

Affin Hwang

Select Dividend Fund

Annual Report
30 September 2019

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



AFFIN HWANG
CAPITAL

MANAGER
Affin Hwang Asset Management Berhad
199701014290 (429786-T)

TRUSTEE
CIMB Islamic Trustee Berhad (167913-M)

AFFIN HWANG SELECT DIVIDEND FUND

Annual Report and Audited Financial Statements For the Financial Year Ended 30 September 2019

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FUND INFORMATION

Fund Name	Affin Hwang Select Dividend Fund
Fund Type	Income & Growth
Fund Category	Equity
Investment Objective	The Fund endeavours to provide a combination of regular income and capital growth over the medium to long term period
Benchmark	70% FTSE Bursa Malaysia Top 100 Index and 30% MSCI AC Asia Pacific ex Japan High Dividend Yield Index
Distribution Policy	The Fund will distribute income (subject to income availability), on a semi-annual basis after the end of its first financial year

BREAKDOWN OF UNITHOLDERS BY SIZE AS AT 30 SEPTEMBER 2019

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	748	2,138
5,001 to 10,000	860	6,424
10,001 to 50,000	2,234	53,115
50,001 to 500,000	852	98,087
500,001 and above	57	568,095
Total	4,751	727,859

* Note : Excluding Manager's stock

FUND PERFORMANCE DATA

Category	As at 30 Sep 2019 (%)	As at 30 Sep 2018 (%)	As at 30 Sep 2017 (%)
Portfolio composition			
Quoted equities – local			
- Basic materials	-	-	1.99
- Construction	1.45	1.78	-
- Consumer products & services	9.36	8.31	3.28
- Energy	2.19	1.27	-
- Financial services	19.26	23.64	23.38
- Healthcare	-	1.83	0.86
- ICULS	-	-	0.26
- Industrial products & services	6.69	7.65	12.15
- Oil & gas	-	-	4.67
- Plantation	0.36	0.63	1.60
- Preference share	-	-	1.97
- Property	2.56	3.78	5.93
- REITs	5.68	4.19	3.42
- Technology	1.24	1.57	1.68
- Telecommunications	7.84	1.38	1.64
- Transportation & Logistics	2.95	-	-
- Utilities	5.67	6.47	5.66
- Warrant	-	-	1.38
Total quoted equities – local	65.25	62.50	68.49
Quoted equities – foreign			
- Consumer goods	0.98	0.27	3.66
- Consumer services	1.30	0.79	-
- Financials	18.06	8.31	6.89
- Industrials	2.24	2.38	6.12
- Oil & gas	-	0.03	-
- Preference share	-	0.73	3.23
- REITs	-	0.49	2.84
- Rights	-	-	0.12
- Technology	5.57	1.82	3.80
- Telecommunications	1.42	-	-
- Utilities	-	0.76	-
Total quoted equities – foreign	29.57	15.58	26.66
Cash & cash equivalent	5.18	21.92	4.85
Total	100.00	100.00	100.00

FUND PERFORMANCE DATA (CONTINUED)

Category	As at 30 Sep 2019 (%)	As at 30 Sep 2018 (%)	As at 30 Sep 2017 (%)
Total NAV (RM'million)	470.179	478.837	371.081
NAV per Unit (RM)	0.6457	0.6713	0.6903
Unit in Circulation (million)	728.142	713.322	537.585
Highest NAV	0.6743	0.7246	0.7022
Lowest NAV	0.6191	0.6609	0.5956
Return of the Fund (%) ⁱⁱⁱ	-0.80	1.59	15.75
- Capital Growth (%) ⁱ	-3.81	-2.75	12.21
- Income Distribution (%) ⁱⁱ	3.13	4.46	3.16
Gross Distribution per Unit (sen)	2.00	3.00	2.00
Net Distribution per Unit (sen)	2.00	3.00	2.00
Management Expense Ratio (%) ¹	1.61	1.64	1.70
Portfolio Turnover Ratio (times) ²	1.04	1.33	1.19

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

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

An illustration of the above would be as follow:-

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

Capital Returnⁱ = {NAV per Unit @ 30/09/19 ÷ NAV per Unit @ 30/09/18* – 1} x 100
 = (0.6457 ÷ 0.6713 – 1) x 100
 = **-3.81%**

Income Return @ ex-date = {Income distribution per Unit ÷ NAV per Unit on ex- date} + 1
 = {0.0100 ÷ 0.6291 @ 10/12/18} + 1 = 1.0159
 = {0.0100 ÷ 0.6603 @ 19/06/19} + 1 = 1.0151

Total Income Returnⁱⁱ = {Income distribution per Unit ÷ NAV per Unit on ex-date} x 100
 = {1.0159 x 1.0151} – 1 x 100
 = **3.13%**

Return of the Fundⁱⁱⁱ = {(1 + Capital Return x (1 + Income Return)) – 1} x 100
 = {(1 + (-3.81%)) x (1 + 3.13%)} – 1} x 100
 = **-0.80%**

* Source – CIMB Islamic Trustee Berhad

¹The Fund's MER was lower than previous period under review due to higher average NAV of the Fund for the financial year.

²The PTR of the Fund was lower than previous year due to the lower average sum of total acquisition and disposal for the financial period.

Table 1: Performance of the Fund

	1 Year (1/10/18 - 30/9/19)	3 Years (1/10/16 - 30/9/19)	5 Years (1/10/14 - 30/9/19)	Since Commencement (18/4/11 - 30/9/19)
Fund	(0.80%)	16.65%	26.81%	92.12%
Benchmark	(9.05%)	(0.96%)	(4.45%)	15.24%
Outperformance	8.25%	17.61%	31.26%	76.88%

Source of Benchmark: Bloomberg

Table 2: Average Total Return

	1 Year (1/10/18 - 30/9/19)	3 Years (1/10/16 - 30/9/19)	5 Years (1/10/14 - 30/9/19)	Since Commencement (18/4/11 - 30/9/19)
Fund	(0.80%)	5.27%	4.86%	8.02%
Benchmark	(9.05%)	(0.32%)	(0.91%)	1.69%
Outperformance	8.25%	5.59%	5.77%	6.33%

Source of Benchmark: Bloomberg

Table 3: Annual Total Return

	FYE 2019 (01/10/18 - 30/9/19)	FYE 2018 (01/10/17 - 30/9/18)	FYE 2017 (01/10/16 - 30/9/17)	FYE 2016 (01/10/15 - 30/9/16)	FYE 2015 (01/10/14 - 30/9/15)
Fund	(0.80%)	1.59%	15.75%	9.80%	(0.99%)
Benchmark	(9.05%)	0.16%	8.71%	7.25%	(10.04%)
Outperformance / (Underperformance)	8.25%	1.43%	7.04%	2.55%	9.05%

Source of Benchmark: Bloomberg

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

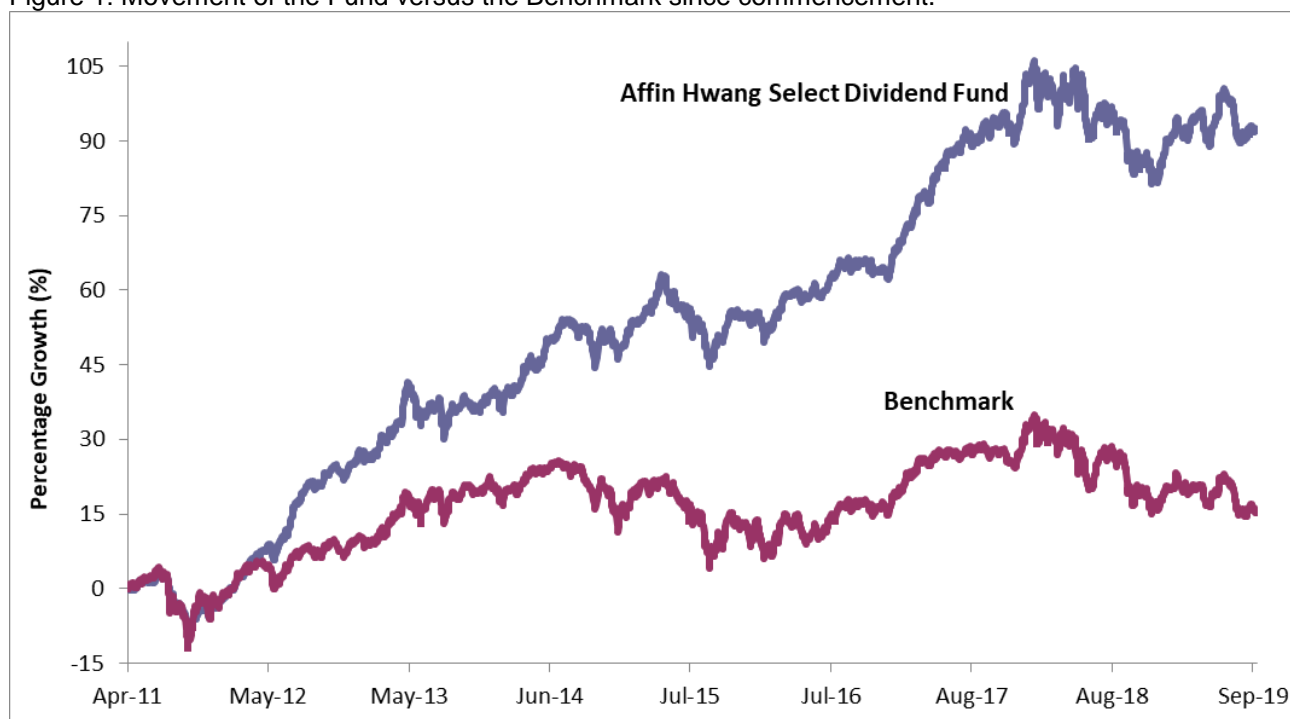
MANAGER'S REPORT

Performance Review

For the period under review from 1 October 2018 to 30 September 2019, the Fund registered a -0.80% return compared to the benchmark return of -9.05%. The Fund thus outperformed the Benchmark by 8.25%. The Net Asset Value ("NAV") per unit of the Fund as at 30 September 2019 was RM0.6457 compared to its NAV per unit as at 30 September 2018 was RM0.6713.

Given the performance during the period under review, we believe the Fund's objective is being met to provide investors with a regular income stream and high level of liquidity to meet cash flow requirement while maintaining capital preservation.

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



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

Benchmark: 70% FTSE Bursa Malaysia Top 100 Index and 30% MSCI AC Asia Pacific ex Japan High Dividend Yield Index

Income Distribution / Unit Split

Affin Hwang Asset Management Berhad recently declared a gross distribution of RM0.0200 per Unit for investors of the Affin Hwang Select Dividend Fund over the period under review.

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

Cum Date	Ex-Date	Cum-distribution (RM)	Distribution per Unit (RM)	Ex-distribution (RM)
09 Dec 2018	10 Dec 2018	0.6425	0.0100	0.6291
18 Jun 2019	19 Jun 2019	0.6665	0.0100	0.6603

No unit split were declared for the financial year ended 30 September 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

	<u>30 Sep 2019</u>	<u>30 Sep 2018</u>	<u>30 Sep 2017</u>
	(%)	(%)	(%)
Quoted equities – local	65.25	62.50	68.49
Quoted equities – foreign	29.57	15.58	26.66
Cash & Cash equivalent	5.18	21.92	4.85
Total	100.00	100.00	100.00

As at 30 September 2019, the asset allocation of the Fund stood at 94.84% in equities while the balance was held in cash and cash equivalent. During the period under review, the Manager had reduced cash by 16.74 percentage points to 5.18% from 21.92% a year ago as the Manager redeployed into the market as opportunities arises. The Manager had added allocations mainly into the telecommunication and transportation and logistics within the local equity space. Within the foreign equity space, the manager also added allocation into financials, technology and telecommunication sectors over the same period.

Strategies Employed

Over the period under review, we focus on domestic-driven sectors that are less directly impacted from trade tariffs. As the sell-down accelerated, we took a view that the correction was overdone and a recession was not imminent, where we then redeployed into the market with a focus on quality.

Market Review

Trade remained a key overhang of markets following tit-for-tat tariffs. 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 its value when trade tensions started to brew.

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.

Coming into 2019, "Sell in May and go away" has again proven to be a recurring theme this year after deteriorating trade relations between US and China wreaked further havoc across global financial markets in May. Trump raised the tariff on some US\$200 billion worth of Chinese imports to 25.0% from 10.0% earlier that month in an extreme bid to speed up trade negotiations. While the tariff hike was initially downplayed, things took a swift turn on when Trump banned Huawei with a national security order; thus prompting US companies to sever all business ties with the Chinese smartphone and telecommunications giant.

For the first time in more than a decade, the US Federal Reserve ("Fed") reduced interest rates by 25bps in July; effectively lowering the benchmark rate to a new range of 2.00-2.25%. However, the Fed delivered another widely expected 25bps rate cut at its policy meeting in September which would bring down its benchmark overnight lending rate to a target range of 1.75% to 2.0%.

Asian markets retreated in August as trade tensions flared up again after a surprise tariff announcement from US President Donald Trump. The Hong Kong Hang Seng index fell 7.4%, whilst the broader MSCI Asia ex-Japan index closed 4.6% lower as the prolonged trade row takes another turn for the worse.

Meanwhile, Hong Kong continues to be plagued by protests which are starting to hurt businesses and dent economic growth. The unrest in Hong Kong started since early June when protesters took to the streets to oppose an extradition bill proposal. The demonstrations have shifted into a movement calling for more autonomy, full democracy and the ousting of Hong Kong's embattled leader Carrie Lam.

On a side note, BNM cut the Overnight Policy Rate by 25 bps to 3.00% on 7 May – likely a pre-emptive measure against a weakening external environment as well as slowing domestic growth. The announcement

was largely priced in by investors, which saw the MGS market rallied strongly in the few weeks prior to the announcement, though the buying subsequently eased up amid the addition of risks on the global trade front.

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.

Whilst the partial trade deal helped provide a lift in sentiment, the temporary trade truce could be easily upended as seen before. Structural issues and more challenging areas in negotiations such as intellectual property and technology transfer has not been addressed yet. The last mile negotiations in the trade talks would be the most critical to look out for. The overall macro environment remains weak as global economies are still showing weak data.

Going forward, we believe there is limited room for further monetary policy easing given already low interest rates. Central banks are more inclined to “save some bullets” for future, i.e. in the event whereby a recession materialises, as well as adopting a “wait-and-see” approach to assess impact post recent rate cuts. Therefore, expectations are that global interest rates are close to bottoming out in the near term. Having said that, we do not foresee central banks reverting to an interest rate hike cycle anytime soon. The biggest risks (both upside and downside) to my view would be ongoing trade negotiations and US inflation.

The Budget 2020 placed a lot more emphasis on job creation and shifted away from the outright disbursement of large cash handouts and subsidies as seen in prior budgets before. In terms of impact, the budget was market-neutral with no immediate catalysts that could drive Bursa higher for now.

However, the absence of any pump-priming measures or announcement of mega infrastructure projects came as a disappointment to the construction sector. The consumer sector could benefit incrementally over time as the trickle-down effects of job creation, allocation for subsidies and social subsidies to address high cost of living and low income levels spur consumption.

State of Affairs of the Fund

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

Soft Commissions received from Brokers

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

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

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

TRUSTEE'S REPORT TO THE UNITHOLDERS OF AFFIN HWANG SELECT DIVIDEND FUND

We, **CIMB Islamic Trustee Berhad (the "Trustee")**, being the Trustee of **Affin Hwang Select Dividend Fund (the "Fund")**, are of the opinion that **Affin Hwang Asset Management Berhad ("the Manager")**, acting in the capacity of Manager of the Fund, has fulfilled its duties in the following manner for the financial year ended 30 September 2019.

- a) The Fund has been managed in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the Deeds, the Securities Commission Malaysia's Guidelines on Unit Trust Funds, the Capital Markets and Services Act, 2007 (as amended from time to time) and other applicable laws;
- b) Valuation and pricing of units of the Fund has been carried out in accordance with the Deeds and relevant regulatory requirements;
- c) Creation and cancellation of units have been carried out in accordance with the Deeds and the relevant regulatory requirements; and
- d) The distribution of returns by the Fund is relevant and reflects the investment objective of the Fund.

For and on behalf of
CIMB Islamic Trustee Berhad

Lee Kooi Yoke
Chief Operating Officer

Kuala Lumpur, Malaysia
15 November 2019

AFFIN HWANG SELECT DIVIDEND FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

	<u>Note</u>	<u>2019</u> RM	<u>2018</u> RM
INVESTMENT INCOME			
Dividend income		16,579,844	13,901,471
Interest income from financial assets at amortised cost		480,974	574,407
Net gain on foreign currency exchange		447,718	506,582
Net (loss)/gain on forward foreign currency contracts at fair value through profit or loss		(823,035)	2,562,071
Net loss on financial assets at fair value through profit or loss	8	(9,786,030)	(1,842,839)
Other income		25,828	-
		<u>6,925,299</u>	<u>15,701,692</u>
EXPENSES			
Management fee	4	(7,076,327)	(6,075,789)
Trustee fee	5	(382,441)	(329,854)
Auditors' remuneration		(7,500)	(7,500)
Tax agent's fee		(44,554)	(16,513)
Transaction costs		(2,714,896)	(3,641,772)
Other expenses		(406,015)	(378,556)
		<u>(10,631,733)</u>	<u>(10,449,984)</u>
NET (LOSS)/PROFIT BEFORE TAXATION		(3,706,434)	5,251,708
TAXATION	6	36,615	(333,088)
NET (LOSS)/PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL YEAR		<u>(3,669,819)</u>	<u>4,918,620</u>
Net (loss)/profit after taxation is made up of the following:			
Realised amount		8,406,747	20,971,967
Unrealised amount		(12,076,566)	(16,053,347)
		<u>(3,669,819)</u>	<u>4,918,620</u>

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

AFFIN HWANG SELECT DIVIDEND FUND

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

	<u>Note</u>	<u>2019</u> RM	<u>2018</u> RM
ASSETS			
Cash and cash equivalents	9	24,928,711	108,000,823
Amount due from Manager			
- creation of units		79,360	1,248,082
Dividends receivable		2,395,284	2,603,590
Other receivable		55,379	-
Financial assets at fair value through profit or loss	8	445,811,310	373,852,471
Tax recoverable		2,966	2,966
TOTAL ASSETS		<u>473,273,010</u>	<u>485,707,932</u>
LIABILITIES			
Amount due to Manager			
- management fee		580,064	585,346
- cancellation of units		677,365	-
Amount due to Trustee		30,937	31,219
Amount due to brokers		1,787,647	6,233,741
Auditors' remuneration		7,500	7,500
Tax agent's fee		3,500	6,900
Other payables and accruals		7,000	6,702
TOTAL LIABILITIES		<u>3,094,013</u>	<u>6,871,408</u>
NET ASSET VALUE OF THE FUND		<u>470,178,997</u>	<u>478,836,524</u>
EQUITY			
Unitholders' capital		449,585,351	439,945,889
Retained earnings		20,593,646	38,890,635
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>470,178,997</u>	<u>478,836,524</u>
NUMBER OF UNITS IN CIRCULATION	10	<u>728,142,000</u>	<u>713,322,000</u>
NET ASSET VALUE PER UNIT (RM)		<u>0.6457</u>	<u>0.6713</u>

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

AFFIN HWANG SELECT DIVIDEND FUND

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

	<u>Unitholders' capital</u> RM	<u>Retained earnings</u> RM	<u>Total</u> RM
Balance as at 1 October 2018	439,945,889	38,890,635	478,836,524
Total comprehensive loss for the financial year	-	(3,669,819)	(3,669,819)
Distributions (Note 7)	-	(14,627,170)	(14,627,170)
Movement in unitholders' capital:			
Creation of units arising from applications	45,082,174	-	45,082,174
Creation of units arising from distributions	14,496,487	-	14,496,487
Cancellation of units	(49,939,199)	-	(49,939,199)
Balance as at 30 September 2019	<u>449,585,351</u>	<u>20,593,646</u>	<u>470,178,997</u>
Balance as at 1 October 2017	320,057,744	51,023,275	371,081,019
Total comprehensive income for the financial year	-	4,918,620	4,918,620
Distributions (Note 7)	-	(17,051,260)	(17,051,260)
Movement in unitholders' capital:			
Creation of units arising from applications	156,662,327	-	156,662,327
Creation of units arising from distributions	16,837,626	-	16,837,626
Cancellation of units	(53,611,808)	-	(53,611,808)
Balance as at 30 September 2018	<u>439,945,889</u>	<u>38,890,635</u>	<u>478,836,524</u>

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

AFFIN HWANG SELECT DIVIDEND FUND

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

	<u>Note</u>	<u>2019</u> RM	<u>2018</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of investments		456,734,216	549,655,657
Purchase of investments		(545,695,454)	(561,819,803)
Dividends received		16,523,159	12,105,796
Interest received		480,974	574,407
Management fee paid		(7,081,609)	(5,951,977)
Trustee fee paid		(382,723)	(385,195)
Payments for other fees and expenses		(196,180)	(370,271)
Realised (loss)/gain on forward foreign currency contracts		(823,035)	2,240,538
Net realised foreign currency exchange gains		671,285	282,401
Other income		25,828	-
Tax refund		36,615	-
		<u>(79,706,924)</u>	<u>(3,668,447)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from creation of units		46,250,896	157,350,027
Payments for cancellation of units		(49,261,834)	(54,411,415)
Payment for distributions		(130,683)	(213,634)
		<u>(3,141,621)</u>	<u>102,724,978</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(82,848,545)	99,056,531
EFFECTS OF FOREIGN CURRENCY EXCHANGE		(223,567)	224,861
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		<u>108,000,823</u>	<u>8,719,431</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	9	<u><u>24,928,711</u></u>	<u><u>108,000,823</u></u>

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

AFFIN HWANG SELECT DIVIDEND FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 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 revenues and expenses during the reported financial year. It also requires the Manager to exercise their judgment in the process of applying the Fund's accounting policies. Although these estimates and judgment are based on the Manager's best knowledge of current events and actions, actual results may differ.

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

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.

AFFIN HWANG SELECT DIVIDEND FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 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 October 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 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

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 accruals basis.

Up to 30 September 2018, when a loan and receivable is impaired, the Fund reduces 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 October 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

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

AFFIN HWANG SELECT DIVIDEND FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

C DISTRIBUTION

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

D TRANSACTION COSTS

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

E TAXATION

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

Withholding taxes on investment income from local and foreign investment are based on tax regime of the respective countries that the Fund invests in. Such withholding taxes are not "income tax" in nature and are recognised, measured based on the requirements of MFRS 137. They are presented within other expenses line in the statement of comprehensive income.

F FUNCTIONAL AND PRESENTATION CURRENCY

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

G FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-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.

AFFIN HWANG SELECT DIVIDEND FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

H FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Classification

Up to 30 September 2018, the Fund designates its investment in quoted equities as financial assets at fair value through profit or loss.

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

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

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

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 October 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.

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

AFFIN HWANG SELECT DIVIDEND FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

H FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(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 30 September 2018 and MFRS 9 from 1 October 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 derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

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

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

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

If a valuation based on the market price does not represent the fair value of the securities, for example during abnormal market conditions or when no market price is available, including in the event of a suspension in the quotation of the securities for a period exceeding 14 days, or such shorter period as agreed by the Trustee, then the securities are valued as determined in good faith by the Manager, based on the methods or basis approved by the Trustee after appropriate technical consultation.

Derivative investments consist 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 instruments are recognised in profit or loss when settled or at the date of the statement of financial position at which time they are included in the measurement of the derivative financial instrument.

Deposits with 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. Deposits with licensed financial institutions are carried at their carrying value which is a reasonable estimate of fair value due to the short term nature of the investments.

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

AFFIN HWANG SELECT DIVIDEND FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

H FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(iii) Impairment

Up to 30 September 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 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 October 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.

AFFIN HWANG SELECT DIVIDEND FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

H 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.

I CASH AND CASH EQUIVALENTS

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

J AMOUNT DUE FROM/(TO) BROKERS

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

AFFIN HWANG SELECT DIVIDEND FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

K UNITHOLDERS' CAPITAL

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

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

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

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

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 unfavourable.

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

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

AFFIN HWANG SELECT DIVIDEND FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019 (CONTINUED)

L DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

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 Unit Trust Funds.

AFFIN HWANG SELECT DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

1 INFORMATION ON THE FUND

The Unit Trust Fund was constituted under the name HwangDBS Select Dividend Fund (the "Fund") pursuant to the execution of a Deed dated 24 February 2011, First Supplemental Deed dated 18 January 2012, Second Supplemental Deed dated 1 July 2014, Third Supplemental Deed dated 7 January 2015, Fourth Supplemental Deed dated 19 December 2016 and Fifth Supplemental Deed dated 5 October 2018 (the "Deeds") entered into between Affin Hwang Asset Management Berhad (the "Manager"), CIMB Islamic Trustee Berhad, (the "Trustee") and the registered unitholders of the Fund. The Fund has changed its name from HwangDBS Select Dividend Fund to Hwang Select Dividend Fund as amended by the First Supplemental Deed dated 18 January 2012 and from Hwang Select Dividend Fund to Affin Hwang Select Dividend Fund as amended by the Second Supplemental Deed dated 1 July 2014.

The Fund commenced operations on 28 March 2011 and will continue its operations until terminated by the Trustee as provided under Clause 12.1 of the Deeds.

The Fund may invest in any of the following investments:

- (a) Securities listed on Bursa Malaysia and throughout the Asia-Pacific region where the regulatory authorities are members of the International Organization of Securities Commission ("IOSCO");
- (b) Debentures;
- (c) Unlisted securities, including without limitation, securities that have been approved by the relevant regulatory authorities for the listing of and quotation of such securities;
- (d) Money market instruments;
- (e) Deposits;
- (f) Derivatives for hedging purposes;
- (g) Warrants;
- (h) Units or shares in collective investment schemes; and
- (i) Any other form of investments permitted by the SC from time to time which are in line with the objective of the Fund.

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

The main objective of the Fund is to provide a combination of regular income and capital growth over the medium to long term period.

The Manager is a company incorporated in Malaysia. The principal activities of the Manager are establishment and management of unit trust funds, exchange-traded fund 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 15 November 2019.

AFFIN HWANG SELECT DIVIDEND FUND

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

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments are as follows:

	Note	Financial assets at amortised cost RM	Financial assets at fair value through profit or loss RM	Total RM
<u>2019</u>				
Quoted equities	8	-	445,811,310	445,811,310
Cash and cash equivalents	9	24,928,711	-	24,928,711
Amount due from Manager				
- creations of units		79,360	-	79,360
Dividends receivable		2,395,284	-	2,395,284
Other receivable		55,379	-	55,379
Total		<u>27,458,734</u>	<u>445,811,310</u>	<u>473,270,044</u>

	Note	Loans and receivables RM	Financial assets at fair value through profit or loss RM	Total RM
<u>2018</u>				
Quoted equities	8	-	373,852,471	373,852,471
Cash and cash equivalents	9	108,000,823	-	108,000,823
Amount due from Manager				
- creations of units		1,248,082	-	1,248,082
Dividends receivable		2,603,590	-	2,603,590
Total		<u>111,852,495</u>	<u>373,852,471</u>	<u>485,704,966</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, interest rate risk, and currency risk), credit risk, liquidity risk and capital risk.

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

Market risk

(a) Price risk

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

AFFIN HWANG SELECT DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 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
Quoted investments		
Quoted equities	445,811,310	373,852,471

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%	423,520,744	(22,290,566)
0%	445,811,310	-
+5%	468,101,876	22,290,566
<u>2018</u>		
-5%	355,159,847	(18,692,624)
0%	373,852,471	-
+5%	392,545,095	18,692,624

(b) Interest rate risk

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

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

AFFIN HWANG SELECT DIVIDEND FUND

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

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

Market risk (continued)

(c) Currency risk

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

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

	<u>Quoted equities</u> RM	<u>Cash and cash equivalents</u> RM	<u>Other assets*</u> RM	<u>Total</u> RM
<u>2019</u>				
Australian Dollar	-	2,483	-	2,483
Chinese Yuan	-	194	-	194
Hong Kong Dollar	54,546,882	169,568	89,935	54,806,385
Indonesian Rupiah	4,901,698	-	-	4,901,698
Indian Rupee	12,160,247	35,887	-	12,196,134
Singapore Dollar	40,944,356	8,199,541	110,938	49,254,835
Taiwan Dollar	7,618,073	-	44,334	7,662,407
United States Dollar	18,849,767	22,372	117,578	18,989,717
	<u>139,021,023</u>	<u>8,430,045</u>	<u>362,785</u>	<u>147,813,853</u>
<u>2018</u>				
Australian Dollar	-	2	-	2
Chinese Yuan	-	7,798,545	-	7,798,545
Hong Kong Dollar	32,050,861	14,272,236	43,362	46,366,459
Indian Rupee	-	2,928,428	-	2,928,428
Korean Won	3,516,763	-	-	3,516,763
Singapore Dollar	38,989,934	115,188	-	39,105,122
United States Dollar	-	43,601,493	-	43,601,493
	<u>74,557,558</u>	<u>68,715,892</u>	<u>43,362</u>	<u>143,316,812</u>

* Other assets consist of dividends receivable and other receivable.

AFFIN HWANG SELECT DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 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 NAV 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.

	<u>Change in rate</u> %	<u>Impact on profit after tax/NAV</u> RM
<u>2019</u>		
Australian Dollar	+/- 5	+/- 124
Chinese Yuan	+/- 5	+/- 10
Hong Kong Dollar	+/- 5	+/- 2,740,319
Indonesian Rupiah	+/- 5	+/- 245,085
Indian Rupee	+/- 5	+/- 609,807
Singapore Dollar	+/- 5	+/- 2,462,742
Taiwan Dollar	+/- 5	+/- 383,120
United States Dollar	+/- 5	+/- 949,486
<u>2018</u>		
Australian Dollar	+/- 5	-
Chinese Yuan	+/- 5	+/- 389,927
Hong Kong Dollar	+/- 5	+/- 2,318,323
Indian Rupee	+/- 5	+/- 146,421
Korean Won	+/- 5	+/- 175,838
Singapore Dollar	+/- 5	+/- 1,955,256
United States Dollar	+/- 5	+/- 2,180,075

AFFIN HWANG SELECT DIVIDEND FUND

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

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

Credit risk

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

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

The settlement terms of 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>Other assets*</u> RM	<u>Total</u> RM
<u>2019</u>			
Consumer Goods			
- NR	-	192,526	192,526
Consumer Services			
- NR	-	231,250	231,250
Financials			
- AAA	24,928,711	-	24,928,711
- NR	-	1,330,768	1,330,768
Industrials			
- NR	-	28,250	28,250
Technology			
- NR	-	79,809	79,809
Utilities			
- NR	-	588,060	588,060
Others			
- NR	-	79,360	79,360
	<u>24,928,711</u>	<u>2,530,023</u>	<u>27,458,734</u>

AFFIN HWANG SELECT DIVIDEND FUND

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

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

Credit risk (continued)

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

	<u>Cash and cash equivalents</u> RM	<u>Other assets*</u> RM	<u>Total</u> RM
<u>2018</u>			
Consumer Products & Services			
- NR	-	209,192	209,192
Financials			
- AAA	97,904,560	1,234,544	99,139,104
- NR	10,096,263	43,362	10,139,625
Health care			
- NR	-	40,665	40,665
Industrials			
- NR	-	205,685	205,685
Others			
- NR	-	1,248,082	1,248,082
Property			
- NR	-	219,485	219,485
Technology			
- NR	-	43,380	43,380
Utilities			
- NR	-	607,277	607,277
	<u>108,000,823</u>	<u>3,851,672</u>	<u>111,852,495</u>

* Other assets consist of amount due from Manager, dividends receivable and other receivable.

AFFIN HWANG SELECT DIVIDEND FUND

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

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Liquidity risk

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

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

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

	<u>Within one month</u> RM	<u>Between one month to one year</u> RM	<u>Total</u> RM
<u>2019</u>			
Amount due to Manager			
- management fee	580,064	-	580,064
- creation of units	677,365	-	677,365
Amount due to Trustee	30,937	-	30,937
Amount due to brokers	1,787,647	-	1,787,647
Auditors' remuneration	-	7,500	7,500
Tax agent's fee	-	3,500	3,500
Other payables and accruals	-	7,000	7,000
	<u>3,076,013</u>	<u>18,000</u>	<u>3,094,013</u>
<u>2018</u>			
Amount due to Manager			
- management fee	585,346	-	585,346
Amount due to Trustee	31,219	-	31,219
Amount due to brokers	6,233,741	-	6,233,741
Auditors' remuneration	-	7,500	7,500
Tax agent's fee	-	6,900	6,900
Other payables and accruals	-	6,702	6,702
	<u>6,850,306</u>	<u>21,102</u>	<u>6,871,408</u>

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.

AFFIN HWANG SELECT DIVIDEND FUND

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

3 FAIR VALUE ESTIMATION

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

The fair value of financial assets traded in active markets (such as trading securities) is based on quoted market prices at the close of trading on the period end date. The Fund 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.

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	445,811,310	-	-	445,811,310
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

AFFIN HWANG SELECT DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 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: (continued)

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<u>2018</u>				
Financial assets at fair value through profit or loss				
- quoted equities	373,852,471	-	-	373,852,471

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

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

4 MANAGEMENT FEE AND MANAGEMENT FEE REBATES

	<u>2019</u> RM	<u>2018</u> RM
Gross management fee	7,170,770	6,184,755
Management fee rebates		
- interest income earned on collection accounts	(93,611)	(108,966)
- management fee rebate on collective investment scheme	(832)	-
Net management fee	<u>7,076,327</u>	<u>6,075,789</u>

In accordance with the Deeds, 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 30 September 2019, the management fee is recognised at a rate of 1.50% (2018: 1.50%) per annum on the NAV of the Fund calculated on a daily basis as stated in the Prospectus.

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

AFFIN HWANG SELECT DIVIDEND FUND

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

4 MANAGEMENT FEE AND MANAGEMENT FEE REBATES (CONTINUED)

As this Fund invests in units of Affin Hwang Aiiman Constant Cash Fund, any management fee charged to the collective investment scheme is fully refunded to this Fund in the form of management fee rebate.

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 Deeds, the Trustee is entitled to an annual fee at a rate not exceeding 0.10% per annum on the NAV of the Fund.

For the financial year ended 30 September 2019, the Trustee fee is recognised at a rate of 0.08% (2018: 0.08%) per annum on the NAV of the Fund, exclusive of foreign custodian fees as stated in the Prospectus.

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

6 TAXATION

	<u>2019</u> RM	<u>2018</u> RM
Current taxation - local	-	89,349
Current taxation - foreign	(36,615)	243,739
	<u>(36,615)</u>	<u>333,088</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	(3,706,434)	5,251,708
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	(889,544)	1,260,410
Tax effects of:		
Investment income not subject to tax	(1,662,072)	(3,768,407)
Expenses not deductible for tax purposes	847,557	1,048,008
Restrictions on tax deductible expenses for Unit Trust Funds	1,704,059	1,459,989
Local investment income subject to different tax rates	-	89,349
Foreign investment income subject to different tax rates	(36,615)	243,739
Tax (credit)/expense	<u>(36,615)</u>	<u>333,088</u>

AFFIN HWANG SELECT DIVIDEND FUND

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

7 DISTRIBUTIONS

	<u>2019</u> RM	<u>2018</u> RM
Distributions to unitholders are from the following sources:		
Dividend income	-	750,933
Previous years' realised income	14,627,170	16,300,327
	<hr/>	<hr/>
Gross realised income	14,627,170	17,051,260
Less: Expenses	-	-
	<hr/>	<hr/>
Net distribution amount	<u>14,627,170</u>	<u>17,051,260</u>

During the financial year 30 September 2019, distributions were made as follows:

<u>2019</u>	<u>Gross/Net distribution per unit (sen)</u>
10.12.2018	1.00
19.06.2019	1.00
	<hr/>
Gross/Net distribution per unit (sen)	<u>2.00</u>

During the financial year 30 September 2018, distributions were made as follows:

<u>2018</u>	<u>Gross/net distribution per unit (sen)</u>
12.12.2017	2.00
13.06.2018	1.00
	<hr/>
Gross/Net distribution per unit (sen)	<u>3.00</u>

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

Included in distributions for the financial year is an amount of RM14,627,170 (2018: RM16,300,327) made from previous years' realised income.

As at 30 September 2019, the Fund has incurred an unrealised losses of RM12,076,566 (2018: RM15,731,813).

AFFIN HWANG SELECT DIVIDEND FUND

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

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2019</u> RM	<u>2018</u> RM
Financial assets at fair value through profit or loss:		
- quoted equities – local	306,790,287	299,294,913
- quoted equities – foreign	139,021,023	74,557,558
	<u>445,811,310</u>	<u>373,852,471</u>
Net loss on financial assets at fair value through profit or loss:		
- realised gain on sale of investments	2,066,969	14,433,244
- unrealised loss on changes in fair value	(11,852,999)	(16,276,083)
	<u>(9,786,030)</u>	<u>(1,842,839)</u>

(a) Quoted equities – local

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

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>Construction</u>				
Gamuda Bhd	28,000	102,704	102,480	0.02
IJM Corporation Bhd	3,078,200	6,951,819	6,710,476	1.43
	<u>3,106,200</u>	<u>7,054,523</u>	<u>6,812,956</u>	<u>1.45</u>
<u>Consumer Products & Services</u>				
Aeon Company (M) Bhd	2,382,500	4,824,169	3,454,625	0.73
Carlsberg Brewery Malaysia Bhd	231,600	5,663,608	6,063,288	1.29
Esthetics Intl Group Bhd	3,592,700	3,237,357	2,029,875	0.43
Fraser & Neave Holdings Bhd	131,000	4,585,367	4,566,660	0.97
Genting Malaysia Bhd	1,971,000	6,543,335	5,972,130	1.27
Heineken Malaysia Bhd	308,700	5,599,442	7,408,800	1.58
Hong Leong Industries Bhd	488,900	4,840,276	5,045,448	1.07
Petronas Dagangan Bhd	404,000	10,390,814	9,526,320	2.02
	<u>9,510,400</u>	<u>45,684,368</u>	<u>44,067,146</u>	<u>9.36</u>
<u>Energy</u>				
Dialog Group Bhd	3,030,100	9,739,944	10,302,340	2.19

AFFIN HWANG SELECT DIVIDEND FUND

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

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

(a) Quoted equities – local (continued)

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

	Quantity	Aggregate cost RM	Fair value RM	Percentage of NAV %
<u>Financial Services</u>				
Aeon Credit Service (M) Bhd	503,197	6,452,807	7,336,612	1.56
Allianz Malaysia Bhd	659,200	3,825,087	9,110,144	1.94
Bursa Malaysia Bhd	846,600	5,971,904	5,155,794	1.10
CIMB Group Holdings Bhd	3,912,554	22,953,755	19,680,147	4.19
Hong Leong Bank Bhd	462,000	7,584,772	7,558,320	1.61
Hong Leong Financial Group Bhd	303,000	5,575,200	4,926,780	1.05
Malayan Banking Bhd	2,233,798	20,972,373	19,009,621	4.04
RHB Bank Bhd	1,703,000	9,093,578	9,587,890	2.04
Syarikat Takaful Malaysia	1,401,000	6,090,686	8,125,800	1.73
	12,024,349	88,520,162	90,491,108	19.26
<u>Industrial Products & Services</u>				
Petronas Chemicals Group Bhd	1,241,500	10,555,773	9,311,250	1.98
Scientex Bhd	1,296,600	10,833,022	11,591,604	2.47
Sunway Bhd	6,187,128	9,338,629	10,518,118	2.24
	8,725,228	30,727,424	31,420,972	6.69
<u>Plantation</u>				
Sarawak Oil Palms Bhd	806,700	3,394,450	1,677,936	0.36
<u>Property</u>				
SP Setia Bhd Group – Preference Shares	6,763,800	7,278,782	5,816,868	1.24
UOA Development Bhd	3,110,000	7,839,445	6,220,000	1.32
	9,873,800	15,118,227	12,036,868	2.56
<u>REITs</u>				
Axis Real Estate Invt Trust	5,581,919	8,104,017	10,270,731	2.18
Sunway REIT	5,113,000	8,940,292	9,816,960	2.09
YTL Hospitality REIT	4,958,300	5,419,863	6,644,122	1.41
	15,653,219	22,464,172	26,731,813	5.68
<u>Technology</u>				
Inari Amertron Bhd	3,225,000	5,874,060	5,837,250	1.24

AFFIN HWANG SELECT DIVIDEND FUND

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

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

(a) Quoted equities – local (continued)

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

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Telecommunications</u>				
Astro Malaysia Holdings Bhd	5,649,500	8,577,891	8,135,280	1.72
Axiata Group Bhd	1,870,000	8,381,027	8,041,000	1.72
Digi.Com Bhd	2,229,600	11,058,783	10,546,008	2.24
TIME dotCom Bhd	1,126,000	10,048,030	10,167,780	2.16
	<u>10,875,100</u>	<u>38,065,731</u>	<u>36,890,068</u>	<u>7.84</u>
<u>Transportation & Logistics</u>				
Malaysia Airports Holdings Bhd	712,000	6,029,568	6,158,800	1.31
MISC Bhd	989,000	6,908,987	7,704,310	1.64
	<u>1,701,000</u>	<u>12,938,555</u>	<u>13,863,110</u>	<u>2.95</u>
<u>Utilities</u>				
Tenaga Nasional Bhd	1,960,200	28,455,013	26,658,720	5.67
Total quoted equities – local	<u>80,491,296</u>	<u>308,036,629</u>	<u>306,790,287</u>	<u>65.25</u>
Accumulated unrealised loss on quoted equities – local		<u>(1,246,342)</u>		
Total quoted equities – local		<u>306,790,287</u>		

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

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Construction</u>				
IJM Corporation Bhd	4,760,000	11,037,318	8,520,400	1.78
<u>Energy</u>				
Dialog Group Bhd	1,748,100	3,020,063	6,083,388	1.27

AFFIN HWANG SELECT DIVIDEND FUND

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

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

(a) Quoted equities – local (continued)

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

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>Consumer Products & Services</u>				
Aeon Co. (M) Bhd	1,837,000	3,945,532	3,122,900	0.65
Esthetics International Group	3,592,700	3,237,357	2,083,766	0.44
Fraser & Neave Hldg Bhd	241,800	6,237,921	9,111,024	1.90
Heineken Malaysia Bhd	365,800	6,665,959	7,359,896	1.54
Petronas Dagangan Bhd	690,000	17,762,641	18,091,800	3.78
	<u>6,727,300</u>	<u>37,849,410</u>	<u>39,769,386</u>	<u>8.31</u>
<u>Financial Services</u>				
Aeon Credit Service (M) Bhd	857,497	10,400,727	13,805,702	2.88
Allianz Malaysia Bhd	660,300	3,831,470	8,399,016	1.75
AMMB Hldg Bhd	1,874,000	7,694,478	7,702,140	1.61
CIMB Group Hldg Bhd	4,042,010	24,002,742	24,211,640	5.06
Hong Leong Bank Bhd	463,900	7,506,952	9,547,062	1.99
Malayan Banking Bhd	2,435,262	23,006,904	23,816,862	4.97
MNRB Hldg Bhd	1,482,800	3,612,338	1,675,564	0.35
MNRB Hldg Bhd - Rights	2,075,920	-	477,462	0.10
Public Bank Bhd	566,600	13,440,622	14,153,668	2.96
RHB Bank Bhd	1,759,700	9,137,789	9,431,992	1.97
	<u>16,217,989</u>	<u>102,634,022</u>	<u>113,221,108</u>	<u>23.64</u>
<u>Health Care</u>				
KPJ Healthcare Bhd	8,133,000	8,561,468	8,783,640	1.83
<u>Industrial Products & Services</u>				
Boustead Hldg Bhd	385,600	1,156,800	732,640	0.15
Petronas Chemicals Group Bhd	1,749,600	14,671,180	16,376,256	3.42
Scientex Inc. Bhd	1,046,600	8,568,438	9,210,080	1.92
Sunway Bhd	4,679,403	6,867,760	7,065,899	1.48
V.S. Industry	1,901,000	4,520,862	3,269,720	0.68
	<u>9,762,203</u>	<u>35,785,040</u>	<u>36,654,595</u>	<u>7.65</u>
<u>Plantation</u>				
FGV Hldg Bhd	368,000	618,348	566,720	0.12
Sarawak Oil Palms Bhd	884,700	3,722,660	2,459,466	0.51
	<u>1,252,700</u>	<u>4,341,008</u>	<u>3,026,186</u>	<u>0.63</u>

AFFIN HWANG SELECT DIVIDEND FUND

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

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

(a) Quoted equities – local (continued)

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

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Property</u>				
SP Setia Bhd	1,541,296	4,729,090	4,146,086	0.87
SP Setia Bhd – Preference Shares	6,763,800	7,278,782	6,527,067	1.36
UOA Development Bhd	3,228,000	8,257,364	7,424,400	1.55
	<u>11,533,096</u>	<u>20,265,236</u>	<u>18,097,553</u>	<u>3.78</u>
<u>Technology</u>				
Inari Amertron Bhd	2,169,000	4,838,528	4,945,320	1.03
Unisem Bhd	828,400	2,712,888	2,568,040	0.54
	<u>2,997,400</u>	<u>7,551,416</u>	<u>7,513,360</u>	<u>1.57</u>
<u>Telecommunications & Media</u>				
Astro Malaysia Hldg Bhd	4,482,600	7,720,327	6,589,422	1.38
Axiata Group Bhd	3,924	15,578	17,893	-
	<u>4,486,524</u>	<u>7,735,905</u>	<u>6,607,315</u>	<u>1.38</u>
<u>Utilities</u>				
Tenaga Nasional Bhd	2,006,200	29,577,212	30,975,728	6.47
<u>REITs</u>				
Axis REIT	5,324,000	7,670,710	7,826,280	1.63
IGB REIT	4,097,200	5,641,011	6,924,268	1.45
YTL Hospitality REIT	4,302,200	4,621,612	5,291,706	1.11
	<u>13,723,400</u>	<u>17,933,333</u>	<u>20,042,254</u>	<u>4.19</u>
Total quoted equities – local	<u>83,347,912</u>	<u>286,291,431</u>	<u>299,294,913</u>	<u>62.50</u>
Accumulated unrealised gain on quoted equities – local		<u>13,003,482</u>		
Total quoted equities – local		<u>299,294,913</u>		

AFFIN HWANG SELECT DIVIDEND FUND

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

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

(b) Quoted equities – foreign

(i) Quoted equities – foreign as at 30 September 2019 are as follows:

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>China</u>				
<u>Consumer Services</u>				
China Xinhua Education Group	1,237,000	2,014,294	1,658,001	0.35
<u>Hong Kong</u>				
<u>Consumer Goods</u>				
Shenzhou Intl Group Holdings	84,800	4,692,521	4,618,886	0.98
<u>Financials</u>				
AIA Group Ltd	347,800	15,307,358	13,743,665	2.92
Hong Kong Exchange & Clearing	51,300	7,626,360	6,295,187	1.34
Ping An Insurance Grp Co China	201,000	9,935,615	9,654,693	2.06
	<u>600,100</u>	<u>32,869,333</u>	<u>29,693,545</u>	<u>6.32</u>
<u>Technology</u>				
HKBN Ltd	1,319,000	7,491,151	10,170,756	2.16
Tencent Holdings Ltd	47,700	8,426,031	8,405,694	1.79
	<u>1,366,700</u>	<u>15,917,182</u>	<u>18,576,450</u>	<u>3.95</u>
<u>India</u>				
<u>Financials</u>				
Embassy Office Parks REIT	280,800	5,244,580	6,639,772	1.41
HDFC Bank Ltd	76,128	4,899,332	5,520,475	1.18
	<u>356,928</u>	<u>10,143,912</u>	<u>12,160,247</u>	<u>2.59</u>
<u>Indonesia</u>				
<u>Financials</u>				
Bank Central Asia Tbk PT	548,300	4,764,400	4,901,698	1.04

AFFIN HWANG SELECT DIVIDEND FUND

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

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

(b) Quoted equities – foreign (continued)

(i) Quoted equities – foreign as at 30 September 2019 are as follows: (continued)

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Singapore</u>				
<u>Financials</u>				
Ascendas Real Estate Inv Trust	408,200	3,110,040	3,858,832	0.82
CapitaLand Retail China Trust	1,131,400	5,017,326	5,244,884	1.12
Frasers Logistic & Indus Trust	1,415,560	3,705,280	5,275,476	1.12
Manulife US REIT	2,145,000	7,639,177	7,947,338	1.69
Manulife US REIT - Rights	106,600	-	11,157	-
Mapletree Industrial Trust	763,531	4,452,726	5,598,483	1.19
Mapletree North Asia Com Trust	946,300	2,908,191	3,756,025	0.80
Prime US REIT	1,651,900	5,970,958	6,431,582	1.37
	<u>8,568,491</u>	<u>32,803,698</u>	<u>38,123,777</u>	<u>8.11</u>
<u>Industrials</u>				
Venture Corp Ltd	227,100	12,620,037	10,527,781	2.24
<u>Telecommunications</u>				
Singapore Telecom Ltd	713,800	7,481,773	6,682,875	1.42
<u>Taiwan</u>				
<u>Technology</u>				
Ascendas Real Estate Inv Trust	208,000	7,092,988	7,618,073	1.62
<u>United States</u>				
<u>Consumer Services</u>				
Alibaba Group Holding Ltd	6,370	4,625,018	4,459,690	0.95
Total quoted equities – foreign	<u>13,917,589</u>	<u>135,025,156</u>	<u>139,021,023</u>	<u>29.57</u>
Accumulated unrealised gain on quoted equities – foreign		<u>3,995,867</u>		
Total quoted equities – foreign		<u>139,021,023</u>		

AFFIN HWANG SELECT DIVIDEND FUND

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

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

- b) Quoted equities – foreign (continued)
(ii) Quoted equities – foreign as at 30 September 2018 are as follows:

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>China</u>				
<u>Financials</u>				
China Construction Bank Co.	616,000	2,278,320	2,223,968	0.46
Ping An Insurance Group Co.	81,500	3,108,514	3,422,778	0.71
	<u>697,500</u>	<u>5,386,834</u>	<u>5,646,746</u>	<u>1.17</u>
<u>Industrials</u>				
Anhui Conch Cement Co. Ltd	95,000	2,201,464	2,370,242	0.50
<u>Hong Kong</u>				
<u>Consumer Goods</u>				
China Mengniu Dairy Co. Ltd	93,000	1,263,351	1,278,155	0.27
<u>Consumer Services</u>				
China New Higher Education Group Ltd	773,000	2,929,997	2,194,224	0.46
China Xinhua Education Group	1,237,000	2,014,294	1,582,385	0.33
	<u>2,010,000</u>	<u>4,944,291</u>	<u>3,776,609</u>	<u>0.79</u>
<u>Financials</u>				
A-Living Services Co. Ltd	659,750	5,163,029	4,191,901	0.88
Link REIT	57,500	2,323,146	2,338,857	0.49
	<u>717,250</u>	<u>7,486,175</u>	<u>6,530,758</u>	<u>1.37</u>
<u>Oil & Gas</u>				
CNOOC Ltd	15,000	117,660	122,900	0.03
<u>Technology</u>				
HKBN Ltd	761,000	3,623,413	5,390,346	1.13
Tencent Hldg Ltd	19,300	3,866,298	3,297,280	0.69
	<u>780,300</u>	<u>7,489,711</u>	<u>8,687,626</u>	<u>1.82</u>

AFFIN HWANG SELECT DIVIDEND FUND

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

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

(b) Quoted equities – foreign (continued)

(ii) Quoted equities – foreign as at 30 September 2018 are as follows: (continued)

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>Hong Kong</u> (continued)				
<u>Utilities</u>				
CK Infrastructure Hldg Ltd	111,000	3,640,022	3,637,825	0.76
<u>Korea</u>				
<u>Preference Shares</u>				
Samsung Electronics	24,950	3,592,217	3,516,763	0.73
<u>Singapore</u>				
<u>Financials</u>				
Ascendas Real Estate Inv Trust	898,900	6,879,300	7,149,532	1.49
DBS Group Hldg Ltd	85,600	6,553,050	6,748,780	1.41
FRASERS Logistics & Industries	2,302,260	6,183,107	7,449,869	1.56
Mapletree Logistics Trust	2,600,900	9,511,447	9,596,083	2.00
Mapletree North Asia Comm Trust	946,300	2,949,258	3,233,835	0.68
	<u>6,833,960</u>	<u>32,076,162</u>	<u>34,178,099</u>	<u>7.14</u>
<u>Industrials</u>				
Singapore Technologies Engineering Ltd	448,200	4,760,629	4,811,835	1.00
Total quoted equities – foreign	<u>11,826,160</u>	<u>72,958,516</u>	<u>74,557,558</u>	<u>15.58</u>
Accumulated unrealised gain on quoted equities – foreign		<u>1,599,042</u>		
Total quoted equities – foreign		<u>74,557,558</u>		

AFFIN HWANG SELECT DIVIDEND FUND

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

9 CASH AND CASH EQUIVALENTS

	<u>2019</u> RM	<u>2018</u> RM
Cash and bank balances	8,810,566	68,740,820
Deposits with licensed financial institutions	16,118,145	39,260,003
	<u>24,928,711</u>	<u>108,000,823</u>

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

	<u>2019</u> %	<u>2018</u> %
Deposits with licensed financial institutions	3.00	3.38

Deposits with licensed financial institutions have an average maturity of 1 day (2018: 4 days).

10 NUMBER OF UNITS IN CIRCULATION

	<u>2019</u> No. of units	<u>2018</u> No. of units
At the beginning of the financial year	713,322,000	537,585,000
Creation of units arising from applications	69,145,943	227,384,816
Creation of units arising from distributions	22,320,057	24,733,184
Cancellation of units	(76,646,000)	(76,381,000)
At the end of the financial year	<u>728,142,000</u>	<u>713,322,000</u>

AFFIN HWANG SELECT DIVIDEND FUND

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

11 TRANSACTIONS WITH BROKERS

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

<u>Name of brokers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage</u> %
Affin Hwang Investment Bank Bhd	188,641,411	18.91	471,604	22.02
CLSA Ltd	116,565,337	11.68	228,960	10.69
Macquarie Securities Ltd	103,620,754	10.39	149,742	6.99
Maybank Investment Bank Bhd	61,382,085	6.15	153,455	7.17
Citigroup Glo Mkts SIN Pte Ltd	50,762,375	5.09	102,565	4.79
Hong Leong Investment Bank Bhd	43,597,511	4.37	88,183	4.12
Affin Hwang Asset Mgmt Bhd	40,011,296	4.01	-	-
UOB Kay Hian Pte Ltd	34,286,681	3.44	85,717	4.00
DBS Vickers Sec (SG) Pte Ltd	34,035,158	3.41	158,614	7.41
CLSA Securities M Sdn Bhd	24,296,857	2.44	60,742	2.84
Others	300,353,351	30.11	642,015	29.98
	<u>997,552,816</u>	<u>100.00</u>	<u>2,141,597</u>	<u>100.00</u>

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

<u>Name of brokers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage</u> %
Affin Hwang Investment Bank Bhd	157,754,242	14.46	386,675	14.52
CLSA Ltd	121,396,642	11.12	246,710	9.27
Maybank Investment Bank Bhd	95,814,546	8.78	238,956	8.98
Macquarie Securities Ltd	58,087,104	5.32	161,743	6.08
Citigroup Global Mkts Singapore Pte Ltd	56,010,032	5.13	125,150	4.70
MasterLink Securities Co	53,603,027	4.91	134,008	5.03
JP Morgan Sec (Asia Pacific) Ltd	51,243,262	4.70	129,951	4.88
UOB Kay Hian Pte Ltd	37,545,395	3.44	93,863	3.52
Credit Suisse AG	33,836,951	3.10	85,339	3.20
CIMB Investment Bank Bhd	33,733,915	3.09	84,335	3.17
Others	392,188,501	35.95	975,808	36.65
	<u>1,091,213,617</u>	<u>100.00</u>	<u>2,662,538</u>	<u>100.00</u>

AFFIN HWANG SELECT DIVIDEND FUND

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

11 TRANSACTIONS WITH BROKERS (CONTINUED)

Included in transactions with brokers are trades with Affin Hwang Investment Bank Bhd and Affin Hwang Asset Management Bhd, companies related to the Manager amounting to RM188,641,411 and RM40,011,296 (2018: RM157,754,242 and RM Nil) respectively.

The Manager is of the opinion that all transactions with the related companies have been entered into in the normal course of business at agreed terms between the related parties.

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

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

<u>Related parties</u>	<u>Relationships</u>
Affin Hwang Asset Management Berhad	The Manager
Affin Hwang Investment Bank Berhad	Holding company of the Manager
Affin 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	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>282,025</u>	<u>182,104</u>	<u>908,769</u>	<u>610,057</u>
<u>Parties related to the Manager:</u>				
Director of Affin Hwang Asset Management Berhad (The units are held beneficially)	<u>1,292,614</u>	<u>834,641</u>	<u>1,253,699</u>	<u>841,608</u>
AXA Affin Life Insurance Berhad (The units are held beneficially)	<u>72,462,204</u>	<u>46,788,845</u>	<u>59,976,781</u>	<u>40,262,413</u>

AFFIN HWANG SELECT DIVIDEND FUND

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

13 MANAGEMENT EXPENSE RATIO (“MER”)

	<u>2019</u>	<u>2018</u>
	%	%
MER	1.61	1.64

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 fees
- C = Auditors' remuneration
- D = Tax agent's fee
- E = Other expenses, excluding sales and service tax on transaction costs and withholding tax
- F = Average NAV of the Fund calculated on a daily basis

The average NAV of the Fund for the financial year calculated on a daily basis is RM478,238,058 (2018: RM412,162,334).

14 PORTFOLIO TURNOVER RATIO (“PTR”)

	<u>2019</u>	<u>2018</u>
PTR (times)	1.04	1.33

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 = RM539,754,074 (2018: RM568,053,544)
total disposal for the financial year = RM458,009,205 (2018: RM527,401,341)

AFFIN HWANG SELECT DIVIDEND FUND

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

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

From 1 October 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.
- Investments in debt instruments: There are 3 subsequent measurement categories: amortised cost, fair value with changes either recognised through other comprehensive income ("FVOCI") or through profit or loss ("FVTPL").

(b) Impairment

From 1 October 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.

AFFIN HWANG SELECT DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 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 October 2018 are compared as follows

	Measurement category		Carrying amount			
	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139)	Reclassifications	Remeasurements	New (MFRS 9)
			RM	RM	RM	RM
Assets						
Cash and cash equivalents	Loans and receivables	Amortised cost	108,000,823	-	-	108,000,823
Investment in equity securities	FVTPL	FVTPL	373,852,471	-	-	373,852,471
Amount due from Manager	Loans and receivables	Amortised cost	1,248,082	-	-	1,248,082
Dividends receivable	Loans and receivables	Amortised cost	2,603,590	-	-	2,603,590
Tax recoverable	Loans and receivables	Amortised cost	2,966	-	-	2,966
Liabilities						
Amount due to Manager - management fee	Amortised cost	Amortised cost	585,346	-	-	585,346
Amount due to Trustee	Amortised cost	Amortised cost	31,219	-	-	31,219
Amount due to brokers	Amortised cost	Amortised cost	6,233,741	-	-	6,233,741
Auditors' remuneration	Amortised cost	Amortised cost	7,500	-	-	7,500
Tax agent's fee	Amortised cost	Amortised cost	6,900	-	-	6,900
Other payables and accruals	Amortised cost	Amortised cost	6,702	-	-	6,702

AFFIN HWANG SELECT DIVIDEND FUND

STATEMENT BY THE MANAGER

I, Teng Chee Wai, as the Director of **Affin Hwang Asset Management Berhad**, do hereby state that in my opinion as the Manager, the financial statements set out on pages 10 to 49 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the financial position of the Fund as at 30 September 2019 and of its financial performance, changes in equity and cash flows for the financial year ended 30 September 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

15 November 2019

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG SELECT DIVIDEND FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Affin Hwang Select Dividend Fund ("the Fund") give a true and fair view of the financial position of the Fund as at 30 September 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 September 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 10 to 49.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

Independence and other ethical responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG SELECT DIVIDEND FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the Manager for the financial statements

The Manager of the Fund is responsible for the preparation of the financial statements of the Fund that 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 SELECT DIVIDEND FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- (d) Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF
AFFIN HWANG SELECT DIVIDEND FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
(LLP0014401-LCA & AF 1146)
Chartered Accountants

Kuala Lumpur
15 November 2019

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