

Company No.

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AFFIN MONEYBROKERS SDN BHD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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AFFIN MONEYBROKERS SDN BHD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

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AFFIN MONEYBROKERS SDN BHD
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

The Directors hereby submit their report together with the audited financial statements of the Company for the financial year ended 31 December 2011.

PRINCIPAL ACTIVITY

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

FINANCIAL RESULTS

	RM
Net profit for the financial year	<u>2,398,564</u>

DIVIDENDS

The dividends on ordinary shares paid by the Company in respect of the financial year ended 31 December 2011 was as follows:

	RM
Interim dividend of 160 sen gross per share, less income tax of 25%, paid on 20 January 2012.	<u>1,200,000</u>

The interim dividend of 160 sen gross per share above will be accounted for in the shareholder's equity as an appropriation of retained profits during the financial year ending 31 December 2012. These financial statements do not reflect the dividend as no obligation exists at the end of the reporting period as the payment of dividend was approved by Bank Negara Malaysia ('BNM') on 19 January 2012, pursuant to Section 58 of the Banking and Financial Institutions Act, 1989.

At the forth coming Annual General Meeting, the Directors do not propose any final gross dividend in respect of the financial year ended 31 December 2011.

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AFFIN MONEYBROKERS SDN BHD
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DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

RESERVES AND PROVISIONS

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

SUBSEQUENT EVENTS

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

DIRECTORS

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

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

DIRECTORS' INTERESTS

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

	Number of shares of RM1.00 each			
	At <u>01.01.2011</u>	<u>Bought</u>	<u>Sold</u>	At <u>31.12.2011</u>
<u>AFFIN Holdings Berhad</u>				
Datuk Haji Abdul Aziz bin Ismail	15,000	-	-	15,000
Y. Bhg Tan Sri Dato' Nasruddin bin Bahari	30,000	-	-	30,000

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

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AFFIN MONEYBROKERS SDN BHD
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DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than directors' remuneration as disclose in Note 21 of the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except that certain Directors received remuneration as directors/executives of related companies and warrants granted to the Directors of the Company by the holding company and the ultimate holding corporate body.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their value as shown in the accounting records of the Company had been written down to an amount which they might be expected so to realise.

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

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

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

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AFFIN MONEYBROKERS SDN BHD
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DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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

- (a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Company which has arisen since the end of the financial year.

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

In the opinion of the Directors,

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

CORPORATE GOVERNANCE

- (i) Board responsibility and oversight

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

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

- (ii) Internal audit and internal control activities

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

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

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AFFIN MONEYBROKERS SDN BHD
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DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

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

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

A comprehensive budget and business strategy is established annually.

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

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

The management is also responsible for the establishment of guidelines in respect of control applications and environment of computer information systems and establishment of system in maintaining and reviewing control for accounts and trial balances.

(iii) Management reports

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

COMMENTARY OF BUSINESS PLAN

1. Business strategy for the current financial year (Year 2011)

The net brokerage income performance for 2011 is RM12,178,200. This 2011 result is higher by RM3,137,644 or 34.7% in comparison with the corresponding period in 2010 of RM9,040,556. In comparison against the budget of RM9,400,202, the performance is higher by RM2,777,998 or 29.6%.

The increase in net brokerage income for the financial year of 2011 is due to the volatility in the financial market in U.S. and Europe and its uncertainties have increased the trading volume during the year.

AFFIN MONEYBROKERS SDN BHD
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DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

COMMENTARY OF BUSINESS PLAN (CONTINUED)

2. Outlook for the next financial year (Year 2012)

(a) Outline of objectives and strategies

(i) To strive for higher market share through improving broking skills, knowledge and professionalism.

(ii) To reward shareholder by maximising profit target.

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

(i) E-Broking

The eventual entry and acceptance by market participants of e-broking will have a negative impact on conventional voice broking. As witnesses in other major financial centres, the success of e-broking especially in foreign exchange trading is extremely detrimental to voice broking.

(ii) Consolidation/Merger of Moneybrokers

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

(iii) Consolidation of the Financial Industry

There might be consolidation between financial institutions that may reduce market players thereby siphoning liquidity in the wholesale market. The Government's plan to establish large and well capitalised banks to compete in the global market place may result in the further consolidation of the banking industry.

AFFIN MONEYBROKERS SDN BHD
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DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

COMMENTARY OF BUSINESS PLAN (CONTINUED)

2. Outlook for the next financial year (Year 2012) (continued)

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

(iv) Conventional and Islamic Banking

The approval by Bank Negara to issue Banking License to foreign banks to operate in the country and issuance of new Islamic Banking License will add greater depth to the financial industry. The expected growth of Islamic banking products and services will have a tremendous positive effect in the domestic market.

(v) New Market participants

The greater dealing requirements of Insurance companies and the probable entry of large corporate bodies like EPF and Petronas will be beneficial to the market. Bank Negara Malaysia has also allowed entry of new foreign banks which will add more liquidity to the market.

(vi) Strategic Plan

With the possible consolidation or merger of money broking companies the total brokerage income potential will surely increase. However, the globalization of financial markets, i.e. borderless trading, will see the entry of large international foreign money broking companies competing in the domestic inter-bank market. These companies have a wide network and are superior in term of technology and technical expertise. Their innovative skills to introduce new products and services will have devastating impact on local money broking companies. This will be further exasperated if and when the Ringgit is a freely traded currency. There is positive indication that a large foreign money broking company will make a presence in the near future with Bank Negara relaxing the equity ownership of local companies. We have anticipated this situation and have been constantly engaged to identify and establish a formal alliance with a reputable international partner. Our strategic plan is devoid of any foreign inter-dealer broker operating domestically. However, if the inevitable were to occur, the business plan will be severely impacted.

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AFFIN MONEYBROKERS SDN BHD
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DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

HOLDING COMPANY AND ULTIMATE HOLDING CORPORATE BODY

The Directors regard AFFIN Holdings Berhad, a company incorporated in Malaysia, as the holding company and Lembaga Tabung Angkatan Tentera, a statutory body incorporated under the Tabung Angkatan Tentera Act, 1973 as the ultimate holding corporate body of the Company.

AUDITORS

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

In accordance with a resolution of the Board of Directors dated 28 February 2012.

TUAN HAJI MOHD MOKHTAR BIN GHAZALI
DIRECTOR

DATUK HAJI ABDULAZIZ BIN ISMAIL
DIRECTOR

Kuala Lumpur

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AFFIN MONEYBROKERS SDN BHD
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INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	<u>Note</u>	<u>2011</u> RM	<u>2010</u> RM
Revenue	3	12,378,832	9,182,204
Interest income	4	<u>244,074</u>	<u>172,595</u>
Net income		12,622,906	9,354,799
Other operating expenses	5	<u>(9,307,758)</u>	<u>(7,554,548)</u>
Profit before taxation		3,315,148	1,800,251
Taxation	6	<u>(916,584)</u>	<u>(501,042)</u>
Net profit for the financial year		<u><u>2,398,564</u></u>	<u><u>1,299,209</u></u>
Earnings per share			
- Basic and fully diluted	7	<u><u>2.40</u></u>	<u><u>1.30</u></u>

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	<u>2011</u> RM	<u>2010</u> RM
Net profit for the financial year	2,398,564	1,299,209
Net change in fair value of financial investments available-for-sale	10,000	15,000
Deferred tax on revaluation of financial investments available-for-sale	<u>(2,500)</u>	<u>(4,735)</u>
Total comprehensive income for the financial year	<u><u>2,406,064</u></u>	<u><u>1,309,474</u></u>

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

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AFFIN MONEYBROKERS SDN BHD
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STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	<u>Note</u>	<u>2011</u> RM	<u>2010</u> RM
ASSETS			
Cash and short term funds	8	2,740,482	1,550,545
Deposits and placements with a licensed financial institution	9	7,505,350	6,043,443
Financial investments available-for-sale	10	77,000	67,000
Trade receivables	11	1,388,931	1,295,628
Other assets	12	254,313	215,128
Amount due from related companies	13	65,084	98,005
Property and equipment	14	447,350	148,480
Intangible assets	15	2,700	6,977
TOTAL ASSETS		<u>12,481,210</u>	<u>9,425,206</u>
LIABILITIES			
Other liabilities	16	1,775,244	1,133,766
Provision for tax		158,839	165,557
Deferred tax liabilities	17	23,827	8,647
Total liabilities		<u>1,957,910</u>	<u>1,307,970</u>
SHAREHOLDER'S EQUITY			
Share capital	19	1,000,000	1,000,000
Reserves	20	9,523,300	7,117,236
		<u>10,523,300</u>	<u>8,117,236</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		<u>12,481,210</u>	<u>9,425,206</u>

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

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AFFIN MONEYBROKERS SDN BHD
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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	<u>Share capital</u> RM	<u>Statutory reserve</u> RM	<u>Non-distributable Available-for-sale revaluation reserve</u> RM	<u>Distributable Retained earnings</u> RM	<u>Total</u> RM
As at 1 January 2011	1,000,000	1,000,000	13,565	6,103,671	8,117,236
Net profit for the financial year	-	-	-	2,398,564	2,398,564
Net change in fair value of financial investments available-for-sale	-	-	10,000	-	10,000
Deferred tax on revaluation of financial investments available-for-sale	-	-	(2,500)	-	(2,500)
Total comprehensive income	-	-	7,500	2,398,564	2,406,064
Dividend declared (Note 18)	-	-	-	-	-
At 31 December 2011	<u>1,000,000</u>	<u>1,000,000</u>	<u>21,065</u>	<u>8,502,235</u>	<u>10,523,300</u>
As at 1 January 2010	1,000,000	1,000,000	3,300	5,519,962	7,523,262
Net profit for the financial year	-	-	-	1,299,209	1,299,209
Net change in fair value of financial investments available-for-sale	-	-	15,000	-	15,000
Deferred tax on revaluation of financial investments available-for-sale	-	-	(4,735)	-	(4,735)
Total comprehensive income	-	-	10,265	1,299,209	1,309,474
Dividend paid (Note 18)	-	-	-	(715,500)	(715,500)
At 31 December 2010	<u>1,000,000</u>	<u>1,000,000</u>	<u>13,565</u>	<u>6,103,671</u>	<u>8,117,236</u>

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

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AFFIN MONEYBROKERS SDN BHD
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CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	<u>Note</u>	<u>2011</u> RM	<u>2010</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		3,315,148	1,800,251
Adjustments for:			
Depreciation of property and equipment		105,827	138,537
Amortisation of intangible assets		4,026	7,598
Gain on disposal of property and equipment		(58,790)	(1,648)
Interest income		(244,074)	(172,595)
		<hr/>	<hr/>
Operating profit before working capital changes		3,122,137	1,772,143
(Increase)/decrease in operating assets			
Trade receivables		(93,303)	(258,247)
Amount due from related companies		32,921	(9,485)
Other assets		(70,020)	42,445
		<hr/>	<hr/>
		2,991,735	1,546,856
Increase/(decrease) in operating liabilities			
Other liabilities		641,478	493,285
Interest received		279,908	149,254
Tax paid		(910,622)	(310,534)
Tax refund		-	123,318
		<hr/>	<hr/>
Net cash generated from operating activities		3,002,499	2,002,179
CASH FLOWS FROM INVESTING ACTIVITIES			
Deposits and placements with licensed financial institution		(1,461,907)	(3,543,444)
Proceeds from disposal of property and equipment		99,236	3,600
Purchase of property and equipment		(449,891)	(16,925)
		<hr/>	<hr/>
Net cash used in investing activities		(1,812,562)	(3,556,769)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		-	(715,500)
		<hr/>	<hr/>
Net cash used in financing activities		-	(715,500)
		<hr/>	<hr/>

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AFFIN MONEYBROKERS SDN BHD
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CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

	<u>Note</u>	<u>2011</u> RM	<u>2010</u> RM
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		1,189,937	(2,270,090)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>1,550,545</u>	<u>3,820,635</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	8	<u><u>2,740,482</u></u>	<u><u>1,550,545</u></u>

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