

DAIWA FTSE SHARIAH JAPAN 100
(Constituted under a Trust Deed in the Republic of Singapore)

FINANCIAL STATEMENTS
For the financial year ended 31 December 2010

DAIWA FTSE SHARIAH JAPAN 100
(Constituted under a Trust Deed in the Republic of Singapore)

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For the financial year ended 31 December 2010

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DAIWA FTSE SHARIAH JAPAN 100

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MANAGER'S INVESTMENT REPORT

For the financial year ended 31 December 2010

Fund's Features

Daiwa FTSE Shariah Japan 100 (the "Fund") seeks to track the performance of FTSE Shariah Japan 100 Index (the "Index") that measures the investment return of the largest and the most liquid Shariah compliant listed companies in Japan. The Fund allows investors an instant access to the top 100 Shariah compliant Japanese listed companies by market capitalisation. It is designed to meet the investment requirements of both Islamic and conventional investors internationally. Shariah-screening at the Index level and the Fund level is undertaken by Yasaar Limited.

Fund Details

Listing Date on SGX-ST:	27 May 2008
SGX-ST Trading Code:	F1F
Trading Currency:	US Dollar
Board Lot:	100 units
Current Management Fee:	0.75%
Number of units (as at 31 December 2010):	2,000,000 units
Net Asset Value (as at 31 December 2010):	US\$17.13 million
NAV per Unit (as at 31 December 2010):	US\$8.57 per unit

Performance

The cumulative performance of the Fund vs Index* for the various time frames can be summarised as follow:

Time Frames		Fund's Performance	Index's Performance
1 Month	Period from 30 November 2010 to 31 December 2010	6.33%	6.50%
3 Months	Period from 30 Sep 2010 to 31 December 2010	11.01%	11.22%
6 Months	Period from 30 Jun 2010 to 31 December 2010	20.37%	19.91%
12 Months	Period from 31 Dec 2009 to 31 December 2010	10.72%	9.88%

* *FTSE Shariah Japan 100 Index (US\$)*

Creation/Redemption History

There were no creation or redemption applications for the financial year ended 31 December 2010. A total of 2,000,000 units were created and listed on 27 May 2008 (date of constitution).

DAIWA FTSE SHARIAH JAPAN 100

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MANAGER'S INVESTMENT REPORT

For the financial year ended 31 December 2010

Investment and Borrowing Restrictions of the Fund

The Fund, being a Non-Specialised Fund, is subject to the investment and borrowing guidelines in the Non-Specialised Funds Investment Guidelines of the Code on Collective Investment Schemes ("Guidelines"), save to the extent waived, exempted or varied by Monetary Authority of Singapore (the "Authority"), of which the Guidelines may be amended from time to time by the Authority. In addition to the Guidelines, the Fund will be subject to the Shariah Investment Guidelines as set out in Appendix III of the Prospectus, prepared by and which may be amended from time to time by Yasaar Limited, the Shariah adviser to the Manager in relation to the Fund ("Shariah Adviser"). For detailed description on these restrictions, please refer to the Prospectus.

Further, the Fund currently does not invest in financial derivative instruments ("FDIs"). Whilst Daiwa Asset Management (Singapore) Ltd (the "Manager") currently does not intend for the Fund to invest in any FDIs, the Manager may in consultation with and subject to the approval of the Investment Adviser and the Shariah Adviser, decide to invest in FDIs in the future, for the purposes of hedging or meeting the investment objective of the Fund or both. In the event that the Manager decides to invest in FDIs, the Unitholders will be given at least one month's prior notice and an announcement posted on the SGXNET and on the Manager's website, and the Prospectus will be updated, supplemented or replaced as appropriate.

During the financial year under review, the Fund has no exposure to other form of investments, including unit trusts, mutual funds and collective investment schemes and had no borrowings.

Investments at market value and as a percentage of NAV as at 31 December 2010 classified by:

Top Ten Holdings at Market Value and as a Percentage of NAV

Name of Company	Industry	Cost USD	Market Value USD	Percentage of Total Net Assets %
Toyota Motor Corporation	Automobiles & Parts	2,110,610	1,669,132	9.74
Canon Inc.	Technology	1,112,855	1,120,851	6.54
Panasonic Corporation	Personal & Household Goods	857,661	565,099	3.30
Mitsubishi Corporation	Industrial Goods & Services	625,600	558,882	3.26
NTT Docomo Incorporated	Telecommunications	431,017	499,897	2.92
Komatsu Limited	Industrial Goods & Services	490,022	494,760	2.89
Takeda Pharmaceutical Company Limited	Health Care	525,030	476,004	2.78
Nippon Telegraph and Telephone Corporation	Telecommunications	397,843	388,220	2.27
Mitsui & Company Ltd	Industrial Goods & Services	537,243	367,330	2.14
KDDI Corporation	Telecommunications	353,205	316,853	1.85
		7,441,086	6,457,028	37.69

DAIWA FTSE SHARIAH JAPAN 100

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MANAGER'S INVESTMENT REPORT

For the financial year ended 31 December 2010

Exposure to Derivatives

There is no derivative exposure as at 31 December 2010.

Expense & Turnover Ratios

Expense ratio ¹	0.94%
Portfolio turnover ratio ²	10.05%

¹ The expense ratio is computed in accordance with the revised Investment Management Association of Singapore ("IMAS") guidelines on disclosure of expense ratios dated 25 May 2005. Refer to note 10 for details.

² The portfolio turnover ratio is calculated in accordance with the formula stated in the "Code on Collective Investment Schemes". Refer to Note 10 for details.

Soft Dollar Commissions

During the financial year under review, no soft dollar commissions were received from the brokers.

Information on the Manager and the Investment Adviser

The Manager of the Fund is Daiwa Asset Management (Singapore) Ltd. (Company Registration Number 199400016R), a public company limited by shares incorporated in Singapore on 3 January 1994, with a share capital of S\$2 million consisting of 2,000,000 ordinary shares and holds a Capital Market Services Licence from the Authority. The duration of the appointment of the Manager is indefinite. The Manager can be removed and has an option to retire in accordance with terms and conditions stated in Clause 30.5 and Clause 30.7 of the Trust Deed respectively. Currently, the management fee is set at 0.75% per annum.

The Investment Adviser of the Fund is Daiwa Asset Management Co. Ltd., a company incorporated in Japan. The Manager has appointed the Investment Adviser under an investment advisory agreement with an indefinite term. However, the agreement can be terminated by either party by a written notice at least three (3) months prior to the termination date. As mentioned in the Prospectus, the Investment Adviser's fee is borne by the Manager.

Other Information

There is no other material information that will adversely impact the valuation of the Fund.

DAIWA FTSE SHARIAH JAPAN 100

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REPORT OF THE TRUSTEE

For the financial year ended 31 December 2010

The Trustee is under a duty to take into custody and hold the assets of Daiwa FTSE Shariah Japan 100 (the "Fund") in trust for the unitholders. In accordance with the Securities and Futures Act (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes (collectively referred to as the "laws and regulations"), the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting year and report thereon to unitholders in an annual report which shall contain the matters prescribed by the laws and regulations as well as the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore and the Trust Deed.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the year covered by these financial statements, set out on pages 7 to 24, comprising the Statement of Total Return, Balance Sheet, Portfolio Statement and Notes to the Financial Statements, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed, laws and regulations and otherwise in accordance with the provisions of the Trust Deed.

For and on behalf of the Trustee
DBS Trustee Limited

Director

25 March 2011

DAIWA FTSE SHARIAH JAPAN 100

(Constituted under a Trust Deed in the Republic of Singapore)

STATEMENT BY THE MANAGER

For the financial year ended 31 December 2010

In the opinion of the directors of Daiwa Asset Management (Singapore) Ltd., the accompanying financial statements set out on pages 7 to 24, comprising the Statement of Total Return, Balance Sheet, Portfolio Statement and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of Daiwa FTSE Shariah Japan 100 (the "Fund") as at 31 December 2010 and the total return for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore. At the date of this statement, there are reasonable grounds to believe that the Fund will be able to meet its financial obligations as and when they materialise.

For and on behalf of directors of
Daiwa Asset Management (Singapore) Ltd.

Yoshinori Okada
Director
Singapore

Koichiro Sekiguchi
Director
Singapore

25 March 2011

**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF
DAIWA FTSE SHARIAH JAPAN 100**
(Constituted under a Trust Deed in the Republic of Singapore)

We have audited the financial statements of Daiwa FTSE Shariah Japan 100 (the "Fund") set out on pages 7 to 24, which comprise the Balance Sheet and Portfolio Statement as at 31 December 2010, the Statement of Total Return for the financial year ended 31 December 2010, and a summary of significant accounting policies and other explanatory information.

Manager's Responsibility for the Financial Statements

The Fund's Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2010 and the total return for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore.

PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants

Singapore, 25 March 2011

DAIWA FTSE SHARIAH JAPAN 100
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STATEMENT OF TOTAL RETURN
For the financial year ended 31 December 2010

	Note	2010 USD	2009 USD
Income			
Dividend income		<u>293,614</u>	261,398
Less: Expenses			
Management fees	3	116,191	103,830
Miscellaneous expenses		<u>32,438</u>	29,753
		148,629	133,583
Net income		<u>144,985</u>	127,815
Net gains or losses on investments			
Net realised losses on investments sold		(626,371)	(1,529,678)
Net gains/(losses) on foreign exchange		7,191	(14,235)
Net change in fair value of investments		<u>2,169,333</u>	3,397,552
		1,550,153	1,853,639
Total return for the year before income tax		1,695,138	1,981,454
Less: Income tax	4	<u>20,483</u>	18,474
Total return for the year		1,674,655	1,962,980

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

DAIWA FTSE SHARIAH JAPAN 100*(Constituted under a Trust Deed in the Republic of Singapore)***BALANCE SHEET***As at 31 December 2010*

	Note	2010 USD	2009 USD
ASSETS			
Investments		16,952,601	15,283,098
Dividend receivables		22,974	17,379
Cash and bank balances		169,034	168,601
Total assets		17,144,609	15,469,078
LIABILITIES			
Accrued expenses	5	11,050	10,174
Net assets attributable to unitholders	6	17,133,559	15,458,904
Total liabilities		17,144,609	15,469,078

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

DAIWA FTSE SHARIAH JAPAN 100
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PORTFOLIO STATEMENT

As at 31 December 2010

	Holdings at 31 December 2010	Fair value at 31 December 2010 USD	Percentage of total net assets attributable to unitholders at 31 December 2010 %
Primary - By Industry			
Quoted			
EQUITIES			
Automobiles & Parts			
Sumitomi Electric Industries Limited	9,700	134,282	0.78
Bridgestone Corporation	9,900	190,679	1.11
Toyota Industries Corporation	2,100	65,004	0.38
Denso Corporation	7,200	247,636	1.45
Toyota Motor Corporation	42,200	1,669,132	9.74
Mitsubishi Motors Corporation	67,000	97,113	0.57
Aisin Seiki Company Limited	2,400	84,668	0.49
Mazda Motor Corporation	22,000	62,695	0.37
Daihatsu Motor Company Limited	3,000	45,879	0.27
Suzuki Motor Corporation	6,800	166,805	0.97
Yamaha Motor Company Limited	4,300	69,774	0.41
NSK Limited	7,000	63,027	0.37
Fuji Heavy Industries Limited	10,000	77,386	0.45
		2,974,079	17.36
Basic Resources			
Nippon Steel Corporation	83,000	296,683	1.73
Kobe Steel Limited	38,000	95,688	0.56
Hitachi Metals Limited	2,000	23,953	0.14
Toyota Tsusho Corporation	2,300	40,316	0.24
Sumitomo Metal Mining Company Limited	9,000	156,873	0.92
		613,513	3.59
Chemical			
Kuraray Company Limited	6,200	88,648	0.52
Asahi Kasei Corporation	17,000	110,674	0.65
Shin-Etsu Chemical Company Limited	5,200	280,727	1.64
JSR Corporation	3,100	57,689	0.34
Mitsubishi Chemical Holdings	18,500	125,212	0.73
Hitachi Chemical Company Limited	1,700	35,103	0.21
Nitto Denko Corporation	2,100	98,667	0.58
		796,720	4.67
Construction & Materials			
Asahi Glass Company Limited	14,000	163,199	0.95
JS Group Corporation	3,800	83,226	0.49
Panasonic Electric Works Corporation Limited	4,000	51,935	0.30
Daito Trust Construction Co., Ltd.	1,400	95,615	0.56
		393,74	2.30

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PORTFOLIO STATEMENT

As at 31 December 2010

	Holdings at 31 December 2010	Fair value at 31 December 2010 USD	Percentage of total net assets attributable to unitholders at 31 December 2010 %
Primary - By Industry (continued)			
Quoted EQUITIES			
Food & Beverages			
Yakult Honsha Corporation Limited	2,900	83,320	0.49
		83,320	0.49
Health Care			
Takeda Pharmaceutical Company Limited	9,700	476,004	2.78
Shionogi And Company Limited	4,300	84,669	0.49
Mitsubishi Tanabe Pharma Corporation	3,000	50,522	0.29
Chugai Pharmaceutical Co Ltd	3,600	65,889	0.38
Ono Pharmaceutical Co Limited	1,500	69,740	0.41
Taisho Pharmaceutical Co Ltd	4,000	87,311	0.51
Terumo Corporation	2,600	145,793	0.85
Daiichi Sankyo Company Limited	8,700	189,795	1.11
Astellas Pharma Incorporation	5,700	216,349	1.26
		1,386,072	8.08
Industrial Goods & Services			
NGK Insulators Limited	4,000	64,955	0.38
Mitsubish Electric Corporation	26,000	272,104	1.59
JGC Corporation	3,000	65,041	0.38
Japan Steel Works Limited	5,000	51,959	0.30
SMC Corporation	900	153,667	0.90
Komatsu Limited	16,400	494,760	2.89
Hitachi Construction Machinery Co., Ltd	1,400	33,431	0.20
Kubota Corporation	10,000	94,460	0.55
Daikin Industries Limited	3,600	127,267	0.74
Kurita Water Industries Limited	1,600	50,254	0.29
Kawasaki Heavy Industries	20,000	67,068	0.39
Toppan Printing Company Limited	9,000	81,808	0.48
Mitsubishi Corporation	20,700	558,882	3.26
Nippon Express Company Limited	13,000	58,285	0.34
Yamato Holdings Company Limited	5,700	80,868	0.47
HOYA Corporation	7,100	171,984	1.00
Isuzu Motors Limited	21,000	95,185	0.56
Ibiden Company Limited	1,800	56,602	0.33
Nippon Electric Glass Company Limited	6,000	86,230	0.50
Hitachi Limited	55,000	291,856	1.70
Toshiba Corporation	52,000	281,685	1.64
Nidec Corporation	1,800	181,305	1.06
Omron Corporation	3,900	103,045	0.60
TDK Corporation	1,600	110,650	0.65
Kyocera Corporation	3,100	315,674	1.84
Murata Manufacturing Company Limited	3,700	258,150	1.51
Mitsui & Company Limited	22,300	367,330	2.14
		4,574,506	26.69

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

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PORTFOLIO STATEMENT

As at 31 December 2010

	Holdings at 31 December 2010	Fair value at 31 December 2010 USD	Percentage of total net assets attributable to unitholders at 31 December 2010 %
Primary - By Industry (continued)			
Quoted EQUITIES			
Media			
Dai Nippon Printing Company Limited	9,000	122,270	0.71
Dentsu Inc.	2,300	71,110	0.42
		193,380	1.13
Oil & Gas			
Inpex Corporation	44	256,725	1.50
JX Holdings Inc	30,430	205,957	1.20
Tonen General Sekiyu K.K.	5,000	54,477	0.32
		517,159	3.02
Personal & Household Goods			
Sanyo Electric Company Limited	20,000	32,428	0.19
Daiwa House Industry Company Limited	7,000	85,727	0.50
Sekisui House Limited	8,000	80,482	0.47
Makita Corporation	1,700	69,328	0.40
Panasonic Corporation	39,900	565,099	3.30
Sharp Corporation	14,000	143,938	0.84
Shimano Incorporation	1,200	60,656	0.35
Nikon Corporation	4,900	99,132	0.58
KAO Corporation	8,800	236,403	1.38
Shiseido Company Limited	4,900	106,715	0.62
Unicharm Corporation	1,700	67,449	0.39
		1,547,357	9.02
Real Estate			
Aeon Mall Company Limited	1,500	40,149	0.23
		40,149	0.23
Retail			
Benesse Holding Inc.	1,300	59,722	0.35
Yamada Denki Company Limited	1,580	107,520	0.63
Nitori Company Limited	450	39,246	0.23
		206,488	1.21

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

DAIWA FTSE SHARIAH JAPAN 100
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PORTFOLIO STATEMENT

As at 31 December 2010

	Holdings at 31 December 2010	Fair value at 31 December 2010 USD	Percentage of total net assets attributable to unitholders at 31 December 2010 %
Primary - By Industry (continued)			
Quoted			
EQUITIES			
Technology			
Nomura Research Institute Limited	2,800	62,184	0.36
Yahoo! Japan Corporation	284	109,888	0.64
Fujifilm Holdings Corporation	6,300	226,973	1.32
NEC Corporation	42,000	125,881	0.73
Fujitsu Limited	25,000	173,504	1.01
Canon Inc.	21,700	1,120,851	6.54
Tokyo Electron Limited	2,200	138,632	0.81
NTT Data Corporation	18	62,042	0.36
Ricoh Company Limited	9,000	131,335	0.77
Rohm Company Limited	1,900	123,695	0.72
		2,274,986	13.26
Telecommunications			
Nippon Telegraph and Telephone Corporation	8,600	388,220	2.27
KDDI Corporation	55	316,853	1.85
NTT Docomo Incorporated	287	499,897	2.92
		1,204,970	7.04
Utilities			
Tokyo Gas Company Limited	33,000	145,928	0.85
		145,928	0.85
Investments		16,952,601	98.94
Other net assets		180,958	1.06
Net assets attributable to unitholders		17,133,559	100.00

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

DAIWA FTSE SHARIAH JAPAN 100
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PORTFOLIO STATEMENT

As at 31 December 2010

	Fair value at 31 December 2010 USD	Percentage of total net assets attributable to unitholders at 31 December 2010 %	Percentage of total net assets attributable to unitholders at 31 December 2009 %
Primary - By Industry (summary)			
Quoted			
EQUITIES			
Automobiles & Parts	2,974,079	17.36	20.15
Basic Resources	613,513	3.59	5.97
Chemicals	796,720	4.67	5.79
Construction & Materials	393,974	2.30	1.69
Food & Beverages	83,320	0.49	0.59
Health Care	1,386,072	8.08	7.48
Industrial Goods & Services	4,574,506	26.69	23.28
Media	193,380	1.13	0.75
Oil & Gas	517,159	3.02	1.26
Personal & Household Goods	1,547,357	9.02	10.44
Real Estate	40,149	0.23	0.20
Retail	206,488	1.21	1.35
Technology	2,274,986	13.26	11.96
Telecommunications	1,204,970	7.04	7.07
Utilities	145,928	0.85	0.91
Investments	16,952,601	98.94	98.89
Other net assets	180,958	1.06	1.11
Net assets attributable to unitholders	17,133,559	100.00	100.00

Secondary - By Geography

Quoted
EQUITIES
Japan

16,952,601	98.94	98.89
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Investments
Other net assets
Net assets attributable to unitholders

16,952,601	98.94	98.89
180,958	1.06	1.11
17,133,559	100.00	100.00

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

DAIWA FTSE SHARIAH JAPAN 100

(Constituted under a Trust Deed in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

Daiwa FTSE Shariah Japan 100 (the "Fund") is a Singapore standalone unit trust constituted by a Trust Deed dated 25 April 2008, as supplemented by the First Supplemental Deed dated 09 May 2008 (thereafter referred to as the "Trust Deed") between Daiwa Asset Management (Singapore) Ltd. (the "Manager") and DBS Trustee Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore. The Fund was listed on the Singapore Exchange Securities Trading Limited on 27 May 2008.

The investment objective of the Fund is to provide investment results that, before expenses, closely correspond to the performance of the FTSE SHARIAH JAPAN 100 Index. The Index is a tradable index launched by FTSE and is designed to represent the performance of the largest and most liquid Shariah compliant Japanese companies.

2. Significant Accounting Policies

(a) Basis of Accounting

The financial statements are prepared under the historical cost convention modified by the revaluation of financial assets at fair value through profit and loss, and in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Certified Public Accountants of Singapore ("ICPAS").

(b) Recognition of Income

Dividend income is recorded gross in the Statement of Total Return in the accounting year in which the security is quoted ex-dividend.

Interest income is recognised on a time proportion basis using the effective interest method.

DAIWA FTSE SHARIAH JAPAN 100

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

2. Significant Accounting Policies (continued)

(c) Financial assets at fair value through profit or loss

Investments are classified as financial assets, at fair value through profit or loss.

(i) *Initial recognition*

Purchase of investments are recognised on trade date. Investments are recorded at fair value on initial recognition.

(ii) *Subsequent measurement*

Investments are subsequently carried at fair value. Net change in fair value on investments are included in the Statement of Total Return in the year which they arise.

(iii) *Derecognition*

Investments are derecognised on the trade date of disposal. The resultant realised gains and losses on the sales of investments are computed on the basis of the difference between the weighted average cost and selling price net of transaction costs, and are taken up in the Statement of Total Return.

(d) Basis of valuation of investments

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price for the investments held by the Fund is the current market quoted bid price.

(e) Receivables

Receivables are initially recognised at their fair value and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

(f) Payables

Trade and other payables are initially recognised at their fair values and subsequently carried at amortised cost using the effective interest method.

DAIWA FTSE SHARIAH JAPAN 100

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

2. Significant Accounting Policies (continued)

(g) Foreign Currency Translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency translations are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Total Return. Translation differences on non-monetary financial assets and liabilities such as equities are recognised in the Statement of Total Return within net change in fair value of investments.

(h) Distribution

The Manager may in consultation with the Shariah Adviser to decide on distributing income to unitholders at such times as it may determine in each financial year. The amount to be distributed to unitholders will be derived from the net income of the Fund. Distributions will only be paid to the extent that they are available for distribution pursuant to the Trust Deed.

3. Management fees

The management fees for the Fund is currently set at 0.75% of its net asset value per annum (maximum 1.00% per annum).

The fees of the Trustee, Custodian, Investment Adviser, Shariah Adviser, Index Provider and Auditors will be borne by the Manager and will not be charged to the Fund.

DAIWA FTSE SHARIAH JAPAN 100

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

4. Income tax

The Fund was granted the status of Designated Unit Trust and, therefore, the following income is exempted from tax in accordance with Section 35(12) and (12A) of the Income Tax Act (Cap 134):

- (a) gains or profits derived from Singapore or elsewhere from the disposal of securities;
- (b) interest (other than interest for which tax has been deducted under Section 45 of the Income Tax Act);
- (c) dividends derived from outside Singapore and received in Singapore;
- (d) gains or profits derived from foreign exchange transactions, transactions in futures contracts, transactions in interest rate or currency forwards, swaps or option contracts and transactions in forwards, swaps or option contracts relating to any securities or financial index; and
- (e) distributions from foreign unit trusts derived from outside Singapore and received in Singapore.

	2010	2009
	USD	USD
Overseas income tax	20,483	18,474

The overseas income tax represents tax deducted at source on dividends derived from outside Singapore.

5. Accruals

	2010	2009
	USD	USD
Accrued management fee	11,050	10,174

DAIWA FTSE SHARIAH JAPAN 100*(Constituted under a Trust Deed in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2010***6. Net assets attributable to unitholders**

	2010 USD	2009 USD
At the beginning of financial year	15,458,904	13,495,924
Operations		
Change in net assets attributable to unitholders resulting from operations	<u>1,674,655</u>	1,962,980
At the end of financial year	<u>17,133,559</u>	15,458,904
Units in issue (Note 7)	<u>2,000,000</u>	2,000,000
Net asset attributable to unitholders per unit	<u>8.57</u>	7.73

Reconciliation of net assets attributable to unitholders per unit for issuing/redemption units at financial year end and the net assets attributable to unitholders per unit per the financial statements:

	2010 USD	2009 USD
Net assets attributable to unitholders per unit for issuing/redeeming units	8.57	7.74
Effect of adopting bid prices as fair value	-	(0.01)
Net assets attributable to unitholders per unit per the financial statements	<u>8.57</u>	7.73

Quoted investments have been valued at the current bid prices in accordance with the recommendations of RAP 7. For the purpose of the net assets attributable to unitholders per unit calculation for the issuance and redemption of units, quoted investments are stated at the last available transacted price, in accordance with the Code on Collective Investment Schemes.

7. Units in issue

	2010 Units	2009 Units
Units at beginning of the financial year and at end of the financial year	<u>2,000,000</u>	2,000,000

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

8. Financial risk management

The Fund's activities expose it to a variety of financial risk (including currency risk, fair value risk, interest rate risk and price risk), credit risk and liquidity risk. The Fund's overall risk management programme seeks to minimise potential adverse effects on the Fund's financial performance. Specific guideline on exposures to individual securities and certain industries are in place for the Fund at any time as part of the overall financial risk management to reduce the Fund's risk exposure.

The Fund's assets principally consist of financial instruments such as equity investments and cash. They are held in accordance with the published investment policies of the Fund. The allocation of assets between the various types of investments is determined by the Manager to achieve their investment objectives.

The following is a summary of the main risks and risk management policies:

(a) Market risk

Market risk is the risk of loss arising from uncertainty concerning movements in market prices, credit spreads, exchange rates, and others that may be only indirectly observable such as volatilities and correlations. Market risk includes such factors as changes in economic environment, consumption pattern and investor's expectation etc. which may have significant impact on the value of the investments. The Fund's investments are substantially dependent on changes in market prices. The Fund's investments are monitored by the Manager on a regular basis.

The Fund is an exchange traded fund with primary objective in tracking the performance of FTSE Shariah Japan 100 Index (the "Index") that measures the investment return of the largest and most liquid Shariah compliant listed companies in Japan. As such, the Manager will generally adopt a Replication Strategy with substantially all the Index Securities in substantially the same weightings (i.e. proportions) as the Index. Rebalancing will be carried out quarterly in line with the Index in March, June, September and December during any given calendar year.

The Fund's market risk is affected primarily by changes in two components: changes in actual market prices and foreign exchange movements.

(i) *Price risk*

The Fund's sensitivity to the market is measured using its beta, a ratio that describes how the expected return of a portfolio is correlated to the return of the financial market as a whole. The daily fund price movements are measured against the daily price movement of the benchmark to derive the beta. As at 31 December 2010, the Fund beta was 0.981 (2009: 0.988) which is calculated based on the daily returns over the preceding 12 months for the Fund and benchmark.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

8. Financial risk management (continued)

(a) Market risk (continued)

(i) *Price risk* (continued)

The table below summarises the impact of increases/decreases from the Fund's underlying investments in equities on the Fund's net assets attributable to the unitholders as at 31 December 2010 and 31 December 2009. The analysis is based on the assumptions that the index components within the benchmark increased/decreased by a reasonable possible shift, with all variables held constant and that the fair value of the Fund's investments moved according to the beta.

<u>As at 31 December 2010</u>		Benchmark increase/ decrease by 4% Impact on net assets attributable to unitholders
<u>Fund</u>	<u>Benchmark</u>	
Daiwa FTSE Shariah Japan 100	FTSE Shariah Japan 100	USD 665,306

<u>As at 31 December 2009</u>		Benchmark increase/ decrease by 5% Impact on net assets attributable to unitholders
<u>Fund</u>	<u>Benchmark</u>	
Daiwa FTSE Shariah Japan 100	FTSE Shariah Japan 100	USD 754,991

(ii) *Currency risk*

The Fund has securities denominated in currencies other than US Dollar and the Fund may be affected favourably or unfavourably by exchange rate regulators or changes in the exchange rates between the US Dollar and such other currencies.

DAIWA FTSE SHARIAH JAPAN 100*(Constituted under a Trust Deed in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2010***8. Financial risk management (continued)****(a) Market risk (continued)****(ii) *Currency risk* (continued)**

The table below summarises the on-balance sheet exposure to currency risk for the Fund.

	USD USD	JPY USD	Total USD
As at 31 December 2010			
<u>Assets</u>			
Investments	-	16,952,601	16,952,601
Dividend receivables	-	22,974	22,974
Cash and bank balances	128,700	40,334	169,034
Total assets	<u>128,700</u>	<u>17,015,909</u>	<u>17,144,609</u>
<u>Liabilities</u>			
Accrued expenses	11,050	-	11,050
Net assets attributable to unitholders	17,133,559	-	17,133,559
Total liabilities	<u>17,144,609</u>	<u>-</u>	<u>17,144,609</u>
As at 31 December 2009			
<u>Assets</u>			
Investments	-	15,283,098	15,283,098
Dividend receivables	-	17,379	17,379
Cash and bank balances	16,807	151,794	168,601
Total assets	<u>16,807</u>	<u>15,452,271</u>	<u>15,469,078</u>
<u>Liabilities</u>			
Accrued expenses	10,174	-	10,174
Payables	-	-	-
Net assets attributable to unitholders	15,458,904	-	15,458,904
Total liabilities	<u>15,469,078</u>	<u>-</u>	<u>15,469,078</u>

Investment, which is the significant item in the balance sheet is exposed to currency risk and other price risk. The Fund has considered the impact of currency risk sensitivity on non-monetary investments as part of price risk sensitivity analysis.

The Fund's net financial assets comprise significantly non-monetary investments, hence currency risk analysis has not been performed on the remaining financial assets.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

8. Financial risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in settling a liability, including a redemption request.

The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed of. Investments which are neither listed nor quoted are restricted to a maximum of 10% of the net asset value. In accordance with the Fund's policies, the Manager monitors the Fund's liquidity position on a daily basis.

The Fund does not invest in currency forward contracts or any other financial derivative instruments in consistent with Investment and Borrowing Restrictions of the Fund as mentioned in the Prospectus.

Currently, redemptions can only be carried out in-kind (index securities) and/or in correct amount of cash equivalent, where the Manager decides to pay the cash equivalent in lieu of the index securities at its absolute discretion. The Manager does not allow cash only redemption request at this moment.

	<u>Less than 3 months USD</u>
<u>As at 31 December 2010</u>	
Accrued expenses	<u>11,050</u>
<u>As at 31 December 2009</u>	
Accrued expenses	<u>10,174</u>

(c) Credit risk

Credit risk is the risk that counterparty will fail to perform contractual obligations, either in whole or in part, under a contract.

In accordance with the Fund's Investment and Borrowing Restrictions, the Fund does not invest in any financial derivative instrument or debt securities.

All transactions in listed securities are settled/paid upon delivery using approved broker. The risk of default is minimal, as delivery of securities is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

8. Financial risk management (continued)

(c) Credit risk (continued)

Credit risk also arises from cash and cash equivalents positions held with financial institutions. The table below summarizes the credit rating of banks and custodians in which the Fund's assets are held as at 31 December 2010 and 31 December 2009.

	<u>Amount USD</u>	<u>Credit rating</u> [#]	<u>Source of credit rating</u>
<u>As At 31 December 2010</u>			
Bank			
Islamic Bank of Asia	<u>169,034</u>	AA-	Standard & Poor's
<u>As At 31 December 2009</u>			
Bank			
Islamic Bank of Asia	<u>168,601</u>	AA-	Standard & Poor's

[#] Group credit rating will be presented for unrated subsidiaries.

All the Fund's investments are held in custody with reputable custodian, whose credit rating assigned by Standard & Poor's at 31 December 2010 is AA- (2009: AA-).

(d) Capital management

The Fund's capital is represented by the net assets attributable to unitholders. The Fund strives to invest the subscriptions of redeemable participating units in investments that meet the Fund's investment objectives while maintaining sufficient liquidity to meet unitholder redemptions.

9. Related party transactions

The Fund is managed by Daiwa Asset Management (Singapore) Ltd. The Trustee of the Fund is DBS Trustee Limited. Daiwa Asset Management (Singapore) Ltd. is a wholly owned subsidiary of Daiwa Asset Management Co. Ltd. DBS Trustee Limited is a wholly owned subsidiary of DBS Group Holdings Ltd.

The Manager has appointed DBS Bank Limited as the custodian of the Fund. DBS Bank Limited is a subsidiary of DBS Group Holdings Ltd.

Management fees paid or payable by the Fund are shown in the Statement of Total Return and on terms set out in the Trust Deed. All other fees are borne by the Manager as set out in Note 3.

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10. Financial ratios

	2010	2009
	%	%
Expense ratio ¹	0.94	0.94
Portfolio turnover ratio ²	10.05	27.36

¹ The expense ratio is computed in accordance with the revised Investment Management Association of Singapore ("IMAS") guidelines on disclosure of expense ratios dated 25 May 2005. Brokerage and other transaction costs, interest expense, foreign exchange gains/losses, tax deducted at source or arising on income received and dividends paid to unitholders are not included in the expense ratio.

² The portfolio turnover ratio is calculated in accordance with the formula stated in the "Code on Collective Investment Schemes".