

CIMB-PRINCIPAL BOND FUND

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

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INVESTOR LETTER

Dear Valued Investors,

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

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

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

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

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

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

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

¹ End December 2009

INVESTOR LETTER (CONTINUED)

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

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

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Yours sincerely

Campbell Tupling

Chief Executive

CIMB-Principal Asset Management Berhad

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

MANAGER'S REPORT

What is the investment objective of the Fund?

To provide regular income as well as to achieve medium to long-term capital appreciation through investments primarily in Malaysian bonds.

Has the Fund achieved its objective?

For the period under review, the Fund is in line with its stated objectives as stated under the fund performance review

What are the Fund investment policy and its strategy?

Between 70% to 98% (both inclusive) of the Fund's NAV may be invested in debentures carrying at least a "BBB3" or "P3" rating by RAM or equivalent rating by MARC; "BB" by S&P or equivalent rating by Moody's or Fitch. The rest of the Fund is maintained in the form of liquid assets to meet any redemption payments to Unit holders. In line with its objective, the investment strategy and policy of the Fund is to invest in a diversified portfolio of approved fixed income securities consisting primarily of bonds, and aims to provide a steady stream of income.

Fund category/ type

Bond/Income

How long should you invest for?

Recommended 3 years or more.

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

Low.

When was the Fund launched?

15 November 1995.

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

RM393.03 million (341.03 million units)

What is the Fund's benchmark?

Quant Shop MGS bond Index (medium sub-index).

What is the Fund distribution policy?

Distribution (if any) is expected to be distributed once a year every January at the Manager's discretion.

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

3.76 sen per unit for the financial year ended 31 December 2010.

The Fund net asset value per unit before and after the latest distribution was RM1.1895 and RM1.1519 per unit respectively.

PERFORMANCE DATA

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

	31.12.10	31.12.09	31.12.08
	%	%	%
Unquoted fixed income securities	95.28	94.25	87.81
Cash and other net assets	4.72	5.75	12.19
	<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:

	31.12.10	31.12.09	31.12.08
Net asset value (RM Million)*	393	220	183
Units in circulation (Million)*	341	196	170
Net Asset Value per unit (RM)*	1.1525	1.1246	1.0790
Highest price (RM)	1.1913	1.1685	1.1383
Lowest price (RM)	1.1237	1.0789	1.0789
Total return (%)	5.84	8.43	2.35
- Capital growth (%)	2.49	4.09	(2.65)
- Income distribution (%)	3.26	4.17	5.14
Gross distribution per unit (sen)	3.76	4.60	5.55
Net distribution per unit (sen)	3.76	4.60	5.55
Date of distribution	30-Dec	31-Dec	31-Dec
Management expense ratio (%)	1.05	1.07	1.07
Portfolio turnover ratio (times) #	0.62	0.48	0.27

	Total return	Annualised
Period	%	%
- One Year	5.84	5.84
- Three Years	17.47	5.51
- Five Years	28.33	5.12

(Launch date:15 November 1995)

* Ex-distribution

The PTR for the financial year under review has increase due to increase injection as well as better performance from the corporate bonds in the portfolio.

	01.01.10 - 31.12.10	01.01.10 - 31.12.09	01.01.10 - 31.12.08	01.01.10 - 31.12.07	01.01.10 - 31.12.06
	(%)	(%)	(%)	(%)	(%)
Annual total return	5.84	8.43	2.35	3.59	5.47

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 have been verified by Mercer Zainal Consulting Sdn Bhd, Consulting Actuaries (35090-H).

MARKET REVIEW (1 JANUARY 2010 TO 31 DECEMBER 2010)

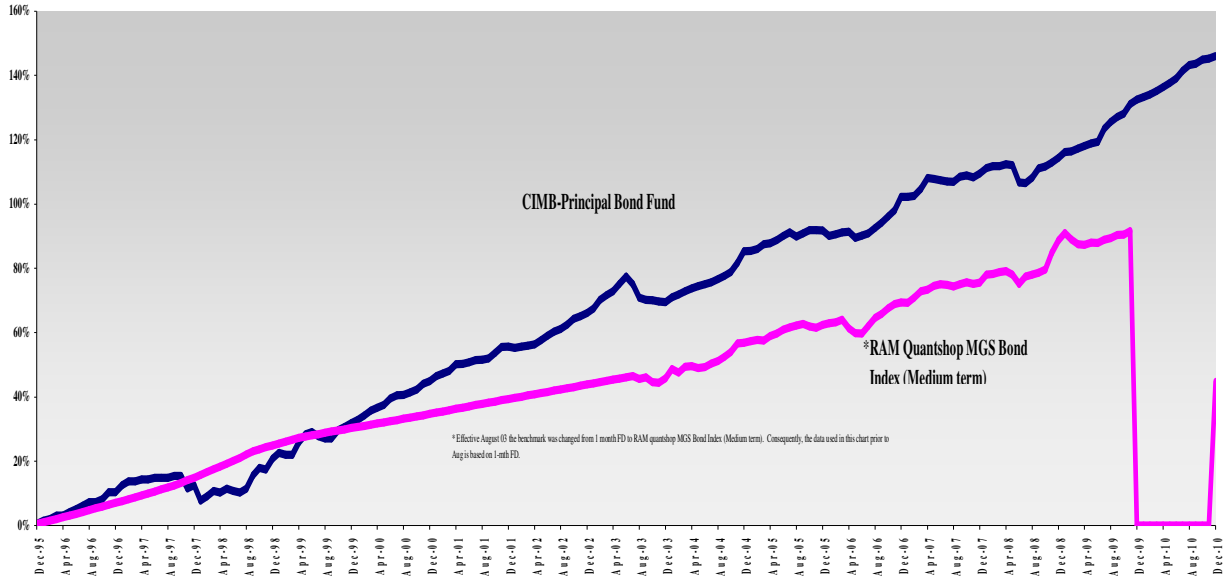
At the start of the year, the central bank of Malaysia was ahead of the curve by normalising interest rates. The global economy saw improvements from the financial crisis although recovery was uneven. Bank Negara Malaysia's ("BNM") tilt to the slightly hawkish stance at the start of the year saw investors pricing in higher yields which led to the bearish flattening of the sovereign yield curve. However, as Asian central banks further signalled policy tightening in response to the faster economic recovery and accelerating inflation, more foreign fund flows into these countries with investors seeking higher returns from the higher interest rates while speculating to gain from appreciating currencies. Hence, this led to a strengthening of Asian currencies relative to its G3 counterparts. Additionally, the US QEII programme was also part of the factor of capital inflows channelling into the fast growing developing markets. Thus, this triggered new concern of rapid capital inflows that could potentially disrupt financial markets stability. This actually neutralised the impact of the three OPR rate hike to 2.75% as spillover of foreign buying interest drove the sovereign yield curves lower. This was evident with foreign holdings of MGS at 28% of outstanding MGS at the end of 2010. Additionally, the sovereign curve flattened further when BNM left OPR steady in the September 2010 MPC meeting. YTD, MGS gained with the 3, 5, 7 and 10year yields falling 14.0bps, 45.0bps, 21.0bps and 23.0bps YoY respectively. Towards the end of the year, the sovereign yield curve bearish steepened as year end profit taking emerged as well as the risk of oversupply as the new 2011 auction calendar was released.

On the corporate bond side, the market enjoyed a much better run versus the MGSs and GILs in the 4Q2010. Trading volume on the corporate bond segment maintained its momentum in 4Q2010 with total trading volume of RM16.5 billion, a slight improvement from previous quarter trading volume of RM16.4 billion. Corporate bonds yields generally traded lower across the curve in 4Q2010 (with exception of 1 and 2 years tenure) with yields falling as much as 17 bps for AA3-rated bonds and 19 bps for A-rated bonds which resulted in flatter corporate yield curves. In terms of new issuances, there was generally good response for all the issues with most having more than two times oversubscription. On the whole, the better performances of corporate bonds versus MGS may be attributed to the smaller than expected primary issuances for 2010. Total issuances for 2010 amounted to roughly about RM47-48 billion, short of market expectation of RM55 billion earlier this year and the total issuance of RM58.6 billion reported in 2009.

FUND PERFORMANCE

	1 year to 31.12.10 (%)	3 years to 31.12.10 (%)	5 years to 31.12.10 (%)	Since Inception (%)
Income	3.26	13.02	16.08	107.20
Capital	2.49	3.93	10.56	18.75
Total Return	5.84	17.47	28.33	146.06
Benchmark	5.34	14.97	24.22	101.74
Average Total Return	5.84	5.51	5.12	6.13

FUND PERFORMANCE (CONTINUED)



CHANGE IN NET ASSET VALUE

	31.12.10	31.12.09	Changes	%
NAV (RM million)	393.03	220.51	78.30	78.30
NAV / unit (RM)	1.1525	1.1246	2.45	2.45

For the period under review, the Fund registered a positive increase in net asset value of 78.3% due to additional injection and better performance of the underlying corporate bonds in the portfolio. In terms of return, the Fund achieved a positive total return of 5.84% compared to the benchmark RAM Quant Shop MGS (Medium) Index return of 5.34% for the year. The out performance of 0.50% was due to better performance of selective underlying corporate bonds in the portfolio.

The Fund declares a gross dividend distribution of 3.76 sen per unit for the financial year under review.

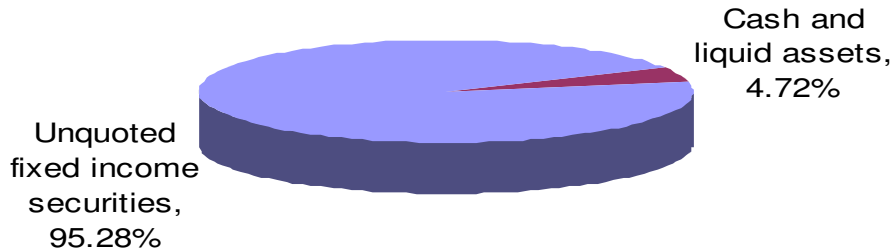
In terms of Lipper rankings, as at 31 December 2010, the Fund ranked 21th out of 41 funds (2nd Quartile) over 1-year, 6th out of 33 funds over 3-year and 11th out of 27 funds over 5-year on the Lipper Tables (source: Lipper).

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

PORTFOLIO STRUCTURE

(% of NAV)	31.12.10	31.12.09
Unquoted fixed income securities	95.28	94.25
Cash and liquid assets	4.72	5.75
	<u>100.00</u>	<u>100.00</u>

As at 31 December 2010, about 95.28% of the fund’s assets were invested in fixed income securities compared to 94.25% previously. Liquidity is maintained for the fund to take advantage of primary issues as well as to facilitate any redemption.



MARKET OUTLOOK

2011 will be a challenging year for Ringgit bond market following a year in which both government and corporate bonds both gave good performances. Recall that in 2008, government bonds outperformed the corporate bonds segment whilst in 2009 it was the opposite whereby corporate bonds outperformed government bonds.

We expect supply of MGS/GII for 2011 to dominate in view of the expected larger budget deficit of RM45.5 billion for 2011 (versus actual deficit of RM49.0 billion reported for 2009). For 2011, the projected budget deficit was estimated to be around RM45.5 billion and with MGS/GII maturities of RM45.0 billion, total funding required would be RM90.5 billion. On top of scheduled maturities, there will also be a USD1.75 billion (approx. RM5.4 billion) debt maturing in 2011. As such, total funding required for the year sums up to RM96.0 billion.

However, market did not react as much as it did in 1Q2009 when the 5-year MGS yields shot up from 2.68% to 3.83%, an increase of 115 bps, in a span of 2 months, whereas the current 5-year MGS yields only rose about 12 bps from 3.22% in mid October 2010 to 3.34% at the end of the year. The only differences we notice were that OPR in 2009 was low at 2.00% versus 2.75% currently and that foreign holdings in MGS was also at the lowest at RM27.0 billion in 2009 versus current holdings of close to RM73.3 billion. In a nut shell, we are seeing strong support from the foreign investors taking advantage of wider positive carry and promising economic outlook in Malaysia and also the Asian region.

MARKET OUTLOOK (CONTINUED)

In addition, the implementation of several public-private partnership (“PPP”) (mentioned in Budget 2011) and strategic high-impact projects will create more opportunity for such companies to tap the debt market. Though, the implementation of these projects may have a longer gestation period, the funding needs may not be in the immediate term.

In view of the above, we are projecting corporate bonds supply for 2011 to be around RM60 to RM65 billion which will comprise issues such as MRT Greater KL Project, PAAB (Selangor water restructuring), Prasarana and some power bonds.

Elsewhere, there will be 6 Monetary Policy Committee (“MPC”) Meetings in 2011, with 3 meetings in each half of the year. The first meeting will be held on 27 January and next meeting will be on 11 March. We do not anticipate BNM raising rates during the 1Q2011 as we view inflationary pressures to be contained in the first quarter. Also signs of economic growth slowing down in the 4Q2010 and possible crossing over to 1Q2011 may prompt BNM to pause and reassess the economy until 2H2011.

INVESTMENT STRATEGY

Against a backdrop of rising yields especially in the MGS segment, our asset allocation strategy is to maintain an overweight on Corporate bonds versus Government bonds. Our general themes in 2011 are as follows:

1. Overweight Corporate Bonds – We like lower rated corporate bonds within the AA & selected A segment for better yield pick up. Moreover, lower rated bonds have proven to be more resilient towards fluctuations in MGS yields.
2. Underweight AAA and government guaranteed bonds as their yields tend to move in tandem with MGS yields.
3. Underweight MGS as we expect yields to be bearish. However, we will buy on weakness and adopt a more active trading stance on MGS.
4. Shorter duration positioning of our funds to be defensive against rising yields. We prefer short to medium tenor bonds with high absolute yields to position the funds against the impact of any bearish movement in MGS market.

Notwithstanding the above, we will keep a close watch on leading indicators such as inflation data, real GDP growth and continue to be vigilant in monitoring the pace of fund flows into the market and the potential interest rate hike in the U.S that could be the turning point for the outflow of hot money.

SOFT COMMISSION AND REBATES

Soft commission received for goods and services such as financial wire services and stock quotation system incidental to the investment management of the funds are retained by the management company. During the period/year under review, the management company had received soft commissions in the form of financial wire and stock quotation system which are incidental to the investment management of the funds.

SPREAD OF UNIT HOLDINGS AS AT 31 DECEMBER 2010

Size of holdings(units)	No. of unitholders	No. of units held (million)	% of units held
5,000 and below	5,667	2.38	0.70
5,001-10,000	617	4.44	1.30
10,001-50,000	886	19.04	5.58
50,001-500,000	273	30.37	8.91
Above 500,000	26	284.80	83.51
Total	7,469	341.03	100.00

**STATEMENT BY MANAGER TO THE UNITHOLDERS OF
CIMB-PRINCIPAL BOND FUND**

I, being the Director of CIMB-Principal Asset Management Berhad, do hereby state that, in the opinion of the Manager, the accompanying audited financial statements set out on [pages 14 to 50](#) are drawn up in accordance with the provisions of the Deed and give a true and fair view of the financial position of the Fund as at 31 December 2010 and of its financial performance, changes in equity and cash flows for the financial year then ended in accordance with the Financial Reporting Standards in Malaysia and the Securities Commission's Guidelines on Unit Trust Funds

For and on behalf of the Manager

CIMB-Principal Asset Management Berhad (Company No.: 304078-K)

JOHN CAMPBELL TUPLING

Chief Executive Officer/Director

Kuala Lumpur
28 February 2011

**TRUSTEE'S REPORT TO THE UNITHOLDERS OF
CIMB-PRINCIPAL BOND FUND**

We have acted as the Trustee of CIMB-Principal Bond Fund for the financial year ended 31 December 2010. To the best of our knowledge, CIMB-Principal Asset Management Berhad, the Manager, has managed the Fund in accordance with the limitations imposed on the investment powers of the management company and the Trustee under the Deed, other provisions of the Deed, the Securities Commission Act 1993, the Capital Markets and Services Act 2007, the Securities Commission's Guidelines on Unit Trust Funds and other applicable laws during the financial year then ended.

We have also ensured the following:

- (a) the Fund is being managed in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the Deed, the Securities Commission's Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws during the financial year ended 31 December 2010;
- (b) valuation or pricing is carried out in accordance with the Deed of the Fund and the relevant regulatory requirements; and
- (c) creation and cancellation of units have been carried out in accordance with the Deed of the Fund and the relevant regulatory requirements.

A distribution of 3.76 sen per unit has been distributed to the unitholders of CIMB-Principal Bond Fund for the financial year ended 31 December 2010.

We are of the view that distribution to the unitholders is consistent with the objective of the Fund.

For and on behalf of the Trustee
PB Trustee Services Berhad

JOTHIRANI KRISHNAN
Senior Assistant Manager

Kuala Lumpur
28 February 2011

**INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF
CIMB-PRINCIPAL BOND FUND**

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of CIMB-Principal Bond Fund, which comprise the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on [pages 14 to 50](#).

Manager's Responsibility for the Financial Statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards in Malaysia and the Securities Commission's Guidelines on Unit Trust Funds. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 judgement, 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 and fair presentation of the financial statements 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.

**INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF
CIMB-PRINCIPAL BOND FUND (CONTINUED)**

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards in Malaysia and the Securities Commission's Guidelines on Unit Trust Funds so as to give a true and fair view of the financial position of the Fund as of 31 December 2010 and of its financial performance, changes in equity and cash flows for the financial year then ended.

OTHER MATTERS

This report is made solely to the unitholders 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
28 February 2011

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010**

	Note	2010 RM	2009 As retated RM
NET INVESTMENT INCOME			
Interest income	4	14,960,266	10,194,875
Net realised gain/(loss) on sale of financial assets at fair value through profit or loss	10	2,567,787	(420,122)
Net accretion of discounts on unquoted fixed income securities	5	-	1,303,819
Net unrealised gain on financial assets at fair value through profit or loss	10	1,519,893	-
Other income		-	4,078,706
		<u>19,047,946</u>	<u>15,157,278</u>
EXPENSES			
Manager's fees	6	2,903,400	1,894,290
Trustee's fees	7	145,170	94,714
Auditor's remuneration		9,500	9,500
Tax agent's fee		4,123	4,815
Other expenses		7,016	4,580
		<u>3,069,209</u>	<u>2,007,899</u>
NET PROFIT BEFORE TAXATION		15,978,737	13,149,379
Taxation	9	-	-
NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME		<u>15,978,737</u>	<u>13,149,379</u>
Net profit after taxation is made up of the following:			
Realised amount		14,458,844	9,353,983
Unrealised amount		1,519,893	3,795,396
		<u>15,978,737</u>	<u>13,149,379</u>

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

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

	Note	31-Dec-2010 RM	31-Dec-2009 As retated RM	31-Dec-2008 As retated RM
INVESTMENTS				
Financial assets at fair value through profit or loss	10	378,097,659	-	-
Unquoted fixed income securities	11	-	207,699,329	161,033,000
		<u>378,097,659</u>	<u>207,699,329</u>	<u>161,033,000</u>
LIQUID ASSETS				
Deposits with licensed financial institutions		45,780,092	11,625,000	21,882,163
Bank balance in a related licensed bank		553,215	116,087	5,099
	12	<u>46,333,307</u>	<u>11,741,087</u>	<u>21,887,262</u>
OTHER ASSETS				
Amount due from Manager		2,218,560	133,128	446,624
Interest receivable		-	2,338,142	2,197,003
Tax recoverable		3,871	3,871	3,871
		<u>2,222,431</u>	<u>2,475,141</u>	<u>2,647,498</u>
TOTAL ASSETS		<u>426,653,397</u>	<u>221,915,557</u>	<u>185,567,760</u>
LIABILITIES				
Amount due to Manager		640,482	860,752	219,967
Amount due to dealers		31,808,730	-	-
Accrued management fee		315,985	187,206	159,710
Amount due to Trustee		15,799	9,360	7,985
Other payables and accruals		19,126	41,192	46,005
Distribution payable		819,477	307,550	1,752,489
TOTAL LIABILITIES		<u>33,619,599</u>	<u>1,406,060</u>	<u>2,186,156</u>
NET ASSET VALUE OF THE FUND	13	<u>393,033,798</u>	<u>220,509,497</u>	<u>183,381,604</u>
EQUITY				
Unitholders' capital	13	375,084,873	206,096,012	175,906,157
Retained earnings		17,948,925	13,200,789	8,728,435
Fair value reserve		-	1,212,696	(1,252,988)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>393,033,798</u>	<u>220,509,497</u>	<u>183,381,604</u>
NUMBER OF UNITS IN CIRCULATION	13	<u>341,029,741</u>	<u>196,077,797</u>	<u>169,955,995</u>
NET ASSET VALUE PER UNIT (RM)		<u>1.1525</u>	<u>1.1246</u>	<u>1.0790</u>

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010**

	Unitholders' capital RM	Retained earnings RM	Fair value reserve RM	Total RM
Balance as at 1 January 2010, as previously stated	-	-	-	-
Prior year adjustment for adoption of amendments to FRS 132 (Note 19(a))	<u>206,096,012</u>	<u>13,200,789</u>	<u>1,212,696</u>	<u>220,509,497</u>
Balance as at 1 January 2010, restated after adoption of amendments to FRS 132	206,096,012	13,200,789	1,212,696	220,509,497
Adjustment for adoption of FRS 139 (Note 19(b))	<u>-</u>	<u>1,212,696</u>	<u>(1,212,696)</u>	<u>-</u>
Balance as at 1 January 2010, restated after adoption of FRS 139	206,096,012	14,413,485	-	220,509,497
Movement in unitholders' contribution:				
Creation of units from applications	310,075,033	-	-	310,075,033
Creation of units from distributions	11,623,819	-	-	11,623,819
Cancellation of units	(152,709,991)	-	-	(152,709,991)
Total comprehensive income for the financial year	-	15,978,737	-	15,978,737
Distribution for the financial year (Gross/net: 3.76 sen) (Note 8)	-	(12,443,297)	-	(12,443,297)
	<u>375,084,873</u>	<u>17,948,925</u>	<u>-</u>	<u>393,033,798</u>

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)**

	Unitholders' capital RM	Retained earnings RM	Fair value reserve RM	Total RM
Balance as at 1 January 2009, as previously stated	-	-	-	-
Prior year adjustment for adoption of amendments to FRS 132 (Note 19(a))	175,906,157	8,728,435	(1,252,988)	183,381,604
Balance as at 1 January 2009, restated after adoption of amendments to FRS 132	175,906,157	8,728,435	(1,252,988)	183,381,604
Movement in unitholders' contribution:				
Creation of units from applications	181,345,912	-	-	189,715,387
Creation of units from distribution	8,369,475	-	-	8,369,475
Cancellation of units	(159,525,532)	-	-	(159,525,532)
Total comprehensive income for the financial year	-	13,149,379	-	13,149,379
Distribution for the financial year (Gross/net: 4.60 sen) (Note 8)	-	(8,677,025)	-	(8,677,025)
Change in fair value reserve	-	-	2,465,684	2,465,684
Balance as at 31 December 2009, restated	<u>206,096,012</u>	<u>13,200,789</u>	<u>1,212,696</u>	<u>220,509,497</u>

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

**STATEMENT OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010**

	Note	2010 RM	2009 RM
CASH FLOW FROM OPERATING ACTIVITIES			
Proceeds from sale of unquoted sukuk		84,600,051	55,336,761
Proceeds from redemption of fixed income securities		31,056,392	27,500,000
Purchase of unquoted fixed income securities		(248,070,655)	(125,288,542)
Interest received from deposits with licensed financial institutions		509,751	359,336
Interest received from unquoted fixed income securities		14,700,949	9,694,400
Manager's fees paid		(2,774,621)	(1,866,794)
Trustee's fees paid		(138,731)	(93,339)
Other income		-	3,213,540
Payment for other fees and expenses		<u>(42,704)</u>	<u>(23,708)</u>
Net cash outflow from operating activities		<u>(120,159,568)</u>	<u>(31,168,346)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Cash proceeds from unit created		307,989,601	181,659,407
Payment for cancellation of units		(152,930,262)	(158,884,747)
Distribution paid		<u>(307,551)</u>	<u>(1,752,489)</u>
Net cash inflow from financing activities		<u>154,751,788</u>	<u>21,022,171</u>
Net increase/(decrease) in cash and cash equivalents		34,592,220	(10,146,175)
Cash and cash equivalents at beginning of the financial year		<u>11,741,087</u>	<u>21,887,262</u>
Cash and cash equivalents at end of the financial year	11	<u>46,333,307</u>	<u>11,741,087</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010**

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITY

CIMB-Principal Bond Fund (the "Fund") is governed pursuant to the execution of a Principal Master Deed dated 15 May 2008 (referred to as "the Deed") and made between CIMB-Principal Asset Management Berhad (the "Manager") and PB Trustee Services Berhad (the "Trustee").

The principal activity of the Fund is to invest in "Authorised Investments", as defined under Clause 17 of the Deed, which include fixed income securities listed on Bursa Malaysia Securities Berhad and money market instruments. The Fund commenced operations on 15 November 1995 and will continue its operations until terminated by the Trustee as provided under Clause 25 of the Deed.

The Fund aims to provide unitholders with regular income as well as achieve medium to long-term capital appreciation through investments primarily in Malaysian bonds.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with Financial Reporting Standards ("FRS") in Malaysia and the SC Guidelines on Unit Trust Funds.

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

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

- (i) Standards and amendments to published standards that are effective
 - FRS 8 "Operating Segments" (effective from 1 July 2009) replaces FRS 1142004 Segment Reporting. The new standard requires a 'management approach', under which segment information is reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. The improvement to FRS 8 (effective from 1 January 2010) clarifies that entities that do not provide information about segment assets to the chief operating decision-maker will no longer need to report this information. Prior year comparatives must be restated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

- FRS 7 “Financial instruments: Disclosures” (effective from 1 January 2010) provides information to users of financial statements about an entity’s exposure to risks and how the entity manages those risks. The improvement to FRS 7 clarifies that entities must not present total interest income and expense as a net amount within finance costs on the face of the Income Statement. This standard does not have any impact on the classification and valuation of the Fund’s financial statements.
- The revised FRS 101 “Presentation of financial statements” (effective from 1 January 2010) prohibits the presentation of items of income and expenses (that is, ‘non-owner changes in equity’) in the statement of changes in equity. ‘Non-owner changes in equity’ are to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

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

- FRS 107 “Statement of cash flows” (effective from 1 January 2010) clarifies that only expenditure resulting in a recognised asset can be categorised as a cash flow from investing activities.
- FRS 110 “Events after the balance sheet date” (effective from 1 January 2010) reinforces existing guidance that a dividend declared after the reporting date is not a liability of an entity at that date given that there is no obligation at that time.
- FRS 118 “Revenue” (effective from 1 January 2010) provides more guidance when determining whether an entity is acting as a ‘principal’ or as an ‘agent’. This standard does not have material impact on the classification and valuation of the Fund’s financial statements.
- Amendment FRS 132 “Financial Instruments: Presentation”

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

- Amendment FRS 132 “Financial Instruments: Presentation” (continued)

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

The effects as a result of adoption of the amendment on the statement of financial position for the prior periods are set out in Note 19(a).

- FRS 139 “Financial Instruments: Recognition and Measurement”

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

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

The effects as a result of adoption of the new standard on the opening balances of the statement of financial position at the beginning of the financial year are set out in Note 19(b).

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

(ii) The new standards, amendments and interpretations to published standards which are relevant to the Fund and have not been early adopted are:

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

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

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

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

The Fund designates its Shariah-compliant investment in unquoted fixed income 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

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 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.

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

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

Unquoted fixed income securities denominated in Ringgit Malaysia are revalued on a daily basis based on fair value prices quoted by a bond pricing agency ("BPA") registered with the SC as per the SC Guidelines on Unit Trust Funds. Where such quotation are not available or where the Manager is of the view that the price quoted by the BPA for a specific unquoted fixed income securities differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager:

- (i) records its basis for using non-BPA price;
- (ii) obtains necessary internal approvals to use the non-BPA price; and
- (iii) keeps an audit trail of all decisions and basis for adopting the market yield.

(c) Income recognition

Interest income earned from deposits and unquoted fixed income securities are recognised on the accrual basis.

Realised gain or loss on disposal of investments is calculated based on difference between the net disposal proceeds and the carrying amount of investments, determined on cost adjusted for accretion of discount or amortisation of premium.

(d) Creation and cancellation of units

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

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

(e) Cash and cash equivalents

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

(f) Taxation

Current tax expense is determined according to Malaysian tax laws and includes all taxes based upon the taxable profits.

(g) Distribution

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(h) Amount due from/to brokers**

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

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

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

(i) Functional and presentation currency

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

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

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

(k) Segmental information

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Segment information (continued)

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

(l) Financial instruments

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

Financial instruments as at 31 December 2010 are as follows:

	Loans and Receivables RM	Financial assets at fair value through profit or loss RM	Total RM
Financial assets at fair value through profit or loss (Note 10)	-	378,097,659	378,097,659
Cash and cash equivalents (Note 12)	46,333,307	-	46,333,307
Amount due from Manager	2,218,560	-	2,218,560
	<u>48,551,867</u>	<u>378,097,659</u>	<u>426,649,526</u>

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(m) Critical accounting estimates and judgements in applying accounting policies (continued)****(i) Estimate of fair value of unquoted fixed income securities**

The Fund uses significant judgement in determining whether an investment is impaired. The Fund evaluates, among other factors, the durations and extent to which the fair value of the investment is less than cost, and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, macroeconomic factors and speculation.

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 valuation guidelines.

Unquoted fixed income securities are valued using fair value prices quoted by the BPA. Where the manager is of the view that the price quoted by BPA for a specific unquoted fixed income security differs from the market price by more than 20 basis points, the manager may use the market price, provided that the manager records its basis for using a non-BPA price, obtains necessary internal approvals to use the non-BPA price, and keeps an audit trail of all decisions and basis for adopting the use of non-BPA price. This is allowed for under the SC Guidelines on Unit Trust Funds.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The investment objective of the Fund is to provide income to unitholders via a medium and long bond portfolio with the objective of maxising distribution of income and gains.

The Fund is exposed to a variety of risks which include market risk inclusive of price risk and interest rate risk, credit risk, liquidity risk, single issuer risk, non compliance risk and capital risk.

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

(a) Market risk

(i) Price risk

This is the risk that the fair value of an investment in quoted security and unquoted fixed income security will fluctuate because of changes in market prices (other than those arising from interest rate risk and currency risk).

The price risk is managed through diversification and selection of securities and other financial instruments within specified limits according to the Deed.

At 31 December 2010, the Fund's overall exposures to price risk were as follows:

	2010 RM
Unquoted fixed income securities designated at fair value through profit or loss	<u>378,097,659</u>

The table below summarises the sensitivity of the Fund's net asset value to movements in prices of unquoted fixed income securities as at 31 December 2010. The analysis is based on the assumptions that the price of the unquoted fixed income securities increased and decreased by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the unquoted fixed income securities, having regard to the historical volatility of the prices.

% Change in price of unquoted fixed income securities	Market value RM	Change in net asset value RM
- 5%	359,192,776	(18,904,883)
0%	378,097,659	-
5%	<u>397,002,542</u>	<u>18,904,883</u>

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk

The Fund is exposed to interest rate risk. Changes in interest rates will affect the value of the investments and its returns. To manage the risk, investments will be concentrated in investment grade issues by financial institutions and companies determined by the Manager.

This risk is crucial in a bond fund since bond portfolio management depends on forecasting interest rate movements. Prices of bonds move inversely to interest rate movements, therefore as interest rates rise, the prices of bonds decrease and vice versa. Furthermore, bonds with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

Investors should note that fixed income securities (such as the bonds held by the Fund) and money market instruments are subject to interest rate fluctuations. Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to make payments of interest and principal, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

The Fund also holds a limited amount of cash and cash equivalents that expose the Fund to cash flow interest rate risk.

The table below summarises the sensitivity of the Fund's net asset value to movements in prices of unquoted fixed securities and interest income from deposits with licensed financial institutions held by the Fund as at 31 December 2010 as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate increased and decreased by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the interest rate, having regard to the historical volatility of the interest rate.

% Change in interest rate	Impact on net asset value	
	Unquoted fixed income securities designated at fair value through profit or loss RM	Deposits with licensed financial institutions RM
5%	2,811,188	(404)
0%	-	-
5%	(2,811,188)	404

(iii) Currency risk

The Fund is not exposed to any currency risk as the Fund has no investments overseas.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk

Credit risk refers to the ability of an issuer or a counter party to make timely payments of profit, principals and proceeds from realisation of investments. In the case of the Fund, the Manager regularly review the ratings assigned to the Issuer so that the necessary steps can be taken if the ratings fall below those prescribed by the SC.

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

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

As at 31 December 2010	Financial assets at fair value through profit or loss RM	Cash and cash equivalents RM	Amount due from Manager RM	Total RM
Finance	-	46,333,307	-	46,333,307
Unquoted fixed income securities:				
- Malayisan Government Securities	20,098,680	-	-	20,098,680
- AAA	44,154,768	-	-	44,154,768
- AA3	75,088,233	-	-	75,088,233
- AA2	16,816,056	-	-	16,816,056
- AA1	104,510,432	-	-	104,510,432
- AA	5,284,671	-	-	5,284,671
- AA-	37,038,226	-	-	37,038,226
- A3	10,325,893	-	-	10,325,893
- A2	12,612,329	-	-	12,612,329
- A1	33,181,021	-	-	33,181,021
- A+	3,106,673	-	-	3,106,673
- A	913,922	-	-	913,922
- BBB3	4,567,573	-	-	4,567,573
- BBB1	7,613,538	-	-	7,613,538
- B+	804,594	-	-	804,594
- NR & MARC-1	1,981,050	-	-	1,981,050
Others	-	-	2,218,560	2,218,560
	<u>378,097,659</u>	<u>46,333,307</u>	<u>2,218,560</u>	<u>426,649,526</u>

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk

Liquidity risk is the risk that investments cannot be readily sold at or near its actual value without taking a significant discount. This will result in lower net asset value of the Fund. The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by unitholders. Liquid assets comprise cash, deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 7 days. The Fund has a policy of maintaining a minimum level of two percent (2%) of liquid assets at all times to reduce the liquidity risk.

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining period as at the 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
Amount due to Manager	640,482
Amount due to dealers	31,808,730
Accrued management fee	315,985
Amount due to Trustee fee	15,799
Other payables and accruals	19,126
Distribution payable	819,477
	<hr/>
Contractual cash out flows	33,619,599
	<hr/> <hr/>

(d) Single issuer risk

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

The single issuer risk is managed by adhering to the investment limits as specified in the SC Guidelines on Unit Trust Funds.

(e) Non-compliance risk

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

(f) Capital risk management

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

4. INTEREST INCOME

	2010 RM	2009 RM
Interest income on deposits with licensed financial institutions	508,728	359,257
Interest income on quoted fixed income securities	14,451,538	9,835,618
	14,960,266	10,194,875

5. NET ACCRETION OF DISCOUNTS/(AMORTISATION OF PREMIUMS)

	2010 RM	2009 RM
Amortisation of premiums, net of accretion of Discounts		
- realised	-	(2,491,577)
- unrealised	-	3,795,396
	-	1,303,819

6. MANAGER'S FEES

In accordance with Clause 24(1) of the Deed, the Manager is entitled to a fee of up to 1.50% per annum calculated and accrued daily based on the net asset value of the Fund.

For the financial year ended 31 December 2010, the Manager's fee is recognised at a rate of 1.00% per annum (2009: 1.00%).

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

7. TRUSTEE'S FEES

In accordance with Clause 24 (2) of the Deed, the Trustee is entitled to a fee not exceeding 0.05% per annum calculated based on the net asset value of the Fund or at such rates as may be agreed from time to time between the Trustee and the Manager. Trustee Fee includes the local custodian fee but excludes the foreign sub-custodian fee (if any).

For the financial year ended 31 December 2010, the Trustee's fee is recognised at a rate of 0.05% per annum (2009: 0.05%).

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

8. FINANCE COST - DISTRIBUTION

Distribution to unitholders is derived from the following sources:

	2010	2009
	RM	RM
Interest income	12,124,516	9,457,061
Net realised gain/(loss) on sale of investments	2,716,073	(389,717)
Net realised amortisation of premiums	-	(2,311,259)
Other income	-	3,783,525
Previous financial year's realised gain	671,917	-
	<u>15,512,506</u>	<u>10,539,610</u>
Less:		
Expenses	<u>(3,069,209)</u>	<u>(1,862,585)</u>
Net distribution amount	<u>12,443,297</u>	<u>8,677,025</u>
Final distribution on 31 December		
Net distribution per unit (sen)	3.76	4.60
Gross distribution per unit (sen)	<u>3.76</u>	<u>4.60</u>

Net distribution above is sourced from current year's realised income. Gross distribution is derived using total income less total expenses.

Gross distribution per unit is derived from gross realised income less expenses divided by the number of units in circulation, while net distribution for unit is derived from gross realised income less expenses and taxation divided by the number of units in circulation.

9. TAXATION

	2010	2009
	RM	RM
Current taxation	<u>-</u>	<u>-</u>

The numerical reconciliation between net profit before finance cost and taxation multiplied by the Malaysian statutory tax rate and tax expense of the Fund is as follows:

	2010	2009
	RM	RM
Net profit before taxation	<u>15,978,737</u>	<u>13,149,379</u>
Taxation at Malaysian statutory rate of 25% (2009: 25%)	3,994,684	3,287,345
Tax effects of:		
Income not subject to tax	(4,120,040)	(3,894,350)
Net realised (gain)/loss on sale of investment not (subject to tax)/deductible for tax purposes	(641,946)	105,031
Expenses not deductible for tax purposes	39,077	26,027
Restriction on tax deductible expenses for unit trust funds	<u>728,225</u>	<u>475,947</u>
Taxation	<u>-</u>	<u>-</u>

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial assets at fair value through profit or loss comprise unquoted fixed income securities.

As at 31 December 2010	Nominal value RM	Carrying value RM	Fair value RM	Percentage of value of Fund %
Malaysian Government 5.094% - 4/30/2014	14,000,000	15,134,588	14,950,832	3.77
Malaysian Government 4.012% - 15/09/2017	5,000,000	5,204,013	5,147,848	1.29
Sabah State Government 4.58% - 09/12/2014 (AAA)	5,000,000	5,044,965	5,113,430	1.30
Kesas Sdn Berhad 7.95% - 10/11/2013 (AA3)	1,000,000	1,128,153	1,101,309	0.28
Encorp Systembilt Sdn Bhd 0% - 03/01/2014 (AA2)	4,000,000	3,293,157	3,550,400	0.90
Encorp Systembilt Sdn Bhd due 7/3/2011 (AA2)	3,000,000	2,646,856	2,948,400	0.75
Konsortium Lebuhraya Bwh-Kulim 4.00% - 15/01/2014 (AA3)	1,000,000	969,638	1,014,778	0.25
Konsortium Lebuhraya Bwh-Kulim 4.00% - 15/07/2015 (AA3)	1,000,000	957,242	1,003,930	0.25
Sunrise Berhad 4.90% - 18/02/2013 (A+)	3,000,000	3,076,694	3,106,673	0.78
Talam Corporation Berhad 0% - 28/06/2019 (B+)	2,332,833	483,600	804,594	0.20
Teknologi Tenaga Perlis 8.55% - 9/13/2012 (AA1)	3,000,000	3,500,553	3,317,042	0.82
Teknologi Tenaga Perlis 9% - 9/11/2015 (AA1)	1,000,000	1,227,584	1,234,498	0.31
Teknologi Tenaga Perlis 9.2% - 9/13/2016 (AA1)	5,000,000	5,474,889	6,383,038	1.59
UMW Holdings Berhad 4.55% - 15/09/2014 (AAA)	4,000,000	4,117,766	4,152,298	1.04
Chemical Company Malaysia Bhd 5.95% - 28/11/2011 (AA3)	2,000,000	2,054,747	2,043,085	0.52
Konsortium Lebuh Utara Timur 6.22% - 28/10/2020 (AA-)	5,000,000	5,188,219	5,364,384	1.35
Konsortium Lebuh Utara Timur 6.37% - 28/10/2021 (AA-)	5,000,000	5,341,500	5,386,219	1.36
Konsortium Lebuh Utara Timur 6.67% - 27/10/2023 (AA-)	5,000,000	5,451,218	5,450,218	1.37
Maju Expressway Sdn Berhad 6.25% - 14/06/2019 (AA-)	2,000,000	2,005,822	2,182,022	0.55
New Pantai Expressway Sdn Bhd 5.55% - 31/10/2014 (AA3)	500,000	506,484	517,503	0.13
New Pantai Expressway Sdn Bhd 5.9% - 10/31/2011 (AA3)	1,500,000	1,557,222	1,537,910	0.39
Padiberas Nasional Berhad 5.05% - 07/09/2015 (AA3)	5,000,000	5,118,998	5,184,247	1.30

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

As at 31 December 2010 (continued)	Nominal value RM	Carrying value RM	Fair value RM	Percentage of value of Fund %
Tesco Stores M Sdn Berhad 4.65% - 24/06/2013 (AAA)	2,000,000	2,002,044	2,052,644	0.52
Jimah Energy Ventures Sdn Bhd 7.65% - 11/12/2014 (AA3)	2,000,000	2,218,784	2,246,933	0.57
Jimah Energy Ventures Sdn Bhd 7.8% - 11/12/2015 (AA3)	2,000,000	2,283,552	2,300,747	0.58
Jimah Energy Ventures Sdn Bhd 7.9% - 5/12/2016 (AA3)	5,000,000	5,720,667	5,822,058	1.47
Jimah Energy Ventures Sdn Bhd 8% - 11/11/2016 (AA3)	10,000,000	11,807,014	11,781,497	2.97
Jimah Energy Ventures Sdn Bhd 8.2% - 11/10/2017 (AA3)	2,000,000	2,353,195	2,411,652	0.61
Jimah Energy Ventures Sdn Bhd 8.3% - 11/11/2016 (AA3)	2,000,000	2,297,299	2,387,528	0.60
Jimah Energy Ventures Sdn Bhd 8.55% - 5/12/2017 (AA3)	1,000,000	1,194,423	1,216,909	0.31
Jimah Energy Ventures Sdn Bhd 9.25% - 5/12/2021 (AA3)	2,000,000	2,340,398	2,646,952	0.67
Jimah Energy Ventures Sdn Bhd 9.20% - 12/11/2019 (AA3)	1,000,000	1,236,200	1,303,507	0.33
Lebuhraya Kajang-Seremban 5.35% - 6/10/2016 (BBB1)	5,000,000	4,637,839	3,878,963	0.98
Lebuhraya Kajang-Seremban 5.6% - 6/12/2017 (BBB1)	5,000,000	5,150,309	3,734,575	0.95
Malakoff Corp Berhad 6.182% - 4/28/2017 (AA3)	2,000,000	1,996,140	2,154,879	0.54
Malakoff Corp Berhad 6.982% - 4/30/2025 (AA3)	6,000,000	6,077,469	6,455,054	1.62
Ranhill Powertron Sdn Berhad 7.10% - 26/06/2015 (AA1)	5,000,000	5,602,871	5,616,808	1.43
Special Power Vehicle Stp % - 11/19/2018 (A1)	5,000,000	7,706,994	8,997,818	2.28
Syarikat Pengeluar Air Sungai 5.65% - 11/28/2014 (A)	1,000,000	998,784	913,922	0.23
Syarikat Pengeluar Air Sungai 8.25% - 7/18/2014 (BBB3)	5,000,000	5,897,697	4,567,573	1.11
Tanjung Bin Power Sdn Berhad 7.4% - 11/9/2012 (AA3)	6,000,000	6,630,207	6,433,952	1.62
Bank Muamalat Malaysia Berhad 6.25% - 9/5/2011 (A3)	10,000,000	10,355,547	10,325,893	2.58
CIMB Group Holdings Berhad 5.05% - 5/30/2013 (AA1)	5,000,000	5,165,793	5,172,820	1.31
Malayan Banking Berhad 5.00% - 15/05/2013 (AA1)	10,000,000	10,317,183	10,317,917	2.61
National Bank Of Abu Dhabi 4.75% - 29/06/2015 (AAA)	1,000,000	1,003,704	1,030,090	0.26
RH Capital Sdn Berhad 6.70% - 23/12/2014 (AAA)	5,000,000	5,451,149	5,470,283	1.39

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

As at 31 December 2010 (continued)	Nominal value RM	Carrying value RM	Fair value RM	Percentage of value of Fund %
Diversified Venue Sdn Berhad 6.10% - 30/12/2013 (AA)	5,000,000	5,286,504	5,284,671	1.34
Road Builder M Sdn Berhad 6.3% - 3/23/2012 (A1)	1,000,000	1,048,443	1,035,188	0.26
OCBC Bank Malaysia Berhad 4.20% - 04/11/2015 (AA1)	5,000,000	5,033,646	5,057,146	1.28
OCBC Limited 4.6% - 27/03/2013 (AAA)	2,000,000	2,017,750	2,056,197	0.52
OSK Investment Bank Berhad 7.15% - 25/05/2015 (A2)	5,000,000	5,036,240	5,310,240	1.34
Premium Commerce Berhad 4.50% - 12/02/2015 (AAA)	5,000,000	5,018,493	5,026,993	1.27
Sabah Development Bank 6.2% - 7/8/2011 (AA1)	4,000,000	4,285,966	4,173,945	1.03
Tresor Assets Berhad 6.10% - 12/01/2012 (AAA)	1,000,000	1,058,716	1,049,412	0.26
Tresor Assets Berhad 8.15% - 25/06/2013 (AAA)	1,000,000	1,098,256	1,086,363	0.28
Tresor Assets Berhad 8.85% - 25/06/2015 (AAA)	3,000,000	3,397,529	3,430,792	0.87
Tresor Assets Berhad 9.05% - 24/06/2016 (AAA)	3,000,000	3,420,314	3,488,807	0.89
United Overseas Bank Malaysia 4.88% - 27/03/2015 (AA2)	5,000,000	5,168,688	5,212,838	1.31
Selia Selenggara Selatan 0% - 31/03/2014 (AAA)	8,000,000	7,373,156	7,059,200	1.80
WCT Berhad 2.50% - 27/12/2013 (AA-)	1,000,000	943,283	943,674	0.24
YTL Power Generation Sdn Bhd 4.43% - 28/01/2011 (AA1)	2,000,000	2,042,964	2,039,710	0.51
YTL Power International Berhad 3% - 18/04/2013 (AA1)	6,000,000	5,715,202	5,924,786	1.50
Ara Bintang Berhad 5.35% - 26/06/2015 (AAA)	3,000,000	3,073,629	3,138,259	0.80
Sports Toto Malaysia Sdn Berhad 5.50% - 30/06/2015 (AA-)	2,000,000	2,024,158	2,072,003	0.53
Sports Toto Malaysia Sdn Berhad 6.00% - 30/06/2017 (AA-)	10,000,000	10,424,422	10,591,288	2.69
Sports Toto Malaysia Sdn Berhad 4.8% - 10/11/2016 (AA-)	5,000,000	5,067,364	5,048,418	1.27
Digi.com Berhad 4.85% - 17/07/2014 (AA1)	1,000,000	1,022,323	1,050,723	0.26
Powertek Berhad 6.8% - 30/08/2011 (AA1)	3,200,000	3,493,451	3,342,404	0.83
AmBank Berhad 5.25% - 28/04/2017 (A2)	7,000,000	7,296,666	7,295,266	1.84

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

As at 31 December 2010 (continued)	Nominal value RM	Carrying value RM	Fair value RM	Percentage of value of Fund %
AmBank Berhad 8.25% - 19/08/2019 (A2)	5,000,000	5,153,699	5,801,699	1.44
AmBank Berhad 5.23% - 02/02/2018 (A1)	5,000,000	5,107,466	5,194,466	1.29
EON Bank Berhad 4.75% - 30/12/2020 (A2)	1,500,000	1,493,706	1,500,390	0.38
RHB Bank Berhad 365D 30/11/2017 (AA2)	5,000,000	5,043,042	5,104,418	1.29
RHB Bank Berhad 5.00% - 29/04/2015 (AA3)	8,000,000	8,176,404	8,228,537	2.08
RHB Bank Berhad Hybrid Tier 1 6.75% - 17/12/2039 (A1)	5,000,000	5,459,996	5,454,870	1.38
RHB Bank Berhad Hybrid Tier 1 8.00% 31.03.2039 (A1)	2,000,000	2,286,632	2,386,967	0.60
RHB Capital Berhad 4.80% 30/12/2015 (A1)	5,000,000	5,001,315	5,001,315	1.27
RHB Capital Berhad 5.00% 22/11/2013 (A1)	5,000,000	5,027,397	5,110,397	1.29
Hyundai Capital Services 4.40% 02/08/2011 (AA1)	4,000,000	4,083,257	4,086,893	1.02
Hyundai Capital Services 5 1/2% Due 5/20/2011 MN20 (AA1)	18,000,000	17,985,437	18,230,898	4.61
Sabah Credit Corp - 4.30% 04/11/2013 (AA1)	5,000,000	5,040,913	5,040,664	1.27
Sabah Credit Corp - 4.50% 07/09/2012 (AA1)	15,000,000	15,214,521	15,304,521	3.84
Sabah Credit Corp 1096D 02/11/2012 (AA1)	2,000,000	2,011,941	2,037,216	0.51
Sabah Credit Corp 5.20% 07/05/2013 (AA1)	6,000,000	6,069,654	6,179,403	1.56
Bayu Padu Sdn Bhd - 181D 28/03/2011 (NR)	2,000,000	1,933,357	1,981,050	0.50
TOTAL UNQUOTED FIXED INCOME SECURITIES	<u>360,032,833</u>	<u>375,365,070</u>	<u>378,097,659</u>	<u>95.28</u>
UNREALISED GAIN/(LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			<u>378,097,659</u>	

11. UNQUOTED FIXED INCOME SECURITIES

As at 31 December 2009				Fair value
Unquoted fixed income securities	Nominal value RM	Carrying value RM	Fair value RM	expressed as of Fund %
Alam Maritim Resources Bhd 4.43% 17/09/2010 (AA-)	4,000,000	3,879,331	3,883,464	1.76
Alam Maritim Resources Bhd 5.18% 23/01/2015 (AA-)	3,000,000	3,022,367	2,969,700	1.35
AmBank Bhd 5.23% 04/02/2013 (A1)	5,000,000	5,000,000	5,024,000	2.28
AmBank Bhd 8.25% 19/08/2019 (A2)	5,000,000	5,000,000	5,253,000	2.38
Anjung Bahasa Sdn Bhd 8.25% 18/06/2013 (AA2)	1,000,000	1,080,149	1,110,200	0.50
Anjung Bahasa Sdn Bhd 8.75% 18/06/2015 (AA2)	4,000,000	4,608,791	4,652,000	2.11
Bank Muamalat Malaysia 6.25% 05/09/2011 (A3)	11,000,000	11,129,357	11,217,800	5.09
Besraya M Sdn Bhd 0% 29/01/2010 (P1)	1,000,000	998,190	998,109	0.45
Chemical Company Malaysia Berh 5.95% 28/11/2011 (AA3)	2,000,000	2,028,975	2,034,600	0.92
Digi.com Berhad 4.85% 17/07/2014 (AA1)	1,000,000	1,000,000	1,020,300	0.46
Encorp Systembilt Sdn Bhd 4.43% 03/07/2011 (AA2)	3,000,000	2,786,822	2,825,700	1.28
Hyundai Capital Services 5.5% 20/05/2011 (AA1)	16,000,000	15,909,262	16,169,600	7.33
Jimah Energy Ventures SB 7.65% 12/11/2014 (AA3)	3,000,000	3,258,210	3,304,800	1.50
Jimah Energy Ventures SB 8.2% 10/11/2017 (AA3)	2,000,000	2,299,426	2,284,000	1.04
Jimah Energy Ventures SB 8.3% 11/11/2016 (AA3)	2,000,000	2,244,562	2,293,800	1.04
Jimah Energy Ventures SB 9.25% 12/05/2021 (AA3)	2,000,000	2,297,267	2,407,800	1.09
Kesas Sdn Bhd 7.95% 11/10/2013 (AA3)	1,000,000	1,088,424	1,100,700	0.50
Konsortium Lebu Utara Timur 8.08% 18/10/2016 (A+)	5,000,000	5,151,353	5,045,500	2.29
Konsortium Lebu Utara Timur 8.57% 18/10/2018 (A+)	5,000,000	5,164,841	5,026,500	2.28
Konsortium Lebuhraya Bwh- Kulim 4% 15/01/2014 (AA3)	1,000,000	960,258	965,700	0.44
Lebuhraya Kajang-Seremban 5.6% 12/06/2017 (AA3)	5,000,000	5,121,899	4,607,500	2.09
Malakoff Corp Berhad 6.18% 28/04/2017 (AA3)	2,000,000	1,976,908	1,957,600	0.89
Malakoff Corp Berhad 6.98% 30/04/2025 (AA3)	6,000,000	6,003,534	5,484,600	2.49
Malaysian Government 5.09% 30/04/2014 (NR)	8,000,000	8,540,163	8,486,400	3.85
Maxis Communications Bhd 4.43% 17/03/2017 (AAA)	4,000,000	3,844,242	3,927,200	1.78

11. UNQUOTED FIXED INCOME SECURITIES (CONTINUED)

As at 31 December 2009 (continued)				
Unquoted fixed income securities	Nominal value RM	Carrying value RM	Fair value RM	Fair value Expressed as of Fund %
Mines Golf Resort Bhd 6.25% 25/06/2010 (AAA)	5,000,000	5,057,142	5,074,000	2.30
MISC Bhd 3.3% 27/07/2011 (AAA)	1,000,000	1,000,000	1,006,100	0.46
National Agricultural Coop 3.8% 08/09/2010 (AAA)	3,000,000	3,000,000	3,000,000	1.36
OCBC Limited 4.6% 27/03/2013 (AAA)	1,000,000	984,934	1,005,900	0.46
Powertek Bhd 6.8% 30/08/2011 (AA1)	3,200,000	3,337,792	3,360,640	1.52
Puncak Niaga M Sdn Bhd 5.4% 25/10/2013 (AA)	4,000,000	4,052,527	4,096,400	1.86
Puncak Niaga M Sdn Bhd 7.9% 27/10/2010 (AA)	3,000,000	3,079,641	3,102,000	1.41
Ranhill Powertron Sdn Bhd 7.1% 26/06/2015 (AA2)	5,000,000	5,186,281	5,512,500	2.50
RHB Bank Bhd 5% 30/11/2017 (AA3)	5,000,000	5,021,549	5,070,000	2.30
RHB Capital Bhd 5% 22/11/2013 (A1)	5,000,000	5,000,000	5,010,000	2.27
RHB Capital Bhd 6.7% 11/01/2010 (A1)	1,000,000	1,000,584	1,000,600	0.45
Sabah Credit Corp 4.75% 02/11/2012 (AA1)	2,000,000	1,997,219	2,008,200	0.91
Sabah Development Bank 6.2% 08/07/2011 (AA1)	4,000,000	4,101,902	4,117,200	1.87
Selia Selenggara Selatan 4.43% 31/03/2014 (AA3)	8,000,000	6,018,978	6,166,400	2.80
Sime Darby Berhad 4.38% 14/11/2014 (AAA)	3,000,000	3,000,000	3,011,700	1.37
Special Power Vehicle 3% 19/11/2018 (A1)	5,000,000	8,206,857	8,215,000	3.73
Syarikat Pengeluar Air Sungai 5.65% 28/11/2014 (AA)	1,000,000	994,628	1,038,400	0.47
Syarikat Pengeluar Air Sungai 8.25% 18/07/2014 (AA2)	5,000,000	5,599,914	5,720,000	2.59
Talam Corporation Berhad 4.43% 28/06/2019 (B+)	2,332,833	484,404	627,066	0.28
Tanjung Bin Power Sdn Bhd 7.4% 09/11/2012 (AA3)	5,000,000	5,365,789	5,383,000	2.44
Teknologi Tenaga Perlis 8.55% 13/09/2012 (AA1)	3,000,000	3,311,292	3,353,100	1.52
Teknologi Tenaga Perlis 9% 11/09/2015 (AA1)	1,000,000	1,173,430	1,217,200	0.55
Teknologi Tenaga Perlis 9.2% 13/09/2016 (AA1)	5,000,000	5,936,800	6,248,500	2.83
Tesco Stores M Sdn Bhd 4.65% 24/06/2013 (AAA)	2,000,000	2,000,000	2,027,400	0.92
Tesco Stores Malaysia 4.05% 12/11/2010 (AAA)	4,000,000	3,992,341	4,021,200	1.82

11. UNQUOTED FIXED INCOME SECURITIES (CONTINUED)

As at 31 December 2009 (continued)				Fair value
Unquoted fixed income Securities	Nominal value RM	Carrying value RM	Fair value RM	expressed as of Fund %
Tresor Assets Berhad 8.85% 25/06/2015 (AAA)	1,500,000	1,681,968	1,682,100	0.76
Tresor Assets Berhad 9.05% 24/06/2016 (AAA)	1,500,000	1,696,575	1,699,350	0.77
UMW Holdings Berhad 4.55% 15/09/2014 (AAA)	3,000,000	3,031,444	3,035,100	1.38
YTL Power Generation Sdn Bhd 4.43% 28/01/2011 (AA1)	2,000,000	2,002,281	2,028,200	0.92
YTL Power International Bhd 3% 18/04/2013 (AA1)	5,000,000	4,776,030	4,811,500	2.18
Total unquoted fixed income securities	<u>201,532,833</u>	<u>206,486,633</u>	<u>207,699,329</u>	<u>94.19</u>
Fair value reserve		<u>1,212,696</u>		
Fair value		<u>207,699,329</u>		

The unquoted fixed income securities have effective weighted average interest rate of 5.09% per annum and an average maturity of 5 years as at 31 December 2009.

12. CASH AND CASH EQUIVALENTS

	2010 RM	2009 RM
Bank balances in a licensed bank	553,215	116,087
Deposits with licensed financial institutions	45,780,092	11,625,000
	<u>46,333,307</u>	<u>11,741,087</u>

The effective weighted average interest rate per annum is as follows:

	2010 %	2009 %
Deposits with licensed financial institutions	<u>2.00</u>	<u>5.00</u>

The deposits have an average maturity of 2 days (2009: 5 days).

13. NUMBER OF UNITS IN CIRCULATION AND NET ASSETS VALUE OF THE FUND

	2010		2009 (As restated)	
	No of units	RM	No of units	RM
At the beginning of the financial year	196,077,797	220,509,497	169,955,995	183,381,604
Creation arising from applications	265,960,054	310,075,033	7,446,815	8,369,475
Creation arising from distribution	10,090,998	11,623,819	159,244,377	181,345,912
Cancellation of units	(131,099,108)	(152,709,991)	(140,569,390)	(159,525,532)
Total comprehensive income for the financial year	-	15,978,737	-	13,149,379
Distribution		(12,443,297)		(8,677,025)
Net change in fair value reserve	-	-	-	2,465,684
At end of the financial year	<u>341,029,741</u>	<u>393,033,798</u>	<u>196,077,797</u>	<u>220,509,497</u>
Approved size of the Fund	<u>1,500,000,000</u>		<u>1,500,000,000</u>	

As at 31 December 2010, the number of units not yet issued is 1,158,970,259 (2009: 1,303,922,203).

14. MANAGEMENT EXPENSE RATIO (“MER”)

	2010 %	2009 %
MER	<u>1.05</u>	<u>1.07</u>

MER is derived from the following calculation:

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

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

The average net asset value of the Fund for the financial year calculated on daily basis is RM 291,354,284 (2009: 189,845,638)

15. PORTFOLIO TURNOVER RATIO (“PTR”)

	2010	2009
	%	%
PTR (times)	0.62	0.48

PTR represents the average of total acquisitions and disposals of investments in the Fund for the financial year over the Fund’s average net asset value calculated on a daily basis.

where:

total acquisition for the financial year	=	RM 279,879,385 (2009 : 125,288,542)
total disposal for the financial year	=	RM 81,656,389 (2009 : 55,740,671)

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

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

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

Units held by the Manager and parties related to the Manager

	2010		2009	
	No. of units	RM	No. of units	RM
CIMB-Principal Asset Management Berhad	85,753	98,830	58,531	65,824
<u>Director of the Manager</u>				
Datuk Noripah Kamsu	-	-	10,802	12,148

The above units were transacted at the prevailing market price.

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

16. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO MANAGER (CONTINUED)

In addition to related party disclosure mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The related party transactions described below were carried out on terms and conditions obtained in transactions with unrelated parties unless otherwise stated. Interest rates on fixed and short-term deposits were at normal commercial rates.

	2010 RM	2009 RM
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institution:		
- CIMB Bank Berhad	62,723	55,664
	<u> </u>	<u> </u>
<u>Significant related party balances</u>		
Deposits with licensed financial institution:		
- CIMB Bank Berhad	-	-
	<u> </u>	<u> </u>

17. TRANSACTIONS BY THE FUND

Transactions entered into by the Fund by value of trades for the financial year ended 31 December 2010 are as follows:

Brokers	Values of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
EON Bank Berhad	96,310,189	26.64	-	-
OSK Investment Bank Bhd	68,605,715	18.98	-	-
CIMB Bank Berhad *	60,206,845	16.65	-	-
AmBank Berhad	48,328,315	13.37	-	-
Standard Chartered Bank	24,866,929	6.88	-	-
RHB Investment Bank Berhad	22,163,931	6.13	-	-
KAF Investment Bank Berhad	8,731,586	2.42	-	-
OCBC Bank Malaysia Berhad	7,094,615	1.96	-	-
HSBC Bank Malaysia Berhad	6,689,915	1.85	-	-
Malayan Banking Berhad	6,035,912	1.67	-	-
Others	12,501,822	3.46	-	-
	<u>361,535,774</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

17. TRANSACTIONS BY THE FUND (CONTINUED)

Transactions entered into by the Fund by value of trades for the financial year ended 31 December 2009 are as follows:

Brokers	Values of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
CIMB Bank Berhad*	36,126,727	19.47	-	-
Maybank Investment Bank Berhad	29,941,188	16.13	-	-
Standard Chartered Bank	22,765,560	12.26	-	-
OSK Investment Bank	18,129,700	9.77	-	-
AmBank Berhad	14,666,692	7.90	-	-
HSBC Bank Malaysia Berhad	10,556,675	5.69	-	-
Malayan Banking Berhad	10,546,260	5.68	-	-
RHB Investment Bank Berhad	10,428,900	5.62	-	-
KAF Investment Bank Berhad	7,443,200	4.01	-	-
AmInvestment Bank Berhad	5,000,000	2.69	-	-
Others*	20,007,200	10.78	-	-
	185,612,102	100.00	-	-

Transactions entered into by the Fund by value of trades for the financial year ended 31 December 2010 are as follows:

*Included in transactions by the Fund are trades conducted on normal terms with CIMB Bank Berhad and CIMB Investment Bank Berhad, companies related to the Manager amounting to RM60,206,845 (2009: RM36,126,727) and RM nil (2009: RM 4,000,000) respectively.

18. SEGMENT INFORMATION

The Investment Committee of the Manager makes the strategic resource allocations on behalf of the Fund. The Fund has determined the operating segments based on the reports reviewed by this committee that are used to make strategic decisions.

The committee is responsible for the Fund's entire portfolio and considers the business as one sub-portfolio, consisting of a unquoted investments portfolio, which focuses on fixed income-related securities. The committee's asset allocation decisions are based on a single, integrated investment strategy and the Fund's performance is evaluated on an overall basis. 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 interest income, dividend income and gains on the appreciation in the value of investments.

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

18. SEGMENT INFORMATION (CONTINUED)

The segment information provided to the Investment Committee for the reportable operating segment is as follows:

For the financial year ended 31 December 2010:

	Unquoted investments sub-portfolio RM
Net realised gain on sale of financial assets at fair value through profit or loss	2,567,787
Interest income from unquoted fixed income securities	14,451,538
Net unrealised gain on financial assets at fair value through profit or loss	1,519,893
Total segment income	<u>18,539,218</u>
Financial assets at fair value through profit or loss	<u>378,097,659</u>
Total segment assets	<u>378,097,659</u>
Amount due to dealers	<u>31,808,730</u>
Total segment liabilities	<u>31,808,730</u>

For the year ended 31 December 2009:

	Unquoted investments sub-portfolio RM
Net realised loss on sale of financial assets at fair value through profit or loss	(420,122)
Interest income from unquoted fixed income securities	9,835,618
Net accretion of discounts	1,303,819
Total segment income	<u>10,719,315</u>
Financial assets at fair value through profit and loss	<u>207,699,329</u>
Total segment assets	<u>207,699,329</u>
Total segment liabilities	<u>-</u>

18. SEGMENT INFORMATION (CONTINUED)

The Fund's administration, management fee, trustee's and custodian fees are not considered to be segment expenses.

A reconciliation of total segmental income to the total comprehensive income is provided as follows:

	2010	2009
	RM	RM
Total net segmental income	18,539,218	10,719,315
Interest income from deposits with licensed financial institutions	508,728	359,257
Other income	-	4,078,706
Other fees and expenses	(3,069,209)	(2,007,899)
	<u>15,978,737</u>	<u>13,149,379</u>
Net profit before taxation	15,978,737	13,149,379
Taxation	-	-
	<u>15,978,737</u>	<u>13,149,379</u>

	2010	2009
	RM	RM
Total segment assets	378,097,659	207,699,329
Cash and cash equivalents	46,333,307	11,741,087
Amount due from Manager	2,218,560	133,128
Interest receivable from deposits with licensed financial institutions	-	2,338,142
Tax recoverable	3,871	3,871
Total assets	<u>426,653,397</u>	<u>221,915,557</u>

Total segment liabilities	31,808,730	-
Amount due to Manager	640,482	860,752
Amount due to Trustee	15,799	9,360
Accrued management fee	315,985	187,206
Other payables and accruals	19,126	41,192
Distribution payable	819,477	307,550
Total liabilities	<u>33,619,599</u>	<u>1,406,060</u>

The Fund's other receivables and other payables and accrued expenses are not considered to be segment assets and segment liabilities respectively and are managed by the administration function.

19. CHANGES IN ACCOUNTING POLICIES

(a) Amendment FRS 132, "Financial Instruments: Presentation"

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

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

The effects as a result of adoption of the amendment on the statement of financial position and statement of comprehensive income for the prior periods are set out below.

	As previously stated RM	Adjustment RM	As restated RM
1 January 2009			
Statement of Financial Position			
Financial liability	183,381,604	(183,381,604)	-
Unitholders' capital	-	175,906,157	175,906,157
Retained earnings	-	8,728,435	8,728,435
Fair value reserve	-	(1,252,988)	(1,252,988)
	<u>-</u>	<u>183,381,604</u>	<u>183,381,604</u>
Statement of Comprehensive Income			
Finance cost	9,056,814	(9,056,814)	-
Total comprehensive income for the financial year	<u>387,570</u>	<u>9,056,814</u>	<u>9,444,384</u>

19. CHANGES IN ACCOUNTING POLICIES

(a) Amendment FRS 132 "Financial Instruments: Presentation" (continued)

	As previously stated RM	Adjustment RM	As restated RM
31 December 2009			
Statement of Financial Position			
Financial liability	220,509,497	(220,509,497)	-
Unitholders' capital	-	206,096,012	206,096,012
Retained earnings	-	13,200,789	13,200,789
Fair value reserve	-	1,212,696	1,212,696
	-	220,509,497	220,509,497
Statement of Comprehensive Income			
Finance cost	8,677,025	(8,677,025)	-
Total comprehensive income for the financial year	4,472,354	8,677,025	13,149,379

Effect of changes in accounting policy on the statement of financial position as at 31 December 2010, and statement of comprehensive income and statement of changes in equity for the financial year ended 31 December 2010 are set out below.

	Previous accounting policy RM	Change in accounting policy RM	Revised accounting policy RM
Statement of Financial Position			
Financial liability	393,033,798	(393,03,798)	-
Unitholders' capital	-	375,084,973	375,084,973
Retained earnings	-	15,216,236	15,216,236
Fair value reserve	-	2,732,589	2,732,589
	-	393,033,798	393,033,798
Statement of Comprehensive Income			
Finance cost	12,443,297	(12,443,297)	-
Total comprehensive income for the financial year	2,015,547	12,443,297	14,458,844

19. CHANGES IN ACCOUNTING POLICIES

(b) FRS 139 “Financial Instruments: Recognition and Measurement”

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

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

The effects as a result of adoption of the new standard on the opening balances of the statement of financial position at the beginning of the financial year are set out below.

<u>1 January 2010</u>	As restated after adoption of amendments to FRS 132 (Note 19(a)) RM	Adjustment RM	As restated RM
Unitholders' capital	206,096,012	-	206,096,012
Retained earnings	13,200,789	1,212,696	14,413,485
Fair value reserve	1,212,696	(1,212,696)	-
	<u>220,509,497</u>	<u>-</u>	<u>220,509,497</u>

19. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) FRS 139 “Financial Instruments: Recognition and Measurement” (continued)

Effect of changes in accounting policy on the statement of financial position as at 31 December 2010, and statement of comprehensive income and statement of changes in equity for the financial year ended 31 December 2010 are set out below.

	Previous accounting policy	Change in accounting policy	Revised accounting policy
	RM	RM	RM
Statement of Financial Position			
Financial assets at fair value through profit or loss	-	378,097,659	378,097,659
Unquoted fixed income securities	374,611,524	(374,611,524)	-
Deposits with licensed financial institutions	45,772,000	8,092	45,780,092
Interest receivable from unquoted fixed income securities	3,486,135	(3,486,135)	-
Interest receivable from deposits with licensed financial institutions	8,092	(8,092)	-
Fair value reserve	<u>2,732,589</u>	<u>(2,732,589)</u>	<u>-</u>
Statement of Comprehensive Income			
Interest income from unquoted fixed income securities	14,414,409	37,129	14,451,538
Net unrealised gain on financial assets at fair value through profit or loss	-	1,519,893	1,519,893
Net accretion of discount	37,129	(37,129)	-
Total comprehensive income for the financial year	<u>14,458,844</u>	<u>1,519,893</u>	<u>15,978,737</u>

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