

HSBC AMANAHTAKAFUL INVESTMENT-LINKED PLAN

Annual funds performance for the year ended 31 December 2008



optimism



Message from HSBC Amanah Takaful (Malaysia) Sdn. Bhd.

Dear valued participants,

It has been an exciting year for HSBC Amanah Takaful and the business is moving on to the next level of its growth. Against the backdrop of turbulent markets and slowing global economy, our Takaful structured investment-linked plans held up well and we will continue to increase our efforts in overcoming challenges in 2009.

In just 3 years, our Takaful business has met up to the expectations of the market in line with the trends of the industry. We have a diverse group of professional employees dedicated in providing quality products and innovative solutions – ensuring that our customers receive only the best.

In February 2008, we became the first Takaful Operator to be rated by an international rating agency and given a rating of A- (A minus with stable outlook) as capped by the sovereign rating in Malaysia. This is a testimony to the strong support of all shareholders, HSBC Insurance (Asia Pacific) Holdings Ltd, Jerneh Asia Berhad and Employees Provident Fund.

This milestone reflects our capability as a credible provider and we have you, our valued participants, to thank for. We truly appreciate the trust you have placed in HSBC Amanah Takaful. On behalf of the team, I would like to express our sincere appreciation for your continuous support and your loyalty towards the HSBC brand.

Going forward, customer needs remain the key driver of business for us.

In our aim to be the premier Takaful provider in Malaysia, we remain committed in providing you with strong performing and innovative products to meet your financial needs.

We thank you for your feedback and support.

Yours sincerely,



Zainudin Ishak
Executive Director & Chief Executive Officer

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In the event of any inconsistency between the English version and the Bahasa Malaysia version, the English version shall prevail to the extent of such inconsistency.

▶ 5 North East Asian Tigers (N.E.A.T.) Portfolio

Fund Objective

The fund seeks to achieve potentially higher returns through participation in the positive movements in the underlying Basket of Shares linked to the Japanese and Chinese/Hong Kong markets, while providing principal protection, through HSBC Bank's structured investment, if held to maturity.

Basket of Shares

N A M E	P R I C E (31 Dec 2008)	3-mth (% Change)	6-mth (% Change)	12-mth (% Change)
CANON INC	JPY2,770.00	-27.5	-49.3	-46.7
KAO CORP	JPY2,710.00	-4.1	-2.7	-19.3
PANASONIC CORP	JPY1,059.00	-41.0	-53.8	-54.3
SHISEIDO CO LTD	JPY1,825.00	-22.2	-24.9	-31.0
SHIMANO INC	JPY3,510.00	-2.1	-33.7	-12.3
CHINA MOBILE	HKD77.80	1.2	-25.8	-43.6
CNOOC LTD	HKD7.24	-18.2	-46.1	-45.5
ESPRIT HOLDINGS	HKD43.90	-2.2	-42.8	-60.1
SWIRE PACIFIC 'A'	HKD53.35	-20.8	-33.1	-50.4

Investment Review*

N.E.A.T., which consists of 9 Japanese and Chinese shares, has been performing well since inception even throughout 2008 in the face of global recession sparked by the credit crisis when global equity markets were hit time and again by unprecedented losses. NAV for N.E.A.T. as at December 2008 was 1.0375, which is remarkable considering for the same time period, the Nikkei 225 Index has fallen by 50% and the Hang Seng Index by 41%. In other words, if the investor had directly invested in these two markets, the investor would have lost half of his original principal amount. The N.E.A.T. structure ensures that principal is protected as long as the structure is held to maturity. To further illustrate, the total return to investors who had redeemed their N.E.A.T. investment in May 2008 was 8.48% for a roughly 1-year investment period.

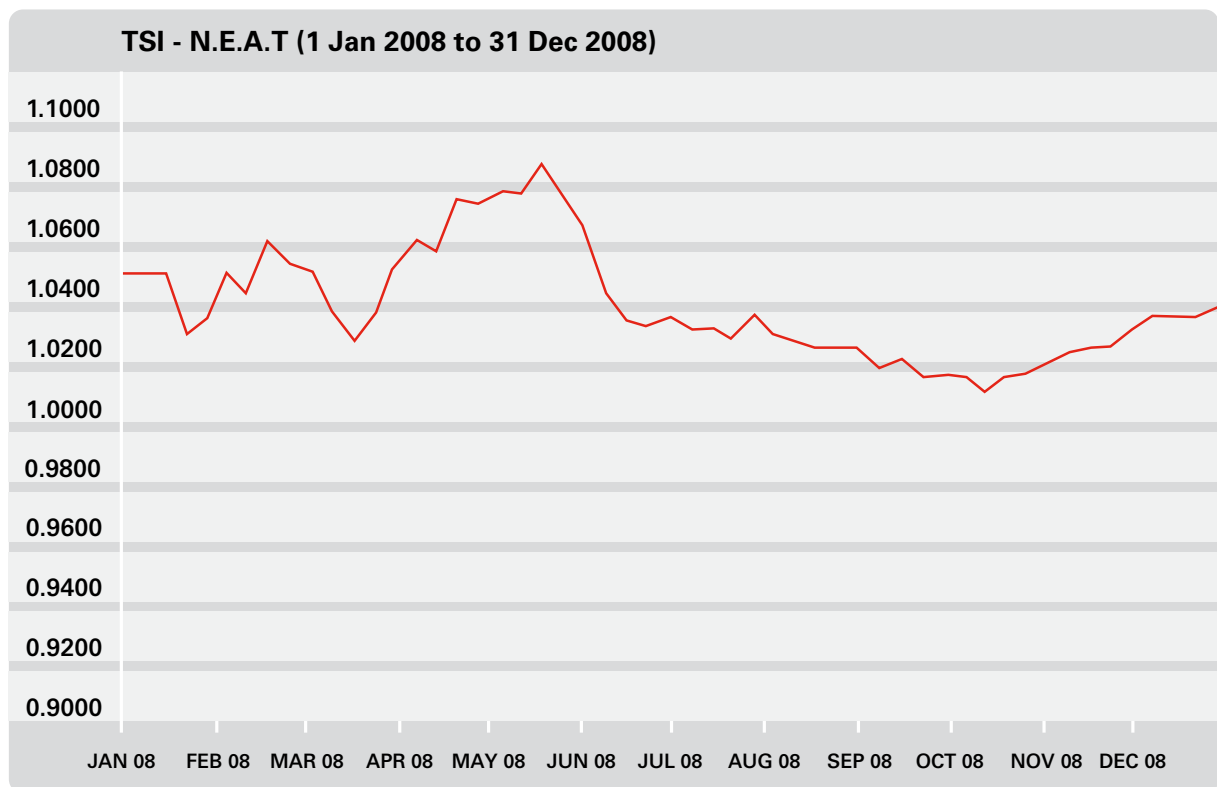
▶ 6 North East Asian Tigers (N.E.A.T.) Portfolio

Market Outlook*

Going forward, global markets are set for another challenging year in 2009. As global economy heads into a recession, demands for Japanese and Chinese goods have slowed. The strengthening of yen will further hurt Japanese exporters (automakers, electronics). The slowdown is evident in China where GDP grew by 6.8% in Q4 2008, slowest in 7 years. The stimulus plans announced by various governments and world leaders including China and Japan will hopefully help pull the economies out of these difficult times, especially in China where it is hoped that the various stimulus plans will help fuel domestic consumption to support the economy.

Fund Performance

N.E.A.T.	3-mth (%)	6-mth (%)	1-year (%)	Since Inception (%)
	1.89	0.08	-1.19	3.75



* Source: The Hongkong and Shanghai Banking Corporation Limited

▶7 The Wellness Portfolio

Fund Objective

The fund seeks to achieve potentially higher returns by participation in the positive movements in the underlying Basket of Shares linked to the health, fitness and pharmaceutical companies, while providing principal protection, through HSBC Bank's structured investment, if held to maturity.

Basket of Shares

NAME	PRICE (31 Dec 2008)	3-mth (% Change)	6-mth (% Change)	12-mth (% Change)
NOVARTIS AG-REG	CHF52.70	-10.0	-6.3	-15.1
PFIZER INC	USD17.71	-4.0	1.4	-22.1
SANOFI-AVENTIS	EUR45.40	-2.5	7.0	-27.9
ROCHE HLDG-GENUS	CHF162.50	-6.9	-11.7	-16.9
NIKE INC -CL B	USD51.00	-23.8	-14.4	-20.6
JOHNSON & JOHNSON	USD59.83	-13.6	-7.0	-10.3

Investment Review*

WELLNESS, which consists of 6 shares linked to the health and fitness industry, has been performing steadily in the midst of market turmoil spanning the worst period of sell-off and uncertainty experienced in the market. Its NAV, from a low of 94.11% has climbed steadily upwards to almost par at 99.63%, (an increase of 5.50%).

The structure and performance of WELLNESS is remarkable considering for the same time period, the S&P 500 Index has fallen by 38% and the DJ Eurostoxx 50 Index by 42%. In other words, if the investor had directly invested in these two markets, the investor would have lost around 40% of his original principal amount. The WELLNESS structure ensures that principal is protected as long as the structure is held to maturity.

▶ 8 The Wellness Portfolio

Market Outlook*

Going forward, global markets are set for another challenging year in 2009 and equity markets are likely to continue its roller coaster ride which will affect the performance of WELLNESS. However, on a brighter note, the 44th US president, Barack Obama has pledged for an economic stimulus plan that positions healthcare as a cornerstone of financial growth and recovery. With health reform having been identified as one of the top priorities, we can expect some positive developments in the healthcare industry.

Fund Performance

Wellness	3-mth (%)	6-mth (%)	1-year(%)	Since Inception (%)
	1.84	5.95	3.68	-0.29



* Source: The Hongkong and Shanghai Banking Corporation Limited

► 9 Essentials Portfolio

Fund Objective

The fund seeks to achieve potentially higher returns through participation in the positive movements in the underlying Basket of Shares linked to the consumer sector, while providing principal protection, through HSBC Bank's structured investment, if held to maturity.

Basket of Shares

NAME	PRICE (31 Dec 2008)	3-mth (% Change)	6-mth (% Change)	12-mth (% Change)
JOHNSON & JOHNSON	USD59.83	-13.6	-7.0	-10.3
COLGATE-PALMOLIVE	USD68.54	-9.0	-0.8	-12.1
RECKITT BENCKISER	GBP2,578.00	-4.9	1.3	-11.5
PROCTER & GAMBLE	USD61.82	-11.3	1.7	-15.8
COCA-COLA CO	USD45.27	-14.4	-12.9	-26.2
NOKIA OYJ	EUR11.10	-14.0	-28.3	-58.1
L'OREAL	EUR62.30	-10.0	-9.8	-36.4
GLAXO SMITH KLINE	USD1,284.50	6.1	15.4	0.4

Investment Review*

ESSENTIALS is made up of 8 shares of companies producing items linked to the lifestyle essentials in the modern world. Though performance of this basket has been lacklustre for the 1st year since inception, it has nonetheless bounced up from its NAV low of 0.9375 to 0.9790 as at December 2008, nearly 4% rise since end June.

The performance of ESSENTIALS is remarkable considering for the same time period, the S&P 500 Index has fallen by 43% and the DJ Eurostoxx 50 Index by 50%. In other words, if the investor had directly invested in these two markets, the investor would have lost close to half of his original principal amount. The ESSENTIALS structure ensures that principal is protected as long as the structure is held to maturity.

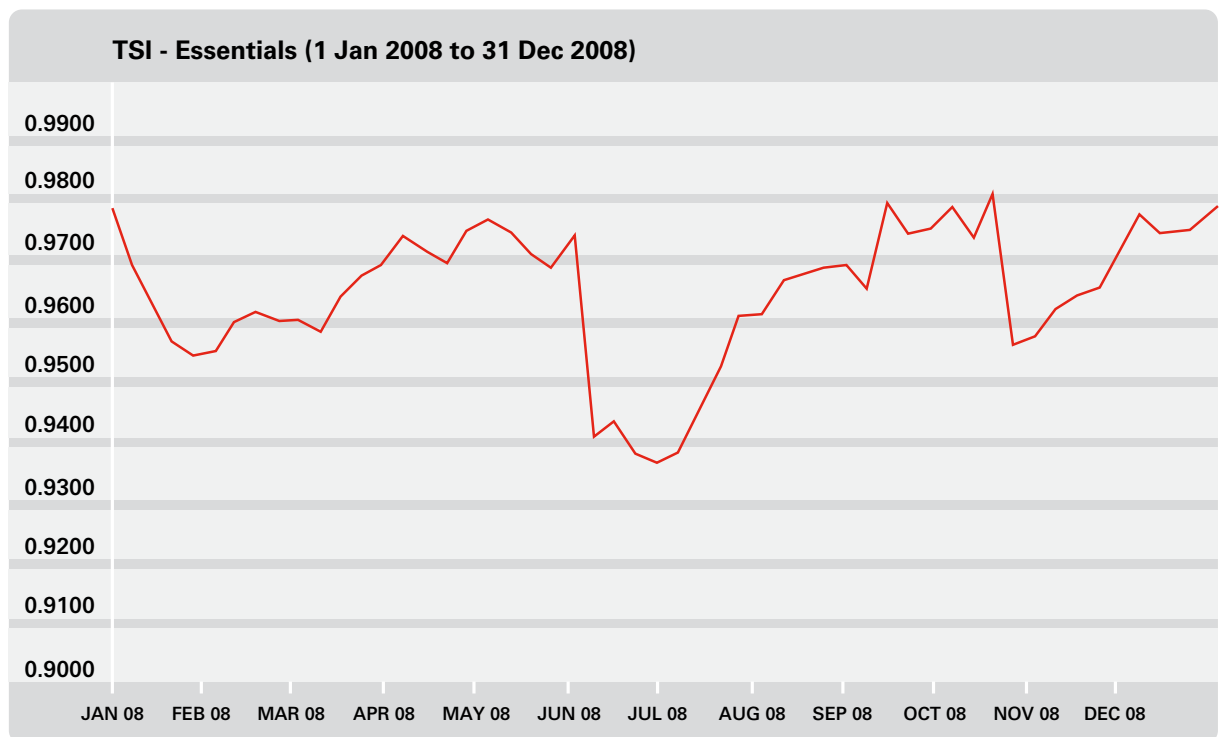
▶ 10 Essentials Portfolio

Market Outlook*

Going forward, global markets are set for another challenging year in 2009 and equity markets are likely to continue its roller coaster ride which will affect the performance of ESSENTIALS. However, during periods of low or negative growth, consumer defensives are likely to perform better than other sectors as they are viewed as essential items as opposed to luxury or discretionary goods where its purchase is not a necessity.

Fund Performance

Essentials	3-mth (%)	6-mth (%)	1-year (%)	Since Inception (%)
	0.37	4.43	0.00	-2.10



* Source: The Hongkong and Shanghai Banking Corporation Limited

▶ 11 North East Asian Tigers 2 (N.E.A.T.2) Portfolio

Fund Objective

The fund seeks to achieve potentially higher returns through participation in the positive movements in the underlying Basket of Shares linked to the Korean, Taiwanese and Chinese/Hong Kong markets, while providing principal protection, through HSBC Bank's structured investment, if held to maturity.

Basket of Shares

NAME	PRICE (31 Dec 2008)	3-mth (% Change)	6-mth (% Change)	12-mth (% Change)
HON HAI PRECISION INDUSTRY	TWD64.20	-42.7	-50.6	-63.5
TAIWAN SEMICONDUCTOR	TWD44.40	-15.4	-31.3	-28.0
HYUNDAI MOBIS	KRW63,100.00	-31.3	-25.5	-27.6
CHINA STEEL CORP	TWD23.10	-26.4	-49.2	-45.3
CHUNGHWA TELECOM	TWD53.50	-13.3	-17.5	-0.2
CNOOC LTD	HKD7.24	-18.2	-46.1	-45.5
SAMSUNG ELECTRONICS	KRW451,000.00	-16.3	-27.8	-18.9
MTR CORP	HKD17.96	-20.7	-26.8	-37.4
HONG KONG ELECTRICS	HKD43.50	-10.3	-6.8	-3.0
POSCO	KRW380,000.00	-14.0	-30.1	-33.9

Investment Review*

N.E.A.T.2, which consists of 10 Chinese and Korean shares, has been performing steadily upwards since its inception in October 2008 even in the midst of economic uncertainty and weakness seen in the global equity markets. NAV for N.E.A.T.2 as at December 2008 was 0.9864, which is remarkable considering for the same time period, both Hang Seng and Kospi 225 Index fell by close to 7%. In other words, if the investor had directly invested in these two markets, the investor would have lost around 7% of his original principal amount in 3 months. In contrast, since inception, the NAV has dropped slightly by 1.36%. The N.E.A.T.2 structure ensures that principal is protected as long as the structure is held to maturity.

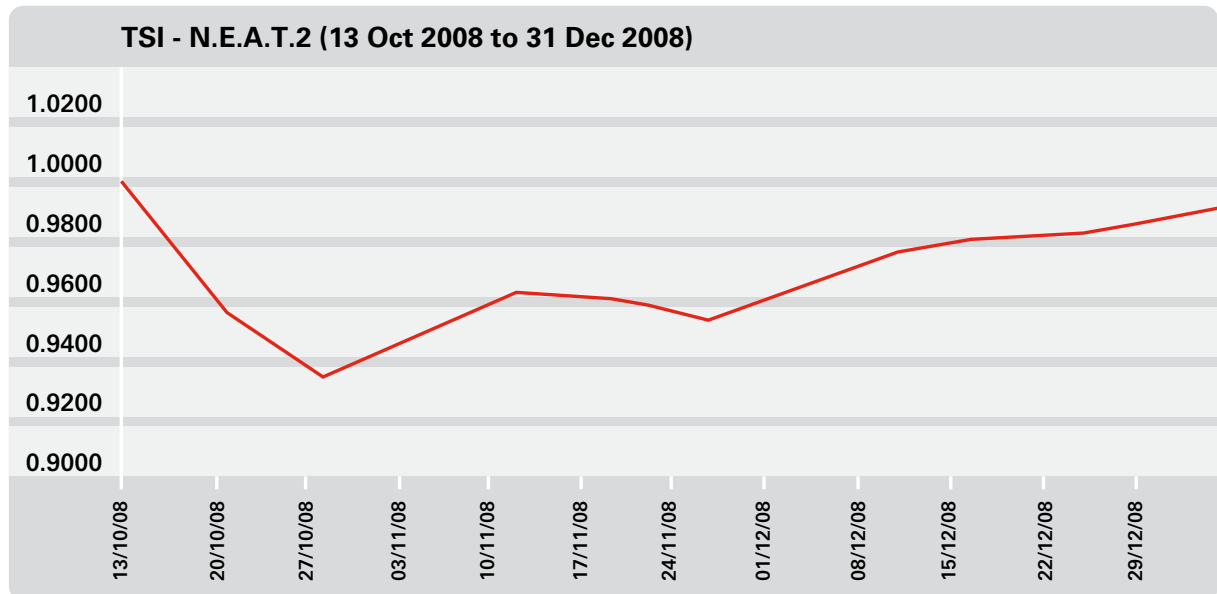
▶ 12 North East Asian Tigers 2 (N.E.A.T.2) Portfolio

Market Outlook*

Going forward, global markets are set for another challenging year in 2009. As global economy heads into a recession, demand for Asian especially Chinese goods has slowed. The slowdown is evident in China where GDP grew by 6.8% in Q4 2008, slowest in 7 years. The stimulus plans announced by various governments and world leaders, notably China and US will hopefully help pull the economies out of these difficult times, where it is hoped that the various stimulus plans will help fuel domestic consumption to support the economy.

Fund Performance

N.E.A.T.2	3-mth (%)	6-mth (%)	1-year(%)	Since Inception (%)
	n / a	n / a	n / a	-1.36



* Source: The Hongkong and Shanghai Banking Corporation Limited

▶ 13 HSBC Amanah LifeSelect Fixed Income Fund

Fund Objective

The portfolio aims to achieve a steady income stream in the medium to long term by investing in a portfolio of Malaysian Islamic debt securities and money market instruments. The portfolio also aims for some degree of capital stability.

Bond Market Review[#]

During the interim period under review, rising losses on subprime mortgages accelerated write-downs in the finance sector and triggered credit rating downgrades of financial institutions. The crisis has led to unprecedented moves from central bankers including global bailouts of financial institutions, mergers and acquisitions, concerted liquidity injections and US Dollar swap line arrangements in order to stay afloat. To alleviate credit market stress, the Federal Funds rate was reduced by a total of 1.75% to 0.25%.

By September 2008, the financial crisis entered into a critical new stage. A rapid series of events that began with the nationalisation of mortgage giants Fannie Mae and Freddie Mac, bankruptcy of Lehman Brothers, sale of Merrill Lynch to Bank of America, the bailout of insurance giant AIG Inc, the failure of Washington Mutual, and recent troubles amongst US automakers have shook investors' confidence and further reduced risk appetite globally. To revive confidence and improve credit flow, the US legislators subsequently approved a US\$700 billion bailout package in the first week of October 2008.

Treasury movements have been all about safe haven plays following higher risks premiums and widening credit spreads. The yield curve shifted lower in near parallel movement. As the crisis intensified, heightened global recessionary fears amid receding inflation worries led central bankers around the region to act aggressively on monetary easing.

Despite stabilisation of the benchmark overnight policy rate at 3.50% in the first half of the interim period, domestic market sentiment was dampened by financial developments in the US and heightened inflationary concerns in light of elevated crude oil prices which peaked above US\$147 per barrel in July. Malaysia's July CPI climbed to 8.50% on year, the highest in 26 years, after taking into account of the tariff electricity hike in July. The sharp increase in fuel prices and inflation data had market anticipating tighter monetary policy to counter inflationary risks. The elevated political risk premium in Malaysia, coupled with Ringgit weakness dissolved any foreign appetite for local papers. The 2009 Budget report surprised the market with widening deficit to GDP ratio of 4.80% in 2008, from 3.20% in 2007 on account of rising fuel subsidy costs. This pressured yields higher over concerns of increased supply of government debt. By October 2008, the domestic sovereign market reversed into strength. The sovereign curve experienced a downward shift towards the end of the interim period as weak exports and industrial production data continued to point towards expectations of an economic slowdown. Benchmark yields traded on year to date lows across the curve in late December as the market continued to rally on expectations of a series of rate cuts in 2009 after having seen the peak and subsequent decline in inflationary trend and fall in global crude prices.

Despite an active sovereign market, activities in credit markets were concentrated on quasi government and high grades due to risk aversion and refinancing risks of high yielding issues. Private debt securities have yet to recover from levels prior to the broad based sell down in June.

November's Consumer Price Index recorded an increase of 5.70%, which was 1% point lower than expected. Retreating inflation boosted by lower domestic fuel prices should leave more room for further domestic rate cuts in 2009 to ease the economic slowdown. Third quarter GDP growth moderated to 4.70% on year dragged by lower net exports and investments. Official forecast of GDP growth has been downgraded to 4.60% in 2008 and -1.00% to 1.00% in 2009 after having expanded by 6.20% for the first nine months of 2008.

▶ 14 HSBC Amanah LifeSelect Fixed Income Fund

Investment Strategy Review[#]

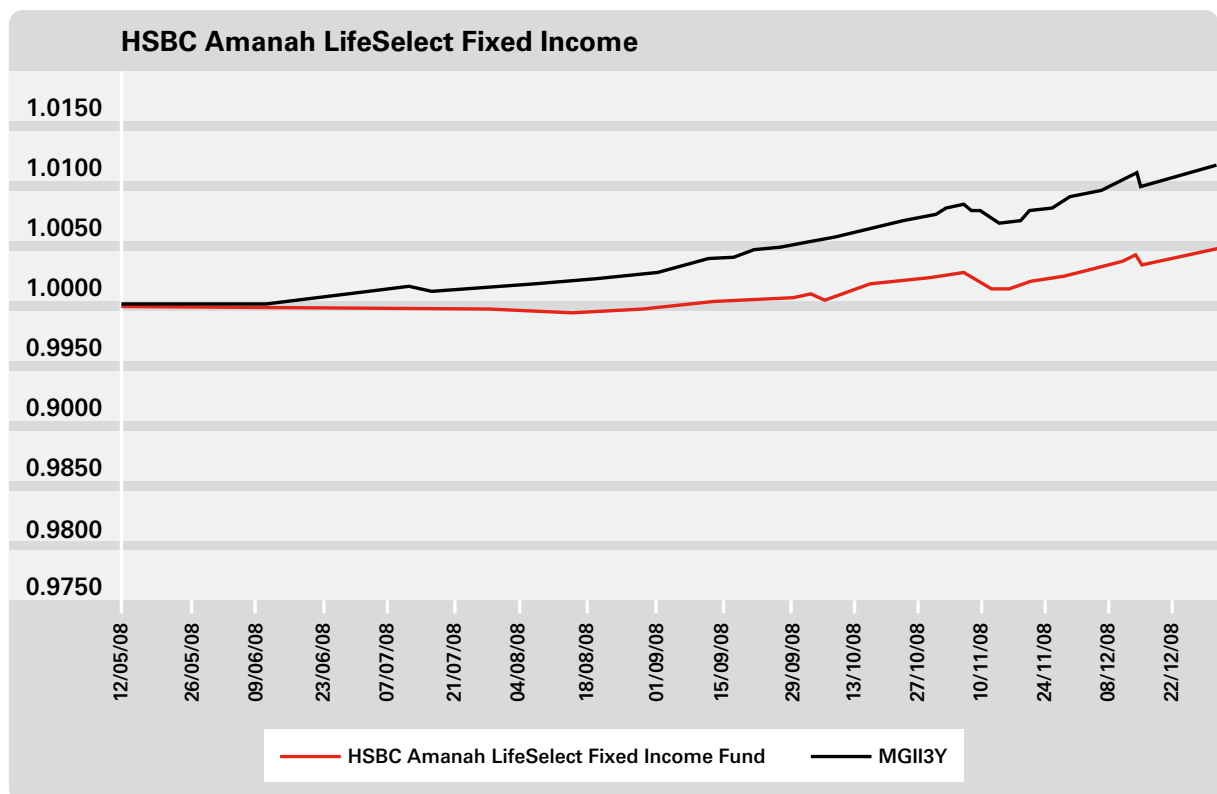
For the six-month period, the Fund registered a total return of 0.144%, compared to its benchmark (3-year GII) which returned 2.21%.

As at 31 December 2008, the Fund's portfolio value was made up of 46.08% fixed income and other debt securities and 53.92% in cash and liquid assets.

The Fund initiated investments in short-term debt instruments in July and subsequently brought its allocation up to the current level. During the first half of the period under review, the Fund adopted a cautious approach following the domestic bond market sell down in early June. Strategy was focused on short duration management, emphasising on liquidity and cash conservation. The Fund held high levels of cash and short maturity Islamic commercial papers as a defense against mark-to-market implications, sacrificing yield for capital preservation. Towards the second half, the Fund was a net purchaser of high-grade intermediate corporate bonds for longer duration play in an environment of falling interest rate trend.

For the six months ended, under performance relative to the benchmark was also due to the cash drag effect when initial capital injections could not be deposited into the money market account due to constraints in minimum placement amount and single financial institution limit as a result of a relatively small fund size. The interim period under review also saw outperformance of government bonds relative to corporate bonds on high risk aversion to the credit markets.

Going forward, re-investments will look beyond short-term debt with focus on high grade intermediate tenures to lock-in higher interest rates for long duration play in an environment of low and falling interest rate trend. The Fund will gradually increase its allocation upon availability of supply in line with its risk tolerance and challenging fund size.



[#] Source: Pacific Mutual Fund Bhd

▶ 15 HSBC Amanah LifeSelect Equity Fund

Fund Objective

The portfolio aims to achieve capital growth and income in the medium to long term by investing in a portfolio of Shariah-compliant Malaysian equities and equity related securities.

Equity Market Review[#]

The second half of 2008 was a tough period for global equities markets as the implosion from the US subprime problems reverberated throughout global stock markets. Equity markets collapsed as they priced in a fast deterioration in the global economy. The FBM Shariah Index ended the year at 5,949.63 points, or a loss of 30.7% over the end-June close. This was in line with declines in other markets – US (-23%), Japan (-34%), Hong Kong (-35%), Korea (-33%), Singapore (-40%), Taiwan (-39%), Thailand (-41%), Philippines (-24%), Indonesia (-42%) and Shanghai (-33%). With investors selling down to deleverage, other asset classes such as commodities and real estate were also hit. Crude palm oil prices fell 66% at one point from its high of RM4,200 per tonne in July while oil prices tumbled to US\$34 per barrel in December from its peak of US\$147 per barrel.

The market started the period on a weak note as escalating global inflation caused by record high commodity prices resulted in monetary tightening across the globe. However, the reversal in oil prices from July 2008 helped diffuse global inflationary pressures. Unfortunately, with some positive correlation between crude oil prices and crude palm oil (CPO) prices, the correction in crude oil prices spilled over into a sell-down of plantation stocks, which comprised a significant portion of the FBM Shariah Index.

Increasing risk aversion led foreign funds to reduce their exposure to emerging markets. Political uncertainties also weighed on the local bourse and increased Malaysia's perceived risk premium. The outflow of foreign portfolio funds from Malaysia led to a significant weakening of the Ringgit and the local bourse.

After hitting a low of 5,415.90 points on 28 October 2008, the FBM Shariah Index gradually recovered, due to both local and global developments. On 3 October 2008, the US government approved a massive US\$700 billion bailout of the financial sector. Governments around the world followed suit, with bailout packages of differing scopes and sizes. Together with coordinated rate cuts by global central banks, there was hope that the worst of the financial storm had passed. Global markets also reacted positively to the election of Barack Obama as the 44th US President in early November.

In the near term, global investor sentiment has improved on hopes that President-elect Barack Obama's spending proposal will revive the US economy and reduce the severity of the global downturn. For the local bourse, upside may come from the announcement of another stimulus package and lower risk aversion, especially given the low foreign ownership of Malaysian stocks.

▶ 16 HSBC Amanah LifeSelect Equity Fund

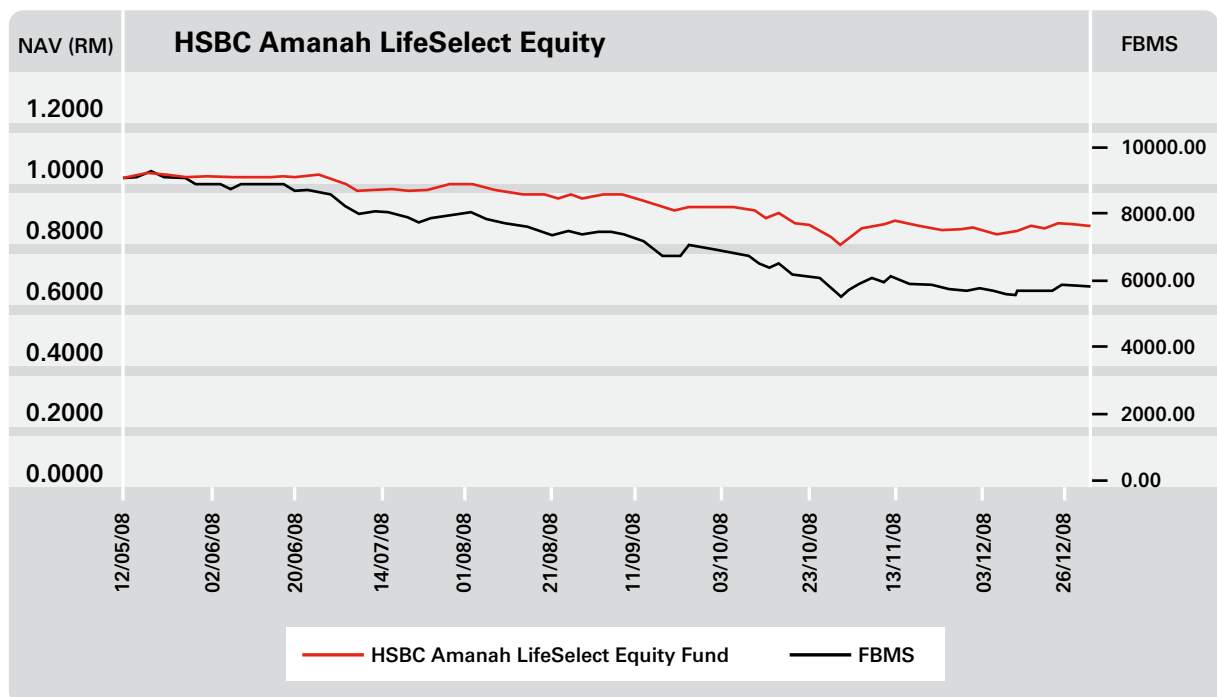
Investment Review[#]

During the period under review, HSBC Amanah LifeSelect Equity Fund fell 18.35%, compared with -32.63% for the benchmark FBM Syariah. This translates into an outperformance of 14.28% points.

Following the initial capital injection in June 2008, the Fund has aggressively built up its equity exposure from 44.1% at end-June to 72.4% at end-Dec 2008. (Note that equity exposure fell below the mandated 50% level due to the third capital injection on 30 June 2008). Equity exposure has remained above 70% since November 2008 on expectations that the local market had formed a near-term bottom in October 2008.

Purchases were across the board, with emphasis on selected telecommunication, construction, plantation, oil and gas and utilities stocks. The Fund also invested in selected glove manufacturers, which generated good returns. As of end-December 2008, the top sector exposures in the Fund were trading/services (35.6% of net asset value) and construction (11.3% of net asset value). The Fund's exposure in the trading/services sector consists of diversified holdings of large and medium caps in transportation, oil and gas, plantations, toll concession, telecommunications and utilities. The Fund is overweight the construction sector due to undemanding valuations and potential benefits from local pump-priming activities.

In the near term, the Fund expects to maintain high equity levels to capitalise on the expected positive sentiment, but will adopt an opportunistic stance in view of continued market volatility.



[#] Source: Pacific Mutual Fund Bhd

Financial Statements

For the year ended 31 December 2008

▶ 18 Manager's Report

The Manager has pleasure in submitting its report and the audited financial statements of the Investment-Linked Plans (hereinafter collectively referred to as "the Funds") for the year ended 31 December 2008.

Principal activities

The principal activities of the Funds are to invest in authorised investments. There have been no significant changes in the nature of these activities during the year.

Investment policy

The objective of the Funds is to provide participants with prospects for long term capital growth by investing in portfolio of Shariah-compliant shares and other assets/investments.

Results

(Deficit) / Excess of income over expenditure	RM
- North East Asian Tigers (N.E.A.T.) Portfolio	(1,110,247)
- The Wellness Portfolio	1,007,339
- Essentials Portfolio	(12,965)
- North East Asian Tigers 2 (N.E.A.T.2) Portfolio	(472,061)
- HSBC Amanah LifeSelect Fixed Income Fund	801
- HSBC Amanah LifeSelect Equity Fund	(179,576)

Directors of the management company

The Directors who served up to the date of this report are:-

Irene Mitchell Dorner

Kasim Bin Zakaria

Dato' Rusma Binti Ibrahim

Tam Chiew Lin

Datuk Haron Bin Siraj

Bruce Anthony Howe

Mohamed Ross Bin Mohd Din

(appointed on 9.5.2008 & resigned on 1.1.2009)

Keith Maxwell Driver

(resigned on 7.4.2008)

For and on behalf of the Manager,
HSBC Amanah Takaful (Malaysia) Sdn. Bhd.



Irene Mitchell Dorner
Director

Kuala Lumpur
19 February 2009

▶ 19 Statement by Manager

I, Irene Mitchell Dorner, Director of HSBC Amanah Takaful (M) Sdn. Bhd., state that, in the opinion of the Manager, the financial statements set out on pages 21 to 32, are properly drawn up in accordance with Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Funds as at 31 December 2008 and the results of their operations, cash flows and changes in net asset value for the financial year ended on that date.

For and on behalf of the Manager,
HSBC Amanah Takaful (Malaysia) Sdn. Bhd.



Irene Mitchell Dorner
Chairman

Kuala Lumpur
19 February 2009

▶ 20 Independent Auditors' Report

To the participants of HSBC Amanah Takaful Investment-Linked Plan ("the Funds")

Report on the Financial Statements

We have audited the financial statements of the Funds, which comprise the statement of assets and liabilities as at 31 December 2008, and the statement of income, expenditure and the statement of changes in net asset value and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 21 to 32.

Directors' Responsibility for the Financial Statements

The Directors of the management company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control of 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 approved standards on auditing in Malaysia. 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 our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control of the management company relevant to the 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 internal control of the management company. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors of the management company, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards so as to give a true and fair view of the financial position of the Funds as of 31 December 2008 and the results of their operations, cash flows and changes in net asset value for the financial year ended on that date.

Other Matters

This report is made solely to the participants of the Funds, as a body in accordance with GPI 33, The Guidelines on Investment Linked Business and for no other purpose. We do not assume responsibility to any other person for the content of this report.



KPMG
Firm Number: AF 0758
Chartered Accountants

Petaling Jaya, Selangor
19 February 2009

▶ 21 Statement of Assets and Liabilities

As at 31 December 2008

	Note	North East Asian Tigers (N.E.A.T.) Portfolio RM	The Wellness Portfolio RM	Essentials Portfolio RM	North East Asian Tigers 2 (N.E.A.T.2) Portfolio RM	HSBC Amanah LifeSelect Fixed Income Fund RM	HSBC Amanah LifeSelect Equity Fund RM
2008							
Investments							
Structured Investments	3	85,447,226	27,175,965	34,522,052	33,273,182	–	–
Islamic Debt Securities	4	–	–	–	–	1,539,100	–
Shariah Approved Shares	5	–	–	–	–	–	913,294
Cash and deposits							
Cash at bank		–	–	–	–	6,651	335,473
Fixed and call deposits		–	–	–	–	1,785,000	–
Deferred tax asset		–	–	–	–	267	17,612
Other assets		–	–	–	–	18,996	18,472
Total Assets		85,447,226	27,175,965	34,522,052	33,273,182	3,350,014	1,284,851
Provision for tax		–	–	–	–	2,263	–
Other liabilities		–	–	–	–	226	120
Total Liabilities		–	–	–	–	2,489	120
Net Assets Value of the Fund		85,447,226	27,175,965	34,522,052	33,273,182	3,347,525	1,284,731
Represented by:							
Participants' Funds	6	82,132,912	27,278,776	35,292,772	33,745,243	3,346,724	1,464,307
Generated income/(loss) carried forward		3,314,314	(102,811)	(770,720)	(472,061)	801	(179,576)
		85,447,226	27,175,965	34,522,052	33,273,182	3,347,525	1,284,731
Net Asset Value Per Unit (RM)		1.0375	0.9971	0.9790	0.9864	1.0044	0.8415
2007							
Investments							
Structured investments	3	91,588,133	27,154,854	35,325,807	–	–	–
Net Assets Value of the Fund		91,588,133	27,154,854	35,325,807	–	–	–
Represented by:							
Participants' Funds	6	87,163,572	28,265,004	36,083,562	–	–	–
Income/(loss) for the period		4,424,561	(1,110,150)	(757,755)	–	–	–
		91,588,133	27,154,854	35,325,807	–	–	–
Net Asset Value Per Unit (RM)		1.0500	0.9617	0.9790	–	–	–

The accompanying notes on page 26 to 32 form an integral part of the financial statements.

▶ 22 Statement of Income and Expenditure

For the year ended 31 December 2008

	North East Asian Tigers (N.E.A.T.) Portfolio RM	The Wellness Portfolio RM	Essentials Portfolio RM	North East Asian Tigers 2 (N.E.A.T.2) Portfolio RM	HSBC Amanah LifeSelect Fixed Income Fund RM	HSBC Amanah LifeSelect Equity Fund RM
2008						
Net investment results						
Profit investment income	-	-	-	-	23,415	-
Dividend income	-	-	-	-	-	19,699
Unrealised capital gain	-	1,007,339	-	-	-	-
Accretion of discounts	-	-	-	-	12,723	-
Total income	-	1,007,339	-	-	36,138	19,699
Loss on disposal	-	-	-	-	-	(96,433)
Unrealised capital loss	(1,110,247)	-	(12,965)	(472,061)	(3,336)	(99,123)
Other outgo	-	-	-	-	(30,005)	(18,399)
Total outgo	(1,110,247)	-	(12,965)	(472,061)	(33,341)	(213,955)
(Loss)/income before taxation	(1,110,247)	1,007,339	(12,965)	(472,061)	2,797	(194,256)
Taxation	-	-	-	-	(1,996)	14,680
(Loss)/income after taxation	(1,110,247)	1,007,339	(12,965)	(472,061)	801	(179,576)
Generated income brought forward	4,424,561	(1,110,150)	(757,755)	-	-	-
Generated income/(loss) carried forward	3,314,314	(102,811)	(770,720)	(472,061)	801	(179,576)
2007						
Unrealised capital gain	4,424,561	-	-	-	-	-
Total income	4,424,561	-	-	-	-	-
Unrealised capital loss	-	(1,110,150)	(757,755)	-	-	-
Total outgo	-	(1,110,150)	(757,755)	-	-	-
Income/(Loss) after taxation/ Generated income carried forward	4,424,561	(1,110,150)	(757,755)	-	-	-

The accompanying notes on page 26 to 32 form an integral part of the financial statements.

▶ 23 Statement of Changes in Net Asset Value

For the year ended 31 December 2008

	North East Asian Tigers (N.E.A.T.) Portfolio RM	The Wellness Portfolio RM	Essentials Portfolio RM	North East Asian Tigers 2 (N.E.A.T.2) Portfolio RM	HSBC Amanah LifeSelect Fixed Income Fund RM	HSBC Amanah LifeSelect Equity Fund RM
2008						
Net Asset Value of the Fund at beginning of financial year	91,588,133	27,154,854	35,325,807	–	–	–
Net creation of units	–	–	–	33,931,835	3,516,566	1,539,442
Net cancellation of units	(5,030,660)	(986,228)	(790,790)	(186,592)	(169,842)	(75,135)
(Loss)/Income for the year	(1,110,247)	1,007,339	(12,965)	(472,061)	801	(179,576)
Net Asset Value of the Fund at end of financial year	85,447,226	27,175,965	34,552,052	33,273,182	3,347,525	1,284,731
2007						
Net creation of units	88,457,720	28,265,004	36,083,562	–	–	–
Net cancellation of units	(1,294,148)	–	–	–	–	–
Income/(loss) for the year	4,424,561	(1,110,150)	(757,755)	–	–	–
Net Asset Value of the Fund at end of financial year	91,588,133	27,154,854	35,325,807	–	–	–

The accompanying notes on page 26 to 32 form an integral part of the financial statements.

▶24 Cash Flow Statement

For the year ended 31 December 2008

	North East Asian Tigers (N.E.A.T.) Portfolio RM	The Wellness Portfolio RM	Essentials Portfolio RM	North East Asian Tigers 2 (N.E.A.T.2) Portfolio RM	HSBC Amanah LifeSelect Fixed Income Fund RM	HSBC Amanah LifeSelect Equity Fund RM
2008						
Cash flows from operating activities						
(Loss)/income before taxation	(1,110,247)	1,007,339	(12,965)	(472,061)	2,797	(194,256)
Adjustment for:						
Investment income	–	–	–	–	(23,415)	–
Accretions of discount	–	–	–	–	(12,723)	–
Dividend income	–	–	–	–	–	(19,699)
Loss on disposal	–	–	–	–	–	96,433
Unrealised capital loss/(gain)	1,110,247	(1,007,339)	(12,965)	(472,061)	3,336	99,123
Loss from operations before changes in operating assets and liabilities	–	–	–	–	(30,005)	(18,399)
Proceeds from disposal of assets	5,030,660	986,228	790,790	186,592	1,950,000	1,279,269
Purchase of investment	–	–	–	(33,931,835)	(3,479,713)	(2,388,119)
Increase in other assets	–	–	–	–	(18,996)	(18,472)
Increase in other liabilities	–	–	–	–	226	120
Cash generated from/(used in) operations	5,030,660	968,228	790,790	(33,745,243)	(1,578,488)	(1,145,601)
Cash flows from operating activities						
Cash generated from/(used in) operations	5,030,660	968,228	790,790	(33,745,243)	(1,578,488)	(1,145,601)
Dividend received	–	–	–	–	–	16,767
Interest received	–	–	–	–	23,415	–
Net cash generated from/(used in) operating activities	5,030,660	986,228	790,790	(33,745,243)	(1,555,073)	(1,128,834)
Cash flows from financing activities						
Proceeds from creations of units	–	–	–	33,931,835	3,516,566	1,539,442
Payment for cancellation of units	(5,030,660)	(986,228)	(790,790)	(186,592)	(169,842)	(75,135)
Net cash (used in)/generated from financing activities	(5,030,660)	(986,228)	(790,790)	33,745,243	3,346,724	1,464,307
Net increase in cash and cash equivalents	–	–	–	–	1,791,651	335,473
Cash and cash equivalents at 1 January	–	–	–	–	–	–
Cash and cash equivalents at 31 December	–	–	–	–	1,791,651	335,473
Cash and cash equivalents comprise:						
Cash at bank	–	–	–	–	6,651	335,473
Fixed and call deposits	–	–	–	–	1,785,000	–
	–	–	–	–	1,791,651	335,473

The accompanying notes on page 26 to 32 form an integral part of the financial statements.

▶ 25 Cash Flow Statement (continued)

For the year ended 31 December 2008

	North East Asian Tigers (N.E.A.T.) Portfolio RM	The Wellness Portfolio RM	Essentials Portfolio RM	North East Asian Tigers 2 (N.E.A.T.2) Portfolio RM	HSBC Amanah LifeSelect Fixed Income Fund RM	HSBC Amanah LifeSelect Equity Fund RM
2007						
Cash flows from operating activities						
Income/(loss) before taxation	4,424,561	(1,110,150)	(757,755)	–	–	–
Adjustment for:						
Unrealised capital (gain)/loss	(4,424,561)	1,110,150	757,755	–	–	–
Loss from operations before changes in operating assets and liabilities	–	–	–	–	–	–
Proceeds from disposal of assets	1,294,148	–	–	–	–	–
Purchase of investment	(88,457,720)	(28,265,004)	(36,083,562)	–	–	–
Net cash used in operating activities	(87,163,572)	(28,265,004)	(36,083,562)	–	–	–
Cash flows from financing activities						
Proceeds from creations of units	88,457,720	28,265,004	36,083,562	–	–	–
Payment for cancellation of units	(1,294,148)	–	–	–	–	–
Net cash from financing activities	87,163,572	28,265,004	36,083,562	–	–	–
Net increase in cash and cash equivalents	–	–	–	–	–	–
Cash and cash equivalents at 1 January	–	–	–	–	–	–
Cash and cash equivalents at 31 December	–	–	–	–	–	–

The accompanying notes on page 26 to 32 form an integral part of the financial statements.

▶26 Notes to the Financial Statements

Information on the Fund

The Manager, HSBC Amanah Takaful (M) Sdn Bhd, a private limited liability company, is incorporated and domiciled in Malaysia. The principal activities consist of the managing of family takaful and general takaful businesses. The family takaful business includes investment linked products.

The address of its registered office and principal place of business are as follows:

Registered office	Principal place of business
Suite 1005, 10 th Floor, Wisma Hamzah-Kwong Hing No. 1, Leboh Ampang 50100 Kuala Lumpur	3 rd Floor, Wisma Hamzah-Kwong Hing No. 1, Leboh Ampang 50100 Kuala Lumpur

The principal activities of the Funds are to invest in authorised investments. Details of the nature of investments made by the Funds are as follows:

- a) North East Asian Tigers (N.E.A.T.) is a 3-year Malaysian Ringgit Denominated Structured Investment linked to a Basket of Shares. The N.E.A.T. Basket comprises Shariah-compliant shares that offer access to Japan, China and Hong Kong equity markets.
- b) The Wellness Portfolio is a 3-year Malaysian Ringgit Denominated Structured Investment linked to a Basket of Shares. The Wellness Basket comprises Shariah-compliant shares that offer access to the global wellness equity markets primarily in Switzerland, USA and France.
- c) Essentials is a 3-year Malaysian Ringgit Denominated Structured Investment linked to a Basket of Shares. The Essentials Basket comprises of Shariah-compliant shares that offer access to blue chip shares of companies producing leading consumer essentials primarily in USA, Great Britain, Finland and France.

During the year, the Funds introduced additional investments products. Details of the nature of investments made by the Funds are as follows:

- d) North East Asian Tigers 2 (N.E.A.T.2) is a 3-year Malaysian Ringgit Denominated Structured Investment linked to a Basket of Shares. The N.E.A.T.2 Basket comprises Shariah-compliant shares that offer access to Japan, China and Hong Kong equity markets.
- e) HSBC Amanah LifeSelect Fixed Income Fund aims to achieve a steady return in medium to long term by investing in a portfolio of Malaysian Islamic debt securities and money market instruments. The Fund also aims for some degree of capital stability.
- f) HSBC Amanah LifeSelect Equity Fund aims to achieve capital growth in medium to long term by investing in a portfolio of Shariah-compliant Malaysian equities and equity related securities.

The immediate holding company of the Manager is HSBC Insurance (Asia Pacific) Holding Ltd., a company incorporated in Hong Kong. The ultimate holding company is HSBC Holdings Plc, a company incorporated in the United Kingdom.

The financial statements were approved by the Board of Directors of the Manager on 19 February 2009.

▶27 Notes to the Financial Statements

1. Basis of preparation

a) Statement of compliance

The financial statements of the Funds have been prepared in accordance with applicable approved Financial Reporting Standards (FRS) issued by the Malaysian Accounting Standards Board (MASB), accounting principles generally accepted in Malaysia, the provisions of the Companies Act, 1965, the Takaful Act, 1984, Takaful Guidelines/Circulars issued by Bank Negara Malaysia (BNM) and Shariah rulings and precepts.

The following accounting standards (including its consequential amendments) and interpretations have been issued by MASB:

FRSs / Interpretations	Effective Date
FRS 4, <i>Insurance Contracts</i>	1 January 2010
FRS 7, <i>Financial Instruments: Disclosures</i>	1 January 2010
FRS 8, <i>Operating Segment</i>	1 July 2009
FRS 139, <i>Financial Instruments: Recognition and Measurement</i>	1 January 2010
IC Interpretation 9, <i>Reassessment of Embedded Derivatives</i>	1 January 2010
IC Interpretation 10, <i>Interim Financial Reporting and Impairment</i>	1 January 2010

The Company plans to adopt the abovementioned FRSs/Interpretations from the annual period beginning on 1 January 2010 except for FRS 8 and IC Interpretation 10 which are not applicable to the Company.

The impact of applying FRS 4, FRS 7 and FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed by virtue of the exemptions given in the respective FRSs. The initial application of the IC Interpretations above is not expected to have any material impact on the financial statements of the Company.

b) Basis of measurement

The financial statements of the Funds have been prepared on the historical cost basis modified by the revaluation of investments as stated in Note 2(a).

c) Functional and presentation currency

The financial statements of the Funds are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM.

d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

▶28 Notes to the Financial Statements

2. Significant accounting policies

The following accounting policies are adopted by the Funds during the year.

a) Investment

Structured investments are stated at the closing valuation prices based on a specific valuation technique as determined by HSBC Bank in accordance with the terms and conditions of each fund at balance sheet date. The closing valuation prices of each fund takes into consideration the market values of Shariah-compliant shares included in the structured investment portfolio.

Shariah approved shares are stated at the closing market prices as at the date of the statement of asset and liabilities.

Islamic debt securities and fixed deposits are valued at cost adjusted for amortisation of premiums or accretion of discounts over their par values at the time of acquisition using the effective yield method. The carrying values of islamic debt securities and fixed deposits are subsequently revalued to reflect their fair value by using indicative market prices quoted by independent financial institutions.

Any increase or decrease in the value of the investments at each reporting date is recognised in the statement of income and expenditure.

b) Net Creation of Units

Net creation of units represents contributions paid by participants as payment for a new certificate. Net creation of units is recognised on a receipt basis.

c) Net Cancellation of Units

Net cancellation of units represents cancellation of units arising from the surrenders and withdrawals by participants. Net cancellation of units is recognised upon surrendering of the related takaful certificates.

d) Income Recognition

Dividend income is recognised when the right to receive payment is established.

Profit investment income is recognised on an accruals basis. Other profit including the amount of amortisation of premiums and accretion of discounts is recognised on a time proportion basis that takes into account the effective yield of the assets.

Gain or loss of disposal is credited or charged to the statement of income and expenditure.

e) Income Tax

Current tax expenses is determined according to the tax laws of each jurisdiction in which the funds invest and include all taxes borne on the taxable profit.

Deferred tax is recognised in full using the balance sheet method, providing for temporary differences arising between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences or unused tax loss can be utilised.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

f) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances, excluding fixed and call deposits, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

▶ 29 Notes to the Financial Statements

3. Structured investments

	North East Asian Tigers (N.E.A.T.) Portfolio RM	The Wellness Portfolio RM	Essentials Portfolio RM	North East Asian Tigers 2 (N.E.A.T.2) Portfolio RM
2008				
At cost	82,358,772	27,255,005	35,262,566	33,731,936
Unrealised capital gain	3,088,454	–	–	–
Unrealised capital loss	–	(79,040)	(740,514)	(458,754)
At market value	85,447,226	27,175,965	34,522,052	33,273,182
2007				
At cost	87,163,572	28,265,004	36,083,562	
Unrealised capital gain	4,424,561	–	–	
Unrealised capital loss	–	(1,110,150)	(757,755)	
At market value	91,588,133	27,154,854	35,325,807	

4. Islamic Debt Securities

	Notes	HSBC Amanah LifeSelect Fixed Income Fund RM
2008		
At cost		1,537,931
Accretion of discounts		4,505
Unrealised capital loss		(3,336)
At indicative market value	7	1,539,100

5. Shariah approved shares

	Notes	HSBC Amanah LifeStyle Equity Fund RM
2008		
At cost		1,012,417
Unrealised capital loss		(99,123)
At indicative market value	7	913,294

▶ 30 Notes to the Financial Statements

6. Participants' funds

	2008		2007	
	Units	RM	Units	RM
North East Asian Tigers (N.E.A.T.) Portfolio				
As at beginning of the year	87,197,120	87,163,572	–	–
Net creation of units	–	–	88,608,226	88,457,720
Net cancellation of units	(4,838,488)	(5,030,660)	(1,411,106)	(1,294,148)
As at end of the year	82,358,632	82,132,912	87,197,120	87,163,572
The Wellness Portfolio				
As at beginning of the year	28,265,004	28,265,004	–	–
Net creation of units	–	–	28,265,004	28,265,004
Net cancellation of units	(1,010,090)	(986,228)	–	–
As at end of the year	27,254,914	27,278,776	28,265,004	28,265,004
Essentials Portfolio				
As at beginning of the year	36,083,562	36,083,562	–	–
Net creation of units	–	–	36,083,562	36,083,562
Net cancellation of units	(820,996)	(790,790)	–	–
As at end of the year	35,262,566	35,292,772	36,083,562	36,083,562
North East Asian Tigers 2 (N.E.A.T.2) Portfolio				
Net creation of units	34,180,736	33,931,835		
Net cancellation of units	(445,456)	(186,592)		
As at end of the year	33,735,280	33,745,243		
HSBC Amanah LifeSelect Fixed Income Fund				
Net creation of units	3,671,115	3,516,566		
Net cancellation of units	(338,211)	(169,842)		
As at end of the year	3,332,904	3,346,724		
HSBC Amanah LifeSelect Equity Fund				
Net creation of units	1,733,057	1,539,442		
Net cancellation of units	(206,390)	(75,135)		
As at end of the year	1,526,667	1,464,307		

7. Details of investments

HSBC Amanah LifeSelect Fixed Income Fund

Islamic Debt Securities	Quantity	Cost RM	Market value RM	% of fund
Cagamas Berhad 4.05% 10/08/2009	300,000	300,000	301,050	9.00
Cagamas Berhad 4.05% 12/10/2009	200,000	200,000	200,840	6.00
Gamuda Berhad 0.00% 05/01/2009	400,000	399,824	399,824	11.94
Malayan Banking Berhad 4.48% 24/11/2010	500,000	495,726	490,500	14.65
Rantau Abang Capital Berhad 0.00% 02/07/2009	150,000	146,886	146,886	4.39
Total market value	1,550,000	1,542,436	1,539,100	45.98

▶ 31 Notes to the Financial Statements

7. Details of investments (continued)

HSBC Amanah LifeSelect Equity Fund

Equity	Quantity	Cost RM	Market value RM	% of fund
Consumer Products				
Tan Chong Motor Holdings Berhad	26,400	29,939	30,624	2.38
Industrial Products				
Evergreen Fibreboard Berhad	22,800	30,212	12,312	0.96
Petronas Gas Berhad	2,500	24,974	24,500	1.91
Top Glove Corporation Berhad	9,000	32,667	31,500	2.45
	34,300	87,853	68,312	5.32
Construction				
Ahmad Zaki Resources Berhad	66,000	31,599	30,360	2.36
IJM Corporation Berhad	15,580	57,786	43,624	3.40
Malaysian Resources Corporation Berhad	49,500	35,520	34,898	2.72
WCT Berhad	15,200	23,706	23,104	1.80
Zelan Berhad	11,600	9,565	10,208	0.79
	157,880	158,176	142,194	11.07
Trading/Services				
Dialog Group Berhad	53,900	60,418	42,850	3.34
MISC Berhad - Foreign	8,300	69,388	69,720	5.43
Metacorp Berhad	89,000	43,456	44,055	3.43
PLUS Expressways Berhad	15,100	41,245	44,998	3.50
SapuraCrest Petroleum Berhad	22,000	31,249	16,720	1.30
Sime Darby Berhad	13,800	92,784	71,760	5.59
TM International Berhad	5,800	29,030	20,996	1.63
Telekom Malaysia Berhad	7,600	23,227	23,408	1.82
Tenaga Nasional Berhad	11,000	69,825	68,750	5.35
VADS Berhad	6,100	44,167	46,055	3.58
	232,600	504,789	449,312	34.97
Infrastructure				
Digi.Com Berhad	700	14,580	15,260	1.19
YTL Power International Berhad	7,100	13,039	13,490	1.05
	7,800	27,619	28,750	2.24
Property				
YNH Property Berhad	47,200	51,328	53,336	4.15
Plantation				
Asiatic Development Berhad	10,500	56,192	37,170	2.89
IOI Corporation Berhad	17,600	57,616	62,656	4.88
Kuala Lumpur Kepong Berhad	4,600	38,905	40,940	3.19
	32,700	152,713	140,766	10.96
Total market value	538,880	1,012,417	913,294	71.09

▶ 32 Notes to the Financial Statements

8. Distribution

There was no distribution of profit to participants during the year.

9. Financial instruments

The Funds are exposed to foreign currency, market, credit, liquidity and interest rate risks.

Foreign currency risk

The final profit payment (if any) is calculated with reference to, amongst others, the final USD/MYR Spot Rate and will therefore be affected by fluctuations in the USD/MYR rate. The Funds have not entered into hedging activities to hedge against the foreign exchange fluctuation.

Market risk

Market risk arises when the value of the securities fluctuates in response to the activities of the individual companies, and general market or economic conditions. The market risk is managed through portfolio diversification and asset allocation whereby the securities exposure will be reduced in the event of anticipated market weakness.

Credit risk

Credit risk refers to the ability of an issuer or a counterparty to make timely payments of profit, principal and proceeds from realisation of investments. The manager manages the credit risk by setting the counterparty limits and undertaking credit evaluation to minimise such risk.

Liquidity risk

This may come about when realisation of units is required in excess of normal amounts. The extent of exposure to the risk is contained in provisions set out in the prospectus.

Interest rate risk

Interest rate risk moves in the opposite direction of bond prices. When the interest rate rises, bond prices fall and vice versa. The market risk is monitored through periodic reviews of its asset and liability positions with the objective to limit the net changes in the value of assets and liabilities arising from interest rate movements.

Fair values

The fair values of investments have been disclosed in Note 3, 4 and 5. The basis of deriving the fair values is disclosed in Note 2(a).

