

**PRINCIPAL FTSE CHINA 50 ETF**  
*(formerly known as CIMB FTSE CHINA 50)*

**UNAUDITED INTERIM REPORT**

**FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2019**

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## INVESTORS' LETTER

Dear Valued Investor,

As we write this letter, we're watching the impact the Coronavirus is having on families, communities and markets around the world. Our thoughts are with those directly impacted by this illness and hope that together, as a global community we can find ways to prevent the further spread of this virus.

From an investment perspective, yes, the Coronavirus outbreak is disrupting markets – but it's important to remember this is an event, not a trend. And, just how interlinked our economies really are and how ripple effects are felt globally.

Ahead of the virus outbreak, we were seeing many positive trends in the market and were anticipating an upturn. We're still optimistic that the upturn will happen – it's just a matter of when. We still encourage our investors to focus on the fundamentals, seek portfolio diversification and to focus on the long-term.

As a fund house, we've never been better positioned to help our investors navigate the market volatility that is becoming the new norm. Our capabilities span from local to global markets with products, strategies and ideas to position your portfolio of investments based on your unique risk tolerance and financial goals.

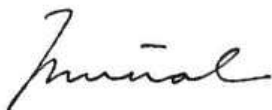
We're committed to helping meet the varying needs of our customers and in the past few months, we've launched several new funds, including: Principal Global Real Estate, Principal Greater Bay and Principal Islamic ASEAN Equity Fund. Together these funds showcase our breadth and depth of expertise and offerings – helping set us apart as the fund house of choice. You can learn more about each of these funds and other solutions at: [www.principal.com.my](http://www.principal.com.my).

Please be informed that effective 30 September 2019, the Fund has been renamed as Principal FTSE China 50 ETF Fund following the issuance of the Replacement Prospectus Issue No. 2 dated 30 September 2019.

Thank you for your continuous support and allowing us to help you achieve your financial goals.

Thank you.

Yours faithfully,  
for **Principal Asset Management Berhad**  
(formerly known as CIMB-Principal Asset Management Berhad)



**Munirah Khairuddin**  
Chief Executive Officer

## MANAGER'S REPORT

### FUND OBJECTIVE AND POLICY

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

The Fund aims to provide investment results that closely correspond to the performance of the Financial Times Stock Exchange ("FTSE") China 50 Index ("Benchmark Index"), regardless of its performance.

#### **Has the Fund achieved its objective?**

For the financial period under review, the Fund has met its objective to closely correspond to the performance of the Benchmark Index.

#### **What are the Fund investment policy and principal investment strategy?**

A passive strategy whereby the Manager may adopt either a Replication Strategy or a Representative Sampling Strategy.

#### Replication Strategy

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

#### Representative Sampling Strategy

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

#### **Fund category/type**

Exchange-traded fund ("ETF")/Equity/Index tracking

#### **How long should you invest for?**

Medium to long-term

#### **When was the Fund launched?**

9 July 2010\*

\* Listing date

#### **What was the size of the Fund as at 31 December 2019?**

RM 11.78 million (7.15 million units)

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

The Benchmark Index or such replacement index as may be determined by the Manager, subject to the approval of the Securities Commission Malaysia ("SC").

#### **What is the Fund distribution policy?**

Annually, subject to the discretion of the Manager.

#### **What was the net income distribution for the six months financial period ended 31 December 2019?**

There was no distribution made for the six months financial period ended 31 December 2019.

## PERFORMANCE DATA

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

	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
	%	%	%
Quoted securities			
- Basic Materials	-	1.16	0.98
- Consumer Products	9.10	6.07	5.41
- Energy	9.04	11.56	11.32
- Finance	45.31	45.98	58.59
- Health Care	0.71	-	-
- Industrials	3.40	5.20	4.77
- Materials	1.39	-	-
- Real Estate	9.45	9.43	-
- Technology	1.92	0.61	9.34
- Telecommunications	17.67	18.90	8.93
- Utilities	1.70	1.09	-
Cash and other net assets	0.31	-	0.66
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Total asset value (RM Million)	11.89	10.61	16.14
Net Asset Value ("NAV") (RM Million)	11.78	10.51	16.07
Units in circulation (Million)	7.15	7.15	9.75
NAV per Unit (RM)	1.6474	1.4699	1.6477
	<b>01.07.2019</b>	<b>01.07.2018</b>	<b>01.07.2017</b>
	<b>to 31.12.2019</b>	<b>to 31.12.2018</b>	<b>to 31.12.2017</b>
Highest NAV per Unit (RM)	1.6643	1.6000	1.7184
Lowest NAV per Unit (RM)	1.4620	1.4550	1.4720
Market Price per Unit (RM)	1.6500	1.4700	1.6600
Highest Market Price per Unit (RM)	1.6500	1.5800	1.7200
Lowest Market Price per Unit (RM)	1.4700	1.4700	1.4800
Total return (%) <sup>^</sup>	2.26	(5.53)	11.20
- Capital growth (%)	2.26	(5.53)	11.20
- Income distribution (%)	-	-	-
Management Expenses Ratio ("MER") (%) *	0.59	0.55	0.62
Portfolio Turnover Ratio ("PTR") (times) #	0.07	0.35	0.06

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

\* The Fund's MER increased from 0.55% to 0.59% due to decrease in average NAV during the financial period under review.

# During the financial period under review, the Fund's PTR was 0.07 times, lower compared to the same period last year which was at 0.35 times, due to lesser trading activities from portfolio rebalancing within the reporting period.

**PERFORMANCE DATA (CONTINUED)**

	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	%	%	%	%	%
Annual total return	12.07	(10.79)	20.59	5.68	7.71

(Listing date: 9 July 2010)

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

**MARKET REVIEW (1 JULY 2019 TO 31 DECEMBER 2019)**

China posted a small loss during the month of July 2019. The boost to equities from the US-China trade talks in late June 2019 turned out to be short-lived. There was little further progress to the situation in July 2019, but another meeting is scheduled for September 2019. Economic data for June 2019 saw some recovery, though it was downplayed due to concerns over the outlook for the second half of 2019. The best performing sectors were healthcare and Information Technology (“IT”). Meanwhile, real estate performed poorly on the back of new measures to keep real estate financing in check while the materials sector also underperformed during the month.

China equities remained on the negative in August 2019. The US announced 10% tariffs on US Dollar (“USD”) 300 billion of Chinese goods with effect from 1 September 2019, albeit around half of these were later delayed to 15 December 2019. The China Yuan Renminbi (“CNY”) subsequently depreciated beyond the symbolic 7-per-USD threshold, and in response the US Treasury labelled the country a currency manipulator. The Chinese authorities retaliated to trade actions with tariffs on USD75 billion of imports from the US, and also suspended new US agricultural product purchases. Meanwhile, fresh policy support was announced in response to domestic economic weakness.

Overall for the third quarter of 2019, Chinese markets fell alongside other Asian equity markets, as a re-escalation of US-China trade tensions and continuing political unrest in Hong Kong Special Administrative Region (“SAR”), China sent shockwaves through equity markets. In this environment, returns from the Chinese market were marginally worse than the Asian region as a whole. Regarding the Hong Kong SAR, China market, share price weakness was pronounced amid ongoing and steadily escalating protests and demonstrations in the city.

China markets finally rebounded in October 2019, in line with Emerging markets (“EM”). Global markets continued to be driven by US-China trade negotiations and the tentative trade truce in mid-October 2019 was positive for sentiment. The agreed outline of a mini-trade deal includes a significant increase in China’s purchase of US agricultural products, a currency pact, China’s further opening of the financial sector, some technology transfer and Intellectual Property (“IP”) protection issues, and the suspension of 15 October 2019 tariff increase from the US. Recently, both sides have signaled positive progress toward a deal signing, which will likely still take place in November 2019 despite the cancellation of the Asia-Pacific Economic Cooperation (“APEC”) summit. On the domestic front, China’s third quarter of 2019 Gross Domestic Product (“GDP”) growth was slightly weaker than expected at 6.0% year-on-year (“y-o-y”) but did end the quarter on a stronger note with improving September 2019 data.

China markets recorded positive returns in November 2019 as the Government provided modest stimulus in response to ongoing soft economic data. Industrial production and retail sales growth slowed more than expected in October 2019. Taiwanese equities also moved higher as aggregate corporate earnings revisions increased. Hong Kong SAR, China underperformed as the ongoing protests continued to weigh on sentiment. Nevertheless, investor sentiment remained fragile on the back of escalating violence in Hong Kong SAR, China between protesters and the police, while a stronger USD was a headwind for several markets. The US and China remained in dialogue over a “phase-one” trade agreement, although no deal was reached.

**MARKET REVIEW (1 JULY 2019 TO 31 DECEMBER 2019) (CONTINUED)**

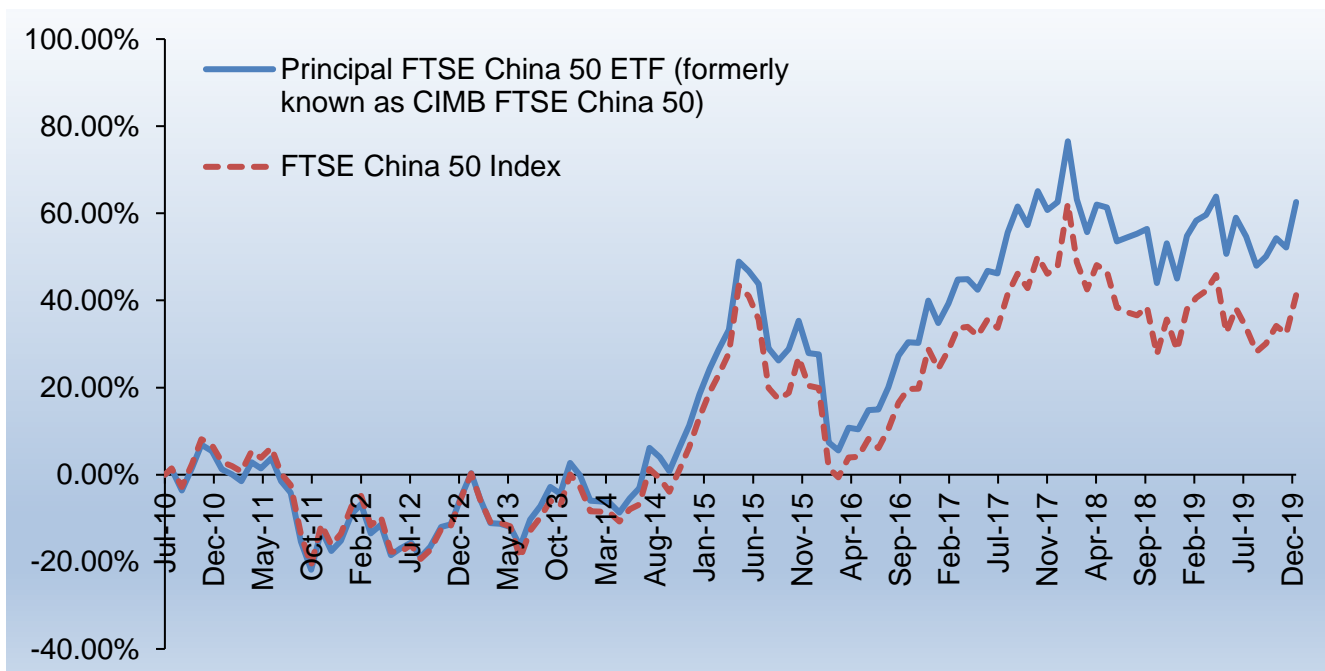
China markets came in strong to close off the year in December 2019. For China equities, the cyclical rotation continues to gain traction, evidenced by the outperformance of the real estate, materials, IT and energy sectors. The key driver is the mitigation of geopolitical risk, as the US and China announced on 13 December 2019 that an agreement on Phase One trade negotiation had been reached. As anticipated, the US will delay indefinitely the new tariffs that were set to take effect on 15 December 2019 on approximately USD160 billion of Chinese imports. In addition, the tariff on USD120 billion of Chinese imports will be reduced to 7.5% from 15%, which represents the first tariff rollback since the inception of the trade war in July 2018.

**FUND PERFORMANCE**

	<b>6 months to 31.12.2019</b>	<b>1 year to 31.12.2019</b>	<b>3 years to 31.12.2019</b>	<b>5 years to 31.12.2019</b>	<b>Since inception to 31.12.2019</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Income	-	-	-	-	-
Capital <sup>^</sup>	2.26	12.07	20.56	37.23	62.56
Total Return <sup>^</sup>	2.26	12.07	20.56	37.23	62.56
Average Total Return <sup>^</sup>	N/A	12.07	6.43	6.53	5.25
Benchmark	2.18	9.75	13.62	24.84	41.22
Changes in Market Price per Unit	4.10	12.24	21.32	38.66	61.76

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

For the six months financial period under review, the Fund increased by 2.26%, outperforming the benchmark which increased by 2.18%. The last available published market price of the Fund quoted on Bursa Malaysia was RM1.65. This represents an increase of 4.10% during the period.



**FUND PERFORMANCE (CONTINUED)**

**Changes in NAV**

	<b>31.12.2019</b>	<b>30.06.2019</b> <b>Audited</b>	<b>Changes</b>
			<b>%</b>
NAV (RM Million)	11.78	11.52	2.26
NAV/Unit (RM)	1.6474	1.6109	2.27

For the six months financial period, the Fund's NAV was higher at RM11.78 million as at 31 December 2019 compared to RM11.52 million on 30 June 2019. On the other hand, the NAV per unit increased to RM1.6474 per unit from RM1.6109 per unit due to the positive investment performance during the period.

Performance data represents the combined income and capital return as a result of holding units in the Fund for the specified length of time, based on NAV to NAV price. The performance data assumes that all earnings from the Fund are reinvested and are net of management and trustee fees. Past performance is not reflective of future performance and income distributions are not guaranteed. Unit prices and income distributions, if any, may fall and rise. All performance figures for the financial period have been extracted from Lipper.

**PORTFOLIO STRUCTURE**

**Asset allocation**

<b>(% of NAV)</b>	<b>31.12.2019</b>	<b>30.06.2019</b> <b>Audited</b>
Quoted securities	99.69	99.02
Cash and other net assets	0.31	0.98
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>

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

**MARKET OUTLOOK\***

2019 has been a challenging year in which we have seen a material slowdown in China's economy. Much of this weakness has reflected the tougher external environment caused by US-China trade tensions and the effects of the Government's previous efforts to rein in systemic risks in the economy. We expect China's economy to stabilize in 2020, underpinned by a combination of easing monetary conditions, greater fiscal support, and a potential bottoming in global industrial activity. Some form of trade deal with the US should also help to support a sequential, albeit likely modest, reacceleration in growth over the course of the year.



## MARKET OUTLOOK\* (CONTINUED)

The outbreak, which comes just after Washington and Beijing signed a partial trade deal, creates uncertainty for businesses that manufacture and source materials in China. The history has guided the turning point for sentiment will come if the vaccine is invented and escalation of the virus decreases. The negative sentiment in the short-term will affect businesses particularly in the consumer, transportation, restaurants, tourism, and retail sectors. That said, with the online channel now accounts for 20% of total retail sales, this can increase to partially offset the impact on the overall retail sales number. Commodities such as oil will also be affected in the near term with the concerns of slower global growth and lower demand. A market sell-off on the back of such epidemic usually offers great buying opportunities.

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

## INVESTMENT STRATEGY

As this is an ETF, the Fund will continue to remain fully invested in the benchmark index stocks with minimal cash kept for liquidity purposes in order to track the performance of the benchmark.

## UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 31 December 2019 are as follows:

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
Less than 100	5	0.00	0.00
100 to 1,000	80	0.04	0.55
1,001 to 10,000	126	0.58	8.11
10,001 to 100,000	53	1.54	21.54
100,001 to less than 5% of approved fund size	9	1.78	24.90
5% and above the approved fund size	3	3.21	44.90
<b>Total</b>	<b>276</b>	<b>7.15</b>	<b>100.00</b>

## SOFT COMMISSIONS AND REBATES

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

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

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2019**

	Note	01.07.2019 to 31.12.2019 RM	01.07.2018 to 31.12.2018 RM
<b>INCOME/(LOSS)</b>			
Dividend income		139,881	296,645
Net gain/(loss) on financial assets at fair value through profit or loss	8	203,008	(880,910)
Net foreign exchange loss		(1,024)	(9,896)
		341,865	(594,161)
<b>EXPENSES</b>			
Management fee	4	33,651	38,268
Trustee's and custodian fees	5	12,746	10,196
Audit fee		13,725	13,762
Tax agent's fee		2,313	2,319
Transaction costs		2,133	22,322
Other expenses	6	16,996	33,938
		81,564	120,805
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		260,301	(714,966)
Taxation	7	-	-
<b>PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL PERIOD</b>		260,301	(714,966)
Profit/(Loss) after taxation is made up as follows:			
Realised amount		(23,624)	1,051,503
Unrealised amount		283,925	(1,766,469)
		260,301	(714,966)

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

**UNAUDITED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	<b>Note</b>	<b>31.12.2019</b>	<b>30.06.2019</b>
		<b>RM</b>	<b>Audited RM</b>
<b>ASSETS</b>			
Cash and cash equivalents	<b>9</b>	145,449	47,062
Financial assets at fair value through profit or loss	<b>8</b>	11,742,282	11,405,302
Dividends receivable		<u>1,555</u>	<u>157,979</u>
<b>TOTAL ASSETS</b>		<u>11,889,286</u>	<u>11,610,343</u>
<b>LIABILITIES</b>			
Accrued management fee		5,973	5,644
Amount due to Trustee		1,051	1,021
Other payables and accruals	<b>10</b>	<u>103,623</u>	<u>85,340</u>
<b>TOTAL LIABILITIES</b>		<u>110,647</u>	<u>92,005</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>11,778,639</u>	<u>11,518,338</u>
<b>EQUITY</b>			
Unit holders' capital		4,386,204	4,386,204
Retained earnings		<u>7,392,435</u>	<u>7,132,134</u>
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		<u>11,778,639</u>	<u>11,518,338</u>
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>	<b>11</b>	<u>7,150,000</u>	<u>7,150,000</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>1.6474</u>	<u>1.6109</u>

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

**UNAUDITED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2019**

	Unit holders' capital RM	Retained earnings RM	Total RM
<b>Balance as at 1 July 2019</b>	4,386,204	7,132,134	11,518,338
Movement in unit holders' contributions:			
Total comprehensive income for the financial period	-	260,301	260,301
<b>Balance as at 31 December 2019</b>	<u>4,386,204</u>	<u>7,392,435</u>	<u>11,778,639</u>
<b>Balance as at 1 July 2018</b>	8,331,964	6,838,952	15,170,916
Movement in unit holders' contributions:			
-Cancellation of units	(3,945,760)	-	(3,945,760)
Total comprehensive loss for the financial period	-	(714,966)	(714,966)
<b>Balance as at 31 December 2018</b>	<u>4,386,204</u>	<u>6,123,986</u>	<u>10,510,190</u>

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

**UNAUDITED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2019**

	<b>01.07.2019 to 31.12.2019</b>	<b>01.07.2018 to 31.12.2018</b>
	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Proceeds from disposal of quoted securities	701,100	6,190,131
Purchase of quoted securities	(837,878)	(2,701,246)
Dividend income received	283,443	408,820
Management fee paid	(33,322)	(40,587)
Trustee's and custodian fees paid	(12,716)	(10,221)
Payments for other fees and expenses	(1,216)	(8,250)
Net realised loss on foreign exchange	(1,024)	(9,896)
<b>Net cash generated from operating activities</b>	<b>98,387</b>	<b>3,828,751</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments for cancellation of units	-	(3,945,760)
<b>Net cash used in from financing activities</b>	<b>-</b>	<b>(3,945,760)</b>
Net increase/(decrease) in cash and cash equivalents	98,387	(117,009)
Effects of foreign exchange differences	-	(1,464)
Cash and cash equivalents at the beginning of the financial period	47,062	219,579
Cash and cash equivalents at the end of the financial period	<b>145,449</b>	<b>101,106</b>
<u>Cash and cash equivalents comprised of:</u>		
Bank balances	145,449	101,106
Cash and cash equivalents at the end of the financial period	<b>145,449</b>	<b>101,106</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2019**

**1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES**

Principal FTSE China 50 ETF (*formerly known as CIMB FTSE China 50*) (the “Fund”) is governed by a Deed dated 19 April 2010, a First Supplemental Deed dated 8 December 2010, a Second Supplemental Deed dated 30 July 2014 and a Third Supplemental Deed dated 2 August 2019 (collectively referred to as the “Deeds”) between Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the “Manager”) and Deutsche Trustees Malaysia Berhad (the “Trustee”).

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

All investments will be subjected to the Securities Commission Malaysia (“SC”) Guidelines on ETFs, SC requirements, Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Deed, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund’s objective.

The Fund has changed its name from CIMB FTSE China 50 to Principal FTSE China 50 ETF Fund following the issuance of the Replacement Prospectus Issue No. 2 dated 30 September 2019.

The Manager, is a joint venture between Principal Financial Group®, a member of the FORTUNE 500® and a Nasdaq-listed global financial services and CIMB Group Holdings Berhad, one of Southeast Asia’s leading universal banking groups. The principal activities of the Manager are the establishment and management of unit trust funds and fund management activities.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**(a) Basis of preparation**

The financial statements have been prepared in accordance with the provisions of the MFRS and International Financial Reporting Standards (“IFRS”).

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

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period.

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

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

It also requires the Manager to exercise their judgement in the process of applying the Fund's accounting policies. Although these estimates and assumptions 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(k).

#### Standard that is effective and relevant:

The Fund has applied the following amendments for the first time for the financial period beginning 1 July 2019:

#### (i) Financial period beginning on/after 1 July 2019

- Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income ("OCI") or equity) depends on where the past transactions that generated distributable profits were recognised.

Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 July 2019 that have a material effect on the financial statements of the Fund.

### (b) Financial assets and financial liabilities

#### Classification

The Fund classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through OCI.

The Fund classifies cash and cash equivalents and dividend receivable as financial assets at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

The Fund classifies accrued management fee, amount due to Trustee and other payables and accruals as financial liabilities measured at amortised cost.

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

### (b) Financial assets and financial liabilities (continued)

#### Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value. Transaction costs are expensed in the statement of comprehensive income.

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

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

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

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

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

Foreign quoted securities are valued at the last traded market price quoted on the respective foreign stock exchanges at the close of the business day of the respective foreign stock exchanges.

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

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



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

### (b) Financial assets and financial liabilities (continued)

#### Impairment for assets carried at amortised costs

The Fund measures credit risk and expected credit loss (“ECL”) using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any ECL. Management consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month ECL as any such impairment would be wholly insignificant to the Fund.

#### Significant increase in credit risk

A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due.

#### Definition of default and credit-impaired financial assets

Any contractual payment which is more than 90 days past due is considered credit impaired.

#### Write-off

The Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor’s sources of income or assets to generate sufficient future cash flows to repay the amount. The Fund may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains. There are no write-offs/recoveries during the financial period.

### (c) Income recognition

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

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

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

### (d) Foreign currency

#### Functional and presentation currency

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

Due to mixed factors in determining the functional currency of the Fund, the Manager has used its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and have determined the functional currency to be in MYR primarily due to the following factors:

- i) Units of the Funds are denominated in MYR.
- ii) Significant portion of the Fund’s expenses are denominated in MYR.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statement of comprehensive income.

### (e) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise bank balances which are subject to an insignificant risk of changes in value.

### (f) Taxation

Current tax expense is determined according to Malaysian tax laws at the current rate based upon the taxable profit earned during the financial period.

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

Withholding taxes on investment income from investment are based on tax regime of the respective countries that the Fund invests in. Such withholding taxes are not “income tax” in nature and are recognised and measured based on the requirements of MFRS 137. They are presented within other expenses line in the statement of comprehensive income.

### (g) Transactions costs

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

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

### (h) Unit holders' contributions

The unit holders' contributions to the Fund meet the criteria to be classified as equity instruments under MFRS 132 "Financial Instruments: Presentation". Those criteria include:

- the units entitle the holder to a proportionate share of the Fund's NAV;
- the units are the most subordinated class and class features are identical;
- there is no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- the total expected cash flows from the units over its life are based substantially on the profit or loss of the Fund.

The outstanding units are carried at the redemption amount that is payable at each financial period if unit holder exercises the right to put the unit back to the Fund.

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

### (i) Segment information

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

### (j) Realised and unrealised portions of net income after tax

The analysis of realised and unrealised profit or loss after tax as presented on the statement of comprehensive income is prepared in accordance with SC Guidelines on ETFs.

### (k) Critical accounting estimates and judgements in applying accounting policies

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

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

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

However, the Manager is of the opinion that in applying this accounting policy, no significant judgement was required.

### **3. RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk and currency risk), credit risk and liquidity risk.

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

#### **(a) Market risk**

##### **(i) Price risk**

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

The very nature of an ETF, however, helps mitigate this risk because a Fund would generally hold a well-diversified portfolio of securities from different market sectors so that the collapse of any one security or any one market sector would not impact too greatly on the value of the Fund.

##### **(ii) Currency risk**

Currency risk is associated with investments that are quoted and/or priced in foreign currency denomination. 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 RM based on considerations of economic fundamentals such as interest rate differentials, balance of payments position, debt levels, and technical chart considerations.

#### **(b) Credit risk**

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

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

#### **(c) Liquidity risk**

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

The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by unit holders. Liquid asset comprises bank balances which are capable of being converted into cash within 7 business days. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

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

#### (d) Capital Risk Management

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

#### (e) Fair value estimation

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

The fair value of financial assets traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the financial period end date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

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

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

##### (i) Fair value hierarchy

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

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

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

#### (e) Fair value estimation (continued)

##### (i) Fair value hierarchy (continued)

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

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>31.12.2019</b>				
Financial assets at fair value through profit or loss:				
- Quoted securities	11,742,282	-	-	11,742,282
<b>30.06.2019</b>				
<b>Audited</b>				
Financial assets at fair value through profit or loss:				
- Quoted securities	11,405,302	-	-	11,405,302

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities. The Fund does not adjust the quoted prices for these instruments. The Fund's policies on valuation of these financial assets are stated in Note 2(b).

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

### 4. MANAGEMENT FEE

In accordance with the Deeds, the Manager is entitled to a management fee of up to 3.00% per annum calculated and accrued daily based on the NAV of the Fund.

For the financial period ended 31 December 2019, the management fee is recognised at a rate of 0.60% per annum (31.12.2018: 0.60% per annum).

There is no further liability to the Manager in respect of management fee other than the amount recognised above.

**5. TRUSTEE'S AND CUSTODIAN FEES**

In accordance with the Deeds, the Trustee is entitled to a fee not exceeding a maximum of 0.20% per annum, calculated daily based on the NAV of the Fund, subject to a minimum fee of RM18,000 per annum. However, the fee is revised to RM12,000 per annum effective from 1 June 2012 based on the agreement between the Trustee and the Manager, excluding foreign sub-custodian fees and charges.

For the financial period ended 31 December 2019, the Trustee's fee is recognised at a rate of 0.08% per annum (31.12.2018: 0.08% per annum).

There is no further liability to the Trustee in respect of Trustee's and custodian fees other than the amounts recognised above.

**6. OTHER EXPENSES**

	<b>01.07.2019 to 31.12.2019</b>	<b>01.07.2018 to 31.12.2018</b>
	<b>RM</b>	<b>RM</b>
Printing costs	3,088	4,397
Listing fee	373	649
Foreign tax on foreign taxable income	13,535	28,892
	<u>16,996</u>	<u>33,938</u>

**7. TAXATION**

	<b>01.07.2019 to 31.12.2019</b>	<b>01.07.2018 to 31.12.2018</b>
	<b>RM</b>	<b>RM</b>
Tax charged for the financial period:		
- Current taxation	<u>-</u>	<u>-</u>

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

	<b>01.07.2019 to 31.12.2019</b>	<b>01.07.2018 to 31.12.2018</b>
	<b>RM</b>	<b>RM</b>
Profit/(Loss) before taxation	<u>260,301</u>	<u>(714,966)</u>
Taxation at Malaysian statutory rate of 24% (31.12.2018: 24%)	62,472	(171,592)
Tax effects of:		
(Income not subject to tax)/Loss not deductible for tax purposes	(82,048)	142,599
Expenses not deductible for tax purposes	11,500	19,809
Restriction on tax deductible expenses for ETFs	8,076	9,184
Taxation	<u>-</u>	<u>-</u>

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

	31.12.2019	30.06.2019
	RM	Audited RM
At fair value through profit or loss at inception:		
- Quoted securities	11,742,282	11,405,302
	<b>01.07.2019 to 31.12.2019</b>	<b>01.07.2018 to 31.12.2018</b>
	RM	RM
Net gain on financial assets at fair value through profit or loss:		
- Realised (loss)/gain on disposals	(80,245)	884,096
- Unrealised fair value gain/(loss)	283,253	(1,765,006)
	203,008	880,910

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>31.12.2019</b>				
<b>QUOTED SECURITIES</b>				
<b>Consumer Products</b>				
Anta Sports Products Ltd	4,400	150,120	161,390	1.37
Haidilao International Holding Ltd	1,100	20,637	18,106	0.15
Meituan Dianping	12,980	445,289	695,552	5.91
Shenzhou International Group Holdings Ltd	3,292	173,269	197,181	1.67
	21,772	789,315	1,072,229	9.10
<b>Energy</b>				
China Petroleum & Chemical Corporation	116,380	329,456	287,033	2.44
China Shenhua Energy Company Limited	14,740	151,716	126,192	1.07
CNOOC Ltd	67,540	382,015	460,306	3.91
Hanergy Thin Film Power Group Ltd *	102,900	332,879	-	-
Petrochina Co Ltd	93,060	336,174	191,347	1.62
	394,620	1,532,240	1,064,878	9.04
<b>Finance</b>				
Agricultural Bank of China Ltd	145,035	243,191	261,606	2.22
Bank of China Ltd	286,550	489,160	501,794	4.26
Bank of Communications Co Ltd	34,100	94,806	99,345	0.84
China Citic Bank Corporation Ltd	39,600	91,785	97,251	0.83



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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>31.12.2019</b>				
<b>(CONTINUED)</b>				
<b>QUOTED SECURITIES</b>				
<b>(CONTINUED)</b>				
<b>Finance (continued)</b>				
China Construction Bank Corporation	302,500	900,964	1,070,585	9.09
China Everbright Bank Company Ltd	14,080	26,591	26,804	0.23
China Life Insurance Company Ltd	33,000	364,794	375,710	3.19
China Merchants Bank Co Ltd	16,940	134,243	356,777	3.03
China Minsheng Banking Corporation Ltd	29,150	85,420	90,289	0.77
China Pacific Insurance (Group) Co Ltd	12,320	171,394	198,898	1.69
CITIC Securities Co Ltd	10,450	103,323	97,708	0.82
CSC Financial Co Ltd	5,500	17,757	19,436	0.17
Guotai Junan Securities Co Ltd	3,740	32,107	27,141	0.23
Huatai Securities Co Ltd	7,700	66,234	55,798	0.47
Industrial and Commercial Bank of China Ltd	242,000	615,734	763,568	6.48
New China Life Insurance Co Ltd	4,510	76,416	79,452	0.67
Picc Property and Casualty Company Ltd	29,150	129,014	143,941	1.22
Ping An Insurance (Group) Company of China, Ltd	18,260	570,316	884,385	7.51
Postal Savings Bank of China Co Ltd	44,550	116,904	124,166	1.05
The People's Insurance Company (Group) of China Ltd	37,400	69,884	63,723	0.54
	<u>1,316,535</u>	<u>4,400,037</u>	<u>5,338,377</u>	<u>45.31</u>
<b>Health Care</b>				
Wuxi Apptec Co Ltd	<u>1,650</u>	<u>85,841</u>	<u>83,862</u>	<u>0.71</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>31.12.2019</b>				
<b>(CONTINUED)</b>				
<b>QUOTED SECURITIES</b>				
<b>(CONTINUED)</b>				
<b>Industrials</b>				
Air China Limited	10,450	42,522	43,468	0.37
China Communications Construction Co Ltd	23,100	88,236	77,138	0.65
China Railway Construction Corporation Ltd	9,350	49,843	41,941	0.36
China Railway Group Ltd	24,750	74,024	62,604	0.53
Citic Limited	20,020	131,504	109,702	0.93
CRRC Corporation Ltd	22,000	96,379	65,713	0.56
	<u>109,670</u>	<u>482,508</u>	<u>400,566</u>	<u>3.40</u>
<b>Materials</b>				
Anhui Conch Cement Company Ltd	5,500	71,064	164,283	1.39
<b>Real Estate</b>				
China Evergrande Group	9,130	81,947	103,706	0.88
China Overseas Land & Investment Ltd	16,940	181,895	270,366	2.31
China Resources Land Ltd	11,770	116,249	240,154	2.04
China Vanke Co Ltd	7,150	60,131	125,020	1.06
Country Garden Holdings Company Ltd	35,200	129,619	231,014	1.96
Longfor Properties Co Ltd	7,370	93,287	141,462	1.20
	<u>87,560</u>	<u>663,128</u>	<u>1,111,722</u>	<u>9.45</u>
<b>Technology</b>				
Xiaomi Corporation	39,930	267,248	226,360	1.92
<b>Telecommunications</b>				
China Mobile Ltd	17,050	670,004	587,282	4.99
China Telecom Corporation td	68,310	130,572	115,311	0.98
China Tower Corporation Ltd	209,000	154,392	189,041	1.60
China Unicom (Hong Kong) Ltd	29,150	149,097	112,516	0.96
Tencent Holdings Ltd	5,450	727,786	1,076,472	9.14
	<u>328,960</u>	<u>1,831,851</u>	<u>2,080,622</u>	<u>17.67</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>31.12.2019</b>				
<b>(CONTINUED)</b>				
<b>QUOTED SECURITIES</b>				
<b>(CONTINUED)</b>				
<b>Utilities</b>				
Cgn Power Co Ltd	57,200	63,455	62,566	0.54
China Gas Holdings Ltd	8,910	130,599	136,817	1.16
	<u>66,110</u>	<u>194,054</u>	<u>199,383</u>	<u>1.70</u>
<b>TOTAL QUOTED SECURITIES</b>	<b><u>2,372,307</u></b>	<b><u>10,317,286</u></b>	<b><u>11,742,282</u></b>	<b><u>99.69</u></b>
<b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>				
		<u>1,424,996</u>		
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>				
		<u>11,742,282</u>		

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>30.06.2019</b>				
<b>Audited</b>				
<b>QUOTED SECURITIES</b>				
<b>Basic Materials</b>				
Anhui Conch Cement Co Ltd	5,500	71,064	142,666	1.24
<b>Consumer Products</b>				
BYD Co Ltd	3,300	71,619	82,452	0.72
Geely Automobile Holdings Ltd	23,650	250,802	167,434	1.45
Guangzhou Automobile Group Co Ltd	17,600	58,128	77,783	0.68
Meituan Dianping	8,800	270,883	319,432	2.77
Shenzhen International Group Holdings Ltd	3,842	202,217	218,659	1.90
	<u>57,192</u>	<u>853,649</u>	<u>865,760</u>	<u>7.52</u>
<b>Energy</b>				
China Petroleum & Chemical Corporation	116,050	328,651	326,546	2.83
China Shenhua Energy Co Ltd	14,740	151,716	127,787	1.11
CNOOC Ltd	67,540	382,015	478,159	4.15
Hanergy Thin Film Power Group Ltd *	102,900	332,879	-	-
Petrochina Co Ltd	92,840	335,725	212,040	1.84
	<u>394,070</u>	<u>1,530,986</u>	<u>1,144,532</u>	<u>9.93</u>
<b>Finance</b>				
Agricultural Bank of China Ltd	145,200	243,468	251,605	2.18
Bank of China Ltd	286,000	488,192	500,132	4.34
Bank of Communications Co Ltd	39,600	110,097	124,439	1.08
China Citic Bank Corporation Ltd	39,600	91,785	93,381	0.81
China Construction Bank Corporation	286,000	848,398	1,019,967	8.86
China Everbright Bank Co Ltd	14,080	26,591	26,711	0.23
China Life Insurance Co Ltd	36,300	401,273	370,098	3.21
China Merchants Bank Co Ltd	16,940	134,243	349,644	3.04
China Minsheng Banking Corporation Ltd	29,150	85,420	83,568	0.73
China Pacific Insurance (Group) Co Ltd	12,320	171,394	199,447	1.73

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>30.06.2019 (CONTINUED)</b>				
<b>Audited (continued)</b>				
<b>QUOTED SECURITIES</b>				
<b>(CONTINUED)</b>				
<b>Finance (continued)</b>				
CITIC Securities Co Ltd	14,850	146,828	128,111	1.11
CSC Financial Co Ltd	5,500	17,757	16,933	0.15
GF Securities Co Ltd	6,270	62,802	30,867	0.27
Guotai Junan Securities Co Ltd	3,740	32,107	27,588	0.24
Huatai Securities Co Ltd	7,700	66,235	54,840	0.48
Industrial and Commercial Bank Of China Ltd	242,000	615,734	730,963	6.35
New China Life Insurance Co Ltd	5,610	95,053	112,967	0.98
PICC Property and Casualty Co Ltd	29,150	129,014	130,218	1.13
Ping An Insurance (Group) Company of China Ltd	12,650	294,669	628,780	5.46
Postal Savings Bank of China Co Ltd	44,550	116,904	109,540	0.95
The People's Insurance Company (Group) of China Ltd	37,400	69,884	60,447	0.52
	<u>1,314,610</u>	<u>4,247,848</u>	<u>5,050,246</u>	<u>43.85</u>
<b>Industrials</b>				
Air China Ltd	10,450	42,522	43,636	0.38
China Communications Construction Co Ltd	27,500	105,043	101,863	0.88
China Railway Construction Corporation Ltd	9,350	49,844	47,466	0.41
China Railway Group Ltd	24,750	74,024	77,905	0.68
CITIC Ltd	26,620	174,857	158,837	1.38
CRRC Corporation Ltd	22,000	96,379	76,127	0.66
	<u>120,670</u>	<u>542,669</u>	<u>505,834</u>	<u>4.39</u>
<b>Real Estate</b>				
China Evergrande Group	11,330	101,693	131,486	1.14
China Overseas Land and Investment Ltd	17,050	183,076	260,209	2.26
China Resources Land Ltd	11,770	116,249	214,556	1.86
China Vanke Co Ltd	7,150	60,131	111,014	0.96
Country Garden Holdings Co Ltd	35,530	130,834	223,675	1.94
Longfor Group Holdings Ltd	9,570	121,133	149,349	1.30
	<u>92,400</u>	<u>713,116</u>	<u>1,090,289</u>	<u>9.46</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>30.06.2019 (CONTINUED)</b>				
<b>Audited (continued)</b>				
<b>QUOTED SECURITIES (CONTINUED)</b>				
<b>Technology</b>				
Xiaomi Corporation	40,040	267,984	212,177	1.84
<b>Telecommunications</b>				
China Mobile Ltd	16,940	666,272	638,694	5.55
China Telecom Corporation Ltd	68,310	130,572	142,260	1.24
China Tower Corporation Ltd	209,000	154,392	227,041	1.97
China Unicom (Hong Kong) Ltd	29,150	149,097	132,381	1.15
Tencent Holdings Ltd	5,802	774,792	1,084,088	9.41
	<u>329,202</u>	<u>1,875,125</u>	<u>2,224,464</u>	<u>19.32</u>
<b>Utilities</b>				
China Gas Holdings Ltd	11,000	161,118	169,334	1.47
<b>TOTAL QUOTED SECURITIES</b>	<b><u>2,364,684</u></b>	<b><u>10,263,559</u></b>	<b><u>11,405,302</u></b>	<b><u>99.02</u></b>
<b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b><u>1,141,743</u></b>		
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b><u>11,405,302</u></b>		

\* Trading in the securities of the counter has been suspended since 20 May 2015 and subsequently delisted from Hong Kong Stock Exchange ("HKEx") effective 11 June 2019. Based on announcement in HKEx, Hanergy Mobile Energy Holding Group Co Ltd proposed to take over Hanergy Thin Film Power Group Ltd. The Manager will act on the securities of the counter upon the announcement of the plans subsequent to the completion of the acquisition. Until then, the securities of the counter continue to remain deposited with the central securities depository during the period of suspension/delisting as it was not mandatory for the securities to be withdrawn.

**9. CASH AND CASH EQUIVALENTS**

	<b>31.12.2019</b>	<b>30.06.2019</b>
	<b>RM</b>	<b>Audited RM</b>
Bank balances	145,449	47,062

**10. OTHER PAYABLES AND ACCRUALS**

	<b>31.12.2019</b>	<b>30.06.2019</b>
	<b>RM</b>	<b>Audited RM</b>
Provision for audit fee	41,025	27,300
Provision for tax agent's fee	7,758	5,445
Other accruals	54,840	52,595
	103,623	85,340

**11. NUMBER OF UNITS IN CIRCULATION (UNITS)**

	<b>01.07.2019 to 31.12.2019</b>	<b>01.07.2018 to 30.06.2019</b>
	<b>No of units</b>	<b>Audited No of units</b>
At the beginning of the financial period/year	7,150,000	9,750,000
Less: Cancellation of units	-	(2,600,000)
At the end of the financial period/year	7,150,000	7,150,000

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

	<b>01.07.2019 to 31.12.2019</b>	<b>01.07.2018 to 31.12.2018</b>
	<b>%</b>	<b>%</b>
MER	0.59	0.55

MER is derived from the following calculation:

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

A	=	Management fee
B	=	Trustee's and custodian fees
C	=	Audit fee
D	=	License fee
E	=	Tax agent's fee
F	=	Other expenses exclude withholding tax
G	=	Average NAV of the Fund calculated on a daily basis

The average NAV of the Fund for the financial period calculated on daily basis is RM11,155,582 (31.12.2018: RM12,651,653).

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

	<b>01.07.2019 to 31.12.2019</b>	<b>01.07.2018 to 31.12.2018</b>
PTR (times)	0.07	0.35

PTR is derived based on the following calculation:

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

where:

total acquisition for the financial period = RM839,035 (31.12.2018: RM2,697,615)  
total disposal for the financial period = RM702,931 (31.12.2018: RM6,194,268)

**14. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER, AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES**

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

<u>Related parties</u>	<u>Relationship</u>
Principal Asset Management Berhad <i>(formerly known as CIMB-Principal Asset Management Berhad)</i>	The Manager
Principal Financial Group, Inc.	Ultimate holding company of shareholder of the Manager
Principal International (Asia) Ltd	Shareholder of the Manager
Subsidiaries and associates of Principal Financial Group Inc., other than above, as disclosed in its financial statements	Fellow subsidiary and associated companies of the ultimate holding company of shareholder of the Manager
CIMB Group Holdings Bhd	Ultimate holding company of shareholder of the Manager
CIMB Group Sdn Bhd	Shareholder of the Manager
Subsidiaries and associates of CIMB Group Holdings Bhd, other than above, as disclosed in its financial statements	Fellow subsidiary and associated companies of the ultimate holding company of the shareholder of the Manager
Principal Asset Management (S) Pte Ltd	Investment Adviser of the Fund
CGS-CIMB Securities (Singapore) Pte Ltd	Fellow related party to the Manager

Units held by the Manager and parties related to the Manager

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



**14. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER, AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

Significant related party transactions and balances

There were no significant related party transactions and balances during each of the financial period/year, other than those already disclosed elsewhere in the financial statements.

**15. TRANSACTIONS WITH BROKERS**

Details of transactions with the brokers for the six months financial period ended 31 December 2019 are as follows:

<b>Brokers</b>	<b>Value of trades RM</b>	<b>Percentage of total trades %</b>	<b>Brokerage fees RM</b>	<b>Percentage of total brokerage fees %</b>
JP Morgan Securities (Asia Pacific)	1,541,966	100.00	2133	100.00
	<u>1,541,966</u>	<u>100.00</u>	<u>2133</u>	<u>100.00</u>

Details of transactions with the brokers for the six months financial period ended 31 December 2018 are as follows:

<b>Brokers</b>	<b>Value of trades RM</b>	<b>Percentage of total trades %</b>	<b>Brokerage fees RM</b>	<b>Percentage of total brokerage fees %</b>
Citigroup Global Markets Limited	2,176,280	24.47	3,001	22.92
CGS-CIMB Securities (Singapore) Pte Ltd #	1,985,366	22.33	3,195	24.41
CLSA Limited (Hong Kong)	1,968,213	22.13	2,733	20.88
Instinet Pacific Limited Hong Kong Branch	1,667,870	18.76	2,636	20.14
JP Morgan Securities (Asia Pacific)	1,094,154	12.31	1,526	11.65
	<u>8,891,883</u>	<u>100.00</u>	<u>13,091</u>	<u>100.00</u>

# Included in the transactions are trades conducted with CGS-CIMB Securities (Singapore) Pte Ltd, fellow related party to the Manager amounting to Nil (31.12.2018: RM1,985,366). The Manager is of the opinion that all transactions with the related company have been entered into in the normal course of business at agreed terms between the related party.

**16. SEGMENT INFORMATION**

The internal reporting provided to the chief operating decision-maker for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of MFRS and IFRS. The chief operating decision-maker is responsible for the performance of the Fund and considers the business to have a single operating segment located in Malaysia. Asset allocation decisions are based on a single, integrated investment strategy and the Fund's performance is evaluated on an overall basis.

The investment objective of the Fund is to provide investment results that closely correspond to the performance of the Benchmark Index, regardless of its performance. In managing the Fund, the Manager attempts to achieve a high positive correlation and a low tracking error between the NAV of the Fund's portfolio and the Benchmark Index. The reportable operating segment derives its income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within the portfolio. These returns consist of dividend income earned from investments and gains on the appreciation in the value of investments, which is derived from the 50 largest and most liquid Chinese stocks (Red Chips, H shares and P Chips) listed and trading on the Hong Kong Stock Exchange ("HKEx"), Hong Kong.

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

## DIRECTORY

### Head Office of the Manager

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(formerly known as CIMB FTSE China 50)

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