



Lion
Capital

Lion Capital Singapore Balanced Fund

Annual Report

For the year ended 31 December 2007

Managers

Lion Capital Management Ltd
One George Street
#08-01
Singapore 049145

Directors of Lion Capital Management Ltd

Tan Beng Lee (Chairman)
David Philbrick Conner (Deputy Chairman)
Daniel Chan Choong Seng (CEO & Chief Investment Officer)
Soon Tit Koon
Andrew Lee Kok Keng
Loh Sook Mee (Mrs)
Chan Choong Tho
Norman Ip Ka Cheung

Trustee/Custodian/ Registrar

HSBC Institutional Trust Services (Singapore) Limited
21 Collyer Quay
#14-01, HSBC Building
Singapore 049320

Auditors

PricewaterhouseCoopers
8 Cross Street #17-00
PWC Building
Singapore 048424

LION CAPITAL SINGAPORE BALANCED FUND

PERFORMANCE OF THE FUND

For the year ended 31 December 2007

Returns for the fund are calculated up to 31 December 2007 in SGD terms, based on single pricing, with dividends reinvested net of all charges payable upon reinvestment.

Time Period	Fund Returns (%) Lion Capital Singapore Balanced Fund - SGD Class	Benchmark Returns (%) (50% STI + 50% CPF Ordinary Rate)
3 months	-4.2	-2.7
6 months	-3.0	-0.1
1 year	12.9	9.7
3 years	58.7	35.6
5 years	113.0	73.1
10 years	169.0	88.0
Since Inception (22 September 1995)	133.4	68.7

Returns for the fund are calculated up to 31 December 2007 in USD terms, based on single pricing, with dividends reinvested net of all charges payable upon reinvestment.

Time Period	Fund Returns (%) Lion Capital Singapore Balanced Fund - USD Class	Benchmark Returns (%) (50% STI + 50% CPF Ordinary Rate)
3 months	-1.2	0.4
6 months	3.1	6.1
1 year	20.4	16.9
3 year	80.2	53.8
Since Inception (2 August 2004)	98.4	70.0

Source: Morningstar/CPF Board/Lion Capital Management Ltd

FUND AND MARKET REVIEW

For the year ended 31 December 2007, the fund rose 12.9% outperforming the benchmark which rose 9.7%, in Singapore dollar terms.

The Singapore equities market performed credibly through the year, but with substantial weakness during the second half of 2007 as the US housing issues started to unfold. The market performance was led by energy, capital goods, conglomerate and telecom sectors while Real Estate Investment Trusts ('Reits') and property developers have turned in a lacklustre performance. Electronics continued to be one of the worst performing sector due to slowing exports and a strong currency. The equities portfolio was lifted by our positive view on the capital goods, marine, offshore oil & gas, healthcare and plantation sectors. Our underweight in the technology space also bode well for the fund. However, the performance of Reits and small caps have been disappointing.

During the first half of the year, the Singapore stock market has performed well on the back of strong liquidity flows and steady economic fundamentals. The small-mid caps outperformed the broad index as investors' risk appetite increased to hunt for more share price upside. However, small caps started to underperform large caps when risk aversion increased with the emergence of the US sub-prime and global markets liquidity issues.

The Singapore fixed income market performed well with the UOB Singapore Government Bond Index up 5.47% for the year 2007. Short-end yields fell more than 1% whilst the 15-year Singapore Government Securities ("SGS") benchmark yield barely changed. The inaugural 20-year SGS bond (issued on 1st March) yield fell only about 23 basis points from issuance yield level. The swap curve moved in similar fashion but underperformed the government curve due to ongoing global credit concerns. In the local credit market, spreads of financials and lower credit quality bonds widened the most whilst the other sectors remained relatively resilient given the healthy corporate balance sheets on the back of a buoyant domestic economy. In terms of total returns however, the belly of the curve outperformed.

We can generally attribute the performance to a few factors. Firstly, the positive outlook on Asian economies generated foreign interest in the local currency bond markets. The low inflationary environment and appreciating currency stance encouraged participation. Even as inflation picked up strongly towards the end of the year, the strong Singapore dollar outlook on the back of US dollar weakness mitigated pressure on short-end rates to rise.

STRATEGY AND OUTLOOK

Going into 2008, Singapore's domestic economic fundamentals remain sound with the pipeline of projects still underway. Labour market is tight and wages have increased. Real interest rates are low to negative, and the real trade-weighted exchange rate has only appreciated marginally thus far. However, downside risks such as higher oil prices, tightening credit conditions leading to contraction in financial services activity and sharper-than-expected slowdown in the US may prove to be very uncertain. The risk to 2008's official GDP growth forecast of 4.5% to 6.5% is balanced.

While we remain positive on Singapore's asset reflation and economic restructuring potential over the medium term, we are monitoring the US economy closely. We see value in the financial sector amid a strong loan growth environment. We also favour companies geared towards rising domestic consumption and affluence. We continue to be positive on domestic consumption and energy plays.

We remain positive on marine and energy plays that have demonstrated execution capability, effective cost control and backed by a strong orderbook. In our view, domestic economy oriented sectors like healthcare and land transportation companies could be less affected by a slowing export trend. The pricing power of these companies is relatively strong and we favour those with strong balance sheets and steady dividend payout.

Despite growth outlook being uncertain, there is market consensus in the areas of more rate cuts in the US, higher inflation in Singapore and a stronger Singapore dollar. Higher food and energy prices will continue to fuel inflationary expectations. November's Consumer Price Index ("CPI") reached a high of 4.2% year-on-year. Prices of HDB flats are up 17% to 25% for various types. With accommodation costs being 15% of the CPI basket, the annual reassessment of property values will likely see a technical adjustment of 1.5% to 2% to headline inflation in January 2008. Full employment has been reached with unemployment rate at a low 1.7% in the third quarter of 2007. As exchange rate is more effective in curbing imported inflation, we expect monetary tightening via a stronger Singapore dollar likely to be accompanied by non-monetary measures to keep domestic inflation under control.

A strong Singapore dollar is likely to mitigate the pressure on short-term rates whilst long-term rates curve tend to reflect inflation expectations and tend to correlate with US Treasuries and market volatility. Term premium may continue to persist. Though real yields are low to negative, the expected appreciation of the real effective exchange rate is

likely to support relative value of Singapore dollar bonds. Further inflows into Singapore may increase demand for SGS bonds. SGS' supply in 2008 is likely to be moderate with six re-openings and four new issues (5-year, 7-year and two 1-year bonds). Size of issuance may be further influenced by Monetary Authority of Singapore's plans to expand bank Minimum Liquid Asset requirements to include statutory board paper and highly rated corporate bonds.

We maintain a positive call on bonds despite unattractive valuations. However, curve steepening with short-end rates may be biased lower. The key risks to Singapore equities would be a deterioration of the US economy as well as sharply higher inflation that could challenge economic growth, domestic consumption and corporate earnings, especially on smaller sized companies with weak balance sheets.

LION CAPITAL SINGAPORE BALANCED FUND

DISCLOSURES ON THE FUND ¹

For the financial year ended 31 December 2007

1. DISTRIBUTION OF INVESTMENTS AS AT 31 DECEMBER 2007

	Fair Value \$	Percentage of total net assets attributable to unitholders %
<i>a) <u>By Asset Class</u></i>		
Equities	98,651,678	58.8
Debt Securities (including accrued interest on debt securities)	54,505,723	32.4
Cash and cash equivalents	14,746,772	8.8
Net assets attributable to unitholders	<u>167,904,173</u>	<u>100.0</u>
<i>b) <u>By Credit Rating of Debt Securities</u></i>		
Aaa	2,996,867	1.8
Aa1	500,750	0.3
Aa2	1,826,374	1.1
Aa3	741,300	0.4
A1	2,517,030	1.5
A3	1,488,000	0.9
Baa2	2,527,558	1.5
Unrated (Singapore - incorporated debt securities)	41,420,785	24.6
Accrued interest on debt securities	487,059	0.3
	<u>54,505,723</u>	<u>32.4</u>
<i>c) <u>By Derivative Type</u></i>		
Not applicable		

¹ As required by the Code on Collective Investment Schemes.

LION CAPITAL SINGAPORE BALANCED FUND

2. TOP 10 HOLDINGS

As at 31 December 2007

	Fair Value \$	Percentage of total net assets attributable to unitholders %
DBS Group Holdings Limited	9,140,560	5.4
United Overseas Bank Limited	7,907,458	4.7
Singapore Telecommunications Limited	7,658,482	4.6
Hyflux Limited	6,340,920	3.8
United Overseas Land Limited 3.34% due 15/05/2012	4,975,290	3.0
Oversea-Chinese Banking Corporation	4,516,392	2.7
MacarthurCook Industrial Real Estate Investment Trust	4,215,800	2.5
Macquarie International Infrastructure Fund Limited	4,165,000	2.5
Ascott Capital Private Limited Series MTN 3.085% due 27/04/2010	3,980,067	2.4
CapitaMall Trust	3,970,950	2.4

As at 31 December 2006

	Fair Value \$	Percentage of total net assets attributable to unitholders %
Singapore Telecommunications Limited	2,957,990	4.6
United Overseas Bank Limited	2,376,988	3.7
DBS Group Holdings Limited	2,137,500	3.3
Oversea-Chinese Banking Corporation	2,102,220	3.2
SMRT Corporation Limited	1,888,000	2.9
CDL Hospitality Trusts	1,799,440	2.8
Singapore Post Limited	1,530,100	2.4
SembCorp Industries Limited	1,509,282	2.3
Genting International Public Limited Company	1,267,500	2.0
Singapore Technologies Engineering Limited	1,254,600	1.9

3. INVESTMENT IN OTHER UNIT TRUSTS, MUTUAL FUNDS AND COLLECTIVE INVESTMENT SCHEMES

Nil

4. BORROWINGS

Nil

5. SOFT DOLLAR COMMISSION RECEIVED BY THE MANAGERS

The soft dollar commissions from various brokers for the period were utilised on research and advisory services, economic and political analyses, portfolio analyses, market analyses, data and quotation analyses and computer hardware and software used for and in support of the investment process of fund managers. Goods and services received were for the benefit of the scheme and there was no churning of trades. These brokers also execute trades for other funds managed by the managers. The trades are conducted on best available terms and in accordance with best practices.

6. OTHER MATERIAL INFORMATION

There is no other material information that will adversely impact the valuation of the Fund.

7. SUPPLEMENTAL INFORMATION ON UNDERLYING SUB-FUNDS

Not applicable

REPORT OF THE TRUSTEE

The Trustee is under a duty to take into custody and to hold the assets of Lion Capital Singapore Balanced Fund (the “Fund”) in trust for the unitholders. In accordance with the Securities and Futures Act (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes (collectively referred to as the “laws and regulations”), the Trustee shall monitor the activities of the Managers for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting period and report thereon to unitholders in an annual report which shall contain the matters prescribed by the laws and regulations as well as the recommendations of Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” issued by the Institute of Certified Public Accountants of Singapore and the Trust Deed.

To the best knowledge of the Trustee, the Managers have, in all material respects, managed the Fund during the period covered by these financial statements, set out on pages 12 to 33 comprising the Statement of Total Return, Balance Sheet, Portfolio Statement and Notes to the Financial Statements, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed, laws and regulations and otherwise in accordance with the provisions of the Trust Deed.

For and on behalf of the Trustee
HSBC INSTITUTIONAL TRUST SERVICES (SINGAPORE) LIMITED

Authorised signatory

STATEMENT BY THE MANAGERS

In the opinion of the directors of Lion Capital Management Ltd, the accompanying financial statements set out on pages 12 to 33, comprising the Statement of Total Return, Balance Sheet, Portfolio Statement and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of the Fund as at 31 December 2007 and the total return for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” issued by the Institute of Certified Public Accountants of Singapore. At the date of this statement, there are reasonable grounds to believe that the Fund will be able to meet its financial obligations as and when they materialise.

For and on behalf of directors of
LION CAPITAL MANAGEMENT LTD

DANIEL CHAN CHOONG SENG
CEO & Chief Investment Officer

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF LION CAPITAL SINGAPORE BALANCED FUND

(Constituted under a Trust Deed in the Republic of Singapore)

We have audited the financial statements of Lion Capital Singapore Balanced Fund (the "Fund") set out on pages 12 to 33, which comprise the Balance Sheet and Portfolio Statement as at 31 December 2007, the Statement of Total Return for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Manager's Responsibility for the Financial Statements

The Fund's Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Fund's Manager, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2007 and the total return for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” issued by the Institute of Certified Public Accountants of Singapore.

PricewaterhouseCoopers
Certified Public Accountants

Singapore

LION CAPITAL SINGAPORE BALANCED FUND

STATEMENT OF TOTAL RETURN

For the financial year ended 31 December 2007

	Note	2007 \$	2006 \$
Income			
Dividends		3,383,348	663,491
Interest		237,956	97,275
		<u>3,621,304</u>	<u>760,766</u>
Less: Expenses			
Audit fee		11,472	6,596
Custodian fees		35,577	7,273
Management fee		1,853,228	359,064
Professional fees		21,450	31,740
Registration fee		40,300	23,329
Trustee fee		47,530	57,450
Valuation and administration fee		57,023	11,874
Miscellaneous expenses		150,592	15,129
		<u>2,217,172</u>	<u>512,455</u>
Net income		<u>1,404,132</u>	<u>248,311</u>
Net gains or losses on investments			
Net realised gains on investments		15,043,665	1,340,523
Net change in fair value of investments		(2,986,037)	6,759,778
Net foreign exchange gains/(losses)		19,321	(492)
		<u>12,076,949</u>	<u>8,099,809</u>
Total return for the year before income tax		13,481,081	8,348,120
Less: Income tax	3	(231,185)	(72,468)
Total return for the year after income tax before distribution		<u>13,249,896</u>	<u>8,275,652</u>
Less: Distribution	4	-	-
Total return for the year		<u>13,249,896</u>	<u>8,275,652</u>

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

LION CAPITAL SINGAPORE BALANCED FUND

BALANCE SHEET

As at 31 December 2007

	Note	2007 \$	2006 \$
ASSETS			
Investments		153,157,401	52,439,351
Receivables	5	6,363,240	5,490,499
Fixed deposits	6	10,601,608	6,061,548
Cash and bank balances	7	2,202,891	2,106,531
Total assets		<u>172,325,140</u>	<u>66,097,929</u>
LIABILITIES			
Payables	8	4,420,967	1,282,999
Net assets attributable to unitholders	9	167,904,173	64,814,930
Total liabilities		<u>172,325,140</u>	<u>66,097,929</u>

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

LION CAPITAL SINGAPORE BALANCED FUND

PORTFOLIO STATEMENT

As at 31 December 2007

	Holdings at 31 December 2007	Fair value at 31 December 2007 \$	Percentage of total net assets attributable to unitholders at 31 December 2007 %
By Industry (Primary)			
QUOTED			
EQUITIES			
FINANCIAL			
DBS Group Holdings Limited	442,000	9,140,560	5.4
United Overseas Bank Limited	398,160	7,907,458	4.7
Oversea-Chinese Banking Corporation *	544,800	4,516,392	2.7
MacarthurCook Industrial Real Estate Investment Trust	3,940,000	4,215,800	2.5
Macquarie International Infrastructure Fund Limited	4,250,000	4,165,000	2.5
CapitaMall Trust	1,151,000	3,970,950	2.4
Hongkong Land Holdings Limited	280,000	1,982,986	1.2
CDL Hospitality Trusts	822,000	1,931,700	1.1
Ascendas India Trust	1,300,000	1,664,000	1.0
CapitaLand Limited	230,000	1,442,100	0.9
Ascendas Real Estate Investment Trust	360,000	885,600	0.5
DBS Group Holdings Limited 6% Non-Cummulative Preference Shares	1,400	152,600	0.1
		<u>41,975,146</u>	<u>25.0</u>

* ultimate holding company of the Managers

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

LION CAPITAL SINGAPORE BALANCED FUND

	Holdings at 31 December 2007	Fair value at 31 December 2007 \$	Percentage of total net assets attributable to unitholders at 31 December 2007 %
INDUSTRIAL			
Hyflux Limited	1,994,000	6,340,920	3.8
Cosco Corporation (Singapore) Limited	632,000	3,646,640	2.2
SMRT Corporation Limited	2,080,000	3,452,800	2.1
AusGroup Limited	1,620,000	2,737,800	1.6
Singapore Technologies Engineering Limited	560,000	2,077,600	1.2
Yangzijiang Shipbuilding Holdings Limited	850,000	1,691,500	1.0
SBS Transit Limited	450,000	1,314,000	0.8
Unisteel Technology Limited	625,000	1,043,750	0.6
		<u>22,305,010</u>	<u>13.3</u>
CONSUMER, NON-CYCLICAL			
Wilmar International Limited	665,000	3,577,700	2.1
Raffles Medical Group Limited	2,151,600	3,227,400	1.9
Ezion Holdings Limited	4,622,000	2,726,980	1.6
Synear Food Holdings Limited	1,200,000	2,028,000	1.2
China Fishery Group Limited	850,000	1,564,000	0.9
Thomson Medical Centre Limited	2,100,000	1,396,500	0.9
SIA Engineering Company	235,000	1,038,700	0.6
		<u>15,559,280</u>	<u>9.2</u>
COMMUNICATIONS			
Singapore Telecommunications Limited	1,933,960	7,658,482	4.6
StarHub Limited	1,200,000	3,372,000	2.0
		<u>11,030,482</u>	<u>6.6</u>
DIVERSIFIED			
Keppel Corporation Limited	260,000	3,359,200	2.0

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

LION CAPITAL SINGAPORE BALANCED FUND

	Holdings at 31 December 2007	Fair value at 31 December 2007 \$	Percentage of total net assets attributable to unitholders at 31 December 2007 %
TECHNOLOGY			
CSE Global Limited	1,500,000	1,785,000	1.1
CONSUMER, CYCLICAL			
Sincere Watch Limited	400,000	992,000	0.6
China Hongxing Sports Limited	700,000	672,000	0.4
		1,664,000	1.0
BASIC MATERIALS			
Ferrochina Limited	532,000	973,560	0.6
TOTAL EQUITIES		98,651,678	58.8

	Nominal amounts at 31 December 2007	Fair value at 31 December 2007 \$	Percentage of total net assets attributable to unitholders at 31 December 2007 %
DEBT SECURITIES			
FINANCIAL			
United Overseas Land Limited 3.34% due 15/05/2012	5,000,000	4,975,290	3.0
Ascott Capital Private Limited Series MTN 3.085% due 27/04/2010	4,000,000	3,980,067	2.4
City Developments Limited Series MTN 3.38% due 25/04/2012	3,000,000	2,980,350	1.8
Sunshine Asset Limited MTN 3.915% due 21/04/2009	2,500,000	2,527,558	1.5
Frasers Centrepoint Limited MTN 4.045% due 14/03/2011	2,000,000	2,043,500	1.2

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

LION CAPITAL SINGAPORE BALANCED FUND

	Nominal amounts at 31 December 2007	Fair value at 31 December 2007 \$	Percentage of total net assets attributable to unitholders at 31 December 2007 %
Joynote Limited 3.655% due 26/10/2009	2,000,000	2,017,533	1.2
F&N Treasury Private Limited MTN 3.405% due 11/06/2012	2,000,000	1,998,475	1.2
CDL Properties Limited DMTN 3.85% due 12/10/2011	1,500,000	1,535,820	0.9
Sun Hung Kai Properties MTN 3.69% due 06/11/2009	1,500,000	1,517,150	0.9
Solitaire Capital Limited MTN 3.95% due 23/02/2009	1,500,000	1,502,301	0.9
HK Land Treasury SG 3.01% due 04/10/2010	1,500,000	1,488,000	0.9
United Overseas Bank Limited 4.95% due 30/09/2016	1,250,000	1,306,625	0.8
CapitaLand Treasury Limited Series MTN 3.89% due 25/08/2009	1,000,000	1,012,450	0.6
Maplecrelog Treasury Company Series MTN 3.81% due 19/10/2009	1,000,000	1,011,983	0.6
General Electric Capital Corporation EMTN 3.65% due 06/04/2009	1,000,000	1,011,110	0.6
IFS Capital Limited Series MTN 4.435% due 07/08/2009	1,000,000	1,003,883	0.6
Korea Development Bank EMTN 3.03% due 18/09/2008	1,000,000	1,000,888	0.6
Kim Eng Securities MTN 3.67% due 25/01/2008	1,000,000	1,000,370	0.6
Keppel Land Limited MTN FRN due 18/02/2008	1,000,000	1,000,200	0.6
National Agricultural Company Series GMTN FRN due 29/06/2009	1,000,000	999,880	0.6
CapitaLand Commercial Limited Series C-1 3.2% due 16/06/2008	750,000	750,787	0.4
Kim Eng Securities MTN 3.03% due 14/05/2008	750,000	750,169	0.4

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

LION CAPITAL SINGAPORE BALANCED FUND

	Nominal amounts at 31 December 2007	Fair value at 31 December 2007 \$	Percentage of total net assets attributable to unitholders at 31 December 2007 %
Morgan Stanley EMTN 3.585% due 23/10/2012	750,000	741,300	0.4
DBS Bank Limited MTN Var due 15/07/2021	500,000	519,749	0.3
Mapletreelog Treasury Company Series EMTN 4% due 04/07/2008	500,000	502,525	0.3
Westpac Banking Corporation Series EMTN 3.1% due 12/09/2008	500,000	500,750	0.3
IFS Capital Limited MTN FRN due 29/05/2009	500,000	499,990	0.3
Housing & Development Board MTN 5.07% due 21/09/2009	280,000	290,870	0.2
Sengkang Mall Limited Series A 4.88% due 20/11/2012	250,000	254,144	0.2
Queensley Holdings Limited Series A 4.5% due 05/12/2009	250,000	251,918	0.2
CapitaLand Commercial Limited Series S-1 3.2% due 16/06/2008	250,000	250,589	0.1
Solitaire Capital Limited FRN due 23/02/2009	250,000	250,493	0.1
		<u>41,476,717</u>	<u>24.7</u>
CONSUMER, NON-CYCLICAL			
SNP Corporation Limited MTN 2.68% due 08/08/2008	1,500,000	1,497,100	0.9
Petra Foods Limited EMTN 4.435% due 11/01/2012	1,250,000	1,273,335	0.8
Olam International Limited Series MTN 4.19% due 01/02/2008	1,000,000	1,000,834	0.6
Olam International Limited Series MTN 3.985% due 14/03/2008	750,000	751,125	0.4
Olam International Limited MTN 4.17% due 31/01/2008	500,000	500,537	0.3
		<u>5,022,931</u>	<u>3.0</u>

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

LION CAPITAL SINGAPORE BALANCED FUND

	Nominal amounts at 31 December 2007	Fair value at 31 December 2007 \$	Percentage of total net assets attributable to unitholders at 31 December 2007 %
CONSUMER, CYCLICAL			
Cathay Pacific Airways Limited MTN 3.82% due 09/11/2011	1,500,000	1,518,500	0.9
Singapore Airlines 4.15% due 19/12/2011	1,250,000	1,296,578	0.8
Hotel Properties Limited MTN 3.95% due 29/01/2010	750,000	752,700	0.4
Hotel Properties Limited MTN 3.215% due 27/03/2009	500,000	<u>500,632</u>	<u>0.3</u>
		<u>4,068,410</u>	<u>2.4</u>
SOVEREIGN			
Government of Singapore 2.25% due 01/07/2013	2,000,000	<u>1,985,757</u>	<u>1.2</u>
UTILITIES			
Singapore Power 4.05% due 04/05/2013	940,000	<u>966,343</u>	<u>0.6</u>
INDUSTRIAL			
Sembcorp Industries Limited MTN 4.125% due 06/06/2008	250,000	250,937	0.1
Singapore Post Limited 3.13% due 11/04/2013	250,000	<u>247,569</u>	<u>0.1</u>
		<u>498,506</u>	<u>0.2</u>
Accrued interest receivable on debt securities		<u>487,059</u>	<u>0.3</u>
TOTAL DEBT SECURITIES		<u>54,505,723</u>	<u>32.4</u>

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

LION CAPITAL SINGAPORE BALANCED FUND

	Nominal amounts at 31 December 2007	Fair value at 31 December 2007 \$	Percentage of total net assets attributable to unitholders at 31 December 2007 %
UNQUOTED			
NIL			
Investments		153,157,401	91.2
Other net assets		14,746,772	8.8
Net assets attributable to unitholders		<u>167,904,173</u>	<u>100.0</u>

**Percentage of total net assets
attributable to unitholders at
31 December 2007 31 December
2006
% %**

By Industry (Summary)

Financial	49.7	43.6
Industrial	13.5	14.8
Consumer, Non-Cyclical	12.2	6.9
Communications	6.6	6.2
Consumer, Cyclical	3.4	3.3
Diversified	2.0	1.5
Sovereign	1.2	-
Technology	1.1	1.7
Basic Materials	0.6	-
Utilities	0.6	1.5
Energy	-	1.2
	<u>90.9</u>	<u>80.7</u>
Accrued interest receivable on debt securities	0.3	0.2
	<u>91.2</u>	<u>80.9</u>
Investments		
Other net assets		
Net assets attributable to unitholders	<u>100.0</u>	<u>100.0</u>

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

LION CAPITAL SINGAPORE BALANCED FUND

	Fair value at	Percentage of total net assets attributable to unitholders at	
	31 December 2007	31 December 2007	31 December 2006
	\$	%	%
By Geography (Secondary)			
Singapore	146,897,914	87.5	77.9
South Korea	2,000,768	1.2	-
United States of America	1,752,410	1.0	-
Hong Kong	1,518,500	0.9	-
Australia	500,750	0.3	1.5
France	-	-	0.7
Indonesia	-	-	0.6
	<u>152,670,342</u>	<u>90.9</u>	<u>80.7</u>
Accrued interest receivable on debt securities	<u>487,059</u>	<u>0.3</u>	<u>0.2</u>
Investments	<u>153,157,401</u>	<u>91.2</u>	<u>80.9</u>
Other net assets	<u>14,746,772</u>	<u>8.8</u>	<u>19.1</u>
Net assets attributable to unitholders	<u>167,904,173</u>	<u>100.0</u>	<u>100.0</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2007

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL

Lion Capital Singapore Balanced Fund (the "Fund") is a unit trust constituted by a Deed of Trust dated 15 September 1995 together with its Supplemental Deeds thereon (hereafter referred to as "Trust Deed") between Lion Capital Management Ltd (the "Managers") and HSBC Institutional Trust Services (Singapore) Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore. The Fund is a unit trust under the Central Provident Fund Investment Scheme.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention modified by the revaluation of financial assets at fair value through profit or loss, and in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore ("ICPAS").

(b) Recognition of income

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

Interest income is recognised on a time proportion basis using the effective interest method.

(c) Financial derivatives

Financial derivatives are entered into for the purposes of efficient portfolio management, tactical asset allocation or specific hedging of financial assets held as determined by the Managers and in accordance with the provisions of the Trust Deed.

Financial derivatives outstanding at the end of the financial year are measured at their fair values using the marked-to-market method, and the resultant gains and losses are taken up in the Statement of Total Return.

(d) Distribution

The Managers have the absolute discretion to determine whether a distribution is to be made. In such an event, an appropriate amount will be transferred to a distribution account to be paid out on the distribution date. The amount shall not be treated as part of the property of the Fund.

(e) Investments

Investments are classified as financial assets at fair value through profit or loss.

(i) Initial recognition

Purchases of investments are recognised on the trade date. Investments are recorded at fair value on initial recognition.

(ii) Subsequent measurement

Investments are subsequently carried at fair value. Net change in the fair value of investments are included in the Statement of Total Return in the year in which they arise.

(iii) Derecognition

Investments are derecognised on the trade date of disposal. The resultant realised gains and losses on the sales of investments are computed on the basis of the difference between the weighted average cost and selling price net of transaction costs, and are taken up in the Statement of Total Return.

(f) Basis of valuation of investments

The fair value of investments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price for these investments held by the Fund is the current market quoted bid price.

(g) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are carried at anticipated realisable value.

(h) Foreign currencies

(i) Functional and presentation currency

The Fund's investors are mainly from Singapore with the subscriptions and redemptions of the units denominated in Singapore dollar and United States dollar. The primary activity of the Fund is to invest in securities and bonds (including real estate investment trusts) in Singapore with limited investments in countries outside Singapore.

The performance of the Fund is measured and reported to the investors in Singapore dollar. The Managers consider the Singapore dollar as the currency which most faithfully represents the economic effects of the underlying transactions, events and conditions. The Fund's functional and presentation currency is the Singapore dollar.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Total Return. Translation differences on non-monetary financial assets and liabilities such as equities are also recognised in the Statement of Total Return within the fair value net gain or loss.

3. INCOME TAX

The Fund was granted the status of a Designated Unit Trust and included under the Central Provident Fund Investment Scheme and, therefore, the following income is exempted from tax in accordance with Section 35(12) and (12A) of the Income Tax Act (Cap 134):

- (a) gains or profits derived from Singapore or elsewhere from the disposal of securities;
- (b) interest (other than interest for which tax has been deducted under Section 45 of the Income Tax Act);
- (c) dividends derived from outside Singapore and received in Singapore;
- (d) gains or profits derived from foreign exchange transactions, transactions in futures contracts, transactions in interest rate or currency forwards, swaps or option contracts and transactions in forwards, swaps or option contracts relating to any securities or financial index; and
- (e) distributions from foreign unit trusts derived from outside Singapore and received in Singapore.

	2007	2006
	\$	\$
Singapore income tax	229,936	71,364
Overseas income tax	1,249	1,104
Total income tax	<u>231,185</u>	<u>72,468</u>

The Singapore income tax represents tax deducted at source for Singapore sourced dividends. The overseas income tax represents tax deducted at source on dividends derived from outside Singapore.

4. DISTRIBUTION

The Managers do not propose any distribution to unitholders for the financial year ended 31 December 2007 (2006: Nil).

LION CAPITAL SINGAPORE BALANCED FUND

5. RECEIVABLES

	2007	2006
	\$	\$
Amount receivable for creation of units	6,251,633	5,454,656
Dividends receivable	108,302	33,597
Interest receivable from a bank which is the ultimate holding company of the Managers	-	520
Interest receivable from a bank which is a related company of the Trustee	3,305	66
Interest receivable from a bank which is a non-related company	-	1,660
	<u>6,363,240</u>	<u>5,490,499</u>

6. FIXED DEPOSITS

Included in fixed deposits is an amount of \$10,601,608 (2006: \$800,000) placed with a financial institution related to the Trustee.

Included in 2006 fixed deposits is an amount of \$2,863,922 placed with a financial institution which is the ultimate holding company of the Managers.

Fixed deposits have an average maturity of 4 days (2006: 4 days) from the end of the financial year with the following weighted average effective interest rate:

	2007	2006
	%	%
Singapore dollar	<u>1.31</u>	<u>3.21</u>

7. CASH AND BANK BALANCES

The cash and bank balances are placed with a financial institution related to the Trustee.

LION CAPITAL SINGAPORE BALANCED FUND

8. PAYABLES

	2007 \$	2006 \$
Amount payable for cancellation of units	4,145,205	877,414
Amount due to Managers	227,992	349,958
Amount due to Trustee	13,280	20,173
Amount due to Custodian	892	140
Amount due to Registrar	5,240	4,699
Other payables	28,358	30,615
	<u>4,420,967</u>	<u>1,282,999</u>

9. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	2007 \$	2006 \$
At beginning of financial year	64,814,930	14,325,378
Operations		
Change in net assets attributable to unitholders resulting from operations	13,249,896	8,275,652
Unitholders' contributions/(withdrawals)		
Creation of units	448,656,790	60,342,625
Cancellation of units	(358,817,443)	(18,128,725)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	89,839,347	42,213,900
Total increase in net assets attributable to unitholders	103,089,243	50,489,552
At end of financial year	<u>167,904,173</u>	<u>64,814,930</u>
Units in issue (see Note 10)	<u>82,671,303</u>	<u>36,130,961</u>
Net assets attributable to unitholders per unit	<u>\$2.030</u>	<u>\$1.793</u>

LION CAPITAL SINGAPORE BALANCED FUND

Reconciliation of net assets attributable to unitholders per unit for issuing/redeeming units at financial year end and the net assets attributable to unitholders per unit per the financial statements:

	2007	2006
	\$	\$
Net assets attributable to unitholders per unit for issuing /redeeming units	2.038	1.805
Effect of adopting bid prices as fair value	<u>(0.008)</u>	<u>(0.012)</u>
Net assets attributable to unitholders per unit per the financial statements	<u>2.030</u>	<u>1.793</u>

Quoted investments have been valued at the current bid prices in accordance with the recommendations of Statement of Recommended Accounting Practice 7. For the purpose of the net assets attributable to unitholders per unit calculation for the issuance and redemption of units, quoted investments are stated at the last available transacted price, in accordance with the Code on Collective Investment Schemes.

10. UNITS IN ISSUE

	2007	2006
	Units	Units
Units at beginning of the year	36,130,961	10,130,929
Units created	222,077,907	37,188,640
Units cancelled	<u>(175,537,565)</u>	<u>(11,188,608)</u>
Units at end of the year	<u>82,671,303</u>	<u>36,130,961</u>
of which, units denominated in - USD	<u>245,746</u>	<u>14,101</u>

11. FINANCIAL RISK MANAGEMENT

(a) Market risk

The Fund's investments will be subject to different degrees of economic, political, foreign exchange, interest rate, liquidity, default, regulatory and possible repatriation risks depending on the countries that the Fund invests in.

(b) Default risk

Investments in debt securities are subject to adverse changes in the financial condition of the issuer, or in general economic conditions, or both, or an unanticipated rise in interest rates, which may impair the ability of the issuer to make payments of interest and principal, especially if the issuer is highly leveraged. Such issuer's ability to meet its debt obligations may also be adversely affected by specific corporate developments, or the issuer's inability to meet specific projected business forecasts, or the unavailability of additional financing. Also, an economic downturn or an increase in interest rates may increase the potential for default by the issuers of these securities. The Fund's exposure to default risk arises primarily from its investments in debt securities and to a lesser extent, from its transactions with counterparties such as brokers, custodians and banks. The Managers have in place procedures for proper credit screening and monitoring of default risk.

(c) Currency risk

As the investments of the Fund may be denominated in foreign currencies, fluctuations of the exchange rates of foreign currencies against the Singapore dollar may affect the value of the units of the Fund. The Managers may from time to time employ currency hedging techniques to manage the impact of the exchange rate fluctuations on the Fund and/or for the purpose of efficient portfolio management.

The tables below summarise the currency profile of the assets and liabilities of the Fund.

LION CAPITAL SINGAPORE BALANCED FUND

31 December 2007	MYR \$	USD \$	SGD \$	TWD \$	Total \$
Assets					
Investments	-	1,982,986	151,174,415	-	153,157,401
Receivables	-	2,511	6,360,729	-	6,363,240
Fixed deposits	-	-	10,601,608	-	10,601,608
Cash and bank balances	34,893	129,369	2,038,628	1	2,202,891
Total assets	34,893	2,114,866	170,175,380	1	172,325,140
Liabilities					
Payables	-	669	4,420,298	-	4,420,967
Net assets attributable to unitholders	-	499,106	167,405,067	-	167,904,173
Total liabilities	-	499,775	171,825,365	-	172,325,140
Net balance sheet currency exposure					
	34,893	1,615,091	(1,649,985)	1	-
31 December 2006					
	MYR \$	USD \$	SGD \$	TWD \$	Total \$
Assets					
Investments	-	546,825	51,892,526	-	52,439,351
Receivables	-	-	5,490,499	-	5,490,499
Fixed deposits	-	-	6,061,548	-	6,061,548
Cash and bank balances	34,862	26,357	2,045,310	2	2,106,531
Total assets	34,862	573,182	65,489,883	2	66,097,929
Liabilities					
Payables	-	146	1,282,853	-	1,282,999
Net assets attributable to unitholders	-	25,296	64,789,634	-	64,814,930
Total liabilities	-	25,442	66,072,487	-	66,097,929
Net balance sheet currency exposure					
	34,862	547,740	(582,604)	2	-

In respect of investments in equity and debt securities, the currency analysis above is based on the currencies in which the listed securities are denominated.

(d) Interest rate risk

Investments in debt securities are also subject to the risk of interest-rate fluctuations, and the prices of debt securities may go up or down in response to such fluctuations in interest rates.

The Managers manage the duration of the investments in the Fund.

The table below summarises the repricing profile of the Fund's assets and liabilities based on the earlier of the next contractual interest repricing date and the maturity date.

31 December 2007	Up to 1 year	1 - 5 years	Over 5 years
	\$	\$	\$
Assets			
Investments	9,756,811	39,235,810	5,026,043
Fixed deposits	10,601,608	-	-
Cash and bank balances	2,202,891	-	-
	<u>22,561,310</u>	<u>39,235,810</u>	<u>5,026,043</u>
Total interest sensitive gap	<u>22,561,310</u>	<u>39,235,810</u>	<u>5,026,043</u>
31 December 2006			
Assets			
Investments	3,984,905	8,295,718	1,276,676
Fixed deposits	6,061,548	-	-
Cash and bank balances	2,106,531	-	-
	<u>12,152,984</u>	<u>8,295,718</u>	<u>1,276,676</u>
Total interest sensitive gap	<u>12,152,984</u>	<u>8,295,718</u>	<u>1,276,676</u>

All other financial assets and liabilities are non-interest bearing.

(e) Liquidity risk

The Fund is exposed to daily cancellation of units. It therefore invests the majority of its assets in investments that are traded in an active market and can be readily disposed of.

12. RELATED PARTY TRANSACTIONS

In addition to the related party information shown elsewhere in the financial statements, the following significant transactions took place during the financial year between the Fund and related parties at terms agreed between the parties and within the provisions of the Trust Deed:

	2007	2006
	\$	\$
Brokerage on purchases and sales of investments charged by the ultimate holding company of the Managers	12,270	1,194
Interest income earned from a bank which is the ultimate holding company of the Managers	42,327	18,049
Interest income earned from a bank which is a related company of the Trustee	97,278	17,017
Interest expenses incurred with a bank which is a related company of the Trustee	2,748	21
Transaction fees charged by the Trustee	20,170	13,973
Registration fee charged by a related company of the Trustee	40,300	23,329
Valuation and administration fee charged by the Trustee	57,023	11,874
Custodian fees charged by a related company of the Trustee	35,577	7,273
Bank service fees charged by a bank which is a related company of the Trustee	21,418	6,000

13. FINANCIAL RATIOS

	2007	2006
	%	%
Expense ratio ¹	1.49	1.75
Portfolio turnover ratio ²	<u>67</u>	<u>46</u>

¹ The expense ratio does not include (where applicable) brokerage and other transaction costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Fund does not pay any performance fee.

² The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes.

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Lion Capital Management Ltd
One George Street #08-01
Singapore 049145

TEL (65) 6417 6900 FAX (65) 6417 6806
www.lioncapital.com.sg
Co Reg No.: 198601745D

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