

RHB SHARIAH CHINA FOCUS FUND

ANNUAL REPORT 2023

For the financial year ended 31 October 2023

GENERAL INFORMATION ABOUT THE FUND

Name, Category and Type

- Fund Name - RHB Shariah China Focus Fund
- Fund Category - Equity Fund (Shariah-compliant)
- Fund Type - Growth

Investment Objective, Policy and Strategy

Objective of the Fund

The Fund aims to achieve long term* capital appreciation through investments in China Shariah-compliant equities.

Note: * “long term” in this context refers to a period of between 5-7 years.

Any material change to the investment objective of this Fund requires the Unit Holders’ approval.

Strategy

The Fund seeks to achieve its investment objective through a diversified portfolio of China Shariah-compliant equities which include but not limited to, China A-shares, China H-shares, Islamic real estate investment trusts (“REITs”), Islamic exchange traded funds (“ETFs”) and China Shariah-compliant equity-related securities (collectively “China Shariah-compliant Equities”). The Fund will also invest in Islamic liquid assets including Islamic money market instruments, Islamic deposits with Islamic financial institutions and Islamic collective investment schemes investing in Islamic money market instruments and/or Islamic deposits with Islamic financial institutions.

The Fund will focus on companies that are able to create true shareholder value^^, have a strong and stable earnings stream and have a strong sustainable dividend yield^^ that issue China Shariah-compliant Equities with sustainable dividend payments^^.

The Fund’s direct investments in China Shariah-compliant Equities are those of companies whose securities are listed on the Hong Kong SAR, Shanghai, Shenzhen and Taiwan Stock Exchanges, including China companies that are listed in other non-China markets such as the United States, United Kingdom and Singapore Stock Exchanges. These are companies with revenues derived from China and/or have business operations located in the China. The Fund’s investments will also include Islamic collective investment schemes (including Islamic REITs and Islamic ETFs) domiciled in Singapore, Luxembourg, Hong Kong SAR, the United Kingdom and the

United States of America investing primarily in the China markets. The Fund's direct investments are not sector specific and can invest in a broad range of sectors and industries. It seeks to add value by investing in a selective range of opportunities identified by the Manager as having a strong attraction based on company fundamentals.

Thus, the Fund's portfolio will be structured as follows:

Minimum 70% of Net Asset Value ("NAV") - Investment in China Shariah-compliant Equities.

The balance of the Fund's NAV may be invested in Islamic liquid assets comprising Islamic money market instruments, Islamic deposits with Islamic financial institutions and Islamic collective investment schemes investing in Islamic money market instruments and/or Islamic deposits with Islamic financial institutions.

Provided always the above asset allocation is maintained, the range of the Fund's asset allocation will be reviewed from time to time depending on the judgement of the Manager as to the general market and economic conditions. Although the Fund is actively managed, how active or the frequency of its trading strategy will very much depend on market opportunities.

The risk management strategies and techniques employed by the Manager include diversification of the Fund's investments in terms of its exposure to various industries, sectors, countries and asset classes and/or type of investments (i.e. Shariah-compliant equities and Islamic money market instruments). The Manager may participate in Islamic financial derivatives for currency hedging purposes where appropriate. Generally, the assets of the Fund will be invested over a medium to long term period with disposal of the investments when necessary to control risk as well as to optimise capital gains. This is especially so when the full growth potential of an investment is deemed to have been reduced following a prolonged rise in equity values and the other available alternative investment may present cheaper valuations and potential higher returns. The Fund also complies with the permitted investments and restrictions imposed by the Securities Commission Malaysia ("SC"). Adherence to the permitted investments and restrictions also helps the Manager to risk-manage the Fund's portfolio in terms of diversification. Moreover, the Manager in making its investment decisions shall at all times comply with the investment restrictions of the Fund and requirements as set out in the Deed.

For investments in foreign markets, the Manager in managing the principal risks such as country risk and currency risk will always take into consideration the reference benchmark as well as its evaluation of the historical developments and its prior experience in such markets. Such practice will be managed through active management and constant review of the economic and political developments of the countries invested. Investments will ultimately be made based on risk-reward profiles.

The Manager may take temporary defensive positions that may be inconsistent with the Fund's principal strategy in attempting to respond to adverse economic, political or any other market conditions. In such circumstances, the Manager may reallocate up to 100% of the Fund's Shariah-compliant equity investments into other asset classes such as sukuk, Islamic money market instruments, Islamic deposits with Islamic financial institutions, which are defensive in nature and comply with Shariah requirements.

Note: ^^ Explanatory note on these terms:

“sustainable dividend payments” means consistent % dividend payout by a company over time, for example the Manager would prefer a company that has a stable dividend payout ratio rather than a company that has high payout ratio in one or two years and zero payout ratio in the next few years.

“create true shareholder value” are companies that are in the judgement of the Manager, deliver value through their management's ability to grow earnings, dividends and share price. In other words, it is the sum of all strategic decisions that affect the company's ability to efficiently increase the amount of free cash flow over time, after considering factors such as the effect of inflation, amongst others.

“strong and stable earnings stream” are companies that in the judgement of the Manager, can offer consistently growing/increasing corporate earnings with low volatility from one year to the next.

“strong sustainable dividend yield” are companies that in the judgement of the Manager, can offer increasing dividend payout from one year to the next.

Performance Benchmark

The performance of the Fund is benchmarked against the MSCI China A Islamic Index.

Permitted Investments

This Fund may invest or participate in Shariah-compliant securities of and Shariah-compliant securities relating to^ companies listed on Bursa Malaysia or traded in or listed on any other market considered as an Eligible Market, sukuk traded in or under the rules of an Eligible Market, unlisted Shariah-compliant equities or Shariah-compliant equity related securities^ that are traded in or under the rules of an Eligible Market, Islamic collective investment schemes, Islamic financial derivatives for hedging purposes only, Islamic liquid assets (comprising Islamic money market instruments and Islamic deposits with Islamic financial institutions and Islamic collective investment schemes investing in Islamic money market instruments and/or Islamic deposits with Islamic financial institutions) and any other Shariah-compliant investments permitted by the Shariah Advisory Council of the Securities Commission Malaysia (“SACSC”) and/or the Shariah Adviser from time to time. Consequently, all investments for this Fund are to be designated as Shariah-compliant and in this regard, the Shariah Adviser will advise on the selection of investments to ensure compliance with Shariah requirements.

Note: ^ With respect to Shariah-compliant equity related securities comprising Shariah-compliant warrants and convertibles, the Fund will only invest in Shariah-compliant warrants and convertibles that are capable of being converted into new shares.

Distribution Policy

Distribution is incidental, subject to the availability of income at the end of the financial year.

Notification of Changes

In addition to the changes mentioned in the letter dated 8 June 2023, below are the remaining changes : -

General

All references to “interim report(s)”, wherever they appear in the Principal Prospectus, are hereby amended to “semi-annual report(s)”.

“DEFINITIONS”

Business Day	A day (other than a Saturday, Sunday and public holiday) on which Bursa Malaysia is open for trading and/or banks in Kuala Lumpur are open for business; and the markets in which at least 50% of the Fund’s Net Asset Value (in aggregate) is invested therein, are also open for trading.
Eligible Market	An exchange, government securities market or an over-the-counter market that is regulated by a regulatory authority of that jurisdiction, that is open to the public or to a substantial number of market participants and on which financial instruments are regularly traded.
EPF	Employees Provident Fund.
EPF-MIS	Employees Provident Fund – Members’ Investment Scheme.
financial institution(s)	(a) If the institution is in Malaysia – (i) licensed bank or licensed investment bank as defined under the Financial Services Act 2013; or (ii) licensed Islamic bank as defined under the Islamic Financial Services Act 2013; or

	(b) If the institution is outside Malaysia, any institution that is licensed, registered, approved or authorised by the relevant banking regulator to provide financial services.
Guidelines	Guidelines on Unit Trust Funds issued by the Securities Commission including all amendments and/or revision thereto issued by the Securities Commission and any other relevant guidelines issued by the Securities Commission.
IUTA(s)	Institutional Unit Trust Scheme Adviser(s).
US Person	A US Person as defined in Section 7701 (a) (30) of the Internal Revenue Code and includes an individual who is a citizen or resident of the United States of America.

Chapter 1 – Fund Information

1.1.2A Fund Type

Growth.

Chapter 1 – Fund Information, Section 1.2.5 – Islamic Collective Investment Schemes

The Manager will only make such investments that are consistent with the objective and enhance the performance of this Fund. In addition, the Manager will only make such investments if the Islamic collective investment scheme is authorised or recognised by the Securities Commission, or is registered or authorised or approved by the relevant regulatory authority in its home jurisdiction as the case may be, and which operates within the general investment principles of the Guidelines. The Fund’s investments in Islamic collective investment schemes (if any) shall always be made subject to the restrictions stipulated in section 1.3 (f), (g), (m) and (q).

Chapter 1 – Fund Information, Section 1.2.6 – Islamic Financial Derivatives

Where appropriate, the Fund or the USD Class may participate in Islamic financial derivatives such as Islamic currency forwards, Islamic swaps or any other categories of financial derivatives which are structured in a Shariah-compliant manner, permitted by the relevant authorities from time to time, when appropriate. Such participation in Islamic financial derivatives shall commence only if the structure of the Islamic financial derivatives as well as the underlying financial instruments complies with Shariah requirements. The Fund’s or the USD Class’s participation in Islamic financial derivatives is to hedge the investment portfolio/ USD Class from exposure to foreign currency volatility arising from investment portfolio/ translation in USD Net Asset Value computation when the base currency of the Fund is different from USD. Hence, the benefit of any upside of currency movements is limited. The purpose of hedging is to protect the value of the portfolio.

When participating in such Islamic financial derivatives, the Manager will monitor the Islamic derivative valuation and credit ratings of the financial institutions as counterparty to the instruments, where applicable and take appropriate actions to mitigate any risk associated with such Islamic financial derivatives. This may extend to unwinding of Islamic financial derivative if there is a need to terminate current position due to reversal in market movement, redemptions in Units or upon downgrade of the credit ratings of the Islamic financial institutions. Commitment approach is used to calculate the Fund’s net market exposure. It is calculated as the sum of the (a) absolute value of the exposure of each individual Islamic financial derivative not involved in netting or hedging arrangements; (b) absolute value of the net exposure of each individual Islamic financial derivative after netting or hedging arrangements; and (c) the values of cash collateral received pursuant to the reduction of exposure to counterparties of over-the-counter (“OTC”) Islamic financial derivatives. The Fund’s holding in Islamic financial derivatives (if any) shall always be subject to the restrictions stipulated in section 1.3 (e), (n), (o) and (p).

Chapter 1 – Fund Information, Section 1.2.7 – Foreign Shariah-compliant Securities

The Fund may invest minimum 70% of Net Asset Value in Shariah-compliant securities of companies listed on or traded in foreign markets which includes, but not limited to, Hong Kong SAR, People’s Republic of China, Taiwan, Singapore, the United States of America and the United Kingdom. The Fund’s investments may also include Islamic collective investment schemes (including Islamic REITs and Islamic ETFs) domiciled in Singapore, Hong Kong SAR, Luxembourg, the United Kingdom and the United States of America.

Chapter 1 – Fund Information, Section 1.3 – Permitted Investments and Restrictions

This Fund may invest or participate in Shariah-compliant securities of and Shariah-compliant securities relating to^ companies listed on Bursa Malaysia or traded in or listed on any other market considered as an Eligible Market, sukuk traded in or under the rules of an Eligible Market, unlisted Shariah-compliant equities or Shariah-compliant equity related securities^ that are traded in or under the rules of an Eligible Market, Islamic collective investment schemes, Islamic financial derivatives for hedging purposes only, Islamic liquid assets (comprising Islamic money market instruments and Islamic deposits with Islamic financial institutions and Islamic collective investment schemes investing in Islamic money market instruments and/or Islamic deposits with Islamic financial institutions) and any other Shariah-compliant investments permitted by the SACSC and/or the Shariah Adviser from time to time. Consequently, all investments for this Fund are to be designated as Shariah-compliant and in this regard, the Shariah Adviser will advise on the selection of investments to ensure compliance with Shariah requirements.

^ With respect to Shariah-compliant equity related securities comprising Shariah-compliant warrants and convertibles, the Fund will only invest in Shariah-compliant warrants and convertibles that are capable of being converted into new shares.

The acquisition of such permitted investments is subject to the following restrictions:

- (a) The aggregate value of the Fund’s investments in unlisted Shariah-compliant securities must not exceed fifteen (15) per cent of the Fund’s Net Asset Value, subject to a maximum limit of ten (10) per cent of the Fund’s Net Asset Value in a single issuer, or any other limit as may be prescribed by the Securities Commission from time to time.
- (b) The value of the Fund’s investments in Shariah-compliant ordinary shares issued by any single issuer must not exceed ten (10) per cent of the Fund’s Net Asset Value, or any other limit as may be prescribed by the Securities Commission from time to time.
- (c) The value of the Fund’s investments in Shariah-compliant transferable securities (i.e. Shariah-compliant equities and Shariah-compliant warrants that are capable of being converted into shares) and Islamic money market instruments issued by any single issuer must not exceed fifteen (15) per cent of the Fund’s Net Asset Value (“single issuer limit”), or any other limit as may be prescribed by the Securities Commission from time to time. In determining the single issuer limit, the value of the Fund’s investments in instruments in paragraph (a) issued by the same issuer must be included in the calculation.
- (d) The value of the Fund’s placement in Islamic deposits with any single financial institution must not exceed twenty (20) per cent of the Fund’s Net Asset Value, or any other limit as may be prescribed by the Securities Commission from time to time.
- (e) The aggregate value of the Fund’s investments in, or exposure to, a single issuer through Shariah-compliant transferable securities, Islamic money market instruments, Islamic deposits, underlying assets of Islamic financial derivatives and counterparty exposure arising from the use of OTC Islamic financial derivatives must not exceed twenty-five (25) per cent of the Fund’s Net Asset Value (“single issuer aggregate limit”), or any other limit as may be prescribed by the Securities Commission from time to time. In determining the single issuer aggregate limit, the value of the Fund’s investments in instruments in paragraph (a) issued by the same issuer must be included in the calculation.
- (f) The value of the Fund’s investments in units or shares of an Islamic collective investment scheme must not exceed twenty (20) per cent of the Fund’s Net Asset Value provided that the Islamic collective investment scheme complies with paragraphs (q)(i), (ii) and (iii), excluding Islamic collective investment scheme that invests in real estate, or any other limit as may be prescribed by the Securities Commission from time to time.
- (g) The value of the Fund’s investments in units or shares of an Islamic collective investment scheme that invests in real estate pursuant to paragraph (q)(iii) must not exceed fifteen (15) per cent of the Fund’s Net Asset Value, or any other limit as may be prescribed by the Securities Commission from time to time.
- (h) The value of the Fund’s investments in Shariah-compliant transferable securities and Islamic money market instruments issued by any group of companies must not exceed twenty (20) per cent of the Fund’s Net Asset Value (“group limit”), or any other limit as may be prescribed by the Securities Commission from time to time. In determining the group limit, the value of the Fund’s investments in instruments in paragraph (a) issued by the issuers within the same group of companies must be included in the calculation.
- (i) The single issuer limit in paragraph (c) may be raised to thirty-five (35) per cent of the Fund’s Net Asset Value if the issuing entity is, or the issue is guaranteed by, either a foreign government, foreign government agency, foreign central bank or supranational, that has a minimum long-term credit rating of investment grade (including gradation and subcategories) by an international rating agency, or any other limit as may be prescribed by the Securities Commission from time to time. Where the single issuer limit is increased to thirty-five (35) per cent of the Fund’s Net Asset Value, the single issuer aggregate limit in paragraph (e) may be raised, subject to the group limit in paragraph (h) not exceeding thirty-five (35) per cent of the Fund’s Net Asset Value, or any other limit as may be prescribed by the Securities Commission from time to time.
- (j) The single financial institution limit in paragraph (d) does not apply to placements of Islamic deposits arising from:
 - i. subscription monies received prior to the commencement of investment by the Fund;
 - ii. liquidation of investments prior to the termination of the Fund, where the placement of Islamic deposits with various financial institutions would not be in the best interests of Unit Holders; or
 - iii. monies held for the settlement of redemption or other payment obligations, where the placement of Islamic deposits with various financial institutions would not be in the best interest of Unit Holders.
- (k) The Fund’s investments in Shariah-compliant shares or Shariah-compliant securities equivalent to shares must not exceed ten (10) per cent of the Shariah-compliant shares or Shariah-compliant securities equivalent to shares, as the case may be, issued by any single issuer, or any other limit as may be prescribed by the Securities Commission from time to time.
- (l) The Fund’s investments in Islamic money market instruments must not exceed ten (10) per cent of the instruments issued by any single issuer, or any other limit as may be prescribed by the Securities Commission from time to time. This limit does not apply to Islamic money market instruments that do not have a pre-determined issue size.

- (m) The Fund's investments in Islamic collective investment scheme must not exceed twenty-five (25) per cent of the units or shares in the Islamic collective investment scheme, or any other limit as may be prescribed by the Securities Commission from time to time.
- (n) The counterparty of an OTC Islamic financial derivative must be a financial institution with a minimum long-term credit rating of investment grade (including gradation and subcategories). Subject to the aggregate limit as stipulated in the Guidelines, the maximum exposure of the Fund to the counterparty must not exceed ten (10) per cent of the Fund's Net Asset Value, or any other limit as may be prescribed by the Securities Commission from time to time based on the maximum potential loss that may be incurred by the Fund if the counterparty defaults and not on the basis of the notional value of the OTC Islamic financial derivative. The total exposure to a single counterparty is calculated by summing the exposure arising from all OTC Islamic financial derivative transactions entered into with the same counterparty.
- (o) The Fund's exposure to the underlying assets (vide the Islamic financial derivatives) must not exceed the investment limits and restrictions applicable to such underlying assets as stipulated in the Guidelines, or any other limit as may be prescribed by the Securities Commission from time to time.
- (p) The Fund's global exposure from its Islamic financial derivatives positions must not exceed the Fund's Net Asset Value at all times, or any other limit as may be prescribed by the Securities Commission from time to time.
- (q) The Fund may invest in other Islamic collective investment scheme that fall within the following categories:
- i. an Islamic collective investment scheme authorised or recognised by the Securities Commission; or
 - ii. an Islamic collective investment scheme that meets the following criteria:
 - the Islamic collective investment scheme is constituted and regulated in a jurisdiction where the laws and practices provide the level of investor protection that is at least equivalent to that offered in Malaysia;
 - the rules on investments, borrowing and lending are substantially similar to the requirements in the Guidelines. This would exclude hedge funds;
 - the assets of the Islamic collective investment scheme are managed by an entity which is approved, authorised or licensed by a securities regulator to conduct fund management activities; and
 - the business of the Islamic collective investment scheme is reported in semi-annual and annual reports to enable an assessment to be made of the assets and liabilities, income and operations over the reporting period; or
 - iii. an Islamic collective investment scheme that meets the following criteria:
 - the Islamic collective investment scheme invests in permissible investments under the Guidelines, physically-backed metal exchange traded funds that comply with the Guidelines, or real estate;
 - the Islamic collective investment scheme meets the criteria imposed on transferable securities as prescribed under the Guidelines;
 - the units or shares in the Islamic collective investment scheme are listed for quotation and traded on a stock exchange that is an Eligible Market; and
 - the Islamic collective investment scheme is not an inverse or leveraged product.

The limits and restrictions mentioned herein must be complied with at all times based on the most up-to-date value of the Fund's Shariah-compliant investments. The Manager must notify the Securities Commission within seven (7) Business Days of any breach of investment limits and restrictions with the steps taken to rectify and prevent such breach from recurring. However, any breach as a result of (a) appreciation or depreciation in value of the Fund's Shariah-compliant investments; (b) repurchase of Units or payment made out of the Fund; (c) change in capital of a corporation in which the Fund has invested in; or (d) downgrade in or cessation of a credit rating, need not be reported to the Securities Commission but must be rectified as soon as practicable within three (3) months from the date of the breach unless otherwise specified in the Guidelines. The three (3) -month period may be extended if it is in the best interest of Unit Holders and the Trustee's consent is obtained. Such extension must be subject to at least a monthly review by the Trustee. The limits and restrictions in this Section 1.3 however, do not apply to Shariah-compliant securities or Shariah-compliant instruments that are issued or guaranteed by the Malaysian government or Bank Negara Malaysia.

Note: If the Fund is eligible to be invested via the EPF-MIS and you transfer your moneys from your EPF account to invest in the Fund, the investments made by the Fund as well as your investment in the Fund from your EPF account will be subject to the EPF's requirements. Please refer to the website at <http://www.kwsp.gov.my> for updated information.

Chapter 3 – Valuation of Assets

The assets of the Fund must be valued at least once every Business Day. As the Fund invests in foreign markets, which may have different time zones from that of Malaysia, the valuation of the Fund for a Business Day will be conducted by 5.00 p.m. (or such other time as may be determined by the Manager from time to time) on the following day on which the Manager is open for business.

Accordingly, the price of the Fund for a particular Business Day will not be published online on the Manager's website on the next day but will instead be published the next following day (i.e. price will be two (2) days old). This will be specifically indicated on the Manager's website.

Illustration

When markets are closed for trading on 18 April 2023 (Tuesday), the valuation date will be the next day on which the Manager is open for business, i.e. 19 April 2023 (Wednesday). Thus, the publication date for the price as at 18 April 2023 (Tuesday) will be on 20 April 2023 (Thursday) on the Manager's website.

Investors may obtain the most current computed price by contacting the Manager directly or visiting the Manager's website, **www.rhbgroup.com** [please refer to section 5.6 (g) (Availability of Information on Investment)].

In undertaking any of the Fund's investments, the Manager will ensure that all the assets of the Fund will be valued at fair value and at all times in compliance with the relevant laws (including approved accounting standards).

Accordingly, where applicable:

- (i) Listed Shariah-compliant securities will be valued daily based on the last done market price or such other basis as may be prescribed by the relevant laws from time to time including approved accounting standards.

However, if: -

- (a) a valuation based on the market price does not represent the fair value of the Shariah-compliant securities, for example during abnormal market conditions; or
- (b) no market price is available, including in the event of a suspension in the quotation of Shariah-compliant securities for a period exceeding fourteen (14) days, or such shorter period as agreed by the Trustee,

then the Shariah-compliant securities would be valued at fair value, as determined in good faith by the Manager based on the methods or bases approved by the Trustee after appropriate technical consultation.

- (ii) Investments in unlisted Shariah-compliant securities will be valued at fair value as determined in good faith by the Manager based on the methods or bases which have been verified by the auditor of the Fund and approved by the Trustee.
- (iii) Islamic collective investment schemes which are quoted on an approved exchange shall be valued daily based on the last done market price. When investing in unlisted Islamic collective investment schemes, the value shall be determined by reference to the last published repurchase price of a unit of that unlisted Islamic collective investment scheme.
- (iv) Islamic financial derivatives positions will be "marked to market" at the close of each trading day.
- (v) Islamic deposits placed with financial institutions will be valued each day by reference to the principal value of such investments and the profits accrued thereon for the relevant period.
- (vi) Islamic money market instruments that are held for collecting contractual cash flow purpose i.e. Islamic money market placements which have a remaining term to maturity of not more than 90 days at the time of acquisition will be measured on an ongoing basis at amortised cost. The risk of using amortised cost accounting is the mismatch between the fair value and book value of an Islamic money market instrument. The Manager will monitor closely and consider prompt action to discontinue the use of amortised cost method and adopt the fair value, i.e., the discounted net present value, as the valuation for Islamic money market instrument in the event the variance is above 3%.

Islamic money market instruments other than the aforesaid will be valued on a daily basis by reference to the fair value prices quoted by a BPA registered with the Securities Commission.

- (vii) Foreign exchange translation of foreign investments for a particular Business Day is determined based on bid rate quoted by Bloomberg or Reuters at 4:00 p.m. (United Kingdom time) or such other time as may be prescribed from time to time by the relevant governing body or authority.
- (viii) Any other Shariah-compliant investments as may be held by the Fund will be valued based on fair value as determined in good faith by the Manager, on methods or bases which have been verified by the auditor of the Fund and approved by the Trustee.

Chapter 4 – Fees, Charges and Expenses, Section 4.1 (a) – Sale Charge

Note:

⁴ If the Fund is an EPF-MIS approved fund and you invest via EPF-MIS, you will be levied a sales charge of up to 3.00% of the investment amount or any other rate as may be determined by the EPF from time to time.

Chapter 4 – Fees, Charges and Expenses, Section 4.1 (c)(i) – Switching of Units, second paragraph

The Manager however, reserves the right to vary this switching fee or to vary the terms of the switching facility. For switching into non-money market fund, units of the Fund to be switched into shall be purchased at the net asset value per unit as at the next valuation point of the fund's relevant business day after the form of request to switch is received by the Manager ("forward pricing"). For switching into money market fund, units shall be purchased at the net asset value per unit as at the next valuation point of the fund's relevant business day after money is received by the switch in fund.

Chapter 4 – Fees, Charges and Expenses, Section 4.4 – Policy on Rebates and Soft Commissions

It is the Manager’s policy to credit all rebates to the account of the Fund.

However, goods and services (“soft commissions”) provided by any broker or dealer may be retained by the Manager or the fund manager if:

- (a) the soft commissions bring direct benefit or advantage to the management of the Fund and may include research and advisory related services;
- (b) any dealing with broker or dealer is executed on terms which are the most favourable for the Fund; and
- (c) the availability of soft commissions is not the sole or primary purpose to perform or arrange transactions with such broker or dealer, and the Manager or fund manager must not enter into unnecessary trades to achieve a sufficient volume of transactions to qualify for soft commissions.

Chapter 4 – Fees, Charges and Expenses, Section 4.5 – Tax

All fees and charges payable to the Manager and the Trustee are subject to any applicable taxes and/or duties and at such rate as may be imposed by the Malaysian government from time to time.

Based on the Finance Act 2021, income derived by the Fund from foreign sources and received in Malaysia from 1 January 2022 onwards will be subject to Malaysian income tax. A transitional tax rate of 3% is accorded on the gross amount of the foreign income received in Malaysia from 1 January 2022 to 30 June 2022. From 1 July 2022 onwards, the prevailing tax rate of 24% will apply to the chargeable income computed in respect of the foreign source income remitted into Malaysia by the Fund.

Where the same foreign income has been taxed in both Malaysia and the foreign country, a tax credit in the form of bilateral relief under a Double Tax Agreement (“DTA”) or unilateral relief under the domestic law (if there is no available DTA or a limited DTA which does not provide such relief) may be given in respect of such income, subject to conditions.

There are fees and charges involved and investors are advised to consider them before investing in the Fund.

Chapter 5 – Transaction Information, Section 5.5 – Pricing Error Policy, last paragraph

However, reimbursement of money shall only apply if the error is at or above the significant threshold of 0.5% of the Net Asset Value per Unit of the respective Class and the amount to be reimbursed is equivalent to RM10.00 (in the case of a foreign currency Class, 10.00 denominated in the currency denomination of the foreign currency Class) or more.

Chapter 5 – Transaction Information, Section 5.6 (b) – Cooling-off Period

The cooling-off right refers to the right of an individual investor to obtain a refund of his investment if he so requests within the cooling-off period. The cooling-off right is only given to an individual investor, other than those listed below, who is investing in any unit trust funds managed by the Manager for the first time:

- (i) a staff of the Manager; and/or
- (ii) a person registered with a body approved by the Securities Commission to deal in unit trust funds.

The refund to the investor pursuant to the exercise of the investor’s cooling-off right must be as follows:

- a) the Net Asset Value per Unit at the point of exercise of the cooling-off right (“market price”), if the Net Asset Value per Unit on the day the Units were purchased (“original price”) is higher than the market price; or
- b) the original price, if the market price is higher than the original price.

If the market price is higher than the original price paid by the investor, the Manager may agree to pay the investor the excess amount, provided that such amount is not paid out of the Fund or the assets of the Fund.

The Manager must also refund the sales charge originally imposed on the day the Units were purchased.

The cooling-off period shall be within six (6) Business Days which shall be effective from the date of receipt of the application by the Manager. Where applicable, if you have invested via the EPF-MIS, the cooling-off period shall be subject to EPF’s terms and conditions.

The cooling-off right allows investors the opportunity to reverse an investment decision which could have been unduly influenced by certain external elements or factors.

Withdrawal proceeds will only be paid to the investors once the Manager has received cleared funds for the original investment. For investors who paid by cheque, the refund will be made upon clearance of the cheque. The Manager shall refund the investor in cash within seven (7) Business Days of receiving the cooling-off notice. Where applicable, if you have invested via the EPF-MIS, the refund will be credited back into your EPF accounts.

Chapter 5 – Transaction Information, Section 5.6 (c) – Where Units can be Purchased or Redeemed

Units can be purchased or redeemed at the Manager’s registered/principal office or any of its branch offices or from any of its participating IUTAs and any other authorised distributors, or channels as the Manager may decide from time to time. For further information, please call us at 03-9205 8000 at any time during our office hours: Mondays through Fridays from 9.00 a.m. – 5.00 p.m. Alternatively, investors may e-mail their enquiries to rhbiiam.enquiry@rhbgroup.com.

Please refer to our Directory of Outlets for Purchase and Sale of Units at the end of this prospectus. Application forms, redemption forms and this prospectus are also available from these distributors.

Chapter 5 – Transaction Information, Section 5.6 (d) – How to Switch between Funds

Unit Holders may switch to units of any unit trust fund under the management of the Manager that are of the same currency and that allow for switching by forwarding the completed form of request to switch to the Manager’s registered/principal office or any of its branches, or to any of its participating IUTAs and any other authorised distributors before their respective cut-off times on any Business Day. The minimum amount for a switch into another fund is one hundred (100) Units or such other quantity as the Manager may from time to time decide. There is no restriction as to the number of switches a Unit Holder may perform or the frequency of switching. The minimum investment balance must be at least one hundred (100) Units or such lower quantity as the Manager may from time to time decide after the switch. Following a switching transaction, if the quantity of Units held by a Unit Holder in the Fund falls below its minimum investment balance, the Manager can switch the entire investment and forward the proceeds to the fund that the Unit Holder intends to switch into. The Manager however, reserves the right to vary these terms.

Chapter 5 – Transaction Information, Section 5.6 (g) – Availability of Information on Investment

After purchasing Units of the Fund, the value of the investment can be monitored easily as the Unit price is published online daily on the Manager’s website, www.rhbgroup.com.

Unit Holders will receive an unaudited semi-annual report and an audited annual report of the Fund from the Manager within two (2) months after the end of the financial period/financial year end that the report covers. The Manager may also issue updates on the performance of the Fund either quarterly or semi-annually, or as and when appropriate.

Customers or investors may call us at 03-9205 8000 at any time during our office hours: Mondays through Fridays from 9.00 a.m. – 5.00 p.m. Alternatively, investors may e-mail their enquiries to rhbiiam.enquiry@rhbgroup.com.

Investors may also refer to FIMM for any queries and/or concerns regarding their investments in unit trust funds.

*Investors must not make payment in cash to any individual agent when purchasing Units of the Fund.
The Fund’s annual report is available upon request.*

Chapter 6 – Salient Terms of the Deed, Section 6.1.2 – Rights of Unit Holders

Unit Holders shall have the right in respect of the Fund in which they hold Units, amongst others, to the following:

- (a) to receive distributions of the Fund (if any), and if entitled to that Class, to participate in any increase in the value of the Units and to enjoy such other rights and privileges as set out in the Deed;
- (b) to call for Unit Holders’ meetings, and to vote for the removal of the Trustee or the Manager through a special resolution as provided for in the Deed;
- (c) to exercise the cooling-off right, if applicable; and
- (d) to receive annual reports, semi-annual reports or any other reports of the Fund.

No Unit Holder shall be entitled to require the transfer to him of any assets of the Fund or be entitled to interfere with or question the exercise by the Trustee, or the Manager on the Trustee’s behalf, of the rights of the Trustee as the registered owner of such assets.

Note: If your investments are made through an IUTA which adopts the nominee system of ownership, you would not be deemed to be a Unit Holder under the Deed and as a result, you may not exercise all the rights ordinarily conferred to a Unit Holder (e.g. the right to call for Unit Holders’ meetings and the right to vote at a Unit Holders’ meeting). Accordingly, we will only recognise the IUTA as a Unit Holder and the IUTA shall be entitled to all the rights conferred to it under the Deed.

Chapter 7 – The Management and Administration of the Fund, Section 7.2 – Board of Directors

The board of directors of the Manager takes an active part in the affairs of the Manager and the unit trust funds under its management. The board of directors of the Manager meets at least once every three (3) months to receive recommendations and reports on investment activities from the committee undertaking the oversight function of the Fund, set policies and guidelines of the Manager and to review performance, financial and audit reports of the Manager. Additional meetings shall also be convened, should the need arise.

The list of board of directors are available on the Manager’s website, www.rhbgroup.com.

Chapter 7 – The Management and Administration of the Fund, Section 7.3 – Functions of the Manager

The Manager is responsible for the day-to-day administration of the Fund in accordance with the provisions of the Deed. The main roles, duties and responsibilities of the Manager include:

- Selecting and managing investments of the Fund;
- Executing, supervising and valuing investments of the Fund;
- Arrangement of sale and repurchase of Units;
- Keeping proper records of the Fund;
- Issuing the Fund’s semi-annual and annual reports to Unit Holders;
- Distribution of income to Unit Holders (if any); and
- Marketing the Fund to potential investors.

The Manager is a member of FIMM. It maintains a tied sales agency force which is duly registered with FIMM which markets and distributes its proprietary unit trust funds to prospective investors. It also has an IUTA arrangement with RHB Bank Berhad and/or such other approved distributors as may be appointed by the Manager from time to time.

Chapter 7 – The Management and Administration of the Fund, Section 7.4 – The Investment Committee

The **Functions of the Investment Committee** under the above section is hereby deleted.

Chapter 7 – The Management and Administration of the Fund, Section 7.5 – The Investment Team

The investment team is jointly responsible for the overall investment decisions made on behalf of the Fund.

Designated fund manager of the Fund is Chong Eu Shing.

Chong Eu Shing joined RHB Islamic International Asset Management Berhad (“RHBIIAM”) in September 2022 as the senior equity portfolio manager. She has more than 13 years of experience in the financial services industry with a combination of equity research and portfolio management skill sets. She first started as quantitative analyst carrying out funds’ performance attribution and factor back testing in 2009, before she advanced to equities research to cover Malaysia healthcare and consumer sector in AmIslamic Funds Management. Subsequently, she progressed to fund management by managing local client funds and eventually expand to ASEAN and Asia Pacific portfolios. Prior to joining RHBIIAM, she was managing Asia Pacific ex Japan mandate for institutional funds. She holds a Bachelor degree in Financial Engineering (Hons) from Multimedia University, Cyberjaya and became a Chartered Financial Analyst Charterholder in 2015. She is also a Capital Markets Services Representative’s Licence holder for fund management.

The designated fund manager of the Fund is supported by our investment team comprising a team of experienced fund managers who are responsible to actively manage the Fund in accordance with the investment objective of the Fund and the provision of the Deed. The investment team shall have discretionary authority over the investments of the Fund subject to the rules and guidelines issued by the relevant authorities.

Chapter 7 – The Management and Administration of the Fund, Section 7.8 – The Shariah Adviser, “Roles and Responsibilities of the Shariah Adviser” and “Members of RHB Islamic Bank’s Shariah Committee”

Roles and Responsibilities of the Shariah Adviser

The Shariah Adviser is backed by the respective Shariah Committee of RHB Islamic Bank, which comprises eminent Shariah scholars from various jurisdictions. The Shariah Adviser also conducts monthly review of the Fund to ensure compliance with Shariah principle.

In line with the Securities Commission’s guidelines, the roles and responsibilities of the Shariah Adviser are:

- 1) To ensure that the Fund is managed and administered in accordance with Shariah principles.
- 2) To provide expertise and advice in all matters relating to Shariah principles, including the Fund’s deed and prospectus, its structure, and ensure that all aspect of the fund are in accordance with Shariah requirement.
- 3) To consult with Securities Commission where there is any ambiguity or uncertainty as to any Shariah matters.
- 4) To ensure that all applicable Shariah rulings, principles and concepts endorsed by the SACSC are complied with.
- 5) To act with due care, skill and diligence in carrying out its duties and responsibilities.
- 6) To review the report of compliance officer or any investment transaction reports provided by, or duly approved by, the Trustee to ensure that the Fund’s management business and investments activities are Shariah-compliant.
- 7) To prepare a report to be included in the Fund’s semi-annual and annual reports certifying whether the Fund have been managed and administered in accordance with Shariah principles for the respective periods concerned.
- 8) To apply *ijtihad* (intellectual reasoning) to ensure all aspects relating to the Fund are in compliance with Shariah, in the absence of any rulings, principles and concepts endorsed by the Securities Commission.

Members of RHB Islamic Bank’s Shariah Committee

The members of RHB Islamic Bank’s Shariah Committee are the designated persons responsible for the Shariah matters of the Fund. The list of members of RHB Islamic Bank’s Shariah Committee are available on the Manager’s website, www.rhbgroup.com.

Chapter 7 – The Management and Administration of the Fund, Section 7.9 – Other Information

Further information on the Manager and the Shariah Adviser is provided on the Manager’s website, www.rhbgroup.com.

Chapter 8 – The Trustee of the Fund

The Trustee is HSBC (Malaysia) Trustee Berhad, a company incorporated in Malaysia since 1937 and registered as a trust company under the Trust Companies Act 1949, with its registered address at Level 19, Menara IQ, Lingkaran TRX, 55188 Tun Razak Exchange, Kuala Lumpur, Malaysia.

Chapter 8 – The Trustee of the Fund, Section 8.5 Trustee’s Delegate

The Trustee has appointed The Hongkong and Shanghai Banking Corporation Limited as the custodian of both the local and foreign assets of the Fund. For quoted and unquoted local investments of the Fund, the assets are held through their nominee company, HSBC Nominees (Tempatan) Sdn Bhd and/or HSBC Bank Malaysia Berhad. The Hongkong and Shanghai Banking Corporation Limited is a wholly owned subsidiary of HSBC Holdings Plc, the holding company of the HSBC Group. The custodian’s comprehensive custody and clearing services cover traditional settlement processing and safekeeping as well as corporate related services including cash and security reporting, income collection and corporate events processing. All investments are registered in the name of the Trustee or to the order of the Trustee. The custodian acts only in accordance with instructions from the Trustee.

The Trustee shall be responsible for the acts and omissions of its delegate as though they were its own acts and omissions.

However, the Trustee is not liable for the acts, omissions or failure of third party depository including central securities depositories, or clearing and/or settlement systems and/or authorised depository institutions, where the law or regulations of the relevant jurisdiction requires the Trustee to deal or hold any asset of the Fund through such third parties.

Particulars of the Trustee’s Delegate

For foreign asset:

The Hongkong and Shanghai Banking Corporation Limited
6/F, Tower 1,
HSBC Centre,
1 Sham Mong Road, Hong Kong.
Telephone No: (852)2288 1111

For local asset:

The Hongkong and Shanghai Banking Corporation Limited (As Custodian) and assets held through HSBC Nominees (Tempatan) Sdn Bhd (Registration No: 199301004117 (258854-D))
Level 21, Menara IQ
Lingkaran TRX
55188 Tun Razak Exchange
Kuala Lumpur, Malaysia
Telephone No: (603)2075 3000
Fax No: (603)8894 2588

The Hongkong and Shanghai Banking Corporation Limited (As Custodian) and assets held through HSBC Bank Malaysia Berhad (Registration No.: 198401015221(127776-V))
Level 21, Menara IQ
Lingkaran TRX
55188 Tun Razak Exchange
Kuala Lumpur, Malaysia
Telephone No: (603)2075 3000
Fax No: (603) 8894 2588

Chapter 9 – Related-Party Transaction and Conflict of Interest, first paragraph

The directors and officers of the Manager, and the person(s) or members of a committee undertaking the oversight function of the Fund should avoid any conflict of interest arising, and if any conflict arises, should ensure that the Fund is not disadvantaged by the transaction concerned. Any transaction carried out by or on behalf of the Fund should be executed on terms which are the best available for the Fund and which are no less favourable to the Fund than an arm’s length transaction between independent parties. In the event the interest of any directors and employees of the Manager, and the person(s) or members of a committee undertaking the oversight function of the Fund is directly or indirectly involved, he or she would abstain from being involved with any decision making process of the said transaction.

Chapter 9 – Related-Party Transaction and Conflict of Interest, HSBC (Malaysia) Trustee Berhad, first paragraph

As the trustee for the Fund, there may be related party transaction involving or in connection with the Fund in the following events:-

- 1) where the Fund invests in instruments offered by the related party of the Trustee (e.g placement of monies, transferable securities, etc);
- 2) where the Fund is being distributed by the related party of the Trustee as IUTA;
- 3) where the assets of the Fund are being custodised by the related party of the Trustee both as sub-custodian and/or global custodian of the Fund (Trustee's delegate); and
- 4) where the Fund obtains financing as permitted under the Guidelines, from the related party of the Trustee.

Chapter 10 – Tax Adviser's Letter on the Taxation of the Fund and Unit Holders

Tax adviser's letter has been updated.

MANAGER’S REPORT

MARKET AND ECONOMIC REVIEW

Chinese stock market rebounded in November 2022 after a sharp fall in October 2022, with China Securities Index 300 (“CSI 300”) up 9.81%, while, Standard and Poor (“S&P”) 500 and Nasdaq Composite Index (“NASDAQ”) posted +5.38% and +4.37% respectively. For domestic factors, more supportive policies of real estate were introduced in November 2022. National Association of Financial Market Institutional Investors started the bond issuance program for private companies, including private real estate developers. At the end of November 2022, China Securities Regulatory Commission announced to remove the restrictions that prohibited the real estate related listed companies from refinancing or issuing shares for the purpose of purchasing assets. In addition, China issued 20 measures to optimize the prevention and control of the COVID-19 on 11 November 2022. The decreasing risk in the Property sector and the relaxation of the epidemic prevention and control measures significantly reduced the uncertainty in China’s economy, thus drive a rally in China’s equity market, especially in the property-related industry chain and banks. The market concerns about Sino-United States (“US”) relations eased as the meeting was held between the leaders of China and the US, and the US auditing officials completed the first round review of Chinese stocks in advance. The minutes of the Federal Reserve (“Fed”)’s November 2022 monetary policy meeting showed that most participants believed a slower pace of interest rate hikes would be appropriate in the future as the inflationary pressure declined. It is expected that the Fed rate hikes will slow down and has a more direct impact on the Hong Kong market. As a result, Hong Kong market have a stronger rally than the A-share market.

In December 2022 to January 2023, the Hang Seng Index rose 6.37% and 10.42% respectively while the CSI 300 Index rose 0.48% and 7.37%, China reopening in December 2022 progressed faster than the market’s expectations. After adjusting the direction of the epidemic control measures, various places have accelerated the reduction of restrictions on economic activities such as travel and consumption. Although there was high infection and limited medical resources to some degree, there was a rapid recovery in consumption and transportation in some cities where the peak of infection occurred earlier. In terms of economic stabilization policy, the Central Economic Work Conference held a positive attitude towards private enterprises and platform economy, and the policy to resolve the risk of the real estate were launched continuously. These positive policies will promote the recovery of investor confidence. The recovery of investor confidence drove the continuous rise in the market. The external environment, including the ease of inflation in the US, the less aggressive Fed’s rate hikes, and the resolution of China concept stocks issues, also supported the rise of the market. The market rally was also dominated by consumer sectors after the economy operated normally.

In February 2023, CSI 300 Index was down by 2.10%, during the same period, the Hang Seng Index was down by 9.40%. US Dow Jones, S&P 500 and NASDAQ Index

performances were -4.19%, -2.61% and -1.11% respectively. After a three-month rise in China A-share, there was an obvious drawdown in February 2023. First, the valuations of some sectors have been repaired to a large extent. At the same time, the market has more optimistic expectations about the speed of China's economic recovery, changes in China-US relations, and the Fed's interest rate hike. The market itself is under pressure for price adjustment. On the other hand, macro factors of February 2023, especially external macro factors, have changed. The rate of decline in US inflation is lower than market expectations, while the US economic data beats consensus. Combined with the hawkish speeches of Fed officials, in February 2023, investors' expectations for the Fed's interest rate cuts in year 2023 have gradually adjusted, from January 2023 end's consensus of a 75 basis points cut to no interest rate cuts. At the same time, there have been frictions and tensions in US-China relations. Although China's economic data continues to verify a moderate recovery, changes in external macro factors have aroused investors' concerns, which leads to pressure on the market, especially affecting funds in emerging markets. Therefore, the Hong Kong market was down significantly. However, China A-share are less affected by external funds and more affected by internal factors, thus showing more resilience in the context of China's moderate economic recovery.

In March 2023 and April 2023, the Hang Seng Index was up by 3.10% and -2.48%, CSI 300 was down marginally by 0.46% and 0.54%, the US Dow Jones, S&P 500 and Nasdaq Indexes performed +1.89% and +2.48%, +3.5% and +1.46%, +6.69% and +0.04% respectively. The banking crisis in the European and American financial systems eased, and geopolitical factors also began to show signs of easing. China's domestic policies continued to encourage economic recovery, the development of the private economy, and support the development of China's Internet industry. After the adjustment in February 2023, the Hong Kong market rebounded to a certain extent. China's high-frequency economic data, the manufacturing Purchasing Managers Index ("PMI") has fallen back but is still in the expansion range, while the non-manufacturing PMI continues to rise, reaching the highest level in year 2011 in the medical industry, and the construction industry and the service industry have both improved. Both household consumption and travel-related spending are recovering steadily. China's stock market presents relatively obvious structural characteristics. Related topics such as Chat Generative Pre-trained Transformer ("ChatGPT") and traditional Chinese medicine perform strongly, and there is also a rapid rotation between sectors.

In July 2023, we see favorable policies as the Politburo meeting mentioned "activate the capital market" for the first time. Then in August 2023, interest rate cuts, Ministry of Housing and Urban-Rural Development and the central bank optimized the personal housing policies "Assess the property, not the loan records" which means that regardless of whether the family has applied for a commercial loan to purchase a house or has any loan record, as long as all family members do not have a house in the city when purchasing the house, they can be recognized as first-time home buyers and can apply for a loan based on the first-time home standards. Stamp duty on transactions was also lowered and the reduction of stock holdings were regulated.

In the month of September 2023, the Private Economic Development Bureau was established, including the “Financial Stability law” in the legislative rules of the National People’s Congress Standing Committee. China’s Gross Domestic Product (“GDP”) growth in third quarter of year 2023 was around 4.50%, and the annual GDP growth is predicted at 5.00% to 5.20% Year-on-Year (“YoY”). China’s economy has passed the hardest period in the short term, and is expected to improve continuously. The manufacturing PMI rose 0.50 to 50.20 in September 2023, which was the fourth consecutive month that continued the upward trends, and it was also the first time since March 2023 that has returned to expansion. It is also expected to improve significantly in the medium term. 12 industries among 15 sub-sectors went into the expansion range above 50. China’s total social financing scale increased by 4.12 trillion yuan in September 2023, which was higher than the expected 3.73 trillion yuan, mainly depending on the government’s debt issuance. M2 growth rate was 10.30%, and M1 growth rate was 2.10%. At the structural level, the growth of residents’ medium to long term loans turned into positive. The liquidity was generous in overall.

October 2023 month saw the launch of policies to limit local governments’ debts in advance, speed up the debt resolution of local governments, and the Investment Advisor see the support coming from Central Huijin Investment Ltd. increased the holdings of the four major banks. Producer Price Index (“PPI”) grew negatively YoY, which led to a lower corporate earnings growth than nominal GDP growth. Secondly, the upward of the pivot in US bond yields has spillover effect on non-US markets, which is a stress test for emerging markets. From this perspective, the current equity market benefit from the domestic fundamentals and the “scissor shape” interest rate gap with the external interest rates. In simple terms, the domestic economy and PPI are at a relatively low level and will gradually move up in the future; Overseas risk-free rates are at relatively high levels and will gradually move downwards in the future. The realization of the process is uncertain, especially for the overseas interest rates, which are highly variable in the short term, and extreme cases can’t be excluded. However, over a longer period of time, for example mid year 2024, the current “scissor shape” interest rates gap is relatively clear and offers better value for money. The stock-bond yield spread of CSI 300 index returned to -2X standard deviation in early June 2023, which represented extremely pessimistic economic expectations. Previous times when the ratios reached the value, the domestic policies support and the easing of US-China relations would push the market up from the -2X stock-bond yield spread. Referring to the historical experience, Central Huijin Investment Ltd has increased its holdings of major banks for 6 times since year 2008. Most of the increases were at the market bottom, and had a certain of continuity.

MARKET OUTLOOK AND STRATEGY GOING FORWARD

Currently, China A shares benefit from the overall improvements in domestic fundamentals, capital and policies. With the support of polices, the demand of fourth quarter of year 2023 is expected to improve continuously. The period of cutting prices to de-stock has come to an end, and commodities started to grow positively, which drives the re-bound in company's factory prices. Under the joint effect of continuous

improvement on demand and profit margins, the turning point of corporate earnings growth appeared in third quarter of year 2023, and the growth is expected to increase further in fourth quarter of year 2023. Measures to activate the capital market started to have an effect, and the incremental capital began to increase. The demand for capital was regulated and restrained. A shares capital flows could be reversed, turning into a net inflow.

In the past two weeks, market sentiment has reversed to a certain extent. Factors such as the easing of Sino-US relations and the peaking and falling of US 10-year Treasury bond yields have prompted the market to reverse its extreme pessimism. The third quarterly report of the A-share market has been disclosed, and the Investment Advisor have seen that some companies in some growth industries have achieved better than expected performance. The highlight here is that for some companies in the Huawei industry chain, third quarter of year 2023 revenue and profits have shown obvious turning points on a quarter-on-quarter basis. Along these two clues, one is a pick-up in risk appetite. The other is that its own fundamentals exceed expectations. In the fourth quarter of year 2023, the Investment Advisor will continue to focus on technology and high-end manufacturing in the growth sector. Generally speaking, the Investment Advisor believe that after the excess returns of value opportunities have continued for 2 to 3 years, the winning rate and odds of growth opportunities in the cycle of rising risk appetite are huge. Therefore, the subsequent configuration direction is mainly to improve the sharpness and beta of the combination, hoping to seize the opportunity to counterattack before the end of the year 2023.

The Investment Advisor are positive on the investment opportunities arising from Artificial intelligence (“AI”) industry trends, including supply chain opportunities brought by hardware capex, and investment opportunities related to software applications. Investment opportunities in the humanoid robotics industry, the rapid development of AI has brought a leap in perceptual level, and Tesla has led the industry from prototype to industrialization, which directly benefit China’s supply chain. The acceleration of semiconductor localization has brought investment opportunities. Huawei has promoted the domestic semiconductor to develop further. Domestic wafer fabrication continued to expand production, and the localization rate also improved. Consumption gradually recovered, and the bottom of the property industry is becoming clearer, there are many investment opportunities to choose from the consumption sector. Lastly, the anti-corruption in Pharmaceutical industry continues, and the Investment Advisor will continue to observe and waiting for the turning point of the industry.

REVIEW OF FUND PERFORMANCE DURING THE FINANCIAL YEAR

For the financial year under review, the Fund has generated a negative return of 1.33%* and 2.05%* against its benchmark return of 6.76%* and 5.95%* for RM Class and USD Class respectively. The Net Asset Value per unit of the Fund were RM1.3004 and RM2.9114 (31 October 2022: RM1.3179 and RM2.9499) as at 31 October 2023 for RM Class and USD Class respectively.

PERFORMANCE DATA

	Annual Total Returns Financial Year/Period Ended 31 October				
	2023 %	2022 %	2021 %	2020 %	2019[^] %
RHB Shariah China Focus Fund – RM Class					
- Capital Return	(1.33)	(34.59)	24.53	40.24	15.37
- Income Return	-	-	-	1.23	-
- Total Return	(1.33)	(34.59)	24.53	41.97	15.37
MSCI China A Islamic Index	6.76	(26.13)	10.05	33.95	14.66

	Annual Total Returns Financial Year/Period Ended 31 October		
	2023 %	2022 %	2021[^] %
RHB Shariah China Focus Fund – USD Class			
- Capital Return	(2.05)	(42.63)	8.81
- Income Return	-	-	-
- Total Return	(2.05)	(42.63)	8.81
MSCI China A Islamic Index	5.95	(35.30)	2.16

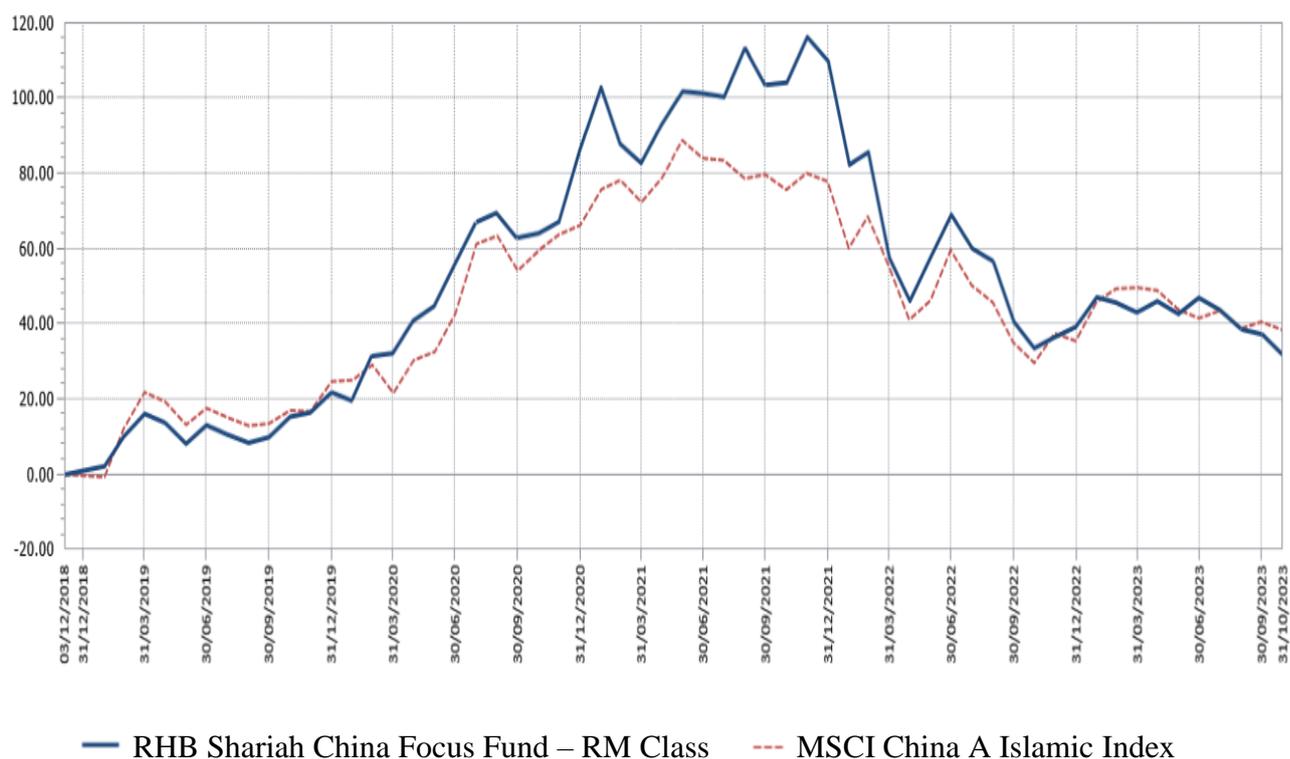
	Average Annual Returns		
	1 Year 31.10.2022- 31.10.2023 %	3 Years 31.10.2020- 31.10.2023 %	Since Inception 03.12.2018^{**}- 31.10.2023 %
RHB Shariah China Focus Fund – RM Class	(1.33)	(7.03)	5.76
MSCI China A Islamic Index	6.76	(4.61)	6.84

	Average Annual Returns	
	1 Year 31.10.2022- 31.10.2023 %	Since Inception 08.03.2021**- 31.10.2023 %
RHB Shariah China Focus Fund – USD Class	(2.05)	(16.95)
MSCI China A Islamic Index	5.95	(12.58)

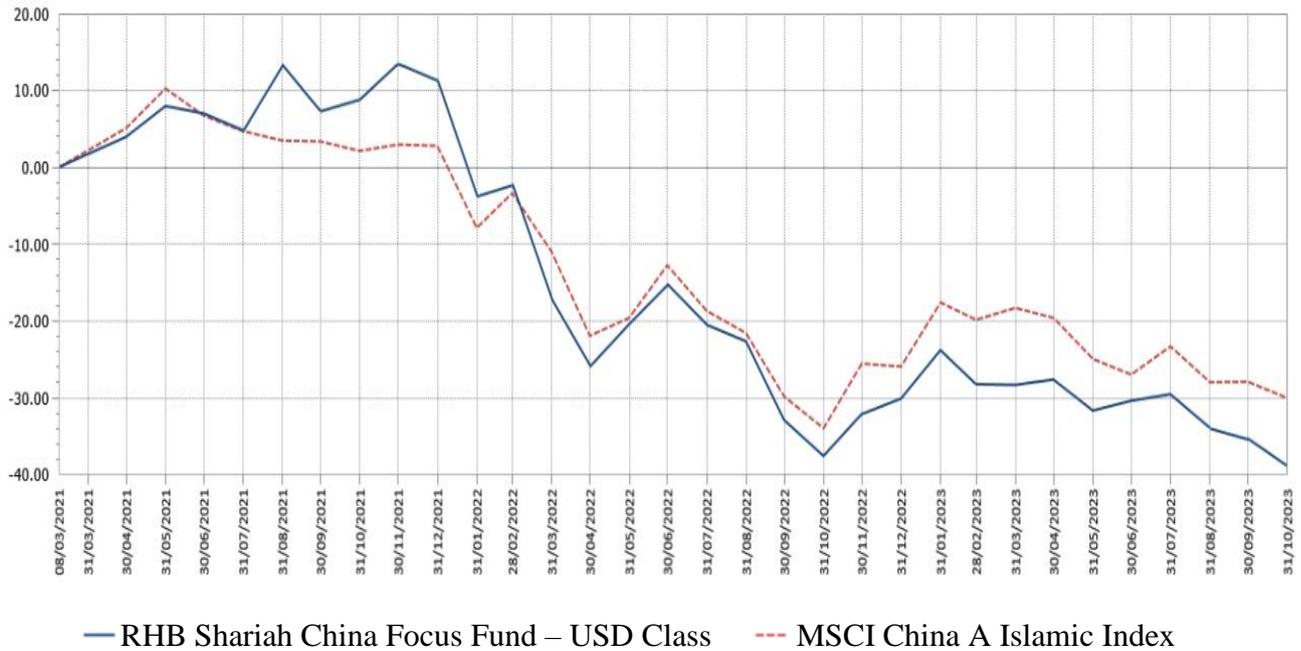
^ For the financial period since last day of the Initial Offer Period

** Being the last day of the Initial Offer Period

**Performance of RHB Shariah China Focus Fund – RM Class
for the period from 3 December 2018** to 31 October 2023
Cumulative Return Over The Period (%)**



**Performance of RHB Shariah China Focus Fund – USD Class
for the period from 8 March 2021** to 31 October 2023
Cumulative Return Over The Period (%)**



** Being the last day of the Initial Offer Period

Source: Lipper IM, 20 November 2023

The abovementioned performance figures are indicative returns based on daily Net Asset Value of a unit (as per Lipper Database) since inception.

The calculation of the above returns is based on computation methods of Lipper.

Note : Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

The abovementioned performance computations have been adjusted to reflect distribution payments and unit splits wherever applicable.

Fund Size - RM Class	As at 31 October		
	2023	2022	2021
Net Asset Value (RM million)	267.98	200.36	208.25
Units In Circulation (million)	206.07	152.03	103.36
Net Asset Value Per Unit (RM)	1.3004	1.3179	2.0147

Fund Size - USD Class	As at 31 October		
	2023	2022	2021
Net Asset Value (RM million)	6.63	5.34	*
Units In Circulation (million)	2.28	1.81	*
Net Asset Value Per Unit (RM)	2.9114	2.9499	4.5032

Historical Data	Financial Year Ended 31 October		
	2023	2022	2021
Unit Price			
<u>RM Class</u>			
NAV - Highest (RM)	1.5096	2.1618	2.1564
- Lowest (RM)	1.2712	1.3108	1.6454
<u>USD Class</u>			
NAV - Highest (USD)	0.7773	1.1522	1.1333
- Lowest (USD)	0.5958	0.6242	0.9542
Distribution and Unit Split	-	-	-
Others			
Total Expense Ratio (TER) (%) #	1.94	1.95	1.99
Portfolio Turnover Ratio (PTR) (times) ##	1.17	0.64	2.19

* denotes less than 0.01million

The TER for the financial year was lower compared with the previous financial year due to higher average net asset value for the financial year under review.

The PTR for the financial year was higher compared with the previous financial year due to more investment activities for the financial year under review.

DISTRIBUTION

For the financial year under review, no distribution has been proposed by the Fund.

PORTFOLIO STRUCTURE

The asset allocations of the Fund as at reporting date was as follows:

Sectors	As at 31 October		
	2023 %	2022 %	2021 %
Shariah-compliant equities			
Appliances/Tools/Housewares	1.32	5.87	4.34
Auto/Truck Manufacturers	3.16	6.52	4.55
Auto/Truck/Motorcycle Parts	-	0.53	5.50
Biotechnology & Medical Research	3.00	3.59	2.14
Chemicals - Agricultural	-	0.80	0.70
Chemicals - Commodity	4.27	7.57	6.74
Computer Hardware	1.93	0.54	0.86
Courier/Postal/Air Freight & Land-Based Logistics	2.78	4.54	2.01
Electrical Components/Equipment	12.04	5.71	4.45
Electronic Equipments & Parts	4.94	3.75	6.16
Food Processing & Distribution	3.17	7.25	4.78
Healthcare Facilities	3.15	2.01	6.02
Heavy Machinery & Vehicles	2.80	4.98	4.77
Home Furnishing	1.18	1.42	-
Household Electronics	-	1.70	9.33
Industrial Machinery/Equipment	13.15	12.40	3.61
Integrated Telecommunications Services	7.98	-	-
IT Services/Consulting	4.17	5.96	8.05
Oil Related Services/Equipment	2.65	-	-
Pharmaceuticals - Diversified	10.18	4.79	7.29
Renewable Energy	-	-	5.33
Retail - Drugs	-	2.30	-
Semiconductor Equipment/Testing	9.39	6.94	6.00
Semiconductors	-	4.21	4.55
	91.26	93.38	97.18
Liquid assets and other net current assets	8.74	6.62	2.82
	100.00	100.00	100.00

The asset allocations have been structured to meet the Fund's intended objective.

SECURITIES FINANCING TRANSACTIONS

The Fund has not undertaken any securities lending or repurchase transactions for the financial year under review.

CROSS TRADE

The Fund has not carried out any cross trade transactions for the financial year under review.

SOFT COMMISSION

Soft commissions were received by the management company for the financial year under review from brokers/dealers who have also executed trades for other funds or investment managed by the management company or Fund Manager. The soft commissions were utilised for research data and materials that assist in the decision making process relating to the Fund's investment. The soft commissions received were for the benefit of the funds and there were no churning of trades.

**RHB SHARIAH CHINA FOCUS FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2023**

	<u>Note</u>	<u>2023</u> RM	<u>2022</u> RM
ASSETS			
Bank balances	5	12,961,023	10,187,466
Islamic deposits with licensed financial institutions	5	226,117	3,049,390
Investments	6	250,609,536	192,074,807
Amount due from broker		9,645,828	-
Amount due from Manager		1,714,475	1,114,972
Tax recoverable		71,450	12,160
TOTAL ASSETS		<u>275,228,429</u>	<u>206,438,795</u>
LIABILITIES			
Amount due to Manager		162,887	298,292
Accrued management fee		427,641	328,586
Amount due to Trustee		14,255	10,953
Other payables and accruals		18,442	19,204
Payables for donation to charitable bodies		-	82,377
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS)		<u>623,225</u>	<u>739,412</u>
NET ASSET VALUE		<u>274,605,204</u>	<u>205,699,383</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>274,605,204</u>	<u>205,699,383</u>
REPRESENTED BY: FAIR VALUE OF OUTSTANDING UNITS:			
- RM Class		267,976,540	200,363,553
- USD Class		6,628,664	5,335,830
		<u>274,605,204</u>	<u>205,699,383</u>
UNITS IN CIRCULATION:			
- RM Class (Units)	8(a)	206,065,741	152,028,605
- USD Class (Units)	8(b)	2,276,765	1,808,792
		<u>208,342,506</u>	<u>153,837,397</u>

The accompanying notes are an integral part of the financial statements.

**RHB SHARIAH CHINA FOCUS FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2023 (CONTINUED)**

	<u>2023</u> RM	<u>2022</u> RM
NET ASSET VALUE PER UNIT:		
- RM Class	1.3004	1.3179
- USD Class	2.9114	2.9499
	<hr/>	<hr/>
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES:		
- RM Class (RM)	1.3004	1.3179
- USD Class (USD)	0.6114	0.6242
	<hr/>	<hr/>

The accompanying notes are an integral part of the financial statements.

RHB SHARIAH CHINA FOCUS FUND
STATEMENT OF INCOME AND EXPENSES
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023

	<u>Note</u>	<u>2023</u> RM	<u>2022</u> RM
LOSS			
Dividend income		3,250,884	1,797,557
Profit income from Islamic deposits with licensed financial institutions		140,989	163,998
Net realised loss on disposal		(45,684,227)	(5,165,671)
Net unrealised gain/(loss) on changes in fair value		42,672,805	(83,060,279)
Net foreign currency exchange (loss)/gain		<u>(1,042,374)</u>	<u>1,211,032</u>
		<u>(661,923)</u>	<u>(85,053,363)</u>
EXPENSES			
Management fee	9	(5,037,481)	(3,774,276)
Trustee's fee	10	(167,916)	(125,809)
Audit fee		(7,000)	(6,500)
Tax agent's fee		(5,000)	(9,100)
Transaction cost		(1,523,123)	(672,031)
Other expenses		(465,262)	(244,042)
Donation to charitable bodies		-	(78,823)
		<u>(7,205,782)</u>	<u>(4,910,581)</u>
Net loss before taxation		(7,867,705)	(89,963,944)
Taxation	11	<u>(27,739)</u>	<u>(64,840)</u>
Net decrease in net assets attributable to unit holders		<u>(7,895,444)</u>	<u>(90,028,784)</u>
Net decrease in net assets attributable to unit holders is made up of the following:			
Realised amount		(50,422,503)	(8,490,179)
Unrealised amount		<u>42,527,059</u>	<u>(81,538,605)</u>
		<u>(7,895,444)</u>	<u>(90,028,784)</u>

The accompanying notes are an integral part of the financial statements.

RHB SHARIAH CHINA FOCUS FUND
STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023

	<u>2023</u> RM	<u>2022</u> RM
Net assets attributable to unit holders at the beginning of financial year	205,699,383	208,247,819
Movement due to units created and cancelled during the financial year:		
Creation of units from applications		
- RM Class	154,036,860	162,908,714
- USD Class	1,920,671	7,707,549
	<u>155,957,531</u>	<u>170,616,263</u>
Cancellation of units		
- RM Class	(78,758,824)	(83,009,039)
- USD Class	(397,442)	(126,876)
	<u>(79,156,266)</u>	<u>(83,135,915)</u>
Net decrease in net assets attributable to unit holders during the financial year	<u>(7,895,444)</u>	<u>(90,028,784)</u>
Net assets attributable to unit holders at the end of financial year	<u>274,605,204</u>	<u>205,699,383</u>

The accompanying notes are an integral part of the financial statements.

**RHB SHARIAH CHINA FOCUS FUND
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023**

	<u>Note</u>	<u>2023</u> RM	<u>2022</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of investments		263,448,710	93,057,750
Purchase of investments		(336,163,812)	(171,655,651)
Dividends received		2,989,678	1,647,535
Profits received from Islamic deposits with licensed financial institutions		140,989	163,998
Management fee paid		(4,938,426)	(3,758,271)
Trustee's fee paid		(164,614)	(125,275)
Payment for other fees and expenses		(299,195)	(200,107)
Net realised foreign exchange loss		(896,628)	(310,642)
Tax paid		(87,029)	(77,000)
Net cash used in operating activities		<u>(75,970,327)</u>	<u>(81,257,663)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		155,358,028	170,654,712
Cash paid for units cancelled		<u>(79,291,671)</u>	<u>(82,851,653)</u>
Net cash generated from financing activities		<u>76,066,357</u>	<u>87,803,059</u>
Net increase in cash and cash equivalents		96,030	6,545,396
Foreign currency translation differences		(145,746)	1,521,674
Cash and cash equivalents at the beginning of the financial year		<u>13,236,856</u>	<u>5,169,786</u>
Cash and cash equivalents at the end of the financial year	5	<u>13,187,140</u>	<u>13,236,856</u>

The accompanying notes are an integral part of the financial statements.

**RHB SHARIAH CHINA FOCUS FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023**

1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

The RHB Shariah China Focus Fund (hereinafter referred to as “the Fund”) was constituted pursuant to the execution of a Deed dated 11 October 2018 as modified via its first supplemental deed dated 17 January 2023 (hereinafter collectively referred to as “the Deed”) between RHB Islamic International Asset Management Berhad (“the Manager”) and HSBC (Malaysia) Trustee Berhad (“the Trustee”).

The Fund was launched on 13 November 2018 and will continue its operations until terminated according to the conditions provided in the Deed.

The principal activity of the Fund is to invest in Permitted Investments as defined in the Deed. All investments will be subject to the Securities Commission Malaysia (“SC”)’s Guidelines on Unit Trust Funds, SC’s requirements, the Deed, except where exemptions or variations have been approved by the SC, internal policies and procedures and objective of the Fund.

The main objective of the Fund is to provide investors with long term capital appreciation by investing in China Shariah-compliant equities.

The Manager, a company incorporated in Malaysia, is a wholly-owned subsidiary of RHB Asset Management Sdn Bhd, effective 1 December 2013. Its principal activities include rendering of Islamic fund management services and management of Islamic unit trust funds.

These financial statements were authorised for issue by the Manager on 21 December 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of the financial statements

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, except those as disclosed in the summary of significant accounting policies, and in accordance with Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

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 financial year. It also requires the Manager to exercise its judgment in the process of applying the Fund’s accounting policies. Although these estimates and judgment are based on the Manager’s best knowledge of current events and actions, actual results may differ. There were no areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

(a) Standards and amendments to existing standards effective 1 November 2022

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 November 2022 that have a material effect on the financial statements of the Fund.

(b) New standards, amendments and interpretations effective after 1 November 2022 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for the financial year beginning after 1 November 2022. None of these is expected to have a significant effect on the financial statements of the Fund, except the following set out below:

- Amendments to MFRS 101 ‘Classification of liabilities as current or non-current’ clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity’s expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

The amendment is effective for the annual financial reporting period beginning on or after 1 November 2024.

The amendment shall be applied retrospectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Financial assets

Classification

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

- those to be measured subsequently at fair value through profit or loss (“FVTPL”), 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 financial assets measured at fair value through other comprehensive income. The contractual cash flows of the Fund’s debt securities are solely principal and profit, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund’s business model’s objective. Consequently, all investments is measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents, amount due from broker and amount due from Manager as financial assets measured at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

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. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of income and expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Financial assets (continued)

Recognition and measurement (continued)

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

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains or loss arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in statement of income and expenses within net gain or losses on investments in the period in which they arise.

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

Quoted Shariah-compliant investments are initially recognised at fair value and subsequently re-measured at fair value based on the market price quoted on the relevant stock exchanges at the close of the business on the valuation day, where the close price falls within the bid-ask spread. In circumstances where the close price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

If a valuation based on the market price does not represent the fair value of the securities, for example during abnormal market conditions or when no market price is available, including in the event of a suspension in the quotation of the securities for a period exceeding 14 days, or such shorter period as agreed by the Trustee, then the 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.

Islamic deposits with licensed financial institutions are stated at cost plus accrued profit calculated on the effective profit method over the period from the date of placement to the date of the statement of financial position, which is a reasonable estimate of fair value due to the short-term nature of the deposits.

Financial assets at amortised cost are subsequently carried at amortised cost using the effective profit method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Financial assets (continued)

Impairment of financial assets

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss. Management considers 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 the 12-month expected credit losses 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 or a counterparty credit rating which has fallen below BBB/Baa.

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 the unavailability of debtor's sources of income or assets to generate sufficient future cash flows to pay 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 year.

2.3 Financial liabilities

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

Financial liabilities, within the scope of MFRS 9, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Financial liabilities (continued)

The Fund's financial liabilities which include amount due to Manager, accrued management fee, amount due to Trustee, other payables and accruals, and net assets attributable to unit holders are recognised initially at fair value plus directly attributable transaction cost and subsequently measured at amortised cost using the effective profit method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in the statement of income and expenses when the liabilities are derecognised, and through the amortisation process.

2.4 Creation and cancellation of units

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

The Fund issues two classes of cancellable units, which are cancelled at the unit holders' option and do not have identical features subject to restrictions as stipulated in the Prospectus and the SC Guidelines on Unit Trust Funds. The units are classified as financial liabilities.

Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value attributable to the unit class. The outstanding units are carried at the redemption amount that is payable at the statement of financial position date if the unit holders exercise the right to put the unit back to the Fund.

Units are created and cancelled at the unit holders' option at prices based on the Fund's net asset value per share of the respective classes at the close of business on the relevant dealing day. The Fund's net asset value per share of the respective classes is calculated by dividing the net assets attributable to the unit holders of each class of units with the total number of outstanding units for each respective class.

2.5 Income recognition

Dividend income from quoted Shariah-compliant investments is recognised when the Fund's right to receive payment is established. Dividend income is received from financial assets measured at FVTPL.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Income recognition (continued)

Profit income from Islamic deposits with licensed financial institutions is recognised on an accrual basis using the effective profit method.

Profit income is calculated by applying the effective profit rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective profit rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance).

Realised gain or loss on sale of quoted Shariah-compliant investments is arrived at after accounting for cost of investments, determined on the weighted average profit method.

Net income or loss is the total of income less expenses.

2.6 Taxation

Current tax expense is determined according to Malaysian tax laws at the current rate and includes all taxes based upon the taxable income earned during the financial year.

2.7 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise bank balances and Islamic deposits with licensed financial institutions with original maturities of three months or less that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

2.8 Amount due from/to brokers

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

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from brokers at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the brokers, probability that the brokers will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Presentation and functional 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 presentation and functional 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 RM primarily due to the following factors:

- Part of the Fund’s cash is denominated in RM for the purpose of making settlement of the creation and cancellation.
- The Fund’s units are denominated in RM.
- The Fund’s significant expenses are denominated in RM.

2.10 Foreign currency translation

Foreign currency transactions in the Fund are accounted for at exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the reporting date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in statement of income and expenses.

2.11 Increase/(Decrease) in net assets attributable to unit holders

Income not distributed is included in net assets attributable to unit holders.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks, which include market risk, price risk, profit rate risk, currency risk, credit risk, liquidity risk, Shariah specific risk and capital risk.

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

Market risk

Securities may decline in value due to factors affecting securities market generally or particular industries represented in the securities market. The value of a security may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in profit or currency rates or adverse investors' sentiment generally. They may also decline due to factors that affect a particular industry or industries, such as labour shortages or increased production costs and competitive conditions within an industry. Equity securities generally have greater price volatility than fixed income securities. The market price of securities owned by a unit trust fund might go down or up, sometimes rapidly or unpredictably.

Price risk

Price risk is the risk that the fair value of the investments of the Fund will fluctuate because of changes in market prices.

The Fund is exposed to equity securities (other than those arising from profit risk rate) price risk for its investments of RM 250,609,536 (2022: RM192,074,807) in quoted Shariah-compliant investments.

The sensitivity analysis is based on the assumption that the price of the quoted Shariah-compliant investments fluctuate by +/-(-) 5% with all other variables held constant, the impact on the statement of income and expenses and net asset value +/-(-) RM12,530,477 (2022: RM9,603,740).

Profit rate risk

Profit rate risk is the risk that cost or the value of the financial instruments will fluctuate due to changes in market profit rates. The Fund's exposure to the profit rate risk is mainly from short term placements with financial institutions. The Manager overcomes the exposure by way of maintaining Islamic deposits on short term basis. Therefore, exposure to profit rate fluctuation is minimal.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Currency risk

Currency risk is associated with financial instruments that are quoted and/or priced in foreign currency denomination. Malaysian based investor should be aware that if the Ringgit Malaysia appreciates against the currencies in which the portfolio of the investment is denominated, this will have an adverse effect on the net asset value of the Fund and vice versa. Investors should note any gains or losses arising from the movement of foreign currencies against its home currency may therefore increase or decrease the capital gains of the financial instruments. Nevertheless, investors should realise that currency risk is considered as one of the major risks to financial instruments in foreign assets due to the volatile nature of the foreign exchange market.

The sensitivity of the Fund's net assets value attributable to unit holders as at reporting date to changes in foreign exchange movements is assessed at the end of each financial year. The analysis is based on the assumption that the foreign exchange rate fluctuates by +/- 5%, with all other variables remain constants, the impact on statement of income and expenses and net asset value is +/- RM13,326,862 (2022: RM9,836,107).

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

	Quoted Shariah- compliant investments	Cash and cash equivalents	Amount due from brokers	Net assets attributable to unit holders	Total
	RM	RM	RM	RM	RM
<u>2023</u>					
Chinese Yuan	220,051,194	775,825	-	-	220,827,019
Hong Kong Dollar	30,558,342	-	9,645,828	-	40,204,170
United States Dollar	-	12,134,706	-	(6,628,664)	5,506,042
	250,609,536	12,910,531	9,645,828	(6,628,664)	266,537,231
<u>2022</u>					
Chinese Yuan	158,278,814	1,258,219	-	-	159,537,033
Hong Kong Dollar	33,795,993	-	-	-	33,795,993
United States Dollar	-	8,724,935	-	(5,335,830)	3,389,105
	192,074,807	9,983,154	-	(5,335,830)	196,722,131

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

Credit risk refers to the possibility that the issuer of a particular investment will not be able to make timely or full payments of principal or income due on that investment. The credit risk arising from cash and cash equivalents is managed by ensuring that the Fund will only maintain cash balances and place Islamic deposits with reputable licensed financial institutions. For amount due from brokers, the settlement terms are governed by the relevant rules and regulations as prescribed by the Bursa Malaysia Securities Berhad (“Bursa Malaysia”). The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by SC Guidelines on Unit Trust Funds.

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

	Cash and cash equivalents	Other financial assets*	Total
	RM	RM	RM
<u>2023</u>			
AAA	13,187,140	-	13,187,140
Others	-	11,360,303	11,360,303
	<u>13,187,140</u>	<u>11,360,303</u>	<u>24,547,443</u>
<u>2022</u>			
AAA	13,236,856	-	13,236,856
Others	-	1,114,972	1,114,972
	<u>13,236,856</u>	<u>1,114,972</u>	<u>14,351,828</u>

* Comprise of amount due from broker and amount due from Manager.

Liquidity risk

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

Liquidity risk exists when particular investments are difficult to sell. As such, the Fund may not be able to sell such illiquid investments at an advantageous time or price to meet its liquidity requirements. Unit trust funds with principal investment strategies that involve securities or securities with substantial market and/or credit risk tend to have the greater exposure to liquidity risk. As part of its risk management, the Manager will attempt to manage the liquidity of the Fund through asset allocation and diversification strategies within the portfolio. The Manager will also conduct constant fundamental research and analysis to forecast future liquidity of its investments.

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

	Less than <u>1 month</u> RM	Between 1 month to <u>1 year</u> RM
<u>2023</u>		
Amount due to Manager	162,887	-
Accrued management fee	427,641	-
Amount due to Trustee	14,255	-
Other payables and accruals	-	18,442
Net assets attributable to unit holders*	274,605,204	-
	<u>275,209,987</u>	<u>18,442</u>
<u>2022</u>		
Amount due to Manager	298,292	-
Accrued management fee	328,586	-
Amount due to Trustee	10,953	-
Other payables and accruals	-	19,204
Payables for donation to charitable bodies	-	82,377
Net assets attributable to unit holders*	205,699,383	-
	<u>206,337,214</u>	<u>101,581</u>

* Outstanding units are redeemed on demand at the unit holder's option. However, the Manager does not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows, as unit holders typically retain them for the medium to long term.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Shariah specific risk

The risk that the investments do not conform to the principle of Shariah may result in those investments being not Shariah-compliant. Should the situation arise, necessary steps shall be taken to dispose of such investments in accordance with the rules of divestment of non Shariah-compliant investments. If this occurs, the Fund could suffer losses from the disposal and thus, adversely affecting the value of the Fund.

Capital risk

The capital of the Fund is represented by net assets attributable to unit holders of RM274,605,204 (2022: RM205,699,383). The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

4. 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 an active market (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the financial year end date.

An active market is a market in which transactions for the assets or liabilities 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. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each financial year end date. Valuation techniques used for non-standardised financial instruments such as options, currency swaps and other over-the-counter derivatives, include the use of comparable recent transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

4. FAIR VALUE ESTIMATION (CONTINUED)

The fair values are based on the following methodologies and assumptions:

- (i) For bank balances and Islamic deposits with licensed financial institutions with maturities less than 1 year, the carrying value is a reasonable estimate of fair value.
- (ii) The carrying value of receivables and payables are assumed to approximate their fair values due to their short term nature.

Fair value hierarchy

The Fund adopted MFRS 13 “Fair Value Measurement” in respect of disclosures about the degree of reliability of fair value measurement. This requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities
- Level 2: 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 3: Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs)

The following table analyses within the fair value hierarchy the Fund’s financial assets at fair value through profit or loss (by class) measured at fair value:

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<u>2023</u>				
Financial assets at FVTPL:				
- Quoted Shariah-compliant investments - foreign	250,609,536	-	-	250,609,536
<u>2022</u>				
Financial assets at FVTPL:				
- Quoted Shariah-compliant investments - foreign	192,074,807	-	-	192,074,807

4. FAIR VALUE ESTIMATION (CONTINUED)

Investments in active listed equities, i.e. quoted Shariah-compliant investments whose values are based on quoted market prices in active markets are classified within Level 1. 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 2.2.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	<u>2023</u> RM	<u>2022</u> RM
Bank balances	12,961,023	10,187,466
Islamic deposits with licensed financial institutions	226,117	3,049,390
	<u>13,187,140</u>	<u>13,236,856</u>

6. INVESTMENTS

	<u>2023</u> RM	<u>2022</u> RM
Investments:		
- Quoted Shariah-compliant investments - foreign	<u>250,609,536</u>	<u>192,074,807</u>

Investments as at 31 October 2023 are as follows:

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair Value</u> RM	<u>% of Net Asset Value</u> %
QUOTED SHARIAH-COMPLIANT INVESTMENTS – FOREIGN				
<u>CHINA</u>				
Appliances/Tools/Housewares				
Haier Smart Home Co Ltd	145,800	2,484,193	2,101,302	0.77
Midea Group Co Ltd	44,000	1,661,844	1,510,287	0.55
		<u>4,146,037</u>	<u>3,611,589</u>	<u>1.32</u>
Biotechnology & Medical Research				
Wuxi Apptec Co Ltd	146,600	8,284,696	8,225,970	3.00

6. INVESTMENTS (CONTINUED)

Investments as at 31 October 2023 are as follows: (continued)

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair Value</u> RM	<u>% of Net</u> <u>Asset</u> <u>Value</u> %
QUOTED SHARIAH-COMPLIANT INVESTMENTS – FOREIGN (CONTINUED)				
<u>CHINA (CONTINUED)</u>				
Chemicals - Commodity				
Jiangsu Yoke Technology Co Ltd	313,800	12,459,816	11,725,670	4.27
Computer Hardware				
H&T Intelligent	587,700	6,283,470	5,287,118	1.93
Courier/Postal/Air Freight & Land-Based Logistics				
S.F. Holding Co Ltd	300,000	10,443,854	7,647,168	2.78
Electrical				
Components/Equipment				
Jiangsu Linyang Energy Co	1,200,000	6,695,411	5,183,729	1.89
Shanghai Moons Electrics Co Ltd	183,200	9,400,889	7,834,213	2.85
Shenzhen Inovance Technology Co Ltd	226,400	9,354,342	8,875,396	3.23
Sieyuan Electric Co Ltd	349,935	11,745,688	11,187,500	4.07
		37,196,330	33,080,838	12.04
Electronic Equipments & Parts				
Luxshare Precision Industry Co Ltd	638,100	16,004,954	13,562,883	4.94
Food Processing & Distribution				
Jonjee Hi-Tech Industrial and Commercial Holding Co Ltd	399,936	9,142,321	8,715,988	3.17

6. INVESTMENTS (CONTINUED)

Investments as at 31 October 2023 are as follows: (continued)

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair Value</u> RM	<u>% of Net</u> <u>Asset</u> <u>Value</u> %
QUOTED SHARIAH-COMPLIANT INVESTMENTS – FOREIGN (CONTINUED)				
<u>CHINA (CONTINUED)</u>				
Healthcare Facilities				
Aier Eye Hospital Group Co Ltd	727,651	11,171,755	8,641,683	3.15
Home Furnishing				
Jason Furniture Hangzhou Co Ltd	135,016	4,161,156	3,245,469	1.18
Industrial Machinery/Equipment				
Hang Zhou GreatStar Industrial Co Ltd	468,022	6,330,186	6,013,642	2.19
Zhejiang Sanhua Co Ltd	476,700	9,269,710	8,267,865	3.01
Zhongji Innolight Co Ltd	383,582	24,366,344	21,831,933	7.95
		39,966,240	36,113,440	13.15
Integrated				
Telecommunications Services				
China Mobile Ltd	139,619	8,496,755	8,362,213	3.05
China Telecom Corporation Ltd	1,961,500	8,404,701	6,781,135	2.47
China United Network Communication Co Ltd	2,335,067	8,369,021	6,754,933	2.46
		25,270,477	21,898,281	7.98
IT Services/Consulting				
Nari Technology Co Ltd	782,342	13,974,305	11,442,740	4.17
Oil Related Services/Equipment				
Yantai Jereh Oilfield	392,400	6,291,928	7,266,444	2.65

6. INVESTMENTS (CONTINUED)

Investments as at 31 October 2023 are as follows: (continued)

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair Value</u> RM	<u>% of Net</u> <u>Asset</u> <u>Value</u> %
QUOTED SHARIAH-COMPLIANT INVESTMENTS – FOREIGN (CONTINUED)				
<u>CHINA (CONTINUED)</u>				
Pharmaceuticals - Diversified				
Betta Pharmaceuticals Co Ltd	199,800	6,256,884	7,890,932	2.87
Sichuan Kelun Pharmaceutic	330,500	6,305,770	5,886,523	2.14
		<u>12,562,654</u>	<u>13,777,455</u>	<u>5.01</u>
Semiconductor				
Equipment/Testing				
Naura Technology Group Co Ltd	146,936	27,310,387	24,398,045	8.88
Zhejiang Jingsheng Mechanical & Electrical Co Ltd	50,000	1,095,150	1,410,413	0.51
		<u>28,405,537</u>	<u>25,808,458</u>	<u>9.39</u>
TOTAL CHINA		<u>245,765,530</u>	<u>220,051,194</u>	<u>80.13</u>
<u>HONG KONG</u>				
Auto/Truck Manufacturers				
BYD Co Ltd	60,000	8,591,783	8,669,137	3.16
Heavy Machinery & Vehicles				
Zhuzhou CRRC Times Electric Co Ltd	500,000	10,516,870	7,683,786	2.80
Pharmaceuticals - Diversified				
China Medical System Holdings Ltd	730,000	5,200,209	5,553,628	2.02
Wuxi Biologics Cayman Inc	292,500	8,426,317	8,651,791	3.15
		<u>13,626,526</u>	<u>14,205,419</u>	<u>5.17</u>
TOTAL HONG KONG		<u>32,735,179</u>	<u>30,558,342</u>	<u>11.13</u>

6. INVESTMENTS (CONTINUED)

Investments as at 31 October 2023 are as follows: (continued)

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair Value</u> RM	<u>% of Net</u> <u>Asset</u> <u>Value</u> %
QUOTED SHARIAH-COMPLIANT INVESTMENTS – FOREIGN (CONTINUED)				
TOTAL QUOTED SHARIAH-COMPLIANT INVESTMENTS – FOREIGN		278,500,709	250,609,536	91.26
TOTAL INVESTMENTS		278,500,709	250,609,536	91.26

Investments as at 31 October 2022 are as follows:

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair Value</u> RM	<u>% of Net</u> <u>Asset</u> <u>Value</u> %
QUOTED SHARIAH-COMPLIANT INVESTMENTS – FOREIGN				
<u>CHINA</u>				
Appliances/Tools/Housewares				
Haier Smart Home Co Ltd	514,000	8,757,717	6,893,408	3.35
Midea Group Co Ltd	200,000	7,553,838	5,181,404	2.52
		16,311,555	12,074,812	5.87
Auto/Truck Manufacturers				
Great Wall Motor Co Ltd	209,966	8,390,549	3,947,699	1.92
Auto/Truck/Motorcycle Parts				
Huayu Automotive Systems Co Ltd	100,000	1,575,360	1,081,286	0.53

6. INVESTMENTS (CONTINUED)

Investments as at 31 October 2022 are as follows:

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair Value</u> RM	<u>% of Net</u> <u>Asset</u> <u>Value</u> %
QUOTED SHARIAH-COMPLIANT INVESTMENTS – FOREIGN (CONTINUED)				
<u>CHINA (CONTINUED)</u>				
Biotechnology & Medical Research				
Wuxi Apptec Co Ltd	149,935	11,278,296	7,385,908	3.59
Chemicals - Agricultural				
Lier Chemical Co Ltd	139,953	2,072,098	1,642,333	0.80
Chemicals - Commodity				
Ganfeng Lithium Co Ltd	55,867	4,745,067	2,846,426	1.38
Hangzhou First Applied Material Co Ltd	147,000	9,610,638	6,071,721	2.95
Jiangsu Shuangxing Color Plastic New Materials Co Ltd	880,000	10,419,073	6,655,615	3.24
		24,774,778	15,573,762	7.57
Computer Hardware				
Tsinghua Unisplendour Co Ltd	100,000	1,591,784	1,105,787	0.54
Courier/Postal/Air Freight & Land-Based Logistics				
S.F. Holding Co Ltd	300,000	10,443,854	9,335,038	4.54
Electrical Components/Equipment				
Shenzhen Capchem Technology Co Ltd	180,000	7,369,478	4,197,866	2.04
Sieyuan Electric Co Ltd	349,935	11,745,688	7,547,290	3.67
		19,115,166	11,745,156	5.71

6. INVESTMENTS (CONTINUED)

Investments as at 31 October 2022 are as follows: (continued)

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair Value</u> RM	<u>% of Net</u> <u>Asset</u> <u>Value</u> %
QUOTED SHARIAH-COMPLIANT INVESTMENTS – FOREIGN (CONTINUED)				
<u>CHINA (CONTINUED)</u>				
Electronic Equipments & Parts				
Luxshare Precision Industry Co Ltd	420,000	11,738,324	7,717,945	3.75
Food Processing & Distribution				
Inner Mongolia Yili Industrial Group Co Ltd	199,961	4,744,245	3,254,184	1.58
Jonjee Hi-Tech Industrial and Commercial Holding Co Ltd	99,956	2,153,142	1,746,569	0.85
Toly Bread Co Ltd	739,892	7,414,888	5,371,731	2.61
		14,312,275	10,372,484	5.04
Healthcare Facilities				
Aier Eye Hospital Group Co Ltd	259,713	5,361,637	4,136,168	2.01
Home Furnishing				
Jason Furniture Hangzhou Co Ltd	150,016	5,446,419	2,911,465	1.42
Household Electronics				
Goertek Inc	250,000	6,922,093	3,494,675	1.70
Industrial Machinery/Equipment				
Han's Laser Technology Industry Group Co Ltd	299,901	9,014,998	4,894,153	2.38
Suzhou SLAC Precision Equipment Co Ltd	750,000	9,988,438	10,329,280	5.02

6. INVESTMENTS (CONTINUED)

Investments as at 31 October 2022 are as follows: (continued)

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair Value</u> RM	<u>% of Net</u> <u>Asset</u> <u>Value</u> %
QUOTED SHARIAH-COMPLIANT				
INVESTMENTS – FOREIGN (CONTINUED)				
<u>CHINA (CONTINUED)</u>				
Industrial Machinery/ Equipment (continued)				
Wuxi Lead Intelligent Equipment Co Ltd				
	84,800	1,958,835	2,738,763	1.33
Zhongji Innolight Co Ltd	399,982	7,241,130	7,551,253	3.67
		<u>28,203,401</u>	<u>25,513,449</u>	<u>12.40</u>
IT Services/Consulting				
Beijing Tongtech Co Ltd				
	100,000	1,978,571	1,695,756	0.82
Nari Technology Co Ltd	671,952	14,402,997	10,571,475	5.14
		<u>16,381,568</u>	<u>12,267,231</u>	<u>5.96</u>
Pharmaceuticals - Diversified				
Betta Pharmaceuticals Co Ltd				
	99,929	5,476,539	2,945,169	1.43
Changchun High & New Technology Industry Group Inc	20,000	3,605,069	2,087,778	1.01
		<u>9,081,608</u>	<u>5,032,947</u>	<u>2.44</u>
Semiconductor Equipment/Testing				
Naura Technology Group Co Ltd				
	69,936	13,776,548	11,981,187	5.82
Zhejiang Jingsheng Mechanical & Electrical Co Ltd	50,000	1,095,150	2,297,330	1.12
		<u>14,871,698</u>	<u>14,278,517</u>	<u>6.94</u>
Semiconductors				
Longi Green Energy Technology Co Ltd				
	280,000	11,355,991	8,662,152	4.21
TOTAL CHINA		<u>219,228,454</u>	<u>158,278,814</u>	<u>76.94</u>

6. INVESTMENTS (CONTINUED)

Investments as at 31 October 2022 are as follows: (continued)

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair Value</u> RM	<u>% of Net</u> <u>Asset</u> <u>Value</u> %
QUOTED SHARIAH-COMPLIANT INVESTMENTS – FOREIGN (CONTINUED)				
<u>HONG KONG</u>				
Auto/Truck Manufacturers				
BYD Co Ltd	60,000	8,591,783	6,347,010	3.09
Great Wall Motor Co Ltd	600,000	5,120,935	3,095,838	1.51
		<u>13,712,718</u>	<u>9,442,848</u>	<u>4.60</u>
Food Processing & Distribution				
China Mengniu Dairy Company Limited	300,000	<u>6,194,405</u>	<u>4,542,610</u>	<u>2.21</u>
Heavy Machinery & Vehicles				
Zhuzhou CRRC Times Electric Co Ltd	500,000	<u>10,516,870</u>	<u>10,250,223</u>	<u>4.98</u>
Pharmaceuticals - Diversified				
China Medical System Holdings Ltd	730,000	5,200,209	3,766,603	1.83
Wuxi Biologics Cayman Inc	50,000	3,212,170	1,068,672	0.52
		<u>8,412,379</u>	<u>4,835,275</u>	<u>2.35</u>
Retail - Drugs				
Simcere Pharmaceutical Group	900,000	<u>4,573,959</u>	<u>4,725,037</u>	<u>2.30</u>
TOTAL HONG KONG		<u>43,410,331</u>	<u>33,795,993</u>	<u>16.44</u>
TOTAL QUOTED SHARIAH-COMPLIANT INVESTMENTS – FOREIGN		<u>262,638,785</u>	<u>192,074,807</u>	<u>93.38</u>
TOTAL INVESTMENTS		<u>262,638,785</u>	<u>192,074,807</u>	<u>93.38</u>

7. SHARIAH INFORMATION OF THE FUND

The following are the Shariah information of the Fund.

(a) Investment Portfolio

The Shariah Adviser has confirmed that investment portfolio of the Fund is Shariah-compliant, which comprises:

- (i) Equity securities listed in Bursa Malaysia which have been classified as Shariah-compliant by the Shariah Advisory Council of the Securities Commission of Malaysia;
- (ii) Equity securities in foreign markets which have been classified as Shariah-compliant under the Shariah screening methodology accepted and duly verified by the Shariah Adviser and/or these securities which have been reviewed and classified as Shariah-compliant by the Shariah Adviser;
- (iii) Investment or cash placements in Islamic liquid assets in local market, including Islamic money market, Islamic deposits with Islamic financial institutions, Islamic financial derivatives and/or Islamic collective investment schemes.

(b) Interest from foreign currency accounts shall not be recognised as income.

A portion of the cash is maintained in foreign currency accounts outside Malaysia to facilitate the purchase and selling of securities in a particular country. Interest earned, if any, from these accounts shall not be recognised as income to the Fund. The Fund will compute the interest amount received and the interest will be channelled to *Baitulmal* or any other charitable bodies as advised by the Shariah Adviser as part of the Fund's cleansing process.

There is nil (2022: nil) interest amount received during the financial year of the Fund.

(c) Purification process of the Fund during the financial year

The Fund has recognised nil amount in statement of income and expenses during the financial year ended 31 October 2023 (2022: RM78,823) under Donation to charitable bodies as part of the Fund's cleansing process.

8. UNITS IN CIRCULATION

(a) RM Class

	<u>2023</u> Units	<u>2022</u> Units
At the beginning of the financial year	152,028,605	103,362,303
Creation of units arising from applications during the financial year	109,989,500	94,949,700
Cancellation of units during the financial year	<u>(55,952,364)</u>	<u>(46,283,398)</u>
At the end of the financial year	<u>206,065,741</u>	<u>152,028,605</u>

(b) USD Class

	<u>2023</u> Units	<u>2022</u> Units
At the beginning of the financial year	1,808,792	200
Creation of units arising from applications during the financial year	601,636	1,847,267
Cancellation of units during the financial year	<u>(133,663)</u>	<u>(38,675)</u>
At the end of the financial year	<u>2,276,765</u>	<u>1,808,792</u>

9. MANAGEMENT FEE

In accordance with the Prospectus, the management fee provided in the financial statements is 1.80% (2022: 1.80%) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial year.

10. TRUSTEE'S FEE

In accordance with the Prospectus, the Trustee's fee provided in the financial statements is 0.06% (2022: 0.06%) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial year.

11. TAXATION

(a) Tax charge for the financial year

	<u>2023</u> RM	<u>2022</u> RM
Current taxation	-	64,840
Under provision of tax in prior year	27,739	-
	<u>27,739</u>	<u>64,840</u>

(b) Numerical reconciliation of income tax expense

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

	<u>2023</u> RM	<u>2022</u> RM
Net loss before taxation	<u>(7,867,705)</u>	<u>(89,963,944)</u>
Tax calculated at a statutory income tax rate of 24%	(1,888,249)	(21,591,347)
Tax effects of:		
- Loss not deductible for tax purposes	158,862	20,545,339
- Expenses not deductible for tax purposes	506,988	212,382
- Restriction on tax deductible expenses	1,222,399	869,542
- Income subject to different tax rate	-	28,924
- Under provision of tax in prior year	27,739	-
Tax expense	<u>27,739</u>	<u>64,840</u>

12. TOTAL EXPENSE RATIO (“TER”)

	<u>2023</u> %	<u>2022</u> %
TER	<u>1.94</u>	<u>1.95</u>

The TER ratio is calculated based on total expenses excluding investment transaction related costs of the Fund to the average net asset value of the Fund calculated on a daily basis.

13. PORTFOLIO TURNOVER RATIO (“PTR”)

	<u>2023</u>	<u>2022</u>
PTR (times)	<u>1.17</u>	<u>0.64</u>

The PTR ratio is calculated based on average of acquisition and disposals of the Fund for the financial year to the average net asset value of the Fund calculated on a daily basis.

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

The number of units held by the related parties are as follows:

	<u>2023</u>		<u>2022</u>	
	Units	RM	Units	RM
<u>RM Class</u>				
RHB Bank Berhad*	35,125,195	45,676,804	43,054,339	56,741,313
RHB Nominees (Tempatan) Sdn Bhd	<u>17,861,371</u>	<u>23,226,927</u>	<u>24,370,785</u>	<u>32,118,258</u>
	<u>2023</u>		<u>2022</u>	
	Units	RM	Units	RM
<u>USD Class</u>				
RHB Nominees (Tempatan) Sdn Bhd	<u>-</u>	<u>-</u>	<u>200</u>	<u>590</u>

* *Ultimate holding company of the Manager.*

The Manager is of the opinion that all transactions with the related parties have been entered into in the normal course of business at agreed terms between the related parties.

The units held by RHB Nominees (Tempatan) Sdn Bhd, a wholly owned subsidiary of penultimate holding company of the Manager, are under nominee structure.

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

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

The holding company and the penultimate holding company of the Manager are RHB Asset Management Sdn Bhd and RHB Investment Bank Berhad respectively. The ultimate holding company of the Manager is RHB Bank Berhad. The Manager treats RHB Bank Berhad group of companies including RHB Investment Bank Berhad and its subsidiaries as related parties.

15. TRANSACTIONS BY THE FUND

Details of transactions by the Fund for the financial year ended 31 October 2023 are as follows:

Brokers/ <u>Financial institutions</u>	Value of <u>trades</u> RM	Percentage of total <u>trades</u> %	Brokerage <u>Fees</u> RM	Percentage of total brokerage <u>fees</u> %
China International Capital Corporation Hong Kong Securities Ltd	239,672,494	39.33	479,345	40.51
Instinet Pacific Ltd	178,901,599	29.36	357,803	30.24
Macquarie Capital Securities (Malaysia) Sdn Bhd	59,519,321	9.77	119,039	10.06
CLSA Ltd	47,029,332	7.72	94,059	7.95
Macquarie Securities (Australia) Ltd	35,884,184	5.89	36,261	3.07
RHB Investment Bank Berhad*	27,074,912	4.44	54,150	4.58
Kim Eng Securities (Hong Kong) Limited	21,255,939	3.49	42,512	3.59
	<u>609,337,781</u>	<u>100.00</u>	<u>1,183,169</u>	<u>100.00</u>

15. TRANSACTIONS BY THE FUND (CONTINUED)

Details of transactions by the Fund for the financial year ended 31 October 2022 are as follows:

Brokers/ <u>Financial institutions</u>	Value of <u>trades</u> RM	Percentage of total <u>trades</u> %	Brokerage <u>fees</u> RM	Percentage of total brokerage <u>fees</u> %
China International Capital Corporation Hong Kong Securities Ltd	113,187,871	42.77	226,376	42.77
Macquarie Capital Securities (Malaysia) Sdn Bhd	63,337,068	23.94	126,674	23.94
CLSA Ltd	48,062,980	18.16	96,126	18.16
Instinet Pacific Ltd	17,156,858	6.48	34,314	6.48
Kim Eng Securities (Hong Kong) Limited	14,415,634	5.45	28,831	5.45
Macquarie Securities (Australia) Ltd	8,463,566	3.20	16,927	3.20
	<u>264,623,977</u>	<u>100.00</u>	<u>529,248</u>	<u>100.00</u>

* Included in transactions by the Fund are trades with RHB Investment Bank Berhad, the penultimate holding company of the Manager. 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 parties.

16. FINANCIAL INSTRUMENTS BY CATEGORIES

	<u>2023</u> RM	<u>2022</u> RM
Financial assets		
Financial assets at FVTPL		
• Quoted Shariah-compliant investments	<u>250,609,536</u>	<u>192,074,807</u>
Financial assets at amortised cost		
• Bank balances	12,961,023	10,187,466
• Islamic deposits with licensed financial institutions	226,117	3,049,390
• Amount due from broker	9,645,828	-
• Amount due from Manager	<u>1,714,475</u>	<u>1,114,972</u>
	<u>24,547,443</u>	<u>14,351,828</u>
Financial liabilities		
Financial liabilities at amortised cost		
• Amount due to Manager	162,887	298,292
• Accrued management fee	427,641	328,586
• Amount due to Trustee	14,255	10,953
• Other payables and accruals	18,442	19,204
• Payables for donation to charitable bodies	-	82,377
• Net assets attributable to unit holders	<u>274,605,204</u>	<u>205,699,383</u>
	<u>275,228,429</u>	<u>206,438,795</u>

**STATEMENT BY MANAGER OF
RHB SHARIAH CHINA FOCUS FUND**

We, Dato' Darawati Hussain and Mohd Farid Bin Kamarudin, two of the Directors of RHB Islamic International Asset Management Berhad, do hereby state that in the opinion of the Directors of the Manager, the accompanying statement of financial position, statement of income and expenses, statement of changes in net asset value, statement of cash flows and the accompanying notes, are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Fund as at 31 October 2023 and of its financial performance and cash flows for the financial year then ended and comply with the provisions of the Deed.

On behalf of the Manager,

Dato' Darawati Hussain
Director

Mohd Farid Bin Kamarudin
Director

21 December 2023

TRUSTEE'S REPORT

To the unit holders of RHB Shariah China Focus Fund (“Fund”)

We have acted as Trustee of the Fund for the financial year ended 31 October 2023 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, RHB Islamic International Asset Management Berhad has operated and managed the Fund during the year covered by these financial statements in accordance with the following:

1. Limitations imposed on the investment powers of the Management Company under the Deeds, securities laws and the Guidelines on Unit Trust Funds;
2. Valuation and pricing is carried out in accordance with the Deeds; and
3. Any creation and cancellation of units are carried out in accordance with the Deeds and any regulatory requirement.

For HSBC (Malaysia) Trustee Berhad

Yap Lay Guat
Manager, Investment Compliance Monitoring

Kuala Lumpur
21 December 2023

REPORT OF THE SHARIAH ADVISER OF RHB SHARIAH CHINA FOCUS FUND

To the unit holders of RHB Shariah China Focus Fund (“the Fund”),

We have acted as the Shariah Adviser of the Fund. Our responsibility is to ensure that the procedures and processes employed by RHB Islamic International Asset Management Berhad (“the Manager”) and that the provisions of the Deeds are in accordance with Shariah principles.

To the best of our knowledge, after having made all reasonable enquiries, the Manager has operated and managed the Fund in accordance with Shariah principles and requirements and complied with the applicable guidelines, rulings and decisions issued by the Securities Commission Malaysia pertaining to Shariah matters for the financial year ended 31 October 2023.

In addition, we also confirm that the investment portfolio of the Fund comprises instruments which have been classified as Shariah-compliant.

I, Azizi Che Seman, hereby confirm that all members of the Shariah Committee have been consulted and made aware of all the Shariah issues in relation to this report.

For and on behalf of Shariah Committee RHB Islamic Bank Berhad
(Company No: 200501003283)

Azizi Che Seman
Chairman
Shariah Committee of RHB Islamic Bank Berhad

21 December 2023

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF RHB SHARIAH CHINA FOCUS FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of RHB Shariah China Focus Fund (“the Fund”) give a true and fair view of the financial position of the Fund as at 31 October 2023 and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 October 2023, and the statement of income and expenses, statement of changes in net asset value and statement of cash flows for the financial year then ended and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 24 to 58.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the “Auditors’ responsibilities for the audit of the financial statements” section of our report.

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

Independence and other ethical responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“By-Laws”) and the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF RHB SHARIAH CHINA FOCUS FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises Manager's Report, but does not include the financial statements of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

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

In preparing the financial statements of the Fund, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to terminate the Fund, or has no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF RHB SHARIAH CHINA FOCUS FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
RHB SHARIAH CHINA FOCUS FUND (CONTINUED)**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

- (d) Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
21 December 2023

CORPORATE INFORMATION

MANAGER

RHB Islamic International Asset Management Berhad

REGISTERED OFFICE

Level 10, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur

PRINCIPAL AND BUSINESS OFFICE

Level 8, Tower Two & Three, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur

Email address: rhbiiam.enquiry@rhbgroup.com

Tel: 03 – 9205 8000

Fax: 03 – 9205 8107

Website: <http://www.rhbgroup.com>

BOARD OF DIRECTORS

Mr Yap Chee Meng (*Independent Non-Executive Chairman*)

(*Resigned with effect from 22 May 2023*)

Mr Chin Yoong Kheong (*Independent Non-Executive Chairman*)

(*Redesignated with effect from 22 May 2023*)

YBhg Dato' Darawati Hussain (*Senior Independent Non-Executive Director*)

(*Redesignated with effect from 22 May 2023*)

Encik Mohd Farid Bin Kamarudin (*Non-Independent Non-Executive Director*)

(*Redesignated with effect from 1 August 2023*)

Tuan Syed Ahmad Taufik Albar (*Non-Independent Non-Executive Director*)

Puan Hijah Arifakh Binti Othman (*Independent Non-Executive Director*)

(*Appointed with effect from 1 December 2022*)

(*Resigned with effect from 1 June 2023*)

Puan Sharizad Binti Juma'at (*Independent Non-Executive Director*)

(*Appointed with effect from 22 May 2023*)

INVESTMENT COMMITTEE MEMBERS

Mr Yap Chee Meng (*Independent Chairman*)

(*Resigned with effect from 22 May 2023*)

YBhg Dato' Darawati Hussain (*Independent Chairperson*)

(*Redesignated with effect from 22 May 2023*)

Puan Hijah Arifakh Binti Othman

(*Resigned with effect from 1 June 2023*)

Mr Chin Yoong Kheong (*Appointed with effect from 22 May 2023*)

Puan Sharizad Binti Juma'at (*Appointed with effect from 22 May 2023*)

CORPORATE INFORMATION (CONTINUED)

ACTING CHIEF EXECUTIVE OFFICER

Encik Mohd Farid Bin Kamarudin

(Resigned with effect from 1 August 2023)

SECRETARIES

Encik Azman Shah Md Yaman (LS No. 0006901)

Izafaniz Binti Abdullah Kamir (MACS01851)

TRUSTEE	HSBC (Malaysia) Trustee Berhad
SHARIAH ADVISER	RHB Islamic Bank Berhad
PRINCIPAL BANKER	RHB Islamic Bank Berhad
AUDITORS	PricewaterhouseCoopers PLT
TAX ADVISER	KPMG Tax Services Sdn Bhd
DISTRIBUTORS	RHB Asset Management Sdn Bhd RHB Bank Berhad RHB Investment Bank Berhad RHB Islamic Bank Berhad Affin Bank Berhad Al Rajhi Banking & Investment Corporation (Malaysia) Berhad Areca Capital Sdn Bhd HSBC Amanah (Malaysia) Berhad HSBC Bank (Malaysia) Berhad iFAST Capital Sdn Bhd Kenanga Investors Berhad Malayan Banking Berhad OCBC Al-Amin Bank Berhad OCBC Bank (Malaysia) Berhad Phillip Mutual Berhad UOB Kay Hian Securities (M) Sdn Bhd