

# Affin Hwang Equity Fund

Annual Report  
30 April 2019

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



**AFFIN HWANG**  
CAPITAL

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

**TRUSTEE**  
Maybank Trustees Berhad (5004-P)

# AFFIN HWANG EQUITY FUND

## Annual Report and Audited Financial Statements For The Financial Year Ended 30 April 2019

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## FUND INFORMATION

Fund Name	Affin Hwang Equity Fund
Fund Type	Income & Growth
Fund Category	Equity
Investment Objective	To reward the Unit Holders with a reasonable rate of return on income and to realise capital growth
Benchmark	FTSE Bursa Malaysia KLCI
Distribution Policy	Distribution (if any) will be subject to the availability of income

## BREAKDOWN OF UNITHOLDERS BY SIZE AS AT 30 APRIL 2019

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	83,849	88,469
5,001 to 10,000	2,508	17,349
10,001 to 50,000	510	8,427
50,001 to 500,000	45	5,237
500,001 and above	-	-
<b>Total</b>	<b>86,912</b>	<b>119,482</b>

\* Note: Excluding Manager's stock

## FUND PERFORMANCE DATA

Category	As At 30 Apr 2019 (%)	As At 30 Apr 2018 (%)	As At 30 Apr 2017 (%)
Portfolio Composition			
<b>Quoted equities – local</b>			
- Construction	2.64	5.30	14.16
- Consumer products & services	13.30	6.89	2.10
- Energy	6.22	-	-
- Financial services	19.78	25.96	23.35
- Healthcare	1.62	-	-
- Industrial product & services	16.69	11.71	8.31
- Infrastructure project companies	-	-	1.96
- Plantation	2.12	2.03	3.49
- Properties	4.22	4.88	5.98
- REITs	6.68	2.66	3.02
- Technology	7.72	0.86	5.69
- Telecommunication & media	7.46	-	-
- Utilities	2.04	-	-
- Trading and services	-	27.97	25.74
- Warrant	0.10	0.06	1.30
<b>Total Quoted equities – local</b>	<b>90.59</b>	<b>88.32</b>	<b>95.10</b>
<b>Cash</b>	<b>9.41</b>	<b>11.68</b>	<b>4.90</b>
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Total NAV (RM <sup>1</sup> million)	63.389	77.399	87.028
NAV per Unit (RM)	0.5305	0.5553	0.5299
Unit in Circulation (million)	119.484	139.393	164.245
Highest NAV	0.5553	0.5880	0.5299
Lowest NAV	0.5030	0.5254	0.4519
Return of the Fund (%) <sup>iii</sup>	-4.47	4.79	16.31
- Capital Return (%) <sup>i</sup>	-4.47	4.79	16.31
- Income Return (%) <sup>ii</sup>	Nil	Nil	Nil
Gross Distribution per Unit (sen)	Nil	Nil	Nil
Net Distribution per Unit (sen)	Nil	Nil	Nil
Management Expenses Ratio (%) <sup>1</sup>	1.65	1.72	1.72
Portfolio Turnover Ratio (times) <sup>2</sup>	0.86	0.89	0.74

### **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

$$\text{Capital Return}^i = \{ \text{NAV per Unit @ 30/04/19} \div \text{NAV per Unit @ 30/04/18}^* - 1 \} \times 100$$

<sup>1</sup> The Fund's MER was lower than previous year due to lower expenses incurred by the Fund during the period under review.

<sup>2</sup>The Fund's PTR was slightly lower than previous year as the Manager had decreased its trading activities during the period under review.

$$= \{0.5305 \div 0.5553 - 1\} \times 100$$

$$= \underline{-4.47\%}$$

**Total Income Return<sup>ii</sup>** = **Nil**

**Return of the Fund<sup>iii</sup>**

$$= \{[(1 + \text{Capital Growth}) \times (1 + \text{Total Income Return})] - 1\} \times 100$$

$$= \{[(1 + (-4.47\%)) \times (1 + 0.00\%)] - 1\} \times 100$$

$$= \underline{-4.47\%}$$

\* Source – Maybank Trustees Berhad

Table 1: Performance of the Fund

	<b>1 Year (1/5/18 - 30/4/19)</b>	<b>3 Years (1/5/16 - 30/4/19)</b>	<b>5 Years (1/5/14 - 30/4/19)</b>	<b>Since Commencement (30/4/93 - 30/4/19)</b>
<b>Fund</b>	<b>(4.47%)</b>	<b>16.44%</b>	<b>6.55%</b>	<b>52.45%</b>
<b>Benchmark</b>	<b>(12.19%)</b>	<b>(1.82%)</b>	<b>(12.25%)</b>	<b>132.95%</b>
<b>Outperformance / (Underperformance)</b>	<b>7.72%</b>	<b>18.26%</b>	<b>18.80%</b>	<b>(80.50%)</b>

Source of Benchmark: Maybank

Table 2: Average Total Return

	<b>1 Year (1/5/18 - 30/4/19)</b>	<b>3 Years (1/5/16 - 30/4/19)</b>	<b>5 Years (1/5/14 - 30/4/19)</b>	<b>Since Commencement (30/4/93 - 30/4/19)</b>
<b>Fund</b>	<b>(4.47%)</b>	<b>5.20%</b>	<b>1.28%</b>	<b>1.63%</b>
<b>Benchmark</b>	<b>(12.19%)</b>	<b>(0.61%)</b>	<b>(2.58%)</b>	<b>3.30%</b>
<b>Outperformance / (Underperformance)</b>	<b>7.72%</b>	<b>5.81%</b>	<b>3.86%</b>	<b>(1.67%)</b>

Source of Benchmark: Maybank

Table 3: Annual Total Return

	<b>FYE 2019 (01/5/18 - 30/4/19)</b>	<b>FYE 2018 (01/5/17 - 30/4/18)</b>	<b>FYE 2017 (01/5/16 - 30/4/17)</b>	<b>FYE 2016 (01/5/15 - 30/4/16)</b>	<b>FYE 2015 (01/5/14 - 30/4/15)</b>
<b>Fund</b>	<b>(4.47%)</b>	<b>4.79%</b>	<b>16.31%</b>	<b>(3.84%)</b>	<b>(4.84%)</b>
<b>Benchmark</b>	<b>(12.19%)</b>	<b>5.79%</b>	<b>5.70%</b>	<b>(8.00%)</b>	<b>(2.85%)</b>
<b>Outperformance / (Underperformance)</b>	<b>7.72%</b>	<b>(1.00%)</b>	<b>10.61%</b>	<b>4.16%</b>	<b>(1.99%)</b>

Source of Benchmark: Maybank

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

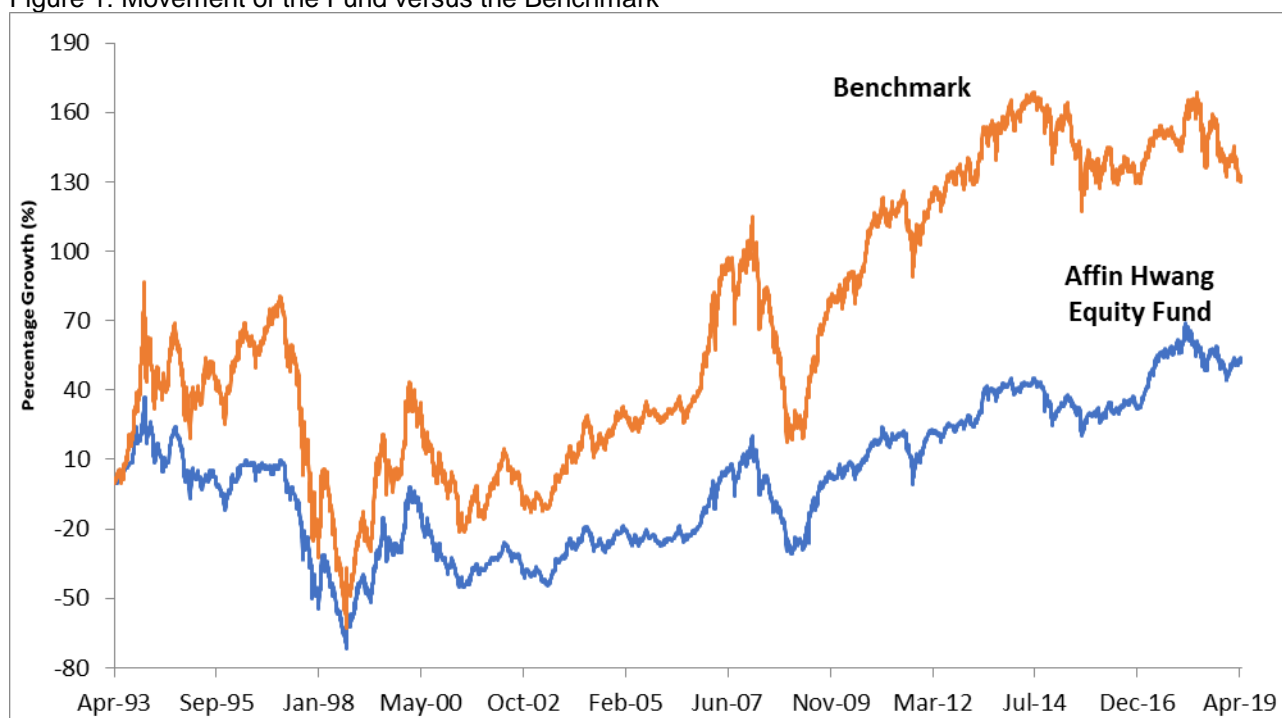
## MANAGER'S REPORT

### Performance Review

For the period 1 May 2018 – 30 April 2019 the Fund registered a -4.47% return. The Net Asset Value (NAV) per unit of the Fund as at 30 April 2019 was RM0.5305 while the NAV per unit as at 30 April 2018 was RM0.5553. The benchmark return for the period under review was -12.19%. The Fund thus outperformed the Benchmark by 7.72%. (See Table 1 for performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively).

Since commencement, the Fund has registered a return of 52.45% versus the benchmark of 132.95% which translates to an underperformance of 80.50%.

Figure 1: Movement of the Fund versus the 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."*  
Benchmark: FTSE Bursa Malaysia KLCI

### Income Distribution / Unit Split

No income distributions or unit splits were declared for the financial year ended 30 April 2019.

## **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>30 Apr 2019</u></b>	<b><u>30 Apr 2018</u></b>	<b><u>30 Apr 2017</u></b>
	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
Quoted equities – local	90.59	88.32	95.10
Cash and Cash Equivalent	9.41	11.68	4.90
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

As at 30 April 2019, the Fund's equity exposure stood at 90.59%, 2.27 percentage points higher than 88.32% a year while the balance was held in cash and cash equivalent. During the period under review, no significant changes have been made to the Fund.

## **Strategies Employed**

With the return of volatility in markets, we raised our cash holdings and went into a defensive stance in our allocation. As the sell-down accelerated, we took a view that the correction was overdone and a recession was not imminent, where we then deployed back into the market with a focus on quality.

## **Market Review**

Emerging markets (EMs) saw a “tantrum-like” sell-off in 2018 where investors' appetite for risk-assets tapered off significantly on the back of fractious developments within Turkey and Argentina that have sent both their currencies into free fall. Investors ploughed back money into the US on signs of quicker growth, rising interest rates and a stronger greenback that has undermined the attraction of riskier EM assets.

Trade remained a key overhang of markets following tit-for-tat tariffs, where the Trump administration announced 10.0% duties on USD200 billion worth of Chinese imports which took effect on September 2018. China swiftly retaliated by imposing tariffs of their own on USD60 billion worth of US goods ranging between 5.0-10.0%. The two global powerhouses have already slapped tariffs on USD50 billion worth of goods throughout its trade skirmish.

A sharp depreciation of the Chinese yuan also dragged down the rest of EMs, as a high correlation between markets led to further pain within other Asian currencies. The yuan has shed over 3.37% of its value YTD, when trade tensions started to brew. Due to concerns over trade-frictions with the US and possible second-order impacts on the Chinese economy that could manifest into slower investment and softer consumption, Beijing has shifted slightly towards a more neutral tone that leaves more room for China to loosen its grip on deleveraging and policy easing.

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

Extensive kitchen-sinking and cost-cutting exercises embarked by the new government led to a fierce sell-off at the initial stage of the power transition. Construction stocks and politically-linked counters bore the brunt of the sell-off, as major infrastructure projects were reviewed and big-ticket items such as the Kuala Lumpur-Singapore High-Speed Rail (HSR) and the Mass Rapid Transit Line 3 (MRT3) project were scrapped. A massive clean-up that has swept across various institutions in the country post GE-14 saw numerous GLC & GLIC heads fall into the fray.

Coming into 2019, markets staged a fast and furious early-year rally that fuelled gains in Asian equity benchmark gauges. Coming from a deeply oversold position, markets were buoyed by increased trade optimism as both US and China come around the negotiation table to iron out a framework for a trade deal.

After a yearlong bitter trade conflict, we've since seen the two economic powerhouses change their political rhetoric to one of compromise and cooperation after extending the initial 1 March deadline. Some of the

headwinds pressuring emerging markets (EMs) before are now receding with the US Federal Reserve turning more dovish and the US dollar strength starting to top-out. A gradual step-up in stimulus measures from China would also be supportive of markets and help drive growth.

### **Investment Outlook**

The global economy is poised to continue to grow at an even keel albeit at a slower pace. We do not see major economic imbalances that would lead to a recession in the immediate term. That said, as we head into a late cycle, we are mindful that uncertainty will stay high from economic, policy and politics perspective.

Easing measures announced by China has propped up the market, though closer monitoring would be needed to see if such stimulus has started to trickle-down to growth and GDP possibly sometime into the 2Q'19 due to lag effects. This could bolster fund flows back into EMs as positioning has been light with global funds underweight EMs and lots of cash on the side-lines.

Post sell-off, we do see valuations coming down to more attractive levels. With the exception of the 2008-GFC and Asian Financial Crisis, valuations today in Asia ex-Japan are at levels which correspond to positive market performance going forward. Though, we are mindful still of weaker earnings growth and further cuts to forward earnings estimates that could put a drag to market performance. We need to see earnings stabilise to anchor valuations forward.

After suffering a string of by-election losses, the government is seen shifting its tone towards becoming more growth-oriented. These include the revival of the East Coast Rail Link (ECRL) project and also Tun Mahathir upcoming state visit to China to attract FDI flows.

### **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.

### **Cross Trade**

Cross trade transactions have been carried out during the reported period and the Investment Committee of the Fund has reviewed that such transaction are in the best interest of the Fund, transacted in the normal course of business at agreed terms and on a fair value basis.



**TRUSTEE'S REPORT**  
**For the Financial Year Ended 30 April 2019**

**TO THE UNIT HOLDERS OF AFFIN HWANG EQUITY FUND**

We have acted as Trustee for AFFIN HWANG EQUITY FUND ("the Fund) for the financial year ended 30 April 2019. To the best of our knowledge, AFFIN HWANG ASSET MANAGEMENT BERHAD ("the Manager") has managed the Fund in the financial year under review in accordance with the following:

1. Limitations imposed on the investment powers of the Manager under the deeds, the securities laws and Guidelines of Unit Trust Funds;
2. Valuation and pricing of the Fund are carried out in accordance with the deeds and any regulatory requirements; and
3. Creation and cancellation of units are carried out in accordance with the deeds and any regulatory requirement.

For **Maybank Trustees Berhad**  
(Company No.: 5004-P)

**BERNICE K M LAU**  
Head, Operations

Kuala Lumpur, Malaysia  
20 June 2019

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019**

	<u>Note</u>	<u>2019</u> RM	<u>2018</u> RM
<b>INVESTMENT (LOSS)/INCOME</b>			
Dividend income		1,714,760	2,547,213
Interest income from financial assets at amortised cost		449,595	167,436
Net (loss)/gain on financial assets at fair value through profit or loss	7	(4,098,611)	3,273,544
		<u>(1,934,256)</u>	<u>5,988,193</u>
<b>EXPENSES</b>			
Management fee	4	(1,023,087)	(1,240,628)
Trustee fee	5	(54,980)	(66,431)
Auditor's remuneration		(7,500)	(9,090)
Tax agent's fee		(6,280)	(8,280)
Transaction costs		(362,009)	(473,826)
Other expenses		(39,261)	(127,757)
		<u>(1,493,117)</u>	<u>(1,926,012)</u>
<b>NET (LOSS)/PROFIT BEFORE TAXATION</b>		(3,427,373)	4,062,181
<b>TAXATION</b>	6	(15,360)	(19,619)
<b>NET (LOSS)/PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL YEAR</b>		<u>(3,442,733)</u>	<u>4,042,562</u>
Net (loss)/profit after taxation is made up of the following:			
Realised amount		940,904	10,504,160
Unrealised amount		(4,383,637)	(6,461,598)
		<u>(3,442,733)</u>	<u>4,042,562</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  
AS AT 30 APRIL 2019**

	<u>Note</u>	<u>2019</u> RM	<u>2018</u> RM
<b>ASSETS</b>			
Cash and cash equivalents	8	5,352,528	9,175,688
Financial assets at fair value through profit or loss	7	57,421,518	68,356,868
Amount due from brokers		906,545	116,944
Tax recoverable		10,950	10,950
<b>TOTAL ASSETS</b>		<u>63,691,541</u>	<u>77,660,450</u>
<b>LIABILITIES</b>			
Amount due to brokers		165,490	99,790
Amount due to Manager			
- management fee		78,825	95,696
- cancellation of units		33,869	36,591
Amount due to Trustee		4,204	5,104
Auditors' remuneration		7,500	7,500
Tax agent's fee		11,980	10,080
Other payable and accruals		249	6,239
<b>TOTAL LIABILITIES</b>		<u>302,117</u>	<u>261,000</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>63,389,424</u>	<u>77,399,450</u>
<b>EQUITY</b>			
Unitholders' capital		98,410,538	108,977,831
Accumulated losses		(35,021,114)	(31,578,381)
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u>63,389,424</u>	<u>77,399,450</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	9	<u>119,484,000</u>	<u>139,393,000</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>0.5305</u>	<u>0.5553</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 30 APRIL 2019**

	Unitholders' <u>capital</u> RM	Accumulated <u>losses</u> RM	<u>Total</u> RM
Balance as at 1 May 2018	108,977,831	(31,578,381)	77,399,450
Total comprehensive loss for the financial year	-	(3,442,733)	(3,442,733)
Movement in unitholders' capital:			
Creation of units arising from applications	3,201	-	3,201
Cancellation of units	(10,570,494)	-	(10,570,494)
Balance as at 30 April 2019	<u>98,410,538</u>	<u>(35,021,114)</u>	<u>63,389,424</u>
Balance as at 1 May 2017	122,649,289	(35,620,943)	87,028,346
Total comprehensive income for the financial year	-	4,042,562	4,042,562
Movement in unitholders' capital:			
Creation of units arising from applications	15,057	-	15,057
Cancellation of units	(13,686,515)	-	(13,686,515)
Balance as at 30 April 2018	<u>108,977,831</u>	<u>(31,578,381)</u>	<u>77,399,450</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 30 APRIL 2019**

	<u>Note</u>	<u>2019</u> RM	<u>2018</u> RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from sale of investments		61,462,694	83,406,390
Purchase of investments		(55,711,865)	(65,927,845)
Dividends received		1,699,400	2,591,695
Interest received		449,595	167,436
Management fee paid		(1,039,958)	(1,250,811)
Trustee's fee paid		(55,880)	(66,974)
Payment for other fees and expenses		(57,131)	(149,220)
		<hr/>	<hr/>
Net cash generated from operating activities		6,746,855	18,770,671
		<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from creation of units		3,201	15,057
Payments for cancellation of units		(10,573,216)	(13,746,184)
		<hr/>	<hr/>
Net cash used in financing activities		(10,570,015)	(13,731,127)
		<hr/>	<hr/>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		(3,823,160)	5,039,544
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>		9,175,688	4,136,144
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	8	5,352,528	9,175,688
		<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 30 APRIL 2019**

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

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

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

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported financial year. It also requires the Manager to exercise their judgment in the process of applying the Fund’s accounting policies. Although these estimates and judgment are based on the Manager’s best knowledge of current events and actions, actual results may differ.

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

- (a) Standards, amendments to published standards and interpretations that are effective is as follows:

The Fund has applied the following amendments for the first time for the financial year beginning on 1 May 2018:

- MFRS 9 ‘Financial Instruments’ became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in MFRS 139.

Classification and measurement of debt assets is driven by the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (“SPPI”). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. MFRS 9 also introduces a new expected credit loss (“ECL”) impairment model.

MFRS 9 has been applied retrospectively by the Fund and has resulted in the changes outlined in Note F.

The Fund’s investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

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

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

The Fund has applied the following amendments for the first time for the financial year beginning on 1 May 2018: (continued)

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2018 that have a material effect on the financial statements of the Fund.

- (b) New standards, amendments and interpretations effective after 1 May 2018 and have not been early adopted:

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 May 2018 and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

### **B INCOME RECOGNITION**

#### Dividend income

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

#### Interest income

Interest income from short term deposits with licensed financial institutions is recognised based on effective interest rate method on an accrual basis.

Up to 30 April 2018, when a loan and receivable is impaired, the Fund reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continue unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

From 1 May 2018, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

#### Realised gain and loss on sale of investments

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

### **C 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.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

### **D TAXATION**

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

### **E FUNCTIONAL AND PRESENTATION CURRENCY**

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

### **F FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

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

Up to 30 April 2018, 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.

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 brokers and tax recoverable.

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

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

From 1 May 2018, the Fund classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“OCI”) or through profit or loss), and
- those to be measured at amortised cost

The Fund classifies its investments based on both the Fund’s business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Fund’s debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund’s business model’s objective. Consequently, all investments and derivatives not designated as hedging instruments are measured at fair value through profit or loss.



## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

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

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

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

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

#### **(ii) Recognition and initial 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 up to 30 April 2018 and MFRS 9 from 1 May 2019, 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 de-recognised 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 are presented in the statement of comprehensive income within "net gain/(loss) on financial assets at fair value through profit or 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.

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.

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

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

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

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

#### (iii) Impairment

Up to 30 April 2018, for assets carried at amortised cost, the Fund assesses at the end of the reporting year 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 carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If ‘loans and receivables’ or a ‘held-to-maturity investment’ has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

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

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

From 1 May 2018 onwards, the Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. Management considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month expected credit losses as any such impairment would be wholly insignificant to the Fund.

#### Significant increase in credit risk

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

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

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

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

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

(iii) Impairment (continued)

#### Write-off

The Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.

The Fund may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains. There are no write-offs/recoveries during the financial year.

### **G 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.

### **H 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. The due from brokers balance is held for collection.

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

If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due.

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

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

### **I CREATION AND CANCELLATION OF UNITS**

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 period if unitholder exercises the right to put the unit back to the Fund.

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

### **J 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.

### **K 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 Securities Commission's ("SC") Guidelines on Unit Trust Funds .

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019

### 1 INFORMATION ON THE FUND

The Unit Trust Fund was constituted under the name of Amanah Saham PHB (the "Fund") pursuant to the execution of a Principal Deed dated 15 April 1993, a First Supplemental deed dated 4 May 1994, a Second Supplemental deed dated 1 October 1996, a Third Supplemental deed dated 1 October 1996, a Supplemental Deed dated 18 November 1998, Third Supplemental Deed dated 23 August 2007, Forth Supplemental Deed dated 13 October 2008, Sixth Supplemental Deed dated 27 July 2015 and Seventh Supplemental Deed dated 5 October 2018. The Fund, under a Second Supplemental Deed dated 31 May 2002, was later renamed to Affin Equity Fund, changed its pricing policy to forward pricing and replaced units certificates with statements. The Fund later changed its name from Affin Equity Fund to Affin Hwang Equity Fund as amended by the Fifth Supplemental Deed dated 22 July 2014 (the "Deeds") entered into between Affin Hwang Asset Management Berhad (the "Manager") and Maybank Trustees Berhad (the "Trustee").

The Fund commenced operations on 29 April 1993 and will continue its operations until terminated by the Trustee as provided under Clause 23 of the Supplemental Deed.

The Fund may invest in the following permitted investments subject to the following restrictions imposed or as may be amended from time to time by the Securities Commission ("SC") and/or the relevant authorities and/or the Deed:

- (i) Listed securities;
- (ii) Unlisted securities including, without limitation, securities that have been approved by relevant authorities for the listing of and quotation for such securities;
- (iii) Fixed deposits with financial institutions;
- (iv) Money market instruments;
- (v) Government bonds, treasury bills and other Government approved or guaranteed bonds;
- (vi) Debentures including private debt securities and bonds;
- (vii) Units/shares in collective investment schemes, both local and foreign;
- (viii) Equity linked instruments; and
- (ix) Any other form of investments as may be permitted by the Securities Commissions from time to time that is in line with the Trust's objectives.

The objective of the Fund is to reward the unitholders with a reasonable rate of return on income and to realise capital growth.

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 20 June 2019.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

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

Financial instruments are as follows:

	<u>Note</u>	Financial assets at amortised <u>cost</u> RM	Financial assets at fair value through <u>profit or loss</u> RM	<u>Total</u> RM
<u>2019</u>				
Cash and cash equivalents	8	5,352,528	-	5,352,528
Quoted equities	7	-	57,421,518	57,421,518
Amount due from brokers		906,545	-	906,545
Total		<u>6,259,073</u>	<u>57,421,518</u>	<u>63,680,591</u>

	<u>Note</u>	Loans and <u>receivables</u> RM	Financial assets at fair value through <u>profit or loss</u> RM	<u>Total</u> RM
<u>2018</u>				
Cash and cash equivalents	8	9,175,688	-	9,175,688
Quoted equities	7	-	68,356,868	68,356,868
Amount due from brokers		116,944	-	116,944
Total		<u>9,292,632</u>	<u>68,356,868</u>	<u>77,649,500</u>

All current liabilities 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 and interest rate risk), credit risk, liquidity risk and capital risk.

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

Market risk

(a) Price risk

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

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

Market risk (continued)

(a) Price risk (continued)

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

	<u>2019</u> RM	<u>2018</u> RM
<b>Quoted investments</b>		
Quoted equities	57,421,518	68,356,868

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

<u>% Change in price</u>	<u>Market value</u> RM	<u>Impact on profit after tax/NAV</u> RM
<u>2019</u>		
-5%	54,550,442	(2,871,076)
0%	57,421,518	-
+5%	60,292,594	2,871,076
<u>2018</u>		
-5%	64,939,025	(3,417,843)
0%	68,356,868	-
+5%	71,774,711	3,417,843

(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 cash flows.

The Fund's exposure to the interest rate risk is mainly confined to short term deposit placements with licensed financial institutions. 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 a licensed financial institution is not material as the deposit are held on a short term basis.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

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

Credit risk

Credit risk refers to the ability of any 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.

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

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

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

	<u>Cash and cash equivalents</u> RM	<u>Amount due from brokers</u> RM	<u>Total</u> RM
<u>2019</u>			
Finance			
- AAA	2,099,359	77,386	2,099,359
- AA3	1,800,420	267,971	1,800,420
- BAA1	-	561,188	561,188
- NR	1,452,749	-	1,452,749
	<u>5,352,528</u>	<u>906,545</u>	<u>6,259,073</u>
<u>2018</u>			
Finance			
- AAA	9,175,688	31,374	9,207,062
- AA3	-	85,570	85,570
	<u>9,175,688</u>	<u>116,944</u>	<u>9,292,632</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (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 payment and cancellations of unit by unitholders. Liquid assets comprise bank balances, 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>2019</u>			
Amount due to brokers	165,490	-	165,490
Amount due to Manager			
- management fee	78,825	-	78,825
- cancellation of units	33,869	-	33,869
Amount due to Trustee	4,204	-	4,204
Auditors' remuneration	-	7,500	7,500
Tax agent's fee	-	11,980	11,980
Other payable and accruals	-	249	249
	<u>282,388</u>	<u>19,729</u>	<u>302,117</u>
<u>2018</u>			
Amount due to brokers	99,790	-	99,790
Amount due to Manager			
- management fee	95,696	-	95,696
- cancellation of units	36,591	-	36,591
Amount due to Trustee	5,104	-	5,104
Auditors' remuneration	-	7,500	7,500
Tax agent's fee	-	10,080	10,080
Other payable and accruals	6,048	191	6,239
	<u>243,229</u>	<u>17,771</u>	<u>261,000</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)

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

#### Capital risk

The capital of the Fund is represented by equity consisting of unitholders' capital and retained earnings. The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unitholders.

The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

### 3 FAIR VALUE ESTIMATION

Financial instruments comprise financial assets and financial liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial assets traded in active markets (such as trading securities) is based on quoted market prices at the close of trading on the year end date. The Fund utilises the current bid price for financial assets which falls 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 30 APRIL 2019 (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>2019</u>				
Financial assets at fair value through profit or loss				
- quoted equities	57,421,518	-	-	57,421,518
	<u>57,421,518</u>	<u>-</u>	<u>-</u>	<u>57,421,518</u>
<u>2018</u>				
Financial assets at fair value through profit or loss				
- quoted equities	68,356,868	-	-	68,356,868
	<u>68,356,868</u>	<u>-</u>	<u>-</u>	<u>68,356,868</u>

Investments whose values are based on quoted market price in active markets and are therefore classified within level 1 includes active listed equities. The Fund does not adjust the quoted prices for these investments.

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

**4 MANAGEMENT FEE AND MANAGEMENT FEE REBATE**

	<u>2019</u> RM	<u>2018</u> RM
Gross management fee	1,030,883	1,245,589
Management fee rebate		
- interest income earned on collection accounts	(7,796)	(4,961)
	<u>1,023,087</u>	<u>1,240,628</u>
Net management fee	<u>1,023,087</u>	<u>1,240,628</u>

In accordance with the Deed, the Manager is entitled to a management fee at a rate not exceeding 1.50% per annum of the NAV of the Fund, calculated on a daily basis.

For the financial year ended 30 April 2019, the management fee is recognised at a rate of 1.50% (2018: 1.50%) per annum based on the NAV of the Fund calculated on a daily basis as stated in the Fund's Prospectus.

The interest income earned by the Manager from the Fund's trust collection account maintained by the Manager is netted off against the gross management fee charged by the manager.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

**5 TRUSTEE FEE**

In accordance with the Deed, the Trustee is entitled to an annual fee at a rate not exceeding 0.08% per annum on the NAV of the Fund, calculated on a daily basis.

For the financial year ended 30 April 2019, the Trustee fee is recognised at a rate of 0.08% (2018: 0.08%) per annum based on the NAV of the Fund calculated on a daily basis as stated in the Fund's Prospectus.

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

**6 TAXATION**

	<u>2019</u> RM	<u>2018</u> RM
Current taxation - local	<u>15,360</u>	<u>19,619</u>

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

	<u>2019</u> RM	<u>2018</u> RM
Net (loss)/profit before taxation	<u>(3,427,373)</u>	<u>4,062,181</u>
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	(822,570)	974,923
Tax effect of:		
Investment loss disallowed from tax/(Investment income not subject to tax)	464,222	(1,437,166)
Expenses not deductible for tax purposes	106,916	157,858
Restrictions on tax deductible expenses for Unit Trust Funds	251,432	304,385
Investment income subject to different tax rate	15,360	19,619
Tax expense	<u>15,360</u>	<u>19,619</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

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

	<u>2019</u> RM	<u>2018</u> RM
Designated at fair value through profit or loss at inception:		
- quoted equities – local	57,421,518	68,356,868
	<u>57,421,518</u>	<u>68,356,868</u>
Net (loss)/gain on financial assets at fair value through profit or loss		
- realised gain on sale of investments	285,026	9,735,142
- unrealised loss on changes in fair value	(4,383,637)	(6,461,598)
	<u>(4,098,611)</u>	<u>3,273,544</u>

(a) Quoted equities - local

(i) Quoted equities – local as at 30 April 2019 are as follows:

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<u>Construction</u>				
Gamuda Berhad	182,800	620,326	637,972	1.01
IJM Corporation Berhad	441,800	814,462	1,033,812	1.63
	<u>624,600</u>	<u>1,434,788</u>	<u>1,671,784</u>	<u>2.64</u>
<u>Consumer Products &amp; Services</u>				
Fraser & Neave Holdings Berhad	37,000	999,255	1,289,080	2.03
Guan Chong Berhad	469,700	1,682,532	1,944,558	3.07
Hong Leong Industries Berhad	252,900	1,799,573	2,655,450	4.19
Mynews Holdings Berhad	442,600	663,900	619,640	0.98
Petronas Dagangan Berhad	79,500	1,996,837	1,920,720	3.03
	<u>1,281,700</u>	<u>7,142,097</u>	<u>8,429,448</u>	<u>13.30</u>
<u>Energy</u>				
Dialog Group Berhad	605,200	1,831,839	1,948,744	3.07
Hibiscus Petroleum Berhad	1,277,400	1,361,355	1,456,236	2.30
Yinson Holdings Berhad	111,300	511,713	538,692	0.85
	<u>1,993,900</u>	<u>3,704,907</u>	<u>3,943,672</u>	<u>6.22</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

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

(a) Quoted equities - local (continued)

(i) Quoted equities – local as at 30 April 2019 are as follows:

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Financial Services</u>				
Aeon Credit Service M Berhad	114,205	1,126,305	1,859,257	2.93
Allianz Malaysia Berhad	46,800	671,036	636,480	1.00
CIMB Group Holdings Berhad	506,130	2,904,336	2,662,244	4.20
Hong Leong Bank Berhad	63,900	1,277,212	1,276,722	2.01
Hong Leong Financial Group Berhad	83,800	1,541,920	1,605,608	2.53
Malayan Banking Berhad	278,445	2,656,791	2,572,832	4.06
RHB Bank Berhad	325,200	1,740,383	1,931,688	3.05
	<hr/> 1,418,480	<hr/> 11,917,983	<hr/> 12,544,831	<hr/> 19.78
<u>Health Care</u>				
Top Glove Corp Berhad	214,500	1,085,313	1,025,310	1.62
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Industrial Products &amp; Services</u>				
ATA IMS Berhad	734,600	1,249,648	1,300,242	2.05
Kelington Group Berhad	962,600	1,325,821	1,328,388	2.10
Petronas Chemicals Group Berhad	141,400	1,168,975	1,272,600	2.01
Scientex Berhad	356,600	1,553,734	3,034,666	4.79
SKP Resources Berhad	510,000	663,000	703,800	1.11
Sunway Berhad	1,187,220	1,915,521	1,982,657	3.13
V.S. Industry Berhad	848,800	917,412	950,656	1.50
	<hr/> 4,741,220	<hr/> 8,794,111	<hr/> 10,573,009	<hr/> 16.69
<u>Plantation</u>				
Genting Plantations Berhad	129,600	1,282,912	1,342,656	2.12
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Property</u>				
Malaysian Resources Corp Berhad	1,114,900	1,163,589	1,137,198	1.79
Matrix Concepts Holdings Berhad	447,675	883,059	855,059	1.35
SP Setia Berhad Group	301,165	738,123	683,645	1.08
	<hr/> 1,863,740	<hr/> 2,784,771	<hr/> 2,675,902	<hr/> 4.22

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

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

(a) Quoted equities - local (continued)

(i) Quoted equities – local as at 30 April 2019 are as follows:

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>REITs</u>				
IGB REIT	1,516,200	2,485,959	2,820,132	4.45
Sunway REIT	756,000	1,304,742	1,413,720	2.23
	<u>2,272,200</u>	<u>3,790,701</u>	<u>4,233,852</u>	<u>6.68</u>
<u>Technology</u>				
Inari Amertron Berhad	774,600	1,535,661	1,332,312	2.10
Malaysian Pac Industries Berhad	179,500	1,794,200	1,759,100	2.78
My EG Services Berhad	1,198,700	1,832,316	1,798,050	2.84
	<u>2,152,800</u>	<u>5,162,177</u>	<u>4,889,462</u>	<u>7.72</u>
<u>Telecommunication &amp; Media</u>				
Astro Malaysia Holdings Berhad	1,606,500	2,503,805	2,313,360	3.65
Digi.Com Berhad	275,100	1,269,749	1,262,709	1.99
OCK Group Berhad	2,243,350	1,721,355	1,155,325	1.82
	<u>4,124,950</u>	<u>5,494,909</u>	<u>4,731,394</u>	<u>7.46</u>
<u>Utilities</u>				
Tenaga Nasional Berhad	105,600	1,578,041	1,294,656	2.04
<u>Warrant</u>				
Econpile Holdings Berhad - Warrant (02.01.2023)	278,900	-	65,542	0.10
Total quoted equities – local	<u>21,202,190</u>	<u>54,172,710</u>	<u>57,421,518</u>	<u>90.59</u>
Accumulated unrealised gain on quoted equities – local		<u>3,248,808</u>		
Total quoted equities – local		<u>57,421,518</u>		

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

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

(a) Quoted equities - local (continued)

(ii) Quoted equities – local as at 30 April 2018 are as follows:

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<u>Construction</u>				
Econpile Holdings Berhad	1,423,200	812,325	1,451,664	1.88
Gamuda Berhad	305,600	1,524,001	1,564,672	2.02
WCT Holdings Berhad	891,168	1,593,262	1,087,225	1.40
	<u>2,619,968</u>	<u>3,929,588</u>	<u>4,103,561</u>	<u>5.30</u>
<u>Consumer Products</u>				
Hong Leong Industries Berhad	182,400	1,079,237	1,966,272	2.54
Fraser & Neave Holdings Berhad	94,800	2,428,613	3,365,400	4.35
	<u>277,200</u>	<u>3,507,850</u>	<u>5,331,672</u>	<u>6.89</u>
<u>Finance</u>				
CIMB Group Holdings Berhad	577,626	3,432,151	4,158,907	5.37
RHB Bank Berhad	219,900	1,175,044	1,165,470	1.51
Malayan Banking Berhad	350,399	3,197,704	3,770,293	4.87
Allianz Malaysia Berhad	118,000	1,691,929	1,361,720	1.76
Public Bank Berhad	180,000	4,177,407	4,284,000	5.53
Bursa Malaysia Berhad	246,900	1,416,358	1,780,149	2.30
Alliance Financial Group Berhad	266,100	1,142,429	1,157,535	1.50
Aeon Credit Service M Berhad	185,605	1,742,583	2,412,865	3.12
	<u>2,144,530</u>	<u>17,975,605</u>	<u>20,090,939</u>	<u>25.96</u>
<u>Industrial Product</u>				
Scientex Berhad	411,600	1,741,995	3,132,276	4.05
Petronas Chemicals Group Berhad	457,700	3,752,949	3,862,988	4.99
V.S. Industry Berhad	831,300	1,218,327	1,862,112	2.40
SKP Resources Berhad	139,800	183,284	206,904	0.27
	<u>1,840,400</u>	<u>6,896,555</u>	<u>9,064,280</u>	<u>11.71</u>
<u>Plantations</u>				
Genting Plantations Berhad	159,800	1,592,309	1,569,236	2.03



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

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

a) Quoted equities - local (continued)

(ii) Quoted equities – local as at 30 April 2018 are as follows:

Properties

Malaysian Resources Corp Berhad	1,425,600	1,333,506	1,454,112	1.88
Matrix Concepts Holdings Berhad	1,143,375	2,255,358	2,321,051	3.00
	<u>2,568,975</u>	<u>3,588,864</u>	<u>3,775,163</u>	<u>4.88</u>

REIT

IGB REIT	<u>1,302,900</u>	<u>2,122,639</u>	<u>2,058,582</u>	<u>2.66</u>
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Technology

Malaysian Pac Industries Berhad	44,700	443,838	344,637	0.44
Unisem (M) Berhad	180,800	449,569	323,632	0.42
	<u>225,500</u>	<u>893,407</u>	<u>668,269</u>	<u>0.86</u>

Trading/services

OCK Group Berhad	3,185,550	2,444,319	2,452,874	3.17
Boustead Holdings Berhad	405,400	1,216,200	1,037,824	1.34
YTL Corp Berhad	1,296,400	1,697,368	1,853,852	2.40
Dayang Enterprise Hldgs Berhad	1,059,600	833,802	826,488	1.07
Bumi Armada Berhad	948,900	795,702	787,587	1.02
Chin Hin Group Berhad	1,052,700	985,855	1,136,916	1.47
Tenaga Nasional Berhad	295,800	4,466,987	4,685,472	6.05
Petronas Dagangan Berhad	128,900	3,249,494	3,469,988	4.48
Uzma Berhad	847,600	1,318,211	1,135,784	1.47
Dialog Group Berhad	891,000	1,571,884	2,744,280	3.55
Sunway Berhad	1,009,266	1,637,784	1,513,899	1.95
	<u>11,121,116</u>	<u>20,217,606</u>	<u>21,644,964</u>	<u>27.97</u>

Warrant

Econpile Holdings Berhad - Warrant (02.01.2023)	<u>278,900</u>	<u>-</u>	<u>50,202</u>	<u>0.06</u>
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Total quoted equities – local	<u>22,539,289</u>	<u>60,724,423</u>	<u>68,356,868</u>	<u>88.32</u>
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Accumulated unrealised  
gain on quoted equities  
– local

7,632,445

Total quoted equities	<u>68,356,868</u>
– local	<u>68,356,868</u>

## 8 CASH AND CASH EQUIVALENTS

	<u>2019</u> RM	<u>2018</u> RM
Cash and bank balances	27,264	14,355
Deposits with licensed financial institutions	<u>5,325,264</u>	<u>9,161,333</u>
	<u>5,352,528</u>	<u>9,175,688</u>

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

	<u>2019</u> %	<u>2018</u> %
Deposits with licensed financial institutions	<u>3.25</u>	<u>3.25</u>

Deposits with licensed financial institutions of the Fund have an average maturity period of 2 days (2018: 2 days).

## 9 NUMBER OF UNITS IN CIRCULATION

	<u>2019</u> No. of unit	<u>2018</u> No. of unit
At beginning of the financial year	139,393,000	164,245,000
Creation of units arising from application during the financial year	6,000	26,000
Cancellation of units during the financial year	<u>(19,915,000)</u>	<u>(24,878,000)</u>
At end of the financial year	<u>119,484,000</u>	<u>139,393,000</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

**10 TRANSACTIONS WITH BROKERS**

(i) Details of transactions with the top 10 brokers for the financial year ended 30 April 2019 are as follows:

<u>Name of brokers</u>	<u>Value of trade</u> RM	Percentage of total <u>trade</u> %	Brokerage <u>fees</u> RM	Percentage of total <u>brokerage</u> %
Affin Hwang Investment Bank Berhad#	42,880,782	36.57	99,784	39.03
Malayan Banking Berhad	9,910,806	8.45	24,777	9.69
Kenanga Investment Bank Berhad	9,582,886	8.17	23,957	9.37
Hong Leong Investment Bank Berhad	8,377,214	7.14	16,622	6.50
CIMB Investment Bank Berhad	8,356,261	7.13	18,877	7.38
RHB Investment Bank Berhad	5,971,806	5.09	14,930	5.84
Public Investment Bank Berhad	5,435,863	4.64	13,615	5.33
CLSA Securities Malaysia Sdn Bhd	4,940,114	4.21	9,571	3.74
Macquarie Capital Securities (M) Sdn Bhd	4,108,479	3.50	10,271	4.02
UOB Kay Hian Securities (M) Sdn Bhd	3,860,943	3.29	9,652	3.78
Others	13,846,648	11.81	13,615	5.32
	<u>117,271,802</u>	<u>100.00</u>	<u>255,673</u>	<u>100.00</u>

(ii) Details of transactions with the top 10 brokers for the financial year ended 30 April 2018 are as follows:

<u>Name of brokers</u>	<u>Value of trade</u> RM	Percentage of total <u>trade</u> %	Brokerage <u>fees</u> RM	Percentage of total <u>brokerage</u> %
Affin Hwang Investment Bank Berhad#	60,421,940	41.77	146,971	40.26
Kenanga Investment Bank Berhad	11,008,748	7.61	27,522	7.54
Hong Leong Investment Bank Berhad	10,602,517	7.33	26,518	7.26
Malayan Banking Berhad	10,229,832	7.07	23,427	6.42
RHB Investment Bank Berhad	9,464,859	6.54	22,365	6.13
Public Investment Bank Berhad	9,348,937	6.46	23,392	6.41
CIMB Investment Bank Berhad	9,251,803	6.40	24,549	6.72
KAF Seagroatt & Campbell Securities Sdn Bhd	5,223,296	3.61	13,079	3.58
Macquarie Capital Securities (M) Sdn Bhd	4,700,897	3.25	11,756	3.22
UOB Kay Hian Securities (M) Sdn Bhd	4,461,700	3.08	11,154	3.06
Others*	9,953,990	6.88	34,316	9.40
	<u>144,668,519</u>	<u>100.00</u>	<u>365,049</u>	<u>100.00</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

**10 TRANSACTIONS WITH BROKERS**

Included in transactions with brokers are trades conducted with Affin Hwang Investment Bank Bhd, a company related to the Manager amounting to RM42,880,782 (2018: RM60,421,940). The Manager is of the opinion that all the transactions with the related company have been entered into in the normal course of business at agreed terms between the related parties.

# Included in the transactions with brokers for the financial year ended 30 April 2019 are cross trades conducted between the Fund and private mandates managed by the Manager amounting to:

	<u>2019</u> RM	<u>2018</u> RM
<u>Brokers</u>		
Affin Hwang Investment Bank Berhad	1,371,857	816,293
	<u>                    </u>	<u>                    </u>

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

	<u>2019</u> RM	<u>2018</u> RM
Affin Hwang Select Asia (ex Japan) Quantum Fund	-	816,293
Private mandates managed by the Manager	1,371,857	-
	<u>                    </u>	<u>                    </u>
	<u>1,371,857</u>	<u>816,293</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

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

The related party of and its relationship with the Fund are as follows:

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

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

	<u>2019</u>		<u>2018</u>	
	<u>No. of units</u>	<u>RM</u>	<u>No. of units</u>	<u>RM</u>
<u>The Manager:</u>				
Affin Hwang Asset Management Berhad (The units are held legally for booking purposes)	<u>2,493</u>	<u>1,323</u>	<u>2,665</u>	<u>1,480</u>
<u>Party related to the Manager</u>				
Director of Affin Hwang Asset Management Berhad (The units are held beneficially)	<u>-</u>	<u>-</u>	<u>196,028</u>	<u>108,854</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

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

	<u>2019</u> %	<u>2018</u> %
MER	<u>1.65</u>	<u>1.72</u>

MER is derived from the following calculation:

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

- A = Management fee
- B = Trustee’s and custodian fees
- C = Auditors’ remuneration
- D = Tax agent’s fee
- E = Other expenses, excluding goods and service tax on transaction costs
- F = Average NAV of Fund calculated on daily basis

The average NAV of the Fund for the financial year calculated on a daily basis is RM68,719,403 (2018: RM83,047,495).

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

	<u>2019</u>	<u>2018</u>
PTR (times)	<u>0.86</u>	<u>0.89</u>

PTR is derived from the following calculation:

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

where: total acquisition for the financial year = RM55,609,327 (2018: RM65,263,917)  
total disposal for the financial year = RM62,446,067 (2018: RM72,733,578)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)

### 14 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 dividends, income and gains on the appreciation in the value of investments and are derived from quoted equities in Malaysia.

The Fund has a diversified unitholder population. As at 30 April 2019, there were no unitholders (2018: nil unitholders) who held more than 10% of the Fund's NAV.

There were no changes in the reportable segment 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.

### 15 MFRS 9 FINANCIAL INSTRUMENTS

As disclosed in Note A, the Fund has adopted MFRS 9, which resulted in the following changes in accounting policies:

(a) Classification and measurement of financial assets

Up to 30 April 2018, financial assets were classified in the following categories: financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. Note G set out the details of accounting policies for classification and measurement of financial instruments under MFRS 139.

From 1 May 2018, the Fund applies the following MFRS 9's classification approach to all types of financial assets:

- Investments in equity instruments: These instruments are always measured at fair value with changes in fair value presented in profit or loss unless the Fund has made an irrevocable choice to present changes in fair value in other comprehensive income ('OCI') for investments that are not held for trading.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)

### 15 MFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Impairment

From 1 May 2018 onwards, the Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. Management consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month expected credit losses as any such impairment would be wholly insignificant to the Fund.

#### Significant increase in credit risk

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

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

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



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

**15 MFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)**

As disclosed above, the adoption of MFRS 9 in 2018 resulted in a change in measurement categories of certain financial assets and financial liabilities.

The measurement category and the carrying amount of financial assets and financial liabilities in accordance with MFRS 139 and MFRS 9 at 1 April 2018 are compared as follows:

	Measurement category		Carrying amount			
	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139)	Reclassifi- cations	Remeasu- rements	New (MFRS 9)
			RM	RM	RM	RM
<b>Assets</b>						
Cash and cash equivalents	Loans and receivables	Amortised cost	9,175,688	-	-	9,175,688
Financial assets at fair value through profit or loss	FVTPL	FVTPL	68,356,868	-	-	68,356,868
Amount due from brokers	Loans and receivables	Amortised cost	116,944	-	-	116,944
Tax recoverable	Loans and receivables	Amortised cost	10,950	-	-	10,950
<b>Liabilities</b>						
Amount due to brokers	Amortised cost	Amortised cost	99,790	-	-	99,790
Amount due to Manager -management fee	Amortised cost	Amortised cost	95,696	-	-	95,696
-release of units	Amortised cost	Amortised cost	36,591	-	-	36,591
Amount due to Trustee	Amortised cost	Amortised cost	5,104	-	-	5,104
Auditors' remuneration	Amortised cost	Amortised cost	7,500	-	-	7,500
Tax agent's fee	Amortised cost	Amortised cost	10,080	-	-	10,080
Other payables and accruals	Amortised cost	Amortised cost	6,239	-	-	6,239

## **AFFIN HWANG EQUITY FUND**

### **STATEMENT BY THE MANAGER**

I, Teng Chee Wai, as the Director of **Affin Hwang Asset Management Berhad**, do hereby state that, in my opinion as the Manager, the financial statements set out on pages 9 to 40 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 30 April 2019 and of its financial performance, changes in equity and cash flows for the financial year ended 30 April 2019 in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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

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

Kuala Lumpur  
20 June 2019

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

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

### Our opinion

In our opinion, the financial statements of Affin Hwang Equity Fund ("the Fund") give a true and fair view of the financial position of the Fund as at 30 April 2019, 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 30 April 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 9 to 40.

### 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 EQUITY FUND (CONTINUED)

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

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

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

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

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

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

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

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

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

# INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG EQUITY 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 EQUITY FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants

Kuala Lumpur  
20 June 2019

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