

Company No.

716122	P
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**ASIAN FINANCE BANK BERHAD**

(Incorporated in Malaysia)

UNAUDITED BALANCE SHEET AS AT 30 JUNE 2007

	<u>Note</u>	<u>30.06.2007</u> RM
<b>ASSETS</b>		
Cash and short-term funds	2	274,158,048
Deposits and placements with banks and other financial institutions	3	375,318,141
Financing and advances	4	49,948,712
Other assets	5	1,692,920
Property, plant and equipment		7,820,643
<b>TOTAL ASSETS</b>		<b><u>708,938,464</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits from customers	6	263,599,582
Deposits and placements of banks and other financial institutions	7	93,424,453
Bills and acceptances payable		-
Other liabilities	8	2,821,360
Provision for taxation and zakat		-
		<b><u>359,845,395</u></b>
Ordinary share capital		355,020,010
Reserves		<u>(5,926,941)</u>
Shareholders' equity		<b><u>349,093,069</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b><u>708,938,464</u></b>
<b>COMMITMENTS AND CONTINGENCIES</b>	13	<b><u>30,878,234</u></b>
<b>KEY RATIOS</b>		
Return on Assets		-0.5171%
Return on Equity		-0.7917%
Core capital ratio	14	571.72%
Risk-weighted capital ratio	14	572.96%

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**ASIAN FINANCE BANK BERHAD**

(Incorporated in Malaysia)

UNAUDITED INCOME STATEMENT FOR HALF YEAR ENDED 30 JUNE 2007

		<b>2nd quarter Ended <u>30.06.2007</u></b>	<b>Half year Ended <u>30.06.2007</u></b>
	<u>Note</u>	<b>RM</b>	<b>RM</b>
Income derived from investment of depositors' funds	9	<b>595,750</b>	<b>600,020</b>
Income derived from investment of shareholders' funds	10	<b>3,387,246</b>	<b>6,247,559</b>
Allowance for losses on financing and advances	11	<b>(760,292)</b>	<b>(760,292)</b>
Total distributable income		<b>3,222,704</b>	<b>6,087,287</b>
Income attributable to the depositors	12	<b>(360,187)</b>	<b>(360,844)</b>
Total net income		<b>2,862,516</b>	<b>5,726,443</b>
Personnel expenses		<b>(2,371,970)</b>	<b>(4,491,757)</b>
Other overheads and expenditures		<b>(1,294,603)</b>	<b>(2,619,359)</b>
Profit/(loss) before zakat and taxation		<b>(804,058)</b>	<b>(1,384,672)</b>
Taxation		<b>-</b>	<b>-</b>
Net profit for the financial period		<b>(804,058)</b>	<b>(1,384,672)</b>

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**ASIAN FINANCE BANK BERHAD**

(Incorporated in Malaysia)

UNAUDITED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR HALF YEAR ENDED 30 JUNE 2007

Current Half year Ended 30.06.2007

	<b>Share Capital RM</b>	<b>Retained Profits RM</b>	<b>Total RM</b>
Balance as at 31.12.2006	<b>355,020,010</b>	<b>(4,542,268)</b>	<b>350,477,742</b>
Net profit/(loss) for the financial period	<u>-</u>	<u>(1,384,672)</u>	<u>(1,384,672)</u>
Balance as at 30.06.2007	<u><b>355,020,010</b></u>	<u><b>(5,926,941)</b></u>	<u><b>349,093,069</b></u>

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**ASIAN FINANCE BANK BERHAD**

(Incorporated in Malaysia)

UNAUDITED CASH FLOW STATEMENT  
FOR HALF YEAR ENDED 30 JUNE 2007

	<b>Current Half year Ended <u>30.06.2007</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Profit before taxation and zakat for the financial period	<b>(1,384,672)</b>
Adjustments for:	
Depreciation of property, plant and equipment	<b><u>587,668</u></b>
Operating profit before working capital changes	<b>(797,004)</b>
Decrease/ (increase) in deposits and placements with financial institutions	<b>(22,783,873)</b>
Decrease/ (increase) in financing and advances	<b>(49,948,712)</b>
Other assets	<b>(169,369)</b>
Deposits from customers	<b>264,199,582</b>
Other liabilities	<b><u>(8,600,044)</u></b>
Net cash generated from operating activities	<b><u>274,725,034</u></b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Net purchase of property, plant and equipment	<b><u>(1,620,930)</u></b>
Net cash used in investing activities	<b><u>(1,620,930)</u></b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENT</b>	
Net increase in cash and cash equivalents	<b>273,104,104</b>
Cash and cash equivalent as at 01.01.2007	<b><u>1,053,944</u></b>
Cash and cash equivalent carried forward	<b><u><u>274,158,048</u></u></b>

**ASIAN FINANCE BANK BERHAD**

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## NOTES TO THE FINANCIAL STATEMENTS

FOR HALF YEAR ENDED 30 JUNE 2007

-PART A – EXPLANATORY NOTES PURSUANT TO GUIDELINES ON FINANCIAL REPORTING FOR LICENSED ISLAMIC BANKS (BNM GP8-I) ISSUED BY BANK NEGARA MALAYSIA

## 1. GENERAL INFORMATION

(a) Performance Review

The Bank registered loss before Zakat and Taxation of RM1.38 million for the first six months ended 30 June 2007.

The Bank registered its maiden gross financing and advances of RM50.71 million for the period ended 30 June 2007. Deposits from customers and financial institutions for the 2<sup>nd</sup> quarter have grown by more than 100% as compared to the 1<sup>st</sup> quarter.

(b) Prospects for 2007

The Bank plans to tap on the prevailing business opportunities in Malaysia as well as looking for opportunities within the Asian region. The Bank will leverage on Malaysian vision of establishing an Islamic hub.

## 2. CASH AND SHORT-TERM FUNDS

	<u>30.06.2007</u>
	RM
Cash and balances with banks and other financial institutions	4,398,048
Money at call and deposit placements maturing within one month	<u>269,760,000</u>
	<u><u>274,158,048</u></u>

## 3. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>30.06.2007</u>
	RM
Bank Negara Malaysia	375,318,141
	<u><u>375,318,141</u></u>

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## NOTES TO THE FINANCIAL STATEMENTS

FOR HALF YEAR ENDED 30 JUNE 2007 (CONTINUED)

-PART A – EXPLANATORY NOTES PURSUANT TO GUIDELINES ON FINANCIAL REPORTING FOR LICENSED ISLAMIC BANKS (BNM GP8-I) ISSUED BY BANK NEGARA MALAYSIA

## 4. FINANCING AND ADVANCES

## (i) By type

	<u>30.06.2007</u>
	RM
Term financing	
- other term financing	59,235,705
Staff financing	112,937
	<u>59,348,642</u>
Less: Unearned income	(8,639,638)
Gross financing and advances	<u>50,709,004</u>
Less : Allowance for bad and doubtful financing:	
- general	(760,292)
Net financing and advances	<u><u>49,948,712</u></u>

## (ii) By type of customer

Domestic business enterprises	
- Others	50,596,067
Individuals	112,937
	<u>50,709,004</u>

## (iii) Financing and advances analysed by contract are as follows:

Tawarruq	50,596,067
Qardhul Hassan	112,937
	<u>50,709,004</u>

## (iv) By profit rate sensitivity

Fixed rate	
- Other fixed rate financing	50,596,067
Non-profit sensitive	
-Others	112,937
	<u>50,709,004</u>

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## NOTES TO THE FINANCIAL STATEMENTS

FOR HALF YEAR ENDED 30 JUNE 2007 (CONTINUED)

-PART A – EXPLANATORY NOTES PURSUANT TO GUIDELINES ON FINANCIAL REPORTING FOR LICENSED ISLAMIC BANKS (BNM GP8-I) ISSUED BY BANK NEGARA MALAYSIA

## 4. FINANCING AND ADVANCES (CONTINUED)

(iv) By sector

**30.06.2007**

RM

Purchase of landed property:

- Residential

**50,596,067**

Purchase of transport vehicles

**112,937**

(vii) Movement in allowance for bad and doubtful financing

**30.06.2007**

RM

General allowance

Allowance made during the period

**760,292**

Balance carried forward

**760,292**

As % of gross financing and advances less specific allowance

**1.5%**

## 5. OTHER ASSETS

**30.06.2007**

RM

Other debtors, deposits and prepayments

**1,362,632**

Income receivable

**330,287****1,692,920**

## 6. DEPOSITS FROM CUSTOMERS

**30.06.2007**

RM

Non-Mudharabah Funds:

Demand deposits

**1,879,775**

Savings deposits

**466,833**

Other deposits - Commodity Murabahah

**31,000,000****33,346,608**Mudharabah Funds:

General investment deposits

**5,401,974**

Special investment deposits

**224,851,000**

Total deposits

**263,599,582**

(i) The deposits are sourced from the following classes of customers:

Business enterprises

**262,117,223**

Individuals

**1,482,360****263,599,582**

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## NOTES TO THE FINANCIAL STATEMENTS

FOR HALF YEAR ENDED 30 JUNE 2007 (CONTINUED)

-PART A – EXPLANATORY NOTES PURSUANT TO GUIDELINES ON FINANCIAL REPORTING FOR LICENSED ISLAMIC BANKS (BNM GP8-I) ISSUED BY BANK NEGARA MALAYSIA

## 7. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

**30.06.2007****RM**Non-Mudharabah Funds:Other financial institutions **60,924,453**Mudharabah Fund:Licensed Islamic banks **32,500,000****93,424,453**

## 8. OTHER LIABILITIES

**30.06.2007****RM**Income payable **172,841**Sundry creditors **1,056,612**Amount due to shareholders **972,839**Other provisions and accrual **619,068****2,821,359**

## 9. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

**2nd Quarter ended****30.06.2007****RM****Half year ended****30.06.2007****RM**

Income derived from investment of:-

(i) General investment deposit **18,422** **19,204**(ii) Other deposits **577,328** **580,816****595,750** **600,020**

(i) Income derived from investment of general investment deposits

Finance income and hibah:Financing and advances **130** **130**Money at call and deposit with financial institutions **18,292** **19,074****18,422** **19,204**

**ASIAN FINANCE BANK BERHAD**

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## NOTES TO THE FINANCIAL STATEMENTS

FOR HALF YEAR ENDED 30 JUNE 2007 (CONTINUED)

-PART A – EXPLANATORY NOTES PURSUANT TO GUIDELINES ON FINANCIAL REPORTING FOR LICENSED ISLAMIC BANKS (BNM GP8-I) ISSUED BY BANK NEGARA MALAYSIA

## 9. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS (CONTINUED)

	<b>2nd Quarter ended</b>	<b>Half year ended</b>
	<b><u>30.06.2007</u></b>	<b><u>30.06.2007</u></b>
	<b>RM</b>	<b>RM</b>
(ii) Income derived from investment of other deposits		
<u>Finance income and hibah:</u>		
Financing and advances	2,498	2,498
Money at call and deposit with financial institutions	574,830	578,318
	<u>577,328</u>	<u>580,816</u>

## 10. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	<b>2nd Quarter ended</b>	<b>Half year ended</b>
	<b><u>30.06.2007</u></b>	<b><u>30.06.2007</u></b>
	<b>RM</b>	<b>RM</b>
<u>Finance income and hibah:</u>		
Financing and advances	20,234	20,234
Money at call and deposit with financial institutions	2,845,267	5,700,155
Total finance income and hibah	2,865,501	5,720,389
Other operating income (note a)	521,745	527,170
	<u>3,387,246</u>	<u>6,247,559</u>
a) Fee income :		
Service charges and fees	506,417	507,513
Other fee income	15,329	19,658
Total other operating income	<u>521,745</u>	<u>527,170</u>

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## NOTES TO THE FINANCIAL STATEMENTS

FOR HALF YEAR ENDED 30 JUNE 2007 (CONTINUED)

-PART A – EXPLANATORY NOTES PURSUANT TO GUIDELINES ON FINANCIAL REPORTING FOR LICENSED ISLAMIC BANKS (BNM GP8-I) ISSUED BY BANK NEGARA MALAYSIA

## 11. ALLOWANCES FOR LOSSES ON FINANCING AND ADVANCES

	<b>2nd Quarter ended</b>	<b>Half year ended</b>
	<b><u>30.06.2007</u></b>	<b><u>30.06.2007</u></b>
	<b>RM</b>	<b>RM</b>
Allowance for bad and doubtful financing on financing and advances		
General allowance		
- Made during the financial period	758,398	760,292
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	<b><u>758,398</u></b>	<b><u>760,292</u></b>

## 12. INCOME ATTRIBUTABLE TO DEPOSITORS

	<b>2nd Quarter ended</b>	<b>Half year ended</b>
	<b><u>30.06.2007</u></b>	<b><u>30.06.2007</u></b>
	<b>RM</b>	<b>RM</b>
Deposits from customers:		
- Mudharabah funds	75,062	75,719
- Non-mudharabah funds	-	8,918
Deposits and placements of banks and other financial institutions:		
- Mudharabah funds	-	33,336
- Non-mudharabah funds	-	242,871
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	<b><u>75,062</u></b>	<b><u>360,844</u></b>

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NOTES TO THE FINANCIAL STATEMENTS

FOR HALF YEAR ENDED 30 JUNE 2007 (CONTINUED)

-PART A – EXPLANATORY NOTES PURSUANT TO GUIDELINES ON FINANCIAL REPORTING FOR LICENSED ISLAMIC BANKS (BNM GP8-I) ISSUED BY BANK NEGARA MALAYSIA

13. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to customers. No material losses are anticipated as a result of this transaction, which needs to be adjusted.

Risk weighted exposures of the Bank are as follows:

	<u>Principal Amount</u>	<u>30.06.2007 Credit Equivalent Amount *</u>	<u>Risk Weighted Amount</u>
	RM	RM	RM
Transaction-related contingent items	600,000	-	-
Irrevocable commitments to extend credit : - maturity more than one year	19,426,795	-	-
Miscellaneous	10,851,439	-	-
Total	<u>30,878,234</u>	-	-

\* The credit equivalent amount is arrived at using credit conversion factors as per Bank Negara Malaysia's guidelines.

14. CAPITAL ADEQUACY

	<u>30.06.2007</u> RM
<u>Tier I Capital</u>	
Paid-up ordinary share capital	355,020,010
Retained profits	(5,926,941)
Total Tier I capital	<u>349,093,069</u>
<u>Tier II Capital</u>	
General allowance for bad and doubtful financing	760,292
Total Tier II capital	<u>760,292</u>
Total capital base	<u>349,853,361</u>
<u>Capital ratios</u>	
Inclusive of market risk :	
Core capital ratio (inclusive of market risk)	571.72%
Risk-weighted capital ratio (inclusive of market risk)	<u>572.96%</u>

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NOTES TO THE FINANCIAL STATEMENTS

FOR HALF YEAR ENDED 30 JUNE 2007 (CONTINUED)

-PART A – EXPLANATORY NOTES PURSUANT TO GUIDELINES ON FINANCIAL REPORTING FOR LICENSED ISLAMIC BANKS (BNM GP8-I) ISSUED BY BANK NEGARA MALAYSIA

14. CAPITAL ADEQUACY (CONTINUED)

	<u>Risk Weighted</u> RM
The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:	
(i) Credit Risk	
0%	-
10%	-
20%	5,454
50%	-
100%	<u>61,055,066</u>
	<u>61,060,520</u>
(ii) Market Risk Capital Adequacy Framework #	-
	<u><u>61,060,520</u></u>

# The capital adequacy ratios have incorporated market risk pursuant to BNM's guideline on Market Risk Capital Adequacy Framework, which is effective from 1 April 2005.



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NOTES TO THE FINANCIAL STATEMENTS

FOR HALF YEAR ENDED 30 JUNE 2007 (CONTINUED)

-PART A – EXPLANATORY NOTES PURSUANT TO GUIDELINES ON FINANCIAL REPORTING FOR LICENSED ISLAMIC BANKS (BNM GP8-I) ISSUED BY BANK NEGARA MALAYSIA

15. PROFIT RATE RISK (CONTINUED)

	← Non-trading book →					Non-profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years				
	RM	RM	RM	RM	RM				
<b>Liabilities</b>									
Deposits from customers	155,566,981	105,054,892	2,977,710	-	-	-	-	263,599,583	2.95
Deposits and placements of banks and other financial institutions	42,824,453	-	50,600,000	-	-	-	-	93,424,453	3.35
Other liabilities	-	-	-	-	-	2,821,360	-	2,821,360	-
Total liabilities	198,391,434	105,054,892	53,577,710	-	-	2,821,360	-	359,845,396	
Total shareholders equity	-	-	-	-	349,093,069	-	-	349,093,069	
	198,391,434	105,054,892	53,577,710	-	349,093,069	2,821,360	-	708,938,464	
<b>Total profit-sensitivity gap</b>	71,368,566	270,263,249	(53,577,710)	50,596,067	(349,093,069)	10,442,897	-	-	

**ASIAN FINANCE BANK BERHAD**

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR HALF YEAR ENDED 30 JUNE 2007 (CONTINUED)

-PART B – EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134 (“FRS134”) ISSUED BY MALAYSIAN ACCOUNTING STANDARDS BOARD

16. BASIS OF PREPARATION

The unaudited condensed interim financial statements for the 2<sup>nd</sup> quarter and half-year ended 30 June 2007 have been prepared in accordance with FRS 134 : Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”), Guidelines on Financial Reporting for Licensed Islamic Banks (“BNM/GP8-I”) issued by Bank Negara Malaysia (BNM) and comply with the provisions of the Companies Act, 1965 as well as the principles of Shariah.

The interim financial statements should be read in conjunction with the quarterly financial statements ended 31 March 2007. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since the quarter ended 31 March 2006.

17. ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the financial statements ended 31 March 2007.

18. AUDIT REPORT ON PRECEEDING ANNUAL FINANCIAL STATEMENTS

The auditors’ report on the financial statements for the financial year ended 31 December 2006 was not qualified.

19. SEASONAL OR CYCLICAL FACTORS AFFECTING OPERATIONS

The operations of the Bank were not materially affected by any seasonal or cyclical factors during the financial period ended 30 June 2007.

20. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no items of unusual nature, size or incidence affecting the assets, liabilities, equity, net income or cash flows of the Bank during the financial period ended 30 June 2007.

21. CHANGES IN ESTIMATES

There were no changes to the estimates of amounts reported in interim periods in previous financial year that have a material effect in the financial period ended 30 June 2007.

22. DEBT AND EQUITY SECURITIES

There were no issuances, cancellation, repurchases, resale or repayments of debt and equity securities during the financial period ended 30 June 2007.

22. DIVIDENDS PAID

There were no dividends paid during the financial period ended 30 June 2007.

**ASIAN FINANCE BANK BERHAD**

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS

FOR HALF YEAR ENDED 30 JUNE 2007 (CONTINUED)

-PART B – EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134 (“FRS134”) ISSUED BY MALAYSIAN ACCOUNTING STANDARDS BOARD

## 23. SEGMENT INFORMATION

(i) By business segment

	2nd Quarter ended 30 June 2007		Half year ended 30 June 2007		Total Assets RM
	Operating Revenue RM	Profit/(Loss) Before Tax Expense RM	Operating Revenue RM	Profit/(Loss) Before Tax Expense RM	
Domestic banking	61,689	(736,966)	66,921	(1,426,627)	51,997,149
Investment and International banking	3,901,602	3,009,355	6,760,953	5,570,995	649,916,879
Unallocated expenses	-	(3,074,553)	-	(5,529,041)	-
Unallocated assets	-	-	-	-	7,024,436
	<b>3,963,291</b>	<b>(802,164)</b>	<b>6,827,874</b>	<b>(1,384,673)</b>	<b>708,938,464</b>

(ii) By geographical location

The Bank's operations are only in Malaysia during the financial period ended 30 June 2007.

## 24. VALUATION OF PROPERTY &amp; EQUIPMENT

The property & equipment are stated at cost less accumulated depreciation and impairment losses. There were no changes in the valuation of property & equipment brought forward from previous audited financial statements for the financial year ended 31 December 2006.

## 25. SUBSEQUENT EVENTS

There were no material events subsequent to the end of current interim period that requires disclosure or adjustments to the unaudited condensed interim financial statements.