

# Affin Hwang

## Select Opportunity Fund

Annual Report  
31 July 2017

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



**AFFIN HWANG**  
CAPITAL

MANAGER  
Affin Hwang Asset Management Berhad (429786-T)

TRUSTEE  
HSBC (Malaysia) Trustee Berhad (1281-T)

# AFFIN HWANG SELECT OPPORTUNITY FUND

## Annual Report and Audited Financial Statements For the Financial Year Ended 31 July 2017

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## FUND INFORMATION

Fund Name	Affin Hwang Select Opportunity Fund
Fund Type	Growth
Fund Category	Equity
Investment Objective	To achieve consistent capital appreciation over the medium to long-term by investing mainly in listed Malaysian companies with good growth prospects.
Benchmark	The benchmark to be used by the Manager in measuring the performance of the Fund will be the FTSE Bursa Malaysian Top 100 Index ("FBM 100").
Distribution Policy	The Fund endeavours to distribute income, if any, on an annual basis. However, the amount of income available for distribution may fluctuate from year to year.

## BREAKDOWN OF UNITHOLDERS BY SIZE AS AT 31 JULY 2017

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	2,783	7,463
5,001 to 10,000	2,205	16,018
10,001 to 50,000	4,611	103,542
50,001 to 500,000	1,398	163,647
500,001 and above	67	725,006
<b>Total</b>	<b>11,064</b>	<b>1,015,676</b>

\* Note : Excluding Manager's stock

## FUND PERFORMANCE DATA

Category	As at 31 Jul 2017 (%)	As at 31 Jul 2016 (%)	As at 31 Jul 2015 (%)
Portfolio composition			
<b>Quoted equities – local</b>			
- Construction	10.76	4.76	5.64
- Consumer goods	1.91	5.57	12.53
- Financials	18.91	16.12	8.81
- Industrials	0.97	3.83	-
- Infrastructure	1.04	-	-
- Infrastructure project company	-	-	3.32
- Plantation	1.73	3.16	3.81
- Preference Shares	1.50	2.68	2.48
- Properties	6.94	1.80	3.54
- REITs	3.19	7.80	4.19
- Special purpose acquisition companies	-	-	3.95
- Technology	0.69	3.53	-
- Trading / services	17.42	20.68	16.64
- Warrant	-	-	1.18
<b>Total quoted equities – local</b>	<b>65.06</b>	<b>69.93</b>	<b>66.09</b>
<b>Quoted equities – foreign</b>			
- Agriculture	-	-	2.98
- Consumer goods	-	0.83	1.23
- Consumer services	1.65	1.68	1.61
- Financials	9.88	9.46	2.97
- Healthcare	0.92	-	1.93
- Industrials	3.49	2.88	-
- Oil & Gas	2.06	-	-
- Properties	-	-	3.78
- Properties & Construction	-	-	0.84
- REITs	1.18	-	-
- Services	-	-	2.27
- Technology	5.45	4.51	5.01
- Telecommunications	3.03	2.55	-
- Utilities	-	2.11	-
<b>Total quoted equities – foreign</b>	<b>27.66</b>	<b>24.02</b>	<b>22.62</b>
<b>Cash &amp; cash equivalent</b>	<b>7.28</b>	<b>6.05</b>	<b>11.29</b>
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Total NAV (RM'million)	1,116.819	566.100	634.342
NAV per Unit (RM)	1.0958	0.9309	0.8976
Unit in Circulation (million)	1,019.202	608.107	706.695
Highest NAV	1.1420	0.9377	1.0225
Lowest NAV	0.9294	0.8475	0.8808
Return of the Fund (%) <sup>iii</sup>	23.13	7.13	-4.49
- Capital Growth (%) <sup>i</sup>	17.71	3.71	-9.32
- Income Distribution (%) <sup>ii</sup>	4.60	3.30	5.33
Gross Distribution per Unit (sen)	5.00	3.00	5.00
Net Distribution per Unit (sen)	5.00	3.00	5.00
Management Expense Ratio (%) <sup>1</sup>	1.68	1.69	1.62
Portfolio Turnover Ratio (times) <sup>2</sup>	1.26	1.22	1.36

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

<sup>2</sup>The PTR of the Fund was higher than previous year as the Manager had increased trading activities during the period under review

**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

**Capital Return<sup>i</sup>** = {NAV per Unit @ 31/07/17 ÷ NAV per Unit @ 31/07/16\* – 1} x 100  
= (1.0958 ÷ 0.9309 – 1) x 100  
= **17.71%**

Income Return @ ex-date = {Income distribution per Unit ÷ NAV per Unit on ex- date} + 1  
= {0.0500 ÷ 1.0877 @ 13/06/17} + 1 = 1.0460

**Total Income Return<sup>ii</sup>** = {Income distribution per Unit ÷ NAV per Unit on ex-date} x 100  
= {1.0460} – 1 x 100  
= **4.60%**

**Return of the Fund<sup>iii</sup>** = {(1 + Capital Return x (1 + Income Return)) – 1} x 100  
= {(1 + 17.71%) x (1 + 4.60%) – 1} x 100  
= **23.13%**

\* Source – HSBC Trustee

Table 1: Performance of the Fund

	1 Year (1/8/16 - 31/7/17)	3 Years (1/8/14 - 31/7/17)	5 Years (1/8/12 - 31/7/17)	Since Commencement (28/9/01 - 31/7/17)
<b>Fund</b>	<b>23.13%</b>	<b>25.99%</b>	<b>78.39%</b>	<b>801.69%</b>
<b>Benchmark</b>	<b>8.08%</b>	<b>(3.61%)</b>	<b>10.95%</b>	<b>204.37%</b>
<b>Outperformance</b>	<b>15.05%</b>	<b>29.60%</b>	<b>67.44%</b>	<b>597.32%</b>

Source of Benchmark: Bursa Malaysia

Table 2: Average Total Return

	1 Year (1/8/16 - 31/7/17)	3 Years (1/8/14 - 31/7/17)	5 Years (1/8/12 - 31/7/17)	Since Commencement (28/9/01 - 31/7/17)
<b>Fund</b>	<b>23.13%</b>	<b>8.00%</b>	<b>12.27%</b>	<b>14.88%</b>
<b>Benchmark</b>	<b>8.08%</b>	<b>(1.22%)</b>	<b>2.10%</b>	<b>7.27%</b>
<b>Outperformance</b>	<b>15.05%</b>	<b>9.22%</b>	<b>10.17%</b>	<b>7.61%</b>

Source of Benchmark: Bursa Malaysia

Table 3: Annual Total Return

	<b>FYE 2017 (01/8/16 - 31/7/17)</b>	<b>FYE 2016 (01/8/15 - 31/7/16)</b>	<b>FYE 2015 (01/8/14 - 31/7/15)</b>	<b>FYE 2014 (01/8/13 - 31/7/14)</b>	<b>FYE 2013 (01/8/12 - 31/7/13)</b>
<b>Fund</b>	<b>23.13%</b>	<b>7.13%</b>	<b>(4.49%)</b>	<b>12.75%</b>	<b>25.59%</b>
<b>Benchmark</b>	<b>8.08%</b>	<b>(2.47%)</b>	<b>(8.55%)</b>	<b>4.69%</b>	<b>9.94%</b>
<b>Outperformance</b>	<b>15.05%</b>	<b>9.60%</b>	<b>4.06%</b>	<b>8.06%</b>	<b>15.65%</b>

Source of Benchmark: Bursa Malaysia

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

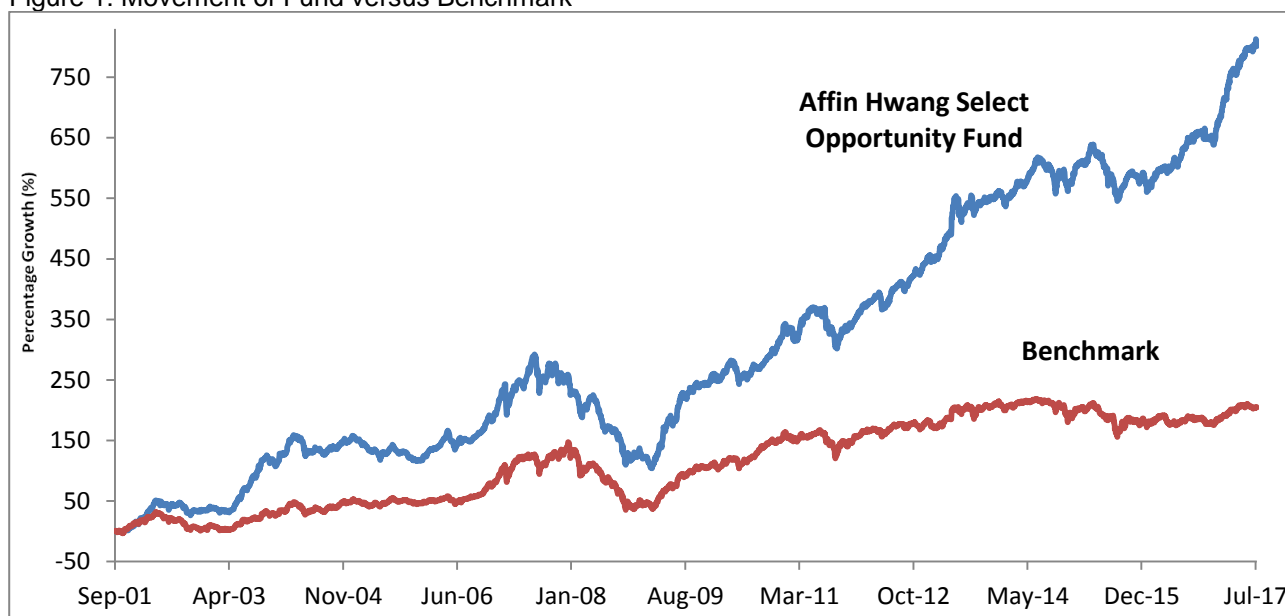
## MANAGER'S REPORT

### Performance Review

For the period 1 August 2016 to 31 July 2017, the Fund registered a return of 23.13% outperforming the Benchmark return of 8.08% by 15.05 percentage points. The Net Asset Value (NAV) per unit of the Fund 31 July 2017 was RM1.0958 while the NAV per unit as at 31 July 2016 was RM0.9309. The Fund has declared a total gross income distribution of RM0.05 per unit to date (See Table 1 for performance of the Fund and Figure 1 for the movement of the Fund versus the Benchmark).

Since commencement, the Fund has gained 801.69%, compared to the benchmark that rose 204.37%. The Fund outperformed the Benchmark by 597.32 percentage points. The Fund has declared a total gross income distribution of RM1.081 per unit to date. As such, the Manager believes that the Fund's objective of achieving consistent capital appreciation over the long term has been met.

Figure 1: Movement of Fund versus Benchmark



"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 Bursa Malaysia."

Benchmark: FTSE Bursa Malaysia Top 100 Index

### Income Distribution / Unit Split

Affin Hwang Asset Management Berhad recently declared a gross distribution of RM0.0500 per Unit for investors of the Affin Hwang Select Opportunity 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)
12 June 2017	13 June 2017	1.1420	0.0500	1.0877

No unit split were declared for the financial year ended 31 July 2017.

## **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 Jul 2017</u></b>	<b><u>31 Jul 2016</u></b>	<b><u>31 Jul 2015</u></b>
	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
Quoted equities – local	65.06	69.93	66.09
Quoted equities – foreign	27.66	24.02	22.62
Cash & Cash equivalent	7.28	6.05	11.29
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

During the period under review, no significant changes have been made to the portfolio allocation of the Fund. The Fund's equities exposure in both foreign and domestic markets remained relatively unchanged over the same period. As at 31 July 2017, the Fund's equities weighting in the portfolio stood at 92.72%, marginally lower than 93.95% a year ago, while the balance was held in cash and cash equivalent.

## **Strategies Employed**

While markets had continued its steady climb, we maintained a tactically cautious stance on the back of unresolved uncertainties. Nevertheless, market exposure remained relatively higher towards the end of the period under review. The Manager had maintained the portfolio exposure largely tilted within the domestic market, while selectively participating in regional opportunities.

## **Market Review**

Politics and policies remained in focus over the period under review. The US Federal Reserve continued on its rate hike trail with a further 25 basis points hike in June, after tightening its monetary policy once in December 2016, and again in March 2017. Sentiment was, however, dampened with concerns over political instability in the US and the Trump administration's ability to push through its policies. After a stellar run in 2016, strength of the US Dollar stalled against Asian currencies, leaving regional markets to end stronger against the US, and European bourses. The S&P 500 index trended 13.65% higher in local currency terms in the period under review.

Despite the more encouraging economic data flowing out of the Eurozone, a hawkish note by the European Central Banks had led to speculations that its stimulus measures may soon be tapered off. This had also resulted in a market pull-back leading to the end of the period under review. Nevertheless, the broader Europe bourse ended the period with strong gains of 10.48% in local currency terms.

The reversal in Dollar strength, coupled with a more optimistic outlook and improved earnings led emerging markets to end the period as one of the stronger performers – recording an impressive 22.07% in local currency terms over the period under review. This was largely supported by the strong gains seen within the Asian region, which rose 24.51% in local currency terms over the same period.

Improving economic data flowing out of China, coupled with index provider MSCI's announcement to include China's A-shares into its benchmark indices boosted investors' sentiment. The domestic equity market gauged by the CSI300 Index rose 16.67% in local currency terms over the period under review.

The impeachment of former South Korean president, Park Geun-Hye, on corruption allegations had led to political uncertainties and kept investors on the sidelines. However, the appointment of President Moon restored faith in the economy, and provided optimism to the market that meaningful corporate governance reforms would be put into place. With a promise to reinvigorate the economy, investors continued to move into the market, pushing the KOSPI 19.17% higher in local currency terms over the period under review. The continued upswing in the technology sector, and the anticipation for an Apple iPhone super-cycle had provided support for the Taiwan equity market, nudging the Taiwan Stock Exchange Index 16.06% higher in local currency terms over the same period.

The Ringgit benefitted from the stall in US Dollar strength – ending the month at RM4.28 to the Dollar compared to the RM4.49 rate being traded at the end of December 2016. The Ringgit remains below the



RM4.07 levels seen in July 2016. The FBM KLCI Index ended the period under review with a 6.46% gain in local currency terms, and underperformed most of its regional peers.

Performance of stocks within the energy sector was weak towards the end of the period under review, dragged down by lower oil prices on speculation that OPEC's production cap was losing its effectiveness. Sentiment was also dampened over the quarter after a reported rescindment in the sale of the TRX land to IWH CREC Sdn Bhd, a Sino-Malaysian consortium. Nevertheless, China had remained committed towards its continued investments into Malaysia, cemented with the signing of 9 memorandums of understanding ("MoUs") totaling USD 7.2 billion during a ceremony held in China in May.

Bank Negara Malaysia (BNM) is expected to maintain its rates for the rest of 2017 on the back of expectations for a firmer inflation, and the recent cyclical stabilisation. Economic growth had kept within targets, recording a 4.2% growth for the full 2016, after seeing 4.5% growth in the final quarter of the year. Private consumptions and investments had helped offset the slower public spending in the final quarter of 2016.

### **Investment Outlook**

Global financial markets are expected to remain robust, supported by the broader improvement in economic data with upward revisions in corporate earnings boosting investors' sentiment. We opine that markets are stable, but not entirely secure. As such, we will be selective when adding positions for the portfolio.

Portfolio exposure will remain tilted into the domestic equity market, whilst market exposure is kept at moderate levels. We will remain cautious when participating into the market, remaining optimistic on the banking and financial sector on the back of reflationary trade. Similarly, the on-going infrastructure spending continues to provide opportunities within the infrastructure and construction sector.

On the regional front, we will look to remain invested into the banking and financial sector within the China / Hong Kong market on the back of decent dividend yields, cheaper valuations and asset quality stabilisation. The Fund is also participating into the India market, gaining exposure through selective sectors on the back of increased infrastructure spending, and a general broad-based economic growth seen by the country.

### **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 OPPORTUNITY FUND**

We have acted as Trustee of **Affin Hwang Select Opportunity Fund** ("the Fund") for the financial year ended 31 July 2017. To the best of our knowledge, **Affin Hwang Asset Management Berhad** ("the Management Company"), has operated and managed the Fund in accordance with the following:-

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

During this financial year, a total distribution of 5.00 sen per unit (gross) has been distributed to the unitholders of the Fund. We are of the view that the distribution is not inconsistent with the objective of the Fund.

For HSBC (Malaysia) Trustee Berhad

**Tan Bee Nie**  
Head, Trustee Operations

Kuala Lumpur  
8 September 2017

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2017**

	<u>Note</u>	<u>2017</u> RM	<u>2016</u> RM
<b>INVESTMENT INCOME</b>			
Dividend income		19,158,263	11,516,423
Interest income	4	682,594	1,967,519
Net (loss)/gain on foreign currency exchange		(418,712)	5,628,215
Net gain on forward foreign currency contracts at fair value through profit or loss		1,282,117	-
Net gain on financial assets at fair value through profit or loss	9	130,886,921	32,279,649
		<u>151,591,183</u>	<u>51,391,806</u>
<b>EXPENSES</b>			
Management fee	5	(10,118,374)	(8,559,463)
Trustee fee	6	(476,516)	(399,442)
Auditors' remuneration		(7,500)	(8,000)
Tax agent's fee		(3,700)	(3,550)
Transaction cost		(5,448,182)	(4,085,889)
Other expenses		(1,095,209)	(886,961)
		<u>(17,149,481)</u>	<u>(13,943,305)</u>
<b>NET PROFIT BEFORE TAXATION</b>		134,441,702	37,448,501
<b>TAXATION</b>	7	(408,453)	(301,796)
<b>NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>		<u><u>134,033,249</u></u>	<u><u>37,146,705</u></u>
Net profit after taxation is made up of the following:			
Realised amount		69,436,673	(2,025,198)
Unrealised amount		64,596,576	39,171,903
		<u><u>134,033,249</u></u>	<u><u>37,146,705</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 JULY 2017**

	<u>Note</u>	<u>2017</u> RM	<u>2016</u> RM
<b>ASSETS</b>			
Cash and cash equivalents	10	63,943,704	13,435,230
Amount due from Manager - creation of units		12,819,736	48,547
Amount due from brokers		18,157,625	23,322,473
Forward foreign currency contracts at fair value through profit or loss	11	146,886	-
Financial assets at fair value through profit or loss	9	1,035,681,058	531,842,999
Dividend receivables		846,479	271,662
<b>TOTAL ASSETS</b>		<u><u>1,131,595,488</u></u>	<u><u>568,920,911</u></u>
<b>LIABILITIES</b>			
Amount due to Manager - management fee		1,395,956	721,085
- cancellation of units		-	570,185
Amount due to Trustee		65,145	33,651
Amount due to brokers		12,975,132	1,404,474
Forward foreign currency contracts at fair value through profit or loss	11	186,810	-
Auditors' remuneration		7,500	8,000
Tax agent's fee		7,100	7,100
Other payables and accruals		138,461	75,947
<b>TOTAL LIABILITIES</b>		<u><u>14,776,104</u></u>	<u><u>2,820,442</u></u>
<b>NET ASSET VALUE OF THE FUND</b>		<u><u>1,116,819,384</u></u>	<u><u>566,100,469</u></u>
<b>EQUITY</b>			
Unitholders' capital		946,933,657	487,812,991
Retained earnings		169,885,727	78,287,478
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u><u>1,116,819,384</u></u>	<u><u>566,100,469</u></u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	12	<u><u>1,019,202,000</u></u>	<u><u>608,107,000</u></u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u><u>1.0958</u></u>	<u><u>0.9309</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 CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2017**

	<u>Unitholders' capital</u> RM	<u>Retained earnings</u> RM	<u>Total</u> RM
Balance as at 1 August 2016	487,812,991	78,287,478	566,100,469
Total comprehensive income for the financial year	-	134,033,249	134,033,249
Distribution (Note 8)	-	(42,435,000)	(42,435,000)
Movement in unitholders' capital:			
Creation of units arising from applications	498,629,338	-	498,629,338
Creation of units arising from distribution	42,133,698	-	42,133,698
Cancellation of units	(81,642,370)	-	(81,642,370)
Balance as at 31 July 2017	<u>946,933,657</u>	<u>169,885,727</u>	<u>1,116,819,384</u>
Balance as at 1 August 2015	575,072,599	59,270,373	634,342,972
Total comprehensive income for the financial year	-	37,146,705	37,146,705
Distribution (Note 8)	-	(18,129,600)	(18,129,600)
Movement in unitholders' capital:			
Creation of units arising from applications	17,812,877	-	17,812,877
Creation of units arising from distribution	17,886,712	-	17,886,712
Cancellation of units	(122,959,197)	-	(122,959,197)
Balance as at 31 July 2016	<u>487,812,991</u>	<u>78,287,478</u>	<u>566,100,469</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 JULY 2017**

	<u>Note</u>	<u>2017</u> RM	<u>2016</u> RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from sale of investments		670,668,385	687,296,403
Purchase of investments		(1,039,816,937)	(675,356,033)
Dividends received		18,174,993	11,265,795
Interest received		682,594	1,967,519
Management fee paid		(9,443,503)	(8,661,263)
Trustee fee paid		(445,022)	(404,192)
Payment for other fees and expenses		(1,044,395)	(892,881)
Realised gain on forward foreign currency contracts		1,322,041	-
Net gain on realised foreign currency exchange		6,615,250	16,949,611
		<hr/>	<hr/>
Net cash (used in)/generated from operating activities		(353,286,594)	32,164,959
		<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from creation of units		485,858,149	17,764,330
Payments for cancellation of units		(82,212,555)	(123,685,722)
Payment for distribution		(301,302)	(242,888)
		<hr/>	<hr/>
Net cash generated from/(used in) financing activities		403,344,292	(106,164,280)
		<hr/>	<hr/>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		50,057,698	(73,999,321)
<b>EFFECTS OF FOREIGN CURRENCY EXCHANGE</b>		450,776	5,946,568
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>		13,435,230	81,487,983
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	10	63,943,704	13,435,230
		<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 JULY 2017**

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 revenues 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 August 2016:

- Amendments to MFRS 101 ‘Presentation of financial statements’ – Disclosure initiative
- Annual Improvements to MFRSs 2012 – 2014 Cycle

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

(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 August 2017

- Amendments to MFRS 107 ‘Statement of Cash Flows – Disclosure Initiative’ (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.

(ii) Financial year beginning on/after 1 August 2018

- MFRS 15 ‘Revenue from contracts with customers’ (effective from 1 January 2018) replaces MFRS 118 ‘Revenue’ and MFRS 111 ‘Construction contracts’ and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (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)

(ii) Financial year beginning on/after 1 August 2018 (continued)

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

- 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).

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 will apply this standard when effective. This standard is not expected to have a significant impact on the Fund's financial statements.



## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (CONTINUED)**

### **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 deposits with licensed financial institutions is recognised based on effective interest rate method on an accrual basis.

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

### **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 TRANSLATIONS**

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.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (CONTINUED)**

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

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

The Fund designates its investment in quoted equities 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).

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, amount due from Manager, amount due from brokers and dividend receivables.

Financial liabilities are classified according to the substance of the contractual arrangements extend 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.

Gains 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 and loss' in the period which they arise.

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

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (CONTINUED)**

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

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

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 currency forward contract. 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.

Deposits with a licensed financial institution 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 deposit.

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' 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.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (CONTINUED)**

### **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.

### **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 amounts 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 re-organisation, 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.

### **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 unitholder exercises the right to put the unit back to the Fund.

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

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (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 statement 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.

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2017

### 1 INFORMATION ON THE FUND

The Unit Trust Fund was constituted under the name HwangDBS Select Opportunity Fund (the "Fund") pursuant to the execution of a Deed dated 13 August 2001, First Supplemental Deed dated 18 June 2007 and Second Supplemental Deed dated 15 October 2008. The Fund has changed its name from HwangDBS Select Opportunity Fund to Hwang Select Opportunity Fund as amended by the Third Supplemental Deed dated 18 January 2012 and from Hwang Select Opportunity Fund to Affin Hwang Select Opportunity Fund as amended by Fourth Supplemental Deed dated 27 June 2014 (the "Deeds") entered into between Affin Hwang Asset Management Berhad (the "Manager") and HSBC (Malaysia) Trustee Berhad (the "Trustee").

The Fund commenced operations on 7 September 2001 and will continue its operations until terminated by the Trustee as provided under Clause 13.1 of the Deed.

The Fund may invest in any of the following investments:

- a) Securities of companies listed on Bursa Malaysia and other markets considered as eligible markets;
- b) Unlisted securities including, without limitation, securities that have been approved by the relevant regulatory authorities for the listing of and quotation for such securities;
- c) Debentures;
- d) Money market instruments;
- e) Deposits;
- f) Derivatives, for the purpose of hedging only;
- g) Warrants;
- h) Structured products;
- i) Units or shares in collective investment schemes;
- j) Any other form of investments permitted by the Securities Commission from time to time

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

The main objective of the Fund is to achieve consistent capital appreciation over the medium to long term through investing mainly in listed Malaysian companies with good growth prospects.

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 services to private clients.

The financial statements were authorised for issue by the Manager on 8 September 2017.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (CONTINUED)**

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

Financial instruments are as follows:

	<u>Note</u>	<u>Loans and receivables</u> RM	Financial assets/ (liabilities) at fair value through <u>profit or loss</u> RM	<u>Total</u> RM
<u>2017</u>				
Quoted equities	9	-	1,035,681,058	1,035,681,058
Cash and cash equivalents	10	63,943,704	-	63,943,704
Amount due from Manager				
- creation of units		12,819,736	-	12,819,736
Amount due from brokers		18,157,625	-	18,157,625
Dividends receivables		846,479	-	846,479
Forward foreign currency contracts	11	-	(39,924)	(39,924)
Total		<u>95,767,544</u>	<u>1,035,641,134</u>	<u>1,131,408,678</u>

	<u>Note</u>	<u>Loans and receivables</u> RM	Financial asset at fair value through <u>profit or loss</u> RM	<u>Total</u> RM
<u>2016</u>				
Quoted equities	9	-	531,842,999	531,842,999
Cash and cash equivalents	10	13,435,230	-	13,435,230
Amount due from Manager				
- creation of units		48,547	-	48,547
Amount due from brokers		23,322,473	-	23,322,473
Dividends receivables		271,662	-	271,662
Total		<u>37,077,912</u>	<u>531,842,999</u>	<u>568,920,911</u>

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), liquidity risk, credit risk and capital risk.





**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (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 deposit placement with a 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 carrying value of the deposit are 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 unfavourable movement against Ringgit Malaysia, the investments will face currency losses in addition to the capital gain/(loss). The Manager will evaluate the likely directions of a foreign currency versus Ringgit Malaysia based on considerations of economic fundamentals such as interest rate differentials, balance of payments position, debt levels and technical chart considerations.

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

	<u>Quoted equities</u> RM	<u>Forward foreign currency contracts</u> RM	<u>Cash and cash equivalents</u> RM	<u>Other assets*/ (payables)**</u> RM	<u>Total</u> RM
<u>2017</u>					
Hong Kong Dollar	143,932,200	-	7,891,686	1,471,026	153,294,912
Indonesian Rupiah	29,197,977	-	-	-	29,197,977
Korean Won	40,080,542	(186,810)	-	13,070,657	52,964,389
Indian Rupee	64,275,032	-	-	-	64,275,032
Singapore Dollar	13,203,564	-	14,242,268	169,988	27,615,820
United States Dollar	18,374,146	146,886	8,099,227	-	26,620,259
	<u>309,063,461</u>	<u>(39,924)</u>	<u>30,233,181</u>	<u>14,711,671</u>	<u>353,968,389</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (CONTINUED)**

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

Market risk (continued)

(c) Currency risk

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

	<u>Quoted equities</u> RM	<u>Forward foreign currency contracts</u> RM	<u>Cash and cash equivalents</u> RM	<u>Other assets*/ (liabilities)**</u> RM	<u>Total</u> RM
<u>2016</u>					
Australia Dollar	-	-	1,371	-	1,371
Hong Kong Dollar	55,974,454	-	9,258	14,541,197	70,524,909
Indonesia Rupiah	25,013,337	-	-	-	25,013,337
Korea Won	6,285,147	-	-	-	6,285,147
Philippine Peso	6,283,855	-	-	-	6,283,855
Singapore Dollar	30,193,499	-	4,272,132	(602,057)	33,863,574
Thailand Baht	7,975,256	-	-	-	7,975,256
United States Dollar	4,241,714	-	7,960,969	-	12,202,683
	<u>135,967,262</u>	<u>-</u>	<u>12,243,730</u>	<u>13,939,140</u>	<u>162,150,132</u>

\* Other assets consist of amount due from brokers and dividend receivable.

\*\* Other liabilities consist of amount due to brokers.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (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 held constant. 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 <u>price</u> %	Impact on profit after tax/ <u>NAV</u> RM
<u>2017</u>		
Hong Kong Dollar	+/- 5	+/- 7,664,746
Indonesia Rupiah	+/- 5	+/- 1,459,899
Korea Won	+/- 5	+/- 2,648,219
Indian Rupee	+/- 5	+/- 3,213,752
Singapore Dollar	+/- 5	+/- 1,380,791
United States Dollar	+/- 5	+/- 1,331,013
<u>2016</u>		
Australia Dollar	+/- 5	+/- 69
Hong Kong Dollar	+/- 5	+/- 3,526,245
Indonesia Rupiah	+/- 5	+/- 1,250,667
Korea Won	+/- 5	+/- 314,257
Philippine Peso	+/- 5	+/- 314,193
Singapore Dollar	+/- 5	+/- 1,693,179
Thailand Baht	+/- 5	+/- 398,763
United States Dollar	+/- 5	+/- 610,134

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (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 cancellations 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>2017</u>			
Amount due to Manager			
- management fee	1,395,956	-	1,395,956
Amount due to Trustee	65,145	-	65,145
Amount due to brokers	12,975,132	-	12,975,132
Auditors' remuneration	-	7,500	7,500
Tax agent's fee	-	7,100	7,100
Forward foreign currency contracts at fair value through profit or loss	186,810	-	186,810
Other payables and accruals	120,564	17,897	138,461
	<u>14,743,607</u>	<u>32,497</u>	<u>14,776,104</u>
<u>2016</u>			
Amount due to Manager			
- management fee	721,085	-	721,085
- cancellation of units	570,185	-	570,185
Amount due to Trustee	33,651	-	33,651
Amount due to brokers	1,404,474	-	1,404,474
Auditors' remuneration	-	8,000	8,000
Tax agent's fee	-	7,100	7,100
Other payables and accruals	46,905	29,042	75,947
	<u>2,776,300</u>	<u>44,142</u>	<u>2,820,442</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (CONTINUED)

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

#### 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 investments. 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 Securities Commission's Guidelines on Unit Trust Funds.

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

	<u>Forward foreign currency contracts</u> RM	<u>Cash and cash equivalents</u> RM	<u>Other assets*</u> RM	<u>Total</u> RM
<u>2017</u>				
Finance				
- AA1	-	10,023,266	-	10,023,266
- AAA	146,886	53,920,438	-	54,067,324
- NR	-	-	455,546	455,546
Industrials				
- NR	-	-	138,918	138,918
Infrastructure				
- NR	-	-	1,121,224	1,121,224
Technology				
- NR	-	-	12,994,515	12,994,515
Telecommunications				
- NR	-	-	952,704	952,704
Trading/services				
- NR	-	-	3,171,209	3,171,209
REITs				
- NR	-	-	169,988	169,988
Others				
- NR	-	-	12,819,736	12,819,736
	<u>146,886</u>	<u>63,943,704</u>	<u>31,823,840</u>	<u>95,914,430</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (CONTINUED)**

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

Credit risk (continued)

The following table sets out the credit risk concentration of the Fund: (continued)

	<u>Cash and cash equivalents</u> RM	<u>Other assets*</u> RM	<u>Total</u> RM
<u>2016</u>			
Consumer			
- NR	-	598,583	598,583
Finance			
- AAA	12,374,367	-	12,374,367
- AA3	1,060,863	-	1,060,863
- NR	-	14,632,239	14,632,239
Industrials			
- NR	-	6,863,872	6,863,872
REITS			
- NR	-	1,357,826	1,357,826
Trading/services			
- NR	-	141,615	141,615
Others			
- NR	-	48,547	48,547
	<u>13,435,230</u>	<u>23,642,682</u>	<u>37,077,912</u>

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

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

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (CONTINUED)

### 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 markets (such as trading securities) is based on quoted market prices at the close of trading on the period 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 JULY 2017 (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>2017</u>				
Financial assets at fair value through profit or loss				
- quoted equities	1,035,681,058	-	-	1,035,681,058
- forward foreign currency contracts	-	146,886	-	146,886
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Financial liabilities at fair value through profit or loss				
- forward foreign currency contracts	-	(186,810)	-	(186,810)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>2016</u>				
Financial assets at fair value through profit or loss				
- quoted equities	531,842,999	-	-	531,842,999
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

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

Financial instruments that trade in markets that are considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include unquoted fixed income securities and forward foreign currency contracts. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

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



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (CONTINUED)**

**4 INTEREST INCOME**

	<u>2017</u> RM	<u>2016</u> RM
Interest income		
- short term deposits	682,594	1,911,304
- unquoted fixed income securities	-	56,215
	<u>682,594</u>	<u>1,967,519</u>

**5 MANAGEMENT FEE**

In accordance with the Prospectus, the Manager is entitled to a management fee at a rate not exceeding 3.00% per annum on the NAV of the Fund calculated on a daily basis.

For the financial year ended 31 July 2017, the management fee is recognised at a rate of 1.50% (2016: 1.50%) per annum on the NAV of the Fund calculated on a daily basis.

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

**6 TRUSTEE FEE**

In accordance with the Prospectus, the Trustee is entitled to an annual fee at a rate not exceeding 0.3% per annum on the NAV of the Fund.

For the financial year ended 31 July 2017, the Trustee fee is recognised at a rate of 0.07% (2016: 0.07%) per annum on the NAV of the Fund, subject to a minimum fee of RM18,000 per annum calculated and accrued daily, exclusive of foreign sub-custodian fee.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (CONTINUED)**

**7 TAXATION**

	<u>2017</u> RM	<u>2016</u> RM
Current taxation		
- local	143,820	156,560
- foreign	264,633	145,236
	<u>408,453</u>	<u>301,796</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>2017</u> RM	<u>2016</u> RM
Net profit before taxation	<u>134,441,702</u>	<u>37,448,501</u>
Tax at Malaysian statutory rate of 24% (2016: 24%)	32,266,008	8,987,640
Tax effects of:		
Investment income not subject to tax	(36,381,884)	(11,958,290)
Expenses not deductible for tax purposes	1,681,826	1,290,202
Restrictions on tax deductible expenses for unit trust fund	2,434,050	2,056,192
Foreign investment income subject to foreign tax rate	264,633	145,236
Income subject to different tax rate	143,820	(219,184)
Tax expense	<u>408,453</u>	<u>301,796</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (CONTINUED)**

**8 DISTRIBUTION**

	<u>2017</u> RM	<u>2016</u> RM
Distribution to unitholders is from the following sources:		
Dividend income	15,158,263	6,432,613
Realised gains on sale of investments	16,701,197	-
Previous year's realised income	10,575,540	11,696,987
	<hr/>	<hr/>
Gross realised income	42,435,000	18,129,600
Less: Expenses	-	-
	<hr/>	<hr/>
	<u>42,435,000</u>	<u>18,129,600</u>
	<hr/> <hr/>	<hr/> <hr/>
Gross/net distribution per unit (sen)	5.00	3.00
	<hr/> <hr/>	<hr/> <hr/>
Ex-date	13.6.2017	7.6.2016
	<hr/> <hr/>	<hr/> <hr/>

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 RM10,575,540 (2016: RM11,696,987) made from previous year's realised income.

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

	<u>2017</u> RM	<u>2016</u> RM
Designated at fair value through profit or loss		
- quoted equities – local	726,617,597	395,875,737
- quoted equities – foreign	309,063,461	135,967,262
	<hr/>	<hr/>
	<u>1,035,681,058</u>	<u>531,842,999</u>
	<hr/> <hr/>	<hr/> <hr/>
Net gain on financial assets at fair value through profit or loss		
- realised gain/(loss) on sale of investments	66,701,197	(945,686)
- unrealised gain on financial assets at fair value through profit or loss	64,185,724	33,225,335
	<hr/>	<hr/>
	<u>130,886,921</u>	<u>32,279,649</u>
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (CONTINUED)**

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

(a) Quoted equities – local

(i) Quoted equities – local as at 31 July 2017 are as follows:

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<b><u>CONSTRUCTION</u></b>				
Ekovest Bhd	19,770,450	13,067,962	22,340,609	2.00
WCT Holdings Bhd	13,789,420	26,396,520	26,062,004	2.33
Gamuda Bhd	7,370,100	37,636,068	39,061,530	3.50
IJM Corporation Bhd	9,445,600	32,906,626	32,681,776	2.93
	<u>50,375,570</u>	<u>110,007,176</u>	<u>120,145,919</u>	<u>10.76</u>
<b><u>CONSUMER</u></b>				
Fraser & Neave Holdings Bhd	424,400	8,144,806	10,567,560	0.95
QL Resources Bhd	2,199,120	7,844,410	10,753,697	0.96
	<u>2,623,520</u>	<u>15,989,216</u>	<u>21,321,257</u>	<u>1.91</u>
<b><u>FINANCE</u></b>				
Allianz Malaysia Bhd	977,700	10,438,609	14,078,880	1.26
CIMB Group Holdings Bhd	7,710,810	42,353,096	50,428,697	4.51
Malayan Banking Bhd	4,071,481	34,199,122	38,841,929	3.48
Bursa Malaysia Bhd	2,585,700	22,514,807	26,787,852	2.40
Hong Leong Bank Bhd	2,473,100	34,152,345	38,827,670	3.48
Public Bank Bhd	2,080,000	41,888,758	42,182,400	3.78
	<u>19,898,791</u>	<u>185,546,737</u>	<u>211,147,428</u>	<u>18.91</u>
<b><u>INDUSTRIALS PRODUCTS</u></b>				
Lotte Chemical Titan Holdings Bhd	2,300,000	14,950,000	10,787,000	0.97
<b><u>INFRASTRUCTURE</u></b>				
YTL Power International Bhd	8,353,400	12,731,427	11,611,226	1.04
<b><u>PLANTATION</u></b>				
Genting Plantations Bhd	1,810,200	19,709,655	19,296,732	1.73

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (CONTINUED)**

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

(a) Quoted equities – local (continued)

(i) Quoted equities – local as at 31 July 2017 are as follows: (continued)

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<b><u>PROPERTIES</u></b>				
Sunway Berhad	7,904,500	28,706,339	33,831,260	3.03
IGB Corporation Bhd	3,944,100	11,647,581	11,161,803	1.00
IOI Properties Group Bhd	2,423,500	5,122,703	5,089,350	0.45
SP Setia Bhd	8,348,432	31,651,512	27,466,341	2.46
	<u>22,620,532</u>	<u>77,128,135</u>	<u>77,548,754</u>	<u>6.94</u>
<b><u>REITS</u></b>				
MRCB-QUILL REIT	4,226,800	5,072,160	5,452,572	0.49
YTL Hospitality REIT	7,301,600	7,751,971	8,761,920	0.78
IGB REIT	6,519,900	8,655,122	11,149,029	1.00
Sunway REIT	6,047,900	9,801,369	10,281,430	0.92
	<u>24,096,200</u>	<u>31,280,622</u>	<u>35,644,951</u>	<u>3.19</u>
<b><u>TECHNOLOGY</u></b>				
Malaysian Pac Industries Bhd	541,000	7,311,321	7,660,560	0.69
<b><u>TRADING/SERVICES</u></b>				
Genting Malaysia Bhd	6,065,700	33,991,178	36,394,200	3.26
Tenaga Nasional Bhd	4,914,500	67,579,556	69,392,740	6.21
Sime Darby Bhd	3,810,393	32,212,656	36,008,214	3.22
Dialog Group Bhd	11,613,800	18,209,365	22,298,496	2.00
Bison Consolidated Bhd	7,427,200	10,497,281	19,013,632	1.70
YTL Corp Bhd	7,130,700	10,689,709	9,982,980	0.89
Barakah Offshore Petroleum Bhd	2,678,900	1,843,769	1,553,762	0.14
	<u>43,641,193</u>	<u>175,023,514</u>	<u>194,644,024</u>	<u>17.42</u>
<b><u>PREFERENCE SHARES</u></b>				
Allianz Malaysia Bhd	1,556,458	6,898,365	16,809,746	1.50
Total quoted equities – local	<u>177,816,864</u>	<u>656,576,168</u>	<u>726,617,597</u>	<u>65.06</u>
Accumulated unrealised gain on quoted equities – local		<u>70,041,429</u>		
Total quoted equities – local		<u>726,617,597</u>		

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (CONTINUED)**

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

(a) Quoted equities – local (continued)

(ii) Quoted equities – local as at 31 July 2016 are as follows:

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<b><u>CONSUMER</u></b>				
QL Resources Bhd	1,889,520	6,269,379	8,238,307	1.45
Fraser & Neave Holdings Bhd	914,400	16,518,063	23,317,200	4.12
	<u>2,803,920</u>	<u>22,787,442</u>	<u>31,555,507</u>	<u>5.57</u>
<b><u>CONSTRUCTION</u></b>				
Gamuda Bhd	1,750,000	8,734,377	8,435,000	1.49
Ekovest Bhd	11,779,200	15,086,695	18,493,344	3.27
	<u>13,529,200</u>	<u>23,821,072</u>	<u>26,928,344</u>	<u>4.76</u>
<b><u>FINANCE</u></b>				
Malayan Banking Bhd	2,927,177	24,486,009	23,475,960	4.15
Allianz Malaysia Bhd	635,000	7,650,607	6,311,900	1.11
Tune Protect Group Bhd	6,968,418	11,949,971	11,428,206	2.02
CIMB Group Holdings Bhd	5,053,658	23,030,630	22,135,022	3.91
Bursa Malaysia Bhd	2,258,200	19,438,910	19,443,102	3.43
Hong Leong Financial Group Bhd	563,511	6,549,764	8,497,746	1.50
	<u>18,405,964</u>	<u>93,105,891</u>	<u>91,291,936</u>	<u>16.12</u>
<b><u>INDUSTRIAL PRODUCTS</u></b>				
Press Metal Bhd	3,964,600	11,573,664	16,453,090	2.91
Reach Energy Bhd	7,624,500	5,007,489	5,184,660	0.92
	<u>11,589,100</u>	<u>16,581,153</u>	<u>21,637,750</u>	<u>3.83</u>
<b><u>PLANTATION</u></b>				
Genting Plantations Bhd	1,699,100	18,353,708	17,908,514	3.16
<b><u>PREFERENCE SHARES</u></b>				
Allianz Malaysia Bhd	1,556,458	6,898,365	15,175,465	2.68
<b><u>PROPERTIES</u></b>				
Iskandar Waterfront City Bhd	10,750,300	9,675,270	10,212,785	1.8

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (CONTINUED)**

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

(a) Quoted equities – local (continued)

(ii) Quoted equities – local as at 31 July 2016 are as follows: (continued)

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<b>REITS</b>				
IGB REIT	13,528,400	17,958,856	22,051,292	3.90
CapitaLand Malaysia Mall Trust	3,300,600	4,843,067	4,983,906	0.88
Sunway REIT	10,238,300	15,859,236	17,097,961	3.02
	<u>27,067,300</u>	<u>38,661,159</u>	<u>44,133,159</u>	<u>7.80</u>
<b>TECHNOLOGY</b>				
Unisem (M) Bhd	3,671,600	7,745,235	9,876,604	1.74
Inari Amertron Bhd	3,265,100	9,743,108	10,121,810	1.79
	<u>6,936,700</u>	<u>17,488,343</u>	<u>19,998,414</u>	<u>3.53</u>
<b>TRADING/SERVICES</b>				
Berjaya Food Bhd	1,851,500	5,198,598	3,110,520	0.55
Bison Consolidated Bhd	7,427,200	10,497,281	10,695,168	1.89
Malaysia Airports Holdings Bhd	1,754,503	9,824,746	10,439,293	1.84
Sime Darby Bhd	624,400	4,775,165	4,633,048	0.82
Barakah Offshore Petroleum Bhd	3,592,000	2,465,972	2,388,680	0.42
Bumi Armada Bhd	17,270,200	17,688,616	12,779,948	2.26
YTL Corp Bhd	7,608,600	11,930,531	12,554,190	2.22
Tenaga Nasional Bhd	1,996,300	26,111,896	28,626,942	5.06
Axiata Group Bhd	5,599,661	34,063,658	31,806,074	5.62
	<u>47,724,364</u>	<u>122,556,463</u>	<u>117,033,863</u>	<u>20.68</u>
Total quoted equities – local	<u>142,062,406</u>	<u>369,928,866</u>	<u>395,875,737</u>	<u>69.93</u>
Accumulated unrealised gain on quoted equities – local		<u>25,946,871</u>		
Total quoted equities – local		<u>395,875,737</u>		

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (CONTINUED)**

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

(b) Quoted equities – foreign

(i) Quoted equities – foreign as at 31 July 2017 are as follows:

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<b><u>HONG KONG</u></b>				
<b><u>FINANCIALS</u></b>				
China Overseas Land & Invest	850,000	12,143,359	12,322,658	1.10
Bank of China Ltd	8,087,000	16,687,440	17,020,741	1.52
Ping An Insurance Group Co	708,000	19,559,666	22,448,970	2.01
	<u>9,645,000</u>	<u>48,390,465</u>	<u>51,792,369</u>	<u>4.63</u>
<b><u>INDUSTRIALS</u></b>				
Beijing Capital International Airport	1,936,000	11,487,972	13,030,573	1.17
China State Construction International Holdings Ltd	2,048,000	15,056,131	14,098,711	1.26
	<u>3,984,000</u>	<u>26,544,103</u>	<u>27,129,284</u>	<u>2.43</u>
<b><u>OIL &amp; GAS</u></b>				
China Petroleum & Chemical	7,080,000	22,783,431	23,011,650	2.06
<b><u>TECHNOLOGY</u></b>				
Tencent Holdings Ltd	148,400	15,084,939	25,475,074	2.28
<b><u>TELECOMMUNICATIONS</u></b>				
China Telecom Co Ltd	8,126,000	16,687,440	16,523,823	1.48
<b><u>INDONESIA</u></b>				
<b><u>INDUSTRIALS</u></b>				
Pembangunan Perumahan Persero	12,260,987	14,016,421	11,886,046	1.06
<b><u>TELECOMMUNICATIONS</u></b>				
Telekomunikasi Indonesia	11,499,200	14,567,568	17,311,931	1.55



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (CONTINUED)**

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

(b) Quoted equities – foreign (continued)

(i) Quoted equities – foreign as at 31 July 2017 are as follows: (continued)

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>INDIA</u>				
<u>FINANCIALS</u>				
Yes Bank Ltd	107,479	11,041,132	12,988,163	1.16
ICICI Bank Ltd	1,444,840	25,520,039	29,060,623	2.60
	<u>1,552,319</u>	<u>36,561,171</u>	<u>42,048,786</u>	<u>3.76</u>
<u>HEALTH CARE</u>				
Apollo Hospitals Ent Ltd	122,060	10,107,650	10,233,742	0.92
<u>TECHNOLOGY</u>				
Vakrangee Ltd	408,399	11,985,303	11,992,504	1.07
<u>KOREA</u>				
<u>FINANCIALS</u>				
Hana Financial Group Inc	85,115	13,866,469	16,595,127	1.49
<u>TECHNOLOGY</u>				
Samsung Electronics Co Ltd	3,183	21,890,191	23,485,415	2.10
<u>SINGAPORE</u>				
<u>REITS</u>				
Frasers Logistic & Indus Trust	3,841,000	10,372,346	13,203,564	1.18
<u>UNITED STATES</u>				
<u>CONSUMER SERVICES</u>				
Alibaba Group Holding Ltd	27,708	12,729,771	18,374,146	1.65

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (CONTINUED)**

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

(b) Quoted equities – foreign (continued)

(i) Quoted equities – foreign as at 31 July 2017 are as follows: (continued)

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
Total quoted equities – foreign	58,783,371	275,587,268	309,063,461	27.66
Accumulated unrealised gain on quoted equities – foreign		33,476,193		
Total quoted equities – foreign		309,063,461		

(ii) Quoted equities – foreign as at 31 July 2016 are as follows:

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<b><u>HONG KONG</u></b>				
<b><u>TECHNOLOGY</u></b>				
HKBN Ltd	2,452,000	11,225,519	11,905,995	2.10
Tencent Holdings Ltd	75,400	4,190,436	7,365,728	1.30
	<u>2,527,400</u>	<u>15,415,955</u>	<u>19,271,723</u>	<u>3.40</u>
<b><u>FINANCIALS</u></b>				
AIA Group Ltd	308,800	7,389,234	7,755,886	1.37
<b><u>INDUSTRIALS</u></b>				
Anhui Conch Cement Co Ltd	268,000	2,818,808	2,849,681	0.50
CT Environment Group Ltd	4,112,000	5,911,613	5,061,584	0.90
	<u>4,380,000</u>	<u>8,730,421</u>	<u>7,911,265</u>	<u>1.40</u>
<b><u>TELECOMMUNICATIONS</u></b>				
China Mobile Ltd	181,500	8,444,503	9,093,417	1.61
<b><u>UTILITIES</u></b>				
Guangdong Investment Ltd	1,004,000	5,477,919	6,237,117	1.10
Power Assets Holdings Ltd	143,500	5,633,248	5,705,046	1.01
	<u>1,147,500</u>	<u>11,111,167</u>	<u>11,942,163</u>	<u>2.11</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (CONTINUED)**

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

(b) Quoted equities – foreign (continued)

(ii) Quoted equities – foreign as at 31 July 2016 are as follows: (continued)

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>INDONESIA</u>				
<u>FINANCIALS</u>				
Bumi Serpong Damai PT	8,184,100	4,481,607	5,277,108	0.93
Bank Mandiri Persero Tbk PT	1,929,800	5,688,635	6,042,204	1.07
	<u>10,113,900</u>	<u>10,170,242</u>	<u>11,319,312</u>	<u>2.00</u>
<u>INDUSTRIALS</u>				
Pembangunan Perumahan Persero	7,005,900	8,383,408	8,383,260	1.48
<u>TELECOMMUNICATIONS</u>				
Telekomunikasi Indonesia	4,050,000	3,509,923	5,310,765	0.94
<u>KOREA</u>				
<u>TECHNOLOGY</u>				
NAVER Corp	2,440	5,599,646	6,285,147	1.11
<u>PHILIPPINES</u>				
<u>CONSUMER SERVICES</u>				
Robinsons Retail Holdings Incorporation	849,630	5,126,688	6,283,855	1.11
<u>SINGAPORE</u>				
<u>CONSUMER GOODS</u>				
Bumitama Agri Ltd	2,265,000	5,378,766	4,710,899	0.83
<u>FINANCIALS</u>				
Mapletree Greater China	4,004,500	11,263,452	12,915,718	2.28
Frasers Logistic & Indus Trust	4,211,200	11,246,902	12,566,882	2.22
	<u>8,215,700</u>	<u>22,510,354</u>	<u>25,482,600</u>	<u>4.50</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (CONTINUED)**

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

(b) Quoted equities – foreign (continued)

(ii) Quoted equities – foreign as at 31 July 2016 are as follows: (continued)

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>THAILAND</u>				
<u>CONSUMER SERVICES</u>				
Major Cineplex Group PCL	350,000	1,190,771	1,399,864	0.25
<u>FINANCIALS</u>				
Kasikornbank Public Co Ltd	285,100	5,715,913	6,575,392	1.16
<u>UNITED STATES</u>				
<u>CONSUMER SERVICES</u>				
Alibaba Group Holding Ltd	5,383	1,626,445	1,804,381	0.32
<u>FINANCIALS</u>				
Manulife US REIT	705,400	2,278,799	2,437,333	0.43
Total quoted equities – foreign	<u>42,393,653</u>	<u>122,582,235</u>	<u>135,967,262</u>	<u>24.02</u>
Accumulated unrealised gain on quoted equities – foreign		<u>13,385,027</u>		
Total quoted equities – foreign		<u>135,967,262</u>		

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (CONTINUED)**

**10 CASH AND CASH EQUIVALENTS**

	<u>2017</u> RM	<u>2016</u> RM
Cash and bank balances	30,250,778	12,374,367
Deposits with licensed financial institutions	33,692,926	1,060,863
	<u>63,943,704</u>	<u>13,435,230</u>

Weighted average effective interest rates per annum with a licensed financial institution is as follows:

	<u>2017</u> %	<u>2016</u> %
Deposits with licensed financial institutions	<u>3.25</u>	<u>3.00</u>

Deposits with licensed financial institutions have an average maturity of 2 days (2016: 1 day).

**11 FORWARD FOREIGN CURRENCY CONTRACTS**

As at the date of statement of financial position, there are 3 (2016: Nil) forward currency contracts outstanding. The notional principal amount of the outstanding forward foreign currency contracts amounted to RM90,191,402 (2016: Nil). 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 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.

**12 NUMBER OF UNITS IN CIRCULATION**

	<u>2017</u> No. of units	<u>2016</u> No. of units
At the beginning of the financial year	608,107,000	706,695,000
Creation of units arising from applications during the financial year	456,053,278	19,715,000
Creation of units arising from distribution during the financial year	38,608,722	19,616,925
Cancellation of units during the financial year	(83,567,000)	(137,919,925)
At the end of the financial year	<u>1,019,202,000</u>	<u>608,107,000</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (CONTINUED)**

**13 TRANSACTIONS WITH BROKERS/DEALERS AND FINANCIAL INSTITUTIONS**

(a)(i) Details of transactions with the top 10 brokers and dealers for the financial year ended 31 July 2017 are as follows:

<u>Name of brokers/dealers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage</u> %
Affin Group*#	348,375,704	20.30	870,939	20.13
Maybank Group*	225,194,999	13.12	656,684	15.18
CIMB Group*	133,315,701	7.77	291,700	6.74
JP Morgan Group*	103,827,329	6.05	213,373	4.93
CLSA Group*	95,415,329	5.56	245,533	5.67
Macquarie Group*	95,089,783	5.54	256,049	5.92
Instinet Pacific Ltd	73,285,127	4.27	183,210	4.23
RHB Group*	66,669,290	3.88	165,468	3.82
Credit Suisse Securities (M) Sdn Bhd	59,014,777	3.44	147,537	3.41
UOB Kay Hian Group*	49,002,838	2.85	122,507	2.83
Others	467,261,951	27.22	1,174,303	27.14
	<u>1,716,452,828</u>	<u>100.00</u>	<u>4,327,303</u>	<u>100.00</u>

(ii) Details of transactions with primarily cash placements with financial institutions financial year ended 31 July 2017 are as follows:

<u>Name of financial institutions</u>	<u>Value of placements</u> RM	<u>Percentage of total placements</u> %
Public Bank Bhd	321,630,000	45.12
CIMB Bank Bhd	261,925,000	36.75
Affin Group*	109,230,000	15.33
Hong Leong Bank Bhd	15,000,000	2.10
KAF Investment Bank Bhd	5,000,000	0.70
	<u>712,785,000</u>	<u>100.00</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (CONTINUED)**

**13 TRANSACTIONS WITH BROKERS/DEALERS AND FINANCIAL INSTITUTIONS (CONTINUED)**

(b) (i) Details of transactions with the top 10 brokers and dealers for the financial year ended 31 July 2016 are as follows:

<u>Name of brokers/dealers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage</u> %
Affin Group* ^ #	264,304,954	22.21	591,834	19.72
Credit Suisse Securities (M) Sdn Bhd	98,159,990	8.25	245,401	8.18
CLSA Group*	97,568,572	8.20	241,871	8.06
Maybank Group*#	70,075,362	5.89	149,062	4.97
CIMB Group*	69,384,676	5.83	198,951	6.63
JP Morgan Group*	63,866,939	5.37	185,433	6.18
UOB kay Hian Group*	62,962,207	5.29	157,406	5.25
RHB Investment Bank Bhd	48,609,143	4.09	95,468	3.18
Macquarie Group*	45,640,025	3.84	114,100	3.80
Kenanga Investment Bank Bhd	41,310,693	3.47	176,852	5.89
Others	327,919,764	27.56	844,234	28.14
	<u>1,189,802,325</u>	<u>100.00</u>	<u>3,000,612</u>	<u>100.00</u>

(ii) Details of transactions with primarily cash placements with financial institutions for the financial year ended 31 July 2016 are as follows:

<u>Name of financial institutions</u>	<u>Value of placements</u> RM	<u>Percentage of total placements</u> %
Public Bank Bhd	494,647,813	55.14
Affin Group* ^	197,390,000	22.01
Hong Leong Group*	105,000,000	11.71
KAF Investment Bank Bhd	40,000,000	4.46
Bank Islam Malaysia Bhd	40,000,000	4.46
Alliance Bank Bhd	10,000,000	1.11
CIMB Bank Bhd	10,000,000	1.11
	<u>897,037,813</u>	<u>100.00</u>

Note: \*Group wide

^ Included in transactions with brokers and dealers are trades in the stockbroking industry with Affin Group, companies related to the Manager amounting to RM457,605,704 (2016: RM461,694,954).

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (CONTINUED)**

**13 TRANSACTIONS WITH BROKERS/DEALERS AND FINANCIAL INSTITUTIONS (CONTINUED)**

# Included in the transactions with brokers and dealers is cross trade conducted between the Fund and other fund; and private mandates managed by the Manager amounting to:

	<u>2017</u> RM	<u>2016</u> RM
<u>Brokers and dealers</u>		
Affin Group*	2,709,220	10,644,530
Maybank Group*	-	8,025,600
	<u>2,709,220</u>	<u>18,670,130</u>

The cross trades are conducted between the Funds and other fund; and private mandates managed by the Manager as follows:

	<u>2017</u> RM	<u>2016</u> RM
Affin Hwang Enhanced Income Fund	-	8,025,600
Private mandates managed by the Manager	2,709,220	10,644,530
	<u>2,709,220</u>	<u>18,670,130</u>

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

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

<u>Related parties</u>	<u>Relationships</u>
Affin Hwang Asset Management Berhad	The Manager
Affin Hwang Investment Bank Berhad	Holding company of the Manager
Affin Holdings Berhad ("AHB")	Ultimate holding company of the Manager
Subsidiaries and associates of AHB as disclosed in its financial statements	Subsidiary and associated companies of the ultimate holding company of the Manager
Directors of Affin Hwang Asset Management Berhad	Directors of the Manager



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (CONTINUED)**

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

	<u>2017</u>		<u>2016</u>	
<u>The Manager:</u>	No. of units	RM	No. of units	RM
Affin Hwang Asset Management Berhad (The units are held legally for booking purpose)	3,525,471	3,863,211	904,997	842,462
<u>Parties related to the Manager</u>				
Directors of Affin Hwang Asset Management Berhad (The units are held legally)	379,711	416,087	363,076	337,987

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

	<u>2017</u>	<u>2016</u>
	%	%
MER	1.68	1.69

MER is derived from the following calculation:

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

A	=	Management fee
B	=	Trustee fees
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 RM680,120,761 (2016: RM569,255,394).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2017 (CONTINUED)**

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

	<u>2017</u>	<u>2016</u>
PTR (times)	1.26	1.22

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 = RM1,048,090,347 (2016: RM665,397,393)  
total disposal for the financial year = RM672,392,160 (2016: RM727,423,128)

**17 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 Malaysia, China, Singapore, Hong Kong, India, Indonesia, Korea, Philippines, Thailand and United States.

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 and IFRS.

## **AFFIN HWANG SELECT OPPORTUNITY 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 10 to 49 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 July 2017 and of its financial performance, changes in equity and cash flows for the financial year ended 31 July 2017 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

Kuala Lumpur  
8 September 2017

# **INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG SELECT OPPORTUNITY FUND**

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

### Our opinion

In our opinion, the financial statements of Affin Hwang Select Opportunity Fund (“the Fund”) give a true and fair view of the financial position of the Fund as at 31 July 2017, 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 May 2017, 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 10 to 49.

### 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 OPPORTUNITY FUND (CONTINUED)**

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

#### Information other than the financial statements and auditors' report thereon

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

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

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

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

#### Responsibilities of the Manager for the financial statements

The Manager of the Fund is responsible for the preparation of the financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determine 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 intend to liquidate the Fund or have no realistic alternative but to do so.

## **INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG SELECT OPPORTUNITY 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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF  
AFFIN HWANG SELECT OPPORTUNITY 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 unitholder of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

Kuala Lumpur  
8 September 2017

## **DIRECTORY OF SALES OFFICE**

### **HEAD OFFICE**

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Affin Hwang Asset Management Berhad (429786-T)