

**CIMB FTSE CHINA 25**

**FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

<b>CONTENTS</b>	<b>PAGE</b>
INVESTORS' LETTER	1
MANAGER'S REPORT	2 - 14
Fund objective and policy	
Performance data	
Market review	
Fund performance	
Portfolio structure	
Market outlook	
Investment strategy	
Unit holdings statistics	
Soft commissions and rebates	
Additional Information	
STATEMENT BY MANAGER	15
TRUSTEE'S REPORT	16
INDEPENDENT AUDITORS' REPORT	17 - 18
STATEMENT OF COMPREHENSIVE INCOME	19
STATEMENT OF FINANCIAL POSITION	20
STATEMENT OF CHANGES IN EQUITY	21
STATEMENT OF CASH FLOWS	22
NOTES TO THE FINANCIAL STATEMENTS	23 – 46
DIRECTORY	47 – 49
Trust Directory	
Corporate Directory	

**INVESTORS' LETTER**

Dear Valued Investors,

Firstly, thank you for your support and trust by investing in CIMB-Principal Asset Management ("CIMB-Principal") funds. Our commitment to you is to deliver consistent risk adjusted returns by combining sound investment and strong corporate governance. By placing clients at the heart of everything we do, we will continue to strive in delivering quality products and services that meet our clients' financial and investment needs.

For the 5th straight year, we have won the marquee award for The Best Asset Manager in Southeast Asia by Alpha Southeast Asia for its 8th Annual Alpha Southeast Asia Best Financial Institution Awards, reflecting the strengthening presence of our asset management business in the region beyond the borders of Malaysia. We thank you for your ongoing support that plays an integral part to drive us to where we are now. This industry achievement will further boost our Southeast Asia's aspirations to be the most valued investment manager offering total asset management solutions and further strengthen our investment capabilities with sound track record.

Meanwhile, saving for retirement continues to be one of the most important things to do, more crucial as we plan for our future. The sooner we start, the easier it will be. Realizing the importance of this and as means of inculcating savings from an early age for a well-prepared retirement, the Prime Minister in his 2014 Budget tabled on 25 October 2013 announced an incentive of RM500 to contributors who participate in the Private Retirement Scheme (PRS). This incentive will be given to eligible contributors with a minimum cumulative contribution of RM1,000 within a year\*. We at CIMB-Principal welcome this timely initiative by the Government.

Thus, we highly encourage all eligible contributors to take advantage of this attractive opportunity. For parents with young adults, we urge you to encourage your children to enrol in CIMB-Principal PRS Plus / CIMB Islamic PRS Plus ("PRS Plus account") or give them a head start by making an initial contribution towards their PRS Plus account.

Thank you once again for your continued support and I wish all of you a blessed and rewarding year ahead.

**Happy Investing!**



**Munirah Khairuddin**  
Chief Executive Officer  
CIMB-Principal Asset Management Berhad

\* Within any calendar year between 2014 to 2018 in a single PRS fund of a single Provider.

## MANAGER'S REPORT

### FUND OBJECTIVE AND POLICIES

#### **What is the investment objective of the Fund?**

The Fund aims 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 financial year under review, the performance of the Fund has met its objective to closely correspond to the performance of the Benchmark Index. The Fund gained 16.07% for the year while the Benchmark Index gained 15.22%.

#### **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

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 (including but not limited to) (i) to purchase each component Index Security in the same weightings as they appear on the Benchmark Index; and (ii) to substitute the Index Securities in part or in whole, with one or more derivatives over the Index Securities which are likely to behave in a manner consistent with the investment objective of the Fund.

Using a Representative Sampling Strategy, the Fund will hold a representative sample of a portfolio of Index Securities and non-Index Securities (which have a high correlation with one or more of the Index Securities which it is substituting, being securities that have capitalisation, industry, performance and fundamental investment characteristics which perform like those of the Index Securities to be substituted) selected by the Manager using quantitative analytical models in a technique known as "portfolio sampling". The Manager will seek to construct the portfolio of the Fund so that, in the aggregate, its performance will be that like those of the Benchmark Index.

#### **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\*

\* Listing date

#### **What was the size of the Fund as at 30 June 2014?**

RM 9.58 million (9.75 million units)

**REPORT (CONTINUED)****FUND OBJECTIVE AND POLICIES (CONTINUED)****What is the Fund's benchmark?**

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 or such replacement index as may be determined by the Manager, subject to the Securities Commission Malaysia's ("SC") approval.

**What is the fund distribution policy?**

Annually, subject to the discretion of the Manager.

**What was the net income distribution for the financial year ended 30 June 2014?**

No distribution was declared for the financial year ended 30 June 2014.

**PERFORMANCE DATA**

Details of portfolio composition of the Fund for the last three financial years are as follows:

	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>30.06.2012</b>
	%	%	%
<b>Sector</b>			
Quoted investments	98.75	97.31	97.88
Cash and other net assets	1.25	2.69	2.12
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

Performance details of the Fund for the last three financial years are as follows:

	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>30.06.2012</b>
Net Asset Value (RM million)	9.58	26.94	11.49
Units In circulation (Million)	9.75	31.85	13.65
Net Asset Value per Unit (RM)	0.9822	0.8457	0.8416
Highest NAV per Unit (RM)	1.0453	1.0191	1.0800
Lowest NAV per Unit (RM)	0.8156	0.7940	0.7224
Market Price per Unit (RM)	0.9850	0.8550	0.8400
Highest Market Price per Unit (RM)	1.0450	1.0200	1.0800
Lowest Market Price per Unit (RM)	0.8200	0.7950	0.7300
Total return (%) <sup>^</sup>	16.07	0.56	(15.68)
-capital growth (%)	16.07	0.56	(15.68)
-income growth (%)	-	-	-
Management Expenses Ratio (%)	1.06	1.01	1.17
Portfolio Turnover Ratio (times) #	0.99	0.72	1.29

<sup>^</sup> based on the NAV per unit

(Launch date : 9 July 2010)

# For the financial year under review, the Portfolio Turnover Ratio ("PTR") for the Fund increased from 0.72 to 0.99 times times as there were more trading activities carried out for the Fund within the reporting period.

**PERFORMANCE DATA (CONTINUED)**

<b>Period</b>	<b>Total return Annualised</b>	
	(%)	(%)
- 1 year	16.07	16.07
- 3 years	(1.58)	(0.53)
- Since inception (SI)^	(3.07)	(0.78)
- Benchmark SI	(6.83)	(1.76)

	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>30.06.2012</b>	<b>Since Inception to 30.06.2011</b>
Annualised return^ (%)	<u>16.07</u>	<u>0.56</u>	<u>(15.68)</u>	<u>(1.51)</u>

^ based on the NAV per unit

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

**MARKET REVIEW (1 JULY 2013 TO 30 JUNE 2014)**

Chinese equities delivered strong returns in the 1-year period ended 30 June 2014. The rebound was led by positive remarks from Premier Li that the government would take the necessary action to keep real Gross Domestic Product (“GDP”) growth rate above 7.00%. In November, the third plenary session of the 18th Communist Party of China (“CPC”) Central Committee outlined ambitious reform plans for the next five to ten years. Priority reform areas include administrative, financial, fiscal, land and resource pricing reforms. The market received the reform plans positively.

China has also taken several measures to widen channels for foreign investors buying into mainland stocks, bonds and money market instruments. China expanded the Qualified Foreign Institutional Investor (“QFII”) quota to USD 150 billion from USD 80 billion, permitting greater foreign portfolio inflows. HK-Chinese regulators also launched a “through-train”, allowing investors on either side to invest into each other’s markets through their domestic stock exchanges (i.e. HK investors can buy Shanghai listed stocks with a daily quota of RMB 13 billion (USD 2 billion) and an overall quota of Renminbi (“RMB”) 300 billion (USD 50 billion); and Mainland investors can buy HK-listed stocks with a daily quota of RMB 10.5 billion (USD 1.7 billion) and an overall quota of RMB 250 billion (USD 40 billion).

In April, China’s State Council, the government’s executive body, unveiled a combination of mini stimulus to rev up China’s economic engine. They include additional spending on railways, upgraded housing for low-income households and tax relief for struggling small businesses. On the railway infrastructure, China will raise its spending target to RMB 800 billion (USD 128 billion). The government would also spend more and would upgrade the poorer urban areas. The China Development Bank, a lender for key government policy projects, would set up a special arm to issue bonds to support new homes. On the tax relief, the government would extend existing tax breaks to small businesses until the end of 2016 and raise the threshold for taxing smaller businesses.

**FUND PERFORMANCE**

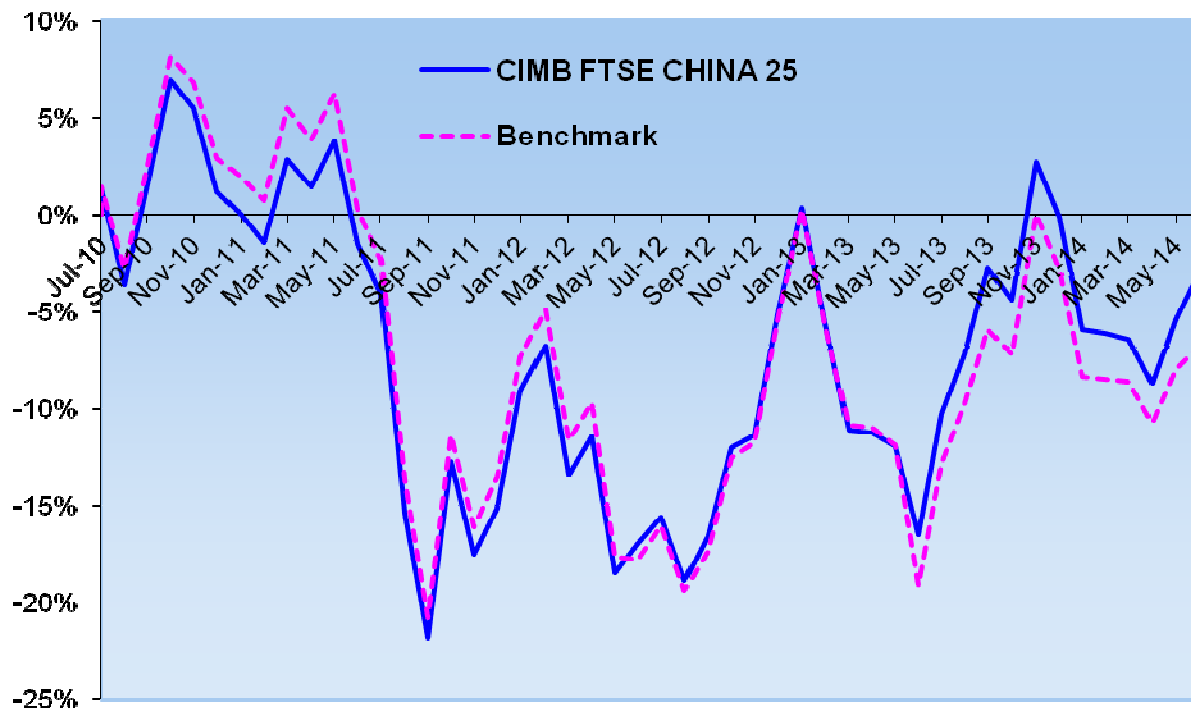
	<b>1 year to 30.06.2014 (%)</b>	<b>3 years to 30.06.2014 (%)</b>	<b>Since Inception to 30.06.2014 (%)</b>
Income	-	-	-
Capital <sup>^</sup>	16.07	(1.58)	(3.07)
Total Return <sup>^</sup>	16.07	(1.58)	(3.07)
Annualised Return <sup>^</sup>	16.07	(0.53)	(0.78)
Benchmark	15.22	(6.95)	(6.83)
Market Price per Unit	15.20	(1.99)	(3.43)

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

For the financial year under review, the Fund gained 16.07% while the benchmark gained 15.22%.

During the financial year under review, there were some adjustments to the weighting and composition of the Fund following the third quarter of 2013 review changes of the benchmark. For the financial year, People's Insurance Company (Group) of China (H) and Great Wall Motor Company (H) were included in the Fund to replace China Coal Energy Co Ltd (H) and Belle International (P Chip) respectively.

The last available published market price of the Fund quoted on Bursa Malaysia was RM 0.9850. This represents an increase of 15.20% for the financial year.



**FUND PERFORMANCE (CONTINUED)**

<b>Changes in Net Asset Value (“NAV”)</b>	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>Changes (%)</b>
Net Asset Value (“NAV”) (RM million)	9.58	26.94	(64.44)
NAV / unit (RM)	0.9822	0.8457	16.14

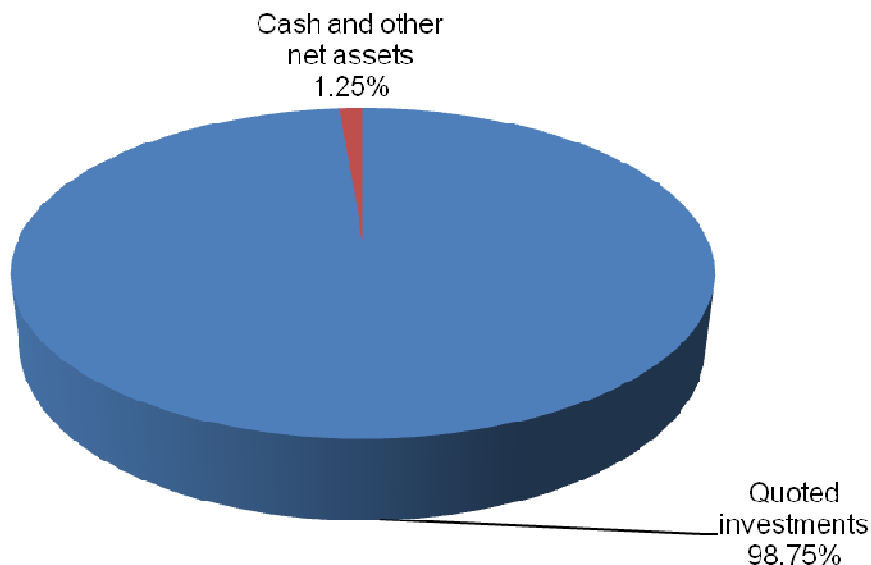
For the 1-year period, the total NAV decreased by 64.44% while the NAV/unit increased by 16.14%. The drop in total NAV was due to unit redemptions while the positive changes in NAV/unit were due to investment performance of the Chinese equities as described in the Market Review section.

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 for financial year ended have been extracted from Lipper.

**PORTFOLIO STRUCTURE****Asset allocation**

<b>(% of NAV)</b>	<b>30.06.2014</b>	<b>30.06.2013</b>
Quoted investments	98.75	97.31
Cash and other net assets	1.25	2.69
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>

The Fund is remained fully invested during the financial year under review. As at 30.06.2014, the actual cash for the Fund stood at 0.29% whilst the balance was due to receivables.





## MARKET OUTLOOK\*

China's economy appears to be stabilizing after the government sped up spending and freed up more money for loans to counter a property slump. The purchasing managers' index ("PMI") rose to 51.00 in June, up from 50.80 in May and the highest since December. Apart from the headline PMI, latest data showed industrial businesses saw their profits rise by 9.8% from a year ago in the first five months of 2014. China's exports also picked up in May by a 7.00% year-on-year increase, reversing weak performances in previous months.

Second quarter 2014 growth increased slightly to 7.50% year on year, the National Bureau of Statistics reported, compared with 7.40% in the first quarter of 2014. We believe the government will continue to support the key sectors to defend the country's growth.

\*This market outlook does not constitute an offer, invitation, commitment, advice or recommendation to make a purchase of any investment. The information given in this article represents the views of CIMB-Principal Asset Management Berhad ("CIMB-Principal") or based on data obtained from sources believed to be reliable by CIMB-Principal. Whilst every care has been taken in preparing this, CIMB-Principal makes no guarantee, representation or warranty and is under no circumstances liable for any loss or damage caused by reliance on, any opinion, advice or statement made in this market outlook.

## 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 HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 30 June 2014 are as follows:

Size of unit holding (units)	No. of unit holders	No. of units Held (million)	% of units held
5,000 and below	102	0.28	2.92
5,001 to 10,000	59	0.50	5.14
10,001 to 50,000	77	2.09	21.42
50,001 to 500,000	31	4.81	49.31
500,001 and above	2	2.07	21.21
<b>Total</b>	<b>271</b>	<b>9.75</b>	<b>100.00</b>

## SOFT COMMISSIONS AND REBATES

CIMB-Principal Asset Management Berhad ("the Manager"), as well as the Trustee (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.

During the financial year under review, the Manager and Trustee did not receive any rebates from brokers or dealers but has retained soft commissions in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds.

## ADDITIONAL INFORMATION

### Key Personnel of the Manager

There are thirteen (13) members sitting on the Board of Directors of CIMB-Principal including four (4) Independent Directors and two (2) Alternate Directors. The Board of Directors oversees the management and operations of CIMB-Principal and meets at least once every quarter.

Details of the Directors of the management company are set out as below:

**Name:** **Tengku Dato' Zafrul Bin Tengku Abdul Aziz**  
**Designation:** Chief Executive Officer of Investment Banking Division, CIMB Group  
**Qualifications:** Bachelor of Science (Hons) in Economics & Accounting, University of Bristol, UK; Masters Degree from University of Exeter, UK.  
**Experience:** He joined CIMB Investment Bank Bhd on 2 January 2014, as the Chief Executive Officer (CEO). Previously, he was the CEO of Maybank Investment Bank Bhd, CEO of Maybank Kim Eng Holdings, and Acting Head of Global Banking. Prior to joining Maybank, he was the Group Director of Kenanga Holdings Bhd and Director of Kenanga Investment Bank Bhd. He was also the CEO and substantial shareholder of Tune Money Sdn Bhd. Prior to that, he was the Head of Investment Banking in Citigroup Malaysia, he also served as the Group Managing Director of Avenue Capital Resources (ECM Libra) and as the CEO of Avenue Securities and Chairman of Avenue Asset Management. He started as a corporate finance executive in AM Investment Bank and after that joined Credit Agricole as an investment analyst, and became the Advisor to the President of Tenaga Nasional.

**Name:** **Luis Eduardo Valdés Illanes**  
**Designation:** President & CEO of Principal International.  
**Qualifications:** 1988 - MBA Degree  
 1982 - Degree of Industrial Engineering  
 1980 - Bachelor of Physics and Math Degree  
**Experience:** Mr. Valdés is President & CEO, Principal International. He is responsible for managing businesses of the Principal Group outside the United States in the company's international asset management and accumulation segment. Mr. Valdés joined The Principal® in 1994. Previously he was managing director of BanRenta Compañía de Seguros de Vida, which was purchased by Principal International to become Principal Vida Chile. Prior to BanRenta, he was an insurance market consultant for The World Bank, Intendente de Seguros (Insurance Commissioner) in Chile. Valdés serves on the boards of BrasilPrev Seguros & Previdencia (Brazil), Principal International (Chile) and Principal AFORE and Principal Life (Mexico).

**Name:** **Nor Azzam Abdul Jalil**  
**Designation:** Regional Director / Executive Vice president of CIMB Bank Bhd, Director of CIMB-Principal  
**Qualifications:** Bachelors Business Administration (Finance), George Washington University, Washington DC.  
**Experience:** He has been the Regional Director for the Consumer Sales and Distribution Division of CIMB Bank Bhd since 2007, managing the retail branches in Kuala Lumpur. He is also the chairman for the Disciplinary Committee of the Bank and committee member of the Consumer Credit Committee, CSD Management Committee, and others in the bank.  
 Graduated in 1987 in Bachelor Business Administration (Finance) from George Washington University, Washington DC, he joined Bank of Commerce Bhd later that year, and he has since been with the group in various positions and departments including Treasury, Corporate Banking, Business Banking, Islamic Banking and in 2000 retail. He also served as the General Manager of BCB Tokyo Branch in 2000 then became the CEO of Commerce Tijari Bank Bhd in 2005 before taking the current role of Regional Director / Managing Director of Central Region 1.

**ADDITIONAL INFORMATION (CONTINUED)****Key Personnel of the Manager (Continued)**

- Name:** **Dato' Anwar bin Aji\***
- Designation:** Chairman of Zelan Bhd, Director of Terminal Bersepadu Gombak Sdn. Bhd., Director of Konsesi Pusat Asasi Gambang Sdn Bhd, Director of SKS PARS Refining Company Sdn. Bhd., Director of Sistem Transit Aliran Ringan Sdn. Bhd. and Independent Director of CIMB-Principal.
- Qualifications:** Master of Arts, International Studies, Ohio University USA (1981 – 1982) and Bachelor of Economics (Hons.), University of Malaya (1970 – 1973).
- Experience:** Has been a Director of CIMB-Principal since 24 April 2007.
- |  |                      |   |
|--|----------------------|---|
|  | Re-designated w.e.f. |   |
|  | 19 January 2012      | Executive Chairman - Zelan Bhd  |
|  | 2008-2011            | Chairman - Zelan Bhd  |
|  | 2001-2008            | Chairman - Faber Group Bhd.   |
|  | 1994-2004            | Managing Director - Khazanah Nasional Bhd.  |
|  | 1993-1994            | Special Assistant - The Secretary General of Ministry of Finance.   |
|  | 1991-1993            | Principal Assistant Secretary - Finance Division, Federal Treasury, Ministry of Finance.  |
|  | 1986-1991            | Deputy Director - Petroleum Development Division, Prime Minister's Department.  |
|  | 1984-1985            | Principal Assistant Secretary - Investment Division of the Malaysian Tobacco Company Bhd under the British Malaysia Industry and Trade Association training scheme. |
|  | 1982-1984            | Principal Assistant Secretary - Foreign Investment Committee, Economic Planning Unit, Prime Minister's Department.  |
|  | 1980-1981            | Principal Assistant Secretary - Economic and International Division, Federal Treasury, Ministry of Finance.   |
|  | 1978-1980            | Principal Assistant Secretary – Budget Division, Federal Treasury, Ministry of Finance  |
|  | 1973-1978            | Assistant Director – Industries Division, Ministry of International Trade & Industry  |
- Name:** **Wong Joon Hian**
- Designation:** Managing Director of Advance Synergy Capital Sdn. Bhd.
- Qualifications:** Member of the Malaysian Institute of Certified Public Accountants, the Malaysian Institute of Accountants and a fellow member of the Institute of Chartered Accountants in England and Wales.
- Experience:** Has been an independent non-executive director of CIMB Principal since 22 August 2007. After qualifying as a Chartered Accountant in 1973, he joined Price Waterhouse & Co in England before returning to Malaysia in 1975. He has accumulated over 30 years of working experience in the areas of audit, accountancy, banking, financial services and corporate management. Currently, he is the Managing Director of Advance Synergy Capital Sdn. Bhd. since 22 September 1995 and serves as a non-executive director in several other non-listed public companies namely SIBB Bhd, formerly known as Southern Investment Bank (non-executive director), CIMB Wealth Advisors Bhd (independent non-executive director) and SFB Auto Bhd (independent non-executive director). He is also a director in several other private limited companies.

\* Independent Director

**ADDITIONAL INFORMATION (CONTINUED)****Key Personnel of the Manager (Continued)**

**Name:** **Ned Alan Burmeister (Alternate director to Luis Eduardo Valdés Illanes)**  
**Designation:** Senior Vice President, Principal Financial Group. Chief Operating Officer, Principal International, Inc. Director, CIMB Wealth Advisors Bhd (“CWA”). Director, CIMB-Principal. Director, Principal Financial Group (Mauritius) Limited. Director, Principal International (Asia) Limited. Director, Principal International Holding Company, Limited Liability Company. Director, Principal International, Inc. Director, Principal Retirement Advisors Private Limited. Director, Principal Trust Company (Asia) Limited. Director, Principal Trustee Company Private Limited.  
**Qualifications:** Bachelor’s degree from Drake University, Des Moines, Iowa. Member of Society of Actuaries and the American Academy of Actuaries.  
**Experience:** Appointed as a Director of CIMB-Principal on 30 November 2007. Has been with Principal Financial Group, Sociedad Anonima de Capital Variable for more than 28 years in the area of actuarial and pension services.

**Name:** **A.Huzaim Bin Dato’ Abdul Hamid\***  
**Designation:** Director of CIMB-Principal  
**Qualifications:** Master of Science, Financial Economics, School of Oriental and African Studies (SOAS), University of London, United Kingdom, 2010; Bachelor of Science, Economics, Louisiana State University, Baton Rouge Louisiana, United States of America, 1988.  
**Experience:** Has been a Director of CIMB-Principal since 2 May 2013. Huzaim has spent 26 years in various aspects of finance, economics, and public policy advisory. 12 of those years was spent as a fund manager, where he was, among others, a Chief Investment Officer with Alliance Capital Asset Management and as a member of the Pacific Region Team and a Global Commodities Specialist with Hong Kong's Jardine Fleming Investment Management which is now part of JP Morgan, Chase and Co. He was an independent Investment Committee member for 6 years for CIMB-Principal, as well as being the same for CIMB-Principal Islamic Asset Management and CWA for several years. He also served as an independent Investment Committee member for CIMB Aviva Assurance and CIMB Aviva Takaful for two years.  
Huzaim is the Chairman & CEO of Ingenium Advisors, a financial economics advisory established in 2013. He was, prior to that, the Head of Strategic Operations at Malaysia's Employees Provident Fund, where he was deeply engaged in the reform of the Malaysian pension and social security system, which resulted in the private pension system, minimum wages, and minimum retirement age acts. Huzaim also spent several years serving as a Senior Fellow at the then renowned Institute of Strategic and International Studies (ISIS) Malaysia, reporting directly to its late Chairman, Tan Sri Noordin Sopiee. He was most active in economic, finance, and geostrategic issues. He was engaged heavily in OIC and East Asian matters, and was appointed the Deputy Secretary General for the Malaysian chapter of the Network of East Asian Think-tanks (NEAT). Huzaim speaks and writes in 5 languages.

**Name:** **Auyeung Rex Pak Kuen**  
**Designation:** Senior Vice President of Principal Financial Group; President – Asia of Principal Financial Group; Director of CIMB-Principal.  
**Qualifications:** Bachelor of Environmental Studies (Honours) in Urban and Regional Planning, University of Waterloo, Canada.  
**Experience:** Has been a Director of CIMB-Principal since 11 July 2003 and has over 30 years of experience in insurance industry in Canada and Hong Kong.

\* Independent Director

---

**ADDITIONAL INFORMATION (CONTINUED)**
**Key Personnel of the Manager (Continued)**

**Name:** **Badlisyah bin Abdul Ghani (Alternate Director to Raja Noorma binti Raja Othman)**

**Designation:** Chief Executive Officer, Group Islamic Banking, CIMB Group and the Chief Executive Officer and Executive Director, CIMB Islamic Bank Bhd. Director of CIMB-Principal.

**Qualifications:** Bachelor of Laws Degree from the University of Leeds.

**Experience:** Joined CIMB in 2002 and was attached to the Corporate Finance Division, prior to his appointment as Head of CIMB Group Holdings Islamic Banking Division. He was appointed as Executive Director/Chief Executive Officer of CIMB Islamic Bank Bhd in 2006. He is responsible for all Islamic banking and finance business of the CIMB Group Holdings.

**Name:** **Pedro Esteban Borda**

**Designation:** Chief Executive Officer, ASEAN Region / Executive Director.

**Qualifications:** Bachelor Degree in Business Administration and a Master Degree in Finance, both from Universidad Argentina de la Empresa (U.A.D.E).

**Experience:** He is the Chief Executive Officer, ASEAN Region of CIMB-Principal. He joined CIMB-Principal on 18 March 2013. He has been a Director of CIMB-Principal since 20 June 2013. Previously, he was the Country Head of Principal Financial Group Mexico. He joined Principal in 1996 as the Managing Director of Ethika AFJP S.A., a pension company in Argentina. In 1999, he was relocated to Mexico to become the Managing Director of Principal Afore (wholly-owned affiliate of PFG). In 2004, he was promoted to Country Head of Principal Mexico.

**Name:** **Raja Noorma binti Raja Othman**

**Designation:** Chief Executive Officer of CIMB-Mapletree Management Sdn. Bhd and Director of the Group Asset Management arm of CIMB Group Holdings. Director of CIMB-Principal Executive Officer of CIMB-Mapletree Management Sdn. Bhd. and Director of the Group Asset Management arm of CIMB. Non-Independent Non-Executive Director of CIMB-Principal.

**Qualifications:** Bachelor of Business Administration degree from Ohio University, United States of America under a twinning programme with Institut Teknologi MARA.

**Experience:** She is the CIMB Head of Group Asset Management since 24 April 2007. She is also on the Board of CIMB-Principal and is a member of its Investment Committee. Prior to joining CIMB Group Holdings in 2005, she was the Vice-President of Investment Banking for JP Morgan, a position she held for over 5 years. She was attached to JP Morgan's offices in Hong Kong, Singapore and Malaysia as both industry and client coverage banker. At JP Morgan, she originated and executed several transactions involving corporate advisory, equity and debt capital markets, private equity, cross border mergers and acquisitions as well as initial public offering transactions. She also has over 10 years experience in industry with Malaysia's largest telecommunications company, Telekom Malaysia Bhd, where the last post she held was Head of Corporate Finance.

**ADDITIONAL INFORMATION (CONTINUED)****Key Personnel of the Manager (Continued)**

**Name:** **Fad'I bin Mohamed \***  
**Designation:** Managing Director of Maestro Capital Sdn. Bhd. Director of CIMB-Principal and CWA. Member of the Investment Committee.  
**Qualifications:** Bachelor of Laws (Hons), University of London; Certified Diploma in Accounting and Finance (Association of Chartered Certified Accountants).  
**Experience:** Has been a Director of CIMB-Principal since 22 May 2012. He has more than 20 years exposure in the areas of law and finance. He started his career as a lawyer in Messrs. Rashid & Lee in 1991 to 1993. He then joined the SC in 1993 to serve in the Take-Overs and Mergers Department and subsequently in the Product Development Department. Between 1996 and 1999, he was attached to the Kuala Lumpur offices of a global investment bank, providing cross-border merger and acquisition advice and other corporate advisory services to Malaysian and foreign corporations. He is currently the founder and Managing Director of Maestro Capital Sdn. Bhd., a licensed corporate finance advisor providing corporate finance advisory services in the areas of mergers and acquisition and capital raising. He is a director of Scomi Engineering Bhd and holds directorships in various private companies. He is also an independent investment committee member of CIMB Nasional Equity Fund and a holder of the Capital Markets Services Representative's License for corporate finance advisory.

**Name:** **Munirah binti Khairuddin**  
**Designation:** Chief Executive Officer / Executive Director.  
**Qualifications:** Bachelor of Arts (Honours) in Accounting & Financial Analysis, University of Newcastle Upon Tyne, UK; Chartered Financial Analyst Charterholder; Capital Markets Services Representative's License holder for fund management.  
**Experience:** Joined CIMB-Principal on 1 November 2006 and appointed as Chief Executive Officer in August 2013. She has been a Director of CIMB-Principal since 31 January 2012 and Commissioner of PT CIMB-Principal Asset Management since 19 August 2011. Previously worked as a G7 Economist and strategist for a Fortune 500 multinational oil and gas company. Prior to that, she was a fixed income portfolio manager for emerging markets at Rothschild Asset Management in London. During her tenure as Deputy CEO from November 2008 to July 2013, she was responsible for the development of international business opportunities and institutional sales. In Malaysia, she has overseen retail funds marketing, market development and fund operations. Under her ambit, the company has spearheaded an international client base, listed exchange traded funds ("ETF") in Malaysia and Singapore, and developed products for regional distribution. She also played an integral part in strategic business development initiatives of CWA

\* Independent Director

**ADDITIONAL INFORMATION (CONTINUED)****The Investment Committee**

As required by the ETF Guidelines, the Manager is required to establish an Investment Committee for the Fund whose role is to ensure that the investment management of the Fund is consistent with:

- (a) the Fund's investment objective;
- (b) the Deed;
- (c) the Prospectus;
- (d) the ETF Guidelines and other applicable laws;
- (e) internal investment restrictions and policies; and
- (f) acceptable and efficacious investment management practices within the industry.

The powers and duties of the Investment Committee include formulating and monitoring the implementation by the Manager of appropriate investment management strategies for the Fund and the measurement and evaluation of the performance of the Manager. The Investment Committee generally meets every month.

Accordingly, the Manager has appointed an Investment Committee for the Fund, comprising of 6 members.

The following table sets out information on the members of the Investment Committee:

<b>Name:</b>	<b>Raja Noorma binti Raja Othman</b>										
<b>Designation:</b>	Chief Executive Officer of CIMB-Mapletree Management Sdn. Bhd. and Director of the Group Asset Management arm of CIMB Group Holdings. Director of CIMB-Principal.										
<b>Qualifications:</b>	Bachelor of Business Administration degree from Ohio University, United States of America under a twinning programme with Institut Teknologi MARA.										
<b>Experience:</b>	She is the CIMB Head of Group Asset Management since 24 April 2007. She is also on the Board of CIMB-Principal and is a member of its Investment Committee. Prior to joining CIMB Group Holdings in 2005, she was the Vice-President of Investment Banking for JP Morgan, a position she held for over 5 years. She was attached to JP Morgan's offices in Hong Kong, Singapore and Malaysia as both industry and client coverage banker. At JP Morgan, she originated and executed several transactions involving corporate advisory, equity and debt capital markets, private equity, cross border mergers and acquisitions as well as initial public offering transactions. She also has over 10 years experience in industry with Malaysia's largest telecommunications company, Telekom Malaysia Bhd, where the last post she held was Head of Corporate Finance.										
<b>Name:</b>	<b>Mohamad Safri bin Shahul Hamid</b>										
<b>Designation:</b>	Deputy Chief Executive Officer/ Senior Managing Director of CIMB Islamic (CIMB Investment Bank)										
<b>Qualifications:</b>	Master of Business Administration (Globalisation) from Maastricht School Of Management, The Netherlands; Bachelor of Accounting (Honours) from International Islamic University Malaysia; Chartered Accountant (CA) with the Malaysian Institute of Accountants (MIA).										
<b>Experience:</b>	<table border="0"> <tbody> <tr> <td style="vertical-align: top;">2000 – 2003</td> <td>Senior Analyst – Malaysian Rating Corporation Bhd</td> </tr> <tr> <td style="vertical-align: top;">2003 – 2008</td> <td>Director &amp; Head – Debt Capital Markets, CIMB Islamic</td> </tr> <tr> <td style="vertical-align: top;">Feb 2008 – Dec 2008</td> <td>Director – Global Markets &amp; Regional Head, Islamic Structuring (Asia) of Deutsche Bank Dubai International Financial Centre (Dubai)</td> </tr> <tr> <td style="vertical-align: top;">2009 – 2011</td> <td>Deputy Chief Executive Officer – MIDF Amanah Investment Bank, Kuala Lumpur</td> </tr> <tr> <td style="vertical-align: top;">2011 – Present</td> <td>Deputy Chief Executive Officer/ Senior Managing Director (since April 2014) – CIMB Islamic (CIMB Investment Bank)</td> </tr> </tbody> </table>	2000 – 2003	Senior Analyst – Malaysian Rating Corporation Bhd	2003 – 2008	Director & Head – Debt Capital Markets, CIMB Islamic	Feb 2008 – Dec 2008	Director – Global Markets & Regional Head, Islamic Structuring (Asia) of Deutsche Bank Dubai International Financial Centre (Dubai)	2009 – 2011	Deputy Chief Executive Officer – MIDF Amanah Investment Bank, Kuala Lumpur	2011 – Present	Deputy Chief Executive Officer/ Senior Managing Director (since April 2014) – CIMB Islamic (CIMB Investment Bank)
2000 – 2003	Senior Analyst – Malaysian Rating Corporation Bhd										
2003 – 2008	Director & Head – Debt Capital Markets, CIMB Islamic										
Feb 2008 – Dec 2008	Director – Global Markets & Regional Head, Islamic Structuring (Asia) of Deutsche Bank Dubai International Financial Centre (Dubai)										
2009 – 2011	Deputy Chief Executive Officer – MIDF Amanah Investment Bank, Kuala Lumpur										
2011 – Present	Deputy Chief Executive Officer/ Senior Managing Director (since April 2014) – CIMB Islamic (CIMB Investment Bank)										

**ADDITIONAL INFORMATION (CONTINUED)****The Investment Committee (continued)**

**Name:** **Kim Teo Poh Jin \***  
**Designation:** Chairman of the Investment Committee. Director and Group Chief Executive Officer, Boardroom Limited. Director, Livet Company Pte. Ltd. Director, Marina Yacht Services Pte. Ltd.  
**Qualifications:** Bachelor of Arts (Hons) in Economics from the Heriot-Watt University of Edinburgh.  
**Experience:** He has about 25 years of experience in the finance industry, having worked in senior positions of major financial institutions.

**Name:** **Fad'I bin Mohamed \***  
**Designation:** Managing Director of Maestro Capital Sdn. Bhd. Director of CIMB-Principal and CWA. Member of the Investment Committee.  
**Qualifications:** Bachelor of Laws (Hons) from the University of London; Certified Diploma in Accounting and Finance (Association of Chartered Certified Accountants). Has been a Director of CIMB-Principal since 22 May 2012. He has more than 20 years exposure in the areas of law and finance. He started his career as a lawyer in Messrs. Rashid & Lee in 1991 to 1993.  
**Experience:** He then joined the SC in 1993 to serve in the Take-Overs and Mergers Department and subsequently in the Product Development Department. Between 1996 and 1999, he was attached to the Kuala Lumpur offices of a global investment bank, providing cross-border merger and acquisition advice and other corporate advisory services to Malaysian and foreign corporations. He is currently the founder and Managing Director of Maestro Capital Sdn. Bhd.

**Name:** **Wong Fook Wah\***  
**Designation:** Retiree and ex-Deputy Group Chief Executive for RAM Holdings Bhd.  
**Qualifications:** Bachelor of Arts (Economics) from Universiti Malaya (1977) and a Masters degree in Policy Science from Saitama University, Japan (1987).  
**Experience:** Wong had served 20 years in RAM Holdings Bhd., from its inception as Malaysia's first credit rating agency in 1991. He held several positions over the years including Managing Director/CEO of RAM Rating Services Sdn. Bhd. His last position was that of Deputy Group Executive Officer of RAM Holdings Bhd ("RAM"). He retired from RAM in March 2011.  
 Prior to joining RAM, Wong worked for the Ministry of Finance, Malaysia from 1977 to April 1991. He first served as an economist in the Economics Planning Division for the first 8 years. Then, for 4 years from 1987 to 1991, he worked as an analyst in a special task unit handling rehabilitational and restructuring work on ailing Government-owned enterprises.  
 He was on the Board of Directors of the Malaysia Derivatives Exchange Bhd. (MDEX) from 2001 to May 2004 as an appointee of the Ministry of Finance. He also served on the Board of Directors of RAM Rating Services Bhd., Bond Pricing Agency Sdn. Bhd. and RAM Credit Information Sdn. Bhd., representing the interest of RAM Holdings Bhd. prior to retirement.

\*Independent member



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

I, being the Director of CIMB-Principal Asset Management Berhad (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying audited financial statements set out on pages 19 to 46 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 June 2014 and of its financial performance, changes in equity and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

For and on behalf of the Manager  
**CIMB-Principal Asset Management Berhad**  
(Company No.: 304078-K)

**MUNIRAH KHAIRUDDIN**  
Chief Executive Officer / Executive Director

Kuala Lumpur  
29 August 2014

**TRUSTEE'S REPORT TO THE UNIT HOLDERS OF  
CIMB FTSE CHINA 25**

We have acted as the Trustee for CIMB FTSE China 25 (the "Fund") for the financial year ended 30 June 2014. To the best of our knowledge, for the year under review, CIMB-Principal Asset Management Berhad (the "Manager") has operated and managed the Fund in accordance with the following:-

- (a) limitations imposed on the investment powers of the Manager and the Trustee under the Deed, the Securities Commission's Guidelines on Exchange-Traded Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- (b) the valuation/pricing for the Fund has been carried out in accordance with the Deed of the Fund and applicable regulatory requirements; and
- (c) creation and cancellation of units for the Fund have been carried out in accordance with the Deed of the Fund and applicable regulatory requirements.

**For Deutsche Trustees Malaysia Berhad**

**Soon Lai Ching**  
Manager, Trustee Operations

**Wong Mun Loong**  
Manager, Trustee Operations

Kuala Lumpur  
29 August 2014

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF  
CIMB FTSE CHINA 25****REPORT ON THE FINANCIAL STATEMENTS**

We have audited the financial statements of CIMB FTSE China 25 on pages 19 to 46, which comprise the statement of financial position as at 30 June 2014 of the Fund, and the statements of comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Note 1 to 19.

Manager's Responsibility for the Financial Statements

The Manager of the Fund is responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as of 30 June 2014 and of its financial performance and cash flows for the financial year then ended, in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF  
CIMB FTSE CHINA 25 (CONTINUED)**

**REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)**

**OTHER REPORTING RESPONSIBILITIES**

The supplementary information set out in Note 19 on page 46 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Manager is responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**OTHER MATTERS**

This report is made solely to the unit holders of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**PRICEWATERHOUSECOOPERS**

(No. AF: 1146)  
Chartered Accountants

Kuala Lumpur  
29 August 2014

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

	Note	2014 RM	2013 RM
<b>NET INVESTMENT INCOME</b>			
Dividend income		430,815	934,824
Net gain/(loss) on financial assets at fair value through profit or loss	9	5,415,580	(903,357)
Net foreign currency exchange loss		(14,322)	(29,594)
		<u>5,832,073</u>	<u>1,873</u>
<b>EXPENSES</b>			
Management fee	4	116,687	139,267
Trustee fee	5	18,076	19,245
Custodian fee		24,785	17,802
Audit fee		25,000	25,000
License fee	6	7,779	9,285
Tax agent's fee		3,000	13,579
Transaction costs		80,391	57,705
Other expenses	7	9,974	9,309
		<u>285,692</u>	<u>291,192</u>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		5,546,381	(289,319)
Taxation	8	(40,844)	(90,077)
<b>PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE FINANCIAL YEAR</b>		<u>5,505,537</u>	<u>(379,396)</u>
Profit/(loss) after taxation is made up as follows:			
Realised amount		2,645,242	131,496
Unrealised amount		2,860,295	(510,892)
		<u>5,505,537</u>	<u>(379,396)</u>

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

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2014**

	Note	2014 RM	2013 RM
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	9	9,457,892	26,210,102
Cash and cash equivalents	10	28,240	658,785
Dividend receivable		152,567	658,300
<b>TOTAL ASSETS</b>		<u>9,638,699</u>	<u>27,527,187</u>
<b>CURRENT LIABILITIES</b>			
Amount due to stockbrokers		-	524,863
Accrued management fee		4,710	13,030
Amount due to Trustee		986	1,737
Other payables and accruals	11	55,724	51,545
<b>TOTAL LIABILITIES</b>		<u>61,420</u>	<u>591,175</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>9,577,279</u>	<u>26,936,012</u>
<b>EQUITY</b>			
Unit holders' capital		6,439,550	29,303,820
Retained earnings/(accumulated losses)		3,137,729	(2,367,808)
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		<u>9,577,279</u>	<u>26,936,012</u>
<b>Number of units in circulation (units)</b>	12	<u>9,750,000</u>	<u>31,850,000</u>
<b>Net asset value per unit (RM)</b>		<u>0.9822</u>	<u>0.8457</u>

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

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

	<b>Unit holders' capital RM</b>	<b>Retained earnings/ (accumulated losses) RM</b>	<b>Total RM</b>
<b>Balance as at 1 July 2013</b>	29,303,820	(2,367,808)	26,936,012
Movements in unit holders' contributions:			
Creation of units from applications	6,369,350	-	6,369,350
Cancellation of units	(27,251,311)	(1,982,309)	(29,233,620)
Total comprehensive income for the financial year	-	5,505,537	5,505,537
<b>Balance as at 30 June 2014</b>	<u>8,421,859</u>	<u>1,155,420</u>	<u>9,577,279</u>
<b>Balance as at 1 July 2012</b>	13,476,255	(1,988,412)	11,487,843
Movements in unit holders' contributions:			
Creation of units from applications	18,210,725	-	18,210,725
Cancellation of units	(2,383,160)	-	(2,383,160)
Total comprehensive loss for the financial year	-	(379,396)	(379,396)
<b>Balance as at 30 June 2013</b>	<u>29,303,820</u>	<u>(2,367,808)</u>	<u>26,936,012</u>

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

**STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

	Note	2014 RM	2013 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from disposal of investments		31,474,080	8,617,495
Purchase of investments		(9,911,545)	(24,017,601)
Dividend received		895,197	460,047
Management fee paid		(125,007)	(131,809)
Trustee's fee paid		(18,827)	(18,494)
Custodian fee paid		(24,785)	(17,802)
Net realised foreign exchange loss		(37,865)	(12,547)
Payments for other fees and expenses		(41,573)	(42,139)
<b>Net cash generated from/(used in) operating activities</b>		<u>22,209,675</u>	<u>(15,162,850)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash proceeds from units created		6,369,350	18,210,725
Payments for cancellation of units		(29,233,620)	(2,383,160)
<b>Net cash (used in)/generated from financing activities</b>		<u>(22,864,270)</u>	<u>15,827,565</u>
Net (decrease)/increase in cash and cash equivalents		(654,595)	664,715
Effects of foreign exchange differences		24,050	(27,880)
Cash and cash equivalents at the beginning of the financial year		<u>658,785</u>	<u>21,950</u>
Cash and cash equivalents at the end of the financial year	<b>10</b>	<u>28,240</u>	<u>658,785</u>

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



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014****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 (the “Deed”), made between CIMB-Principal Asset Management Berhad (the “Manager”) and Deutsche Trustees Malaysia Bhd (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 (the “Benchmark 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 in accordance with the provisions of the Deed.

All investments will be subject to the SC Guidelines on Exchange-Traded Funds, SC requirements, the Deed, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund’s objective.

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. The Manager is also an associate of Principal International (Asia) Limited, which is a subsidiary of Principal Financial Group Inc. The principal activities of the Manager are the establishment and management of unit trust funds and fund management activities.

The financial statements have been approved for issue by the Manager on 29 August 2014.

**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 in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

The financial statements have been prepared under the historical cost convention, as modified by financial assets at fair value through profit or loss.

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

### (a) Basis of preparation (continued)

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

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

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:

#### (i) Financial year beginning on/after 1 July 2014

Amendment to MFRS 132 "Financial Instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria. The Fund will apply this amendment when effective.

The adoption of the amendment is not expected to have a significant impact on the results of the Fund.

#### (ii) Effective date yet to be determined by Malaysian Accounting Standards Board

MFRS 9 "Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities" replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements.

The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

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

### (a) Basis of preparation (continued)

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: (continued)

#### (ii) Effective date yet to be determined by Malaysian Accounting Standards Board (continued)

MFRS 9 “Financial Instruments – Hedge Accounting” brings into effect substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. The revised standard establishes a more principle-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in MFRS 139.

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 financial liabilities

#### Classification

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

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been included in current assets. The Fund’s loans and receivables comprise cash and cash equivalents, and dividend receivable.

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

The Fund classifies amount due to stockbrokers, accrued management fee, 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.

Financial liabilities, within the scope of MFRS 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 financial 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 expired.

Unrealised gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss 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 year 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.

Prior to 1 July 2013, 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. The Fund adopted MFRS 13 "Fair Value Measurement" from 1 July 2013 and changed its fair valuation inputs to utilise the last traded market price quoted on the respective foreign stock exchanges at the close of the business day of the respective foreign stock exchanges for foreign quoted investments, where the last market traded price falls within the bid-ask spread. In circumstances where the last traded market price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

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

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 year 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' 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 financial liabilities (continued)

#### Recognition and measurement (continued)

If, in a subsequent year, 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) Functional and presentation currency

#### 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 ("RM"), which is the Fund's functional and presentation currency.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges.

### (d) Income recognition

Dividend income is recognised on the ex-dividend date when the right to receive payment is established.

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

### (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 put back 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 unit holder exercises the right to put back the unit to the Fund.

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.

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

### (f) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise 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 year.

Tax on dividend income from foreign quoted securities is based on the tax regime of the respective countries that the Fund invests in.

### (h) Transactions costs

Transaction costs are costs incurred to acquire or dispose financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as expenses.

### (i) Unit holders' capital

The unit holders' contributions to the Fund meet the definition of puttable instruments classified as equity instruments under MFRS 132 "Financial Instruments: Presentation".

The units in the Fund are puttable instruments which entitle the unit holders 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.

### (j) Amount due from/to stockbrokers

Amount due from and amount due to stockbrokers represent receivables for investments sold and payables for investments 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 amount due from stockbrokers. A provision for impairment of amount due from stockbrokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant stockbroker. Significant financial difficulties of the stockbroker, probability that the stockbroker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from stockbrokers 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 rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(j) Amount due from/to stockbrokers (continued)**

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the profit income or financing 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.

**(k) Segmental information**

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

**(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 SC Guidelines on Exchange-Traded Funds.

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

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 Fund's results and financial position are tested for sensitivity to changes in the underlying parameters.

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.

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the SC Guidelines on Exchange-Traded Funds.

### 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 (inclusive of price risk and currency risk), credit risk, liquidity risk, passive investment, tracking error risk, non-compliance risk and capital risk.

Financial instruments of the Fund are as follows:

	<b>Financial asset at fair value through profit or loss RM</b>	<b>Loans and receivables RM</b>	<b>Total RM</b>
<b>2014</b>			
Quoted securities (Note 9)	9,457,892	-	9,457,892
Cash and cash equivalents (Note 10)	-	28,240	28,240
Dividend receivable	-	152,567	152,567
	9,457,892	180,807	9,638,699
<b>2013</b>			
Quoted securities (Note 9)	26,210,102	-	26,210,102
Cash and cash equivalents (Note 10)	-	658,785	658,785
Dividend receivable	-	658,300	658,300
	26,210,102	1,317,085	27,527,187

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

#### (a) Market risk

##### (i) Price risk

Price risk is the risk that the fair value of an investment in quoted securities will fluctuate because of changes in market prices (other than those arising from currency risk). The value of quoted securities may fluctuate according to the activities of individual companies, sector and overall political and economic conditions. Such fluctuation may cause the Fund's NAV and prices of units to fall as well as rise, and income produced by the Fund may also fluctuate.

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.



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

#### (a) Market risk (continued)

##### (i) Price risk (continued)

The Fund's overall exposure to price risk was as follows:

	2014 RM	2013 RM
Financial assets at fair value through profit or loss:		
- quoted securities	9,457,892	26,210,102

The table below summarises the sensitivity of the Fund's NAV and profit after tax 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 19.00% (2013: 19.99%), 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 Underlying Index. This represents management's best estimate of a reasonable possible shift in the collective investment scheme, having regard to the historical volatility of the prices.

% Change in Benchmark Index	Benchmark Index	Market value RM	Impact on profit after tax/ NAV RM
<b>2014</b>			
-19%	13,292	7,660,432	(1,797,460)
0%	16,411	9,457,892	-
19%	19,530	11,255,352	1,797,460
<b>2013</b>			
-19.99%	11,592	20,971,929	(5,238,173)
0%	14,487	26,210,102	-
19.99%	17,383	31,448,275	5,238,173

### 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 arising from the denomination of the Fund's financial instruments in foreign currency of the Fund.

	<b>Financial assets at fair value through profit or loss RM</b>	<b>Cash and cash equivalents RM</b>	<b>Dividend receivable RM</b>	<b>Total RM</b>
<b>2014</b>				
HKD	<u>9,457,892</u>	<u>26,134</u>	<u>152,567</u>	<u>9,636,593</u>
<b>2013</b>				
HKD	<u>26,210,102</u>	<u>653,145</u>	<u>658,300</u>	<u>27,521,547</u>

The table below summarises the sensitivity of the Fund's investments and cash and cash equivalents 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 6.57% (2013: 6.13%), 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 profit after tax and net assets attributable to unit holders by approximately 6.57% (2013: 6.13%). Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	<b>Change in foreign exchange rate %</b>	<b>Impact on profit after tax/ net asset value RM</b>
<b>2014</b>		
HKD	<u>6.57</u>	<u>633,124</u>
<b>2013</b>		
HKD	<u>6.13</u>	<u>1,687,071</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 obligation resulting in financial loss to the Fund.

The credit risk arising from cash and cash equivalents 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 SC Guidelines on Exchange-Traded Funds.

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

	<b>Cash and cash equivalents RM</b>	<b>Dividend receivable RM</b>	<b>Total RM</b>
<b>2014</b>			
Energy			
- NR	-	16,380	16,380
Finance			
- AA1	28,240	-	28,240
- NR	-	128,488	128,488
Telecommunications			
- NR	-	7,699	7,699
	<u>28,240</u>	<u>152,567</u>	<u>180,807</u>
<b>2013</b>			
Energy			
- NR	-	99,642	99,642
Finance			
- AA1	658,785	-	658,785
- NR	-	540,890	540,890
Telecommunications			
- NR	-	17,768	17,768
	<u>658,785</u>	<u>658,300</u>	<u>1,317,085</u>

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 (M) Berhad.

#### (c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations.

The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by unit holders. Liquid assets comprise bank balance, which are capable of being converted into cash within 7 business days. The Fund's investments are considered readily realisable as they are quoted. For the purpose of the Fund, the 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.

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

#### (c) Liquidity risk (continued)

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining year as at 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>2014</b>			
Accrued management fee	4,710	-	4,710
Amount due to Trustee	986	-	986
Other payables and accruals	-	55,724	55,724
<b>Contractual cash outflows</b>	<u>5,696</u>	<u>55,724</u>	<u>61,420</u>
<b>2013</b>			
Amount due to stockbrokers	524,863	-	524,863
Accrued management fee	13,030	-	13,030
Amount due to Trustee	1,737	-	1,737
Other payables and accruals	-	51,545	51,545
<b>Contractual cash outflows</b>	<u>539,630</u>	<u>51,545</u>	<u>591,175</u>

#### (d) Passive investment

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

#### (e) Tracking error risk

Changes in the NAV of the Fund are unlikely to replicate the exact changes in the Underlying Index. This is due to, among other things, the fees and expenses payable by the Fund and transaction fees and stamp duty incurred in adjusting the composition of the Fund's portfolio because of changes in the Underlying Index and dividend 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 outweighing the anticipated benefits of such adjustment or for certain other reasons, there may be timing differences between changes in the Underlying Index and the corresponding adjustment to the shares which comprise the Fund's portfolio.

During times when Underlying Index Securities are unavailable, illiquid or when the Manager determines it is in the best interests of the Fund to do so, the Fund may maintain a small cash position or invest in other Authorised Securities until Index Securities become available or liquid. Such costs, expenses, cash balances, timing differences or holdings could cause the NAV of the Fund to be lower or higher than the relative level of the Underlying Index. Regulatory policies may affect the Manager's ability to achieve close correlation with the performance of the Underlying Index. However, it is the aim of the Manager to minimise the tracking error between the Fund and the Underlying Index.

**3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****(f) 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, the law that governs 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 of 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.

**(g) Capital risk management**

The capital of the Fund is represented by equity consisting of unit holders' 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 unit holders.

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 unit holders' and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

**(h) Fair value estimation**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

The fair value of financial assets traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the year end date. Prior to 1 July 2013, the quoted market price used for financial assets held by the Fund was the current bid price. The Fund adopted MFRS 13 "Fair Value Measurement" from 1 July 2013 onwards and changed its fair valuation inputs to utilise the last traded market price for financial assets.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques.

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

#### (h) Fair value estimation (continued)

##### Fair value hierarchy

(i) The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

- 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.

	<b>Level 1 RM</b>	<b>Level 2 RM</b>	<b>Level 3 RM</b>	<b>Total RM</b>
<b>2014</b>				
Financial assets at fair value through profit or loss:				
- quoted securities	<u>9,457,892</u>	<u>-</u>	<u>-</u>	<u>9,457,892</u>
<b>2013</b>				
Financial assets at fair value through profit or loss:				
- quoted securities	<u>26,210,102</u>	<u>-</u>	<u>-</u>	<u>26,210,102</u>

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).

(ii) The carrying values of cash and cash equivalents, dividend receivable and all current liabilities are a reasonable approximation of their fair values due to their short term nature.

**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 daily based on the NAV of the Fund.

For the financial year ended 30 June 2014, the management fee is recognised at a rate of 0.60% per annum (2013: 0.60% per annum).

There will be no further liability to the Manager in respect of management fee other than the amount 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 of 0.20% per annum, calculated daily based on the NAV of the Fund, subject to a minimum fee of RM18,000 per annum, excluding foreign sub-custodian fees and charges. The Trustee has changed the minimum fees to RM12,000 per annum with effect from 1 June 2012.

For the financial year ended 30 June 2014, the Trustee's fee is recognised at a rate of 0.08% per annum (2013: 0.08% per annum).

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

**6. LICENSE FEE**

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

For the financial year ended 30 June 2014, the License fee was recognised at a rate of 0.04% per annum (2013: 0.04% per annum) of the NAV of the Fund, calculated on daily basis.

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

**7. OTHER EXPENSES**

	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
Printing costs	200	310
Listing fee	2,000	2,000
Other expenses	7,974	6,999
	<u>10,174</u>	<u>9,309</u>

**8. TAXATION**

	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
Current taxation – foreign	<u>40,844</u>	<u>90,077</u>

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

	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
Profit/(loss) before taxation	<u>5,546,381</u>	<u>(289,319)</u>
Taxation at Malaysian statutory rate of 25% (2013: 25%)	1,386,595	(72,330)
Tax effects of:		
Investment income not subject to tax	(1,458,018)	(468)
Expenses not deductible for tax purposes	36,001	30,911
Restriction on tax deductible expenses for exchange-traded funds	35,422	41,887
Effect of foreign tax on foreign taxable income	<u>40,844</u>	<u>90,077</u>
Taxation	<u>40,844</u>	<u>90,077</u>

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

	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
Designated at fair value through profit or loss at inception:		
- quoted securities – foreign	<u>9,457,892</u>	<u>26,210,102</u>
Net gain/(loss) on financial assets at fair value through profit or loss:		
- realised gain/(loss) on disposals	2,578,828	(409,667)
- unrealised fair value gain/(loss)	2,836,752	(493,690)
	<u>5,415,580</u>	<u>(903,357)</u>



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

Name of counter	Quantity units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2014</b>				
<b>Quoted securities – foreign</b>				
<b>Basic Materials</b>				
Anhui Conch Cement Company Limited	16,500	172,324	181,705	1.90
<b>Consumer</b>				
Great Wall Motor Company Limited	13,500	233,670	160,963	1.68
<b>Energy</b>				
China Petroleum & Chemical Corporation	124,500	291,501	380,903	3.97
China Shenhua Energy Company Limited	42,000	470,982	389,491	4.07
CNOOC Limited	67,500	405,969	388,994	4.06
Petrochina Company Limited	99,000	374,785	401,253	4.19
	333,000	1,543,237	1,560,641	16.29
<b>Finance</b>				
Agricultural Bank of China Limited	247,500	348,679	350,430	3.66
Bank of China Limited	373,500	505,885	536,563	5.60
Bank of Communications Company Limited	106,500	253,689	235,887	2.46
China Citic Bank Corporation Limited	100,500	172,304	195,553	2.04
China Construction Bank Corporation Limited	360,000	868,745	873,374	9.12
China Life Insurance Corporation	40,500	387,008	340,370	3.55
China Merchants Bank Company Limited	61,500	383,478	389,045	4.06
China Minsheng Banking Corporation Limited	81,000	204,657	235,409	2.46
China Overseas Land & Investment Limited	45,000	377,731	350,244	3.66
China Pacific Insurance Group Company Limited	30,000	322,157	339,687	3.55
CITIC Securities Company Limited	12,000	82,824	84,953	0.89
Industrial and Commercial Bank of China	324,000	677,726	657,266	6.86
People's Insurance Company of China	46,500	72,838	58,908	0.62
PICC Property and Casualty Company Limited	40,500	165,741	196,845	2.06
Ping An Insurance Group Company	13,500	347,632	335,340	3.50
	1,882,500	5,171,094	5,179,874	54.09

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

Name of counter	Quantity units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2014 (CONTINUED)</b>				
<b>Quoted securities – foreign (continued)</b>				
<b>Information Technology</b>				
Tencent Holdings Limited	20,300	574,832	993,376	10.37
<b>Telecommunications</b>				
China Mobile Limited	24,000	800,930	747,187	7.80
China Telecom Corporation Limited	214,500	356,115	336,563	3.51
China Unicom Holding Limited	60,000	286,333	297,583	3.11
	298,500	1,443,378	1,381,333	14.42
<b>TOTAL QUOTED SECURITIES – FOREIGN</b>	<b>2,564,300</b>	<b>9,138,535</b>	<b>9,457,892</b>	<b>98.75</b>
<b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>319,357</b>		
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE TROUGH PROFIT OR LOSS</b>		<b>9,457,892</b>		

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

Name of counter	Quantity units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2013</b>				
<b>Quoted securities – foreign</b>				
<b>Basic Materials</b>				
Anhui Conch Cement Company Limited	44,100	439,228	378,219	1.40
<b>Consumer</b>				
Belle International Holdings Limited	191,100	1,066,907	831,962	3.09
<b>Energy</b>				
China Coal Energy Company Limited	147,000	496,021	243,741	0.90
China Petroleum & Chemical Corporation	490,000	1,124,191	1,092,634	4.06
China Shenhua Energy Company Limited	107,800	1,276,240	871,705	3.24
CNOOC Limited	205,800	1,237,473	1,106,081	4.11
Petrochina Company Limited	323,400	1,243,097	1,089,632	4.05
	1,274,000	5,377,022	4,403,793	16.36
<b>Finance</b>				
Agricultural Bank of China Limited	764,400	1,065,987	998,979	3.71
Bank of China Limited	1,264,200	1,683,462	1,646,995	6.11
Bank of Communications Company Limited	289,100	713,508	590,342	2.19
China Citic Bank Corporation Limited	269,500	469,774	394,029	1.46
China Construction Bank Corporation Limited	1,107,400	2,643,514	2,482,919	9.22
China Life Insurance Corporation	132,300	1,327,917	994,176	3.69
China Merchants Bank Company Limited	142,100	912,493	752,116	2.79
China Minsheng Banking Corporation Limited	196,000	559,764	607,552	2.26
China Overseas Land & Investment Limited	127,400	1,015,557	1,058,814	3.93
China Pacific Insurance Group Company Limited	83,300	866,785	841,988	3.13
CITIC Securities Company Limited	34,300	241,078	193,032	0.72
Industrial and Commercial Bank of China	1,063,300	2,198,733	2,123,491	7.88
PICC Property and Casualty Company Limited	113,240	447,837	404,663	1.50
Ping An Insurance Group Company	49,000	1,275,297	1,044,606	3.88
	5,635,540	15,421,706	14,133,702	52.47

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

Name of counter	Quantity units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2013 (CONTINUED)</b>				
<b>Quoted securities – foreign (continued)</b>				
<b>Information Technology</b>				
Tencent Holdings Limited	15,680	1,727,853	1,948,009	7.23
<b>Telecommunications</b>				
China Mobile Limited	88,200	2,903,412	2,917,691	10.83
China Telecom Corporation Limited	592,900	997,639	895,920	3.33
China Unicom Holding Limited	166,600	793,730	700,806	2.60
	847,700	4,694,781	4,514,417	16.76
<b>TOTAL QUOTED SECURITIES – FOREIGN</b>	<b>8,008,120</b>	<b>28,727,497</b>	<b>26,210,102</b>	<b>97.31</b>
<b>ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>(2,517,395)</b>		
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE TROUGH PROFIT OR LOSS</b>		<b>26,210,102</b>		

## 10. CASH AND CASH EQUIVALENTS

	2014 RM	2013 RM
Bank balance in a licensed bank	28,240	658,785

## 11. OTHER PAYABLES AND ACCRUALS

	2014 RM	2013 RM
Provision for audit fee	25,000	25,000
Provision for tax agent's fee	3,000	4,700
Other accruals	27,724	21,845
	55,274	51,545

**12. NUMBER OF UNITS IN CIRCULATION**

	<b>2014</b>	<b>2013</b>
	<b>No of units</b>	<b>No of units</b>
At the beginning of the financial year	31,850,000	13,650,000
Add: Creation from applications during the financial year	6,500,000	20,800,000
Less: Cancellation of units during the financial year	<u>(28,600,000)</u>	<u>(2,600,000)</u>
At the end of the financial year	<u>9,750,000</u>	<u>31,850,000</u>

As at 30 June 2014, the number of units not yet issued is 490,250,000 (2013: 468,150,000).

The Manager, CIMB-Principal Asset Management Berhad, does not hold any units in the Fund as at the end of each financial year.

**13. MANAGEMENT EXPENSE RATIO (“MER”)**

	<b>2014</b>	<b>2013</b>
	<b>%</b>	<b>%</b>
MER	<u>1.06</u>	<u>1.01</u>

MER is derived from the following calculation:

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

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 NAV of the Fund calculation on a daily basis

The average NAV of the Fund for the financial year calculated on daily basis is RM19,447,147 (2013: RM23,185,916).

**14. PORTFOLIO TURNOVER RATIO (“PTR”)**

	<b>2014</b>	<b>2013</b>
PTR (times)	<u>0.99</u>	<u>0.72</u>

PTR is derived based on the following calculation:

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

where:

total acquisition for the financial year	=	RM9,369,686 (2013: RM24,501,468)
total disposal for the financial year	=	RM28,958,648 (2013: RM9,042,201)

## 15. 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 Bhd	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 Bhd ("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 year.

### Significant related party transactions and balances

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

## 16. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with all brokers/dealers for the financial year ended 30 June 2014 are as follows:

<b>Brokers/dealers</b>	<b>Value of trades RM</b>	<b>Percentage of total trades %</b>	<b>Brokerage fees RM</b>	<b>Percentage of total brokerage fees %</b>
UBS Securities Asia Limited	19,346,693	47.29	19,683	54.55
Citigroup Global Markets Asia Limited	12,526,744	30.62	9,148	25.35
CIMB Securities (Singapore) Pte Ltd.#	8,320,584	20.34	6,050	16.77
China International Capital Corporation Securities Limited	408,356	1.00	1,021	2.83
Credit Suisse (Hong Kong) Limited	304,785	0.75	183	0.50
	<b>40,907,162</b>	<b>100.00</b>	<b>36,085</b>	<b>100.00</b>

**16. TRANSACTIONS WITH BROKERS/DEALERS (CONTINUED)**

Details of transactions with all brokers/dealers for the financial year ended 30 June 2013 are as follows:

<b>Brokers/dealers</b>	<b>Value of trades RM</b>	<b>Percentage of total trades %</b>	<b>Brokerage fees RM</b>	<b>Percentage of total brokerage fees %</b>
CIMB GK Securities Hong Kong Limited #	15,337,470	46.29	9,079	42.22
BNP Paribas Securities Asia Limited	12,083,011	36.47	8,459	39.33
Citi Group	5,129,811	15.48	2,565	11.93
China International Capital Corporation Securities Limited	329,393	0.99	823	3.83
JP Morgan Securities Asia Pacific Limited	209,680	0.63	524	2.44
Deutsche Bank Malaysia Berhad	22,374	0.07	-	-
CLSA Limited	22,263	0.07	56	0.25
	<b>33,134,002</b>	<b>100.00</b>	<b>21,506</b>	<b>100.00</b>

# Included in transactions by the Fund are trades conducted with CIMB Securities (Singapore) Pte. Ltd. And CIMB GK Securities Hong Kong Limited, fellow subsidiaries to the Manager, amounting to RM 8,320,584 (2013: RM Nil) and RM Nil (2013: RM 15,337,470) respectively. The Manager is of the opinion that all transactions with the related party have been entered into in the normal course of business at agreed terms between the related party.

**17. SEGMENT INFORMATION**

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 MFRS and IFRS. The chief operating decision-maker is responsible for the performance of the Fund and considers the business to have a single operating segment located in Malaysia. Asset allocation decisions are based on a single, integrated investment strategy and the Fund's performance is evaluated on an overall basis.

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. In managing the Fund, the Manager attempts to achieve a high positive correlation and a low tracking error between the NAV of the Fund's portfolio and the Underlying Index. The reportable operating segment derives its income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within the portfolio. These returns consist of profit and dividend income earned from investments and gains on the appreciation in the value of investments, and is derived from the 25 largest and most liquid Chinese stocks (Red Chip and H shares) listed and trading on the Hong Kong Stock Exchange, Hong Kong.

There were no changes in reportable operating segment during the financial year.

**18. NON CASH TRANSACTIONS**

Creation and cancellation are done by transferring the In-Kind Creation Basket from and to the Participating Dealers respectively. A reconciliation of the cash flows used in creation and cancellation and the total creation and cancellation as presented in the statement of changes in equity is presented below:

	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
Creations		
- Non cash component	-	-
- Cash component	6,369,350	18,210,725
	<u>6,369,350</u>	<u>18,210,725</u>
Cancellations		
- Non cash component	-	-
- Cash component	(29,233,620)	(2,383,160)
	<u>(29,233,620)</u>	<u>(2,383,160)</u>

**19. SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS**

The following analysis of realised and unrealised retained earnings at the legal entity level is prepared in accordance with Bursa Malaysia Securities Berhad's Listing Requirements and the Guidance on Special Matter No.1, "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements", as issued by the Malaysian Institute of Accountants whilst the disclosure is based on the prescribed format by Bursa Malaysia Securities Berhad.

	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
Total accumulated losses of the Fund		
- Realised	384,581	(3,163,725)
- Unrealised	770,839	795,917
	<u>1,155,420</u>	<u>(2,367,808)</u>

The analysis between realised and unrealised retained earnings above is prepared on a different basis as compared to the analysis of realised and unrealised retained earnings as disclosed in the statement of comprehensive income.



**DIRECTORY****TRUST DIRECTORY****Manager***Registered Address*

CIMB-Principal Asset Management Berhad  
Level 13 Menara CIMB,  
Jalan Stesen Sentral 2,  
Kuala Lumpur Sentral,  
50470 Kuala Lumpur  
Tel: (03) 2261 8888

**Business address**

Level 5, Menara Milenium  
8, Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur  
Tel: (03) 2084 2000

**The business address for CIMB-Principal will at a later date be relocated to:**

**Business address**

Bangunan CIMB  
Jalan Semantan  
Damansara Heights  
50490 Kuala Lumpur  
Tel: (03) 2084 8888

The effective date for the relocation will be announced in CIMB-Principal's website, i.e. [www.cimb-principal.com.my](http://www.cimb-principal.com.my). Alternatively, Unit holders may contact Customer Care at (03) 7718 3000 to enquire on the effective date. However, there is no change to the Customer Care telephone number.

**E-mail address**

[service@cimb-principal.com.my](mailto:service@cimb-principal.com.my)

**General investment enquiries**

(03) 7718 3100

**TRUST DIRECTORY (CONTINUED)****Board of Directors**

Tengku Dato' Zafrul Bin Tengku Abdul Aziz  
 Luis Eduardo Valdés Illanes  
 Nor Azzam Abdul Jalil  
 Dato' Anwar bin Aji\*  
 Wong Joon Hian\*  
 Ned Alan Burmeister#  
 A.Huzaima Bin Dato' Abdul Hamid\*  
 Auyeung Rex Pak Kuen  
 Badlisyah bin Abdul Ghani\*\*  
 Pedro Esteban Borda  
 Raja Noorma binti Raja Othman  
 Fad'I bin Mohamed\*  
 Munirah binti Khairuddin

\* *Independent director*

\*\* *Alternate director to Raja Noorma binti Raja Othman*

# *Alternate director to Luis Eduardo Valdés Illanes*

**Investment Committee**

Raja Noorma binti Raja Othman  
 Mohamad Safri bin Shahul Hamid  
 Kim Teo Poh Jin\*  
 Fad'I bin Mohamed\*  
 Wong Fook Wah\*

\* *Independent member*

**Audit Committee**

Wong Joon Hian\*  
 Fad'I bin Mohamed\*  
 Raja Noorma binti Raja Othman

\* *Independent member*

**Company Secretaries**

Datin Rossaya Mohd Nashir (LS 0007591)  
 Halimah binti Habib (LS 0007999)  
 13th Floor, Menara CIMB  
 Jalan Stesen Sentral 2  
 Kuala Lumpur Sentral  
 50470 Kuala Lumpur Malaysia  
 Tel: (03) 2261 8888

**Investment Adviser**

CIMB-Principal Asset Management (S) Pte Ltd  
 50 Raffles Place  
 Singapore Land Tower, #26-05  
 Singapore 048623  
 Tel: (+65) 6210 8488 Fax: (+65) 6210 8489

---

**CORPORATE DIRECTORY**

**Fund Administration and Fund Accounting Service Provider**

Deutsche Bank (Malaysia) Berhad

*Registered Address*

Level 18, Menara IMC  
8, Jalan Sultan Ismail  
50250 Kuala Lumpur

*Business Address*

Level 18-20, Menara IMC  
8, Jalan Sultan Ismail  
50250 Kuala Lumpur

Tel: (03) 2053 6788

**Trustee**

Deutsche Trustees Malaysia Berhad

*Registered/Business Address*

Level 20, Menara IMC  
8, Jalan Sultan Ismail  
50250 Kuala Lumpur

**Auditors of the Manager and of the Fund**

PricewaterhouseCoopers Chartered Accountants  
Level 10, 1 Sentral,  
Jalan Travers, Kuala Lumpur Sentral,  
PO Box 10192, 50706 Kuala Lumpur, MALAYSIA.

**Tax Adviser**

PricewaterhouseCoopers Taxation Services Sdn Bhd