

# Affin Hwang

## Select Asia Pacific (ex Japan) Dividend Fund

Annual Report  
31 August 2018

Out **think.** Out **perform.**



**AFFIN HWANG**  
CAPITAL

**MANAGER**  
Affin Hwang Asset Management Berhad (429786-T)

**TRUSTEE**  
Deutsche Trustees Malaysia Berhad (763950-H)

# AFFIN HWANG SELECT ASIA PACIFIC (EX JAPAN) DIVIDEND FUND

## Annual Report and Audited Financial Statements For the Financial Year Ended 31 August 2018

<b>Content</b>	<b>Page</b>
FUND INFORMATION .....	2
FUND PERFORMANCE DATA.....	3
MANAGER'S REPORT .....	5
TRUSTEE'S REPORT .....	8
STATEMENT OF COMPREHENSIVE INCOME .....	9
STATEMENT OF FINANCIAL POSITION .....	10
STATEMENT OF CHANGES IN EQUITY .....	11
STATEMENT OF CASH FLOWS.....	12
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	13
NOTES TO THE FINANCIAL STATEMENTS .....	21
STATEMENT BY THE MANAGER .....	49
AUDITORS' REPORT .....	50
DIRECTORY OF SALES OFFICE .....	54

## FUND INFORMATION

Fund Name	Affin Hwang Select Asia Pacific (ex Japan) Dividend Fund
Fund Type	Growth & Income
Fund Category	Equity
Investment Objective	The Fund endeavours to provide investors with regular income and capital growth over the medium to long-term period
Benchmark	MSCI AC Asia Pacific ex Japan High Dividend Yield Index
Distribution Policy	The Fund will distribute income on a semi-annual basis (subject to income availability), after the end of its first financial year.

## BREAKDOWN OF UNITHOLDERS BY SIZE AS AT 31 AUGUST 2018

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	81,409	165,159
5,001 to 10,000	10,367	70,648
10,001 to 50,000	1,601	24,828
50,001 to 500,000	281	40,458
500,001 and above	58	153,177
<b>Total</b>	<b>93,716</b>	<b>454,270</b>

\* Note : Excluding Manager's stock

## FUND PERFORMANCE DATA

Category	As at 31 Aug 2018 (%)	As at 31 Aug 2017 (%)	As at 31 Aug 2016 (%)
Portfolio composition			
<b>Quoted equities – local</b>			
- Consumer products	-	-	1.40
- Finance	2.49	2.83	4.48
- Industrial Products	-	2.12	-
- REITs	1.43	-	2.14
- Trading / Services	1.90	2.42	-
- Utilities	-	-	1.55
<b>Total quoted equities – local</b>	<b>5.82</b>	<b>7.37</b>	<b>9.57</b>
<b>Quoted equities – foreign</b>			
- Basic materials	0.48	-	0.99
- Communications	-	5.13	5.26
- Consumer goods	2.79	10.34	9.31
- Consumer services	3.82	-	-
- Financials	20.92	29.47	28.28
- Healthcare	0.38	1.64	1.63
- Industrials	10.43	8.83	12.55
- Information Technology	-	24.13	-
- Oil & Gas	4.85	-	3.81
- Preference Shares	1.96	-	-
- Technology	15.94	-	11.52
- Utilities	-	4.30	8.30
<b>Total quoted equities – foreign</b>	<b>61.57</b>	<b>83.84</b>	<b>81.65</b>
<b>Exchange-traded fund – foreign</b>	<b>3.37</b>	<b>-</b>	<b>-</b>
<b>Cash &amp; cash equivalent</b>	<b>29.24</b>	<b>8.78</b>	<b>8.78</b>
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Total NAV (RM'million)	287.601	227.256	205.375
NAV per Unit (RM)	0.6331	0.6383	0.5634
Unit in Circulation (million)	454.274	356.011	364.537
Highest NAV	0.7079	0.6411	0.5671
Lowest NAV	0.6251	0.5393	0.4999
Return of the Fund (%) <sup>iii</sup>	3.63	19.33	8.45
- Capital Growth (%) <sup>i</sup>	-0.82	13.29	8.45
- Income Distribution (%) <sup>ii</sup>	4.49	5.33	Nil
Gross Distribution per Unit (sen)	3.00	3.00	Nil
Net Distribution per Unit (sen)	3.00	3.00	Nil
Management Expense Ratio (%) <sup>1</sup>	2.06	2.11	2.08
Portfolio Turnover Ratio (times) <sup>2</sup>	2.44	1.70	1.46

### **Basis of calculation and assumption made in calculating the returns:-**

The performance figures are a comparison of the growth/decline in NAV for the stipulated period taking into account all the distribution payable (if any) during the stipulated period.

An illustration of the above would be as follow:-

Capital return	= NAV per Unit end / NAV per Unit begin – 1
Income return	= Income distribution per Unit / NAV per Unit ex-date
Total return	= (1+Capital return) x (1+Income return) – 1

<sup>1</sup>The Fund's MER remained relatively unchanged during the period under review, albeit marginally lower than previous year.

<sup>2</sup> The Fund's PTR was higher than previous year due to higher average sum of total acquisition and disposal for the financial year.

**Capital Return<sup>i</sup>** = {NAV per Unit @ 31/08/18 ÷ NAV per Unit @ 31/08/17\* – 1} x 100  
= (0.6331 ÷ 0.6383 – 1) x 100  
= **-0.82%**

Income Return @ ex-date = {Income distribution per Unit ÷ NAV per Unit on ex- date} + 1  
= {0.0200 ÷ 0.6683 @ 17/01/18} + 1 = 1.0299  
= {0.0100 ÷ 0.6902 @ 13/06/18} + 1 = 1.0145

**Total Income Return<sup>ii</sup>** = {Income distribution per Unit ÷ NAV per Unit on ex-date} x 100  
= {1.0299 x 1.0145} – 1 x 100  
= **4.49%**

**Return of the Fund<sup>iii</sup>** = {(1 + Capital Return x (1 + Income Return)) – 1} x 100  
= {(1 + (-0.82%)) x (1 + 4.49%)} – 1 x 100  
= **3.63%**

\* Source – Deutsche Trustees Malaysia Berhad

Table 1: Performance of the Fund

	<b>1 Year (1/9/17 - 31/8/18)</b>	<b>3 Years (1/9/15 - 31/8/18)</b>	<b>Since Commencement (29/12/14 - 31/8/18)</b>
<b>Fund</b>	<b>3.63%</b>	<b>34.11%</b>	<b>39.34%</b>
<b>Benchmark</b>	<b>(6.95%)</b>	<b>13.53%</b>	<b>11.03%</b>
<b>Outperformance / (Underperformance)</b>	<b>10.58%</b>	<b>20.58%</b>	<b>28.31%</b>

Source of Benchmark: Bloomberg

Table 2: Average Total Return

	<b>1 Year (1/9/17 - 31/8/18)</b>	<b>3 Years (1/9/15 - 31/8/18)</b>	<b>Since Commencement (29/12/14 - 31/8/18)</b>
<b>Fund</b>	<b>3.63%</b>	<b>10.27%</b>	<b>9.44%</b>
<b>Benchmark</b>	<b>(6.95%)</b>	<b>4.32%</b>	<b>2.89%</b>
<b>Outperformance / (Underperformance)</b>	<b>10.58%</b>	<b>5.95%</b>	<b>6.55%</b>

Source of Benchmark: Bloomberg

Table 3: Annual Total Return

	<b>FYE 2018 (01/9/17 - 31/8/18)</b>	<b>FYE 2017 (01/9/16 - 31/8/17)</b>	<b>FYE 2016 (01/9/15 - 31/8/16)</b>	<b>FYE 2015 (29/12/14 - 31/8/15)</b>
<b>Fund</b>	<b>3.63%</b>	<b>19.33%</b>	<b>8.45%</b>	<b>3.90%</b>
<b>Benchmark</b>	<b>(6.95%)</b>	<b>19.23%</b>	<b>2.33%</b>	<b>(2.21%)</b>
<b>Outperformance / (Underperformance)</b>	<b>10.58%</b>	<b>0.10%</b>	<b>6.12%</b>	<b>6.11%</b>

Source of Benchmark: Bloomberg

***Past performance is not necessarily indicative of future performance and that Unit prices and investment returns may go down, as well as up.***

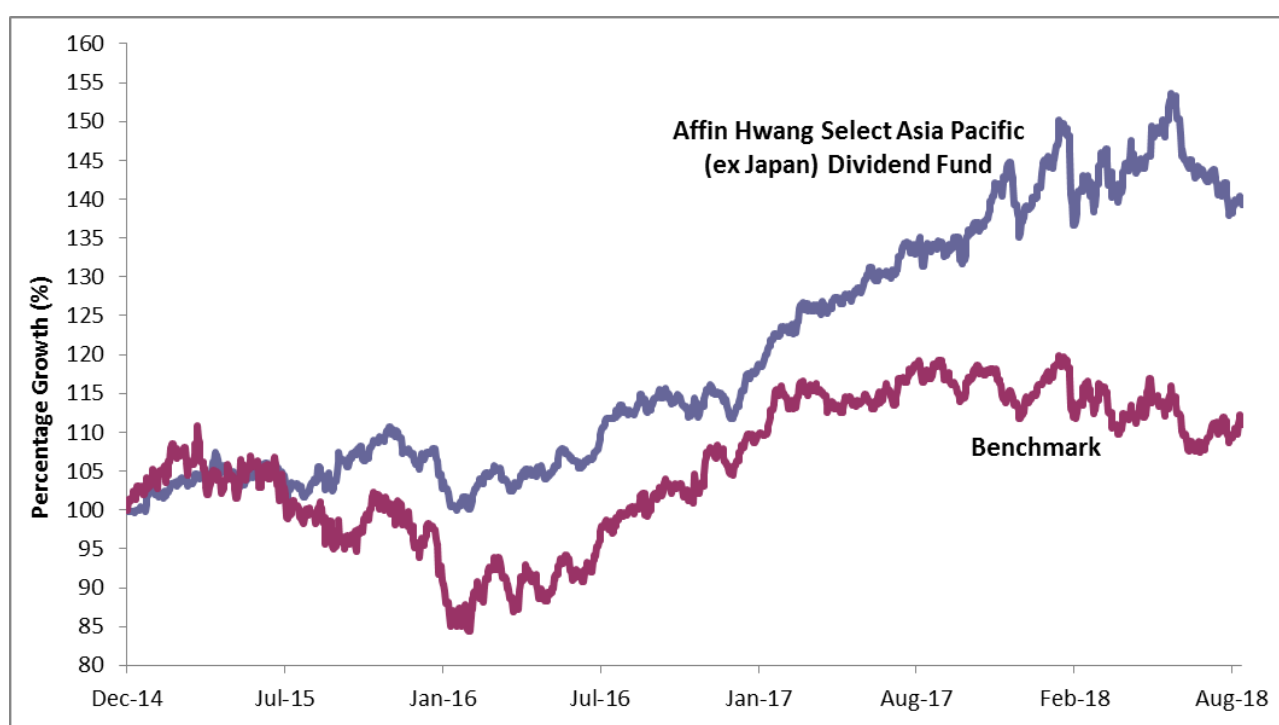
## MANAGER'S REPORT

### Performance Review

For the period under review from 1 September 2017 to 31 August 2018, the Fund registered a 3.63% return compared to the Benchmark return of -6.95%. The Fund thus outperformed the Benchmark by 10.58%. The Net Asset Value ("NAV") per unit of the Fund as at 31 August 2018 was RM0.6331 compared to its NAV per unit as at 31 August 2017 was RM0.6383. The Fund has declared a gross income distribution of RM0.03 per unit during the period under review.

Since commencement, the Fund had registered a return of 39.34%, outperforming its Benchmark return of 11.03%. As such, we believe that the Fund has met its objective of providing investors regular income and capital growth over the medium to long-term period.

Figure 1: Movement of the Fund versus the Benchmark since commencement.



*"This information is prepared by Affin Hwang Asset Management Berhad (AFFINHWANGAM) for information purposes only. Past earnings or the fund's distribution record is not a guarantee or reflection of the fund's future earnings/future distributions. Investors are advised that unit prices, distributions payable and investment returns may go down as well as up. Source of Benchmark is from Bloomberg."*

*Benchmark: MSCI AC Asia Pacific ex Japan High Dividend Yield Index*

### Income Distribution / Unit Split

Affin Hwang Asset Management Berhad recently declared a gross distribution of RM0.0300 per Unit for investors of the Affin Hwang Select Asia Pacific (ex Japan) Dividend Fund over the period under review.

The Net Asset Value per unit prior and subsequent to the distribution was as follows:-

Cum Date	Ex-Date	Cum-distribution (RM)	Distribution per Unit (RM)	Ex-distribution (RM)
16 Jan 2018	17 Jan 2018	0.6905	0.0200	0.6683
12 Jun 2018	13 Jun 2018	0.7064	0.0100	0.6902

No unit split were declared for the financial year ended 31 August 2018.

## **Asset Allocation**

For a snapshot of the Fund's asset mix during the period under review, please refer to Figure 2.

Figure 2: Asset allocation of the Fund

	<b><u>31 Aug 2018</u></b>	<b><u>31 Aug 2017</u></b>	<b><u>31 Aug 2016</u></b>
	(%)	(%)	(%)
Quoted equities – local	5.82	7.37	9.57
Quoted equities – foreign	61.57	83.84	81.65
Exchange-traded fund	3.37	-	-
Cash & Cash equivalent	29.24	8.79	8.78
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

As at 31 August 2018, the Fund's asset allocation stood at 67.39% in equities, 3.37% in exchange-traded fund and the remaining was held in cash and cash equivalent.

During the period under review, the Manager had substantially reduced its foreign equity exposure to 61.57% from 83.84% a year ago. The Manager has ceased exposure into sectors like communications, information technology and utilities while allocations were added into basic materials, oil & gas and technology sector. Cash level on the other hand, were raised to high level of 29.24% over the same period.

## **Strategies Employed**

With the return of volatility in markets, we are gradually raising our cash holdings and will stay more defensive in our allocation with capital protection taking precedence. We are deploying into domestic-driven sectors that are less directly impacted from trade tariffs as well as defensive high yields sectors.

## **Market Review**

Global markets enjoyed a strong run up to the tail-end of 2017, where an economic upswing buoyed regional markets particularly in Asia in terms of asset returns and earnings recovery. Accelerated growth, but benign inflation kept policy tightening at bay, creating the right conditions for risk-assets to perform well under a 'Goldilocks' environment.

The strong market rally subsequently took a breather in early-February'18, as markets entered correction territory as strong inflation & labour data prompted concerns that the US Federal Reserve would accelerate the pace of interest rate hikes. Global equities were broadly down as a bond rout deepened which lifted US Treasury Yields to near 3%.

Regionally, the MSCI Asia ex-Japan Index was weighed down by external risk barely unchanged at 0.50% in the period under review. Emerging markets are seeing a "tantrum-like" sell-off, where investors' appetite for risk-assets have tapered off significantly on the back of fractious developments within Turkey and Argentina that have sent both their currencies into free fall. Investors are ploughing back money into the US on signs of quicker growth, rising interest rates and a stronger greenback that has undermined the attraction of riskier EM assets.

Rising trade tensions between the US and China which threatens to escalate further also sent jitters across markets. US President Donald Trump announced a slew of protectionist measures including steel and aluminium tariff imports before scoping its aim to target China directly by proposing tariff imports in key strategic sectors identified by Beijing in its "Made in China 2025" plan. China sought to retaliate with its own tit-for-tat measure by imposing tariffs on US imports.

A sharp depreciation of the Chinese yuan also dragged down the rest of EMs, as a high correlation between markets led to further pain within other Asian currencies. The yuan has shed over 5% of its value YTD, when trade tensions started to brew. Due to concerns over trade-frictions with the US and possible second-order impacts on the Chinese economy that could manifest into slower investment and softer consumption, Beijing has shifted slightly towards a more neutral tone that leaves more room for China to loosen its grip on deleveraging and policy easing.

On the local front, the 14th General Election (GE14) concluded with jaw-dropping results that stunned political pundits and pollsters. In a watershed election, the opposition won GE14 by wresting traditionally held strongholds from the incumbent by taking over states such as Johor, Kedah, and Melaka. Tun Dr. Mahathir aged 93 returns to parliament with a second stint as Prime Minister pledging institutional and fiscal reforms for the country.

The benchmark KLCI edged up 2.62% in the period under review, whilst the small-cap rout deepened with the small-cap index down by -15.23% YTD.

### **Investment Outlook**

The recent market correction will likely presage a new era of higher volatility in markets. We expect volatility to pick-up in the year, as markets adjust to a reversal of a rate-cut cycle, with global central banks expected to gradually lift interest rates and embark on their balance-sheet unwinding. The gradual withdrawal of monetary stimulus would be a key focal point in markets, as markets adjust to tighter liquidity conditions. Inflation data may be a key-data point to monitor in coming quarters, especially if inflation picks up more than market's expectation, which would lead to an acceleration in rate hikes.

We expect a ramping-up of trade protectionist rhetoric and politicking in the lead up to the US midterm elections in November, as President Trump attempts to rile up support for his presidency and protectionist agenda. Nonetheless, our base case is that the outcome will be more modest than the intended threats or rhetoric used, as both parties will have to bring all their bargaining chips onto the negotiation table before eventually arriving at a middle ground. Having said that, we are not dismissing the risk especially due to the severity of the sell-down.

Domestically, markets will look to further clarity from the new government on policy direction of its fiscal and debt management. This includes covering a revenue shortfall from GST collections that is slated to be zero-rated effective June 2018. Nonetheless, proactive measures taken so far to cut operating expenditure including salary deduction of ministers, plugging of leakages and revamps across ministries could stem the bleeding.

We expect reform policies to generate a return of monetary and human capital that would drive back capital flows. Whilst, markets could be volatile in the short-term as a result of regulatory uncertainty and kitchen-sinking exercises undertaken by the new government, we expect such concerns to ease as the government clarifies its position and sets policy direction. Nonetheless, a robust governance framework will eventually lend to business stability that would attract more sustainable forms of FDIs. This, coupled with fresh pro-growth policies would provide the uplift of growth for the economy and increase wealth distribution.

### **State of Affairs of the Fund**

There is neither any significant change to the state affairs of the Fund nor any circumstances that materially affect any interests of the unit holders during the period under review.

### **Soft Commissions received from Brokers**

As per the requirements of the Securities Commission's Guidelines on Unit Trust Funds and Guidelines on Compliance Function for Fund Management Companies, soft commissions received from brokers/dealers may be retained by the management company only if the :-

- (i) goods and services provided are of demonstrable benefit to Unit holders of the Fund; and
- (ii) goods and services are in the form of research and advisory services that assists in the decision making process.

During the financial period under review, the management company had received on behalf of the Fund, soft commissions in the form of research materials, data and quotation services, investment-related publications, market data feed and industry benchmarking agencies which are of demonstrable benefit to Unitholders of the Fund.



## **TRUSTEE'S REPORT TO THE UNITHOLDERS OF AFFIN HWANG SELECT ASIA PACIFIC (EX JAPAN) DIVIDEND FUND**

We have acted as Trustee for Affin Hwang Select Asia Pacific (Ex Japan) Dividend Fund ("the Fund") for the financial year ended 31 August 2018. To the best of our knowledge, for the financial year under review, Affin Hwang Asset Management Berhad ("the Manager"), has operated and managed the Fund in accordance with the following:

- (a) limitations imposed on the investment powers of the Manager and the Trustee under the Deed(s), the Securities Commission's Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- (b) valuation and pricing for the Fund is carried out in accordance with the Deed(s) of the Fund and applicable regulatory requirements; and
- (c) creation and cancellation of units for the Fund are carried out in accordance with the Deed(s) of the Fund and applicable regulatory requirements.

We are of the view that the distributions made during this financial year ended 31 August 2018 by the Manager are not inconsistent with the objective of the Fund.

For Deutsche Trustees Malaysia Berhad

**Soon Lai Ching**  
Senior Manager, Trustee Operations

**Ng Hon Leong**  
Head, Trustee Operations

Kuala Lumpur  
12 October 2018

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018**

	<u>Note</u>	<u>2018</u> RM	<u>2017</u> RM
<b>INVESTMENT INCOME</b>			
Dividend income		5,526,748	6,043,479
Interest income		158,873	46,931
Net gain on forward foreign currency contracts at fair value through profit or loss		5,132,668	1,671,344
Net gain on foreign currency exchange		505,764	1,888,840
Net gain on financial assets at fair value through profit or loss	8	6,159,908	34,542,370
Other income		1,020	-
		<u>17,484,981</u>	<u>44,192,964</u>
<b>EXPENSES</b>			
Management fee	4	(4,919,043)	(3,790,588)
Trustee fee	5	(160,673)	(123,400)
Auditors' remuneration		(7,500)	(7,500)
Tax agent's fee		(53,989)	(32,763)
Transaction costs		(4,516,763)	(2,402,950)
Other expenses		(386,460)	(500,853)
		<u>(10,044,428)</u>	<u>(6,858,054)</u>
<b>NET PROFIT BEFORE TAXATION</b>		7,440,553	37,334,910
<b>TAXATION</b>	6	(965,640)	(1,058,210)
<b>NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>		<u><u>6,474,913</u></u>	<u><u>36,276,700</u></u>
Net profit after taxation is made up of the following:			
Realised amount		17,850,690	24,058,934
Unrealised amount		(11,375,777)	12,217,766
		<u><u>6,474,913</u></u>	<u><u>36,276,700</u></u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

**STATEMENT OF FINANCIAL POSITION  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018**

	<u>Note</u>	<u>2018</u> RM	<u>2017</u> RM
<b>ASSETS</b>			
Cash and cash equivalents	9	85,439,042	19,385,260
Financial assets at fair value through profit or loss	8	203,549,541	207,269,330
Amount due from Manager			
- creation of units		240,413	1,188,235
Amount due from brokers		-	251,200
Dividend receivables		542,824	248,859
<b>TOTAL ASSETS</b>		<u>289,771,820</u>	<u>228,342,884</u>
<b>LIABILITIES</b>			
Forward foreign currency contracts at fair value through profit or loss	10	839,075	162,678
Amount due to Manager			
- management fee		454,210	349,151
- cancellation of units		221,874	496,969
Amount due to trustee		14,731	11,324
Amount due to brokers		611,558	-
Auditors' remuneration		7,500	7,500
Tax agent's fee		5,450	8,750
Other payables and accruals		16,423	49,702
<b>TOTAL LIABILITIES</b>		<u>2,170,821</u>	<u>1,086,074</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>287,600,999</u>	<u>227,256,810</u>
<b>EQUITY</b>			
Unitholders' capital		251,618,736	185,996,670
Retained earnings		35,982,263	41,260,140
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u>287,600,999</u>	<u>227,256,810</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	11	<u>454,274,000</u>	<u>356,011,000</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>0.6331</u>	<u>0.6383</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018**

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 1 September 2017	185,996,670	41,260,140	227,256,810
Total comprehensive income for the financial year	-	6,474,913	6,474,913
Distribution (Note 7)	-	(11,752,790)	(11,752,790)
Movement in unitholders' capital:			
Creation of units arising from applications	70,719,589	-	70,719,589
Creation of units arising from distributions	11,647,732	-	11,647,732
Cancellation of units	(16,745,255)	-	(16,745,255)
Balance as at 31 August 2018	<u>251,618,736</u>	<u>35,982,263</u>	<u>287,600,999</u>
Balance as at 1 September 2016	190,231,149	15,143,920	205,375,069
Total comprehensive income for the financial year	-	36,276,700	36,276,700
Distribution (Note 7)	-	(10,160,480)	(10,160,480)
Movement in unitholders' capital:			
Creation of units arising from applications	17,931,725	-	17,931,725
Creation of units arising from distributions	6,774,914	-	6,774,914
Cancellation of units	(28,941,118)	-	(28,941,118)
Balance as at 31 August 2017	<u>185,996,670</u>	<u>41,260,140</u>	<u>227,256,810</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

**STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018**

	<u>Note</u>	<u>2018</u> RM	<u>2017</u> RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from sale of investments		667,214,067	348,184,810
Purchase of investments		(656,471,612)	(343,671,338)
Dividend income received		4,267,143	5,127,135
Interest income received		158,873	46,931
Other income received		1,020	-
Management fee paid		(4,813,984)	(3,765,342)
Trustee fee paid		(157,266)	(122,581)
Payment for other fees and expenses		(5,001,291)	(532,204)
Realised gain on forward foreign currency contract		5,809,065	1,834,022
Net realised foreign currency exchange gain		505,764	10,316,777
		<hr/>	<hr/>
Net cash generated from operating activities		11,511,779	17,418,210
		<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from creation of units		71,667,411	16,743,490
Payments for cancellations of units		(17,020,350)	(29,070,977)
Payments for distribution		(105,058)	(3,385,566)
		<hr/>	<hr/>
Net cash generated from/(used in) financing activities		54,542,003	(15,713,053)
		<hr/>	<hr/>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		66,053,782	1,705,157
<b>EFFECTS OF FOREIGN CURRENCY EXCHANGE</b>		-	(2,135)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>		19,385,260	17,682,238
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	9	85,439,042	19,385,260
		<hr/> <hr/>	<hr/> <hr/>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018**

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

### **A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The financial statements have been prepared under the historical cost convention, except as disclosed in the summary of significant accounting policies and comply with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

The preparation of financial statements in conformity with MFRS 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 revenue and expenses during the reported financial year. It also requires the Manager to exercise their judgment in the process of applying the Fund's accounting policies. Although these estimates and judgment are based on the Manager's best knowledge of current events and actions, actual results may differ.

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

(a) Standards, amendments to published standards and interpretations that are effective

The Fund has applied the following amendments for the first time for the financial year beginning on 1 September 2017:

- Amendments to MFRS 107 'Statement of Cash Flows' – Disclosure initiative

The adoption of these amendments did not have any impact on the current year and is not likely to affect future years.

(b) The new standards and amendments to the published standards that are applicable to the Fund but not yet effective and have not been early adopted are as follows:

(i) Financial year beginning on/after 1 September 2018

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading).

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

### **A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)**

(b) The new standards and amendments to published standards that are applicable to the Fund but not yet effective and have not been early adopted are as follows: (continued)

(i) Financial year beginning on/after 1 September 2018 (continued)

- A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Fund has reviewed its financial assets and liabilities and does not expect any impact from the adoption of the new standard on 1 September 2018.

There will be no impact on the Fund's accounting for financial assets as the Fund's investments currently measured at fair value through profit or loss will continue to be measured on the same basis under MFRS 9.

There will be no impact on the Fund's accounting for financial liabilities as the Fund's investments in forward foreign currency contracts will continue to be measured on the same basis under MFRS 9.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost. Based on the assessments undertaken to date, the Fund does not expect any loss allowance to be recognised upon adoption of MFRS 9.

### **B INCOME RECOGNITION**

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

Interest income from short term deposit with licensed financial institutions and unquoted fixed income securities are recognised based on effective interest rate method on an accrual basis.

For quoted equities, realised gains and losses on sale of investments are accounted for as the difference between the net disposal proceeds and the carrying amount of investments, determined on a weighted average cost basis.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

### **C DISTRIBUTION**

A distribution to the Fund's unitholders is accounted for as a deduction from realised reserve. A proposed distribution is recognised as a liability in the period in which it is approved by the Trustee of the Fund.

### **D TRANSACTION COSTS**

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

### **E TAXATION**

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

Tax on investment income from foreign investments is based on the tax regime of the respective countries that the Fund invests in.

### **F FUNCTIONAL AND PRESENTATION CURRENCY**

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

### **G FOREIGN CURRENCY TRANSLATION**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges.

### **H FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

#### **(i) Classification**

The Fund designates its investment in quoted equities and exchange-traded funds as financial assets at fair value through profit or loss at inception.

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

Derivatives are financial assets/(liabilities) at fair value through profit or loss categorised as held for trading unless they are designated hedges (Note M).



## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

### **H FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)**

#### **(i) Classification (continued)**

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

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

The Fund classifies amount due to Manager, amount due to Trustee, amount due to brokers, auditors' remuneration, tax agent's fee and other payables and accruals as other financial liabilities.

#### **(ii) Recognition and measurement**

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

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

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

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

Gain or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category including the effects of foreign transactions are presented in the statement of comprehensive income within 'net gain/(loss) on financial assets at fair value through profit or loss' in the financial year which they arise.

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

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 basis approved by the Trustee after appropriate technical consultation.

Derivative investment consists of forward foreign currency contracts. Financial derivative position will be "marked to market" at the close of each valuation day. Foreign exchange gains and losses on the derivative financial instrument are recognised in profit or loss when settled or at the date of the statement of financial position at which time they are included in the measurement of the derivative financial instrument.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

### **H FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)**

#### (ii) Recognition and measurement (continued)

Investment in exchange-traded funds are valued at the last published net asset value (“NAV”) per unit at the date of the statement of financial position.

Deposits with licensed financial institutions are stated at cost plus accrued interest calculated on the effective interest method over the period from the date of placement to the date of maturity of the deposits.

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

#### (iii) Impairment

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

The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate.

The asset’s carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If ‘loans and receivables’ or a ‘held-to-maturity investment’ has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

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

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

### **I CASH AND CASH EQUIVALENTS**

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

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

### **J AMOUNT DUE FROM/(TO) BROKERS**

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

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amounts due from brokers. A provision for impairment of amount due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker.

Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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

### **K UNITHOLDERS' CAPITAL**

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

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

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

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

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

### **L SEGMENT REPORTING**

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

### **M DERIVATIVE FINANCIAL INSTRUMENTS**

A derivative financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

The Fund's derivative financial instruments comprise forward foreign currency contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The fair value of forward foreign currency contracts is determined using forward exchange rates at the date of statements of financial position with the resulting value discounted back to present value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for in accordance with the accounting policy set out in Note H.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

### **N CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES**

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

### 1 INFORMATION ON THE FUND

The Unit Trust Fund was constituted under the name Hwang Select Asia Pacific (ex Japan) Dividend Fund (the "Fund") pursuant to the execution of a Deed dated 1 July 2013. The Fund has changed its name from Hwang Select Asia Pacific (ex Japan) Dividend Fund to Affin Hwang Select Asia Pacific (ex Japan) Dividend Fund as amended by the Supplemental Deed dated 5 November 2014 (the "Deeds") entered into between Affin Hwang Asset Management Berhad (the "Manager"), and Deutsche Trustee Malaysia Berhad (the "Trustee").

The Fund commenced operations on 29 December 2014 and will continue its operations until terminated as provided under Clause 12 of the Deeds.

The Fund may invest in any of the following investments:

- (a) Securities of companies listed on the recognised Malaysian stock exchange or any other foreign exchange where the regulatory authority is a member of International Organization of Securities Commissions (IOSCO);
- (b) Unlisted securities including, without limitation, securities that have been approved by the relevant regulatory authorities for the listing of the quotation for such securities;
- (c) Government bonds, treasury bills and other government approved or guaranteed bonds;
- (d) Debentures including private debt securities and bonds;
- (e) Money market instruments;
- (f) Deposits with financial institutions;
- (g) Structured products such as credit linked-notes;
- (h) Derivatives instruments, including but not limited to option, futures contracts, forward contracts and swaps;
- (i) Warrants;
- (j) Units/ shares in local and foreign exchange-traded funds which are in line with the objective of the Fund;
- (k) Any other form of investments permitted by the SC from time to time which are in line with the objective of the Fund.

All investments will be subjected to the SC's Guidelines on Unit Trust Funds, the Deeds and the objective of the Fund.

The main objective of the Fund endeavours to provide investors with regular income and capital growth over the medium to long-term period.

The Manager is a company incorporated in Malaysia. The principal activities of the Manager are establishment and management of unit trust funds and private retirement schemes as well as providing fund management series to private clients.

The financial statements were authorised for issue by the Manager on 12 October 2018.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

**2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES**

Financial instruments are as follows:

	<u>Note</u>	<u>Loans and receivables</u> RM	<u>Financial assets/ (liabilities) at fair value through profit or loss</u> RM	<u>Total</u> RM
<u>2018</u>				
Quoted equities	8	-	193,844,734	193,844,734
Collective investment scheme	8	-	9,704,807	9,704,807
Cash and cash equivalents	9	-	85,439,042	85,439,042
Dividend receivables		542,824	-	542,824
Amount due from Manager				
- creation of units		240,413	-	240,413
Forward foreign currency contracts		-	(839,075)	(839,075)
<b>Total</b>		<b>783,237</b>	<b>288,149,508</b>	<b>288,932,745</b>
<u>2017</u>				
Quoted equities	8	-	207,269,330	207,269,330
Cash and cash equivalents	9	19,385,260	-	19,385,260
Dividend receivables		248,859	-	248,859
Amount due from Manager				
- creation of units		1,188,235	-	1,188,235
Amount due from brokers		251,200	-	251,200
Forward foreign currency contracts		-	(162,678)	(162,678)
<b>Total</b>		<b>21,073,554</b>	<b>207,106,652</b>	<b>228,180,206</b>

All current liabilities except for forward foreign currency contracts are financial liabilities which are carried at amortised cost.

The Fund is exposed to a variety of risks which include market risk (including price risk, interest rate risk and currency risk), credit risk, liquidity 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 by the SC's Guidelines on Unit Trust Funds.

Market risk

(a) Price risk

Price risk arises mainly from the uncertainty about future prices of investments. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Manager manages the risk of unfavourable changes in prices by continuous monitoring of the performance and risk profile of the investment portfolio.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

**2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

Market risk (continued)

(a) Price risk (continued)

The Fund's overall exposure to price risk was as follows:

	<u>2018</u> RM	<u>2017</u> RM
<b>Quoted investments</b>		
Quoted equities designated at fair value through profit or loss	193,844,734	207,269,330
	<u>                    </u>	<u>                    </u>
<b>Exchange-traded funds</b>		
Exchange-traded funds designated at fair value through profit or loss	9,704,807	-
	<u>                    </u>	<u>                    </u>

The following table summarises the sensitivity of the Fund's profit after taxation and net asset value to price risk movement. The analysis is based on the assumptions that the market price increased by 5% and decreased by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the quoted securities having regard to the historical volatility of the prices.

<u>% Change in price</u>	<u>Market value</u> RM	<u>Impact on profit after tax/NAV</u> RM
<u>2018</u>		
-5%	193,372,064	(10,177,477)
0%	203,549,541	-
+5%	213,727,018	10,177,477
	<u>                    </u>	<u>                    </u>
<u>2017</u>		
-5%	196,905,863	(10,363,467)
0%	207,269,330	-
+5%	217,632,797	10,363,467
	<u>                    </u>	<u>                    </u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)

### 2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Market risk (continued)

##### (b) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flows.

The Fund's exposure to the interest rate risk is mainly confined to short term deposits placement with licensed financial institution. The Manager overcomes this exposure by way of maintaining deposits on short term basis.

The Fund's exposure to interest rate risk associated with deposit with licensed financial institutions is not material as the deposits is held on a short term basis.

##### (c) Currency risk

Currency risk is associated with investments denominated in foreign currencies. When the foreign currencies fluctuate in an unfavourable movements against Ringgit Malaysia, the investments will face currency losses in addition to the capital gain/loss. The Manager will evaluate the likely directions of the foreign currency versus Ringgit Malaysia based on considerations of economic fundamentals such as interest rate differentials, balance of payments position, debt levels and technical chart considerations.

The following table sets out the foreign currency risk concentrations and counterparties of the Fund:

	<u>Quoted equities</u> RM	<u>Exchange -traded funds</u> RM	<u>Forward foreign currency contracts</u> RM	<u>Cash and cash equivalents</u> RM	<u>Other assets*</u> RM	<u>Total</u> RM
<u>2018</u>						
Australian Dollar	1,377,746	-	(16,040)	4,513,244	-	5,874,950
Chinese Yuan	2,591,856	-	-	9,088,548	-	11,680,404
Hong Kong Dollar	89,755,421	-	-	-	(224,888)	89,530,533
Indian Rupee	8,843,367	-	-	-	-	8,843,367
Korean Won	19,361,471	9,704,807	(728,098)	3	-	28,338,183
Singapore Dollar	22,747,805	-	-	2,061,998	-	24,809,803
Taiwan Dollar	16,764,666	-	-	9,665,809	154,655	26,585,130
United States Dollar	15,627,086	-	(94,937)	58,734,666	-	74,266,815
	<u>177,069,418</u>	<u>9,704,807</u>	<u>(839,075)</u>	<u>84,064,268</u>	<u>(70,233)</u>	<u>269,929,185</u>

The following table sets out the foreign currency risk concentrations and counterparties of the Fund:

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

**2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

(c) Currency risk (continued)

	Forward foreign currency contracts RM	Quoted equities RM	Cash and cash equivalents RM	Other assets* RM	Total RM
<u>2017</u>					
Australian Dollar	-	-	50,251	-	50,251
Chinese Yuan	-	3,057,509	500,188	-	3,557,697
Hong Kong Dollar	-	75,282,931	437,945	-	75,720,876
Indonesian Rupiah	-	4,192,208	-	-	4,192,208
Indian Rupee	-	20,750,360	55,393	-	20,805,753
Korean Won	-	36,367,119	-	-	36,367,119
Singapore Dollar	-	25,349,055	424,753	163,154	25,936,962
Taiwan Dollar	-	14,154,467	-	65,547	14,220,014
United States Dollar	(162,678)	11,377,919	14,952,538	-	26,167,779
	<u>(162,678)</u>	<u>190,531,568</u>	<u>16,421,068</u>	<u>228,701</u>	<u>207,018,659</u>

\* Other assets consist of dividend receivables, amount due from Manager and amount due from brokers.

The table below summarises the sensitivity of the Fund's profit after tax and net asset value to changes in foreign exchange movements. The analysis is based on the assumption that the foreign exchange rate changes by 5%, with all other variables remain constants. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate, having regard to historical volatility of this rate. Any increase/decrease in foreign exchange rate will result in a corresponding decrease/increase in the net assets attributable to unitholders by approximately 5%. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	Change in price %	Impact on profit after tax/ NAV RM
<u>2018</u>		
Australian Dollar	+/-5	+/-293,748
Chinese Yuan	+/-5	+/-584,020
Hong Kong Dollar	+/-5	+/-4,476,527
Indian Rupee	+/-5	+/-442,168
Korean Won	+/-5	+/-1,416,909
Singapore Dollar	+/-5	+/-1,240,490
Taiwan Dollar	+/-5	+/-1,329,257
United States Dollar	+/-5	<u>+/-3,713,341</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

**2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

Market risk (continued)

(c) Currency risk (continued)

The table below summarises the sensitivity of the Fund's profit after tax and net asset value to changes in foreign exchange movements. The analysis is based on the assumption that the foreign exchange rate changes by 5%, with all other variables remain constants. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate, having regard to historical volatility of this rate. Any increase/decrease in foreign exchange rate will result in a corresponding decrease/increase in the net assets attributable to unitholders by approximately 5%. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative. (continued)

	Change in <u>price</u> %	Impact on profit after tax/ <u>NAV</u> RM
<u>2017</u>		
Australian Dollar	+/-5	+/-2,513
Chinese Yuan	+/-5	+/-177,885
Hong Kong Dollar	+/-5	+/-3,786,044
Indonesian Rupiah	+/-5	+/-209,610
Indian Rupee	+/-5	+/-1,040,288
Korean Won	+/-5	+/-1,818,356
Singapore Dollar	+/-5	+/-1,296,848
Taiwan Dollar	+/-5	+/-711,001
United States Dollar	+/-5	<u>+/-1,316,523</u>

Credit risk

Credit risk refers to the ability of an issuer or counterparty to make timely payments of interest, principals and proceeds from realisation of investment. The Manager manages the credit risk by undertaking credit evaluation to minimise such risk.

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

The settlement terms of amount due from brokers are governed by the relevant rules and regulations as prescribed by the respective stock exchanges.

The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the SC's Guidelines on Unit Trust Funds.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

**2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

Credit risk (continued)

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

	<u>Cash and cash equivalents</u> RM	<u>Other assets*</u> RM	<u>Total</u> RM
<u>2018</u>			
Consumer Goods			
- NR	-	209,342	209,342
Finance			
- AAA	1,353,467	-	1,353,467
- AA1	84,085,575	-	84,085,575
Industrial Products			
- NR	-	177,328	177,328
Information Technology			
- NR	-	154,655	154,655
Others			
- NR	-	240,413	240,413
	<u>85,439,042</u>	<u>781,738</u>	<u>86,220,780</u>
<u>2017</u>			
Finance			
- AAA	2,941,658	-	2,941,658
- AA1	16,443,602	-	16,443,602
- AA2	-	38,330	38,330
- C3	-	124,824	124,824
Industrial Products			
- BBB	-	20,159	20,159
Information Technology			
- AA1	-	65,547	65,547
Other receivable			
- AA3	-	251,200	251,200
	<u>19,385,260</u>	<u>500,060</u>	<u>19,885,320</u>

\* Other assets consist of dividend receivables, amount due from Manager and amount due from brokers.

All financial assets of the Fund are neither past due nor impaired.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

**2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations. The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellation of units by unitholders. Liquid assets comprise cash, deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 7 days.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

The amounts in the table below are the contractual undiscounted cash flows.

	<u>Within one month</u> RM	<u>Between one month to one year</u> RM	<u>Total</u> RM
<u>2018</u>			
Amount due to Manager			
- management fee	454,210	-	454,210
- cancellation of units	221,874	-	221,874
Amount due to Trustee	14,731	-	14,731
Amount due to brokers	611,558	-	611,558
Auditor's remuneration	-	7,500	7,500
Tax agent's fee	-	5,450	5,450
Forward foreign currency contracts	823,035	16,040	839,075
Other payables and accruals	-	16,423	16,423
	<u>2,125,408</u>	<u>45,413</u>	<u>2,170,821</u>
<u>2017</u>			
Amount due to Manager			
- management fee	349,151	-	349,151
- cancellation of units	496,969	-	496,969
Amount due to Trustee	11,324	-	11,324
Auditor's remuneration	-	7,500	7,500
Tax agent's fee	-	8,750	8,750
Forward foreign currency contracts	-	162,678	162,678
Other payables and accruals	21,629	28,073	49,702
	<u>879,073</u>	<u>207,001</u>	<u>1,086,074</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)

### 2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Capital risk

The capital of the Fund is represented by equity consisting of unitholders' capital and retained earnings. The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unitholders. 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 unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

### 3 FAIR VALUE ESTIMATION

Financial instruments comprise financial assets and financial liabilities. Fair value is 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.

The fair value of financial assets traded in active market (such as trading securities) is based on quoted market prices at the close of trading on the year end date. The Fund utilizes the current bid price for financial assets which fall within the bid-ask spread.

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

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

#### (i) Fair value hierarchy

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

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

**3 FAIR VALUE ESTIMATION (CONTINUED)**

(i) Fair value hierarchy (continued)

The following table analyses within the fair value hierarchy the Fund's financial assets (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>2018</u>				
Financial assets at fair value through profit or loss				
- quoted equities	193,844,734	-	-	193,844,734
- exchange-traded funds	9,704,807	-	-	9,704,807
	<u>203,549,541</u>	<u>-</u>	<u>-</u>	<u>203,549,541</u>
<u>2017</u>				
Financial assets at fair value through profit or loss				
- quoted equities	207,269,330	-	-	207,269,330
	<u>207,269,330</u>	<u>-</u>	<u>-</u>	<u>207,269,330</u>

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities and exchange-traded funds. The Fund does not adjust the quoted prices for these instruments.

- (ii) The carrying values of cash and cash equivalents, dividend receivables, amount due from Manager and all current liabilities except forward foreign currency contracts are a reasonable approximation of the fair values due to their short term nature.

**4 MANAGEMENT FEE**

In accordance with the Deeds, the Manager is entitled to a management fee at a rate not exceeding 5.00% per annum on the NAV of the Fund calculated on a daily basis.

For the financial year ended 31 August 2018, the management fee is recognised at a rate of 1.85% (2017: 1.85%) per annum on the NAV of the Fund calculated on a daily basis as stated in the Fund's prospectus.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

**5 TRUSTEE FEE**

In accordance with the Deeds, the Trustee is entitled to an annual fee at a rate not exceeding 0.10% per annum on the NAV of the Fund, excluding foreign custodian fees.

For the financial year ended 31 August 2018, the Trustee fee is recognised at a rate of 0.06% (2017: 0.06%) per annum on the NAV of the Fund, inclusive of local custodian fee, calculated on a daily basis as stated in the Fund's prospectus.

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

**6 TAXATION**

	<u>2018</u> RM	<u>2017</u> RM
Current taxation		
- foreign	962,055	1,058,210
- local	3,585	-
	<u>965,640</u>	<u>1,058,210</u>

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

	<u>2018</u> RM	<u>2017</u> RM
Net profit before taxation	<u>7,440,553</u>	<u>37,334,910</u>
Tax at Malaysian statutory rate of 24% (2017: 24%)	1,785,733	8,960,378
Tax effects of:		
Investment income not subject to tax	(4,196,395)	(10,606,311)
Expenses not deductible for tax purposes	1,226,491	732,952
Restriction on tax deductible expenses for unit trust funds	1,184,171	912,981
Investment income subject to different tax rate	3,585	-
Foreign investment income subject to foreign tax rate	962,055	1,058,210
Tax expense	<u>965,640</u>	<u>1,058,210</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

**7 DISTRIBUTIONS**

	<u>2018</u> RM	<u>2017</u> RM
Distribution to unitholders is from the following sources:		
Gross dividend income	1,004,246	5,167,202
Interest income	45,819	-
Previous year's realised income	12,465,644	4,993,278
	<u>13,515,709</u>	<u>10,160,480</u>
Less: Expenses	(1,762,919)	-
Net distribution amount	<u><u>11,752,790</u></u>	<u><u>10,160,480</u></u>

During the financial year ended 31 August 2018, distributions were made as follows:

<u>Ex date</u>	<u>Gross/net distribution per unit</u> (sen)
17.01.2018	2.0000
13.06.2018	1.0000
	<u>3.0000</u>

During the financial year ended 31 August 2017, distributions were made as follows:

<u>Ex date</u>	<u>Gross/net distribution per unit</u> (sen)
19.12.2016	2.0000
20.06.2017	1.0000
	<u>3.0000</u>

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

Included in distributions for the financial year is an amount of RM12,465,644 (2017: RM4,993,278) made from previous year's realised income.

The fund has incurred an unrealised loss of RM11,375,777 (2017: RM Nil) for the financial year ended 31 August 2018.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

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

	<u>2018</u> RM	<u>2017</u> RM
Designated at fair value through profit or loss:		
- quoted equities – local	16,775,316	16,737,762
- quoted equities – foreign	177,069,418	190,531,568
- exchange-traded funds – foreign	9,704,807	-
	<u>203,549,541</u>	<u>207,269,330</u>
Net gain on financial assets at fair value through profit or loss:		
- realised gain on sale of investments	16,859,448	22,159,790
- unrealised (loss)/gain on changes in fair value	(10,699,540)	12,382,580
	<u>6,159,908</u>	<u>34,542,370</u>

(a) Quoted equities – local

(i) Quoted equities – local as at 31 August 2018 is as follows:

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>FINANCE</u>				
Malayan Banking Bhd	720,400	7,077,210	7,175,184	2.49
<u>TRADING/SERVICES</u>				
Mega First Corporation Bhd	1,556,000	2,925,280	5,477,120	1.90
<u>REITS</u>				
IGB REITS	2,397,100	4,108,277	4,123,012	1.43
Total quoted equities – local	<u>4,673,500</u>	14,110,767	<u>16,775,316</u>	<u>5.82</u>
Accumulated unrealised gain on quoted equities – local		<u>2,664,549</u>		
Total quoted equities – local		<u>16,775,316</u>		

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

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

(a) Quoted equities – local (continued)

(i) Quoted equities – local as at 31 August 2017 is as follows:

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<u>FINANCE</u>				
Allianz Malaysia Bhd	446,800	5,346,665	6,433,920	2.83
<u>INDUSTRIALS PRODUCTS</u>				
Press Metal Bhd	1,343,900	4,486,610	4,811,162	2.12
<u>TRADING/SERVICES</u>				
Mega First Corp Bhd	1,556,000	2,925,280	5,492,680	2.42
Total quoted equities – local	<u>3,346,700</u>	<u>12,758,555</u>	<u>16,737,762</u>	<u>7.37</u>
Accumulated unrealised gain on quoted equities – local		<u>3,979,207</u>		
Total quoted equities – local		<u>16,737,762</u>		

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

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

(b) Quoted equities – foreign

(i) Quoted equities – foreign as at 31 August 2018 is as follows:

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>AUSTRALIA</u>				
<u>BASIC MATERIALS</u>				
Hastings Technology Metals Ltd	2,300,000	1,450,159	1,377,746	0.48
<u>CHINA</u>				
<u>CONSUMER GOODS</u>				
Sunwoda Electronic Co Ltd	456,543	3,139,545	2,591,856	0.90
<u>HONG KONG</u>				
<u>CONSUMER GOODS</u>				
Xinyi Glass Holdings Co Ltd	1,058,000	5,092,962	5,426,820	1.89
<u>FINANCIALS</u>				
A-Living Services Co Ltd	116,500	826,798	812,202	0.28
China Construction Bank Corporation	3,291,000	12,072,950	11,954,213	4.16
China Jinmao Holdings Group Ltd	1,198,000	2,231,538	2,320,022	0.81
China Vanke Co Ltd	237,900	3,130,202	3,380,632	1.17
Ping An Insurance Group Co China	317,500	12,405,303	12,554,859	4.37
	<u>5,160,900</u>	<u>30,666,791</u>	<u>31,021,928</u>	<u>10.79</u>
<u>HEALTH CARE</u>				
Microport Scientific Corporation	209,000	876,771	1,084,061	0.38
<u>INDUSTRIALS</u>				
China Resources Cement Holding	1,232,000	4,960,764	5,900,182	2.05
China State Construction Internationalholding Ltd	1,706,000	8,040,767	7,286,229	2.53
	<u>2,938,000</u>	<u>13,001,531</u>	<u>13,186,411</u>	<u>4.58</u>
<u>OIL &amp; GAS</u>				
PetroChina Company Ltd	4,560,000	14,261,564	13,938,349	4.85

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

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

(b) Quoted equities – foreign (continued)

(i) Quoted equities – foreign as at 31 August 2018 is as follows: (continued)

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>HONG KONG (CONTINUED)</u>				
<u>TECHNOLOGY</u>				
Chinasoft International Ltd	1,840,000	6,035,651	5,354,590	1.86
HKBN Ltd	1,947,000	9,162,852	11,882,235	4.13
Tencent Holdings Ltd	44,200	8,351,766	7,861,027	2.74
	<u>3,831,200</u>	<u>23,550,269</u>	<u>25,097,852</u>	<u>8.73</u>
<u>INDIA</u>				
<u>FINANCIALS</u>				
Housing Development Finance	24,446	2,652,320	2,755,406	0.96
ICICI Prudential LifeInsurance	181,147	4,468,203	3,952,529	1.37
Yes Bank Ltd	107,187	2,340,486	2,135,432	0.74
	<u>312,780</u>	<u>9,461,009</u>	<u>8,843,367</u>	<u>3.07</u>
<u>KOREA</u>				
<u>INDUSTRIALS</u>				
Meerecompany Inc	24,684	7,027,609	10,422,967	3.63
Wooshin Systems Co Ltd	97,886	3,016,482	3,313,887	1.15
	<u>122,570</u>	<u>10,044,091</u>	<u>13,736,854</u>	<u>4.78</u>
<u>PREFERENCE SHARES</u>				
Samsung Electronics Co Ltd	38,250	5,013,265	5,624,617	1.96
<u>SINGAPORE</u>				
<u>CONSUMER SERVICES</u>				
Sheng Siong Group Ltd	695,500	2,070,416	2,426,068	0.84
<u>FINANCE</u>				
DBS Group Holdings Ltd	75,300	5,584,635	5,647,280	1.96
Frasers Logistic & Industrial Trust	1,844,350	4,882,928	6,045,298	2.10
Mapletree North Asia Commercial Trust	2,495,300	7,993,355	8,629,159	3.00
	<u>4,414,950</u>	<u>18,460,918</u>	<u>20,321,737</u>	<u>7.06</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

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

(b) Quoted equities – foreign (continued)

(i) Quoted equities – foreign as at 31 August 2018 is as follows (continued):

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<u>TAIWAN</u>				
<u>INDUSTRIALS</u>				
Compeq Manufacturing Co Ltd	787,000	3,214,087	3,090,573	1.07
<u>TECHNOLOGY</u>				
Parade Technologies Ltd	95,000	6,017,397	5,777,150	2.01
Taiwan Semiconductor Manufac	231,000	5,765,512	7,896,943	2.75
	<u>326,000</u>	<u>11,782,909</u>	<u>13,674,093</u>	<u>4.76</u>
<u>UNITED STATE OF AMERICA</u>				
<u>CONSUMER SERVICES</u>				
Alibaba Group Holding Ltd	11,938	7,457,967	8,582,228	2.98
<u>TECHNOLOGY</u>				
Facebook Inc	5,221	3,773,577	3,768,819	1.31
YY Inc Depositary Receipt	10,430	4,790,002	3,276,039	1.14
	<u>15,651</u>	<u>8,563,579</u>	<u>7,044,858</u>	<u>2.45</u>
Total quoted equities – foreign	<u><u>27,238,282</u></u>	<u>168,107,833</u>	<u><u>177,069,418</u></u>	<u>61.57</u>
Accumulated unrealised gain on quoted equities – foreign		<u>8,961,585</u>		
Total quoted equities – foreign		<u><u>177,069,418</u></u>		

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

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

(b) Quoted equities – foreign

(ii) Quoted equities – foreign as at 31 August 2017 is as follows:

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>CHINA</u>				
<u>INFORMATION TECHNOLOGY</u>				
Hangzhou HIK Vision Digital Technology Co. Ltd	146,900	2,801,892	3,057,509	1.35
<u>HONG KONG</u>				
<u>COMMUNICATION</u>				
China Telecom Corporation Ltd	2,272,000	4,807,538	4,969,897	2.19
Hong Kong Boardband Network Ltd	1,633,000	7,575,279	6,681,010	2.94
	<u>3,905,000</u>	<u>12,382,817</u>	<u>11,650,907</u>	<u>5.13</u>
<u>CONSUMER PRODUCTS</u>				
Brilliance China Automotive Holdings Ltd	694,000	7,172,361	7,609,396	3.35
Nexteer Automotive Group Ltd	324,000	1,849,515	2,297,645	1.01
Techtronic Industries Co. Ltd	167,500	2,869,551	3,686,829	1.62
	<u>1,185,500</u>	<u>11,891,427</u>	<u>13,593,870</u>	<u>5.98</u>
<u>FINANCE</u>				
Bank of China Ltd	3,268,000	7,112,278	7,326,871	3.22
China Construction Bank Corporation	1,196,000	4,322,012	4,469,062	1.97
Dah Sing Banking Group Ltd	116,800	1,016,601	1,120,099	0.49
AIA Group Ltd	111,400	2,598,168	3,646,121	1.60
China Pacific Insurance (Group) CO. Ltd	173,000	3,618,665	3,472,870	1.53
Ping An Insurance (Group) Co. of China, Ltd.	311,500	9,379,025	10,560,727	4.65
	<u>5,176,700</u>	<u>28,046,749</u>	<u>30,595,750</u>	<u>13.46</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

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

(b) Quoted equities – foreign (continued)

(ii) Quoted equities – foreign as at 31 August 2017 is as follows (continued):

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>HONG KONG (CONTINUED)</u>				
<u>INDUSTRIALS PRODUCTS</u>				
China State Construction International Holdings Ltd	286,000	1,650,156	1,766,067	0.78
CRCC High-Tech Equipment Corporation Ltd	3,107,500	4,852,235	4,593,832	2.02
Beijing Capital International Airport Co. Ltd	322,000	1,701,275	2,220,228	0.98
	<u>3,715,500</u>	<u>8,203,666</u>	<u>8,580,127</u>	<u>3.78</u>
<u>INFORMATION TECHNOLOGY</u>				
Tencent Holdings Ltd	42,100	6,282,993	7,551,071	3.32
<u>UTILITIES</u>				
Guangdong Investment Ltd	526,000	2,849,097	3,311,206	1.46
<u>INDONESIA</u>				
<u>INDUSTRIALS PRODUCTS</u>				
PT Pembangunan Perumahan (Persero) Tbk	4,681,730	5,652,947	4,192,208	1.84
<u>INDIA</u>				
<u>CONSUMER PRODUCTS</u>				
Future Retail Ltd	113,071	1,974,118	4,036,013	1.78
<u>FINANCE</u>				
ICICI Bank Ltd	231,637	3,977,375	4,600,294	2.02
Indiabulls Housing Finance Ltd	16,391	1,140,473	1,314,122	0.58
LIC Housing Finance Ltd	17,002	844,549	764,168	0.34
Yes Bank Ltd	21,164	2,177,410	2,474,674	1.09
	<u>286,194</u>	<u>8,139,807</u>	<u>9,153,258</u>	<u>4.03</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

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

(b) Quoted equities – foreign (continued)

(ii) Quoted equities – foreign as at 31 August 2017 is as follows (continued):

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>INDIA (CONTINUED)</u>				
<u>HEALTH CARE</u>				
Apollo Hospitals Enterprise Ltd	51,763	4,336,911	3,737,776	1.64
<u>INDUSTRIALS PRODUCTS</u>				
Vedanta Ltd	185,565	3,183,006	3,823,313	1.68
<u>KOREA</u>				
<u>CONSUMER PRODUCTS</u>				
Hanatour Service Inc.	9,942	3,499,795	3,210,252	1.41
<u>FINANCE</u>				
Hana Financial Group Inc.	35,997	6,015,111	6,693,687	2.95
<u>INDUSTRIALS PRODUCTS</u>				
Hyosung Corporation	5,775	3,621,100	3,466,215	1.53
<u>INFORMATION TECHNOLOGY</u>				
Wonik QnC Corporation	121,249	5,516,562	5,365,998	2.36
Samsung Electronics Co. Ltd	1,562	9,875,753	11,185,073	4.92
	122,811	15,392,315	16,551,071	7.28
<u>UTILITIES</u>				
Korea Electric Power Corporation	39,553	6,608,717	6,445,894	2.84

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

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

(b) Quoted equities – foreign (continued)

(ii) Quoted equities – foreign as at 31 August 2017 is as follows (continued):

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<u>SINGAPORE</u>				
<u>CONSUMER PRODUCTS</u>				
Duty Free International Ltd	4,077,880	3,115,614	2,662,749	1.17
<u>FINANCE</u>				
DBS Group Holding Ltd	36,900	2,430,564	2,395,016	1.05
Frasers Centrepoint Trust	540,000	3,437,277	3,586,489	1.58
Frasers Logistic & Indus Trust	2,155,200	5,721,321	7,258,798	3.19
Viva Industrial Trust	833,500	2,005,534	2,466,192	1.08
	<u>3,565,600</u>	<u>13,594,696</u>	<u>15,706,495</u>	<u>6.90</u>
<u>INFORMATION TECHNOLOGY</u>				
Venture Corporation Ltd	140,700	5,413,873	6,979,811	3.07
<u>TAIWAN</u>				
<u>INFORMATION TECHNOLOGY</u>				
Advanced Semiconductor Engineering Ltd	419,711	2,009,660	2,164,819	0.95
Taiwan Semiconductor Manufacturing Co. Ltd	311,000	6,617,861	9,518,839	4.19
Accton Technology Corporation	221,000	2,343,632	2,470,809	1.09
	<u>951,711</u>	<u>10,971,153</u>	<u>14,154,467</u>	<u>6.23</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

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

(b) Quoted equities – foreign (continued)

(ii) Quoted equities – foreign as at 31 August 2017 is as follows (continued):

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<u>UNITED STATES OF AMERICA</u>				
<u>FINANCE</u>				
Manulife US REIT	1,180,800	3,967,593	4,842,036	2.13
<u>INFORMATION TECHNOLOGY</u>				
Alibaba Group Holding Ltd	8,910	4,035,630	6,535,883	2.88
Total quoted equities – foreign	<u>30,155,702</u>	171,981,027	<u>190,531,568</u>	<u>83.84</u>
Accumulated unrealised gain on quoted equities – foreign		<u>18,550,541</u>		
Total quoted equities – foreign		<u>190,531,568</u>		

(c) Exchange-traded funds – foreign

(i) Exchange-traded funds – foreign as at 31 August 2018 are as follows:

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
Samsung Kodex Kosdaq150 Inverse ETF	413,916	9,500,733	9,704,807	3.37
Total exchange-traded funds – foreign	<u>413,916</u>	9,500,733	<u>9,704,807</u>	<u>3.37</u>
Accumulated unrealised gain on exchange-traded funds – foreign		<u>204,074</u>		
Total exchange-traded funds – foreign		<u>9,704,807</u>		

(ii) There is no exchange-traded funds – foreign as at 31 August 2017.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

**9 CASH AND CASH EQUIVALENTS**

	<u>2018</u> RM	<u>2017</u> RM
Cash and bank balances	84,085,575	16,443,602
Deposits with licensed financial institutions	1,353,467	2,941,658
	<u>85,439,042</u>	<u>19,385,260</u>

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

	<u>2018</u> %	<u>2017</u> %
Deposits with licensed financial institutions	<u>3.25</u>	<u>3.05</u>

Deposits with licensed financial institutions have an average maturity of 3 days. (2017: 5 days)

**10 FORWARD FOREIGN CURRENCY CONTRACTS**

As at the date of statement of financial position, there are 3 (2017: 3) forward currency contracts outstanding. The notional principal amount of the outstanding forward foreign currency contracts amounted to RM71,088,399 (2017: RM49,078,570). The forward foreign currency contracts entered into during the financial year were for hedging against the currency exposure arising from the investment in the foreign equities denominated in Australian Dollar, Korean Won and United States Dollar. As the Fund has not adopted hedge accounting during the financial year, the change in the fair value of the forward foreign currency contract is recognised immediately in profit or loss.

**11 NUMBER OF UNITS IN CIRCULATION**

	<u>2018</u> No. of units	<u>2017</u> No. of units
At the beginning of the financial year	356,011,000	364,537,000
Creation of units arising from applications during the financial year	106,391,110	28,665,043
Creation of units arising from distributions during the financial year	17,228,890	12,440,165
Cancellation of units during the financial year	(25,357,000)	(49,631,208)
	<u>454,274,000</u>	<u>356,011,000</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

**12 TRANSACTIONS WITH BROKERS**

(a) Details of transactions with the top 10 brokers for the financial year ended 31 August 2018 are as follows:

<u>Name of brokers</u>	<u>Value of trade</u> RM	Percentage of <u>total trade</u> %	Brokerage <u>fees</u> RM	Percentage of total <u>brokerage</u> %
CLSA Ltd (Hong Kong)	108,627,721	8.22	193,957	6.28
Daiwa Securities Capital Markets Korea Co. Ltd	97,589,278	7.38	243,972	7.88
Instinet Pacific Ltd (hong kong)	91,371,333	6.91	228,428	7.38
China International Capital Corporation Hong Kong Securities Ltd	89,414,838	6.77	202,655	6.55
Citigroup Global Markets Ltd	86,981,436	6.58	193,499	6.25
CLSA Securities Korea Ltd	66,584,977	5.04	174,604	5.64
JP Morgan Securities (Asia Pacific)	56,517,126	4.28	115,371	3.73
CCB International Securities	54,377,316	4.11	135,943	4.39
Madterlink Securitized Co. Ltd	48,895,615	3.70	122,239	3.95
Kim Eng Securities (Hong Kong) Ltd	48,257,438	3.65	120,644	3.90
Others	572,996,410	43.36	1,363,186	44.05
	<u>1,321,613,488</u>	<u>100.00</u>	<u>3,094,498</u>	<u>100.00</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

**12 TRANSACTIONS WITH BROKERS (CONTINUED)**

(b) Details of transactions with the top 10 brokers for the financial year ended 31 August 2017 are as follows:

<u>Name of brokers</u>	<u>Value of trade</u> RM	Percentage of <u>total trade</u> %	Brokerage <u>fees</u> RM	Percentage of total <u>brokerage</u> %
Instinet Pacific Ltd (Hong Kong)	49,662,436	7.09	193,660	8.06
JP Morgan Securities (Asia Pacific)	48,309,280	6.89	154,684	6.44
CLSA Securities (Thailand) Ltd	46,781,301	6.67	165,364	6.88
CLSA Securities (Korea) Ltd	46,545,941	6.64	182,877	7.61
Macquarie Bank Ltd (Hong Kong)	45,698,462	6.52	189,360	7.88
CCB International Securities	42,364,987	6.04	147,160	6.12
Macquarie Bank Ltd (Australia)	39,046,648	5.57	144,991	6.03
Samsung Securities Co Ltd	38,111,181	5.44	155,040	6.45
Kim Eng Securities (Singapore) Ltd	30,627,105	4.37	109,557	4.56
Affin Hwang Investment Bank Bhd	24,799,446	3.54	65,077	2.71
Others	288,979,603	41.23	895,181	37.26
	<u>700,926,390</u>	<u>100</u>	<u>2,402,951</u>	<u>100</u>

Included in transactions with brokers and dealers with Affin Hwang Investment Bank Berhad, a company related to the Manager amounting to RM27,727,677 (2017: RM24,799,446).

The Manager is of the opinion that all transactions with the related company have been entered into agreed terms between the related parties.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

**13 UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER**

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

Related parties relationships

Affin Hwang Asset Management Berhad	The Manager
Affin Hwang Investment Bank Berhad	Holding company of the Manager
Affin Bank Berhad (“ABB”)	Ultimate holding company of the Manager
Subsidiaries and associates of ABB as disclosed in its financial statements	Subsidiary and associated companies of the ultimate holding company of the Manager
Director of Affin Hwang Asset Management Berhad	Director of the Manager

The units held by the Manager and parties related to the Manager as at the end of the financial year are as follows:

	<u>2018</u>		<u>2017</u>	
	No. of units	RM	No. of units	RM
<u>The Manager:</u>				
Affin Hwang Asset Management Berhad (The units are held legally for booking purpose)	3,253	2,059	2,672	1,706
<u>Parties related to the Manager</u>				
Directors of Affin Hwang Asset Management Berhad (The units are held beneficially)	2,535	1,605	-	-

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

**14 MANAGEMENT EXPENSE RATIO (“MER”)**

	<u>2018</u> %	<u>2017</u> %
MER	<u>2.06</u>	<u>2.11</u>

MER is derived from the following calculation:

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

A = Management fee

B = Trustee fee

C = Auditors' remuneration

D = Tax agent's fee

E = Other expenses, excluding goods and service tax on transaction costs

F = Average NAV of the Fund calculated on a daily basis

The average NAV of the Fund for the financial year calculated on a daily basis is RM267,864,114 (2017: RM205,644,075).

**15 PORTFOLIO TURNOVER RATIO (“PTR”)**

	<u>2018</u>	<u>2017</u>
PTR (times)	<u>2.44</u>	<u>1.70</u>

PTR is derived from the following calculation:

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

where: total acquisition for the financial year = RM654,829,290 (2017: RM342,601,643)

total disposal for the financial year = RM649,962,688 (2017: RM355,719,275)



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018 (CONTINUED)**

### **16 SEGMENT INFORMATION**

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

The committee is responsible for the Fund's entire portfolio and considers the business to have a single operating segment. The committee's asset allocation decisions are based on a single, integrated investment strategy and the Fund's performance is evaluated on an overall basis.

The reportable operating segment derives its income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within the portfolio. These returns consist of interest, dividends and gains on the appreciation in the value of investments and are derived from quoted equities in Australia, Hong Kong, India, Korea, Philippines, Malaysia, Singapore, Taiwan, Thailand and the United States of America.

The Fund has diversified unitholder population. However, as at 31 August 2018, there was 1 unitholder (2017: Nil) who held more than 10% of the Fund's NAV. The unitholder's holding was 11.50% (2017: Nil).

There were no changes in the reportable segments during the financial year.

The internal reporting provided to the committee for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of MFRS.

## **AFFIN HWANG SELECT ASIA PACIFIC (EX JAPAN) DIVIDEND FUND**

### **STATEMENT BY THE MANAGER**

I, Teng Chee Wai, as the Director of **Affin Hwang Asset Management Berhad**, do hereby state that in my opinion as the Manager, the financial statements set out on pages 9 to 48 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 August 2018 and of its financial performance, changes in equity and cash flows for the financial year ended 31 August 2018 in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

**For and on behalf of the Manager,  
AFFIN HWANG ASSET MANAGEMENT BERHAD**

**TENG CHEE WAI**  
EXECUTIVE DIRECTOR/MANAGING DIRECTOR

Kuala Lumpur  
12 October 2018

# **INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG SELECT ASIA PACIFIC (EX JAPAN) DIVIDEND FUND**

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### Our opinion

In our opinion, the financial statements of Affin Hwang Select Asia Pacific (Ex-Japan) Dividend Fund (“the Fund”) give a true and fair view of the financial position of the Fund as at 31 August 2018, and of its financial performance and its cash flows for the 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 August 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 9 to 48.

### 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’ Code of Ethics for Professional Accountants (“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 UNITHOLDERS OF AFFIN HWANG SELECT ASIA PACIFIC (EX JAPAN) DIVIDEND 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 gives 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 controls 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 has no realistic alternative but to do so.

# **INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG SELECT ASIA PACIFIC (EX JAPAN) DIVIDEND 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.
- (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 Company'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 represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF  
AFFIN HWANG SELECT ASIA PACIFIC (EX JAPAN) DIVIDEND FUND (CONTINUED)**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

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

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 unitholders of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants

Kuala Lumpur  
12 October 2018

## **DIRECTORY OF SALES OFFICE**

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