

# Affin Hwang World Series - China Growth Fund

Annual Report  
31 May 2019

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



**AFFIN HWANG**  
CAPITAL

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

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

# AFFIN HWANG WORLD SERIES – CHINA GROWTH FUND

## Annual Report and Audited Financial Statements For The Financial Year Ended 31 May 2019

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## FUND INFORMATION

Fund Name	Affin Hwang World Series – China Growth Fund
Fund Type	Growth
Fund Category	Feeder (Wholesale)
Investment Objective	The Fund seeks to achieve capital appreciation over medium to long term period through investments in China equities
Benchmark	MSCI China 10/40 Index
Distribution Policy	The Fund is not expected to make distribution. However, incidental distribution may be declared whenever is appropriate

### BREAKDOWN OF UNITHOLDERS BY USD CLASS SIZE AS AT 31 MAY 2019

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	-	-
5,001 to 10,000	-	-
10,001 to 50,000	2	41
50,001 to 500,000	3	878
500,001 and above	3	16,460
<b>Total</b>	<b>8</b>	<b>17,379</b>

\* Note: Excluding Manager's stock

### BREAKDOWN OF UNITHOLDERS BY MYR CLASS SIZE AS AT 31 MAY 2019

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	4	15
5,001 to 10,000	5	40
10,001 to 50,000	20	568
50,001 to 500,000	49	6,682
500,001 and above	14	105,777
<b>Total</b>	<b>92</b>	<b>113,082</b>

\* Note: Excluding Manager's stock

**BREAKDOWN OF UNITHOLDERS BY MYR-HEDGED CLASS SIZE AS AT 31 MAY 2019**

<b>Size of holdings (units)</b>	<b>No. of unitholders</b>	<b>No. of units held *</b> <b>('000)</b>
5,000 and below	-	-
5,001 to 10,000	-	-
10,001 to 50,000	1	30
50,001 to 500,000	7	1,628
500,001 and above	5	283,389
<b>Total</b>	<b>13</b>	<b>285,047</b>

*\* Note: Excluding Manager's stock*

## FUND PERFORMANCE DATA

Category	As At 31 May 2019 (%)			As At 31 May 2018 (%)			As At 31 Dec 2016 (%)
Portfolio composition							
Collective investment scheme	98.96			97.91			95.01
Cash and cash equivalent	1.04			2.09			4.99
<b>Total</b>	<b>100.00</b>			<b>100.00</b>			<b>100.00</b>
Currency class	<u>USD Class</u>	<u>MYR Class</u>	<u>MYR-Hedged Class</u>	<u>USD Class</u>	<u>MYR Class</u>	<u>MYR-Hedged Class</u>	<u>MYR Class</u>
Total NAV (in million)	7.724	85.277	127.316	12.807	108.407	141.028	75.210
NAV per unit (in respective currencies)	0.4443	0.7540	0.4465	0.5510	0.8886	0.5543	0.7433
Unit in Circulation (in million)	17.382	113.084	285.048	23.242	121.998	254.425	101.190
Highest NAV	0.5724	0.9223	0.5755	0.6163	0.9659	0.6163	0.8555
Lowest NAV	0.4209	0.7084	0.4239	0.5000	0.7433	0.4992	0.6389
Return of the Fund (%) <sup>iii</sup>	-19.36	-15.15	-19.45	10.20	19.55	10.86	-12.09
- Capital Return (%) <sup>i</sup>	-19.36	-15.15	-19.45	10.20	19.55	10.86	-12.09
- Income Return (%) <sup>ii</sup>	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Gross Distribution per Unit (sen)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Distribution per Unit (sen)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Management Expenses Ratio (%) <sup>1</sup>		1.85			2.74		0.29
Portfolio Turnover Ratio (times) <sup>2</sup>		0.17			1.34		0.55

### **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	=	Capital return x Income return – 1

<sup>1</sup> The Fund's MER decreased due to higher average NAV of the Fund during the period under review.

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

### USD Class

$$\begin{aligned}\text{Capital Return}^i &= \{ \text{NAV per Unit @ 31/05/2019} \div \text{NAV per Unit @ 31/05/2018}^* - 1 \} \times 100 \\ &= \{ 0.4443 \div 0.5510 - 1 \} \times 100 \\ &= \underline{\underline{-19.36\%}}\end{aligned}$$

$$\text{Total Income Return}^{ii} = \underline{\underline{\text{Nil}}}$$

$$\begin{aligned}\text{Return of the Fund}^{iii} &= \{ [(1 + \text{Capital Growth}) \times (1 + \text{Total Income Return})] - 1 \} \times 100 \\ &= \{ [(1 + (-19.36\%)) \times (1 + 0.00\%)] - 1 \} \times 100 \\ &= \underline{\underline{-19.36\%}}\end{aligned}$$

### MYR Class

$$\begin{aligned}\text{Capital Return}^i &= \{ \text{NAV per Unit @ 31/05/2019} \div \text{NAV per Unit @ 31/05/2018}^* - 1 \} \times 100 \\ &= \{ 0.7540 \div 0.8886 - 1 \} \times 100 \\ &= \underline{\underline{-15.15\%}}\end{aligned}$$

$$\text{Total Income Return}^{ii} = \underline{\underline{\text{Nil}}}$$

$$\begin{aligned}\text{Return of the Fund}^{iii} &= \{ [(1 + \text{Capital Growth}) \times (1 + \text{Total Income Return})] - 1 \} \times 100 \\ &= \{ [(1 + (-15.15\%)) \times (1 + 0.00\%)] - 1 \} \times 100 \\ &= \underline{\underline{-15.15\%}}\end{aligned}$$

### MYR-Hedged Class

$$\begin{aligned}\text{Capital Return}^i &= \{ \text{NAV per Unit @ 31/05/2019} \div \text{NAV per Unit @ 31/05/2018}^* - 1 \} \times 100 \\ &= \{ 0.4465 \div 0.5543 - 1 \} \times 100 \\ &= \underline{\underline{-19.45\%}}\end{aligned}$$

$$\text{Total Income Return}^{ii} = \underline{\underline{\text{Nil}}}$$

$$\begin{aligned}\text{Return of the Fund}^{iii} &= \{ [(1 + \text{Capital Growth}) \times (1 + \text{Total Income Return})] - 1 \} \times 100 \\ &= \{ [(1 + (-19.45\%)) \times (1 + 0.00\%)] - 1 \} \times 100 \\ &= \underline{\underline{-19.45\%}}\end{aligned}$$

\* Source : HSBC (Malaysia) Trustee Berhad

Table 1: Performance of the Fund

### USD Class

	1 Year (1/6/18 - 31/5/19)	Since Commencement (15/8/17 - 31/5/19)
Fund	(19.36%)	(11.14%)
Benchmark	(17.54%)	(3.81%)
Outperformance / (Underperformance)	(1.82%)	(7.33%)

**MYR Class**

	<b>1 Year</b> <b>(1/6/18 - 31/5/19)</b>	<b>3 Years</b> <b>(1/6/16 - 31/5/19)</b>	<b>5 Years</b> <b>(1/6/14 - 31/5/19)</b>	<b>Since Commencement</b> <b>(1/8/11 - 31/5/19)</b>
<b>Fund</b>	<b>(15.15%)</b>	<b>10.93%</b>	<b>25.75%</b>	<b>50.80%</b>
<b>Benchmark</b>	<b>(13.36%)</b>	<b>31.86%</b>	<b>71.14%</b>	<b>66.66%</b>
<b>Outperformance / (Underperformance)</b>	<b>(1.79%)</b>	<b>(20.93%)</b>	<b>(45.39%)</b>	<b>(15.86%)</b>

**MYR-Hedged Class**

	<b>1 Year</b> <b>(1/6/18 - 31/5/19)</b>	<b>Since Commencement</b> <b>(15/8/17 - 31/5/19)</b>
<b>Fund</b>	<b>(19.45%)</b>	<b>(10.70%)</b>
<b>Benchmark</b>	<b>(13.36%)</b>	<b>(6.32%)</b>
<b>Outperformance / (Underperformance)</b>	<b>(6.09%)</b>	<b>(4.38%)</b>

Table 2: Average Total Return

**USD Class**

	<b>1 Year</b> <b>(1/6/18 - 31/5/19)</b>	<b>Since Commencement</b> <b>(15/8/17 - 31/5/19)</b>
<b>Fund</b>	<b>(19.36%)</b>	<b>(6.37%)</b>
<b>Benchmark</b>	<b>(17.54%)</b>	<b>(2.15%)</b>
<b>Outperformance / (Underperformance)</b>	<b>(1.82%)</b>	<b>(4.22%)</b>

**MYR Class**

	<b>1 Year</b> <b>(1/6/18 - 31/5/19)</b>	<b>3 Years</b> <b>(1/6/16 - 31/5/19)</b>	<b>5 Years</b> <b>(1/6/14 - 31/5/19)</b>	<b>Since Commencement</b> <b>(1/8/11 - 31/5/19)</b>
<b>Fund</b>	<b>(15.15%)</b>	<b>3.52%</b>	<b>4.69%</b>	<b>5.38%</b>
<b>Benchmark</b>	<b>(13.36%)</b>	<b>9.66%</b>	<b>11.34%</b>	<b>6.74%</b>
<b>Outperformance / (Underperformance)</b>	<b>(1.79%)</b>	<b>(6.14%)</b>	<b>(6.65%)</b>	<b>(1.36%)</b>

**MYR-Hedged Class**

	<b>1 Year</b> <b>(1/6/18 - 31/5/19)</b>	<b>Since Commencement</b> <b>(15/8/17 - 31/5/19)</b>
<b>Fund</b>	<b>(19.45%)</b>	<b>(6.11%)</b>
<b>Benchmark</b>	<b>(13.36%)</b>	<b>(3.58%)</b>
<b>Outperformance / (Underperformance)</b>	<b>(6.09%)</b>	<b>(2.53%)</b>

Table 3: Annual Total Return

**USD Class**

	<b>FYE 2019</b> <b>(01/6/18 - 31/5/19)</b>	<b>FYE 2018</b> <b>(15/8/17 - 31/5/18)</b>
<b>Fund</b>	<b>(19.36%)</b>	<b>10.20%</b>
<b>Benchmark</b>	<b>(17.54%)</b>	<b>16.65%</b>
<b>Outperformance / (Underperformance)</b>	<b>(1.82%)</b>	<b>(6.45%)</b>

**MYR Class**

	<b>FYE 2019</b> <b>(01/6/18 - 31/5/19)</b>	<b>FYE 2018</b> <b>(01/1/18 - 31/5/18)</b>	<b>FYE 2017</b> <b>(01/1/17 - 31/12/17)</b>	<b>FYE 2016</b> <b>(01/1/16 - 31/12/16)</b>	<b>FYE 2015</b> <b>(01/1/15 - 31/12/15)</b>
<b>Fund</b>	<b>(15.15%)</b>	<b>0.74%</b>	<b>18.67%</b>	<b>(12.09%)</b>	<b>10.05%</b>
<b>Benchmark</b>	<b>(13.36%)</b>	<b>1.58%</b>	<b>32.31%</b>	<b>(0.43%)</b>	<b>14.02%</b>
<b>Outperformance / (Underperformance)</b>	<b>(1.79%)</b>	<b>(0.84%)</b>	<b>(13.64%)</b>	<b>(11.66%)</b>	<b>(3.97%)</b>

**MYR-Hedged Class**

	<b>FYE 2019</b> <b>(01/6/18 - 31/5/19)</b>	<b>FYE 2018</b> <b>(15/8/17 - 31/5/18)</b>
<b>Fund</b>	<b>(19.45%)</b>	<b>10.86%</b>
<b>Benchmark</b>	<b>(13.36%)</b>	<b>8.13%</b>
<b>Outperformance / (Underperformance)</b>	<b>(6.09%)</b>	<b>2.73%</b>

*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

#### USD Class

For the period under review from 1 June 2018 to 31 May 2019, the Fund – USD Class registered a loss of 19.36% based on the change in its Net Asset Value (“NAV”) per unit. The NAV per unit of the Fund as at 31 May 2019 was USD0.4443 compared to its NAV per unit as at 31 May 2018 was USD0.5510. The benchmark yielded a loss of 17.54%. The Fund thus underperformed the benchmark by 1.82 percentage points.

#### MYR Class

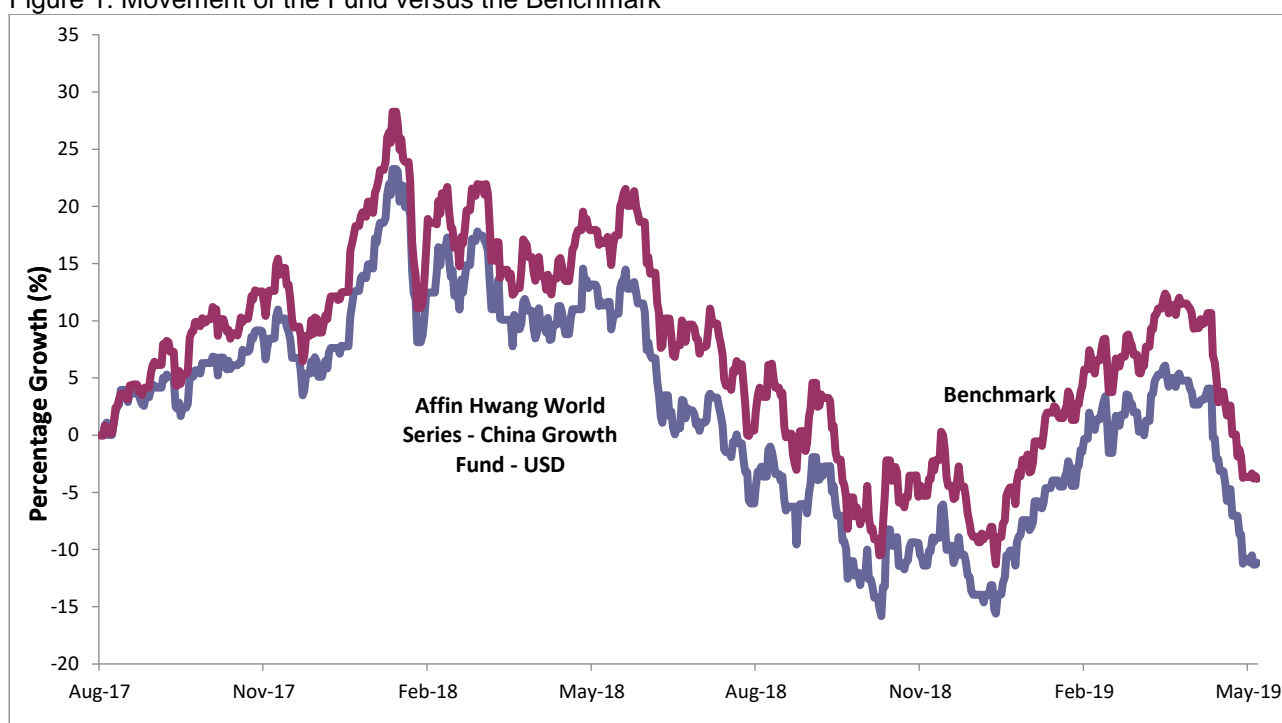
For the period under review from 1 June 2018 to 31 May 2019, the Fund – MYR Class registered a loss of 15.15% based on the change in its Net Asset Value (“NAV”) per unit. The NAV per unit of the Fund as at 31 May 2019 was RM0.7540 compared to its NAV per unit as at 31 May 2018 was RM0.8886. The benchmark yielded a loss of 13.36%. The Fund thus underperformed the benchmark by 1.79 percentage points.

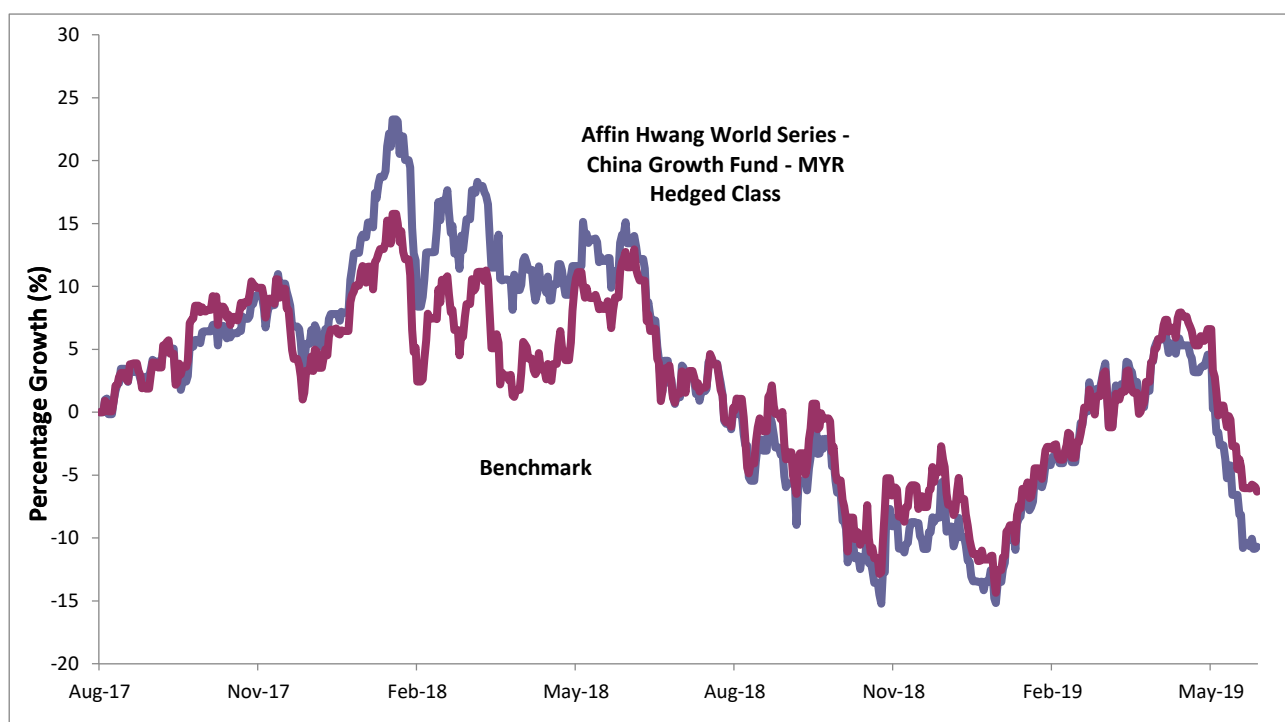
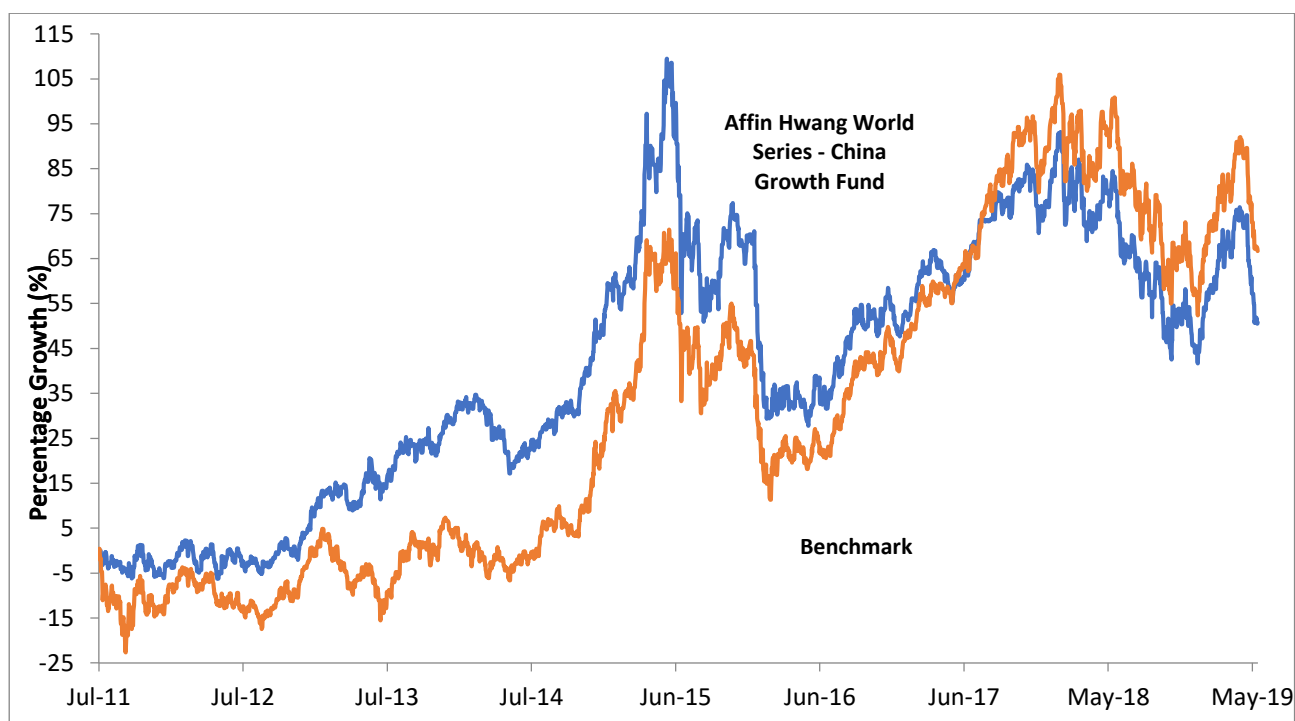
#### MYR-Hedged Class

For the period under review from 1 June 2018 to 31 May 2019, the Fund – MYR-Hedged Class registered a loss of 19.45% based on the change in its Net Asset Value (“NAV”) per unit. The NAV per unit of the Fund as at 31 May 2019 was RM0.4465 compared to its NAV per unit as at 31 May 2018 was RM0.5543. The benchmark yielded a loss of 13.36 %. The Fund thus underperformed the benchmark by 6.09 percentage points.

During the period under review, the Fund had recorded negative returns based on the change in its NAV per unit for respective classes. While MYR Class has generated returns since commencement, all classes underperformed its benchmark since commencement. As such, the Fund's objective to achieve capital appreciation over medium to long term period has been met for MYR Class but not the other classes.

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: MSCI China 10/40 Index

### **Income Distribution / Unit Split**

No income distributions or unit splits were declared for the financial year ended 31 May 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>31 May 2019</u></b>	<b><u>31 May 2018</u></b>	<b><u>31 Dec 2016</u></b>
	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
Collective investment scheme	98.96	97.91	95.01
Cash and Cash Equivalent	1.04	2.09	4.99
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

As at 31 May 2019, the asset allocation of the Fund's exposure to the collective investment scheme stood at 98.96% of the Fund's NAV, while the balance was held in cash and cash equivalent.

## **Strategies Employed**

The Target Fund adopts a flexible style and has a focus on the structural change and reform in China. The portfolio seeks to capture full spectrum of opportunities for a changing China through access to full range of China-focused stocks. The structural reform focus offers dynamic opportunity to uncover reform beneficiaries and optimal investment themes in new and old economies.

## **Market Review**

US-China trade tension played an important role in Chinese equity market over the period. Market started to fall since mid-2018 after the escalation of the trade tension and both countries hiked tariff on imported goods from each other. Sentiment recovered a bit since late-2018 and early-2019 thanks to the positive progress of the trade negotiations and the dovish domestic policy stance. However, the market had a pullback again toward the end of the period, driven by unexpected re-escalation of the trade tension. US increased the tariff rate on US\$200bn Chinese goods from 10% to 25% and threatened to tariff the remaining US\$300bn goods. Investors tuned from expecting an agreement soon to a bearish view that a trade deal is remote and unlikely to be reached this year. The export ban on Huawei further dampened the sentiment, highlighting the strategic longer term stress points between the two countries.

## **Investment Outlook**

We remain positive on Chinese equities given the dovish domestic policies, progress in reforms and potential upside from trade negotiations from current low expectation. We hold a relatively more optimistic view that a trade related deal can be reached to cushion cyclical pressures although strategic technology issues remain difficult to settle. We believe both sides still like and need to have a deal as the alternative of a synchronized global growth deceleration due to trade tension sentiment drag is unacceptable to all. Looking ahead, we expect the macro backdrop may head to lower growth and lower interest rate scenario, benefitting names with secular growth that may enjoy higher valuation premium.

In the Fund, we currently most overweight in Communication Services as we like to seek opportunities in quality growth area under the current macro backdrop. We also overweight Utilities sector given the defensive nature and the potential downside of coal price. We are underweight Consumer Staples mainly due to the relatively rich valuations, coupled with lack of growth catalyst. We don't have any exposure to Health Care sector on regulatory risks that may impact fundamentals.

### **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 WORLD SERIES – CHINA GROWTH FUND**

We have acted as Trustee of Affin Hwang World Series – China Growth Fund (“the Fund”) for the financial period ended 31 May 2019. 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 Unlisted Capital Market Products under the Lodge and Launch Framework, 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.

For HSBC (Malaysia) Trustee Berhad

**Tan Bee Nie**

Manager, Investment Compliance Monitoring

Kuala Lumpur

16 July 2019

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 MAY 2019**

	<u>Note</u>	<u>2019</u> USD	Financial period from 1.1.2017 to <u>31.5.2018</u> USD
<b>INVESTMENT (LOSS)/INCOME</b>			
Interest income from financial assets at amortised cost		4,840	20,773
Net (loss)/gain on financial assets at fair value through profit or loss	7	(14,565,495)	4,668,349
Net (loss)/gain on forward foreign currency contracts at fair value through profit or loss		(1,818,191)	148,208
Net loss on foreign currency exchange		(15,015)	(75,227)
		<u>(16,393,861)</u>	<u>4,762,103</u>
<b>EXPENSES</b>			
Management fee	4	(716,669)	(440,557)
Trustee fee	5	(34,242)	(28,476)
Auditors' remuneration		(1,897)	(2,464)
Tax agent's fee		(1,668)	394
Other expenses		(299)	(37,551)
		<u>(754,775)</u>	<u>(508,654)</u>
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		(17,148,636)	4,253,449
<b>TAXATION</b>	6	-	-
<b>(LOSS)/PROFIT AFTER TAXATION</b>		(17,148,636)	4,253,449
<b>OTHER COMPREHENSIVE INCOME</b>			
Foreign currency translation		-	850,308
<b>(DECREASE)/INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u>(17,148,636)</u>	<u>5,103,757</u>
(Loss)/Profit after taxation and total comprehensive (loss)/income comprise the following:			
Realised amount		(4,289,118)	2,726,481
Unrealised amount		(12,859,518)	1,526,968
		<u>(17,148,636)</u>	<u>4,253,449</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 31 MAY 2019**

	<u>Note</u>	<u>2019</u> USD	<u>2018</u> USD
<b>ASSETS</b>			
Cash and cash equivalents	8	1,178,126	2,077,613
Amount due from brokers		-	268,025
Amount due from Manager			
- creation of units		41,897	715,492
Financial assets at fair value through profit or loss	7	57,864,035	73,898,647
Forward foreign currency contracts at fair value through profit or loss	9	4,332	112,022
<b>TOTAL ASSETS</b>		<u>59,088,390</u>	<u>77,071,799</u>
<b>LIABILITIES</b>			
Forward foreign currency contracts at fair value through profit or loss	9	400,418	515,978
Amount due to Manager			
- cancellation of units		107,765	302,118
- management fee		45,248	59,292
Amount due to Trustee		2,693	3,241
Amount due to broker		54,933	703,467
Auditors' remuneration		1,941	1,885
Tax agent's fee		885	930
Other payables and accruals		446	7,895
<b>TOTAL LIABILITIES (EXCLUDING NET ASSET ATTRIBUTABLE TO UNITHOLDERS)</b>		<u>614,329</u>	<u>1,594,806</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>58,474,061</u>	<u>75,476,993</u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u>58,474,061</u>	<u>75,476,993</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 31 MAY 2019 (CONTINUED)**

	<u>Note</u>	<u>2019</u> USD	<u>2018</u> USD
<b>REPRESENTED BY</b>			
<b>FAIR VALUE OF OUTSTANDING UNITS</b>			
- MYR Class		20,357,380	27,238,708
- MYR-Hedged Class		30,393,007	35,430,922
- USD Class		7,723,674	12,807,363
		<u>58,474,061</u>	<u>75,476,993</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>			
- MYR Class	10(a)	113,084,000	121,998,000
- MYR-Hedged Class	10(b)	285,048,000	254,425,000
- USD Class	10(c)	17,382,000	23,242,000
		<u>415,514,000</u>	<u>399,665,000</u>
<b>NET ASSET VALUE PER UNIT (USD)</b>			
- MYR Class		0.1800	0.2233
- MYR-Hedged Class		0.1066	0.1393
- USD Class		0.4443	0.5510
<b>NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES</b>			
- MYR Class		RM0.7540	RM0.8886
- MYR-Hedged Class		RM0.4465	RM0.5543
- USD Class		USD0.4443	USD0.5510

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 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

	<u>2019</u> USD	Financial period from 1.1.2017 to <u>31.5.2018</u> USD
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR/PERIOD</b>	75,476,993	16,764,935
Movement due to units created and cancelled during the financial year/period:		
Creation of units arising from applications	18,680,190	85,752,783
- MYR Class	6,349,294	33,412,135
- MYR-Hedged Class	10,851,829	38,011,072
- USD Class	1,479,067	14,329,576
Cancellation of units	(18,534,486)	(32,144,482)
- MYR Class	(7,784,840)	(29,352,465)
- MYR-Hedged Class	(6,512,167)	(1,738,575)
- USD Class	(4,237,479)	(1,053,442)
Net (decrease)/increase in net assets attributable to unitholders during the financial year/period	(17,148,636)	4,253,449
- MYR Class	(5,445,782)	5,563,683
- MYR-Hedged Class	(9,377,577)	(841,492)
- USD Class	(2,325,277)	(468,742)
Foreign currency translation reserve	-	850,308
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL YEAR/PERIOD</b>	<u>58,474,061</u>	<u>75,476,993</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 MAY 2019**

	<u>Note</u>	<u>2019</u> USD	<u>2018</u> USD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from sale of investments		11,837,142	19,878,484
Purchase of investments		(10,748,534)	(72,794,531)
Interest received		4,840	20,773
Management fee paid		(730,713)	(383,681)
Trustee fee paid		(34,790)	(26,442)
Realised (loss)/gain on forward foreign currency contracts		(1,826,061)	552,164
Payment for other fees and expenses		(11,302)	(35,736)
Net realised loss on foreign currency exchange		(3,878)	(75,227)
		<hr/>	<hr/>
Net cash used in from operating activities		(1,513,296)	(52,864,196)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from creation of units		19,353,785	85,050,020
Payments for cancellation of units		(18,728,839)	(31,854,705)
		<hr/>	<hr/>
Net cash generated from financing activities		624,946	53,195,315
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		(888,350)	331,119
<b>EFFECTS OF FOREIGN CURRENCY EXCHANGE</b>		(11,137)	850,308
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR/PERIOD</b>		<hr/> 2,077,613	<hr/> 896,186
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR/PERIOD</b>	8	<hr/> <hr/> 1,178,126	<hr/> <hr/> 2,077,613

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 MAY 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 period/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 M.

#### **(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 June 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 31 MAY 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 June 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.

- (a) New standards, amendments and interpretations effective after 1 January 2019 and have not been early adopted:

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019 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**

#### Interest income

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

Up to 31 May 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 June 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).

The change did not result in any material impact in the Fund.

#### Realised gains and losses on sale of investments

Realised gains and losses on sale of collective investments scheme investments are accounted for as the difference between the net disposal proceeds and the carrying amount of investment, determined on a weighted average cost basis.

### **C 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/period.

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

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)**

### **D FUNCTIONAL AND PRESENTATION CURRENCY**

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

### **E FOREIGN CURRENCY TRANSLATION**

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

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

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

Up to 31 May 2018, the Fund designates its investment in collective investment scheme 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 L).

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 loan and receivables comprise cash and cash equivalents, amount due from Manager, and amount due from brokers.

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 June 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

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)**

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

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

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.

The Fund classifies cash and cash equivalents, dividend receivables, amount due from brokers, amount due from Manager 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 brokers, 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 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.

Financial liabilities, within the scope of MFRS 139 up to 31 May 2018 and MFRS 9 from 1 June 2018, 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 de-recognised 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 including the effects of foreign currency exchange transactions are presented in the statement of comprehensive income within 'net gain/(loss) on financial assets at fair value through profit or loss' in the period which they arise.

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.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)**

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

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

Investment in collective investment schemes is valued at the last published net asset value ("NAV") per unit at the date of the statement of financial position.

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

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 deposit.

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

#### **(iii) Impairment**

Until 31 May 2018, for assets carried at amortised cost, the Fund assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

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

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

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)**

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

#### **(iii) Impairment (continued)**

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 June 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.

#### 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.



## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)**

### **H AMOUNT DUE FROM/(TO) BROKERS (CONTINUED)**

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.

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

The unitholders' capital to the Fund meets the definition of puttable instruments classified as financial liability under MFRS 132 "Financial Instruments: Presentation".

The Fund issues cancellable units, in three classes of units, known respectively as the MYR class, MYR-Hedged class and USD class, which are cancelled at the unitholder's option and do not have identical features subject to restrictions as stipulated in the Information Memorandum and Securities Commission's (SC) Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework. The units are classified as financial liabilities. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value ("NAV") of respective classes. The outstanding units are carried at the redemption amount that is payable at the statement of financial position date if the unitholder exercises the right to put back the unit to the Fund.

Units are created and cancelled at the unitholder's option at prices based on the Fund's NAV per unit of respective classes at the close of business on the relevant dealing day. The Fund's NAV per unit of respective classes is calculated by dividing the net assets attributable to unitholders of respective classes with the total number of outstanding units of respective classes.

### **J INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

Income not distributed is included in net assets attributable to unitholders.

### **K 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.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)**

### **L 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 unfavorable.

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

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

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

### **M 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 Unlisted Capital Market Products under the Lodge and Launch Framework.

#### Functional currency

Due to mixed factors in determining the functional currency of the Fund, the Manager has used its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and have determined the functional currency to be in USD primarily due to the following factors:

- (i) Significant portion of cash is denominated in USD for the purpose of making settlement of the foreign trades.
- (ii) Significant portion of the Fund's expenses are denominated in USD.
- (iii) The Fund's sole investment is denominated in USD.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019**

### **1 INFORMATION ON THE FUND**

The Wholesale Fund was constituted under the name HwangDBS China Select Fund (the "Fund") pursuant to the execution of a Deed dated 3 June 2011. The Fund has changed its name from HwangDBS China Select Fund to Hwang China Select Fund as amended by its First Supplemental Deed dated 18 January 2012 and from Hwang China Select Fund to Affin Hwang China Growth Fund as amended by its Second Supplemental Deed dated 27 June 2014 and from Affin Hwang China Growth Fund to Affin Hwang World Series - China Growth Fund as amended by Third Supplemental Deed dated 3 August 2016 (the "Deeds") entered into between Affin Hwang Asset Management Berhad (the "Manager") and TMF Trustees Malaysia Berhad (the "Trustee"). The Fund has changed its trustee from TMF Trustees Malaysia Berhad to HSBC (Malaysia) Trustee Berhad as modified by the Fourth Supplemental Deed dated 17 July 2017.

The Fund commenced operations on 3 August 2011 and will continue its operations until terminated by the Trustee as provided under Clause 12.1 of the Deed.

Unless otherwise prohibited by the relevant authorities or any relevant laws and provided always that there are no inconsistencies with the objectives of the Fund, the Fund may invest in the following investments:

- (a) Collective investment scheme; and
- (b) Placement of deposits.

All investments will be subjected to the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework, the Deeds and the objective of the Fund.

The main objective of the Fund, a feeder fund, is to achieve capital appreciation over the long term.

The Fund has changed its financial year end from December to May with effect from 1 August 2017.

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 16 July 2019.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

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

Financial instruments are as follows:

	<u>Note</u>	Financial assets at amortised cost USD	Financial assets/ (liabilities) at fair value through profit or loss USD	<u>Total</u> USD
<u>2019</u>				
Collective investment scheme	7	-	57,864,035	57,864,035
Cash and cash equivalents	8	1,178,126	-	1,178,126
Amount due from Manager - creation of units		41,897	-	41,897
Forward foreign currency contracts	9	-	(396,086)	(396,086)
Total		<u>1,220,023</u>	<u>57,467,949</u>	<u>58,687,972</u>

	<u>Note</u>	Loans and receivables USD	Financial assets/ (liabilities) at fair value through profit or loss USD	<u>Total</u> USD
<u>2018</u>				
Collective investment scheme	7	-	73,898,647	73,898,647
Cash and cash equivalents	8	2,077,613	-	2,077,613
Amount due from Manager - creation of units		715,492	-	715,492
Amount due from brokers		268,025	-	268,025
Forward foreign currency contracts	9	-	(403,956)	(403,956)
Total		<u>3,061,130</u>	<u>73,494,691</u>	<u>76,555,821</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), 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 Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

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

### 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.

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

	<u>2019</u> USD	<u>2018</u> USD
Collective investment scheme	<u>57,864,035</u>	<u>73,898,647</u>

The following table summarises the sensitivity of the Fund's profit after taxation and net asset value 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 unquoted investments, having regard to the historical volatility of the prices.

<u>% Change in price</u>	<u>Market value</u> USD	<u>Impact on</u> <u>profit after</u> <u>tax/NAV</u> USD
<u>2019</u>		
-5%	54,970,833	(2,893,202)
0%	57,864,035	-
+5%	<u>60,757,237</u>	<u>2,893,202</u>
<u>2018</u>		
-5%	70,203,715	(3,694,932)
0%	73,898,647	-
+5%	<u>77,593,579</u>	<u>3,694,932</u>

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (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 placement with a financial institution. The Manager overcomes this exposure by way of maintaining deposits on a 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 is held on a short term basis.

##### **(c) Currency risk**

Currency risk is associated with investments denominated in foreign currencies. When the foreign currencies fluctuate in an unfavourable movement against United States Dollar, 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 United States Dollar based on considerations of economic fundamentals such as interest rate differentials, balance of payments position, debt levels, and technical chart considerations.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)**

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

Market risk (continued)

(c) Currency risk (continued)

The following tables set out the foreign currency risk concentrations and counterparties of the Fund:

	Cash and cash equivalents USD	Forward foreign currency contracts USD	Other assets* USD	Other liabilities** USD	Net asset attributable to unitholders USD	Total USD
<u>2019</u>						
Malaysian Ringgit	<u>62,708</u>	<u>(396,086)</u>	<u>41,897</u>	<u>(107,765)</u>	<u>(50,750,387)</u>	<u>(51,149,633)</u>
<u>2018</u>						
Malaysian Ringgit	<u>114,152</u>	<u>(403,956)</u>	<u>715,492</u>	<u>(302,118)</u>	<u>(62,669,630)</u>	<u>(62,546,060)</u>

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (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 rate %	Impact on profit after tax/NAV USD
<u>2019</u>		
Malaysian Ringgit	+/-5	<u>+/- 2,557,482</u>
<u>2018</u>		
Malaysian Ringgit	+/-5	<u>+/- 3,127,303</u>

#### Credit risk

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

The settlement terms of amount due from/(to) broker are governed by the relevant rules and regulations as prescribed by the respective stock exchanges.

Credit risk arising from placements on 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 Unlisted Capital Market Products under the Lodge and Launch Framework.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

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

#### Credit risk (continued)

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

	Cash and cash <u>equivalents</u> USD	Forward foreign currency <u>contracts</u> USD	Other <u>assets*</u> USD	<u>Total</u> USD
<u>2019</u>				
Financial				
- AAA	1,178,126	554	-	1,178,680
- AA2	-	3,360	-	3,360
- AA3	-	418	-	418
Others				
- NR	-	-	41,897	41,897
	<u>1,178,126</u>	<u>4,332</u>	<u>41,897</u>	<u>1,224,355</u>
<u>2018</u>				
Financial				
- AAA	2,077,613	16,360	-	2,093,973
- AA2	-	65,999	-	65,999
- AA3	-	18,587	-	18,587
- NR	-	11,076	-	11,076
Others				
- NR	-	-	983,517	983,517
	<u>2,077,613</u>	<u>112,022</u>	<u>983,517</u>	<u>3,173,152</u>

\*Other assets consist of amount due from Manager and amount due from broker.

#### 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 cash, deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 7 days.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

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

#### Liquidity risk (continued)

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.

	Within <u>one month</u> USD	Between one month <u>to one year</u> USD	<u>Total</u> USD
<u>2019</u>			
Amount due to Manager			
- cancellation of units	107,765	-	107,765
- management fee	45,248	-	45,248
Amount due to Trustee	2,693	-	2,693
Amount due to broker	54,933	-	54,933
Auditors' remuneration	-	1,941	1,941
Tax agent's fee	-	885	885
Other payables and accruals	446	-	446
Forward foreign currency contracts at fair value through profit or loss	15,724	384,694	400,418
Net asset attributable to unitholders*	58,474,061	-	58,474,061
	<u>58,700,870</u>	<u>387,520</u>	<u>59,088,390</u>
<u>2018</u>			
Amount due to Manager			
- management fee	59,292	-	59,292
- cancellation of units	302,118	-	302,118
Amount due to Trustee	3,241	-	3,241
Amount due to broker	703,467	-	703,467
Auditors' remuneration	-	1,885	1,885
Tax agent's fee	-	930	930
Other payables	7,195	700	7,895
Forward foreign currency contracts at fair value through profit or loss	58,285	457,693	515,978
Net asset attributable to unitholders*	75,476,993	-	75,476,993
	<u>76,610,591</u>	<u>461,208</u>	<u>77,071,799</u>

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

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

#### Capital risk

The capital of the Fund is represented by net asset attributable to unitholders. The amount of net asset attributable to unitholders 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

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values of financial assets traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the financial year/period end date.

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 MAY 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> USD	<u>Level 2</u> USD	<u>Level 3</u> USD	<u>Total</u> USD
<u>2019</u>				
Financial assets at fair value through profit or loss				
- collective investment scheme - foreign	57,864,035	-	-	57,864,035
- forward foreign currency contracts	-	4,332	-	4,332
	<u>57,864,035</u>	<u>4,332</u>	<u>-</u>	<u>57,868,367</u>
Financial liabilities at fair value through profit or loss				
- forward foreign currency contracts	-	(400,418)	-	(400,418)
	<u>-</u>	<u>(400,418)</u>	<u>-</u>	<u>(400,418)</u>
<u>2018</u>				
Financial assets at fair value through profit or loss				
- collective investment scheme - foreign	73,898,647	-	-	73,898,647
- forward foreign currency contracts	-	112,022	-	112,022
	<u>73,898,647</u>	<u>112,022</u>	<u>-</u>	<u>74,010,669</u>
Financial liabilities at fair value through profit or loss				
- forward foreign currency contracts	-	(515,978)	-	(515,978)
	<u>-</u>	<u>(515,978)</u>	<u>-</u>	<u>(515,978)</u>

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

Financial instruments that trade in markets that are not 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 includes 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

### 3 FAIR VALUE ESTIMATION (CONTINUED)

- (ii) The carrying values of cash and cash equivalents, amount due from Manager, rebate of management fee 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> USD	<u>2018</u> USD
Gross management fee	1,232,677	896,857
Management fee rebate		
-Management fee on collective investment scheme ("CIS")	(498,210)	(453,450)
-Interest income earned on collection accounts	(17,798)	(2,850)
	<hr/>	<hr/>
Net management fee	<u>716,669</u>	<u>440,557</u>

In accordance with the Deed, 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 May 2019, the management fee is recognised at a rate of 1.80% (2018: 1.80%) per annum on the NAV of the Fund, calculated on a daily basis as stated in the Fund's Information Memorandum.

As this Fund invests in units of the Blackrock China Fund, any management fee charged to Blackrock China Fund are fully refunded to this Fund in the form of management fee rebate.

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 the amounts recognised above.

### 5 TRUSTEE FEE

In accordance with the Deed, the Trustee is entitled to an annual fee at a rate not exceeding 0.10% per annum of the NAV or equivalent in the base currency (excluding foreign custodian fees and charges).

For the financial period from 1 June 2018 to 31 July 2018, the Trustee's fee is recognised at a rate of 0.08% per annum of the NAV of the Fund, calculated on a daily basis stated in the Fund's Information Memorandum. Effective from 1 August 2018, Trustee fee is recognised at the rate of 0.05% (2018: 0.08%) per annum on the NAV of the Fund calculated on a daily basis as stated in the Fund's Information Memorandum.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)**

**6 TAXATION**

	<u>2019</u> USD	Financial period from 1.1.2017 to <u>31.5.2018</u> USD
Current taxation	-	-

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> USD	Financial period from 1.1.2017 to <u>31.5.2018</u> USD
Net (loss)/profit before taxation	(17,148,636)	4,253,449
Tax at Malaysian statutory rate of 24% (2018: 24%)	(4,115,673)	1,020,828
Tax effects of:		
Investment loss exempt from tax/ (Investment income not subject to tax)	3,934,527	(1,142,905)
Expenses not deductible for tax purposes	8,629	15,752
Restriction on tax deductible expenses for Wholesale Fund	172,517	106,325
Tax expense	-	-

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

	<u>2019</u> USD	<u>2018</u> USD
Financial assets at fair value through profit or loss:		
- collective investment scheme – foreign	57,864,035	73,898,647
	<u>2019</u> USD	<u>2018</u> USD
Net (loss)/gain on financial assets at fair value through profit or loss:		
- realised (loss)/gain on sale of investments	(1,709,244)	485,695
- unrealised (loss)/gain on changes in fair value	(12,856,251)	4,182,654
	<u>(14,565,495)</u>	<u>4,668,349</u>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

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

(a) Collective investment scheme – foreign

(i) Collective investment scheme – foreign as at 31 May 2019 is as follows:

<u>Name of counter</u>	<u>Quantity</u>	<u>Aggregate cost USD</u>	<u>Fair value USD</u>	<u>Percentage on NAV %</u>
Blackrock China Fund	3,114,318	69,101,639	57,864,035	98.96
Accumulated unrealised loss on collective investment scheme – foreign		(11,237,604)		
Total collective investment scheme – foreign		57,864,035		

(ii) Collective investment scheme - foreign as at 31 May 2018 is as follows:

<u>Name of counter</u>	<u>Quantity</u>	<u>Aggregate cost USD</u>	<u>Fair value USD</u>	<u>Percentage on NAV %</u>
Blackrock China Fund	3,228,425	72,280,000	73,898,647	97.91
Accumulated unrealised gain on collective investment scheme – foreign		1,618,647		
Total collective investment scheme – foreign		73,898,647		

## 8 CASH AND CASH EQUIVALENTS

	<u>2019 USD</u>	<u>2018 USD</u>
Cash and bank balance	1,178,126	1,969,345
Deposit with a licensed financial institution	-	108,268
	<u>1,178,126</u>	<u>2,077,613</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

### 8 CASH AND CASH EQUIVALENTS (CONTINUED)

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

	<u>2019</u> %	<u>2018</u> %
Deposit with a licensed financial institution	-	3.25

Deposit with a licensed financial institution has an average maturity of Nil day (2018: 1 day).

### 9 FORWARD FOREIGN CURRENCY CONTRACTS

As at the date of statement of financial position, there are 43 (2018: 49) forward foreign currency contracts outstanding. The notional principal amount of the outstanding forward foreign currency contracts amounted to USD30,742,906 (2018: USD35,101,145). The forward currency contracts entered into during the financial year were for hedging against the currency exposure arising from the investment in the foreign securities denominated in 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 the statement of comprehensive income.

### 10 NUMBER OF UNITS IN CIRCULATION

#### (a) MYR class units in circulation

	<u>2019</u> No. of units	<u>2018</u> No. of units
At the beginning of the financial year/period	121,998,000	101,190,000
Creation of units during the financial year/period	30,866,000	169,297,000
Cancellation of units during the financial year/period	(39,780,000)	(148,489,000)
As at the end of the financial year/period	<u>113,084,000</u>	<u>121,998,000</u>

#### (b) MYR-Hedged class units in circulation

	<u>2019</u> No. of units	<u>2018</u> No. of units
At the beginning of the financial year/period	254,425,000	-
Creation of units during the financial year/period	87,456,000	266,562,000
Cancellation of units during the financial year/period	(56,833,000)	(12,137,000)
As at the end of the financial year/period	<u>285,048,000</u>	<u>254,425,000</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)**

**10 NUMBER OF UNITS IN CIRCULATION (CONTINUED)**

(c) USD class units in circulation

	<u>2019</u>	<u>2018</u>
	No. of units	No. of units
At the beginning of the financial year/period	23,242,000	-
Creation of units during the financial year/period	2,961,000	25,107,000
Cancellation of units during the financial year/period	(8,821,000)	(1,865,000)
As at the end of the financial year/period	<u>17,382,000</u>	<u>23,242,000</u>

**11 TRANSACTIONS WITH BROKERS**

(i) Details of transactions with the top brokers for the financial year ended 31 May 2019 are as follows:

<u>Name of brokers</u>	<u>Value of trade</u> USD	<u>Percentage of total trade</u> %
Blackrock Global Funds	21,669,117	100.00
	<u>21,669,117</u>	<u>100.00</u>

(ii) Details of transactions with the top brokers for the financial period from 1 January 2017 to 31 May 2018 are as follows:

<u>Name of brokers</u>	<u>Value of trade</u> USD	<u>Percentage of total trade</u> %
Blackrock Global Funds	72,280,000	76.57
Citigroup First Investment Management Ltd	22,112,787	23.43
	<u>94,392,787</u>	<u>100.00</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

### 12 UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

The related parties of and their relationship 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	Holdings 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

The units held by the Manager as at the end of the financial year are as follows:

	<u>2019</u>		<u>2018</u>	
	No. of units	RM	No. of units	RM
<u>The Manager:</u>				
Affin Hwang Asset Management Berhad (The units are held for booking purposes)				
- MYR Class	2,554	460	3,542	791
- MYR-Hedged Class	2,055	219	15,058	2,098
- USD Class	3,291	1,462	6,833	3,765
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 13 MANAGEMENT EXPENSE RATIO ("MER")

	1.1.2017 to <u>2019</u> %	Financial period from <u>31.5.2018</u> %
MER	<u>1.85</u>	<u>2.74</u>

MER is derived from the following calculation:

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

A	=	Management fee, excluding management fee rebates
B	=	Trustee fee
C	=	Auditors' remuneration
D	=	Tax agent's fee
E	=	Other expenses
F	=	Average NAV of the Fund calculated on a daily basis

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

### 13 MANAGEMENT EXPENSE RATIO ("MER") (CONTINUED)

The average NAV of the Fund for the financial year/period calculated on a daily basis is USD68,524,149 (2018: USD35,208,828).

### 14 PORTFOLIO TURNOVER RATIO ("PTR")

	2019	Financial period from 1.1.2017 to 31.5.2018
PTR (times)	0.17	1.34

PTR is derived from the following calculation:

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

where: total acquisition for the financial year/period = USD10,100,000 (2018: USD73,448,000)  
total disposal for the financial year/period = USD13,278,361 (2018: USD20,944,787)

### 15 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 their income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within the portfolio. These returns consist of interest and gains on the appreciation in the value of investments in China.

The Fund has diversified unitholder population. However, as at 31 May 2019, there were 3 unitholders (2018: 3 unitholders) who held more than 10% of the Fund's NAV. The unitholders' holdings were 43.80%, 28.50% and 19.60% (2018: 39.70%, 24.10% and 22.40%).

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

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

### 16 MFRS 9 FINANCIAL INSTRUMENTS

As disclosed in Note A, the Fund has adopted MFRS 9, which resulted in the following changes in accounting policies and adjustments to the financial position:

#### (a) Classification and measurement of financial assets

Up to 31 May 2018, financial assets were classified in the following categories: financial assets at fair value through profit or loss ("FVTPL"), loans and receivables. Note G set out the details of accounting policies for classification and measurement of financial instruments under MFRS 139.

From 1 June 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.

#### (b) Impairment

From 1 June 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.

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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

## 16 MFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Impairment (continued)

The measurement category and the carrying amount of financial assets and financial liabilities in accordance with MFRS 139 and MFRS 9 at 1 June 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	2,077,613	-	-	2,077,613
Collective Investment Scheme	FVTPL	FVTPL	73,898,647	-	-	73,898,647
Amount due from Manager	Loans and receivables	Amortised cost	715,492	-	-	715,492
Amount due from broker	Loans and receivables	Amortised cost	268,025	-	-	268,025
Forward foreign currency contracts at fair value through profit or loss	FVTPL	FVTPL	112,022	-	-	112,022
<b>Liabilities</b>						
Forward foreign currency contracts at fair value through profit or loss	FVTPL	FVTPL	515,978	-	-	515,978
Amount due to manager -cancellation of units	Amortised cost	Amortised cost	302,118	-	-	302,118
Amount due to manager -management fee	Amortised cost	Amortised cost	59,292	-	-	59,292
Amount due to trustee	Amortised cost	Amortised cost	3,241	-	-	3,241
Amount due to brokers	Amortised cost	Amortised cost	703,467	-	-	703,467
Auditors' remuneration	Amortised cost	Amortised cost	1,885	-	-	1,885
Tax agent fee	Amortised cost	Amortised cost	930	-	-	930
Other payables and accruals	Amortised cost	Amortised cost	7,895	-	-	7,895

## **AFFIN HWANG WORLD SERIES - CHINA GROWTH 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 13 to 44 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 May 2019 and of its financial performance, changes in equity and cash flows for the financial year ended 31 May 2019 in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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

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

Kuala Lumpur  
16 July 2019

# INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Affin Hwang World Series- China Growth Fund give a true and fair view of the financial position of the Fund as at 31 May 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 31 May 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 13 to 44.

### 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 WORLD SERIES - CHINA GROWTH FUND

## 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 financial statements so as to 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 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 WORLD SERIES - CHINA GROWTH FUND

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

### Auditors' Responsibilities for the audit of 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 WORLD SERIES - CHINA GROWTH FUND

## 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  
LLP0014401-LCA & AF 1146  
Chartered Accountants

Kuala Lumpur  
16 July 2019

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