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INVESTOR LETTER

Dear valued investors,

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

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

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

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

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

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

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

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

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

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

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

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

MANAGER'S REPORT

What is the investment objective of the Fund?

The Fund aims to provide investors with regular income over the tenure of the Fund linked to the performance of China equities.

Has the Fund achieved its objective?

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

What are the Fund investment policy and its strategy?

The Fund is a closed-ended fund in which at least 95% of the Fund's NAV is invested into a five (5) year China Recovery Structured Product ("China Recovery Structure") to be issued by CIMB and up to 5% of the Fund's NAV will be is invested in liquid assets for liquidity purposes.

The China Recovery Structure consists of two (2) components – money market instruments and OTC options. Through the China Recovery Structure, the Fund will receive potential annual distribution payments linked to the performance of China equities as represented by the CIMB Isovol China Index ("Reference Index"). The China Recovery Structure also incorporates enhanced features whereby investors would benefit if the Reference Index is bearish within the first six (6) months of the Fund's inception and subsequently outperforms. Effectively, the Fund will lock-in the lowest point out of the six (6) observation dates in the first six (6) months of the Fund's tenure. The lowest point will subsequently form the Lookback Floor Level ("Floor Level") for computing the Fund's annual returns and potential annual distributions.

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

Fund category / type

Structured Product / Income

How long should you invest for?

5 years

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

Low

When was the Fund launched?

20 April 2009

What was the size of the Fund as at 30 June 2011?

RM 63.88 (136.77 million units)

What is the Fund's benchmark?

CIMB Bank 1-year Fixed Deposit Rate.

What is the Fund distribution policy?

Subject to the availability of income for distribution, the Manager aims to make annual distributions. The distribution will be declared on the last Business Day of the financial yearend or such other later date as the Manager will determine from time to time (each a "Distribution Period").

What was the net income distribution for the period ended 30 June 2011?

The Fund declared a net income distribution of 0.2500 sen per unit for all unitholders on 15 June 2011.

PERFORMANCE DATA

Details of portfolio composition of the Fund for the financial period are as follows:

	30.06.2011	30.06.2010
Structured Product	99.60	99.60
Cash and Other Net Assets	0.40	0.40
	<u>100.00</u>	<u>100.00</u>

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

	30.06.2011	30.06.2010
Net asset value (RM Million)	63.88	78.83
Units in circulation (million)	136.77	169.78
Net asset value per unit (RM)	0.4670	0.4643
Highest NAV per unit (RM)	0.4745	0.4931
Lowest NAV per unit (RM)	0.4584	0.4619
Total return (%)	1.12	(4.18)
- Capital growth (%)	0.58	(4.45)
- Income distribution (%)	0.54	0.28
Management expense ratio (%)	0.11	0.11
Portfolio turnover ratio (times) #	0.11	0.58
Average total return	Total Return	Annualized
	%	%
- One Year	1.12	1.12
- Since Inception	(4.42)	(2.12)

(Launch date: 20 April 2009)

For the period under review, the portfolio turnover is minimal at 0.11 times, which was solely due to redemptions.

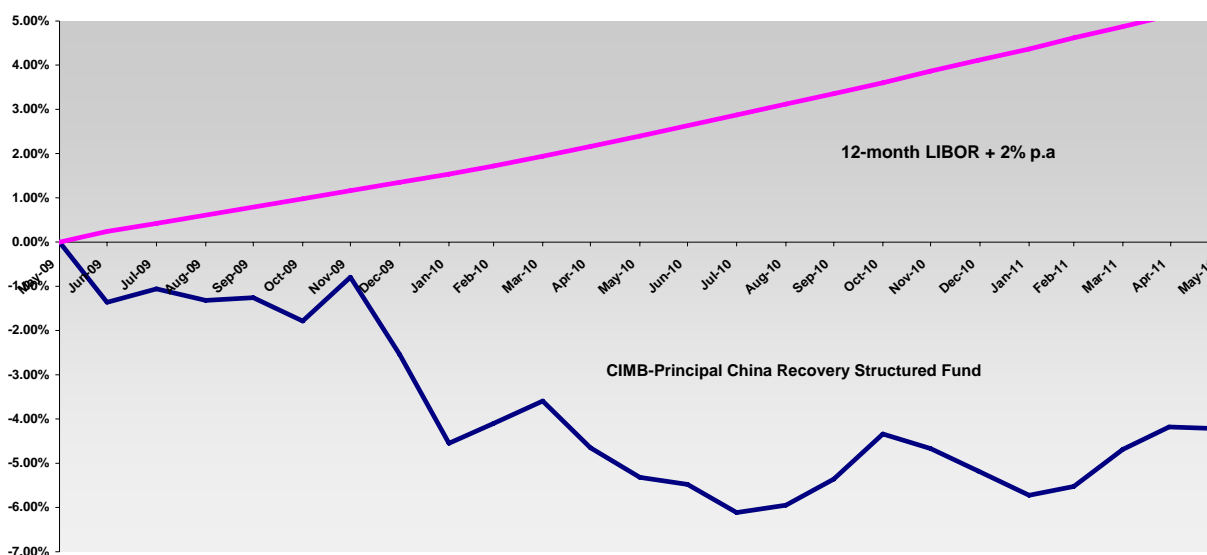
	30.06.2011	Since Inception to 30.06.2011
Annual total return (%)	1.12	(4.42)

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 has been verified by Consulting Actuaries, Mercer (Malaysia) Sdn Bhd (253344-U)

FUND PERFORMANCE

	1 Year to 30.06.2011	Since Inception to 30.06.2011
Income (%)	0.54	0.82
Capital (%)	0.58	(5.20)
Total Return (%)	1.12	(4.42)
Benchmark (%)	2.99	5.70
Average Total Return (%)	1.12	(2.12)

For the period under review, the Fund gained 1.12% while the benchmark gained 2.99%. Since inception, the Fund declined by 4.42% underperforming the benchmark which gained 5.70%.



Changes in Net Asset Value (“NAV”)

	30.06.2011	30.06.2010	Change (%)
Net Asset Value (“NAV”) (RM Million)	63.88	78.83	(18.96)
NAV/unit (RM)	0.4670	0.4643	0.58

For the period under review, the total NAV fell by 18.96% while the NAV per unit gained 0.58%. The fall in total NAV was mainly attributable to fund redemptions whilst the increased in NAV per unit was mainly due to positive investment performance.

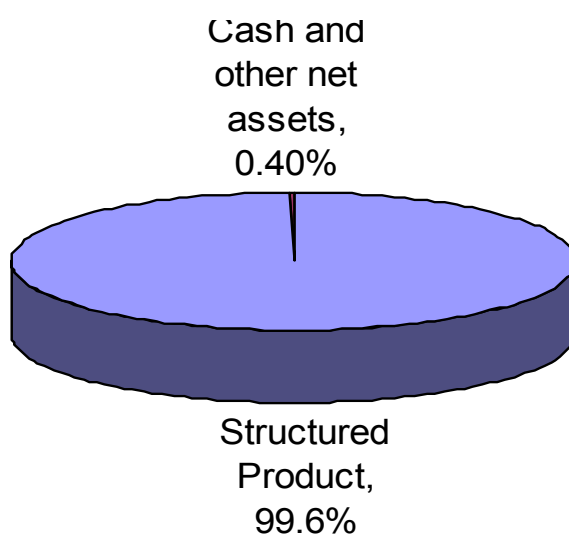
Performance data represents the combined income and capital return as a result of holding units in the fund for the specified length of time, based on NAV to NAV price. The performance data assumes that all earnings from the fund are reinvested and are net of management and trustee fees. Past performance is not reflective of future performance and income distributions are not guaranteed. Unit prices and income distributions, if any, may fall and rise. All performance figures has been verified by Consulting Actuaries, Mercer (Malaysia) Sdn Bhd (253344-U).

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	30 June 2011	30 June 2010
Structured Product	99.60	99.60
Cash and other net assets	0.40	0.40
TOTAL	100.00	100.00

The Fund remained fully invested during the period under review. Some cash and other liquid assets are maintained at all times primarily for liquidity purposes.



MARKET REVIEW (1 JULY 2010 TO 30 JUNE 2011)

The Chinese equities went through a roller coaster ride for the year under review. The market rose at the start of the period as economic data suggested China's growth is still healthy with a soft landing scenario. Confidence in the country was further boosted by strong domestic demand and news that manufacturing activity continued to accelerate. However, the stock market began to tumble in mid November as the People's Bank of China (PBoC) continued to tighten policy. Chinese equities continued to fall in tandem with the regional markets' plunge following news of an exchange of artillery fire between North and South Korea. The market continued to remain lackluster towards the end of the period when Portugal's debt rating was downgraded by a rating agency on concerns of Portugal's economy possibly plunging into recession which also affected the global markets. The government's tightening policy has been primarily targeted at the housing sector which, as a large and important part of the economy, has impacted many other sectors.

Entering 2011, China stock market started the year on a strong footing but the uptrend was short-lived as the PBoC embarked on a continuous monetary tightening measure. The earthquake and tsunami disaster in Japan followed by nuclear accident, social unrest in Libya, and GCC's efforts to minimize contagion in Bahrain, collectively increased risk aversion. The regional markets, however, received a boost as a few of the world's largest economies came together to help alleviate Japan's situation through intervention in the foreign-exchange markets. In June, the key manufacturing index fell to the lowest level since February 2009, signaling that the world's second-biggest economy was cooling as export demand weakened. With inflation showing little sign of easing, the central bank continued to tighten monetary policy as the economy battled other woes including power shortages, drought, and poor corporate profit growth.

MARKET OUTLOOK

Inflation is likely to have peaked and paving way for policy easing. The Chinese government might responses to the small medium size enterprises cry for more funding. The latest data indicated that transaction for housing is normalizing with volumes especially in the high-end segment. The burgeoning demand for RMB denominated credit and the trading platform coupled with relentless retail sales is expected to maintain overall growth in HK. In addition, the relocation or starting up of more operational headquarters by multi national companies in HK to tap into the Chinese and Asian markets will sustained demand for Chinese equities especially for commercial property.

INVESTMENT STRATEGY

As this is a structured principal protected fund, the investment strategy has been preset at the inception of the Fund. The Fund will remain fully invested with minimal cash kept for liquidity purposes in order to fully participate in the investment.

UNIT HOLDING STATISTICS

Breakdown of unit holdings by size as at 30 June 2011 are as follows:

Size of unit holding	No. of unit holders	No. of unit held (million)	% of units held
5,000 and below	5	0.001	0.0008
5,001 to 10,000	-	-	-
10,001 to 50,000	7	0.226	0.1655
50,001 to 500,000	2	0.500	0.3656
500,001 and above	1	136.047	99.4681
	<hr/> 15	<hr/> 136.774	<hr/> 100.00

REBATE & SOFT COMMISSION

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 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.

**STATEMENT BY MANAGER TO THE UNITHOLDERS OF
CIMB-PRINCIPAL CHINA RECOVERY STRUCTURED 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 12 to 37 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the financial position of the Fund as at 30 June 2011 and of its financial performance, changes in equity and cash flows for the financial period then ended in accordance with 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
26 August 2011

TRUSTEE'S REPORT

TO THE UNITHOLDERS OF CIMB-PRINCIPAL CHINA RECOVERY STRUCTURED FUND

We have acted as Trustee of **CIMB-Principal China Recovery Structured Fund** ("the Fund") for the financial year ended 30 June 2011. To the best of our knowledge, **CIMB-Principal Asset Management Berhad**, ("the Management Company"), has operated and managed the Fund in accordance with the following:-

- a) Limitations imposed on the investment powers of the Management Company 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.
- b) Valuation/pricing is carried out in accordance with the Deed and any regulatory requirements; and
- c) Creation and cancellation of units are carried out in accordance with the Deed and any regulatory requirements.

During the financial year, a distribution of 0.2500 sen per unit (net) have been distributed to the unitholders of the Fund. We are of the view that the distributions are not inconsistent with the objective of the Fund.

For HSBC (Malaysia) Trustee Berhad

Tan Bee Nie
Head, Trustee Operations

Kuala Lumpur
26 August 2011

**INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF
CIMB-PRINCIPAL CHINA RECOVERY STRUCTURED FUND**

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL CHINA RECOVERY STRUCTURED FUND**

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of CIMB-Principal China Recovery Structured Fund in pages 12 to 37 which comprise the statement of financial position as at 30 June 2011 of the Fund, and the statements of comprehensive income, changes in equity and cash flows of the Fund for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 17.

The Manager's Responsibility for the Financial Statements

The Manager of the Fund is responsible for the preparation of financial statements that gives a true and fair view in accordance with Financial Reporting Standards ("FRS") in Malaysia, and for such internal control as the Manager determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Manager's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Fund as of 30 June 2011 and of its financial performance and cash flows for the year then ended.

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

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

OTHER MATTERS

This report is made solely to the unitholders of the Fund as a whole 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
26 August 2011

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED TO 30 JUNE 2011

		30.06.2011	15.06.2009
	Note	RM	(date of commencement) to 30.06.2010
			RM
NET INVESTMENT INCOME			
Interest income		11,162	40,386
Income from investment in structured product		1,373,665	443,748
Net loss on financial assets at fair value through profit or loss	8	(499,258)	-
Net realised loss on sale of investments		-	(257,160)
		885,569	226,974
EXPENSES			
Trustee's fee	5	58,098	73,938
Audit fee		10,000	10,000
Tax agent's fee		3,830	7,000
Other expenses		7,308	2,061
		79,236	92,999
PROFIT BEFORE TAXATION			
Taxation	7	-	-
		806,333	133,975
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR/PERIOD			
		806,333	133,975
Profit after taxation is made up as follows:			
Realised amount		456,401	133,975
Unrealised amount		349,932	-
		806,333	133,975

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

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011**

	Note	2011 RM	2010 As restated RM
CURRENT ASSETS			
Financial assets at fair value through profit and loss	8	63,624,808	-
Structured product	9	-	78,513,876
Deposits with a licensed financial institution	10	1,182,099	892,000
Bank balance in a licensed bank	10	20,804	20,352
Interest receivable		-	59
TOTAL ASSETS		<u>64,827,711</u>	<u>79,426,287</u>
CURRENT LIABILITIES			
Amount due to Manager		926,559	590,182
Amount due to Trustee		4,278	5,229
Other payables and accruals		15,277	16,000
TOTAL LIABILITIES		<u>946,114</u>	<u>611,411</u>
NET ASSET VALUE OF THE FUND	11	<u>63,881,597</u>	<u>78,814,876</u>
EQUITY			
Unitholders' capital		68,524,908	83,915,257
Accumulated losses		(4,643,311)	(88,857)
Fair value reserve		-	(5,011,524)
		<u>63,881,597</u>	<u>78,814,876</u>
NUMBER OF UNITS IN CIRCULATION	11	<u>136,774,231</u>	<u>169,775,972</u>
NET ASSET VALUE PER UNIT (RM)		<u>0.4670</u>	<u>0.4642</u>

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

	Note	Unitholders ' capital RM	Accumulated losses RM	Fair value reserve RM	Total RM
Balance as at 1 July 2010, as previously stated		-	-	-	-
Prior year adjustment for adoption of amendments to FRS 132	17(a)	83,915,257	(88,857)	(5,011,524)	78,814,876
Balance as at 1 July 2010, restated after adoption of amendments to FRS 132		83,915,257	(88,857)	(5,011,524)	78,814,876
Adjustment for adoption of FRS 139	17(b)	-	(5,011,524)	5,011,524	-
Balance as at 1 July 2010, restated after adoption of FRS 139		83,915,257	(5,100,381)	-	78,814,876
Movement in unitholders' contribution:					
Cancellation of units		(15,390,349)	-	-	(15,390,349)
Total comprehensive income for the financial year		-	806,333	-	806,333
Distribution	6	-	(349,263)	-	(349,263)
Balance as at 30 June 2011, restated		68,524,908	(4,643,311)	-	63,881,597
Balance as at 15 June 2009 (date of commencement)		-	-	-	-
Prior year adjustment for adoption of amendments to FRS 132	17(a)	-	-	-	-
Balance as at 1 June 2009, restated after adoption of amendments to FRS 132		-	-	-	-
Movement in unitholders' contribution:					
Creation of units		92,654,119	-	-	92,654,119
Cancellation of units		(8,738,862)	-	-	(8,738,862)
Total comprehensive income for the financial period		-	133,975	-	133,975
Distribution	6	-	(222,832)	-	(222,832)
Change in fair value reserve		-	-	(5,011,524)	(5,011,524)
Balance as at 30 June 2010, restated		83,915,257	(88,857)	(5,011,524)	78,814,876

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011**

		2011 RM	15.06.2009 (date of commencement) to 30.06.2010 RM
CASH FLOW FROM OPERATING ACTIVITIES			
Proceeds from sale of investments		14,389,810	7,974,840
Purchase of investments		-	(91,757,400)
Interest received		11,221	40,327
Income received from investment in structured product		1,373,665	443,748
Trustee's fee paid		(59,049)	(68,709)
Payments for other fees and expenses		(21,368)	(3,061)
Net cash inflow/(outflow) from operating activities		<u>15,694,279</u>	<u>(83,370,255)</u>
 CASH FLOW FROM FINANCING ACTIVITIES			
Cash proceeds from units created		-	92,654,119
Payments for cancellation of units		(15,054,465)	(8,148,680)
Distribution paid		(349,263)	(222,832)
Net cash (outflow)/inflow from financing activities		<u>(15,403,728)</u>	<u>84,282,607</u>
 Net increase in cash and cash equivalents		290,551	912,352
Cash and cash equivalents at beginning of the financial year/period		<u>912,352</u>	<u>-</u>
Cash and cash equivalents at the end of the financial year/period	10	<u><u>1,202,903</u></u>	<u><u>912,352</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITY

CIMB-Principal China Recovery Structured Fund (the “Fund”) was constituted pursuant to the Master Deed dated 18 March 2009 (the “Deed”) between CIMB-Principal Asset Management Berhad (“the Manager”), HSBC (Malaysia) Trustee Berhad (“the Trustee”) and the registered unitholders of the Fund.

The principal activity of the Fund is to invest at least ninety five percent (95%) of the Fund’s net asset value into a five (5)-year China Recovery Structured Product (“China Recovery Structure”) issued by CIMB Investment Bank Berhad and up to five percent (5%) of the Fund’s net asset value in liquid assets for liquidity purposes.

The main objective of the Fund is to provide investors with regular income over the tenure of the Fund linked to the performance of China equities. The timeframe and tenure of the Fund is for five (5) years.

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

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with Financial Reporting Standards (“FRS”) in Malaysia.

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 judgement in the process of applying the Fund’s accounting policies. Although these estimates and judgement are based on the Manager’s best knowledge of current events and actions, actual results may differ.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(i) Standards, amendments and interpretations to published standards that are applicable and effective (continued):

- Amendment FRS 132 “Financial Instruments: Presentation”

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

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

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 17(a).

- FRS 139 “Financial Instruments: Recognition and Measurement”

In the previous financial period, 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 investments in its balance sheet as assets and shall measure them at fair value (except for a derivative that is linked to and that must be settled by delivery of an unquoted equity instrument whose fair value cannot be measured reliably) at the beginning of the financial period in which this standard is initially applied. The unrealised gains or losses transferred to the fair value reserve in the previous financial period shall be recognised as an adjustment of the balance of retained earnings at the beginning of the financial period in which this Standard is initially applied (other than for a derivative that is a designated hedging instrument).

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 period are set out in Note 17(b).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

In respect of FRS 7 and FRS 139, the Fund has applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the standards on the financial statements of the Fund. Comparative related to financial instruments have not been adjusted and therefore the corresponding balances are not comparable.

- (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 and liabilities

Classification

The Fund designates its investment in five (5)-year China Recovery Structured Product ("China Recovery Structure") as a financial asset at fair value through profit or loss at inception.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and liabilities (continued)

Recognition and measurement

Regular sales of financial assets are recognised on the trade date, the date on which the Fund commits to sell the asset. Structured product is 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 structured product have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

The structured product is recorded at cost and subsequently revalued to to their fair values as at the date of Statement of Financial Position.

In accordance with the Deed, valuation of the structured product is provided by CIMB Investment Bank Berhad on a daily basis. As a counter check on the fair value provided by CIMB Investment Bank Berhad, the Manager will perform a separate valuation on the structured product.

The Issuer's pricing will be verified and any significant differences between the Manager's valuation and CIMB Investment Bank Berhad's valuation and significant differences impacting the Fund's net asset value would be investigated and adjusted accordingly.

Gains or losses from the changes in fair value of the investments, including the currency translation difference are presented in the statement of comprehensive income in the financial period in which they arise.

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

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

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' or a 'held-to-maturity investment' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and liabilities (continued)

Recognition and measurement (continued)

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

(c) Income recognition

Interest earned from short term deposits is recognised on an accrual basis using the effective interest method.

Income from investment in structured product is recognised on an accrual basis.

Realised gain or loss on disposal of investments is calculated based on sales proceeds less cost of investments which determined on a weighted average cost basis.

(d) Functional and presentation currency

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

(e) Creation and cancellations of units

The Fund issues cancellable units, which are cancelled at the unitholder’s option and are classified as equity. Cancellable units can be returned 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 statement of financial position date if the unitholder exercises the right to return the unit to the Fund.

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

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

(f) Cash and cash equivalents

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Taxation

Current tax expense is determined according to Malaysian tax laws at the current tax rate based on taxable profits earned during the financial year.

(h) Distributions

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

(i) Amount due from Issuer of structured product

Amounts due from Issuer of structured product represent receivables for structured product sold 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 Issuer of structured product. A provision for impairment of amounts due from Issuer of structured product is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant Issuer. Significant financial difficulties of the Issuer, probability that the Issuer will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from Issuer is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

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

(j) Segment reporting

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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 on the statement of financial position date.

Financial instruments as at 30 June 2011 are as follows:

	Loans and receivables RM	Financial assets at fair value through profit or loss RM	Total RM
Financial assets at fair value through profit or loss (Note 8)	-	63,624,808	63,624,808
Cash and cash equivalents (Note 10)	1,202,903	-	1,202,903
	<u>1,202,903</u>	<u>63,624,808</u>	<u>64,827,711</u>

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

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

The preparation of financial statements in conformity with FRS requires the use of estimates and assumptions that affect the reported amount of assets and liabilities at the statement of financial position date, and the reported amount 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 judgements 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 resulting accounting estimates will, by definition, seldom equal the related actual results.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The investment objective of the Fund is to provide investors with regular income over the tenure of the Fund linked to the performance of China equities. In line with its objective, the investment policy and strategy of the Fund is to invest at least ninety five percent (95%) of the Fund's net asset value into a five (5)-year China Recovery Structured Product ("China Recovery Structure") issued by CIMB Investment Bank Berhad. This is the "investment amount" of the Fund in the "China Recovery Structure".

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Through this investment, the Fund will receive potential annual distribution payments linked to the performance of China equities as represented by the CIMB Isovol China Index ("Reference Index"). The "China Recovery Structure" also incorporates enhanced features whereby investors would benefit if the "Reference Index" is bearish within the first six (6) months of the Fund's inception and subsequently outperforms. Investors' principal is one hundred percent (100%) protected if the investment is held to maturity.

The Fund is exposed to a variety of risks which include market risk (price risk, interest rate risk and currency risk), credit risk, liquidity risk, single issuer risk, non-compliance risk, early termination 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

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. As at 30 June 2011, the Fund's overall exposures to price risk were as follows:

	2011
	RM
Financial asset at fair value through profit and loss	63,624,808
	<u>63,624,808</u>

The table below summarises the sensitivity of the Fund's net asset value to movements in prices of structured product as at 30 June 2011. The analysis is based on the assumptions that the price of the structured product fluctuates by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the fair value through profit and loss, having regard to the historical volatility of the prices.

% Change in price of structured product	Market value RM	Change in net asset value RM
-5%	60,443,568	(3,181,240)
0%	63,624,808	-
5%	66,806,048	3,181,240
	<u>66,806,048</u>	<u>3,181,240</u>

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk

Investors should note that the China Recovery Structure is made up of a Reference Portfolio and a Defensive Asset e.g. fixed income instrument. Such fixed income instrument 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. As at 30 June 2011, the Fund's overall exposures to interest rate risk were as follows:

	2011
	RM
Financial asset at fair value through profit and loss	62,767,744
	<u><u>62,767,744</u></u>

The table below summarises the sensitivity of the Fund's net asset value to movements in prices of Shariah-compliant fixed income instrument held by the Fund as at 30 June 2011 as a result of movement in profit rate. The analysis is based on the assumptions that the profit rate increased and decreased by 100 basis points (1%) with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the profit rate, having regard to the historical volatility of the profit rate.

	Impact on
	<u>net asset value</u>
	RM
<u>Profit rate</u>	
+100 basis points	(1,754,184)
-100 basis points	1,822,373
	<u><u>1,822,373</u></u>

(iii) Currency risk

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

As at 30 June 2011, the Fund does not hold any financial instruments that expose it to currency risk.

(b) Credit risk

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

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

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 credit/default risk is minimal as all transactions in structured product are settled/paid upon delivery using approved brokers.

The following table sets out the credit risk concentration of the Fund as at 30 June 2011:

Industry	Financial assets at fair value through profit or loss	Cash and cash equivalents RM
Finance	62,767,744	1,202,903
	62,767,744	1,202,903

All financial assets of the Fund as at 30 June 2011 are neither past due nor impaired.

(c) Liquidity risk

Liquidity risk is the risk that structured product 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 0.5% 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 on the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month RM	Less than 1 year RM
At 30 June 2011		
Amount due to Manager	926,559	-
Amount due to Trustee	4,278	-
Other payables and accruals	-	15,277
	930,837	15,277
Contractual cash out flows	930,837	15,277

(d) Single issuer risk

Any major price fluctuation of the structured product 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.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Non-compliance risk

Non-compliance risk arises when the Manager and others associated with the Fund are not compliant to the rules set out in the Fund's constitution, the law that governs the Fund or applicable internal control procedures, or act fraudulently or dishonestly. These non-compliance may expose the Fund to higher risks of a fall in the value of the Fund which in turn may affect its investment goals. However, the risk can be mitigated

by the internal controls and compliance monitoring undertaken by the Manager. For the Fund, foreign market risk is managed through portfolio diversification by the collective investment scheme which invests among markets/countries and in companies which are well researched.

(f) Early termination risk

The capital protection element of the Fund lies on the assumption that the units will be held until the maturity date. In the event the Fund is terminated before the maturity date, the capital protection will not be enforceable. The price for every unit that the investors hold will be based on the net asset value per unit of the Fund as at the date the Fund is determined or such other date as may be agreed between the Trustee and the Manager. The capital protection is provided by payouts on the Shariah-compliant structured product and not by any guarantees; therefore a full return of the capital is not guaranteed for early redemption.

(g) Capital risk management

The capital of the Fund is represented by equity consisting of unitholders' capital and retained earnings. The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of shareholders.

The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

4. MANAGEMENT FEE

No management fee is charged by the Manager on this Fund.

5. TRUSTEE'S FEE

In accordance with Clause 24(2) of the Deed, the Trustee is entitled to a fee not exceeding 0.10% per annum (2010 0.10% per annum) calculated based on the net asset value of the Fund, subject to a minimum fee of RM18,000 per annum (2010; RM18,000 per annum).

For the financial year ended 30 June 2011, the Trustee's fee is recognised at a rate of 0.08% per annum (2010 : 0.08% per annum) (excluding foreign custodian charges).

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

6. DISTRIBUTION

Distribution to unitholders is derived from the following sources:

	15.06.2009
	(date of
30.06.2011	commencement)
RM	to 30.06.2010

		RM
Realised income:		
Interest income	10,607	39,982
Income from investment in structured product	1,305,341	443,748
Net realised loss on sale of investments	(806,953)	(187,126)
Realised loss from previous financial period	<u>(84,437)</u>	<u>-</u>
	424,558	296,604
Less:		
Expenses	<u>(75,295)</u>	<u>(73,772)</u>
Net distribution amount	<u><u>349,263</u></u>	<u><u>222,832</u></u>
Distribution on 15 June 2011/14 June 2010		
Net distribution per unit (sen)	0.2500	0.1302
Gross distribution per unit (sen)	<u>0.2500</u>	<u>0.1302</u>

Net distribution above is sourced from 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.

7. TAXATION

	30.06.2011	15.06.2009
	RM	(date of commencement)
		to 30.06.2010
		RM
Current taxation	<u>-</u>	<u>-</u>

7. TAXATION (CONTINUED)

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

	2011	15.06.2009
		(date of commencement)
		to 30.06.2010

CIMB-PRINCIPAL CHINA RECOVERY STRUCTURED FUND

	RM	RM
Profit before taxation	<u>806,333</u>	<u>133,975</u>
Taxation at Malaysian statutory rate of 25%	201,583	33,494
Tax effects of:		
Investment income not subject to tax	(221,392)	(56,744)
Expenses not deductible for tax purposes	15,752	20,775
Restriction on tax deductible expenses for unit trust funds	<u>4,057</u>	<u>2,475</u>
Taxation	<u>-</u>	<u>-</u>

8. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT AND LOSS

	2011 RM
Designated at fair value through profit or loss at inception	
- Structured product	<u>63,624,808</u>
Net gain on assets at fair value through profit or loss	
- Realised gain on disposals	(849,190)
- Change in unrealised fair value gain	<u>349,932</u>
	<u>(499,258)</u>

	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of net asset value %
As at 30.6.2011				
MALAYSIA				
Five (5)-Year China Recovery Structured Product	<u>69,680,000</u>	68,286,400	<u>63,624,808</u>	99.60
UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>(4,661,592)</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>63,624,808</u>		

9. STRUCTURED PRODUCT

	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of net asset value %
As at 30.6.2010				
MALAYSIA	<u>85,230,000</u>	83,525,400	<u>78,513,876</u>	

Five (5)-Year China Recovery
Structured Product

99.62

FAIR VALUE RESERVE

(5,011,524)

MARKET VALUE

78,513,876

The Fund invests in a one hundred percent (100%) Capital Protected five (5)-year China Recovery Structured Product (“China Recovery Structure”) issued by CIMB Investment Bank Berhad. The “China Recover Structure” consists of two (2) components, i.e. money market instruments and over-the counter (“OTC”) options. The money market instruments will provide capital protection to the “China Recovery Structure” at maturity and shall be at least eighty percent (80%) of the Issue Price. The “OTC” options will provide variable returns and shall be up to twenty percent (20%) of the Issue Price.

Through this investment, the Fund will receive potential annual distribution payments linked to the performance of China equities as represented by the CIMB Isovol China Index (“Reference Index”). The CIMB Isovol China Index references the performance of a basket of companies incorporated in Mainland China and listed on the Hong Kong Stock Exchange.

The “China Recovery Structure” also incorporates enhanced features whereby investors would benefit if the “Reference Index” is bearish within the first six (6) months of the Fund’s inception and subsequently outperforms. Effectively, the Fund will lock-in the lowest point out of the six (6) observation dates in the first six (6) months of the Fund’s tenure. The lowest point will subsequently form the Lookback Floor Level (“Floor Level”) for computing the Fund’s annual returns and potential annual distributions.

10. CASH AND CASH EQUIVALENTS

	2011	2010
	RM	RM
Deposits with a licensed financial institution	1,182,099	892,000
Bank balance in a licensed bank	<u>20,804</u>	<u>20,352</u>
	<u>1,202,903</u>	<u>912,352</u>

The effective weighted average interest rates per annum of deposits with licensed financial institutions are as follows:

	2011	2010
	%	%
Deposits with a licensed financial institution	<u>3.05</u>	<u>2.40</u>

The deposits with a licensed financial institution have an average maturity of 1 day (2010: 2 days).

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

CIMB-PRINCIPAL CHINA RECOVERY STRUCTURED FUND

		2011		15.06.2009
				(date of
				commencement)
				to 30.06.2010
	No. of units	RM	No. of units	RM
At the beginning of the financial year/ date of commencement	169,775,972	78,814,876	-	-
Add: Creation of units	-	-	188,092,000	92,654,119
Less: Cancellation of units	(33,001,741)	(15,390,349)	(18,316,028)	(8,738,862)
Total comprehensive income for the financial year/period	-	806,333	-	133,975
Net change in fair value reserve	-	-	-	(5,011,524)
Distribution	-	(349,263)	-	(222,832)
At the end of the financial year/period	<u>136,774,231</u>	<u>63,881,597</u>	<u>169,775,972</u>	<u>78,814,876</u>
Approved size of the Fund	<u>300,000,000</u>		<u>300,000,000</u>	

The maximum number of units that can be issued out for circulation by the Fund is 300,000,000. As at 30 June 2011, the number of units not yet issued by the Fund is 163,225,769 (2010: 130,224,028).

12. MANAGEMENT EXPENSE RATIO (“MER”)

	2011	15.06.2009
		(date of
		commencement)
		to 30.06.2010
		%
MER	<u>0.11</u>	<u>0.11</u>

MER is derived based on the following calculation:

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

- A = Trustee’s fee
- B = Audit fee
- C = Tax agents’ fee
- D = Other expenses
- E = Average net asset value of the Fund calculated on a daily basis

The average net asset value of the Fund for the financial year/period calculated on daily basis is RM72,528,971 (2010:RM86,572,744)

13. PORTFOLIO TURNOVER RATIO (“PTR”)

	2011	15.06.2009 (date of commencement) to 30.06.2010
PTR (times)	<u>0.11</u>	<u>0.58</u>

PTR is derived based on the following calculation:

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

where:

total acquisition for the financial period = RM Nil (2010: RM91,757,400)

total disposal for the financial period = RM15,239,000(2010 : RM8,232,000)

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

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

<u>Related parties</u>	<u>Relationship</u>
CIMB-Principal Asset Management Berhad	The Manager
CIMB 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

	<u>2011</u>	<u>2010</u>
	<u>Units</u>	<u>Units</u>
	<u>RM</u>	<u>RM</u>
Manager		
CIMB-Principal Asset Management Berhad	<u>16,399</u>	<u>16,399</u>
	<u>7,658</u>	<u>7,612</u>

The above units are legally held and were transacted at the prevailing market price.

Other than the above, there were no units held by Directors or parties related to the Manager.

In addition to related party disclosures 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 obtainable in transactions with unrelated parties unless otherwise stated. Interest rates on fixed and short-term deposits were at normal commercial rates.

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

CIMB-PRINCIPAL CHINA RECOVERY STRUCTURED FUND

	2011 RM	2010 RM
<u>Significant related party transactions</u>		
Purchase of structured product:		
- CIMB Investment Bank Berhad	-	91,757,400
	<u> </u>	<u> </u>
Proceeds from sales of structured product:		
- CIMB Investment Bank Berhad	14,389,810	7,974,840
	<u> </u>	<u> </u>
Income from investment in structured product:		
- CIMB Investment Bank Berhad	1,373,665	443,748
	<u> </u>	<u> </u>
Interest income from deposits with licensed financial institutions:		
- CIMB Bank Berhad	973	9,648
	<u> </u>	<u> </u>

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

15. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with all brokers/dealers for the financial year ended 30 June 2011 are as follows:

Broker/dealer	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
Hong Leong Bank Berhad	33,390,000	37.81	-	-
United Overseas Bank Berhad	20,846,000	23.61	-	-
CIMB Investment Bank Berhad #	14,206,510	16.09	-	-
Affin Bank Berhad	9,056,000	10.26	-	-
EON Bank Berhad	6,176,000	6.99	-	-
CIMB Bank Bhd #	4,629,300	5.24	-	-
	<u>88,303,810</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

15. TRANSACTIONS WITH BROKERS/DEALERS (CONTINUED)

Details of transactions with all brokers/dealers for the financial period from 15 June 2009 (date of commencement) to 30 June 2010 are as follows:

Broker/dealer	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
Affin Bank Berhad	40,414,254	22.77	-	-
United Overseas Bank	25,398,000	14.31	-	-
CIMB Investment Bank Berhad #	99,989,400	56.32	-	-
Hong Leong Bank Berhad	5,757,000	3.24	-	-
CIMB Bank Berhad #	2,797,000	1.58	-	-
Others	3,169,000	1.78	-	-
	<u>177,524,654</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

Included in transactions by the Fund are trades conducted at on normal terms with CIMB Investment Bank Berhad and CIMB Bank Berhad, fellow subsidiaries of the Manager amounting to RM14,206,510 (2010: RM99,989,400) and RM4,629,300 (2010: 2,797,000).

16. SEGMENT INFORMATION

The Fund is designed to provide investors with regular income over the tenure of the Fund linked to the performance of China equities. In line with its objective, the investment policy and strategy of the Fund is to invest at least ninety five percent (95%) of the Fund's net asset value into a five (5)-year China Recovery Structured Product ("China Recovery Structure") issued by CIMB Investment Bank Berhad. This is the "investment amount" of the Fund in the "China Recovery Structure".

The internal reporting provided to the CEO for the fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of FRS. The CEO is responsible for the performance of the fund and considers the business to have a single operating segment.

17. CHANGES IN ACCOUNTING POLICIES

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

In the previous financial period, 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.

17. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) 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 and statement of comprehensive income for the prior periods are set out below.

There is no effect of the changes in accounting policy to the statement of financial position as at 15 June 2009 as the Fund commenced on that day.

	As previously stated	Adjustment	As restated
<u>30 June 2010</u>			
Statement of Financial Position			
Financial liability	<u>78,814,876</u>	<u>(78,814,876)</u>	<u>-</u>
Unitholders' capital	-	83,915,257	83,915,257
Accumulated losses	-	(88,857)	(88,857)
Fair value reserve	<u>-</u>	<u>(5,011,524)</u>	<u>(5,011,524)</u>
	<u>-</u>	<u>78,814,876</u>	<u>78,814,876</u>
Statement of Comprehensive Income			
Finance cost	222,832	(222,832)	-
Total comprehensive (loss)/income for the financial year	<u>(88,857)</u>	<u>222,832</u>	<u>133,975</u>

17. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

Effect of changes in accounting policy on the statement of financial position as at 30 June 2011 and statement of changes in equity for the year ended 30 June 2011 are set out below.

	As previously stated	Adjustment	As restated
30 June 2011			
Statement of Financial Position			
Financial liability	<u>63,881,597</u>	<u>(63,881,597)</u>	<u>-</u>
Unitholders' capital	-	68,524,908	68,524,908
Retained earnings	-	18,281	18,281
Fair value reserve	<u>-</u>	<u>(4,661,592)</u>	<u>(4,661,592)</u>
	<u>-</u>	<u>63,881,597</u>	<u>63,881,597</u>
Statement of Comprehensive Income			
Finance cost	349,263	(349,263)	-
Total comprehensive income for the financial year	<u>107,138</u>	<u>349,263</u>	<u>456,401</u>

(b) FRS 139 "Financial Instruments: Recognition and Measurement"

In the previous financial period, 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 assets and shall measure them at fair value (except for a derivative that is linked to and that must be settled by delivery of an unquoted equity instrument whose fair value cannot be measured reliably) at the beginning of the financial period in which this standard is initially applied. The unrealised gains or losses transferred to the fair value reserve in the previous financial period shall be recognised as an adjustment of the balance of retained earnings at the beginning of the financial period in which this Standard is initially applied (other than for a derivative that is a designated hedging instrument).

17. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

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.

	As restated after adoption of amendments to FRS 132 (Note 17(a))	Adjustment	As restated
	RM	RM	RM
<u>1 July 2010</u>			
Unitholders' capital	83,915,257	-	83,915,257
Accumulated losses	(88,857)	(5,011,524)	(5,100,381)
Fair value reserve	(5,011,524)	5,011,524	-
	<u>78,814,876</u>	<u>-</u>	<u>78,814,876</u>

Effects of changes in accounting policy on the statement of financial position as at 30 June 2011, statement of comprehensive income and statement of changes in equity for the financial year 30 June 2011 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	-	63,624,808	63,624,808
Structured product	63,624,808	(63,624,808)	-
Deposits with a related licensed financial institution	1,182,000	99	1,182,099
Interest receivable	99	(99)	-
Fair value reserve	<u>(4,661,592)</u>	<u>4,661,592</u>	<u>-</u>
Statement of Comprehensive Income			
Net loss on financial assets at fair value through profit or loss	-	349,932	349,932
Total comprehensive income for the financial year	<u>456,401</u>	<u>349,932</u>	<u>806,333</u>

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04-3702156
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Taman Century, 80250 Johor Bahru, Johor. 07-3341748
- 5B, Lot 414, Section 10, KTLD Jalan Rubber,
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- No 1 Jalan Pasar Baru, Kampung Air,
88000 Kota Kinabalu, Sabah. 088-239951
088-239952

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- U7-3, 7th Floor, Menara Perbadanan,
Jalan Tengku Petra Semerak,
15000 Kota Bharu, Kelantan. 09-7471172
09-7471190
- 30A, First Floor, Persiaran Greentown 1,
Greentown Business Centre, 30450 Ipoh, Perak. 05-2439001
05-2439002
- No 13B, 2nd Floor, Jalan Mamanda 7/1,
Off Jalan Ampang, 68000 Ampang, Selangor. 03-42702970
- 39-3 & 41-3, Jalan Radin Anum, Bandar Baru Sri Petaling,
57000 Kuala Lumpur. 03-90592333
- 61, Jalan Melaka Raya 24, Taman Melaka Raya, 75000 Melaka. 06-2811111
- Lot 228, 1st Floor, Beautiful Jade Centre, Jalan Maju,
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- Unit 113 & 213, Block C, Damansara Intan 1, Jalan SS20/27, 47400 Petaling Jaya 03-7118 2234
- Lot C-615 & Lot C-616, Level 6 Block C Kelana Square, 17 Jalan SS7/26, Kelana Jaya, 47301 Petaling Jaya, Selangor 03-7880 6893
- 2-6A, Jalan PJU 8/3A, Bandar Damansara Perdana, 47820 Petaling Jaya, Selangor 03-7725 6320
- 12A-3 (2nd Floor), Block C, Jalan PJU 5/17 Dataran Sunway, Kota Damansara, 47810 Petaling Jaya Selangor 03-6141 6369
- UNIT A-2-5 & A-3-5, Block A, Pusat Perdagangan Pelangi, Pelangi Damansara, PJU 6 Persiaran Surian,47800 Petaling Jaya Selangor 03-7725 2880
- Lot No 35-2, 2ND Floor, Jalan Sepah Puteri 5/1B, Pusat Dagangan Seri Utama, PJU 5 Kota Damansara, 47410 Selangor 03-6140 3046
- No. 6-2, Jalan Dagang 1/1A, Taman Dagang, 68000 Ampang, Selangor 03-4251 1129
- I-91-2, Block I, Jalan Teknologi 3/9, Kota Damansara, 47810 Petaling Jaya, Selangor 03-6140 7275
- No 6B, 2ND Floor, Jalan Tengku Zabedah Ampuan K/9K, 40000 Shah Alam, Selangor 03-5541 0350
- Block E-1-03A & E-2-03A, Jalan SS6/20A, Dataran Glomac, 47301 Kelana Jaya, Selangor 03-7880 7082
- 98A, Jalan SS21/39, Damansara Utama, 47400, Petaling Jaya, Selangor 03-7725 0825
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