

# Affin Hwang

## Strategic Income Fund 1

Annual Report  
11 August 2022

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



**AFFIN HWANG**  
CAPITAL

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

**TRUSTEE**  
CIMB Commerce Trustee Berhad (313031-A)

# AFFIN HWANG STRATEGIC INCOME FUND 1

**Annual Report and Audited Financial Statements  
For The Financial Period From 29 July 2022 (Date of Launch) To 11 August 2022 (Date  
of Termination)**

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## FUND INFORMATION

Fund Name	Affin Hwang Strategic Income Fund 1
Fund Type	Income
Fund Category	Closed-End (Wholesale)
Investment Objective	The Fund aims to provide income return whilst maintaining capital preservation
Distribution Policy	Depending on the level of income the Fund generates, the Fund aims to distribute income on a semi-annual basis.

## FUND PERFORMANCE DATA

Category	As at 31 Jul 2022 (%)
Portfolio composition	
<b>Structured product</b>	-
<b>Cash &amp; cash equivalent</b>	<b>100.00</b>
<b>Total</b>	<b>100.00</b>
Total NAV (RM'million)	3.105
NAV per Unit (RM)	1.0000
Unit in Circulation (million)	3.105
Highest NAV	1.0000
Lowest NAV	1.0000
Return of the Fund (%)	-
- Capital Growth (%)	-
- Income Distribution (%)	-
Gross Distribution per Unit (sen)	-
Net Distribution per Unit (sen)	-
Management Expense Ratio (%)	-
Portfolio Turnover Ratio (times)	-

**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

## **MANAGER'S REPORT**

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

No income distribution of unit split were declared for the financial period from 29 July 2022 (date of launch) to 11 August 2022 (date of termination).

### **State of Affairs of the Fund**

The termination of the Fund had taken place on 11 August 2022.

### **Soft Commissions received from Brokers**

As per the requirements of Securities Commission's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework 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, no soft commission was received by the Manager on behalf of the Fund.

### **Cross Trade**

No cross trade transactions have been carried out during the reported period.

### **Securities Financing Transactions**

The Fund has not undertaken any securities lending or repurchase transactions during the financial period under review.

### **Changes Made To the Fund's Information Memorandum**

There were no changes made to the Fund's information memorandum during the financial period under review.

**TRUSTEE'S REPORT  
TO THE UNIT HOLDERS OF AFFIN HWANG STRATEGIC INCOME FUND 1 ("Fund")**

We have acted as Trustee of the Fund for the financial period from 29 July 2022 (date of launch) to 11 August 2022 (date of termination) and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, **Affin Hwang Asset Management Berhad** has operated and managed the Fund during the period covered by these financial statements in accordance with the following:

- a) Limitations imposed on the investment powers of the management company under the deed, securities laws and the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework;
- b) Valuation and pricing is carried out in accordance with the deed; and
- c) Any creation and cancellation of units are carried out in accordance with the deed and any regulatory requirement.

For and on behalf of  
**CIMB Commerce Trustee Berhad**

**Datin Ezreen Eliza binti Zulkiplee**  
Chief Executive Officer

Kuala Lumpur, Malaysia  
15 September 2022

# **AFFIN HWANG STRATEGIC INCOME FUND 1**

## **FINANCIAL STATEMENTS**

**FOR THE FINANCIAL PERIOD FROM 29 JULY 2022 (DATE OF LAUNCH)  
TO 11 AUGUST 2022 (DATE OF TERMINATION)**

# **AFFIN HWANG STRATEGIC INCOME FUND 1**

## **FINANCIAL STATEMENTS**

**FOR THE FINANCIAL PERIOD FROM 29 JULY 2022 (DATE OF LAUNCH)  
TO 11 AUGUST 2022 (DATE OF TERMINATION)**

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## AFFIN HWANG STRATEGIC INCOME FUND 1

### STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 29 JULY 2022 (DATE OF LAUNCH) TO 11 AUGUST 2022 (DATE OF TERMINATION)

	<u>Note</u>	Financial period from 29.7.2022 (date of launch) to 11.8.2022 (date of <u>termination</u> ) RM
<b>INVESTMENT INCOME*</b>		-
<b>EXPENSES</b>		
Management fee	4	-
Trustee fee	5	-
Auditors' remuneration	6	-
		<hr/>
		-
		<hr/>
<b>NET PROFIT BEFORE TAXATION</b>		-
<b>TAXATION</b>		-
		<hr/>
<b>NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b>		- <hr/> <hr/>
Net profit after taxation is made up of the following:		
Realised amount		- <hr/> <hr/>

\*There are no revenue recognised during the financial period.

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

## AFFIN HWANG STRATEGIC INCOME FUND 1

### STATEMENT OF FINANCIAL POSITION AS AT 11 AUGUST 2022 (DATE OF TERMINATION)

	<u>Note</u>	As at 11.8.2022 (date of termination) RM
<b>ASSETS</b>		
Cash and cash equivalents		2,164,000
Amount due from Manager - creation of units		<u>941,000</u>
<b>TOTAL ASSETS</b>		<u>3,105,000</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u><u>3,105,000</u></u>
<b>EQUITY</b>		
Unitholders' capital		<u>3,105,000</u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u><u>3,105,000</u></u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	7	<u><u>3,105,000</u></u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u><u>1.0000</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 STRATEGIC INCOME FUND 1

### STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD FROM 29 JULY 2022 (DATE OF LAUNCH) TO 11 AUGUST 2022 (DATE OF TERMINATION)

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 29 July 2022 (date of launch)	-	-	-
Total comprehensive income for the financial period	-	-	-
Movement in unitholders' capital:			
Creation of units arising from applications	3,105,000	-	3,105,000
Balance as at 11 August 2022 (date of termination)	<u>3,105,000</u>	<u>-</u>	<u>3,105,000</u>

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

## AFFIN HWANG STRATEGIC INCOME FUND 1

### STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD FROM 29 JULY 2022 (DATE OF LAUNCH) TO 11 AUGUST 2022 (DATE OF TERMINATION)

	Financial period from 29.7.2022 (date of launch) to 11.8.2022 (date of termination) <u>RM</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from creation of units	2,164,000
Net cash flows generated from financing activities	<u>2,164,000</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,164,000
<b>CASH AND CASH EQUIVALENTS AT THE DATE OF LAUNCH</b>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	<u><u>2,164,000</u></u>

Cash and cash equivalents as at 11 August 2022 (date of termination) comprise of bank balances.

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

## **AFFIN HWANG STRATEGIC INCOME FUND 1**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 29 JULY 2022 (DATE OF LAUNCH) TO 11 AUGUST 2022 (DATE OF TERMINATION)**

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 and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported financial period. 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 G.

The Fund commenced operations on 29 July 2022 and was terminated on 11 August 2022. As such, the going concern assumption can no longer be used for the preparation of financial statements. The financial statements have therefore been prepared using a liquidation basis of accounting. The net proceeds have been distributed pro rata to the unitholders on 15 August 2022 according to the number of units held in the Fund as at 11 August 2022. The Manager and the Trustee of the Fund hereby authorised the termination of the trust in respect of the Fund on 11 August 2022.

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

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 ‘Interest Rate Benchmark (IBOR) Reform – Phase 2’ (effective 1 January 2021) provide practical expedient allowing Fund to update the effective interest rate to account for any required changes in contractual cash flows that is a direct consequence of IBOR reform. This results in no immediate gain or loss recognised in profit or loss.

The amendments require entities to update the hedge documentation to reflect the changes required by the IBOR replacement. The amendments also provide reliefs that enable and require entities to continue hedge accounting in circumstances when changes in hedged items and hedging instruments are solely due to IBOR reform.

- Amendments to MFRS 3 ‘Reference to Conceptual Framework’ (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework.
- Annual Improvements to MFRSs 2018 – 2020 Cycle (effective for annual periods beginning on or after 1 January 2022).

## **AFFIN HWANG STRATEGIC INCOME FUND 1**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 29 JULY 2022 (DATE OF LAUNCH) TO 11 AUGUST 2022 (DATE OF TERMINATION) (CONTINUED)**

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

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

- Amendments to MFRS 137 'onerous contracts—cost of fulfilling a contract' (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts.

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 101 'Classification of liabilities as current or non-current (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date.

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 as the Fund has been terminated on 11 August 2022.

#### **B 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 period.

#### **C 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.

#### **D 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.

## **AFFIN HWANG STRATEGIC INCOME FUND 1**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 29 JULY 2022 (DATE OF LAUNCH) TO 11 AUGUST 2022 (DATE OF TERMINATION) (CONTINUED)**

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

(i) Classification (continued)

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 payments 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 and derivatives not designated as hedging instruments are measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents and amount due from Manager as financial assets at amortised cost as these financial assets are held to collect contractual cash flows that represent SPPI.

(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 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.

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

(iii) Impairment

The Fund's financial assets measured at amortised cost are subject to expected credit losses. 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.

## AFFIN HWANG STRATEGIC INCOME FUND 1

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 29 JULY 2022 (DATE OF LAUNCH) TO 11 AUGUST 2022 (DATE OF TERMINATION) (CONTINUED)

#### D FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

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

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.

##### 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 bad debt recoveries. There are no write-offs/recoveries during the financial period.

#### E CASH AND CASH EQUIVALENTS

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



## **AFFIN HWANG STRATEGIC INCOME FUND 1**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 29 JULY 2022 (DATE OF LAUNCH) TO 11 AUGUST 2022 (DATE OF TERMINATION) (CONTINUED)**

#### **F 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 period if unit holder exercises the right to put the unit back to the Fund.

Units are created and cancelled at the unitholders' 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 unit holders with the total number of outstanding units.

#### **G 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.

However, the Manager is of the opinion that there are no accounting policies which require significant judgment to be exercised.

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.

#### **H REALISED AND UNREALISED PORTIONS OF INCREASE OR DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

The analysis of realised and unrealised 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 STRATEGIC INCOME FUND 1**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 29 JULY 2022 (DATE OF LAUNCH) TO 11 AUGUST 2022 (DATE OF TERMINATION)**

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

The Wholesale Fund was constituted under the name Affin Hwang Strategic Income Fund 1 (the “Fund”) pursuant to the execution of a Deed dated 27 July 2022 (the “Deed”) entered into between Affin Hwang Asset Management Berhad (the “Manager”) and CIMB Commerce Trustee Berhad (the “Trustee”).

The Fund commenced operations on 29 July 2022 and was terminated on 11 August 2022. As such, the going concern assumption can no longer be used for the preparation of financial statements. The financial statements have therefore been prepared using a liquidation basis of accounting. The net proceeds have been distributed pro rata to the unitholders on 15 August 2022 according to the number of units held in the Fund as at 11 August 2022. The Manager and the Trustee of the Fund hereby authorised the termination of the trust in respect of the Fund on 11 August 2022.

The Fund may invest in any of the following investments:

- (a) Structured products;
- (b) Money market instruments;
- (c) Deposits;
- (d) Derivatives; and
- (e) Any other form of investments as may be permitted by the SC that is in line with the Fund’s objective.

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

The main objective of the Fund is to provide income return whilst maintaining capital preservation.

The Manager is a company incorporated in Malaysia. The principal activities of the Manager are establishment and management of unit trust funds, exchange-traded funds and private retirement schemes as well as providing fund management services to private clients.

The Manager does not intend to impose any management fee on the Fund for the current and future financial periods.

The financial statements were authorised for issue by the Manager on 15 September 2022.

## AFFIN HWANG STRATEGIC INCOME FUND 1

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 29 JULY 2022 (DATE OF LAUNCH) TO 11 AUGUST 2022 (DATE OF TERMINATION) (CONTINUED)

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

Financial instruments are as follows:

	At amortised cost RM	At fair value through profit or loss RM	Total RM
<u>As at 11.8.2022 (date of termination)</u>			
<u>Financial assets</u>			
Cash and cash equivalents	2,164,000	-	2,164,000
Amount due from Manager - creation of units	941,000	-	941,000
	<u>3,105,000</u>	<u>-</u>	<u>3,105,000</u>

The Fund is exposed to a variety of risks which include market risk (including price 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 Unlisted Capital Market Products under the Lodge and Launch Framework.

#### 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 is not exposed to any price risk as at 11 August 2022 (date of termination).

## AFFIN HWANG STRATEGIC INCOME FUND 1

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 29 JULY 2022 (DATE OF LAUNCH) TO 11 AUGUST 2022 (DATE OF TERMINATION) (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 investment. The Manager manages the credit risk by undertaking credit evaluation to minimise such risk.

Credit risk arising from cash and bank balances is managed by ensuring that they are held by parties with credit rating of AA or higher.

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.

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

	Cash and cash <u>equivalents</u> RM	Amount due from <u>Manager</u> RM	<u>Total</u> RM
<u>As at 11.8.2022 (date of termination)</u>			
Financial Services			
- AA1	2,164,000	-	2,164,000
Other			
- NR	-	941,000	941,000
	<u>2,164,000</u>	<u>941,000</u>	<u>3,105,000</u>

## **AFFIN HWANG STRATEGIC INCOME FUND 1**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 29 JULY 2022 (DATE OF LAUNCH) TO 11 AUGUST 2022 (DATE OF TERMINATION) (CONTINUED)**

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

##### Liquidity risk

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

The Fund is not exposed to any liquidity risk as at 11 August 2022 (date of termination).

##### 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 STRATEGIC INCOME FUND 1

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 29 JULY 2022 (DATE OF LAUNCH) TO 11 AUGUST 2022 (DATE OF TERMINATION) (CONTINUED)

#### 3 FAIR VALUE ESTIMATION

Financial instruments comprise financial assets and financial liabilities. 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 value of financial assets traded in active market (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 and financial liabilities 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 Fund does not hold any financial instruments at fair value through profit or loss as at 11 August 2022 (date of termination).

- ##### (ii)
- The carrying values of cash and cash equivalents and amount due from Manager are reasonable approximation of the fair values due to their short-term nature.

## AFFIN HWANG STRATEGIC INCOME FUND 1

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 29 JULY 2022 (DATE OF LAUNCH) TO 11 AUGUST 2022 (DATE OF TERMINATION) (CONTINUED)

#### 4 MANAGEMENT FEE

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

The Manager did not impose any management fee on the Fund for the current period.

#### 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 on the NAV of the Fund, exclusive of foreign custodian fees.

The Trustee did not impose any trustee fee on the Fund for the current period.

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

#### 6 AUDITORS' REMUNERATION

For the financial period ended 11 August 2022 (date of termination), auditors' remuneration of RM2,800 will be borne by the Manager.

#### 7 NUMBER OF UNITS IN CIRCULATION

	As at 11.8.2022 (date of <u>termination</u> ) No. of units
At the date of launch	-
Creation of units arising from applications	3,105,000
At the end of the financial period	<u>3,105,000</u>

The Fund has been terminated on 11 August 2022 and all the units in circulation were subsequently cancelled on 15 August 2022 at RM1.00 per unit.

## AFFIN HWANG STRATEGIC INCOME FUND 1

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 29 JULY 2022 (DATE OF LAUNCH) TO 11 AUGUST 2022 (DATE OF TERMINATION) (CONTINUED)

#### 8 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>Relationship</u>
CVC Capital Partners Asia V L.P., CVC Capital Partners Investment Asia L.P. and CVC Capital Partners Asia V Associates L.P. (collectively known as "CVC Asia V")	Ultimate holding companies of the Manager
CVC Capital Partners Asia V Limited	General Partner of the ultimate holding companies
Starlight TopCo Limited	Penultimate holding company of the Manager
Starlight Universe Limited	Intermediate holding company of the Manager
Starlight Asset Sdn Bhd	Immediate holding company of the Manager
Nikko Asset Management International Limited ("NAM")	Substantial shareholder of the Manager
Affin Hwang Asset Management Berhad ("AHAM")	The Manager
Subsidiaries and associated companies of CVC Asia V as disclosed in their financial statements	Subsidiaries and associated companies of the ultimate holding companies of the Manager
Directors of Affin Hwang Asset Management Berhad	Directors of the Manager

The number of units held by the Manager as at the end of the financial period as follows:

	<u>As at 11.8.2022 (date of termination)</u>	
	No. of units	RM
<u>The Manager:</u>		
Affin Hwang Asset Management Berhad (The units are held legally for booking purposes)	5,558	5,558
	<u>5,558</u>	<u>5,558</u>

Other than the above, there were no units held by the Directors or parties related to the Manager.



## AFFIN HWANG STRATEGIC INCOME FUND 1

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 29 JULY 2022 (DATE OF LAUNCH) TO 11 AUGUST 2022 (DATE OF TERMINATION) (CONTINUED)

#### 9 TOTAL EXPENSE RATIO (“TER”)

Financial  
period from  
29.7.2022  
(date of  
launch) to  
11.8.2022  
(date of  
termination)  
%

TER

-

TER is derived from the following calculation:

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

- A = Management fee
- B = Trustee fee
- C = Auditors' remuneration
- D = Average NAV of Fund calculated on a daily basis

The average NAV of the Fund for the financial period calculated on a daily basis is RM926,500.

#### 10 PORTFOLIO TURNOVER RATIO (“PTR”)

Financial  
period from  
29.7.2022  
(date of  
launch) to  
11.8.2022  
(date of  
termination)

PTR (times)

-

PTR is derived from the following calculation:

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

where: total acquisition for the financial period = RMNil  
total disposal for the financial period = RMNil

## **AFFIN HWANG STRATEGIC INCOME FUND 1**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 29 JULY 2022 (DATE OF LAUNCH) TO 11 AUGUST 2022 (DATE OF TERMINATION) (CONTINUED)**

#### **11 COMPARATIVES**

There are no comparatives figures as this is the first and last set of financial statements prepared since the launch of the Fund until its termination.

## **AFFIN HWANG STRATEGIC INCOME FUND 1**

### **STATEMENT BY THE MANAGER**

I, Dato' 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 18 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 11 August 2022 (date of termination) and of its financial performance, changes in equity and cash flows for the financial period from 29 July 2022 (date of launch) to 11 August 2022 (date of termination) 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**

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

Kuala Lumpur  
15 September 2022

# INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG STRATEGIC INCOME FUND 1

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Affin Hwang Strategic Income Fund 1 (“the Fund”) give a true and fair view of the financial position of the Fund as at 11 August 2022 (date of termination), and of its financial performance and its cash flows for the financial period from 29 July 2022 (date of launch) to 11 August 2022 (date of termination) 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 11 August 2022 (date of termination), and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the financial period from 29 July 2022 (date of launch) to 11 August 2022 (date of termination), and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 1 to 18.

### 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’ International Code of Ethics for Professional Accountants (including International Independence Standards) (“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 STRATEGIC INCOME FUND 1 (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Emphasis of matter

We draw attention to Note A of basis of preparation of the financial statements, which states that the Fund has been terminated on 11 August 2022 (date of termination). These financial statements have therefore been prepared using a liquidation basis on accounting. Our opinion is not modified in respect of this matter.

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 STRATEGIC INCOME FUND 1 (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 Company'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.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF  
AFFIN HWANG STRATEGIC INCOME FUND 1 (CONTINUED)

REPORT ON 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.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF  
AFFIN HWANG STRATEGIC INCOME FUND 1 (CONTINUED)

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 September 2022



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