

Affin Hwang World Series - China Growth Fund

Annual Report
31 May 2020

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



AFFIN HWANG
CAPITAL

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

TRUSTEE
HSBC (Malaysia) Trustee Berhad
193701000084 (001281T)

AFFIN HWANG WORLD SERIES – CHINA GROWTH FUND

Annual Report and Audited Financial Statements For The Financial Year Ended 31 May 2020

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FUND INFORMATION

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

BREAKDOWN OF UNITHOLDERS BY USD CLASS SIZE AS AT 31 MAY 2020

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	-	-
5,001 to 10,000	-	-
10,001 to 50,000	1	30
50,001 to 500,000	6	1,459
500,001 and above	2	9,764
Total	9	11,253

* Note: Excluding Manager's stock

BREAKDOWN OF UNITHOLDERS BY MYR CLASS SIZE AS AT 31 MAY 2020

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	3	10
5,001 to 10,000	1	9
10,001 to 50,000	15	432
50,001 to 500,000	30	4,087
500,001 and above	9	70,386
Total	58	74,924

* Note: Excluding Manager's stock

BREAKDOWN OF UNITHOLDERS BY MYR-HEDGED CLASS SIZE AS AT 31 MAY 2020

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	-	-
5,001 to 10,000	-	-
10,001 to 50,000	-	-
50,001 to 500,000	7	1,671
500,001 and above	5	178,547
Total	12	180,218

* Note: Excluding Manager's stock

FUND PERFORMANCE DATA

Category	As At 31 May 2020 (%)			As At 31 May 2019 (%)			As At 31 May 2018 (%)		
Portfolio composition									
Collective investment scheme	98.02			98.96			97.91		
Cash and cash equivalent	1.98			1.04			2.09		
Total	100.00			100.00			100.00		
Currency class	<u>USD</u> <u>Class</u>	<u>MYR</u> <u>Class</u>	<u>MYR-</u> <u>Hedged</u> <u>Class</u>	<u>USD</u> <u>Class</u>	<u>MYR</u> <u>Class</u>	<u>MYR-</u> <u>Hedged</u> <u>Class</u>	<u>USD</u> <u>Class</u>	<u>MYR</u> <u>Class</u>	<u>MYR-</u> <u>Hedged</u> <u>Class</u>
Total NAV (in million)	5.503	64.490	88.054	7.724	85.277	127.316	12.807	108.407	141.028
NAV per unit (in respective currencies)	0.4889	0.8607	0.4884	0.4443	0.7540	0.4465	0.5510	0.8886	0.5543
Unit in Circulation (in million)	11.256	74.926	180.221	17.382	113.084	285.048	23.242	121.998	254.425
Highest NAV	0.5279	0.8980	0.5306	0.5724	0.9223	0.5755	0.6163	0.9659	0.6163
Lowest NAV	0.4024	0.7192	0.4042	0.4209	0.7084	0.4239	0.5000	0.7433	0.4992
Return of the Fund (%) ⁱⁱⁱ	10.04	14.15	9.38	-19.36	-15.15	-19.45	10.20	19.55	10.86
- Capital Return (%) ⁱ	10.04	14.15	9.38	-19.36	-15.15	-19.45	10.20	19.55	10.86
- Income Return (%) ⁱⁱ	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Gross Distribution per Unit (sen)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Distribution per Unit (sen)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Management Expenses Ratio (%) ¹		1.86			1.85			2.74	
Portfolio Turnover Ratio (times) ²		0.27			0.17			1.34	

¹ The Fund's MER increased due to lower average NAV of the Fund during the period under review.

² The Fund's PTR was higher than previous year as the Manager had increased trading activities during the period under review.

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

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

An illustration of the above would be as follow:-

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

MANAGER'S REPORT

Income Distribution / Unit Split

No income distributions or unit splits were declared for the financial year ended 31 May 2020.

Performance Review

MYR Hedged Class

For the period 1 June 2019 to 31 May 2020, the Fund registered a return of 9.38%. It underperformed the Benchmark return of 13.70% by 4.32 percentage points. The Net Asset Value (NAV) per unit of the Fund on 31 May 2020 was RM0.4884 while the NAV per unit on 31 May 2019 was RM0.4465. (See Table 1 for the performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively).

Since commencement until 31 May 2020, the Fund registered a return of -2.32%. Compared to the Benchmark return of 6.52% for the same period, the Fund underperformed the Benchmark by 8.84 percentage points.

USD Class

For the period 1 June 2019 to 31 May 2020, the Fund registered a return of 10.04%. It outperformed the Benchmark return of 9.29% by 0.75 percentage points. The Net Asset Value (NAV) per unit of the Fund on 31 May 2020 was USD 0.4889 while the NAV per unit on 31 May 2019 was USD 0.4443. (See Table 1 for the performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively).

Since commencement until 31 May 2020, the Fund registered a return of -2.22%. Compared to the Benchmark return of 5.12% for the same period, the Fund underperformed the Benchmark by 7.34 percentage points.

MYR Class

For the period 1 June 2019 to 31 May 2020, the Fund registered a return of 14.15%. It outperformed the Benchmark return of 13.70% by 0.45 percentage points. The Net Asset Value (NAV) per unit of the Fund on 31 May 2020 was RM0.8607 while the NAV per unit on 31 May 2019 was RM0.7540. (See Table 1 for the performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively).

Since commencement until 31 May 2020, the Fund registered a return of 72.14%. Compared to the Benchmark return of 89.49% for the same period, the Fund underperformed the Benchmark by 17.35 percentage points.

Over the year under review, the Fund has met its objective of providing capital appreciation.

MYR Hedged Class

Table 1: Performance of the Fund

	1 Year (1/6/19 - 31/5/20)	Since Commencement (15/8/17 - 31/5/20)
Fund	9.38%	(2.32%)
Benchmark	13.70%	6.52%
Outperformance / (Underperformance)	(4.32%)	(8.84%)

Source of Benchmark: Bloomberg

Table 2: Average Total Return

	1 Year (1/6/19 - 31/5/20)	Since Commencement (15/8/17 - 31/5/20)
Fund	9.38%	(0.84%)
Benchmark	13.70%	2.29%
Outperformance / (Underperformance)	(4.32%)	(3.13%)

Source of Benchmark: Bloomberg

Table 3: Annual Total Return

	FYE 2020 (01/6/19 - 31/5/20)	FYE 2019 (01/6/18 - 31/5/19)	FYE 2018 (15/8/17 - 31/5/18)
Fund	9.38%	(19.45%)	10.86%
Benchmark	13.70%	(13.36%)	8.13%
Outperformance / (Underperformance)	(4.32%)	(6.09%)	2.73%

Source of Benchmark: Bloomberg

USD Class

Table 1: Performance of the Fund

	1 Year (1/6/19 - 31/5/20)	Since Commencement (15/8/17 - 31/5/20)
Fund	10.04%	(2.22%)
Benchmark	9.29%	5.12%
Outperformance / (Underperformance)	0.75%	(7.34%)

Source of Benchmark: Bloomberg

Table 2: Average Total Return

	1 Year (1/6/19 - 31/5/20)	Since Commencement (15/8/17 - 31/5/20)
Fund	10.04%	(0.80%)
Benchmark	9.29%	1.81%
Outperformance / (Underperformance)	0.75%	(2.61%)

Source of Benchmark: Bloomberg

Table 3: Annual Total Return

	FYE 2020 (01/6/19 - 31/5/20)	FYE 2019 (01/6/18 - 31/5/19)	FYE 2018 (15/8/17 - 31/5/18)
Fund	10.04%	(19.36%)	10.20%
Benchmark	9.29%	(17.54%)	16.65%
Outperformance / (Underperformance)	0.75%	(1.83%)	(6.45%)

Source of Benchmark: Bloomberg

MYR Class

Table 1: Performance of the Fund

	1 Year (1/6/19 - 31/5/20)	3 Years (1/6/17 - 31/5/20)	5 Years (1/6/15 - 31/5/20)	Since Commencement (1/8/11 - 31/5/20)
Fund	14.15%	7.80%	(14.67%)	72.14%
Benchmark	13.70%	16.50%	15.65%	89.49%
Outperformance / (Underperformance)	0.45%	(8.70%)	(30.32%)	(17.35%)

Source of Benchmark: Bloomberg

Table 2: Average Total Return

	1 Year (1/6/19 - 31/5/20)	3 Years (1/6/17 - 31/5/20)	5 Years (1/6/15 - 31/5/20)	Since Commencement (1/8/11 - 31/5/20)
Fund	14.15%	2.53%	(3.12%)	6.34%
Benchmark	13.70%	5.22%	2.95%	7.50%
Outperformance / (Underperformance)	0.45%	(2.69%)	(6.07%)	(1.16%)

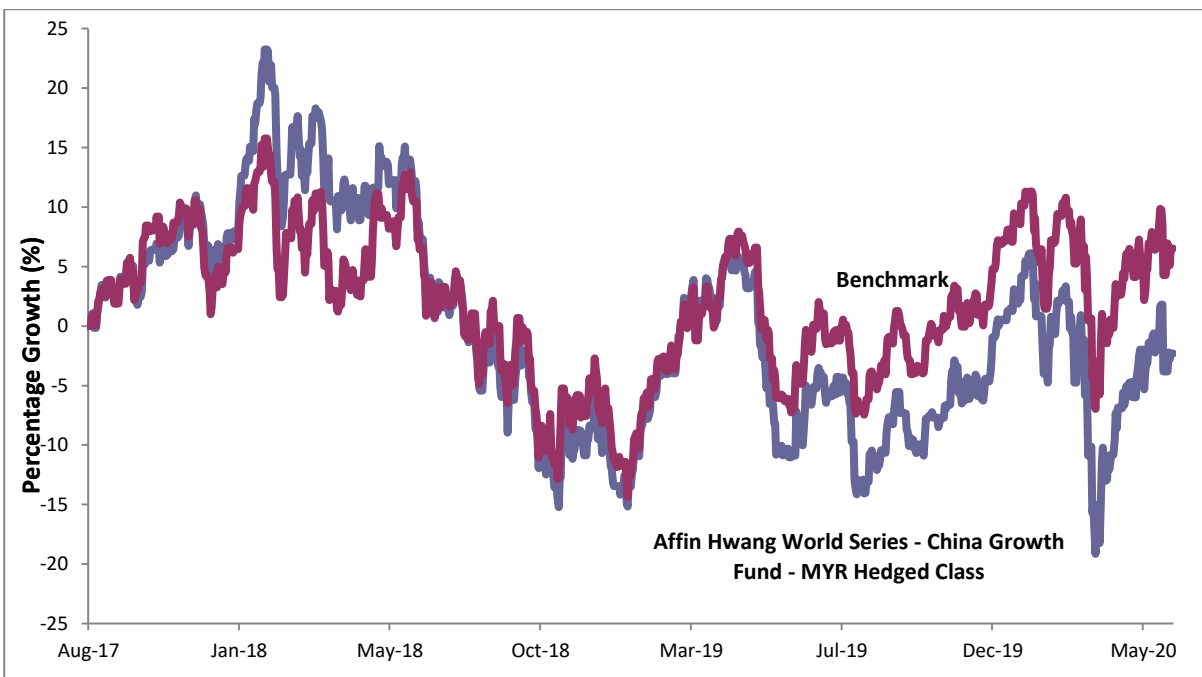
Source of Benchmark: Bloomberg

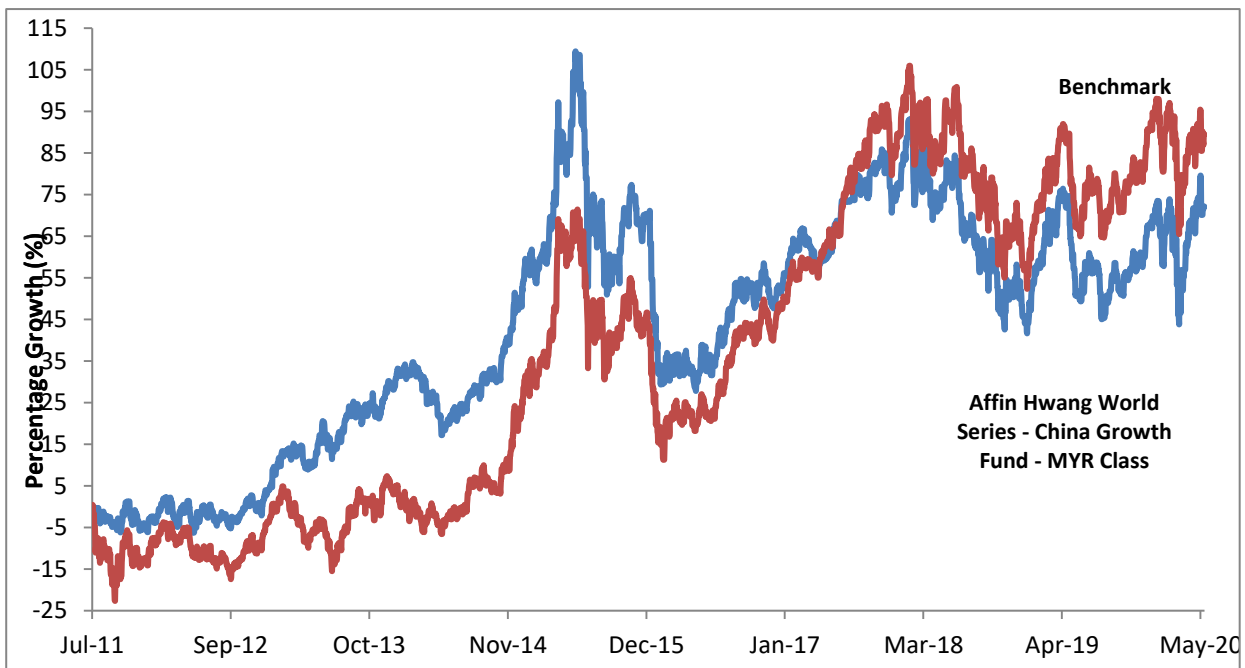
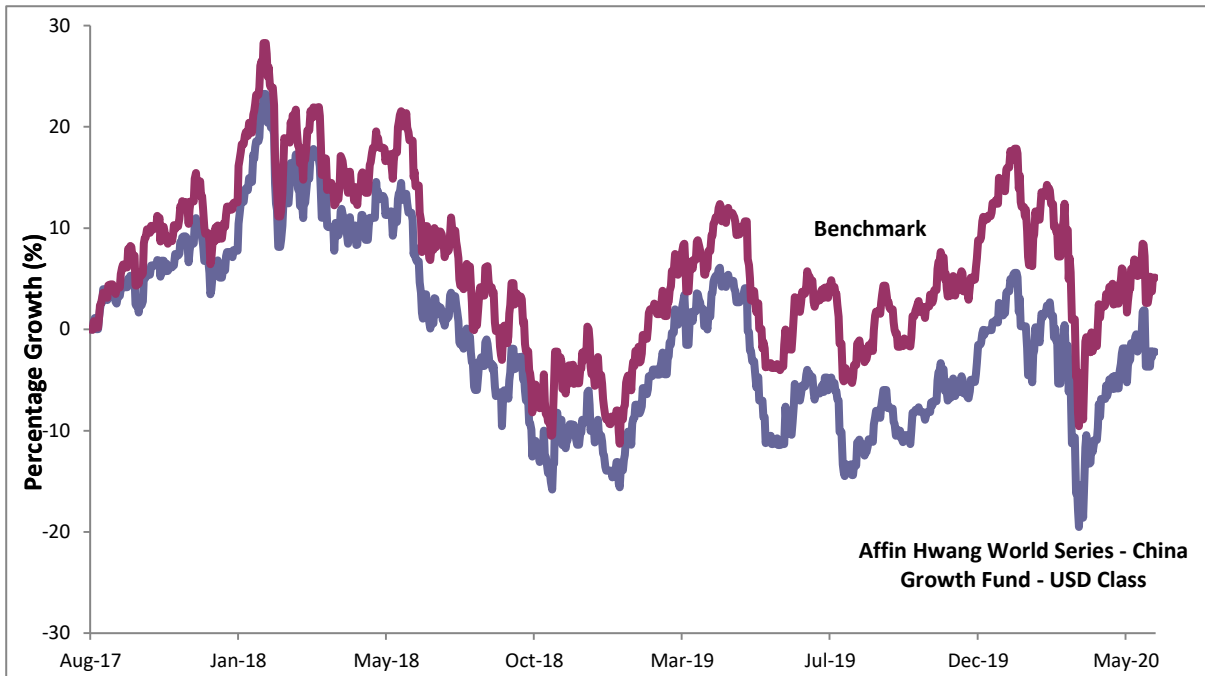
Table 3: Annual Total Return

	FYE 2020 (01/6/19 - 31/5/20)	FYE 2019 (01/6/18 - 31/5/19)	FYE 2018 (01/1/18 - 31/5/18)	FYE 2017 (01/1/17 - 31/12/17)	FYE 2016 (01/1/16 - 31/12/16)
Fund	14.15%	(15.15%)	0.74%	18.67%	(12.09%)
Benchmark	13.70%	(13.36%)	1.58%	32.31%	(0.43%)
Outperformance / (Underperformance)	0.45%	(1.79%)	(0.84%)	(13.64%)	(11.66%)

Source of Benchmark: Bloomberg

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





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

Benchmark: MSCI China 10/40 Index

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

Asset Allocation

For a snapshot of the Fund's asset mix during the year under review, please refer to Fund Performance Data.

As at 31 May 2020, the asset allocation of the Fund's exposure to the collective investment scheme stood at 98.02% of the Fund's NAV, while the balance was held in cash and cash equivalent.

Strategies Employed

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

Market Review

Global markets got off to a rocky start in 2020 as benchmark gauges reeled from contagion fears as a result of the coronavirus outbreak. The Hong Kong Hang Seng index tumbled 6.7% in January, whilst the broader MSCI Asia ex-Japan index fell 4.5%. The World Health Organization declared a global health emergency as soon as the coronavirus outbreak has claimed the lives of at least 300 people with rates of infection rapidly increasing.

The global equities trended even lower in February as risk assets continue to reel from the impact of the Covid-19 outbreak which sent chills to investors. The rapid spread of the infection outside of China with new cases springing in Italy, South Korea and Iran led to a rush towards safe haven assets with US Treasury yields dipping to record lows. The S&P 500 index tumbled 8.4%, whilst the index Dow Jones closed 10.1% lower in the month. The broader MSCI Asia ex-Japan index fell 2.9%.

Coming into March, the global markets faced a washout, as few asset classes were spared from the selloff due to the pandemic fears as infection rates continue to escalate rapidly. The MSCI Asia ex-Japan index closed 12.2% lower in the month and is down 18.6% YTD. In the US, the S&P 500 index closed 12.5% lower and is down by 20% YTD. The global death toll caused by the pandemic surpassed 50,000 as at end of March. In an attempt to stem the fallout from the coronavirus, major economies led by the US has introduced an unprecedented US\$2 trillion relief package to cushion its economy.

The relief package comes as the US also reports the most number of Covid-19 cases, making it the country with the largest outbreak in the world surpassing that of Italy and China. The number of confirmed Covid-19 cases in the US exceeded the grim 100,000 mark as testing is ramped-up in the country and the administration begins to acknowledge the severity of the outbreak and impose more drastic lockdown measures.

However, global equities staged a rebound in April as markets looked past recent softness in economic data and were instead buoyed by stimulus optimism as well as encouraging developments on the COVID-19 front. The rally was fuelled by a volley of stimulus measures rolled out by major central banks including an expansion package by the US Federal Reserve and the European Union (EU). The S&P 500 index advanced by 8.8% in the month; while positive effects were also felt in Asia in which the Hong Kong Hang Seng and the broader MSCI Asia ex-Japan index rose by 4.4% and 8.9% respectively.

The US unveiled its Main Street Lending Program which is designed to provide support and ensure credit flow into SMEs that were in "good financial standing". Similarly, the EU proposed a European Stability Mechanism ("ESM") which offers a credit line of up to 240 billion Euros to EU members.

On commodities, crude oil prices slid 8.0% in April as production cuts agreed by OPEC+ disappointed markets. The supply cuts were unlikely to be sufficient to mitigate the sharp collapse in demand which has also seen depleting storage space in the industry.

On the domestic front, the benchmark KLCI fell by 3% in February as the country plunged into political turmoil which ultimately culminated in the appointment of Tan Sri Muhyiddin Yassin as the eighth Prime Minister, from the Perikatan Nasional coalition (UMNO, PAS, Bersatu and a splinter faction of PKR). The appointment was announced by Istana Negara amidst shifting political allegiances and frantic horse-trading across the ruling and opposition coalitions.

In May, the benchmark KLCI rose 4.7% buoyed by positive sentiment and surge in momentum. Retail investors have piled into the local stock market as trading volumes reach new highs. Malaysia released its first quarterly GDP print. Malaysia's economic growth slowed to 0.7% in the 1Q2020 which is its slowest pace of growth since 2009. Most sectors of the economy contracted except for private consumption which was likely supported by additional spending during the Chinese New Year festivities.

Moving into the 2Q2020, economic growth will likely come off even more sharply as the quarter captures the full impact of the movement control order ("MCO") period where most businesses were temporarily shuttered. Against a challenging backdrop for the economy, the full year GDP growth forecast is expected to shrink between -5.0% and 0.7% in 2020.

Prime Minister Tan Sri Muhyiddin Yassin unveiled a RM250 billion economic stimulus package to soften the economic blow due to the impact of Covid-19 with businesses shuttered due to the movement control order (MCO). Called the Pakej Rangsangan Ekonomi Prihatin Rakyat or Prihatin, the package comprises RM128 billion to protect the welfare of the people, RM100 billion to protect the welfare of small and medium enterprises ("SMEs") and RM2 billion to strengthen the country's economy according to The Edge. This was on top of the RM20 billion stimulus that was earlier announced on 27 February.

Whilst RM250 billion seems like a massive amount on the surface, the actual fiscal spending outlay amounts to 10.0% or RM25 billion. The rest of the relief package comes in the form of loan guarantees, moratorium in loan repayments, EPF withdrawals, among others. In April, Prime Minister had announced an additional RM10 billion package to help SMEs cope during the pandemic.

The budget deficit is expected to widen with the new stimulus package. The government will have to tap into the country's coffers including relying on dividend payments from GLCs like Petronas to help fund the package. However, this also comes on the back of depressed oil prices that may put additional fiscal constraints.

Recent placement exercises by Tenaga Nasional Bhd ("TNB") and Serba Dinamik Holdings Bhd point to strong appetite. Khazanah raised RM1 billion from TNB placement (3x oversubscribed) while Serba Dinamik raised RM456.7 million (1.5x oversubscribed). We could see more placement exercises in the market with ample liquidity on the side-lines as most funds are sitting on decent amounts of cash.

Investment Outlook

In the face of the COVID-19 outbreak, we see it delaying, but not derailing, a growth uptick that should take root this year, though we recognise that there is a risk of a more serious scenario. China's central bank has already started to ease policy, and we are likely to see more support from Chinese authorities to shore up growth. There has been monetary support from central banks across the globe. For markets, the shock impact of COVID-19 has been large and sharp, but we believe investors should be level headed. Market movements have been reminiscent of the financial crisis of 2008, but the global economy and financial system are on a much stronger footing. Investors should take a long term perspective.

In the Fund, we currently most overweight in quality growth sectors, including Consumer Discretionary and Information Technology as we like to seek opportunities under the current macro backdrop of slowing macro growth and lower interest rates. We also overweight in domestic construction or infrastructure facing sectors such as materials and real estate given our positive view on construction activities' resumption in China. On the other hand, we are underweight in Financials given our cautious view on fundamental trend of different subsectors such as banks (due to NPL and NIM pressure), insurance (negative impact from lower rate) and brokers (challenging market environment).

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

TRUSTEE'S REPORT TO THE UNITHOLDERS OF AFFIN HWANG WORLD SERIES – CHINA GROWTH FUND

We have acted as Trustee of Affin Hwang World Series – China Growth Fund (“the Fund”) for the financial year ended 31 May 2020. To the best of our knowledge, Affin Hwang Asset Management Berhad (“the Management Company”), has operated and managed the Fund in accordance with the following:-

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

For HSBC (Malaysia) Trustee Berhad

Tan Bee Nie
Manager, Investment Compliance Monitoring

Kuala Lumpur
15 July 2020

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

	<u>Note</u>	<u>2020</u> USD	<u>2019</u> USD
INVESTMENT INCOME/(LOSS)			
Interest income from financial assets at amortised cost		4,715	4,840
Net gain/(loss) on financial assets at fair value through profit or loss	7	5,929,423	(14,067,285)
Net loss on forward foreign currency contracts at fair value through profit or loss		(666,521)	(1,818,191)
Net gain/(loss) on foreign currency exchange		33,495	(15,015)
		<u>5,301,112</u>	<u>(15,895,651)</u>
EXPENSES			
Management fee	4	(933,554)	(1,214,879)
Trustee fee	5	(26,122)	(34,242)
Auditors' remuneration		(1,910)	(1,897)
Tax agent's fee		(835)	(1,668)
Other expenses		(1,251)	(299)
		<u>(963,672)</u>	<u>(1,252,985)</u>
PROFIT/(LOSS) BEFORE TAXATION		4,337,440	(17,148,636)
TAXATION	6	-	-
PROFIT/(LOSS) AFTER TAXATION		<u>4,337,440</u>	<u>(17,148,636)</u>
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>4,337,440</u>	<u>(17,148,636)</u>
Increase/(decrease) in net assets attributable to unitholders comprise the following:			
Realised amount		(3,939,812)	(4,289,118)
Unrealised amount		8,277,252	(12,859,518)
		<u>4,337,440</u>	<u>(17,148,636)</u>

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

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2020

	<u>Note</u>	<u>2020</u> USD	<u>2019</u> USD
ASSETS			
Cash and cash equivalents	8	1,329,500	1,178,126
Amount due from broker		810,224	-
Amount due from Manager			
- creation of units		24,949	41,897
- management fee rebate receivable		25,919	51,711
Financial assets at fair value through profit or loss	7	39,805,045	57,864,035
Forward foreign currency contracts at fair value through profit or loss	9	3,358	4,332
TOTAL ASSETS		<u>41,998,995</u>	<u>59,140,101</u>
LIABILITIES			
Forward foreign currency contracts at fair value through profit or loss	9	659,369	400,418
Amount due to Manager			
- cancellation of units		508,373	107,765
- management fee		63,442	96,959
Amount due to Trustee		1,762	2,693
Amount due to broker		151,806	54,933
Auditors' remuneration		2,062	1,941
Tax agent's fee		825	885
Other payables and accruals		1,012	446
TOTAL LIABILITIES (EXCLUDING NET ASSET ATTRIBUTABLE TO UNITHOLDERS)		<u>1,388,651</u>	<u>666,040</u>
NET ASSET VALUE OF THE FUND		<u>40,610,344</u>	<u>58,474,061</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>40,610,344</u>	<u>58,474,061</u>

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

AFFIN HWANG WORLD SERIES – CHINA GROWTH FUND

STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2020 (CONTINUED)

	<u>Note</u>	<u>2020</u> USD	<u>2019</u> USD
REPRESENTED BY			
FAIR VALUE OF OUTSTANDING UNITS			
- MYR Class		14,841,335	20,357,380
- MYR-Hedged Class		20,265,649	30,393,007
- USD Class		5,503,360	7,723,674
		<u>40,610,344</u>	<u>58,474,061</u>
NUMBER OF UNITS IN CIRCULATION			
- MYR Class	10(a)	74,926,000	113,084,000
- MYR-Hedged Class	10(b)	180,221,000	285,048,000
- USD Class	10(c)	11,256,000	17,382,000
		<u>266,403,000</u>	<u>415,514,000</u>
NET ASSET VALUE PER UNIT (USD)			
- MYR Class		0.1981	0.1800
- MYR-Hedged Class		0.1124	0.1066
- USD Class		0.4889	0.4443
		<u>0.1981</u>	<u>0.1800</u>
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES			
- MYR Class		RM0.8607	RM0.7540
- MYR-Hedged Class		RM0.4884	RM0.4465
- USD Class		USD0.4889	USD0.4443
		<u>RM0.8607</u>	<u>RM0.7540</u>

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

AFFIN HWANG WORLD SERIES – CHINA GROWTH FUND

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

	<u>Note</u>	<u>2020</u> USD	<u>2019</u> USD
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR		58,474,061	75,476,993
Movement due to units created and cancelled during the financial year:			
Creation of units arising from applications		4,541,905	18,680,190
- MYR Class		2,539,377	6,349,294
- MYR-Hedged Class		1,658,645	10,851,829
- USD Class		343,883	1,479,067
Cancellation of units		(26,743,062)	(18,534,486)
- MYR Class		(10,007,284)	(7,784,840)
- MYR-Hedged Class		(13,510,444)	(6,512,167)
- USD Class		(3,225,334)	(4,237,479)
Net increase/(decrease) in net assets attributable to unitholders during the financial year		4,337,440	(17,148,636)
- MYR Class		1,951,862	(5,445,782)
- MYR-Hedged Class		1,724,441	(9,377,577)
- USD Class		661,137	(2,325,277)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL YEAR		<u>40,610,344</u>	<u>58,474,061</u>

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

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

	<u>Note</u>	<u>2020</u> USD	<u>2019</u> USD
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of investments		23,731,797	11,837,142
Purchase of investments		(843,127)	(10,748,534)
Interest received		4,715	4,840
Management fee paid		(967,071)	(1,234,587)
Management fee rebate		412,184	503,875
Trustee fee paid		(27,053)	(34,790)
Realised loss on forward foreign currency contracts		(406,596)	(1,826,061)
Payment for other fees and expenses		(3,369)	(11,302)
Net realised gain/(loss) on foreign currency exchange		7,921	(3,878)
		<hr/>	<hr/>
Net cash generated from/(used in) from operating activities		21,909,401	(1,513,296)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from creation of units		4,558,853	19,353,785
Payments for cancellation of units		(26,342,454)	(18,728,839)
		<hr/>	<hr/>
Net cash (used in)/generated from financing activities		(21,783,601)	624,946
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		125,800	(888,350)
EFFECTS OF FOREIGN CURRENCY EXCHANGE			
		25,574	(11,137)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR			
		<hr/>	<hr/>
		1,178,126	2,077,613
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR			
	8	<hr/> <hr/>	<hr/> <hr/>
		1,329,500	1,178,126

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

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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, International Financial Reporting Standards (“MFRS”).

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

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

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

- IC Interpretation 23 ‘Uncertainty over Income Tax Treatments’ (effective 1 January 2019)
- Annual Improvements to MFRSs 2015 – 2017 Cycle (effective 1 January 2019)

The adoption of the above standards, amendments to standards or interpretations did not have a material effect on the financial statements of the Fund.

(b) Standards and amendments that have been issued but not yet effective

- Amendments to MFRS 3 ‘Definition of a Business’ (effective 1 January 2020) revise the definition of a business.

The adoption of the above standards, amendments to standards or interpretations is not expected to have a material effect on the financial statements of the Fund.

B INCOME RECOGNITION

Interest income

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

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

B INCOME RECOGNITION (CONTINUED)

Interest income (continued)

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

Realised gains and losses on sale of investments

For collective investment schemes (“CIS”), 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.

C TAXATION

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

Withholding taxes on investment income from 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.

D FUNCTIONAL AND PRESENTATION CURRENCY

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

E FOREIGN CURRENCY TRANSLATION

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

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Classification

The Fund classifies its financial assets in the following measurement categories:

- those to be measured at fair value 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 contractual cash flows of the Fund's debt securities are solely payment of principal and interest ("SPPI"). 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 are measured at fair value through profit or loss.

Investments in collective investment scheme have contractual cash flows that do not represent SPPI, and therefore are classified as fair value through profit or loss.

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

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

(ii) Recognition and measurement

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

Financial liabilities, within the scope of MFRS 9, 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.

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(ii) Recognition and measurement (continued)

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 currency transactions are presented in the statement of comprehensive income within 'net gain/(loss) on financial assets at fair value through profit or loss' in the period which they arise.

Investment in collective investment schemes are valued at the last published NAV per unit at the date of the statement of financial position.

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

(iii) Impairment

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

The Fund defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

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

Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Fund considers the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis.

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(iii) Impairment (continued)

Write-off

The Fund write 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 bad debt recoveries. There are no write-offs/recoveries during the financial year.

G CASH AND CASH EQUIVALENTS

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

H AMOUNT DUE FROM/(TO) BROKER

Amounts due from and to broker 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 broker balance is held for collection. Refer to Note F for accounting policy on recognition and measurement.

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

I CREATION AND CANCELLATION OF UNITS

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

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

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

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

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

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

K 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.

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

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

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as financial assets/liabilities at fair value through profit or loss.

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

L CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

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

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the Securities Commission's ("SC") Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

Functional currency

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

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

M REALISED AND UNREALISED PORTIONS OF INCREASE OR DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

The analysis of realised and unrealised amounts in increase or decrease in net assets attributable to unitholders as presented on the statement of comprehensive income is prepared in accordance with SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

1 INFORMATION ON THE FUND

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

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

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

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

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

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

The 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 July 2020.

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments are as follows:

	<u>Note</u>	At amortised cost USD	At fair value through profit or loss USD	<u>Total USD</u>
<u>2020</u>				
<u>Financial assets</u>				
Cash and cash equivalents	8	1,329,500	-	1,329,500
Collective investment scheme	7	-	39,805,045	39,805,045
Amount due from Manager				
- creation of units		24,949	-	24,949
- management fee rebate receivable		25,919	-	25,919
Amount due from broker		810,224	-	810,224
Forward foreign currency contracts	9	-	3,358	3,358
Total		<u>2,190,592</u>	<u>39,808,403</u>	<u>41,998,995</u>
<u>Financial liabilities</u>				
Forward foreign currency contracts	9	-	659,369	659,369
Amount due to broker		151,806	-	151,806
Amount due to Manager				
- management fee		63,442	-	63,442
- cancellation of units		508,373	-	508,373
Amount due to Trustee		1,762	-	1,762
Auditors' remuneration		2,062	-	2,062
Tax agent's fee		825	-	825
Other payables and accruals		1,012	-	1,012
Total		<u>729,282</u>	<u>659,369</u>	<u>1,388,651</u>

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

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

Financial instruments are as follows: (continued)

	<u>Note</u>	At amortised cost USD	At fair value through profit or loss USD	<u>Total USD</u>
<u>2019</u>				
<u>Financial assets</u>				
Cash and cash equivalents	8	1,178,126	-	1,178,126
Collective investment scheme	7	-	57,864,035	57,864,035
Amount due from Manager				
- creation of units		41,897	-	41,897
- management fee rebate receivable		51,711	-	51,711
Amount due from broker		-	-	-
Forward foreign currency contracts	9	-	4,332	4,332
Total		<u>1,271,734</u>	<u>57,868,367</u>	<u>59,140,101</u>
<u>Financial liabilities</u>				
Forward foreign currency contracts	9	-	400,418	400,418
Amount due to broker		54,933	-	54,933
Amount due to Manager				
- management fee		96,959	-	96,959
- cancellation of units		107,765	-	107,765
Amount due to Trustee		2,693	-	2,693
Auditors' remuneration		1,941	-	1,941
Tax agent's fee		885	-	885
Other payables and accruals		446	-	446
Total		<u>265,622</u>	<u>400,418</u>	<u>666,040</u>

The Fund is exposed to a variety of risks which include market risk (including price risk, interest rate risk and currency risk), credit risk, liquidity risk and capital risk.

Financial risk management is carried out through internal control processes adopted by the Manager and adherence to the investment restrictions as stipulated by the SC Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

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

Market risk

(a) Price risk

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

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

	<u>2020</u> USD	<u>2019</u> USD
Collective investment scheme	39,805,045	57,864,035

The following table summarises the sensitivity of the Fund's profit after taxation and net asset value to price risk movements. The analysis is based on the assumptions that the market price increased by 10% (2019: 5%) and decreased by 10% (2019: 5%) with all other variables held constant. This represents management's best estimate of a reasonable possible shift in quoted investments.

<u>% Change in price</u>	<u>Market value</u> USD	<u>Impact on</u> <u>profit after</u> <u>tax/NAV</u> USD
<u>2020</u>		
-10%	35,824,540	(3,980,505)
0%	39,805,045	-
+10%	43,785,550	3,980,505
<u>2019</u>		
-5%	54,970,833	(2,893,202)
0%	57,864,035	-
+5%	60,757,237	2,893,202

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

2 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

(b) Interest rate risk

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

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

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

(c) Currency risk

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

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

	Forward foreign currency contract USD	Other assets* USD	Cash and cash equivalents USD	Total USD
<u>2020</u>				
<u>Financial assets</u>				
Malaysian Ringgit	3,358	151,899	7,143	162,400
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Forward foreign currency contract USD	Other liabilities** USD	Net assets attributable to unitholders USD	Total USD
<u>Financial liabilities</u>				
Malaysian Ringgit	659,369	577,476	35,106,984	36,343,829
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

** Other liabilities consist of amount due to Manager and amount due to broker.

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

2 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

(c) Currency risk (continued)

	Forward foreign currency contract USD	Other assets* USD	Cash and cash equivalents USD	Total USD
<u>2019</u>				
<u>Financial assets</u>				
Malaysian Ringgit	4,332	41,897	62,708	108,937
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Forward foreign currency contract USD	Other liabilities** USD	Net assets attributable to unitholders USD	Total USD
<u>Financial liabilities</u>				
Malaysian Ringgit	400,418	107,765	50,750,387	51,258,570
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

* Other assets consist of amount due from Manager.

** Other liabilities consist of amount due to Manager and amount due to broker.

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

2 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

(c) Currency risk (continued)

The table below summarises the sensitivity of the Fund's profit after tax and net asset value to changes in foreign exchange movements. The analysis is based on the assumption that the foreign exchange rate changes by 5.21% (2019:5%), 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 5.21% (2019:5%). Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	Change in price %	Impact on profit after tax/NAV USD
<u>2020</u>		
Malaysian Ringgit	+/- 5.21	<u>-/+ 1,885,631</u>
<u>2019</u>		
Malaysian Ringgit	+/- 5	<u>-/+ 2,557,482</u>

Credit risk

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

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

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

The settlement terms of the proceeds from the creation of units' receivable from the Manager are governed by the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

2 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

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

	Cash and cash equivalents USD	Forward foreign currency contracts USD	Other assets* USD	Total USD
<u>2020</u>				
Financials				
- AAA	1,329,500	3,197	-	1,332,697
- AA2	-	161	-	161
Others				
- NR	-	-	861,092	861,092
	1,329,500	3,358	861,092	2,193,950
	1,329,500	3,358	861,092	2,193,950
<u>2019</u>				
Financials				
- AAA	1,178,126	554	-	1,178,680
- AA2	-	3,360	-	3,360
- AA3	-	418	-	418
Others				
- NR	-	-	93,608	93,608
	1,178,126	4,332	93,608	1,276,066
	1,178,126	4,332	93,608	1,276,066

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

Liquidity risk

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

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

2 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

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

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

	<u>Within one month</u> USD	<u>Between one month to one year</u> USD	<u>Total</u> USD
<u>2020</u>			
Amount due to Manager			
- cancellation of units	508,373	-	508,373
- management fee	63,442	-	63,442
Amount due to Trustee	1,762	-	1,762
Amount due to broker	151,806	-	151,806
Auditors' remuneration	-	2,062	2,062
Tax agent's fee	-	825	825
Other payables and accruals	-	1,012	1,012
Forward foreign currency contracts at fair value through profit or loss	255,632	403,737	659,369
Net asset attributable to unitholders*	40,610,344	-	40,610,344
	<u>41,591,359</u>	<u>407,636</u>	<u>41,998,995</u>
<u>2019</u>			
Amount due to Manager			
- cancellation of units	107,765	-	107,765
- management fee	96,959	-	96,959
Amount due to Trustee	2,693	-	2,693
Amount due to broker	54,933	-	54,933
Auditors' remuneration	-	1,941	1,941
Tax agent's fee	-	885	885
Other payables and accruals	-	446	446
Forward foreign currency contracts at fair value through profit or loss	15,724	384,694	400,418
Net asset attributable to unitholders*	58,474,061	-	58,474,061
	<u>58,752,135</u>	<u>387,966</u>	<u>59,140,101</u>

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

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

2 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital risk

The capital of the Fund is represented by net asset attributable to unitholders. The amount of net asset attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unitholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

3 FAIR VALUE ESTIMATION

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

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

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

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> USD	<u>Level 2</u> USD	<u>Level 3</u> USD	<u>Total</u> USD
<u>2020</u>				
Financial assets at fair value through profit or loss				
- collective investment scheme - foreign	39,805,045	-	-	39,805,045
- forward foreign currency contracts	-	3,358	-	3,358
	<u>39,805,045</u>	<u>3,358</u>	<u>-</u>	<u>39,808,403</u>
Financial liabilities at fair value through profit or loss				
- forward foreign currency contracts	-	659,369	-	659,369
	<u>-</u>	<u>659,369</u>	<u>-</u>	<u>659,369</u>
<u>2019</u>				
Financial assets at fair value through profit or loss				
- collective investment scheme - foreign	57,864,035	-	-	57,864,035
- forward foreign currency contracts	-	4,332	-	4,332
	<u>57,864,035</u>	<u>4,332</u>	<u>-</u>	<u>57,868,367</u>
Financial liabilities at fair value through profit or loss				
- forward foreign currency contracts	-	400,418	-	400,418
	<u>-</u>	<u>400,418</u>	<u>-</u>	<u>400,418</u>

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

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

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

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

4 MANAGEMENT FEE AND MANAGEMENT FEE REBATE

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

For the financial year ended 31 May 2020, the management fee is recognised at a rate of 1.80% (2019: 1.80%) per annum on the NAV of the Fund, calculated on a daily basis as stated in the Fund's Information Memorandum.

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

5 TRUSTEE FEE

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

For the financial year ended 31 May 2020, the Trustee's fee is recognised at a rate of 0.05% (0.08% for the financial period from 1 June 2019 to 31 July 2019 and 0.05% with effect from 1 August 2019) per annum of the NAV of the Fund, calculated on a daily basis stated in the Fund's Information Memorandum.

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

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

6 TAXATION

	<u>2020</u> USD	<u>2019</u> USD
Current taxation	-	-

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

	<u>2020</u> USD	<u>2019</u> USD
Net profit/(loss) before taxation	4,337,440	(17,148,636)
Tax at Malaysian statutory rate of 24% (2019: 24%)	1,040,986	(4,115,673)
Tax effects of:		
(Investment income not subject to tax)/		
Investment loss exempt from tax	(1,272,267)	3,934,527
Expenses not deductible for tax purposes	6,770	8,629
Restriction on tax deductible expenses for Wholesale Fund	224,511	172,517
Tax expense	-	-

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2020</u> USD	<u>2019</u> USD
Financial assets at fair value through profit or loss:		
- collective investment scheme – foreign	39,805,045	57,864,035
	<u>2020</u> USD	<u>2019</u> USD
Net gain/(loss) on financial assets at fair value through profit or loss:		
- realised loss on sale of investments	(2,968,571)	(1,709,244)
- unrealised gain/(loss) on changes in fair value	8,511,602	(12,856,251)
- management fee rebate on collective investment scheme #	386,392	498,210
	<u>5,929,423</u>	<u>(14,067,285)</u>

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

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

In arriving at the fair value of collective investment schemes, the management fee initially paid to the Manager of collective investment scheme has been considered as part of its net asset value. In order to prevent the double charging of management fee, management fee charged on the Fund's investments in collective investment scheme has been refunded to the Fund. Accordingly, any rebate of management fee received from the Manager of collective investment scheme is reflected as an increase in the net asset value of the collective investment scheme.

(a) Collective investment scheme – foreign

(i) Collective investment scheme – foreign as at 31 May 2020 is as follows:

	<u>Quantity</u>	<u>Aggregate cost USD</u>	<u>Fair value USD</u>	<u>Percentage of NAV %</u>
Blackrock China Fund	1,920,166	42,531,047	39,805,045	98.02
Total collective investment scheme	<u>1,920,166</u>	<u>42,531,047</u>	<u>39,805,045</u>	<u>98.02</u>
Accumulated unrealised loss on collective investment scheme		<u>(2,726,002)</u>		
Total collective investment scheme		<u>39,805,045</u>		

(ii) Collective investment scheme - foreign as at 31 May 2019 is as follows:

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

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

8 CASH AND CASH EQUIVALENTS

	<u>2020</u> USD	<u>2019</u> USD
Cash and bank balance	1,009,492	1,178,126
Deposit with a licensed financial institution	320,008	-
	<u>1,329,500</u>	<u>1,178,126</u>

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

	<u>2020</u> %	<u>2019</u> %
Deposit with a licensed financial institution	<u>2.00</u>	<u>-</u>

Deposit with a licensed financial institution has an average maturity of 1 day (2019: Nil day).

9 FORWARD FOREIGN CURRENCY CONTRACTS

As at the date of statement of financial position, there are 29 (2019: 43) forward foreign currency contracts outstanding. The notional principal amount of the outstanding forward foreign currency contracts amounted to USD20,816,357 (2019: USD30,742,906). The forward currency contracts entered into Hedged-class currency exposure denominated in Malaysian Ringgit. As the Fund has not adopted hedge accounting during the financial year, the change in the fair value of the forward foreign currency contract is recognised immediately in the statement of comprehensive income.

10 NUMBER OF UNITS IN CIRCULATION

(a) MYR class units in circulation

	<u>2020</u> No. of units	<u>2019</u> No. of units
At the beginning of the financial year	113,084,000	121,998,000
Creation of units during the financial year	13,289,000	30,866,000
Cancellation of units during the financial year	(51,447,000)	(39,780,000)
As at the end of the financial year	<u>74,926,000</u>	<u>113,084,000</u>

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

10 NUMBER OF UNITS IN CIRCULATION (CONTINUED)

(b) MYR-Hedged class units in circulation

	<u>2020</u>	<u>2019</u>
	No. of units	No. of units
At the beginning of the financial year	285,048,000	254,425,000
Creation of units during the financial year	14,485,000	87,456,000
Cancellation of units during the financial year	(119,312,000)	(56,833,000)
As at the end of the financial year	<u>180,221,000</u>	<u>285,048,000</u>

(c) USD class units in circulation

	<u>2020</u>	<u>2019</u>
	No. of units	No. of units
At the beginning of the financial year	17,382,000	23,242,000
Creation of units during the financial year	729,000	2,961,000
Cancellation of units during the financial year	(6,855,000)	(8,821,000)
As at the end of the financial year	<u>11,256,000</u>	<u>17,382,000</u>

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

11 TRANSACTIONS WITH BROKER

- (i) Details of transactions with broker for the financial year ended 31 May 2020 are as follows:

<u>Name of broker</u>	<u>Value of trade</u> USD	<u>Percentage of total trade</u> %
Blackrock Global Funds	25,482,022	100.00
	<u>25,482,022</u>	<u>100.00</u>

- (ii) Details of transactions with broker for the financial year ended 31 May 2019 are as follows:

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

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

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

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

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

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

	<u>2020</u>		<u>2019</u>	
<u>The Manager:</u>	<u>No. of units</u>	<u>RM</u>	<u>No. of units</u>	<u>RM</u>
Affin Hwang Asset Management Berhad (The units are held for booking purposes)				
- MYR Class	2,549	505	2,554	460
- MYR-Hedged Class	2,891	325	2,055	219
- USD Class	3,820	1,868	3,291	1,462
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

13 MANAGEMENT EXPENSE RATIO (“MER”)

	<u>2020</u> %	<u>.2019</u> %
MER	<u>1.86</u>	<u>1.85</u>

MER is derived from the following calculation:

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

- A = Management fee, excluding management fee rebates
- B = Trustee fee
- C = Auditors' remuneration
- D = Tax agent's fee
- E = Other expenses, excluding sales and service tax on transaction costs and withholding tax
- F = Average net asset value of Fund calculated on a daily basis

The average NAV of the Fund for the financial year ended 31 May 2020 calculated on a daily basis is USD52,195,174 (2019: USD68,524,149).

14 PORTFOLIO TURNOVER RATIO (“PTR”)

	<u>2020</u> %	<u>.2019</u> %
PTR (times)	<u>0.27</u>	<u>0.17</u>

PTR is derived from the following calculation:

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

where: total acquisition for the financial year = USD940,000 (2019: USD10,100,000)
total disposal for the financial year = USD27,510,592 (2019: USD13,278,361)

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

15 SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The worsening macro-economic outlook as a result of Covid-19, both domestically and globally, has resulted in the deterioration of the Fund's Net Asset Value/unit as of the date of this report. This is mainly due to the decrease in fair value of the Fund's investments at fair value through profit or loss.

The Manager is monitoring the situation closely and will be actively managing the portfolio to achieve the Fund's objective.

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

STATEMENT BY THE MANAGER

I, Teng Chee Wai, for and on behalf of the board of directors of the Manager, **Affin Hwang Asset Management Berhad**, do hereby state that in the opinion of the Manager, the financial statements set out on pages 1 to 32 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 May 2020 and of its financial performance, net assets attributable to unitholders and cash flows for the financial year ended 31 May 2020 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 July 2020

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Affin Hwang World Series- China Growth Fund give a true and fair view of the financial position of the Fund as at 31 May 2020, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 May 2020, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders 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 1 to 32.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the Manager for the Financial Statements

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' Responsibilities for the audit of financial statements

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

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
15 July 2020

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