

CIMB FTSE CHINA 25

UNAUDITED QUARTERLY REPORT

**FOR THE FINANCIAL PERIOD FROM 1 JULY 2012
TO 30 SEPTEMBER 2012**

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INVESTOR LETTER

Dear Valued Investors,

We invite you to celebrate with us!

CIMB-Principal Asset Management Berhad has won the **Overall Fund Group Category Award from The Edge-Lipper Malaysia Fund Awards 2012**. This is a wonderful recognition and acknowledgement of our overall investment performance across our entire fund family over the last 3 years. In addition the following funds also won their respective categories for the year ended December 31, 2011:

1. **Winner, Equity Malaysia, 3 years** - CIMB-Principal Equity Fund
2. **Winner, Equity Malaysia, 10 years** - CIMB-Principal Equity Fund
3. **Winner, Equity Asia Pacific ex-Japan (Islamic), 3 years** - CIMB Islamic Equity Fund
4. **Winner, Equity Asia Pacific ex-Japan, 3 years** - CIMB Islamic Equity Fund
5. **Winner, Mixed Asset MYR Balance – Malaysia (Islamic), 3 years** - CIMB Islamic Balanced Growth Fund
6. **Winner, Mixed Asset MYR Balance – Malaysia (Islamic), 10 years** - CIMB Islamic Balanced Fund

These awards are important because it means that the consistent investment process we have in place, supported by strong portfolio risk management and oversight practices, has yielded top-performing investment results for our loyal investors.

In addition Asia Asset Management from Hong Kong, has just recognised CIMB-Principal Asset Management Berhad as **“ETF Manager of the Year”** and honoured me with **“CEO of the Year”** award, however it is my firm belief that this latter award is really a reflection of the hardworking and talented people at the Company.

Our focus on becoming ASEAN’s most valued investment manager has been recognized by the industry with the Company being named

- “Asset Management Company of the Year, Southeast Asia” by The Asset Triple A Investment Awards
- “Best Asset Manager in Southeast Asia” by Alpha Southeast Asia

INVESTOR LETTER (CONTINUED)

We are also emerging within Asia's investment industry, having being named to the **2011 Asia Manager Power 50 List**. That being said, we also continue to receive recognition from regional publications for our continued excellence in Malaysia. Last year AsianInvestor awarded us "**Best Onshore Fund House**". The CIMB Islamic Enhanced Sukuk Fund was also recognised as "**Best Islamic Bond Fund**" by the Islamic Finance News Awards in its Islamic Investor Poll 2011.

At the end of the day, the industry accolades we received are incidental to our reason for being: to grow and manage the money you have entrusted with us responsibly, with the appropriate risk management controls in place. I'm happy to share that, 80% of our total AUM for unit trust funds are in the top 50% of their respective fund categories¹.

The investment team performed admirably in an uncertain and volatile 2011, with an average 3.95% return across our domestic conventional equity funds², outperforming the FTSE Bursa Malaysia KLCI by a significant 3.17% last year.

Our domestic Shariah equity funds³ did even better, with an average return of 8.01%, outperforming the FTSE Bursa Malaysia EMAS Shariah Index by 5.6%. In particular, the CIMB-Principal Equity Fund and CIMB Islamic DALI Equity Growth Fund both outperformed their respective index by 4.6% and 6.5% in 2011.

We have also revamped our website to better position ourselves as a regional asset manager. Investors can now access different country websites in a single regional site at www.cimb-principal.com. This website has been improved to make it easier for investors to search for specific funds across different categories and asset classes.

Taking a longer-term investment view over the last 3 years, I'm happy to share that the ASEAN markets have proven resilient with a performance growth of 97.3%, relative to the United States at 34%.6 and Europe at 13.9%⁴. ASEAN equities are trading at 12.6x price-to-earnings ratio ("P/E") versus 10x P/E in for Asia ex-Japan. This valuation premium continues to persist as investors believe that ASEAN provides better earnings certainty. That said, we expect consolidation in the coming months which will give us an opportunity to buy quality stocks, when earnings forecasts are adjusted to more realistic levels.

INVESTOR LETTER (CONTINUED)

Looking ahead, there are forecasts of potential further global economic slowdown and signs of tougher times ahead with the impending recession in the Eurozone. Germany, the region's strongest economy, is working hard to stabilize the region, but volatility seems unlikely to decline as the region's sovereign debt problem is still not completely resolved. We expect market uncertainty to persist in this challenging time. We are focused on how we can take advantage of the volatility.

This year we remain focused on our regional presence in ASEAN and will leverage our local investment expertise to find investment opportunities for our investors. I would like to take this opportunity to thank you for your continuous support and look forward to a rewarding 2012. We will continuously strive to provide the best in both services and products to investors.

On another note, in conjunction with our renewal exercise of the Master Prospectus, the section of "specific risks associated with the investment portfolio of the Fund" as contained in the Risk Factors Chapter has been updated. Please refer to the Master Prospectus dated 30 June 2012 for further details.

Happy Investing!

Campbell Tupling
Chief Executive Officer
CIMB-Principal Asset Management Berhad

Source:

1. *Lipper Hindsight as at end Dec 2011. 80% of Assets Under Management of CIMB-Principal Unit Trust Funds in the Top 2 Quartiles*
2. *CIMB-Principal Equity Aggressive Fund 3, CIMB-Principal Equity Aggressive Fund 1, CIMB-Principal Equity Fund, CIMB-Principal Equity Fund 2, CIMB-Principal Wholesale Equity Fund*
3. *CIMB Islamic Equity Aggressive Fund, CIMB Islamic DALI Equity Theme Fund, CIMB Islamic DALI Equity Growth Fund*
4. *FTSE/ASEAN Index, FTSE United States of America Index, FTSE Europe Index (Cumulative growth 31 Jan 09 - 31 Jan 12)*

MANAGER'S REPORT

What is the investment objective of the Fund?

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

Has the Fund achieved its objective?

For the year under review, the Fund is in line with its stated objective and the details are shown under 'Fund Performance' section.

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.

Replication Strategy

In managing the Fund, the Manager will generally adopt a Replication Strategy. Using a Replication Strategy, the Fund will invest in substantially all the Index Securities in substantially the same weightings (i.e. proportions) as the Benchmark Index (to the extent possible). If the Manager is of the opinion there exists liquidity constraints with the Index Securities, the Fund may substitute the Index Securities (in part or in whole) with one or more derivatives of the Index Securities which are likely to behave in a manner consistent with the investment objective of the Fund as determined by the Manager.

Representative Sampling Strategy

The Manager may decide to adopt a Representative Sampling Strategy if various circumstances make it impossible or impracticable to adopt a Replication Strategy.

The Fund's policies on investments were carried out in accordance with the Deed and it will continue its operations until terminated in accordance with the provisions of the Deed.

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 30 September 2012?

RM 14.84 million (17.55 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 the Securities Commission Malaysia.

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 30 September 2012?

No distribution was declared for the year ended 30 September 2012.

- Listing date

PERFORMANCE DATA

Details of portfolio composition of the Fund are as follows:

	30.09.2012	30.09.2011
	%	%
Sector		
Quoted investments	99.71	99.50
Liquid assets and others	0.29	0.50
	<u>100.00</u>	<u>100.00</u>

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

	30.09.2012	30.09.2011
Net Asset Value (RM million)	14.84	10.82
Units In circulation (Million)	17.55	13.65
Net Asset Value per Unit (RM)	0.8455	0.7923
Highest NAV per Unit (RM)	0.8734	1.0106
Lowest NAV per Unit (RM)	0.7940	0.7779
Market Price per Unit (RM)	0.8500	0.7900
Highest Market Price per Unit (RM)	0.8750	1.0150
Lowest Market Price per Unit (RM)	0.7950	0.7650
Total return (%)^	0.48	(20.62)
-capital growth (%)	0.48	(20.62)
-income growth (%)		
Management Expenses Ratio (%)	0.34	0.35
Portfolio Turnover Ratio (times) #	0.22	0.09

(Launch date : 9 July 2010)

In line with the nature of an exchange-traded fund, the portfolio's turnover ratio was minimal at 0.22 times for the quarter. Trading activities were mostly due to baskets creations as well as portfolio rebalancing during the quarterly review of the Index.

Period	Total return (%)	Annualised (%)
- Since inception (SI)^	(16.56)	(7.79)
- One year	6.73	6.73
- Benchmark SI	(17.31)	(8.16)
	30.09.2011 to 30.09.2012	30.09.2010 to 30.09.2011
		Since Inception to 30.09.2010
		(%)
Annualised return^ (%)	6.73	(23.03)
		(%)
		7.13

Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up. All performance figures for the financial period ended has been extracted from Lipper.

MARKET REVIEW (01 JULY 2012 TO 30 SEPTEMBER 2012)

3Q12 saw major central banks such as the US Federal Reserve (Fed), the European Central Bank (ECB), Bank of Japan (BoJ) and the People's Bank of China (PBoC) moving to protect and stimulate their respective economies in the wake of deteriorating economic data and weak global macroeconomic environment. The Fed introduced an open-ended third round of quantitative easing (QE3) in mortgage backed securities (MBS), the ECB announced an unlimited outright monetary transactions (OMT) programme to normalise monetary policy transmission in the Euro area, the BoJ added its bit by expanding its balance sheet by an additional JPY10 trillion while the PBoC surprised analysts by injecting 220 billion yuan (\$34.6 billion) into the banking system through 7- and 14-day reverse repurchase agreements in August.

However, despite initiatives by the central bank and government to spur economies, Chinese equities remained relatively flat for the quarter. This is the first time in the 63-year history of the People's Republic that monetary easing has failed to jump-start private investments. Making money in the manufacturing sector has become very difficult now, with surging costs and severe overcapacity. What troubles the economy is not that funding costs are too high, but that banks cannot find quality borrowers who are still interested in borrowing and committing investments in real businesses. The global growth slowdown and debt crisis in Europe also do not help, as export growth has now slipped to near 0%. This is compounded by the structural cost issue of rising wages and rents. Failures of exporters are on the rise. The good news is that export orders seemed to have stabilized in September after a very poor performance in July and August. Analysts said investment spending has been boosted by the government's fast-tracking of infrastructure project approvals, including \$157 billion worth of investment plans in September on dozens of infrastructure projects such as highways, ports, railways, sewage networks and waste treatment plants.

FUND PERFORMANCE

	3 months to 30.09.2012 (%)	1 year to 30.09.2012 (%)	Since Inception to 30.09.2012 (%)
Income	-	-	-
Capital [^]	0.48	6.73	(16.56)
Total Return [^]	0.48	6.73	(16.56)
Annualised Return [^]	1.88	6.73	(7.79)
Benchmark	0.55	4.37	(17.31)
Market Price per Unit	1.19	7.59	(16.67)

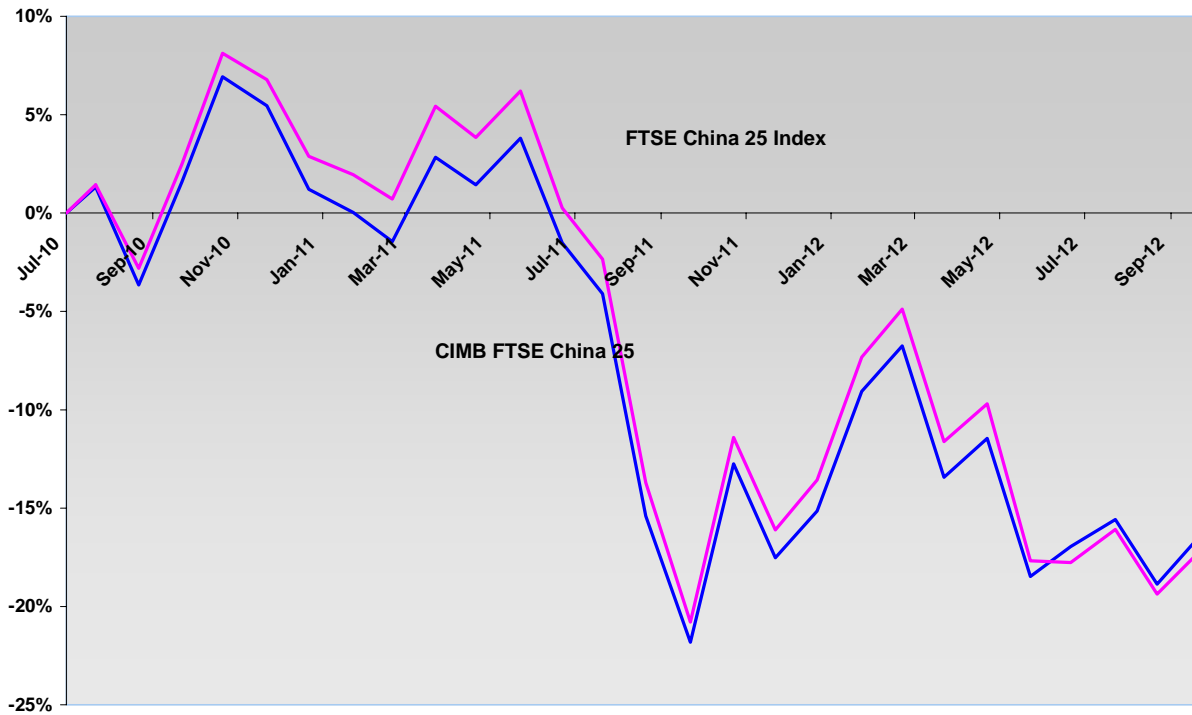
[^] Based on NAV per Unit

For the period under review, the Fund gained 0.48% in line with the benchmark gains of 0.55%.

During the period under review, there were some adjustments to the weighting and composition of the Fund following the quarterly review changes of the benchmark. China Overseas Land & Inv (Red Chip) was included in the Fund to replace Air China (H).

The last available published market price of the Fund quoted on Bursa Malaysia was RM 0.85, an increase of 1.19% for the period.

FUND PERFORMANCE (CONTINUED)



Changes in Net Asset Value (“NAV”)

	30.09.2012	30.09.2011	% changes
Net Asset Value (“NAV”) (RM Million)	14.84	10.82	37.15
NAV/unit (RM)	0.8455	0.7923	6.71

Both NAV and NAV per unit registered positive trend for the 1-year period. On top of the encouraging performance of the Chinese equities for the year, the Fund saw commendable units creations which boosted the total NAV for the Fund by 37.15%.

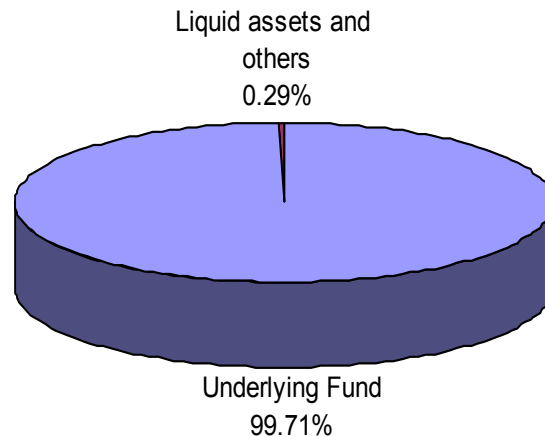
Performance data represents the combined income and capital return as a result of holding units in the Fund for the specified length of time, based on NAV to NAV price. The performance data assumes that all earnings from the Fund are reinvested and are net of management and trustee fees. Past performance 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 extracted from Lipper.

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	30 September 2012	30 September 2011
Underlying Fund	99.71	99.50
Liquid assets and others	0.29	0.50
TOTAL	100.00	100.00

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 believe the slowdown in the Chinese economy has likely bottomed. The recent cyclical slowdown to some extent reflects choices of policy designed to improve social stability. Nevertheless, the country faces several structural challenges, including avoiding the middle-income trap, engineering a deleveraging of the economy, and dealing with weaker growth in the working age population. On top of these, the lack of investment interest (outside the property sector) from the private sector continues to be a drag on the growth recovery. These structural concerns suggest that China is heading into a sustained period of slower growth than it scored over the past decade. For all of 2012, China's economy is forecast by 27 analysts to grow 7.7%, just ahead of the government's 7.5% target but nonetheless the slackest pace since 1999, when growth hit 7.6%. Nevertheless, many believe the worst may have passed after a surprisingly strong bounce in China's exports in September, alongside factory output, investment and retail sales which all pulled slightly ahead of expectations suggested the economy may be turning the corner. The further increase in October headline PMI to 50.2, which was the first time since July the PMI has broken above the 50-benchmark is positive to the economy. This indicates the manufacturing sector has returned to month-on-month expansion. The PMI new orders index was also up by 0.6% to 50.4, returning to the monthly expansionary zone for the first time since April.

MARKET OUTLOOK (CONTINUED)

Over the near term, we believe growth should be supported by the following factors: 1) increased property market transaction and construction activities; 2) increased infrastructure investments; 3) a pick-up in export orders from the US; and 4) resilient consumption. Although growth staying at around 7% is mediocre by Chinese standards, the reduced risk of a hard landing should be market positive, in our view. We do not anticipate a strong rebound in growth in the coming quarters. In our view, the core problem for the economy is the disappearance of private investment, prompted by surging costs and over-capacity. Re-engaging private investment is crucial for China to get back on the right track for growth, but structural reforms, such as corporate tax cuts and the opening of the service sector to private capital, will take time and require strong political will. We believe public spending is not a substitute for private investment and that monetary easing cannot resolve the structural difficulties.

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 30 September 2012 are as follows:

Size of unit holding	No of unit holders	No of units Held (million)	% of units held
5,000 and below	135	0.39	2.20
5,001 to 10,000	69	0.62	3.53
10,001 to 50,000	99	2.57	14.67
50,001 to 500,000	28	3.75	21.39
500,001 and above	7	10.22	58.22
	<u>338</u>	<u>17.55</u>	<u>100.00</u>

SOFT COMMISSIONS AND REBATES

CIMB-Principal Asset Management Berhad and CIMB-Principal Asset Management (S) Pte Ltd and the Trustees (including their officers) will not retain any form of rebate or soft commission from, or otherwise share in any commission with, any broker in consideration for directing dealings in the investments of the Funds unless the soft commission received is retained in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds. All dealings with brokers are executed on best available terms.

**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 11 to 37](#) 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 30 September 2012 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 and the Securities Commission Guidelines.

For and on behalf of the Manager
CIMB-PRINCIPAL ASSET MANAGEMENT BERHAD
(Company No.: 304078-K)

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 November 2012

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR FINANCIAL PERIOD FROM 1 JULY 2011 TO 30 SEPTEMBER 2012**

		01.07.2012 to 30.09.2012 RM	01.07.2011 to 30.09.2011 RM
INCOME			
Dividend income		70,559	42,586
Net realised gain/(loss) on sale of investments	8	67,558	(3,541,434)
Net foreign currency exchange loss		(18,090)	716,378
		<u>120,027</u>	<u>(2,782,470)</u>
LESS: EXPENSES			
Management fee	4	17,630	18,511
Trustee fee	5	3,025	4,537
Audit Fee	4	6,301	6,301
Tax Agent Fee	4	935	2,294
Other expenses		11,762	12,004
		<u>39,653</u>	<u>43,647</u>
PROFIT/(LOSS) BEFORE TAXATION		80,374	(2,826,117)
TAXATION	7	(2,964)	(17,027)
PROFIT/(LOSS) AFTER TAXATION		<u>77,410</u>	<u>(2,809,090)</u>
Profit/(loss) after taxation is made up as follows:			
Realised amount		(171,898)	(43,648)
Unrealised amount		249,308	(2,765,442)
		<u>77,410</u>	<u>(2,809,090)</u>

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

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012**

	Note	30.09.2012 RM	30.09.2011 RM
CURRENT ASSETS			
Financial assets at fair value through profit or loss	8	14,796,251	10,761,951
Cash and cash equivalents	9	52,999	24,242
Due from broker		-	37,127
Dividend receivables		41,296	43,272
TOTAL ASSETS		<u>14,890,546</u>	<u>10,866,592</u>
CURRENT LIABILITIES			
Management fee payable		5,903	5,633
Amount due to trustee		986	1,480
Other payables and accruals	10	44,744	44,037
TOTAL LIABILITIES		<u>51,633</u>	<u>51,150</u>
NET ASSET VALUE OF THE FUND	11	<u>14,838,913</u>	<u>10,815,442</u>
EQUITY			
Unitholders' capital		16,749,915	13,476,255
Accumulated losses		(1,911,002)	(2,660,813)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	11	<u>14,838,913</u>	<u>10,815,442</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	11	<u>17,550,000</u>	<u>13,650,000</u>
NET ASSET VALUE PER UNIT		<u>0.8455</u>	<u>0.7923</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 JULY 2012 TO 30 SEPTEMBER 2012**

	Unitholders' capital RM	Retained earnings RM	Total RM
Balance as at 1 July 2012	13,476,255	(1,988,412)	11,487,843
Movement in unitholders' contribution:			
Creation of units	3,273,660	-	3,273,660
Cancellation of units	-	-	-
Total comprehensive income for the financial period	-	77,410	77,410
Balance as at 30 September 2012	<u>16,749,915</u>	<u>(1,911,002)</u>	<u>14,838,913</u>
Balance as at 1 July 2011	13,476,255	148,277	13,624,532
Movement in unitholders' contribution:			
Creation of units	-	-	-
Cancellation of units	-	-	-
Total comprehensive income for the financial period	-	(2,809,090)	(2,809,090)
Balance as at 30 September 2011	<u>13,476,255</u>	<u>(2,660,813)</u>	<u>10,815,442</u>

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 JULY 2012 TO 30 SEPTEMBER 2012**

	Note	01.07.2012 to 30.09.2012 RM	01.07.2011 to 30.09.2011 RM
CASH FLOW FROM OPERATING ACTIVITIES			
Proceeds from sales of investments		797,198	1,135,806
Purchase of investments		(4,281,366)	(1,217,628)
Dividends received		293,700	242,442
Trustee's fee paid		(3,025)	(4,537)
Manager's fee paid		(17,299)	(19,563)
Tax paid		(2,964)	-
Payments for other fees and expenses		(10,765)	(269,975)
Net cash outflow from operating activities		<u>(3,224,521)</u>	<u>(133,455)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Cash proceeds from units created		3,273,660	-
Payments for cancellation of units		-	-
Net cash inflow from financing activities		<u>3,273,660</u>	<u>-</u>
Net increase in cash and cash equivalents		49,139	(133,455)
Effect of unrealised foreign exchange		21,950	1,073
Cash and cash equivalents at the beginning of the financial period		<u>(18,090)</u>	<u>156,624</u>
Cash and cash equivalents at the end of the financial period	9	<u>52,999</u>	<u>24,242</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 JULY 2012 TO 30 SEPTEMBER 2012****1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITY**

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

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, before expenses, closely correspond to the performance of the FTSE 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 establishment and the management of unit trust funds 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 Malaysian Accounting Standards Board (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 revenue 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.

There are involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Notes 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 Fund's financial year beginning on or after 1 October 2011 are as follows:

- Amendments to FRS 7 "Financial instruments: Disclosures" (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. This amendment does not have any impact on the classification and valuation of the Fund's financial statements.

(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/after 1 October 2012

In the financial year beginning on 1 September 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 no significant impact to the Fund's financial statements arising from the transition of existing FRSs to MFRSs.

- Financial year beginning on/after 1 October 2013

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.

- Financial year beginning on/after 1 October 2015

MFRS 9 "Financial instruments - classification and measurement of financial assets and financial liabilities" (effective from 1 January 2015) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

- Financial year beginning on/after 1 October 2015 (continued)

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.

MFRS 7 requires disclosure on transition from MFRS 139 to MFRS 9.

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 quoted investments 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 dividend receivable, cash and cash equivalents. The Fund classifies amount due to Manager, 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 statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Financial assets and liabilities (continued)**

Recognition and measurement (continued)

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.

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

Gains or losses arising from changes in the 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 period 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.

Foreign quoted investments are valued at the bid prices quoted on the respective foreign stock exchanges at the close of the business day of the respective foreign stock exchanges.

Loans and receivables and other financial liabilities 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 profit or loss. If 'loans and receivables' or a 'held-to-maturity investment' has a variable profit rate, the discount rate for measuring any impairment loss is the current effective profit 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 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 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 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 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, 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) Amount due from / to stockbrokers

Amounts due from/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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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 statement of comprehensive income as expenses.

(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 of the Fund are as follows:

	Loans and receivables RM	Financial assets at fair value through profit or loss RM	Total RM
30.09.2012			
Financial assets at fair value through profit or loss (Note 8)	-	14,796,251	14,796,251
Cash and cash equivalents (Note 9)	52,999	-	52,999
Amount due to broker	-	-	-
Dividend receivables	41,296	-	41,296
	<u>94,295</u>	<u>14,796,251</u>	<u>14,890,546</u>
30.09.2011			
Financial assets at fair value through profit or loss (Note 8)	-	10,761,951	10,761,951
Cash and cash equivalents (Note 9)	24,242	-	24,242
Amount due to broker	37,127	-	37,127
Dividend receivables	43,272	-	43,272
	<u>104,641</u>	<u>10,761,951</u>	<u>10,866,592</u>

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

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

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

The preparation of financial statements in conformity with FRS and 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, before expenses, 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, single issuer 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 Securities Commission Guidelines on Exchange-Traded Fund.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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:

	30.09.2012	30.09.2011
	RM	RM
Financial assets at fair value through profit and loss	14,796,251	10,761,951

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").

The analysis is based on the assumptions that the Underlying Index fluctuates by 31.58% (30.09.2011:18.80%), which is the standard deviation of the daily fluctuation of the Underlying Index, 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 and 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.

% Change in underlying index	Underlying index	Market value RM	Change in net asset value/ profit after tax RM
30.09.2012			
-31.58%		10,123,595	(4,672,656)
0.00%		14,796,251	-
31.58%		19,468,907	4,672,656
30.09.2011			
-18.80%	15,290	8,738,704	(2,023,247)
0.00%	18,830	10,761,951	-
18.80%	22,370	12,785,198	2,023,247

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

(ii) 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.

	Financial assets at fair value through profit or loss RM	Cash and cash equivalents RM	Total RM
30.09.2012			
HKD	14,796,251	18,690	14,814,941
	<u> </u>	<u> </u>	<u> </u>
30.09.2011			
HKD	10,761,951	16,951	10,778,902
	<u> </u>	<u> </u>	<u> </u>

The table below summarises the sensitivity of the Fund's investments, cash and cash equivalent fair value to changes in foreign exchange movements for the Fund. The analysis is based on the assumption that the foreign exchange rate fluctuates by 7.49% (2011: 6.20%), which is the standard deviation of the daily fluctuation of the exchange rate of HKD against MYR, 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 unitholders by approximately 7.49% (2011: 6.20%).

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

	Change in foreign exchange rate %	Impact on net asset value/ profit after tax RM
30.09.2012		
HKD	7.49	1,109,639
	<u> </u>	<u> </u>
30.09.2011		
HKD	6.20	668,292
	<u> </u>	<u> </u>

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund.

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. The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the Securities Commission Guidelines on Exchange-Traded Funds.

Bank balances of the Fund are placed with a licensed bank with a credit rating AA1 (2011: AA1).

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

Industry	Cash and cash equivalents RM	Amount due from broker RM	Dividends receivables RM	Total RM
30.09.2012				
Energy	-	-	20,267	20,267
Finance	52,999	-	-	52,999
Telecommunications	-	-	19,827	19,827
Insurance	-	-	1,202	1,202
Total	52,999	-	41,296	94,295
30.09.2011				
Energy	-	-	19,204	19,204
Finance	24,242	37,127	-	61,369
Telecommunications	-	-	24,068	24,068
Total	24,242	37,127	43,272	104,641

All financial assets of the Fund are neither past due nor impaired. At the end of each reporting period, all cash and cash equivalents are placed with Deutsche Bank.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk

Liquidity risk can be defined as the ease with which a security can be sold at or near its fair value depending on the volume traded in the market. If a security encounters a liquidity crunch, the security may need to be sold at a discount to the market fair value of the security. This in turn would depress the NAV and/or growth of the Fund. Generally, all investments are subject to a certain degree of liquidity risk depending on the nature of the investment instruments, market, sector and other factors. For the purpose of the Fund, the fund manager will attempt to balance the entire portfolio by investing in a mix of assets with satisfactory trading volume and those that occasionally could encounter poor liquidity. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

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 bank balance, deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 7 business days. The Fund has a policy of maintaining a minimum level of 2% of liquid assets at all times to reduce the liquidity risk.

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

	Less than 1 month RM	Less than 1 year RM	Total RM
30.09.2012			
Amount due to trustee	986	-	986
Other payables and accruals	5,903	44,744	44,744
	<u> </u>	<u> </u>	<u> </u>
Contractual cash out flows	<u>6,889</u>	<u>44,744</u>	<u>51,633</u>
30.09.2011			
Amount due to trustee	1,480	-	1,480
Other payables and accruals	5,633	44,037	49,670
	<u> </u>	<u> </u>	<u> </u>
Contractual cash out flows	<u>7,113</u>	<u>44,037</u>	<u>51,150</u>

(d) 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)**(e) 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 unitholders. 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.

(f) 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 recognised 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)

(f) Fair value estimation (continued)

The fair value are based on the following methodology and assumptions:

- (i) Bank balance and deposits and placements with financial institutions with maturities less than 1 year, the carrying value is a reasonable estimate of fair value.
- (ii) The carrying value less impairment provision of receivables and payables are assumed to approximate their fair values. The carrying value of the financial assets and financial liabilities approximate their fair value due to their short term nature.

Fair value hierarchy

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 categorized 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.

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Financial assets at fair value through profit or loss:				
- Quoted securities	14,796,251	-	-	14,796,251

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities. 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

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 30 September 2012, the management fee is recognised at a rate of 0.60% per annum (2011: 0.60%).

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

5. TRUSTEE FEE

In accordance with Clause 15.2 of the Deed, the Trustee is entitled to a fee not exceeding a maximum 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 30 September 2012, the Trustee fee is recognised at a rate of 0.08% per annum (2011: 0.08%). The Trustee's fee for the financial period ended 30 June 2011 was calculated prorata based on the minimum fees of RM 18,000 per annum. The Trustee has changed the minimum fees to RM12,000 per annum with effect from 1 June 2012.

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 30 September 2012, the License fee was 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

	01.07.2012 to 30.09.2012 RM	01.07.2011 to 30.09.2011 RM
Current taxation- foreign	2,964	17,027

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

	01.07.2012 to 30.09.2012 RM	01.07.2011 to 30.09.2011 RM
Profit/(loss) before taxation	80,374	(2,826,117)
Taxation at Malaysian statutory rate of 25%	20,094	(706,529)
Tax effects of:		
Investment loss / (income) not deductible for tax purpose /(subject to tax)	(30,008)	716,263
Expenses not deductible for tax purposes	3,931	4,708
Restriction on tax deductible expenses for unit trust funds	5,983	2,585
Effect of foreign tax on foreign taxable income	2,964	-
Taxation	2,964	17,027

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.09.2012 RM	30.09.2011 RM
Designated at fair value through profit or loss at inception		
- Foreign quoted shares	14,796,251	10,761,951
	01.07.2012 to 30.09.2012	01.07.2011 to 30.09.2011
Net gain / (loss) on financial assets at fair value through profit or loss		
- Realised loss on disposals	(183,263)	(135,010)
- Change in unrealised fair value gain / (loss)	250,821	(3,406,424)
	67,558	(3,541,434)

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

As at 30.09.2012

	Quantity	Aggregate cost RM	Market value RM	Percentage of net asset value %
Agricultural Bank of China	518,400	754,313	618,243	4.17
Aluminium Corporation Of ChinaLtd	89,100	200,271	112,946	0.76
Anhui Conch Cement CorporationLtd	29,700	292,711	283,244	1.91
Bank of China Ltd	766,800	1,057,247	893,287	6.02
Bank of CommunicationCorporation Ltd	243,000	657,309	504,753	3.40
China CITIC Bank Corporation Ltd	261,900	487,093	380,601	2.56
China Coal Energy Corporation Ltd	94,500	367,929	264,212	1.78
China Construction BankCorporation Ltd	645,300	1,581,954	1,370,980	9.24
China Life Insurance CorporationLtd	64,800	739,195	573,205	3.86
China Merchants Bank	91,800	644,760	473,449	3.19
China Minsheng BankingCorporation Ltd	135,000	361,102	326,266	2.20
China Mobile Ltd	43,200	1,401,934	1,466,280	9.88
China Overseas Land & Investment Ltd	75,600	586,287	588,730	3.97
China Pacific Insurance	54,000	599,118	500,062	3.37
China Petroleum & Chemical Corporation (SINOPEC)	202,500	541,611	578,963	3.90
China Shenhua Energy CompanyLtd	48,600	579,870	577,683	3.89
China Telecom Corporation Ltd	310,500	511,158	549,322	3.70
China Unicom	113,400	537,010	569,623	3.84
CNOOC Ltd	170,100	1,001,035	1,068,043	7.20
Industrial and Commercial Bank of China Ltd	680,400	1,461,297	1,230,600	8.29
Petrochina Corporation Ltd	151,200	573,312	606,642	4.09
PICC Property and Casualty Company Ltd	86,400	372,667	324,816	2.19
Ping An Insurance Group Corp of China Ltd	24,300	689,827	562,330	3.79
Yanzhou Coal Mining Corporation Ltd	43,200	369,452	201,645	1.36
Zijin Mining Group Corporation Ltd	137,800	200,673	170,326	1.15
TOTAL QUOTED INVESTMENTS	5,081,500	16,569,135	14,796,251	99.71
UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		(1,447,043)		
EFFECT OF UNREALISED FOREIGN EXCHANGE DIFFERENCES		(325,841)		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		14,796,251		

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

As at 30.09.2011

	Quantity	Aggregate cost RM	Market value RM	Percentage of net asset value %
Agricultural Bank of China	378,000	601,758	399,068	3.69
Air China Ltd	48,300	174,183	108,506	1.00
Aluminium Corporation Of China Ltd	84,000	211,990	119,617	1.11
Anhui Conch Cement Corporation Ltd	27,300	269,869	241,297	2.23
Bank of China Ltd	399,000	641,890	400,014	3.70
Bank of Communication Corporation Ltd	189,000	575,561	362,719	3.35
China CITIC Bank Corporation Ltd	231,000	457,884	305,316	2.82
China Coal Energy Corporation Ltd	84,000	352,985	243,016	2.25
China Construction Bank Corporation Ltd	483,000	1,256,744	946,713	8.75
China COSCO Holdings	52,500	170,220	69,605	0.64
China Life Insurance Corporation Ltd	63,000	771,638	484,656	4.48
China Merchants Bank	73,500	570,084	360,313	3.33
China Minsheng Banking Corporation Ltd	84,000	224,450	164,646	1.52
China Mobile Ltd	37,800	1,208,460	1,192,564	11.03
China Pacific Insurance	37,800	467,228	351,892	3.25
China Petroleum & Chemical Corporation (SINOPEC)	159,600	415,265	501,568	4.64
China Shenhua Energy Company Ltd	35,700	428,583	453,592	4.19
China Telecom Corporation Ltd	231,000	358,989	468,845	4.34
China Unicom	67,200	296,797	446,572	4.13
CNOOC Ltd	153,300	886,857	815,495	7.54
Industrial and Commercial Bank of China Ltd	504,000	1,158,328	787,825	7.28
Petrochina Corporation Ltd	189,000	697,279	747,866	6.92
Ping An Insurance Group Corp of China Ltd	21,000	627,619	379,819	3.51
Yanzhou Coal Mining Corporation Ltd	42,000	413,869	294,231	2.72
Zijin Mining Group Corporation Ltd	124,000	189,158	116,196	1.08
TOTAL QUOTED INVESTMENTS	3,799,000	13,427,688	10,761,951	99.50
UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS EFFECT OF UNREALISED FOREIGN EXCHANGE DIFFERENCES		144,163	(2,809,900)	
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		10,761,951		

9. CASH AND CASH EQUIVALENTS

	30.09.2012	30.09.2011
	RM	RM
Bank balances in a licensed bank	<u>52,999</u>	<u>24,242</u>

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

	30.09.2012	30.09.2011
	RM	RM
- Ringgit Malaysia	35,009	7,291
- Hong Kong Dollar	17,990	16,951
	<u>52,999</u>	<u>24,242</u>

10. OTHER PAYABLES AND ACCRUALS

	30.09.2012	30.09.2011
	RM	RM
Provision for audit fee	28,551	31,301
Provision for tax agent fee	2,457	3,756
Other accruals	13,736	8,980
	<u>44,744</u>	<u>44,037</u>

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

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

	Note	30.09.2012	30.09.2011
		RM	RM
Unit holders' contribution	(a)	16,749,915	13,476,255
Accumulated losses		(1,911,002)	(2,660,813)
		<u>14,838,913</u>	<u>10,815,442</u>

(a) UNIT HOLDERS' CONTRIBUTION/ UNIT IN CIRCULATION

	30.09.2012		30.09.2011	
	No of units	RM	No of units	RM
At the beginning of the financial period	13,650,000	11,487,843	13,650,000	13,624,532
Add: Creations arising from application	3,900,000	3,273,660	-	-
Less: Cancellation of units			-	-
Total comprehensive income for the financial period	-	77,410	-	(2,809,090)
At end of the financial period	<u>17,550,000</u>	<u>14,838,913</u>	<u>13,650,000</u>	<u>10,815,442</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 30 September 2012 the number of units not yet issued is 482,450,000 (30.09.2011: 486,350,000).

The Manager, CIMB-Principal Asset Management Berhad, did not hold any units in the Fund as at 30 September 2012.

12. MANAGEMENT EXPENSE RATIO (“MER”)

	01.07.2012 to 30.09.2012	01.07.2011 to 30.09.2011
MER	0.34	0.35

MER is derived based on the following calculation:

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

A	=	Management fee
B	=	Trustee's fee
C	=	Custodian fee
D	=	Audit fee
E	=	License fee
F	=	Tax agent's fee
G	=	Other expenses
H	=	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 11,706,979 (30.09.2011: RM 12,276,213)

13. PORTFOLIO TURNOVER RATIO (“PTR”)

	01.07.2012 to 30.09.2012	01.07.2011 to 30.09.2011
PTR (times)	0.22	0.09

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 4,281,366 (30.09.2011: RM 1,156,177)
total disposal for the financial period	=	RM 980,461 (30.09.2011: RM 1,176,555)

14. UNITS HELD BY THE MANAGER AND RELATED PARTIES TRANSACTIONS AND BALANCES

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 Berhad	Holding company of the Manager
CIMB Group Holdings Berhad ("CIMB")	Ultimate holding company of the Manager
CIMB Bank Berhad	Fellow subsidiary to the Manager
CIMB Investment Bank Berhad	Fellow subsidiary 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 year/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 30 September 2012 are as follows:

Brokers/dealers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
BNP Paribas Securities Asia Ltd	3,263,088	64.26	5,813	90.42
Citigroup Global Markets Asia Ltd (Hk)	1,525,854	30.04	2,416	2.11
China International Capital Corp Hk Securities Ltd	289,622	5.70	1,038	7.47
	<u>5,078,564</u>	<u>100.00</u>	<u>9,267</u>	<u>100.00</u>

15. TRANSACTIONS WITH BROKERS/DEALERS (CONTINUED)

Details of transactions with all brokers for the financial period ended 30 September 2011 are as follows:

Brokers/dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
Citigroup Global Markets Asia Ltd (HK)	1,839,173	78.87	5,667	76.23
China International Capital Corp Hk Securities Ltd	492,775	21.13	1,767	23.77
	<u>2,331,948</u>	<u>100.00</u>	<u>7,434</u>	<u>100.00</u>

16. SEGMENT INFORMATION

The Fund is designed to provide investment results that, before expenses, 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 chief operating decision maker for the fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of FRS. The chief operating decision maker is responsible for the performance of the fund and considers the business to have a single operating segment.

DIRECTORY

Head office of the Manager

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

Postal address

CIMB-Principal Asset Management Sdn 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 CHINA 25

Deutsche Trustees Malaysia Berhad (Co. No. 763590-H)
Level 20, Menara IMC,
8, Jalan Sultan Ismail,
50250 Kuala Lumpur, MALAYSIA