	8.69
Net assets attributable to unitholders	<u>55,666,170</u>	<u>100.00</u>	<u>100.00</u>

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

Notes to the Financial Statements

Year ended 31st December 2009

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.

Notes to the Financial Statements

Year ended 31st December 2009

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

	2009	2008
	\$	\$
Accrued dividends receivable	6,915	-
Amount due from the Manager	806	806
Amounts receivable for creation of units	37,557	-
Amount receivable from sale of investment	436,407	48,213
	<u>481,685</u>	<u>49,019</u>

Notes to the Financial Statements

Year ended 31st December 2009

5 Payables

	2009	2008
	\$	\$
Payable to unit holders for cancellation of units	184,835	18,056
Accrued performance fees payable to the Manager	3,780,912	130,983
Other accrued expenses	36,922	17,323
	<u>4,002,669</u>	<u>166,362</u>

6 Net Assets Attributable to Unitholders

	Note	31/12/2009	31/12/2008
		\$	\$
At the beginning of the financial year		28,161,096	26,588,874
Operations			
Changes in net assets attributable to unitholders resulting from operations		27,556,309	(16,863,747)
Unitholders' (withdrawals)/contributions			
Creation of units		2,907,214	22,792,028
Cancellation of units		(2,958,449)	(4,356,059)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		(51,235)	18,435,969
Total increase in net assets attributable to unitholders		27,505,074	1,572,222
At the end of the financial year		<u>55,666,170</u>	<u>28,161,096</u>
Units in issue	7	<u>47,298,173</u>	<u>47,290,827</u>
Net assets attributable to unitholders per unit		<u>1.177</u>	<u>0.595</u>

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

The capital of the APS Alpha Fund is represented by the net assets attributable

Notes to the Financial Statements

Year ended 31st December 2009

to unitholders and the units in issue.

(a) Units in issue

	2009 No.	2008 No.
At beginning of the year	47,290,827	22,598,867
Units created	2,906,560	30,400,935
Units cancelled	(2,899,214)	(5,708,975)
At end of the year	<u>47,298,173</u>	<u>47,290,827</u>

(b) Capital management

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 2009, the Fund had capital of \$55,666,170 (2008: \$28,161,096).

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.

Notes to the Financial Statements

Year ended 31st December 2009

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 2009								
Assets								
Portfolio of investments	18,480,666	18,643,709	326,755	8,482,825	7,499,153	1,843,338	813,110	56,089,556
Receivables	443,322	-	-	38,363	-	-	-	481,685
Cash and bank balances	485,950	132	136,274	1,422,713	390,449	697,986	-	3,133,504
Total assets	19,409,938	18,643,841	463,029	9,943,901	7,889,602	2,541,324	813,110	59,704,745
Liabilities								
Due to brokers	35,906	-	-	-	-	-	-	35,906
Payables	-	-	-	4,002,669	-	-	-	4,002,669
Net assets attributable to unitholders	-	-	-	55,666,170	-	-	-	55,666,170
Total liabilities	35,906	-	-	59,668,839	-	-	-	59,704,745
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

Notes to the Financial Statements

Year ended 31st December 2009

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

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 2009					
Assets					
Portfolio of investments	-	1,843,338	-	54,246,218	56,089,556
Receivables	-	-	-	481,685	481,685
Cash and bank balances	3,133,504	-	-	-	3,133,504
Total assets	3,133,504	1,843,338	-	54,727,903	59,704,745

	Up to 1 year	1-5 years	After 5 years	Non-interest bearing	Total
	\$	\$	\$	\$	\$
As at 31 December 2009					
Liabilities					
Due to brokers	-	-	-	35,906	35,906
Payables	-	-	-	4,002,669	4,002,669
Net assets attributable to unitholders	-	-	-	55,666,170	55,666,170
Total liabilities	-	-	-	59,704,745	59,704,745

Total interest sensitivity gap	3,133,504	1,843,338	-	(4,976,842)	-
---------------------------------------	------------------	------------------	----------	--------------------	----------

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

Notes to the Financial Statements

Year ended 31st December 2009

As at 31 December 2008

Liabilities

Payables	-	-	-	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)	-
---------------------------------------	-----------	-----------	---	-------------	---

Counterparty risk

Counterparty risk is the risk that the contracting parties to the Fund will not be able to fulfil 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 trading 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.

Notes to the Financial Statements

Year ended 31st December 2009

9 Financial Ratios

	31/12/2009	31/12/2008
	%	%
Expense ratio – (excluding performance fee and GST expense) for the 12 months ended (note 1)	0.000013	0.06
Expense ratio – (including performance fee and GST expense) for the 12 months ended (note 1)	8.53	0.58
Turnover ratio for the 12 months ended (note 2)	55.13	106.69

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

Performance fee payable to the Manager

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 (collectively the “Trust Deeds”).

The aggregate value of transactions and outstanding balances relating to performance fee are as follows:

	Transaction value		Balance outstanding	
	Year ended		As at	
	31 December		31 December	
	2009	2008	2009	2008
	\$	\$	\$	\$
Performance fee	3,569,646	133,880	3,780,912	130,983

Notes to the Financial Statements

Year ended 31st December 2009

Other related parties transactions

The Manager, as well as its directors and staff, are allowed to subscribe in the units of the Fund. This is in line with the Manager's policy to align its long term interest with its clients. The investment is for long term purposes and not for the purpose of trading or resale to generate short term profits. The units held by the directors of APS Asset Management Pte Ltd as at 31 December are as follows:

	Fund CCY	31/12/2009 Units	31/12/2008 Units
Wong Kok Hoi	SGD	18,984,195	18,984,195
Wong Kok Hoi	USD	8,216,544	8,216,544
Sim Poh Heng	SGD	-	110,618
James Liu Ji	SGD	497,780	497,780
Tan Kong Yam	SGD	112,764	165,926
Tan Kong Yam	USD	90,909	90,909
		<u>27,902,192</u>	<u>28,065,972</u>

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.