

CIMB FTSE CHINA 25

QUARTERLY REPORT (UNAUDITED)

**FOR THE FINANCIAL PERIOD 1 OCTOBER 2010
TO 31 DECEMBER 2010**

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INVESTOR LETTER

It brings me great delight to announce that CIMB-Principal Asset Management continues to win more local and international awards. In April we prevailed by winning the Morningstar (Malaysia) Fund Awards 2009 for CIMB Islamic Balanced Fund in the Islamic Balanced Fund category, which recognises the fund's achievement in adding the most value within its peer group for investors over the past year and over the longer-term. On top of that, Failaka Advisors, a respected advisory firm in the development of Shariah-compliant investment products honoured us with not one, but 3 awards for Best Asian Equity 1 Year (CIMB Islamic Asia Pacific Equity Fund), Best Malaysian Equity 5 Years (CIMB Islamic Equity Fund) and Best Malaysian Equity 1 Year (CIMB Islamic Equity Aggressive Fund).

I would also like to congratulate our sister company CIMB-Principal Islamic Asset Management. It won the Best Islamic Fund Manager 2009 and the Best Islamic Wealth Management Provider 2009 from Islamic Finance News and the Best Asset Management Company from Global Finance in recognition of our involvement to the growth of Islamic finance by meeting investors' needs. These rewards are a recognition and appreciation of our investment capabilities as it endorses and confirms our investors trust in us.

CIMB-Principal also continued its pursuance of innovation by listing the first ETFs that are invested offshore on Bursa Malaysia. They are the CIMB FTSE ASEAN 40 Malaysia and the CIMB FTSE China 25. The CIMB FTSE ASEAN 40 Malaysia will feed into the world's first and only ASEAN ETF the CIMB FTSE ASEAN 40 which has been listed on the Singapore Exchange (SGX) since September 2006.

I am also happy to announce that effective 30 June the acquisition of BT Asset Management in Thailand was completed. With this exercise, CIMB-Principal is now carrying on business in four countries, Malaysia, Indonesia, Singapore and Thailand. This expansion is timely in our course for regionalization as it brings about opportunities for us to advance our business and provide even greater opportunities for our investors.

Here's to a better second half of 2010.

Your's sincerely

Campbell Tupling

Chief Executive

CIMB-Principal Asset Management Berhad

MANAGER'S REPORT**What is the investment objective of the Fund?**

To provide investment results that closely correspond to the performance of Benchmark Index, regardless of its performance.

Has the Fund achieved its objective?

For the period under review, the Fund is in line with its stated objective.

What are the Fund investment policy and its strategy?

A passive strategy whereby the Manager may adopt either a Replication Strategy or a Representative Sampling Strategy.

Fund category/ type

Exchange-traded fund / Equity / Index Tracking

How long should you invest for?

Recommended 3 to 5 years.

Indication of short-term risk (low, moderate, high)

High

When was the Fund launched?

9 July 2010*

What was the size of the Fund as at 31 December 2010?

RM 20.00million (19.50 million units)

What is the Fund's benchmark?

FTSE China 25 or such replacement index a may be determined by the Manager, subject to the approval of Securities Commission.

What is the fund distribution policy?

Annually, subject to the discretion of the Manager.

What was the net income distribution for the financial period ended 31 December 2010?

No distribution was declared for the period ended 31 December 2010.

* Listing date

PERFORMANCE DATA

Details of portfolio composition of the Fund are as follows:

	31.12.2010	30.09.2010
	%	%
Sector		
Equities	99.82	99.72
Liquid assets and others	0.18	0.28
	100.00	100.00

Performance details of the Fund for the financial periods are as follows:

	31.12.2010	30.09.2010
Net Asset Value (RM million)	20.00	22.08
Units In circulation (Million)	19.50	21.45
Net Asset Value per Unit (RM)	1.0255	1.0294
Highest NAV per Unit (RM)	1.1565	1.0466
Lowest NAV per Unit (RM)	1.0102	0.9681
Market Price per Unit (RM)	1.0300	1.0250
Highest Market Price per Unit (RM)	1.1500	1.0500
Lowest Market Price per Unit (RM)	1.0100	0.9650
Total return (%) [^]	(0.37)	1.58
-capital growth (%)	(0.37)	1.58
-income growth (%)	-	-
Management Expenses Ratio (%) [*]	0.84	0.23
Portfolio Turnover Ratio (times) [#]	0.29	0.66

(Launch date : 9 July 2010)

[^] based on NAV

^{*} The management expenses ratio increased to 0.84% from 0.23% as the Fund began accruing the cost of establishment within the reporting quarter.

[#] The turnover ratio fell to 0.29 times during the period under review as there were fewer creations/redemptions compared to the previous reporting period.

PERFORMANCE DATA (CONTINUED)

Period	Total return (%)	Annualised (%)
- Since inception (SI)	1.20	2.53
- Benchmark SI	2.89	6.12
	01.10.2010 31.12.2010	Since Inception to 30.09.2010
Annual total return (%)	(1.46)	7.13

Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up. All performance figures were based on the last business day which has been verified by Mercer Zainal Consulting Sdn Bhd, Consulting Actuaries (35090-H).

MARKET REVIEW

Chinese equities rose at the start of the quarter as confidence in the country was boosted by strong domestic demand and news that manufacturing activity continued to accelerate. A surprise interest rate hike by People's Bank of China (PBoC) in October failed to dampen optimism as expectations of further quantitative easing by the US Federal Reserve buoyed risk appetite. However, the stock market began to tumble in mid November as the PBoC continued to tighten policy, raising the minimum reserve ratio twice in 50bps increments. Renewed concerns about the fiscal position of several countries in the Eurozone were an added negative. Chinese equities continued to fall in tandem with the regional markets' plunge following news of an exchange of artillery fire between North and South Korea. The market continued to remain lackluster towards the end of the quarter when Portugal's debt rating was downgraded by a rating agency on concerns of Portugal's economy possibly plunging into recession which also affected the global markets. China ended the year with another hike in interest rates by 25bps on Christmas day. The government's tightening policy has been primarily targeted at the housing sector which, as a large and important part of the economy, has impacted many other sectors.

FUND PERFORMANCE

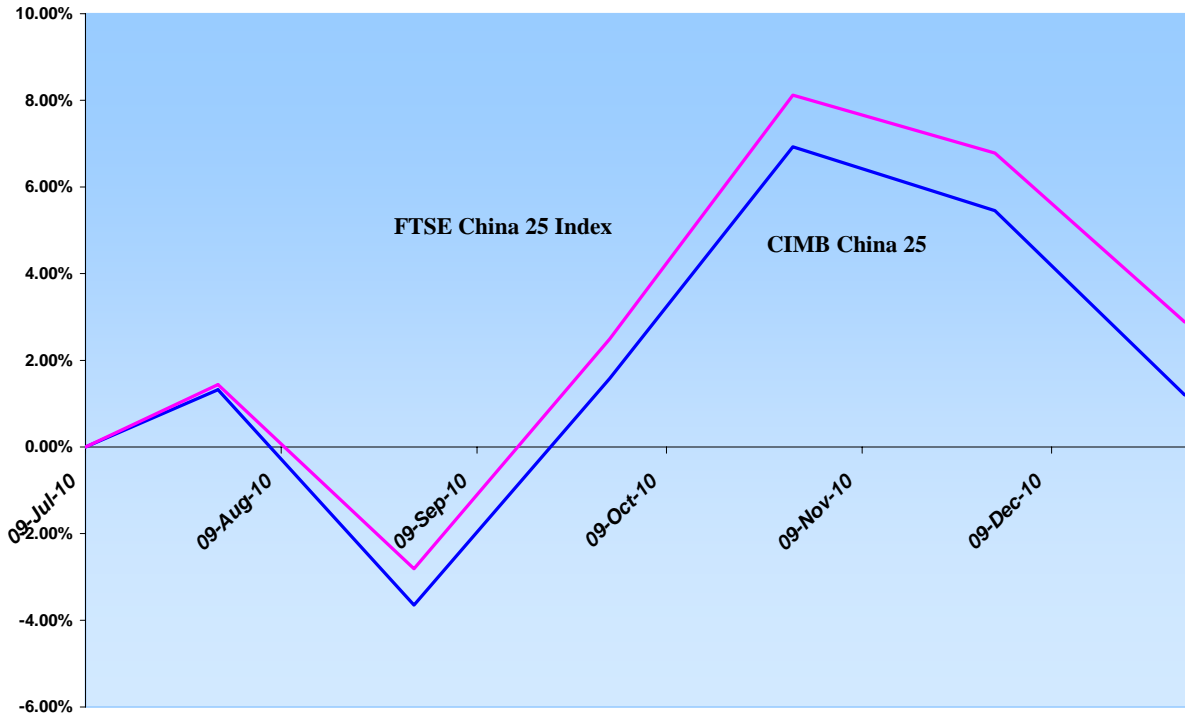
	01.10.2010 to 31.12.2010	Since Inception to 31.12.2010
Income (%)	-	-
Capital (%) [^]	(0.37)	1.20
Total Return (%) [^]	(0.37)	1.20
Annualised Return (%) [^]	(1.46)	2.53
Benchmark (%)	0.39	2.89
Market Price/unit (%)	0.49	0.98

For the period under review, the Fund declined by 0.37% underperforming the benchmark which increased by 0.39%. Since inception, the Fund increased by 1.20% while the benchmark increased by 2.89%.

During the period under review, there were some minor adjustments to the weighting and composition of the Fund following the quarterly review changes of the benchmark. During the review, Agricultural Bank of China was included in the benchmark to replace Datang International Power Generation.

The last available market closing price of the Fund quoted at Bursa Malaysia was RM 1.03, an increase by 0.49% from the previous reporting period.

FUND PERFORMANCE (CONTINUED)



Changes in Net Asset Value (“NAV”)

	31.12.2010	30.09.2010	% changes
Net Asset Value (RM Million)	20.00	22.08	(9.42)

For the period under review, the total NAV decreased in value due to redemptions.

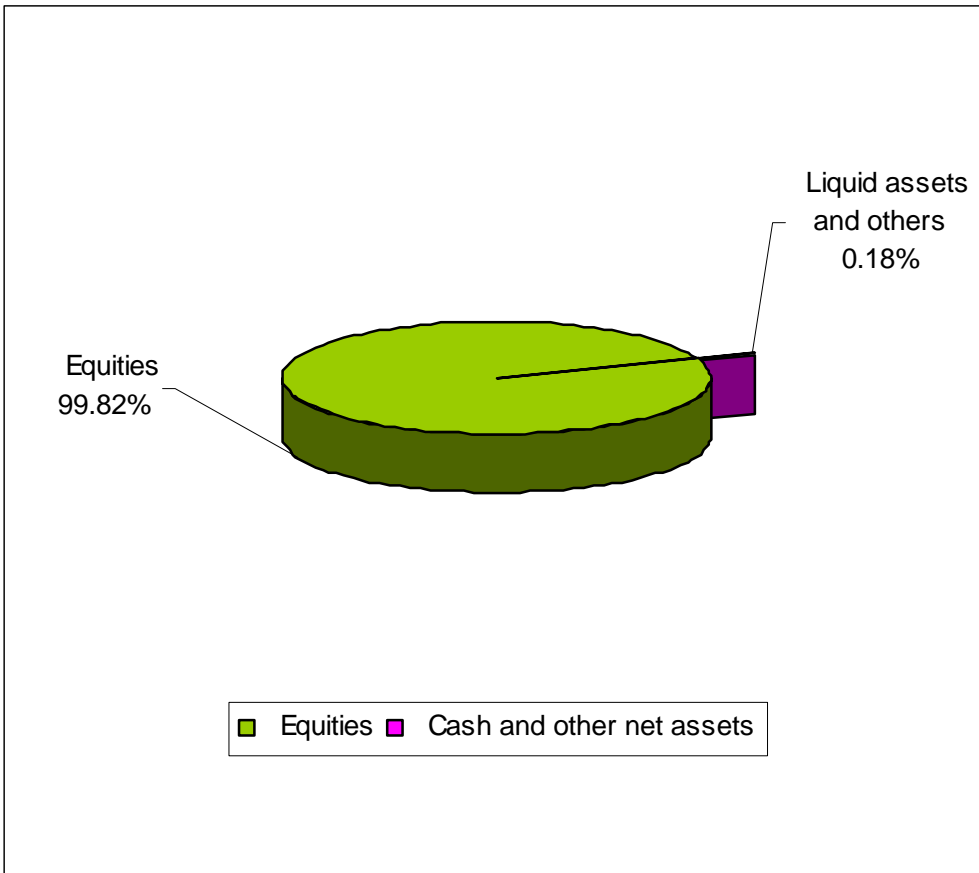
Performance data represents the combined income and capital return as a result of holding units in the fund for the specified length of time, based on NAV to NAV price. The performance data assumes that all earnings from the fund are reinvested and are net of management and trustee fees. Past performance is not reflective of future performance and income distributions are not guaranteed. Unit prices and income distributions, if any, may fall and rise. All performance figures were based on the last business day which has been verified by Mercer Zainal Consulting Sdn Bhd, Consulting Actuaries (35090-H).

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	31.12.2010	30.09.2010
Equities	99.82	99.72
Liquid assets and others	0.18	0.28
TOTAL	100.00	100.00

The Fund remained almost fully invested during the period under review. A minimal level of liquid assets was maintained primarily for liquidity purposes



MARKET OUTLOOK

We believe that the China market would continue to generate positive performance, though inflation will be the key policy concern. The closure of the Local Government Financing Vehicles (LGFVs) issue accorded the market room to breathe. Even though inflation will be the main policy risk, the previous track record indicated that it takes about six to eight months for food inflation to moderate. The main issue is the acceptance of higher prices by consumers as income is supported by healthy wage growth. Expectations are for 2011 to be easier than 2010, owing to better policy clarity and fixed asset investment underpinning GDP growth. The start of the 10 million units of low cost housing project would also be an added positive.

INVESTMENT STRATEGY

The Fund will continue to remain fully invested with minimal cash kept for liquidity purposes in order to track the performance of the benchmark.

UNIT HOLDING STATISTICS

Breakdown of unit holdings by size as at 31 December 2010 are as follows:

Size of holdings(units)	No. of unitholders	No. of units held (million)	% of units held
5,000 and below	143	0.42	2.15
5,001-10,000	68	0.62	3.18
10,001-50,000	70	1.89	9.69
50,001-500,000	22	4.67	23.95
Above 500,000	8	11.90	61.03
Total	311	19.50	100.00

REBATES AND SOFT COMMISSION

Dealings on investments of the Fund through brokers or dealers will be on terms which are best available for the Fund. Any rebates from brokers or dealers will be directed to the account of the Fund.

The Investment Manager may from time to time receive and retain soft commissions in the form of subscription for real-time services or advisory services that assist in the decision-making process relating to the Fund's investments from brokers or dealers.

During the financial period under review, the management company did not receive any rebates and soft commissions from brokers or dealers.

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
CIMB FTSE CHINA 25**

We, being the Directors of CIMB-Principal Asset Management Berhad, do hereby state that, in the opinion of the Manager, the accompanying unaudited financial statements set out on pages 10 to 26 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the financial position of the Fund as at 31 December 2010 and of its financial performance, changes in net assets attributable to unit holders and cash flows of the Fund for the financial period ended on that date in accordance with Financial Reporting Standards and the Securities Commission's Exchange-Traded Funds Guidelines.

For and on behalf of the Manager

CIMB-PRINCIPAL ASSET MANAGEMENT BERHAD (Company No.: 304078-K)

John Campbell Tupling
Chief Executive Officer/Director

Datuk Noripah Kamso
Director

Kuala Lumpur
17 February 2011

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 01 OCTOBER 2010 TO 31 DECEMBER 2010**

	Note	01.10.2010 to 31.12.2010
INCOME		
Dividend Income		718
Net realised profit on sale of investments		687,107
Realised foreign currency exchange loss		(190,152)
Unrealised loss on translation of monetary items dominated in foreign currencies		(479,735)
		<u>17,938</u>
LESS: EXPENSES		
Manager's fee	4	30,981
Trustee's fee	5	4,538
Custodian fee		11,403
Audit Fee		10,284
Administration expenses		114,631
		<u>171,837</u>
NET LOSS BEFORE TAXATION		(153,899)
TAXATION	6	-
NET LOSS AFTER TAXATION		<u>(153,899)</u>
Net income/(loss) before taxation is made up as follows:		
Realised amount		325,836
Unrealised amount		(479,735)
		<u>(153,899)</u>

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

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

	Note	31.12.2010 RM
ASSETS		
Financial Assets at fair value through profit or loss	7	19,962,791
Cash and cash equivalents	8	184,577
TOTAL ASSETS		<u>20,147,368</u>
LIABILITIES		
Management fee payable		10,430
Amount due to Trustee		1,529
Other payable and accruals		<u>137,303</u>
TOTAL LIABILITIES		<u>149,262</u>
NET ASSET VALUE OF THE FUND		<u>19,998,106</u>
SHAREHOLDER'S FUNDS		
Unitholders' capital		19,618,431
Retained earnings		<u>379,675</u>
		<u>19,998,106</u>
NUMBER OF UNITS IN CIRCULATION		19,500,000
NET ASSET VALUE PER UNIT (RM)		<u>1.0255</u>

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

**UNAUDITED STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO UNIT HOLDERS
FOR THE FINANCIAL PERIOD FROM 01 OCTOBER 2010 TO 31 DECEMBER 2010**

	01.10.2010 to 31.12.2010 RM
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD	22,081,139
Movement due to units created and cancelled during the financial period:	
Creation of units	2,147,926
Cancellations of units	(4,077,060)
	<hr/>
Net decrease in net assets attributable to unit holders during the financial period:	
Net income after taxation	(153,899)
Net change in fair value reserve	
	<hr/>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL PERIOD	<u>19,998,106</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

**UNAUDITED CASH FLOW STATEMENT
FOR THE FINANCIAL PERIOD FROM 01 OCTOBER 2010 TO 31 DECEMBER 2010**

	Note	01.10.2010 to 31.12.2010 RM
CASH FLOW FROM OPERATING AND INVESTING ACTIVITIES		
Proceeds from sale of investments		6,997,173
Purchase of investments		(4,920,352)
Dividend received		71,661
Manager's fee paid		(31,246)
Trustee's fees paid		(4,488)
Payment for other fees and expenses		(13,499)
Net cash inflow from operating and investing activities		<u>2,099,249</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Cash proceeds from unit created		2,147,925
Payment for cancellation of units		(4,077,060)
Net cash outflow from financing activities		<u>(1,929,135)</u>
Net increase in cash and cash equivalents		170,114
Unrealised foreign currency exchange loss		(2,424)
Cash and cash equivalents at the beginning of the financial period		16,887
Cash and cash equivalents at end of financial period	8	<u><u>184,577</u></u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 OCTOBER 2010 TO 31 DECEMBER 2010**

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITY

CIMB FTSE CHINA 25 (the "Fund") was constituted pursuant to the execution of a Deed dated 19 April 2010 and has been entered into between CIMB-Principal Asset Management Berhad (the "Manager") and Deutsche Trustees Malaysia Berhad (the "Trustee") and the Unitholders of the Fund.

The principal activity of the Fund is to provide investment results that, before expenses, closely correspond to the performance of the Underlying Index. The Fund commenced operations on 9 July 2010 and will continue its operations until terminated by the Manager.

The Manager, a company incorporated in Malaysia, is a subsidiary of CIMB Group Sdn Bhd and regards CIMB Group Holdings Berhad as its ultimate holding company. Its principal activities are the management of unit trusts and fund management activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

(a) Basis of preparation

The financial statements of the Fund have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and in accordance with the Deed, the Financial Reporting Standards ("FRS") in Malaysia and the SC Guidelines on Exchange Traded Fund.

- (i) The new accounting standards that are effective for the Fund's financial period beginning on or after 1 January 2010 are as follows:
- FRS 139 "Financial Instruments: Recognition and Measurement" (effective from 1 January 2010) GN3 establishes principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted under strict circumstances. The amendment to FRS 139 provides further guidance on eligible hedged items. The amendment provides guidance for two situations. On the designation of a one-sided risk in a hedged item, the amendment concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. The improvement to FRS 139 clarifies that the scope exemption in FRS 139 only applies to forward contracts but not options for business combinations that are firmly committed to being completed within a reasonable timeframe.
 - FRS 8 "Operating Segments" (effective for annual period beginning on or after 1 July 2010) replaces FRS 114₂₀₀₄ Segment Reporting. The new standard requires a 'management approach', under which segment information is reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) The new standards that have been issued which are relevant to the Fund and have not been early adopted are:

- FRS 7 “Financial instruments: Disclosures” (effective from 1 January 2010) provides information to users of financial statements about an entity’s exposure to risks and how the entity manages those risks. The improvement to FRS 7 clarifies that entities must not present total interest income and expense as a net amount within finance costs on the face of the income statement. This standard does not have any impact on the classification and valuation of the Fund’s financial statements. The Fund will apply this standard when effective.
- The improvement to FRS 8 (effective from 1 January 2010) clarifies that entities that do not provide information about segment assets to the chief operating decision-maker will no longer need to report this information. Prior year comparatives must be restated. The Fund will apply this improvement to the standard when effective.
- The revised FRS 101 “Presentation of financial statements” (effective from 1 January 2010) prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. 'Non-owner changes in equity' are to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Fund will apply this standard when effective.

- FRS 107 “Statement of cash flows” (effective from 1 January 2010) clarifies that only expenditure resulting in a recognised asset can be categorised as a cash flow from investing activities. The Fund will apply this standard when effective.
- FRS 110 “Events after the balance sheet date” (effective from 1 January 2010) reinforces existing guidance that a dividend declared after the reporting date is not a liability of an entity at that date given that there is no obligation at that time. The Fund will apply this standard when effective.
- FRS 118 “Revenue” (effective from 1 January 2010) provides more guidance when determining whether an entity is acting as a ‘principal’ or as an ‘agent’. This standard does not have material impact on the classification and valuation of the Fund’s financial statements. The Fund will apply this standard when effective.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(a) Basis of preparation (continued)**

(ii) The new standards that have been issued which are relevant to the Fund and have not been early adopted are:

- The amendments to FRS 132 “Financial instruments: Presentation” and FRS 101(revised) “Presentation of financial statements” - “Puttable financial instruments and obligations arising on liquidation” (effective from 1 January 2010) require entities to classify puttable financial instruments and instruments that impose on the entity an obligation to deliver to another party a prorata share of the net assets of the entity only on liquidation as equity, if they have particular features and meet specific conditions. The Fund will apply these amendments to the standard when effective.

(b) Investments

Investments are recorded at cost, which include transaction costs, and subsequently revaluation to their fair values as at the date of Statement of Financial Position.

Unrealised gains or losses are transferred to the fair value reserve included in net assets attributable to unitholders and is not distributable.

(c) Income recognition

Interest income earned from deposits is recognised on the accrual basis.

Realised gain or loss on disposal of investments is calculated based on difference between the net disposal proceeds and the carrying amount of investments, determined on weighted average cost basis.

(d) Creation and cancellation of units

The Fund issues cancellable units, which are cancelled at the holder's option and are classified as financial liability. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value. The outstanding units are carried at the redemption amount that is payable at the date of Statement of Financial Position if the holder exercises the right to put the unit back to the Fund.

Units are created and cancelled at the holder's option at prices based on the Fund's net asset value per unit at the time of creation or cancellation. The Fund's net asset value is calculated by dividing the net assets attributable to unitholders with the total number of outstanding units.

(e) Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash and bank balances and deposits held in highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(f) Taxation**

Current tax expense is determined according to Malaysian tax laws and includes all taxes based upon the taxable profits. Tax on dividend income from foreign quoted investments is based on the tax regime of the respective countries that the Fund is invested in.

(g) Finance cost

Proposed distributions to unitholders are recognised in the Statement of comprehensive income upon approval by the Board of Directors of the Manager. The distribution to the unitholders is recognised as finance cost in the Statement of comprehensive income.

(h) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia, which is the Fund's functional and presentation currency.

(i) Foreign currencies translation

Foreign currency assets and liabilities are translated into Ringgit Malaysia at the rates ruling at the date of the Statement of Financial Position. Transactions during the financial year are converted into Ringgit Malaysia at the rates of exchange ruling on the transaction dates. Differences on exchange are included in the Statement of comprehensive income.

(j) Amount due from/to Issuer

Amount due from/to Issuer of Exchange Traded Fund is carried at approved transaction amount as stated in trade confirmations.

(k) Proceeds and payments on creation and cancellation of units

The net asset value per unit is computed for each dealing day. The price at which units are created or cancelled is calculated by reference to the net asset value per unit as at the close of business on the relevant dealing day. Units in the Fund are classified as financial liability in the Statement of Assets and Liabilities and are stated at fair value representing the price at which units holders can redeem the units from the Fund.

(l) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Investment Committee of the Manager that makes strategic decisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(m) Financial instruments**

Financial instruments comprise financial assets and financial liabilities. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the date of the Statement of Financial Position.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

A range of methodologies and assumptions had been used in deriving the fair values of the Fund's financial instruments as at that date of the Statement of Financial Position. The total fair value of each financial instrument is not materially different from the total carrying value.

The fair values are based on the following methodologies and assumptions:

(i) Exchange Traded Fund

Exchange Traded Funds or ETFs, are open-end index tracking funds or trusts that are listed and traded real time on a stock exchange. An ETF is a security that tracks an index, a commodity or a basket of assets like an open-end investment fund, but trades on an exchange like a stock. Since ETFs are bought and sold on an exchange like shares, ETFs are priced and traded throughout the day. Essentially, ETFs combine the characteristics of an open-end fund and a stock.

(ii) Other short term financial instruments

Other short term financial instruments comprise interest income receivables, amount due from Manager, other payables and accruals, amount due to Manager, accrued management fee and amount due to Trustee. The carrying value of these assets and liabilities are assumed to approximate their fair value due to short tenure of less than one year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements in conformity with FRS and the SC Guidelines on Exchange Traded Funds requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reported financial period. Although these estimates are based on the Manager's best knowledge of current events and actions, actual results may differ from those estimates.

Estimates and judgments are continually evaluated by the Manager and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Funds' results and financial position are tested for sensitivity to changes in the underlying parameters.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks which include market risk, passive investment, tracking error risk, liquidity risk, foreign security risks and foreign exchange risk.

Financial risk management is carried out through internal control process adopted by the Manager and adherence to the investment restrictions as stipulated by the SC Guidelines on Exchange Traded Funds.

(a) Market risk

The NAV of the Fund will change with changes in the market value of the securities it holds. The price of Units and the Income from them may go down as well as up. Investors may not get back their original investment. Whilst the Manager currently intends to pay out income distributions of the Fund annually, there is no guarantee that the Manager would make such distributions to investors. Investment in the Fund involves risks similar to those of inherent in any fund of equity securities traded on an exchange, such as market fluctuations caused by factors like economic and political developments, changes in interest rates and foreign exchange. A significant decline in the value of index can therefore be expected to result in a similar decline in the NAV of the Fund.

(b) Passive investment

The Fund is not actively managed. Accordingly, the Fund may be affected by a decline in the Benchmark Index. The Manager does not attempt to select stocks individually or take defensive in declining markets

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Tracking error Risk

Changes in the NAV of the Fund are unlikely to replicate the exact changes in the Benchmark Index. This is due to, among other things, the fees and the expenses payable by the Fund and transaction fees and stamp duty incurred in adjusting the composition of the Fund's portfolio because of the changes in the Benchmark Index and dividends received, but not distributed, by the Fund. In addition, as a result of the unavailability of Index securities, the Transaction Costs in making an adjustment or for certain other reasons, there may be timing differences between changes in the Benchmark Index and the corresponding adjustment to the shares which comprise the Fund's portfolio.

(d) Liquidity risk

Liquidity risk is the risk that investment cannot be readily sold at or near its actual value without taking a significant discount. This will result in lower net asset value of the Fund. The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by unitholders. Liquid assets comprise cash, deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 7 days.

(e) Foreign security risks

The Fund invests entirely within or relates within or relates to the equity markets of a single country. These markets are subject to special risks associated with foreign investment including market fluctuations caused by factors affected by political and economic development. The principal risk factors, which could decrease the value of the investor's investment, are listed and described below:

- less liquid and less efficient securities markets;
- greater price volatility;
- exchange rate fluctuations and exchange controls;
- less publicly available information about issuers;
- higher transaction and custody costs and delays and risks of loss attendant in settlement procedures;
- difficulties in enforcing contractual obligations;
- lesser levels of regulation of the securities markets;
- different accounting, disclosure and reporting requirements;
- more substantial government involvement in the economy;
- higher rates of inflations; and
- greater social, economic, and political uncertainty and the risk of nationalisation or expropriation of assets and risk of war or terrorism.

(f) Foreign exchange risk

As the Fund's investments are generally invested in Chinese stocks (Red Chip and H shares) listed and traded on the Hong Kong Stock Exchange (HKSE) such that a substantial portion of the revenue and Income of the Fund may be received in a currency other than the Fund's base currency of Ringgit Malaysia, any fluctuation in the exchange rate of the relevant foreign currency relative to the Fund is determined on the basis of the Ringgit Malaysia. The Manager does not intend to hedge against such foreign currency exposure hence a Malaysian based investor will be exposed to exchange rate risks.

4. MANAGEMENT FEE

In accordance with Clause 15.1 of the Deed dated 19 April 2010, the Manager is entitled to a fee of up to 3.00% per annum calculated and accrued daily based on the net asset value of the Fund.

For the financial period ended 31 December 2010, the management fee is recognised at a rate of 0.60% per annum.

5. TRUSTEE'S FEE

In accordance with Clause 15.2 of the Deed dated 19 April 2010, the Trustee is entitled to a fee not exceeding 0.20% per annum calculated based on the net asset value of the Fund, subject to a minimum fee of RM18,000 per annum.

For the financial period ended 31 December 2010, the Trustee's fee is recognised at a rate of 0.08% per annum.

6. TAXATION

**01.10.2010
to 31.12.2010
RM**

Current taxation	-
- Malaysian tax	-
- Foreign tax	-
	<u> </u>
	<u> </u>

A reconciliation of taxation applicable to net income before taxation multiplied by the Malaysian statutory tax rate and tax expense of the Fund is as follows:

**1.10.2010
to 31.12.2010
RM**

Net income before taxation	(153,899)
	<u> </u>
Taxation at Malaysian statutory rate of 25%	(38,475)
Tax effects of:	
Income not subject to tax	(180)
Net realised gain on sale of investments not subject to tax purposes	(4,305)
Expenses not deductible for tax purposes	35,214
Restriction on tax deductible expenses for unit trust funds	7,746
Excess permitted expenses not deducted and not carried forward	
Effect of foreign tax on foreign taxable income	
	<u> </u>
Taxation	-
	<u> </u>

7. Financial Assets at fair value through profit or loss

	Quantity	Aggregate Cost RM	Market Value RM	Percentage of net asset value %
Air China limited	102,000	373,876	360,701	1.80
Aluminium Corporation of China Limited	120,000	303,045	337,867	1.69
BYD Co Ltd	20,700	442,700	334,446	1.67
Bank of China Ltd	526,500	860,838	848,571	4.24
Bank of communications co	232,500	800,633	721,829	3.61
Cnooc Ltd	225,000	1,312,925	1,621,620	8.11
China Cosco Holdings	75,000	246,565	242,055	1.21
China Citic Bank Corp Ltd	285,000	593,602	563,171	2.82
China Coal Energy Co Ltd	126,000	536,284	599,750	3.00
China Communications Constructions	135,000	401,549	352,836	1.76
China Construction Bank Corporation	701,400	1,822,966	1,913,728	9.57
China Life Insurance Co	92,100	1,276,633	1,154,326	5.77
China Merchants Bank	94,500	748,318	732,723	3.66
China Mobile Limited	64,500	2,081,752	1,962,903	9.82
China Pacific Insurance	28,500	359,049	362,281	1.81
China Petroleum & Chemical Corporation (Sinopec)	288,000	746,390	835,972	4.18
China Railway Group Ltd	120,000	264,273	265,162	1.33
China Shenhua Energycompany Limited	60,000	716,144	768,636	3.95
China Telecom Corp Ltd	496,500	767,383	790,388	4.14
China Unicom	188,100	816,063	828,302	8.06
Industrial And Commercial Bank of China Ltd	708,000	1,662,575	1,612,116	8.06
Petrochina co Ltd	216,000	777,554	860,492	4.30
Ping An Insurance (Group) Co of China Ltd	24,300	750,478	824,193	4.12
Zijin Mining Group Co Ltd	120,000	273,821	335,016	1.68
Agricultural Bank Of China	480,000	776,291	733,709	3.67
	<u>5,529,600</u>	<u>19,711,707</u>	<u>19,962,791</u>	<u>99.82</u>
Effect of unrealised foreign exchange gain difference recognised in income statement		(626,010)		
Fair value reserve		<u>877,094</u>		
		<u><u>19,962,791</u></u>		

8. CASH AND CASH EQUIVALENTS

	31.12.2010
	RM
Bank balance in a licensed bank	184,577

The currency exposure profile of cash and cash equivalents is as follows:

-Ringgit Malaysia	3,149
-HKD Dollar	181,428
	<u>184,577</u>

9. NUMBER OF UNITS IN CIRCULATION AND NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	No. of units	01.10.2010 to 31.12.2010 RM
At the beginning of the period	21,450,000	22,081,139
Add: Creation arising from application	1,950,000	2,147,926
Less: Cancellation of units	(3,900,000)	(4,077,060)
Net decrease in net assets attributable to unitholders	-	(153,899)
Net change in fair value reserve	-	-
At the end of the period	<u>19,500,000</u>	<u>19,998,106</u>
Approved size of Fund	<u>500,000,000</u>	

As at 31 December 2010, the number of units not yet issued is 480,500,000.

10. MANAGEMENT EXPENSE RATIO ("MER")

	01.10.2010 to 31.12.2010 %
MER	<u>0.84</u>

MER is derived from the following calculation:

$$\text{MER} = \frac{(A + B + C + D + E) \times 100}{F}$$

A	=	Management fee
B	=	Trustee's fee
C	=	Auditors' remuneration
D	=	Tax agent's fee
E	=	Administration expenses
F	=	Average net asset value of the Fund calculation on a daily basis

The average net asset value of the Fund for the financial period calculated on daily basis is RM 20,384,654.

11. PORTFOLIO TURNOVER RATIO (“PTR”)**01.10.2010
to 31.12.2010**

PTR (times)	0.29
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PTR is derived from the following calculation:

$$\frac{(\text{Total acquisition for the financial year} + \text{total disposal for the financial year})}{2}$$

Average net asset value of the Fund for the financial year calculated on a daily basis

where:

total acquisition for the financial period = RM 4,920,351

total disposal for the financial period = RM 6,997,173

12. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

The related parties and their relationship with the Fund are as follows:

<u>Related parties</u>	<u>Relationship</u>
CIMB-Principal Asset Management Berhad	The Manager
CIMB Group Sdn Bhd	Holding company of the Manager
CIMB Group Holdings Berhad ("CIMB")	Ultimate holding company of the Manager
Subsidiaries and associates of CIMB as disclosed in its financial statements	Subsidiary and associated companies of the ultimate holding company of the Manager

Units held by the Manager and parties related to the Manager

	31.12.2010	
Manager	No. of units	RM
CIMB-Principal Asset Management Berhad	-	-
	-	-

The above units were transacted at the prevailing market price.

The units are held beneficially by the Manager for bookings purpose. Other than the above, there were no units held by Directors or parties related to the Manager.

13. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with top brokers/dealers for the financial period ended 31 December 2010 are as follows:

Brokers/dealers	Values of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
Credit Suisse Sec (S) Pte Ltd	3,610,440	30.30	1,883	22.49
China International Capital Corporation	1,380,149	11.58	2,461	29.39
CIMB GKSecurities Pte Ltd / CIMB Bank Bhd #	4,765,164	39.98	2,202	26.30
CITI Group	2,102,965	17.65	1,679	20.06
JP Morgan Securities Pte Ltd	58,806	0.49	148	1.76
	<u>11,917,524</u>	<u>100.00</u>	<u>8,373</u>	<u>100.00</u>

Included in transactions by the Fund are trades conducted on normal terms with CIMB Bank Labuan a company related to the Manager amounting to RM 4,765,164.

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