

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

**QUARTERLY REPORT (UNAUDITED)**

**FOR THE FINANCIAL PERIOD FROM 1 OCTOBER 2011  
TO 31 DECEMBER 2011**

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## **INVESTOR LETTER**

Dear Valued Investors,

2011 was ushered in with a lot of optimism. Most analysts, if not all, were positive that the 2010 market rally would have spilt over into this year. However, it seems like the year may not be as predictable as we thought.

Nevertheless, as we all know the market is always cyclical. It goes up and comes down based on the current uncertainties. Ultimately, if you are a long-term investor, the best thing to do is to stay invested and not react emotionally by panic selling. What investors should do is to try to think forward with a plan and have a preferred asset allocation based on their risk tolerance. A well diversified portfolio is also important to mitigate risks in the long-term.

Usually, the source of market volatility is a mix of short and long-term causes. One of several immediate short-term causes has of course been the Standard and Poor's (S&P) ratings downgrade of long-term U.S. Government debt from AAA to AA+. The S&P downgrade had caused a massive downshift of investor's risk appetite that has been underway for several weeks.

We believe that once the current market turmoil subsides, we expect repercussions from the U.S. downgrade to be limited. Some fears that investors have, while certainly understandable in situation like this, are unsupported.

To be fair, here are some positive facts for the US:-

- US treasuries remain one of the safest investments even at AA+ rating;
- Over 60% of global allocated foreign exchange reserves are in USD and they are still highly in demand;
- US Treasuries are the most liquid securities traded in the world and it is hard to find alternatives or substitutes.
- Huge amounts of forced selling of US Treasures have yet to be seen

Overall, given the uncertainty in the markets, we still hold on to our view that the US will not go into a double dip recession. We will continue to remain positive on Asian Equities for second half of 2011 as we believe that strong fund flows into Asian fixed income markets may eventually have a positive spill over effect into the regional equity markets.

On another note, we are happy to announce that CIMB-Principal has garnered a total of 8 awards this year and will maintain our momentum of achievements in the industry for the best interest of our investors.

We are also happy to announce that CIMB-Principal Asset Management Berhad ("CIMB-Principal") is now GIPS-compliant.

GIPS or Global Investment Performance Standards are a set of standardized principles that provide guidance on how investment firms should calculate and report their investment results to prospective and current clients.

**INVESTOR LETTER (CONTINUED)**

By being GIPS-compliant, investors can now have a greater level of confidence in the integrity of performance presentations as well as our general practices. We trust this will provide further assurance that the performance and reporting figures we cite are prepared to the highest standards.

With this, we at CIMB-Principal will strive to consistently provide investors with potential capital gains over the long-term and at the same time become the most reliable and trusted fund house in the industry. We look forward to supporting your journey through the interesting financial markets to come.

Yours 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 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 as stated under the fund performance review.

### **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 2011?**

RM 11.74 million (13.65 million units)

### **What is the Fund's benchmark?**

FTSE China 25 Index 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 December 2011?**

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

\* Listing date

**PERFORMANCE DATA**

Details of portfolio composition of the Fund are as follows:

	<b>31.12.2011</b>	<b>31.12.2010</b>
	%	%
<b>Sector</b>		
Quoted investments	99.92	99.82
Liquid assets and others	0.08	0.18
	100.00	100.00

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

	<b>31.12.2011</b>	<b>31.12.2010</b>
Net Asset Value (RM million)	11.74	20.00
Units In circulation (Million)	13.65	19.50
Net Asset Value per Unit (RM)	0.8599	1.0255
Highest NAV per Unit (RM)	0.9346	1.1565
Lowest NAV per Unit (RM)	0.7224	1.0102
Market Price per Unit (RM)	0.8700	1.0300
Highest Market Price per Unit (RM)	0.9350	1.1500
Lowest Market Price per Unit (RM)	0.7300	1.0100
Total return (%) <sup>^</sup>	8.53	(0.37)
-capital growth (%)	8.53	(0.37)
-income growth (%)	-	-
Management Expenses Ratio (%)	0.37	0.84
Portfolio Turnover Ratio (times) #	0.06	0.29

(Launch date : 9 July 2010)

For the period under review, the portfolio turnover ratio was minimal at 0.06 times mainly attributable to trading activities due to Index rebalancing.

<b>Period</b>	<b>Total return (%)</b>	<b>Annualised (%)</b>
- Since inception (SI) <sup>^</sup>	(15.15)	(10.53)
- One year	(16.16)	(16.16)
- Benchmark SI	(13.57)	(9.40)
	<b>31.12.2010 to 31.12.2011</b>	<b>Since inception to 31.12.2010</b>
	<b>(%)</b>	<b>(%)</b>
Annualised return <sup>^</sup> (%)	(16.16)	4.86

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 data and figures have been verified by Consulting Actuaries, Mercer (Malaysia) Sdn. Bhd (253344-U)

**MARKET REVIEW (1 OCTOBER 2011 TO 31 DECEMBER 2011)**

Chinese equities started the quarter on positive ground as European leaders moved to resolve their region's sovereign debt crisis. However, the stock market turned jittery in November, as most investors remained concerned on the resurfacing of the Eurozone debt crisis and the slump in exports and manufacturing. The Chinese equities continued to be underpinned on fears that the Eurozone economic slowdown was deepening. Signs of a slowdown in growth in China were underscored by Beijing's decision to cut the reserve requirement ratio on banks, marking the end of a two-year tightening cycle. There were also growing concerns surrounding financials in China, in particular on the issue of funding to property companies and small medium enterprises. However, the Chinese stock market remained resilient as expansion in manufacturing activity in the country added to hopes that the economy slowdown may be stabilising. The official PMI picked up to 50.3 for December from 49.0 for November, indicating a slight month-on-month expansion in manufacturing activities. The strong rebound in production was likely caused by an early arrival of Chinese New Year holidays for 2012.

**FUND PERFORMANCE**

	<b>3 months to 31.12.2011 (%)</b>	<b>1 year to 31.12.2011 (%)</b>	<b>Since Inception to 31.12.2011 (%)</b>
Income	-	-	-
Capital <sup>^</sup>	8.53	(16.16)	(15.15)
Total Return <sup>^</sup>	8.53	(16.16)	(15.15)
Annualised Return <sup>^</sup>	38.87	(16.16)	(10.53)
Benchmark	9.12	(16.00)	(13.57)
Market Price per Unit	10.13	(15.53)	(14.71)

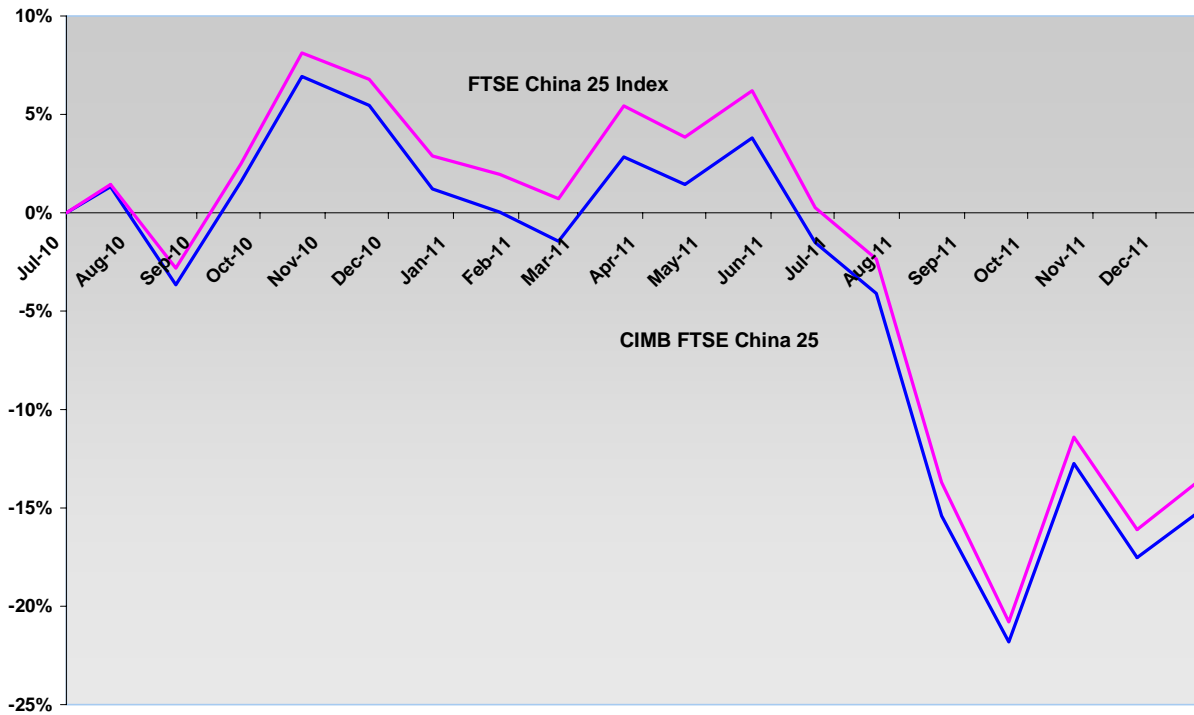
<sup>^</sup> Based on NAV per Unit

For the period under review, the Fund gained 8.53% while the benchmark gained 9.12%.

There were some minor adjustments to the weighting and composition of the Fund following the quarterly review changes of the benchmark. For the quarter, PICC Property & Casualty was included in the Fund to replace China COSCO Holdings.

The last available published market price of the Fund quoted on Bursa Malaysia was RM 0.8700, an increase of 10.13% for the period.

**FUND PERFORMANCE (CONTINUED)**



**Changes in Net Asset Value (“NAV”)**

	<b>31.12.2011</b>	<b>31.12.2010</b>	<b>% changes</b>
Net Asset Value (“NAV”) (RM Million)	11.74	20.00	(41.30)
NAV/unit (RM)	0.8599	1.0255	(16.15)

For the 1-year period, the total NAV fell by 41.30% while the NAV per unit fell by 16.15%. The fall in the total NAV was attributable to fund redemptions and investment performance while the fall in NAV per unit was mainly attributable to 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 have been verified by Consulting Actuaries, Mercer (Malaysia) Sdn Bhd (253344-U).

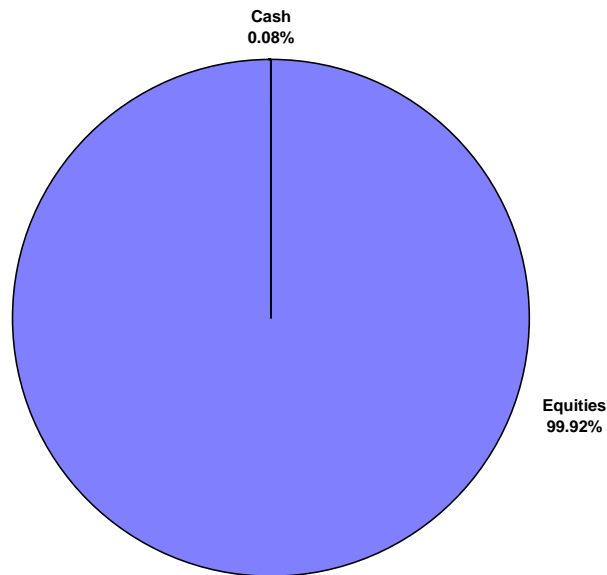


**PORTFOLIO STRUCTURE**

**Asset allocation**

(% of NAV)	31 December 2011	31 December 2010
<b>Underlying Fund</b>	<b>99.92</b>	<b>99.82</b>
<b>Liquid assets and others</b>	<b>0.08</b>	<b>0.18</b>
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>

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



**MARKET OUTLOOK**

We expect 2012 to remain a challenging year for global economies. Macroeconomic developments in the US and Europe will continue to strongly influence equity performance in China over the coming year. The US economy is improving, led by production and investment while consumer spending held up. Hence, US Federal Reserve policy will stay unchanged but it is prepared to take action to support growth if the macro backdrop deteriorates. European Central Bank (ECB) awaits the ratification of new European treaty. The key issues faced by ECB are the reliance of banks for its funding, the tightness in the interbank market, the pressure to purchase more sovereign bonds and the deleveraging of banks.

Within China, the leadership change is a key macro event. Chinese government policies will likely turn from promoting stability to easing bias as inflation risk fades. The falling Consumer Price Index (“CPI”) and Purchasing Managers Index (“PMI”) at contraction mode could quicken the pace of easing. However, in our view, the risk of continuation of earnings downgrade remains elevated. Economic slowdown is almost a certainty, but the degree of the slowdown is still being debated. We continue to be cautious about the fundamental health of China’s banking sector and property market.

## **INVESTMENT STRATEGY**

As this is an exchange-traded fund, the Fund will continue to remain fully invested in the benchmark index stocks 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 2011 are as follows:

<b>Size of unit holding</b>	<b>No of unit holders</b>	<b>No of units Held (million)</b>	<b>% of units held</b>
5,000 and below	142	0.39	2.86
5,001 to 10,000	75	0.66	4.84
10,001 to 50,000	82	2.16	15.82
50,001 to 500,000	29	3.69	27.03
500,001 and above	7	6.75	49.45
	<u>335</u>	<u>13.65</u>	<u>100.00</u>

## **SOFT COMMISSIONS AND REBATES**

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 36 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 2011 and of its financial performance, changes in equity and cash flows of the Fund for the financial period ended on that date in accordance with Financial Reporting Standards.

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

15 February 2012

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR FINANCIAL PERIOD FROM 1 OCTOBER 2011 TO 31 DECEMBER 2011**

	<b>Note</b>	<b>01.10.2011 to 31.12.2011 RM</b>	<b>01.10.2010 to 31.12.2010 RM</b>
<b>INCOME</b>			
Dividend income		4,855	718
Net realised (loss)/gain on financial assets at fair value through profit or loss	8	(169,275)	687,107
Net foreign currency exchange gain/(loss)		1,133,950	(669,887)
		969,530	17,938
<b>LESS: EXPENSES</b>			
Management fee	4	17,676	30,981
Trustee fee	5	4,537	4,538
Transaction cost		3,696	-
Audit Fee	4	6,301	10,284
Tax Agent Fee	4	756	-
Custodian fee		3,372	11,403
Administration expenses		11,039	114,631
		47,377	171,837
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		922,153	(153,899)
<b>TAXATION</b>	7	982	-
<b>PROFIT/(LOSS) AFTER TAXATION REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b>		923,135	(153,899)
Net profit/(loss) after taxation is made up as follows:			
Realised amount		(243,966)	325,836
Unrealised amount		1,167,101	(479,735)
		923,135	(153,899)

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

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

	Note	31.12.2011	31.12.2010 RM
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	8	11,728,727	19,962,791
Cash and cash equivalents	9	18,334	184,577
Amount due from broker		22,954	-
<b>TOTAL ASSETS</b>		<u>11,770,015</u>	<u>20,147,368</u>
<b>CURRENT LIABILITIES</b>			
Management fee payable		6,049	10,430
Amount due to trustee		1,529	1,529
Other payables and accruals	10	24,523	137,303
<b>TOTAL LIABILITIES</b>		<u>32,101</u>	<u>149,262</u>
<b>NET ASSET VALUE OF THE FUND</b>	11	<u>11,737,914</u>	<u>19,998,106</u>
<b>EQUITY</b>			
Unitholders' capital		13,476,255	19,618,431
(Accumulated losses) /Retained earnings		(1,738,341)	379,675
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	11	<u>11,737,914</u>	<u>19,998,106</u>
<b>Number of units in circulation</b>	11	<u>13,650,000</u>	<u>19,500,000</u>
<b>Net asset value per unit (RM)</b>		<u>0.8599</u>	<u>1.0255</u>

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

**UNAUDITED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD FROM  
1 OCTOBER 2011 TO 31 DECEMBER 2011**

	Note	Unitholders' capital  RM	(Accumulated losses)/ Retained earnings  RM	Total  RM
<b>Balance as at 1 October 2011</b>		13,476,255	(2,661,476)	10,814,779
Total comprehensive income for the financial period		-	923,135	923,135
<b>Balance as at 31 December 2011</b>		13,476,255	(1,738,341)	11,737,914
<b>Balance as at 1 October 2010</b>		21,547,565	533,574	22,081,139
Movement in unitholders' contribution:				
Creation of units	11	2,147,926	-	2,147,926
Cancellation of units	11	(4,077,060)	-	(4,077,060)
Total comprehensive income for the financial period		-	(153,899)	(153,899)
<b>Balance as at 31 December 2010</b>		19,618,431	379,675	19,998,106

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

**UNAUDITED STATEMENT OF CASH FLOW**  
**FOR THE FINANCIAL PERIOD FROM 1 OCTOBER 2011 TO 31 DECEMBER 2011**

	<b>Note</b>	<b>01.10.2011 to 31.12.2011 RM</b>	<b>01.10.2010 to 31.12.2010 RM</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Proceeds from sales of investments		703,879	6,997,173
Purchase of investments		(694,258)	(4,920,352)
Dividends received		49,109	71,661
Trustee fee paid		(4,488)	(4,488)
Management fee paid		(17,260)	(31,246)
Payments for other fees and expenses		(42,782)	(13,499)
Net cash (outflow)/inflow from operating activities		<u>(5,800)</u>	<u>2,099,249</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Cash proceeds from units created		-	2,147,925
Payments for cancellation of units		-	(4,077,060)
Net cash outflow from financing activities		<u>-</u>	<u>(1,929,135)</u>
Net (decrease)/increase in cash and cash equivalents		(5,800)	170,114
Effect of unrealised foreign exchange		(108)	(2,424)
Cash and cash equivalents at the beginning of the financial period		<u>24,242</u>	<u>16,887</u>
Cash and cash equivalents at the end of the financial period	9	<u>18,334</u>	<u>184,577</u>

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

**UNAUDITED NOTES TO THE UNAUDITED FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD FROM 1 OCTOBER 2011 TO 31 December 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 has been entered into between CIMB-Principal Asset Management Berhad (the "Manager") and Deutsche Trustees Malaysia Berhad (the "Trustee").

On 16 December 2010, the Fund's Benchmark Index, FTSE/Xinhua China 25 Index was renamed FTSE China 25 Index and concurrent with this change, the Fund also announced the change of name to CIMB FTSE China 25. The Fund's change of its name is pursuant to the Supplemental Deed dated 8 December 2010.

The principal activity of the Fund is to provide investment results that closely correspond to the performance of the FTSE China 25 Index (*formerly known as FTSE/Xinhua China 25 Index*), regardless of its performance. The Benchmark Index is designed to represent the performance of the stocks of the mainland Chinese market that are available to international investors. The Benchmark Index consists of the 25 largest and most liquid Chinese stocks (Red Chip and H shares) listed and trading on the Hong Kong Stock Exchange.

The Fund commenced operations on 9 July 2010 and will continue its operations until terminated by the Manager. All investments will be subjected to the Securities Commission Guidelines on Exchange Traded Funds, the Deed and the objective of the Fund.

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") and the MASB approved accounting standards in Malaysia for entities other than private entities.

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 period. It also requires the Manager to exercise their judgment in the process of applying the Fund's accounting policies. The Manager believes that the underlying assumptions are appropriate and the Fund's financial statements therefore present the financial position results fairly. 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) The amendments to published standards that are applicable and effective for the Fund's financial period beginning or after 1 January 2011 are as follows:
- Amendments to FRS 7 "Financial instruments: Disclosures" and FRS 1 "First-time adoption of financial reporting standards" (effective 1 January 2011) requires 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.
- (ii) The standards, amendments to published standards and interpretations to existing standards that are applicable to the Fund but not yet effective and have not been early adopted are as follows:
- Financial year beginning on 1 January 2012

In the financial year beginning on 1 January 2012, the Fund will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS"). MFRS 1 "First-time adoption of MFRS" provides for certain optional exemptions and certain mandatory exceptions for first-time MFRS adopters. There is significant impact to the Fund's financial statements arising from the transition of existing FRSs to MFRSs.

- Financial year beginning on 1 January 2013
  - MFRS 9 "Financial instruments - classification and measurement of financial assets and financial liabilities" (effective from 1 January 2013) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income ("OCI"). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply. The Fund will apply this standard when effective.

This standard is not expected to have a significant impact on the Fund's financial statements.

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

**(a) Basis of preparation (continued)**

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Fund but not yet effective and have not been early adopted are as follows (continued):

- MFRS 13 “Fair value measurement” (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 “Financial instruments: Disclosures”, but apply to all assets and liabilities measured at fair value, not just financial ones. The Fund will apply this standard when effective.

This standard is not expected to have a significant impact on the Fund’s financial statements.

**(b) Financial assets and liabilities**

Classification

The Fund designates its investment in collective investment scheme 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 Fund’s loans and receivables comprise cash and cash equivalents.

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of financial liability.

The Fund classifies amount due to Trustee, other payables and accruals as other financial liabilities.

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. Transaction costs are expensed in the profit or loss.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

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.

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

**(b) Financial assets and liabilities (continued)**

Recognition and measurement (continued)

Financial liabilities are derecognised when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Unrealised gains or losses from the changes in fair value of the investments including the effect of currency translation 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 financial period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of gross dividend income when the Fund's right to receive payments is established.

Collective investment scheme is valued based on the last published net asset value per unit or share of such collective investment schemes or, if unavailable, on the average of the last published buying price and the last published selling price of such unit or share (excluding any sales charge included in selling in such selling price)

Deposits with licensed financial institutions are stated at cost plus accrued interest calculated on the effective interest method over the period from the date of placement to the date of maturity of the respective deposits.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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 statement of comprehensive income. 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.

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

**(b) Financial assets and liabilities (continued)**

Recognition and measurement (continued)

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 statement of comprehensive income.

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 on deposits is recognised on accruals basis using the effective interest method.

Realised gain or loss on sale of collective investment schemes 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 currencies**

Functional 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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statement of comprehensive income, 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 upon accepted redemption applications submitted by Participating Dealer to the Manager in accordance with the terms of a Participating Dealer Agreement and the Deed, and are classified as equity. Cancellable units can be returned to the Fund at any Dealing Day for cash equal to a proportionate share of the Fund's net asset value ("NAV"). The outstanding units are carried at the redemption amount that is payable at the statement of financial position date if the unitholder exercises the right to return the unit to the Fund.

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

**(e) Creation and cancellation of units (continued)**

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

The units in the Fund are puttable instruments which entitle the unitholders to a pro-rata share of the net asset of the Fund. The units are subordinated and have identical features. There is no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase the units. The total expected cash flows from the units in the Fund over the life of the units are based on the change in the net asset of the Fund.

**(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 amounts of cash and which are subject to an insignificant risk of changes in value.

**(g) Taxation**

Current tax expense is determined according to Malaysian tax laws at the current rate based upon the taxable profit earned during the financial period. Tax on dividend income from foreign quoted investments is based on the tax regime of the respective countries that the Fund invests in.

**(h) Transaction costs**

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include the bid-ask spread, fees and commissions paid to agents, advisors, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the profit and loss as expenses.

**(i) Unitholders' capital**

The unitholders' contributions to the Fund meet the definition of puttable instruments classified as equity instruments under the revised FRS 132 "Financial Instruments: Presentation".

The units in the Fund are puttable instruments which entitle the unitholders to a pro-rata share of the net asset of the Fund. The units are subordinated and have identical features. There is no contractual obligation to deliver cash or another financial asset other than the obligation on the Fund to repurchase the units. The total expected cash flows from the units in the Fund over the life of the units are based on the change in the net asset of the Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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.

(k) Financial instruments

Financial instruments comprise financial assets and financial liabilities. Fair value is the amount at which a financial asset could be exchanged 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 respective financial are as follows:

	Loans and receivables RM	Financial assets at fair value through profit or loss RM	Total RM
<b>As at 31.12.2011</b>			
Financial assets at fair value through profit or loss (Note 8)	-	11,728,727	11,728,727
Cash and cash equivalents (Note 9)	18,334	-	18,334
Amount due from broker	-	22,954	22,954
	18,334	11,751,681	11,770,015
<b>As at 31.12.2010</b>			
Financial assets at fair value through profit or loss (Note 8)	-	19,962,791	19,962,791
Cash and cash equivalents (Note 9)	184,577	-	184,577
	184,577	19,962,791	20,147,368

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

(l) Realised and unrealised portions of net income after tax

The analysis of realised and unrealised net income after tax as presented on the statement of comprehensive income is prepared in accordance with Securities Commission Guidelines on Exchange Traded Funds.

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

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

The preparation of financial statements in conformity with FRS 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 investment objective of the Fund is to provide investment results that closely correspond to the performance of the FTSE China 25 Index, regardless of its performance. Therefore, the Manager adopts a passive strategy in the management of the Fund.

The Fund is exposed to a variety of risks which include market risk (price risk, interest rate risk and currency risk), credit risk, liquidity risk, non-compliance risk and capital 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 prospectus.

**(a) Market risk**

**(i) Price risk**

The Fund is exposed to equity securities price risk arising from investments held by the Fund for which prices in the future are uncertain. The very nature of an exchange traded fund, however, helps mitigate this risk because a fund would generally hold a well-diversified portfolio of securities from different market sectors so that the collapse of any one security or any one market sector would not impact too greatly on the value of the fund. The Fund's overall exposures to price risk were as follows:

	<b>31.12.2011</b>	<b>31.12.2010</b>
	<b>RM</b>	<b>RM</b>
Financial asset at fair value through profit or loss	<u>11,728,727</u>	<u>19,962,791</u>

**3. RISK MANAGEMENT OBJECTIVES AND POLICIES**

**(a) Market risk (continued)**

**(i) Price risk (continued)**

The table below summarises the sensitivity of the Fund's net asset value to movements in prices of FTSE China 25 Index (the "Underlying Index") as at respective financial periods.

The analysis is based on the assumptions that the Underlying Index fluctuates by 18.80%, which is the standard deviation of the daily fluctuation of the Underlying Index from the date of constitution of the Fund to 31 December 2011, with all other variables held constant, and that the fair value of the investments moved in the same quantum with the fluctuation in the Index.

This represents management's best estimate of a reasonable possible shift in the fair value through profit or loss, having regard to the historical volatility of the prices.

The Underlying Index is used as the Fund is designed to provide investment results that closely correspond to the performance of the Underlying Index.

<b>% Change in underlying index</b>	<b>Market value</b>	<b>Change in net asset value</b>
	<b>RM</b>	<b>RM</b>
<b>30.12.2011</b>		
18.80%	13,933,728	2,205,001
0%	11,728,727	-
-18.80%	9,523,726	(2,205,001)
<hr/>		
<b>30.12.2010</b>		
18.80%	23,715,796	3,753,005
0%	19,962,791	-
-18.80%	16,209,786	(3,753,005)
<hr/>		



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

**(a) Market risk (continued)**

**(ii) Interest rate risk**

Interest rate risk is the risk that the value of the Fund's investments and its return will fluctuate because of changes in market interest rates.

Interest rate is a general economic indicator that will have an impact on the management of the Fund. The Fund's exposure to the interest rate risk is mainly confined to short term placements with financial institutions. The Manager overcomes the exposure by way of maintaining deposits on short term basis.

As at 31 December 2011, the Fund does not hold any financial instruments that expose it to interest rate risk.

**(iii) Currency risk**

The Fund's investments are denominated in foreign currencies. Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Manager will evaluate the likely directions of a foreign currency versus Ringgit Malaysia based on considerations of economic fundamentals such as interest rate differentials, balance of payments position, debt levels, and technical chart considerations.

The following table sets out the foreign currency risk concentrations of the Fund arising from the denomination of the Fund's financial instruments in foreign currency.

<b>31.12.2011</b>	<b>Financial assets at fair value through profit or loss RM</b>	<b>Cash and cash equivalents RM</b>	<b>Total RM</b>
HKD	11,728,727	1,561	11,730,180
<b>31.12.2010</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
HKD	19,962,791	181,428	20,144,219

The table below summarises the sensitivity of the Fund's investments, cash and cash equivalent fair value to changes in foreign exchange movements. The analysis is based on the assumption that the foreign exchange rate fluctuates by 6.20%, which is the standard deviation of the daily fluctuation of the exchange rate of HKD against MYR from the date of constitution of the Fund to 31 December 2011, with all other variables remain constants. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate, having regard to historical volatility of this rate. Any fluctuation in foreign exchange rate will result in a corresponding increase/decrease in the net assets attributable to unit holders by approximately 6.20%.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk

(iii) Currency risk (continued)

Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

31.12.2011	Change in foreign exchange rate %	Impact on net income before tax RM	Impact on net asset value RM
HKD	+6.20%	-	727,271
HKD	-6.20%	-	(727,271)
<hr/>			
31.12.2010	%	RM	RM
HKD	+6.20%	-	1,248,942
HKD	-6.20%	-	(1,248,942)
<hr/>			

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Fund. The major classes of financial assets of the Fund are dividend receivable, and cash and cash equivalents.

The following table sets out the credit risk concentrations of the Fund:

Industry As at 31.12.2011	Financial assets at fair value through profit or loss RM	Cash and cash equivalents	Amount due from broker RM	Total RM
Finance	4,621,468	18,334	-	4,639,802
Industrial products	833,819	-	11,620	845,439
Energy	2,092,723	-	-	2,092,723
Telecommunications	4,180,717	-	11,334	4,192,051
<b>Total</b>	<b>11,728,727</b>	<b>18,334</b>	<b>22,954</b>	<b>11,770,015</b>

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

Industry	Financial assets at fair value through profit or loss	Cash and cash equivalents	Amount due from broker	Total
As at 31.12.2010	RM		RM	RM
Finance	7,448,923	184,577	-	7,633,500
Industrial products	1,025,719	-	-	1,025,719
Energy	7,906,556	-	-	7,906,556
Telecommunications	3,581,593	-	-	3,581,593
<b>Total</b>	<b>19,962,791</b>	<b>184,577</b>	<b>-</b>	<b>20,147,368</b>

All financial assets are neither past due nor impaired. All cash and cash equivalents are placed with Deutsche Bank in respective financial period.

(c) Liquidity risk

Liquidity risk is the risk that investments 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.

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining period on the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
<b>As at 31.12.2011</b>			
Management fee payable	6,049	-	6,049
Amount due to trustee	1,529	-	1,529
Other payables and accruals	-	24,523	24,523
<b>Contractual cash out flows</b>	<b>7,578</b>	<b>24,523</b>	<b>32,101</b>
<b>As at 31.12.2010</b>			
Management fee payable	10,430	-	10,430
Amount due to trustee	1,529	-	1,529
Other payables and accruals	-	137,303	137,303
<b>Contractual cash out flows</b>	<b>11,959</b>	<b>137,303</b>	<b>149,262</b>

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

**(d) 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.

**(e) 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.

**(f) 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.

**(g) 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.

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

**(h) 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 Manager will provide In-Kind Creation Basket which comprises a portfolio of the Underlying Index shares in substantially the same composition and weighting as the Underlying Index and cash component to be delivered by the Participating Dealer in the case of creations and to be transferred to the Participating Dealer in the case of cancellations. The Fund maintains sufficient quantity of shares and cash in proportion to the In-Kind Basket.

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.

**(i) Fair value estimation**

The fair value of financial assets and liabilities traded in active market (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date. The quoted market price used for financial assets by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each period end date. Valuation techniques used for non-standardised financial instruments such as options, currency swaps and other over-the-counter derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

For instruments for which there is no active market, the Fund may use internally developed models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. Valuation models are used primarily to value unlisted equity, debt securities and other debt instruments for which market were or have been inactive during the financial period. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

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

**(i) Fair value estimation (continued)**

The carrying value less impairment provision of receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

The Fund adopted the amendments to FRS 7, effective 1 January 2011. This requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active market for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Fund's financial assets (by class) measured at fair value at 31 December 2011:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Financial assets at fair value through profit or loss:				
- Collective investment scheme	11,728,727	-	-	11,728,727

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

**(i) Fair value estimation (continued)**

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities, exchange traded funds and exchange traded derivatives. Investment in collective investment schemes, i.e. unit trust funds whose values are based on published prices in active markets is also classified within Level 1. The Fund does not adjust the quoted prices for these instruments. The Fund's policies on valuation of these financial assets are stated in Note 2(b).

**4. MANAGEMENT FEE, AUDIT FEE AND TAX AGENT'S FEE**

In accordance with Clause 15.1 of the Deed, 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 2011, the management fee is recognised at a rate of 0.60% per annum (31.12.2010 : 0.60% per annum).

For financial period ended 31 December 2011, audit fee and tax agent fee are RM12,602 (31.12.2010: RM11,932) and RM1,512 (31.12.2010: RM705) respectively.

There will be no further liability to the Manager, auditor and tax agent other than amounts recognised above.

**5. TRUSTEE FEES**

In accordance with Clause 15.2 of the Deed, 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, excluding foreign sub-custodian fees and charges.

For the financial period ended 31 December 2011, the Trustee's fee is recognised at a rate of 0.08% per annum (31.12.2010: 0.08% per annum).

There will be no further liability to the Trustee in respect of trustee fee other than the amounts recognised above.

**6. LICENSE FEE**

License fee is payable to FTSE International Limited, the Underlying Index provider.

For the financial period ended 31 December 2011, the License fee is recognised at a rate of 0.04% per annum of the net asset value of the Fund, calculated on daily basis.

There will be no further liability to the FTSE International Limited in respect of license fee other than the amounts recognised above.

**7. TAXATION**

	<b>31.12.2011</b>	<b>31.12.2010</b>
	<b>RM</b>	<b>RM</b>
Tax charge for the financial period:		
Current taxation- foreign	(982)	-

The numerical reconciliation between profit/(loss) before taxation multiplied by the Malaysian statutory tax rate and tax expense of the Fund is as follows:

	<b>1.10.2011 to 31.12.2011</b>	<b>1.10.2010 To 31.12.2010</b>
	<b>RM</b>	<b>RM</b>
Profit/(loss) before taxation	922,153	(153,899)
Taxation at Malaysian statutory rate of 25%	230,538	(38,475)
Tax effects of:		
Income not subject to tax	(231)	(180)
Net realised loss/(gain) of investment subject to tax/(not subject to tax)	43,782	(4,305)
Unrealised loss on value of investment not subject to Tax	(290,312)	-
Net gain on foreign exchange currency subject to tax	5,361	-
Expenses not deductible for tax purposes	6,975	35,214
Restriction on tax deductible expenses for exchange traded funds	2,905	7,746
Taxation	(982)	-

**8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>31.12.2011</b>	<b>31.12.2010</b>
	<b>RM</b>	<b>RM</b>
Designated at fair value through profit or loss		
- Foreign quoted shares	11,728,727	19,962,791

	<b>1.10.2011 to 31.12.2011</b>	<b>1.10.2010 to 31.12.2010</b>
	<b>RM</b>	<b>RM</b>
Net (loss)/gain on financial assets at fair value through profit or loss		
- Realised (loss)/gain on disposals	(175,128)	687,107
- Change in unrealised fair value gain	5,853	-
	(169,275)	687,107



**8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)**

As at 31.12.2011	Quantity	Aggregate cost RM	Market value RM	Percentage of net asset value %
Agricultural Bank of China	346,500	551,029	472,877	4.03
Air China Ltd	42,000	151,463	98,505	0.84
Aluminium Corporation Of China Ltd	75,600	190,791	104,409	0.89
Anhui Conch Cement Corporation Ltd	27,300	269,869	257,118	2.19
Bank of China Ltd	602,700	873,276	704,313	6.00
Bank of Communication Corporation	178,500	543,585	396,038	3.37
China CITIC Bank Corporation Ltd	231,000	457,857	412,469	3.51
China Coal Energy Corporation Ltd	84,000	352,985	287,622	2.45
China Construction Bank Corporation	470,400	1,223,960	1,041,753	8.88
China Life Insurance Corporation	58,800	720,196	461,293	3.93
China Merchants Bank	73,500	557,885	471,504	4.02
China Minsheng Banking Corporation Ltd	84,000	224,450	230,990	1.97
China Mobile Ltd	37,800	1,208,460	1,172,282	9.99
China Pacific Insurance	37,800	467,228	341,336	2.91
China Petroleum & Chemical Corporation (SINOPEC)	142,800	371,553	476,704	4.06
China Shenhua Energy Company Ltd	35,700	428,583	491,582	4.19
China Telecom Corporation Ltd	245,700	388,377	443,737	3.78
China Unicom	71,400	324,057	476,704	4.06
CNOOC Ltd	142,800	826,113	792,367	6.75
Industrial and Commercial Bank of China Ltd	493,500	1,134,196	929,579	7.92
Petrochina Corporation Ltd	126,000	464,853	497,846	4.24
PICC Property and Casualty Company Ltd	75,600	338,842	324,347	2.76
Ping An Insurance Group Corporation of China Ltd	21,000	627,619	439,327	3.74
Yanzhou Coal Mining Corporation Ltd	37,800	372,482	256,079	2.18
Zijin Mining Group Corporation Ltd	124,000	189,159	147,946	1.26
<b>TOTAL QUOTED INVESTMENTS</b>	<b>3,866,200</b>	<b>13,258,868</b>	<b>11,728,727</b>	<b>99.92</b>
<b>UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>(1,648,652)</b>		
<b>EFFECT OF UNREALISED FOREIGN EXCHANGE DIFFERENCES</b>		<b>118,511</b>		
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>11,728,727</b>		

**8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)**

As at 31.12.2010	Quantity	Aggregate Cost RM	Market Value RM	Percentage of net asset value %
Air China Ltd	102,000	373,876	360,701	1.80
Aluminium Corporation Of China Ltd	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 Communication Corporation	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 Corporation Ltd	285,000	593,602	563,171	2.82
China Coal Energy Corporation 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 Corporation	92,100	1,276,633	1,154,326	5.77
China Merchants Bank	94,500	748,318	732,723	3.66
China Mobile Ltd	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 Energy Company Ltd	60,000	716,144	768,636	3.95
China Telecom Corporation 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 Corporation Ltd	216,000	777,554	860,492	4.30
Ping An Insurance Group Corporation of China Ltd	24,300	750,478	824,193	4.12
Zijin Mining Group Corporation Ltd	120,000	273,821	335,016	1.68
Agricultural Bank Of China	480,000	776,291	733,707	3.67
	<u>5,529,600</u>	<u>19,711,707</u>	<u>19,962,791</u>	<u>99.82</u>
<b>EFFECT OF UNREALISED FOREIGN EXCHANGE DIFFERENCES</b>		(626,010)		
<b>UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>877,094</u>		
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u><u>19,962,791</u></u>		

**9. CASH AND CASH EQUIVALENTS**

	<b>31.12.2011</b>	<b>31.12.2010</b>
	<b>RM</b>	<b>RM</b>
Bank balances in a licensed bank	18,334	184,577

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

	<b>31.12.2011</b>	<b>31.12.2010</b>
	<b>RM</b>	<b>RM</b>
- RM	16,881	3,149
- HKD	1,453	181,428
	18,334	184,577

**10. OTHER PAYABLES AND ACCRUALS**

	<b>31.12.2011</b>	<b>31.12.2010</b>
	<b>RM</b>	<b>RM</b>
Provision for audit fee	9,852	22,215
Provision for tax agent fee	4,512	1,479
Other accruals	10,159	113,609
	24,523	137,303

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

Net Asset Value (NAV) attributable to unit holders is represented by:

	<b>Note</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
		<b>RM</b>	<b>RM</b>
Unit holders' contribution		13,476,255	19,618,431
Retained earnings		(1,738,341)	379,675
	<b>(a)</b>	11,737,914	19,998,106

**11. NUMBER OF UNITS IN CIRCULATION AND NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (CONTINUED)**

**(a) UNIT HOLDERS' CONTRIBUTION/ UNIT IN CIRCULATION**

	<b>31.12.2011</b>		<b>31.12.2010</b>	
	<b>No of units</b>	<b>RM</b>	<b>No of units</b>	<b>RM</b>
At the beginning of the financial period	13,650,000	10,814,779	21,450,000	22,081,139
Add: Creations arising from application	-	-	1,950,000	2,147,928
Less: Cancellation of units	-	-	(3,900,000)	(4,077,060)
Total comprehensive income for the financial period	-	923,135	-	(153,899)
At end of the financial period	<u>13,650,000</u>	<u>11,737,914</u>	<u>19,500,000</u>	<u>19,998,106</u>
Approved size of the Fund	<u>500,000,000</u>		<u>500,000,000</u>	

In accordance with the Deed, the Manager may increase the size of the Fund from time to time with the approval of the Trustee and the Securities Commission. The maximum number of units that can be issued out for circulation of the Fund is 500,000,000. As at 31 December 2011, the number of units not yet issued is 486,350,000 (2010:480,500,000).

The Manager, CIMB-Principal Asset Management Berhad, did not hold any units in the Fund as at 31 December 2011.

**12. MANAGEMENT EXPENSE RATIO ("MER")**

	<b>31.12.2011</b>	<b>31.12.2010</b>
MER	<u>0.37</u>	<u>0.84</u>

MER is derived based on the following calculation:

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

A	=	Trustee's fee
B	=	Custodian fee
C	=	Audit fee
D	=	Tax agent's fee
E	=	Other 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 11,677,640 (31.12.2010: RM20,384,654)

<b>13. PORTFOLIO TURNOVER RATIO (“PTR”)</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
PTR (times)	0.06	0.29
	0.06	0.29

PTR is derived from the following calculation:

$$\frac{(\text{Total acquisition for the financial period} + \text{total disposal for the financial period}) \div 2}{\text{Average net asset value of the Fund for the financial period calculated on a daily basis}}$$

where:

total acquisition for the financial period = RM 692,411 (31.12.2010: RM4,920,351)

total disposal for the financial period = RM 691,553 (31.12.2010: RM6,997,173)

**14. 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-Principal Asset Management (S) Pte. Ltd.	Investment Adviser of the Fund
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

There were no units held by the Manager and parties related to the Manager as at the end of the financial period.

In addition to related party disclosure mentioned elsewhere in the financial statements, there are no other significant related party transactions and balances.

**15. TRANSACTIONS WITH BROKERS/DEALERS**

Details of transactions with all brokers for the financial period ended 31 December 2011 are as follows:

<b>Brokers/dealers</b>	<b>Value of trades</b>	<b>Percentage of total trades</b>	<b>Brokerage fees</b>	<b>Percentage of total brokerage fees</b>
	<b>RM</b>	<b>%</b>	<b>RM</b>	<b>%</b>
Credit Suisse Sec (HK) Pte Ltd	1,321,934	95.52	2,041	92.90
China International Capital Corporation HK Securities Ltd	62,030	4.48	156	7.10
	<u>1,383,964</u>	<u>100.00</u>	<u>2,197</u>	<u>100.00</u>

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

<b>Brokers/dealers</b>	<b>Value of trades</b>	<b>Percentage of total trades</b>	<b>Brokerage fees</b>	<b>Percentage of total brokerage fees</b>
	<b>RM</b>	<b>%</b>	<b>RM</b>	<b>%</b>
Credit Suisse Sec (S) Pte Ltd	3,610,440	30.30	1,883	22.49
CIMB Berhad #	4,765,164	39.98	2,202	26.30
China International Capital Corporation HK Securities Ltd	1,380,149	11.58	2,461	29.39
Citi Group Global Market	2,102,965	17.65	1,679	20.05
JP Morgan Securities Pte Ltd	58,806	0.49	148	1.77
	<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 NIL (31.12.2010 : RM4,765,164).

**16. SEGMENT INFORMATION**

The Fund is designed to provide investment results that closely correspond to the performance of the FTSE CHINA 25 Index, regardless of its performance. In managing the Fund, the Manager attempts to achieve a high positive correlation and a low tracking error between the Net Asset Value of the Fund's portfolio and the Underlying Index. The internal reporting provided to the CEO for the fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of FRS. The CEO is responsible for the performance of the fund and considers the business to have a single operating segment.

There are no changes in the reportable segments during the financial period.

## **DIRECTORY**

### **Head office of the Manager**

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### **Auditors of the Trusts and of the Manager**

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