

**CIMB FTSE CHINA 25
(FORMERLY KNOWN AS CIMB FTSE XINHUA CHINA 25)**

QUARTERLY REPORT (UNAUDITED)

**FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2011
TO 31 MARCH 2011**

CONTENTS	PAGE(S)
INVESTOR LETTER	1 – 2
MANAGER'S REPORT	3 – 8
Fund objective and policy	
Performance data	
Market review	
Fund performance	
Portfolio structure	
Market outlook	
Investment strategy	
Unit holding statistics	
Rebates and soft commission	
STATEMENT BY MANAGER	9
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME	10
UNAUDITED STATEMENT OF FINANCIAL POSITION	11
UNAUDITED STATEMENT OF CHANGES IN EQUITY	12
UNAUDITED STATEMENT OF CASH FLOW	13
UNAUDITED NOTES TO THE UNAUDITED FINANCIAL STATEMENTS	14 – 29
DIRECTORY	30

INVESTOR LETTER

Dear Valued Investors,

In 2010, the Malaysian market exceeded almost everyone's expectations. We expected about a 15% return at the beginning of 2010, but the FTSE Bursa Malaysia 100 Index (FBM100) has jumped 19.4% over the course of the year. By the end of December, our conventional equity funds have showed an average return of 23-28.5%.

In less than two years, the market has fully recovered from its low in March 2009, which was brought on by the global crisis. This is quite remarkable, considering that predictions about the rate of recovery at that time were quite dire. Investors, who stayed invested and continued to invest through the downturn, were rewarded with really good returns.

We hope that with the experience of the Asian financial crisis and this most recent global financial crisis, investors have seen for themselves that markets do bounce back and it is not easy to predict the speed at which they can recover.

We are cautiously optimistic for 2011. In light of the market having gone up two years in a row, our outlook for this year are returns in the low double digits. We expect the US economy to continue to recover, driven by consumer spending and corporate capital expenditures. The Federal Reserve's sustained purchases of bonds will continue to underpin the recovery. Events in Europe are expected to lead to volatility. At some point, we believe bond markets will force Portugal into accepting a bailout. We believe there is a 50-50 chance that Spain will be bailed out as well.

In Asia Pacific ex-Japan, the concern is mainly over inflation and rising interest rates. In China, the recent hikes in bank reserve requirements to 18.5% will not be sufficient to tame inflation. Although higher food prices are currently the main source of inflation, there are signs that input prices are also rising. We expect China to hike interest rates by 1.25% next year. However, this hike is unlikely to derail the economy, especially if it is balanced with the rumored loan quota of Renminbi 6.0-7.0 trillion.

For Bursa Malaysia, conditions seem right for continued market appreciation. The implementation of the Economic Transformation Program (ETP) will lead to the roll out of large projects that will benefit the construction as well as oil and gas sectors, and closer ties with Singapore will benefit projects in the Iskandar Region – all which could lead to a revival in corporate loans growth. We expect earnings growth in the mid-teens and price-to-earnings ratios (PERs) to re-rate to the long-term average of 14.5-15.0 times.

It's also been a busy year for us here at CIMB-Principal Asset Management Berhad ("CIMB-Principal"). We are happy to share that our total assets under management have grown 28% from RM23.1¹ billion to RM29.5 billion a clear sign of clients' confidence. With 66 unit trust funds (23 are Shariah-compliant), including 6 wholesale funds and 2 exchange-traded funds (ETFs), the Company is also one of the largest institutional money managers. Institutional AUM rose 35.3% to RM18.0 billion in December last year, also made further inroads into the region, managing RM1.4 billion for regional clients. The stability of our senior management team, with an average tenure of 5.3 years, has endowed the CIMB-Principal with the flexibility to adapt strategically and innovatively to rapidly-changing circumstances in a competitive regional marketplace.

¹ End December 2009

INVESTOR LETTER (CONTINUED)

You may not be aware but back in 2009, CIMB-Principal was the first Malaysian company to implement PAM® for Securities², a world class international portfolio management and accounting system. Last year, we implemented the Factset Attribution System to further enhance our fund managers' expertise. The firm remains ahead of the curve compared to many of its domestic peers, exemplified by the implementation of SWIFT and OMGEO connections for some clients, providing automated trading and settlement services. CIMB-Principal is one of the few fund managers in ASEAN with all these systems in place to better serve our clients and partners.

We thank you for your trust in us. As you continue to regularly invest with us in 2011, it is our promise to be a vigilant steward of your money and help you grow it over time.

Yours sincerely

Campbell Tupling

Chief Executive

CIMB-Principal Asset Management Berhad

² http://www.pfs.com/products/Pages/PFS_Products_PAMsecurities.aspx

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

To provide investment results that closely corresponds to the performance of the 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 March 2011?

RM 20.32 million (19.50 million units)

What is the Fund's benchmark?

FTSE China 25 or such replacement index as 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 March 2011?

No distribution was declared for the period ended 31 March 2011.

* Listing date

PERFORMANCE DATA

Details of portfolio composition of the Fund are as follows:

	31.03.2011	31.12.2010
	%	%
Sector		
Equities	99.90	99.82
Liquid assets and others	0.10	0.18
	100.00	100.00

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

	31.03.2011	31.12.2010
Net Asset Value (RM million)	20.32	20.00
Units In circulation (Million)	19.50	19.50
Net Asset Value per Unit (RM)	1.0421	1.0255
Highest NAV per Unit (RM)	1.0624	1.1565
Lowest NAV per Unit (RM)	0.9679	1.0102
Market Price per Unit (RM)	1.0400	1.0300
Highest Market Price per Unit (RM)	1.0650	1.1500
Lowest Market Price per Unit (RM)	0.9750	1.0100
Total return (%) [^]	1.61	(0.37)
-capital growth (%)	1.61	(0.37)
-income growth (%)	-	-
Management Expenses Ratio (%)	0.88	0.84
Portfolio Turnover Ratio (times) #	0.09	0.29

(Launch date : 9 July 2010)

The turnover ratio fell to 0.09 times from 0.29 times during the period under review as there were fewer trading activities compared to the previous reporting period.

Period	Total return	Annualised
	(%)	(%)
- Since inception (SI) [^]	2.83	3.92
- Benchmark SI	5.44	7.56
		Since Inception to
		31.03.2011

Annual total return[^] 3.92*

* Annualised

[^] based on NAV per unit

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 (Malaysia) Sdn Bhd, Consulting Actuaries (35090-H).

MARKET REVIEW

China stock market started the year on a strong footing but the uptrend was short-lived as the People's Bank of China embarked on a continuous monetary tightening measure. For the period under review, the central bank hiked interest rates in total of 150 bps during the three consecutive months. The hikes were in response to strong loan growth and to mitigate inflationary pressures. The higher non-food basket index growth confirmed that inflation is still an issue and hence interest rate hikes are necessary to break the inflationary expectation and to reallocate resources to the real economy.

In February, the Chinese equities were hit following the political unrest in Egypt with potential contagion impact to other Middle East countries. The unrest in the region consequently led oil and metal prices higher and most markets were unable to recover as news flow from the Middle East remained wary with whispered contagion in Libya. Towards the end of the quarter, a series of global events put downward pressure on markets. The earthquake and tsunami disaster in Japan followed by nuclear accident, social unrest in Libya, and GCC's efforts to minimize contagion in Bahrain, collectively increased risk aversion. The regional markets, however, received a boost as a few of the world's largest economies came together to help alleviate Japan's situation through intervention in the foreign-exchange markets. The Chinese equities managed to stage a rebound and closed the quarter in positive territory.

FUND PERFORMANCE

	01.01.2011 to 31.03.2011 (%)	Since Inception to 31.03.2011 (%)
Income	-	-
Capital [^]	1.61	2.83
Total Return [^]	1.61	2.83
Annualised Return [^]	6.69	3.92
Benchmark	2.47	5.44
Market Price per Unit	0.97	1.96

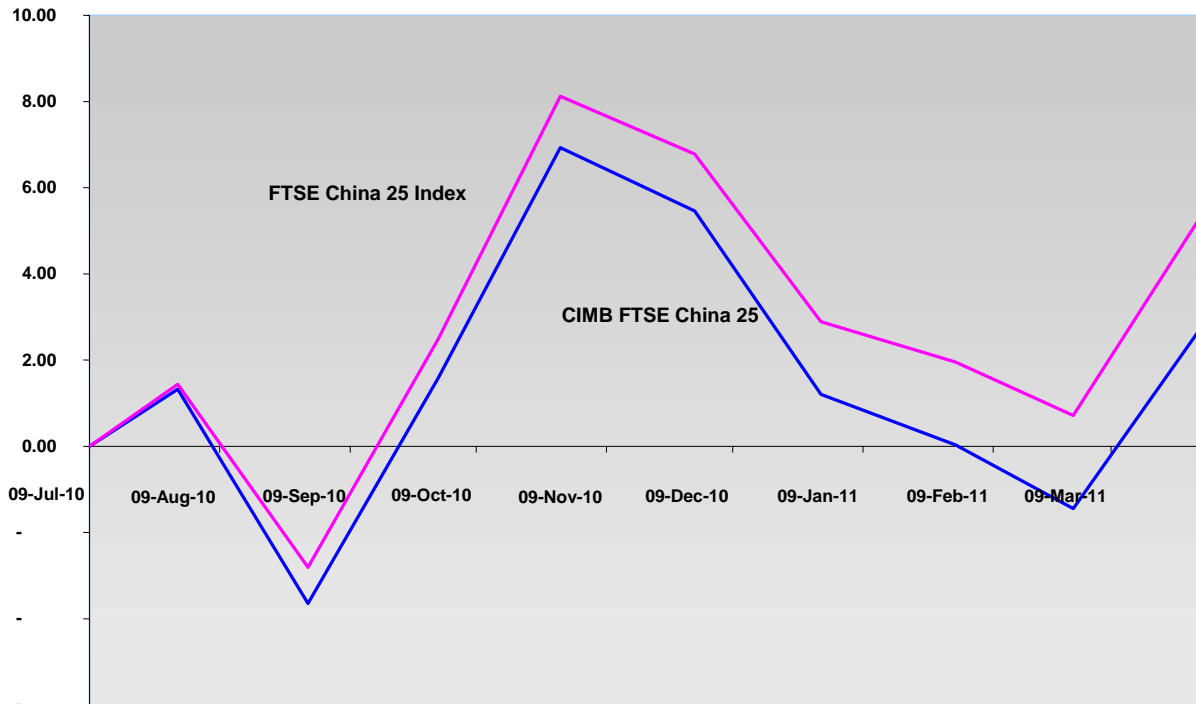
[^]based on NAV per Unit

For the period under review, the Fund increased by 1.61% underperforming the benchmark which increased by 2.47%. The underperformance was partly attributable to the cost of establishment of the Fund.

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. China Minsheng Banking and Yanzhou Coal Mining were included in the benchmark to replace China Communications Construction and BYD during the quarterly review of the benchmark. The Fund has rebalanced the stocks accordingly during the review.

The last available published market price of the Fund quoted on Bursa Malaysia was RM 1.0400, an increase of 0.97% for the period.

FUND PERFORMANCE (CONTINUED)



Changes in Net Asset Value (“NAV”)

	31.03.2011	31.12.2010	% changes
Net Asset Value (RM Million)	20.32	20.00	1.60

For the period under review, the total NAV increased by 1.60% due to positive investment performance.

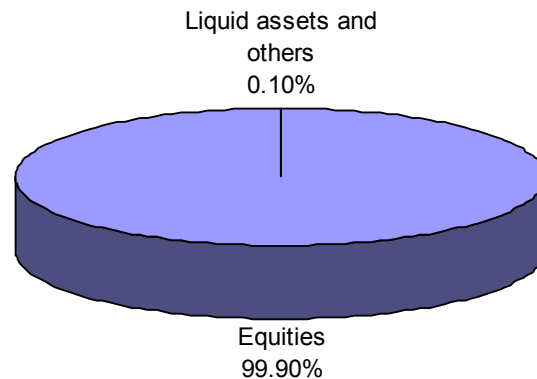
Performance data represents the combined income and capital return as a result of holding units in the fund for the specified length of time, based on NAV to NAV price. The performance data assumes that all earnings from the fund are reinvested and are net of management and trustee fees. Past performance 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 (Malaysia) Sdn Bhd, Consulting Actuaries (35090-H).

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	31.03.2011	31.12.2010
Equities	99.90	99.82
Liquid assets and others	0.10	0.18
TOTAL	100.00	100.00

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



MARKET OUTLOOK

The rate of economic growth in China is likely to ease off this year but we believe the liquidity from the developed markets to emerging markets including China will continue. We are likely to see the progress in the quality of Chinese economic growth in the medium term as the government's five-year plan is putting the right emphasis on changing the country's structural growth model from investment driven to consumption driven.

Recent economic data continue to be strong, indicating the current monetary tightening stance by the Chinese Government will continue in the next quarter. However, signs of slowdown are emerging, as the property sales volume was down about 36% year-on-year in the first quarter. Overall, data will remain mixed for the next quarter, and it is expected that the current mildly accommodative stance of the Government will continue in the near term.

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 March 2011 are as follows:

Size of holdings(units)	No. of unitholders	No. of units held	% of units held
5,000 and below	141	411,700	2.11
5,001-10,000	69	614,900	3.15
10,001-50,000	75	1,933,300	9.91
50,001-500,000	31	5,177,400	26.55
Above 500,000	7	11,362,700	58.28
Total	323	19,500,000	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 29](#) 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 March 2011 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
23 May 2011

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2011 TO 31 MARCH 2011**

	Note	01.01.2011 to 31.03.2011
INCOME		
Net realised loss on sale of investments		(145,890)
Realised foreign currency exchange loss		(92,983)
Unrealised profit on translation of monetary items dominated in foreign currencies		737,589
		<u>498,716</u>
LESS: EXPENSES		
Management fee	4	(29,315)
Trustee's fee	5	(4,439)
Custodian fee		(7,485)
Auditor Remuneration		(1,392)
Administration expenses		(132,268)
		<u>(174,899)</u>
NET PROFIT BEFORE TAXATION		323,817
TAXATION	6	-
NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME		<u><u>323,817</u></u>
Net profit after taxation is made up as follows:		
Realised amount		(413,772)
Unrealised amount		737,589
		<u>323,817</u>

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

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2011**

	Note	31.03.2011 RM
ASSETS		
Financial assets at fair value through profit or loss	7	20,300,629
Cash and cash equivalents	8	301,101
TOTAL ASSETS		<u>20,601,730</u>
LIABILITIES		
Management fee payable		10,059
Amount due to Trustee		1,529
Other payable and accruals		<u>268,219</u>
TOTAL LIABILITIES		<u>279,807</u>
NET ASSET VALUE OF THE FUND		<u>20,321,923</u>
SHAREHOLDER'S FUNDS		
Unitholders' capital		19,618,430
Retained earnings		<u>703,493</u>
		<u>20,321,923</u>
NUMBER OF UNITS IN CIRCULATION		19,500,000
NET ASSET VALUE PER UNIT (RM)		<u>1.0421</u>

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

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2011 TO 31 MARCH 2011**

	01.01.2011 to 31.03.2011 RM
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD	19,998,106
Movement due to units created and cancelled during the financial period:	
Creation of units	-
Cancellations of units	-
	<hr/>
Net decrease in net assets attributable to unit holders during the financial period:	
Net income after taxation	323,817
Net change in fair value reserve	-
	<hr/>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL PERIOD	<hr/> 20,321,923

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

**UNAUDITED STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD FROM 01 JANUARY 2011 TO 31 MARCH 2011**

	Note	01.01.2011 to 31.03.2011 RM
CASH FLOW FROM OPERATING AND INVESTING ACTIVITIES		
Proceeds from sale of investments		1,879,856
Purchase of investments		(1,715,605)
Manager's fee paid		(29,686)
Trustee's fees paid		(4,439)
Payment for other fees and expenses		(10,229)
Net cash inflow from operating and investing activities		<u>119,897</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Cash proceeds from unit created		-
Payment for cancellation of units		-
Net cash outflow from financing activities		<u>-</u>
Net increase in cash and cash equivalents		119,897
Unrealised foreign currency exchange loss		(3,373)
Cash and cash equivalents at the beginning of the financial period		184,577
Cash and cash equivalents at end of financial period	8	<u><u>301,101</u></u>

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

**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2011**

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITY

CIMB FTSE CHINA 25 (formerly known as CIMB FTSE Xinhua China 25) (the "Fund") was constituted pursuant to the execution of a Deed dated 19 April 2010 and a Supplemental Deed dated 8 Decemebr 2010, and has been entered into between CIMB-Principal Asset Management Berhad (the "Manager") and Deutsche Trustees Malaysia Berhad (the "Trustee").

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 have been prepared under the historical cost convention in accordance with Financial Reporting Standards ("FRS") in Malaysia and the SC Guidelines on Exchange Traded Fund.

The preparation of financial statements in conformity with the FRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires the Manager to exercise their judgment in the process of applying the Fund's accounting policies. Although these estimates and judgment are based on the Manager's best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2(m).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

- (i) Standards and amendments to published standards that are effective
- FRS 8 "Operating Segments" (effective from 1 July 2009) 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. 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.
 - 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 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.

- 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.
- 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.
- 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(i) Standards and amendments to published standards that are effective (continued)

- Amendment FRS 132 “Financial Instruments: Presentation”

In the previous financial year, the Fund had classified its puttable instruments as liabilities in accordance with FRS 132, 'Financial instruments: Presentation'. However, the FRS 132 (amendment), 'Financial instruments: Presentation', and FRS 101 (amendment), 'Presentation of financial statements' - 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2010) (the 'amendment') requires puttable financial instruments that meet the definition of a financial liability to be classified as equity where certain strict criteria are met.

Those criteria include: (i) the puttable instruments must entitle the holder to a pro-rata share of net assets; (ii) the puttable instruments must be the most subordinated class and that class's features must be identical; (iii) there must be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and (iv) the total expected cash flows from the puttable instrument over its life must be based substantially on the profit or loss of the issuer. As a result, the prior year financial statements are restated from amounts previously reported to conform with the amendment. The amendment has been applied retrospectively.

- FRS 139 “Financial Instruments: Recognition and Measurement”

In the previous financial year, unrealised gains or losses from the derivative financial instrument are recognised in the statement of financial position as receivables and payables while the corresponding effect are transferred to the fair value reserve included in the capital and reserves attributable to equity holders of the fund.

However, the FRS 139 (new standard) 'Financial Instruments: Recognition and Measurement' (effective 1 January 2010) (the 'standard') requires the Fund to recognise all derivatives in its balance sheet as assets and shall measure them at fair value (except for a derivative that is linked to and that must be settled by delivery of an unquoted equity instrument whose fair value cannot be measured reliably) at the beginning of the financial period in which this standard is initially applied. The unrealised gains or losses transferred to the fair value reserve in the previous financial period shall be recognised as an adjustment of the balance of retained earnings at the beginning of the financial period in which this Standard is initially applied (other than for a derivative that is a designated hedging instrument).

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:

- Amendments to FRS 7 "Financial instruments: Disclosures" and FRS 1 "First-time adoption of financial reporting standards" (effective from 1 January 2011) require enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The Fund will apply this standard when effective.

The Fund has applied the transitional provision which exempts entities from disclosing the possible impact arising from the initial application of this amendment on the financial statements of the Fund.

- IC Interpretation 17 "Distribution of non-cash assets to owners" (effective from 1 July 2010) provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. FRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

(b) Financial assets at fair value through profit or lossClassification

The Fund designates its investment in quoted securities as financial assets at fair value through profit or loss at inception.

Financial assets are designated at fair value through profit or loss when they are managed and their performance evaluated on a fair value basis

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been included in current assets. The Funds's loans and receivables comprise cash and cash equivalents (Note 8), amount due from Manager, and dividend receivable, which are all due within 12 months.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets at fair value through profit or loss (continued)

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Changes in the fair values of financial assets at fair value through profit or loss are recognised in profit or loss in the period in which the changes arise.

Gains or losses from changes in the fair value of the investments are presented in the statement of comprehensive income within net gain or loss on financial assets at fair value through profit or loss in the period which they arise.

Quoted investments in Malaysia are valued at the last done market price quoted on Bursa Malaysia Securities Berhad (“Bursa Securities”) at the date of the statement of financial position. Foreign quoted investments are valued at the available last done market prices quoted on the respective foreign stock exchanges at the close of the business day of the respective foreign stock exchanges.

If a valuation based on the market price does not represent the fair value of the securities, for example during abnormal market conditions or when no market price is available, including in the event of a suspension in the quotation of the securities for a period exceeding 14 days, or such shorter period as agreed by the Trustee, then the securities are valued as determined in good faith by the Manager, based on the methods or bases approved by the Trustee after appropriate technical consultation.

For assets carried at amortised cost, the Fund assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated

The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The asset’s carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If ‘loans and receivables’ or a ‘held-to-maturity investment’ has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Fund may measure impairment on the basis of an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Financial assets at fair value through profit or loss (continued)**Recognition and measurement (continued)

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

(c) Income recognition

Dividend income is recognised on the ex-dividend date.

Interest income earned from deposits is recognised on an accrual basis (taking into account the effective yield of the asset).

Realised gain or loss on sale of quoted investments is accounted for as the difference between the net disposal proceeds and the carrying amount of investments, determined on a weighted average cost basis.

(d) Foreign currenciesFunctional and presentation currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Fund's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. 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 profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges.

(e) Creation and cancellation of units

The Fund issues cancellable units, which are cancelled at the holder's option and are classified as equity. 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 per unit is calculated by dividing the net assets attributable to unitholders with the total number of outstanding units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(f) Cash and cash equivalents**

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

(g) 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.

(h) Distribution

Proposed distributions to unitholders are recognised in the statement of changes in equity upon approval by the Board of Directors of the Manager.

(i) Amount due from/to stockbrokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amounts due from brokers. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(j) 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 equity in the statement of financial position and are stated at fair value representing the price at which unitholders can redeem the units from the Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Segmental information

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographic segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

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 Fund's manager that undertakes strategic decisions for the Fund.

(l) 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.

Financial instruments as at 31 March 2011 are as follows:

	Loans and receivables RM	Financial assets at fair value through profit or loss RM	Total RM
Financial assets at fair value through profit or loss (Note 7)	-	20,300,629	20,300,629
Cash and cash equivalents (Note 8)	301,101	-	301,101
	<u>301,101</u>	<u>20,300,629</u>	<u>20,601,730</u>

All current liabilities are financial liabilities which are carried at amortised cost.

(m) Critical accounting estimates and judgments in applying accounting policies

The preparation of financial statements in conformity with FRS and the SC Guidelines on Exchange Traded Fund 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 year. Although these estimates are based on the Manager's best knowledge of current events and actions, actual results may differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Critical accounting estimates and judgments in applying accounting policies (continued)

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 investment objective of the Fund is aim to provide investment results that closely corresponds to the performance of the Benchmark Index, regardless of its performance.

The Fund is exposed to a variety of risks which include market risk, passive investment, tracking error risk, liquidity risk, foreign security risks, single issuer risk, credit risk, non-compliance risk and capital risk management.

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

(i) Price 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.

(ii) Foreign exchange/currency 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.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(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

(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.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(f) Single issuer risk**

Any major price fluctuation of a particular security invested by the Fund may affect the Fund's net asset value and thus the prices of units.

The single issuer risk is managed by adhering to the investment limits as specified in the SC Guidelines on Exchange Traded Fund.

(g) Credit risk

Credit risk refers to the ability of an issuer or a counter party to make timely payments of profit, principals and proceeds from realisation of investments.

The credit risk arising from placements of deposits in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions.

For the unquoted fixed income securities, the Manager regularly review the ratings assigned to the Issuer so that the necessary steps can be taken if the ratings fall below those prescribed by the SC.

(h) Non-compliance risk

Non-compliance risk arises when the Manager and others associated with the Fund do not follow the rules set out in the Fund's constitution, or the law that govern the Fund, or act fraudulently or dishonestly. It also includes the risk of the Manager not complying with internal control procedures. The non-compliance may expose the Fund to higher risks which may result in a fall in the value of the Fund which in turn may affect its investment goals. However, the risk can be mitigated by the internal controls and compliance monitoring undertaken by the manager.

(i) Capital risk management

The capital of the Fund is represented by equity consisting of unitholders' capital and retained earnings. The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of shareholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

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 March 2011, 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 March 2011, the Trustee's fee is recognised at a rate of 0.08% per annum.

6. TAXATION

	01.01.2011 to 31.03.2011 RM
Current taxation	
- Malaysian tax	-
- Foreign tax	-

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:

	01.01.2011 to 31.03.2011 RM
Net income before taxation	323,817

Taxation at Malaysian statutory rate of 25%	(80,954)
Tax effects of:	
Unrealized gain appreciation of value investments	80,954

Taxation	-
	=====

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Quantity	Aggregate Cost RM	Market Value RM	Percentage of net asset value %
Agricultural Bank of China	450,000	727,773	771,177	3.79
Air China Limited	99,000	362,880	276,994	1.36
Aluminium Corporation Of China Limited	120,000	303,045	345,077	1.70
Bank of China Limited	729,000	1,182,224	1,226,643	6.04
Bank of Communications Company Limited	228,000	785,137	758,423	3.73
Chin Minsheng Banking Corporation Limited	120,000	319,564	333,419	1.64
China Citic Bank Corporation Limited	270,000	562,360	593,859	2.92
China Coal Energy Company Limited	123,000	523,515	506,657	2.49
China Construction Bank Corporation	720,000	1,874,615	2,039,684	10.04
China Cosco Holdings Company Limited	75,000	246,702	231,994	1.14
China Life Insurance Company Limited	66,000	914,851	748,910	3.69
China Merchants Bank Company Limited	93,000	736,440	778,813	3.83
China Mobile Limited	63,000	2,033,339	1,754,121	8.63
China Pacific Insurance Group Company Limited	52,500	655,409	667,129	3.28
China Petroleum & Chemical Corporation (Sinopec)	258,000	668,641	782,018	3.85
China Railway Group Limited	126,000	277,744	245,797	1.21
China Shenhua Energy Company Limited	60,000	716,144	854,531	4.21
China Telecom Corporation Limited	450,000	695,514	830,633	4.09
China Unicom Hong Kong Limited	150,000	650,768	753,107	3.71
CNOOC Limited	201,000	1,172,880	1,530,929	7.53
Industrial and Commercial Bank Of China Limited	660,000	1,549,858	1,656,835	8.15
Petrochina Company Limited	189,000	680,360	865,187	4.26
Ping An Insurance (Group) Company of China Limited	26,100	804,038	799,733	3.94
Yanzhou Coal Mining Company Limited	60,000	589,475	659,843	3.25
Zijin Mining Group Company Limited	120,000	275,308	289,118	1.42
	<u>5,508,600</u>	<u>19,308,584</u>	<u>20,300,629</u>	<u>99.90</u>
Unrealised gain on financial assets at fair value through profit or loss		1,880,479		
Effect of unrealised foreign exchange differences		<u>(888,434)</u>		
Total financial assets at fair value through profit or loss		<u>20,300,629</u>		

8. CASH AND CASH EQUIVALENTS

	31.03.2011
	RM
Bank balance in a licensed bank	301,101

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

-Ringgit Malaysia	18,796
-Hong Kong Dollar	282,305
	<u>301,101</u>

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

	No. of units	01.01.2011 to 31.03.2011 RM
At the beginning of the period	19,500,000	19,998,105
Add: Creation arising from application	-	-
Less: Cancellation of units	-	-
Net increase in net assets attributable to unitholders	-	323,818
Net change in fair value reserve	-	-
At the end of the period	<u>19,500,000</u>	<u>20,321,923</u>
Approved size of Fund	<u>500,000,000</u>	

As at 31 March 2011, the number of units not yet issued is 480,500,000.

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

	31.03.2011	
	No. of units	RM
Manager		
CIMB-Principal Asset Management Berhad	-	-
	<u> </u>	<u> </u>

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 10 brokers/dealers for the financial period ended 31 March 2011 are as follows:

Brokers/dealers	Values of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
CITI Group	1,876,965	52.21	2,970	32.81
CLSA Group	909,039	25.28	3,243	35.82
China International Capital Corporation	673,408	18.73	2,416	26.68
UOB Kay Hian Securities PT	136,048	3.78	425	4.69
	<u>3,595,460</u>	<u>100.00</u>	<u>9,054</u>	<u>100.00</u>

DIRECTORYHead office of the Manager

CIMB-Principal Asset Management Berhad (Company No.: 304078-K)
Level 5, Menara Milenium,
8, Jalan Damanlela,
Bukit Damansara,
50490 Kuala Lumpur, MALAYSIA

Postal address

CIMB-Principal Asset Management Berhad (Company No.: 304078-K)
P. O. Box 10571
50718 Kuala Lumpur, MALAYSIA

Internet site

www.cimb-principal.com.my

E-mail address

cimb-p.custsupport@cimb.com

General investment enquiries

(03) 7718 3100

Trustee for the CIMB FTSE 25

Deutsche Trustees Malaysia Berhad
Level 20, Menara IMC,
8 Jalan Sultan Ismail,
50250 Kuala Lumpur, MALAYSIA.

Auditors of the Trusts and of the Manager

PricewaterhouseCoopers (No. AF: 1146)
Level 10, 1 Sentral,
Jalan Travers, Kuala Lumpur Sentral,
PO Box 10192, 50706 Kuala Lumpur, MALAYSIA

Consulting Actuaries

Mercer (Malaysia) Sdn Bhd. (35090-H)
1702 Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur
MALAYSIA