

Company No. 15983 A

FULTON PREBON (MALAYSIA) SDN BHD

(Incorporated in Malaysia)

FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2006

FULTON PREBON (MALAYSIA) SDN BHD
(Incorporated in Malaysia)

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FULTON PREBON (MALAYSIA) SDN BHD
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DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Company for the financial year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of a licensed broker in inter-bank foreign exchange, currency deposits and other money market instruments.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	RM
Net loss for the financial year	<u>(1,053,975)</u>

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the last financial year.

The Directors do not recommend any final dividend to be paid for the year under review.

DIRECTORS OF THE COMPANY

The Directors who served since the date of the last report are:

Mohd Sharif Bin Hj Yusof
Teoh Chye Jin
Lee Cheong Tuck
Tai Keat Chai

In accordance with Article 65 of the Company's Articles of Association, Teoh Chye Jin retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

DIRECTORS' INTERESTS

The options granted to a Director who was a Director at 31 December 2006 pursuant to Malaysian Industrial Development Finance Berhad's Employees' Share Option Scheme ("ESOS") are set out below:

Share options in the ultimate holding company	Number of options over ordinary shares of RM1.00 each			At 31.12.2006
	At 1.1.2006	Granted	Exercised	
Lee Cheong Tuck	230,000	-	-	230,000

The share options were granted under the first offer of the new ESOS on 6 October 2003 at an exercise price of RM1.00 and will expire on 5 October 2008.

DIRECTORS' INTERESTS (continued)

None of the other Directors holding office at 31 December 2006 had any interest in the ordinary shares of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements of the Company or of the holding company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year, which had the object 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 apart from the issue of the ESOS by Malaysian Industrial Development Finance Berhad.

ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

OTHER STATUTORY INFORMATION

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

- i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that no provision for doubtful debts is required; and
- ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business 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:

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the Company's financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Company misleading.

OTHER STATUTORY INFORMATION (continued)

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

- i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Company 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 as and when they fall due.

In the opinion of the Directors, the result of the operations of the Company for the financial year ended 31 December 2006 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

BUSINESS REVIEW 2006

The Company's revenue for the year recorded a significant decrease due to the sudden liberalisation of brokerage fee structure in April, 2006. Unit prices on all products were cut by as much as 40% while overall business volume for the year remained stagnant. Market players also took the opportunity to deal with their preferred brokers via panel broking and thus creating a polarised market. The Company recorded a loss of RM1.05 million for the year under review.

ECONOMIC OUTLOOK AND PROSPECTS FOR 2007

Market Environment

The prospect for the year 2007 looks mixed as interest rate is expected to remain flat with a possible cut in the Base Lending Rate (BLR) in the second half of the year. Market activities are also expected to trade sideways while volumes are expected to remain low for the first quarter of the year as the country celebrates festive seasons.

With a possible downturn on US and other major economies' interest rates, there is a strong possibility of trading volume picking up during the second quarter of the year. Further expectation of the decline in local CPI spurs more activities in interest rate related products. Inflows of foreign direct investment will also drive the activities of ringgit denominated products.

Industry Environment

With the bilateral brokerage fee negotiation due for a review during the second quarter of the year, the Company expects a further decline of 5% to 10% in brokerage fees. This will put immense pressure on the operation of the Company since the Company lacks manpower and major customer supports. Further consolidation of the major broking houses and mergers of smaller players is foreseen in the year 2007.

Bank Negara Malaysia is expected to enhance the Capital Market by promoting new financial instruments, such as bond switches and buy-backs. However, the market volume on such products is expected to increase progressively.

BUSINESS OUTLOOK FOR 2007

The bilateral fees continue to have a major impact to the Company as the bigger competitors will definitely offer higher discounts to protect their business. The Company needs to recruit staff to boost business volume, otherwise we would have to look at possible mergers within the Group.

HOLDING AND ULTIMATE HOLDING COMPANIES

The immediate holding company is Amanah Equities Sdn Bhd, whereas, Amanah Capital Partners Berhad is the intermediate holding company. Both companies are incorporated in Malaysia.

The Directors regard Malaysian Industrial Development Finance Berhad, a company incorporated in Malaysia as the ultimate holding company.

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AUDITORS

The auditors, Messrs. KPMG, retire and have indicated their willingness to accept re-appointment.

Signed on behalf of the Board in accordance with a resolution of the Directors:

MOHD SHARIF BIN HJ YUSOF
Director

LEE CHEONG TUCK
Director

Kuala Lumpur,

Date:

Company No. 15983
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FULTON PREBON (MALAYSIA) SDN BHD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

In the opinion of the Directors, the accompanying financial statements set out on pages 8 to 22, are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board, as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the state of affairs of the Company at 31 December 2006 and of its results and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors:

MOHD SHARIF BIN HJ YUSOF
Director

LEE CHEONG TUCK
Director

Kuala Lumpur,

Date:

Company No. 15983
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FULTON PREBON (MALAYSIA) SDN BHD
(Incorporated in Malaysia)

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, LEE CHEONG TUCK, being the Director primarily responsible for the financial management of FULTON PREBON (MALAYSIA) SDN BHD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 8 to 22 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur in the Federal Territory on

LEE CHEONG TUCK

Before me:

Commissioner for Oaths

Company No. 15983
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Report of the auditors to the members of
FULTON PREBON (MALAYSIA) SDN BHD
(Company No. 15983 A)
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 8 to 22. The preparation of the financial statements in accordance with applicable Malaysian law and accounting standards is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

In our opinion,

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by Malaysian Accounting Standards Board as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of:
- (i) the state of affairs of the Company at 31 December 2006 and of its results and cash flows for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company;

and

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

KPMG
Firm No. AF 0758
Chartered Accountants
(J)

Abdullah Abu Samah
Partner
Approved Number: 2013/06/08

Company No. 15983
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Kuala Lumpur,

Date:

FULTON PREBON (MALAYSIA) SDN BHD
(Incorporated in Malaysia)

BALANCE SHEET AS AT 31 DECEMBER 2006

	Note	2006 RM	2005 RM
ASSETS			
Cash and short-term funds	3	82,794	556,214
Trade receivables	4	174,042	438,831
Other assets	5	109,524	170,297
Tax recoverable		199,070	378,658
			-
Property, plant and equipment	6	38,165	86,362
TOTAL ASSETS		<u>603,595</u>	<u>1,630,362</u>
LIABILITIES			
Other liabilities		216,157	188,949
Deferred tax liabilities	7	6,000	6,000
TOTAL LIABILITIES		<u>222,157</u>	<u>194,949</u>
SHAREHOLDERS' EQUITY			
Share capital	8	200,000	200,000
Reserves		181,438	1,235,413
TOTAL SHAREHOLDERS' EQUITY		<u>381,438</u>	<u>1,435,413</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>603,595</u>	<u>1,630,362</u>

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

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FULTON PREBON (MALAYSIA) SDN BHD
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INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 RM	2005 RM
Revenue	10	2,048,305	3,638,959
			28,141
Other operating income	11	2,697	28,141
Staff costs	12	(2,014,051)	(2,336,130)
Depreciation		(50,343)	(166,902)
Other operating expenses	14	(1,045,921)	(1,142,114)
)
(Loss) / profit before taxation		<u>(1,059,313)</u>	<u>21,954</u>
Tax expense	15	<u>5,338</u>	<u>150,214</u>
Net (loss) / profit for the year		<u><u>(1,053,975)</u></u>	<u><u>172,168</u></u>

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

FULTON PREBON (MALAYSIA) SDN BHD
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006

	Non-Distributable			
	Share capital	Statutory reserve	Retained profits/ (Accumulated losses)	Total
	RM	RM	RM	RM
At 1 January 2005	200,000	200,000	863,245	1,263,245
Net profit for the year	-	-	172,168	172,168
At 31 December 2005	<u>200,000</u>	<u>200,000</u>	<u>1,035,413</u>	<u>1,435,413</u>
Net loss for the year	-	-	(1,053,975)	(1,053,975)
At 31 December 2006	<u>200,000</u>	<u>200,000</u>	<u>(18,562)</u>	<u>381,438</u>
	Note 8	Note 9		

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

FULTON PREBON (MALAYSIA) SDN BHD
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CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

	2006 RM	2005 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(1,059,313)	21,954
Adjustments for:		
Depreciation	50,343	166,902
Property, plant and equipment written off	26	-
Interest income	(2,697)	(5,752)
Bad debts written off	82	11,477
OPERATING (LOSS) / PROFIT BEFORE WORKING CAPITAL CHANGES	(1,011,559)	194,581
Changes in working capital:		
Trade receivables and other assets	325,480	50,797
Other liabilities	27,208	(90,638)
NET CASH (USED IN) / GENERATED FROM OPERATIONS	(658,871)	154,740
Income taxes paid	(93,750)	(225,168)
Income taxes refunded	278,676	66,915
NET CASH USED IN OPERATING ACTIVITIES	(473,945)	(3,513)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,172)	(30,513)
Interest received	2,697	5,752
NET CASH GENERATED FROM / (USED IN) INVESTING ACTIVITIES	525	(24,761)
CASH FLOW FROM FINANCING ACTIVITY		
Dividends paid	-	(216,000)
NET CASH USED IN FINANCING ACTIVITY	-	(216,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(473,420)	(244,274)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	556,214	800,488
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	82,794	556,214
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash on hand and at bank	82,794	556,214

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