

# Affin Hwang

## Select Opportunity Fund

Annual Report  
31 July 2021

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 SELECT OPPORTUNITY FUND

## Annual Report and Audited Financial Statements For the Financial Year Ended 31 July 2021

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## FUND INFORMATION

Fund Name	Affin Hwang Select Opportunity Fund
Fund Type	Growth
Fund Category	Equity
Investment Objective	To achieve consistent capital appreciation over the medium to long-term by investing mainly in listed Malaysian companies with good growth prospects.
Benchmark	The benchmark to be used by the Manager in measuring the performance of the Funds will be the FTSE Bursa Malaysian Top 100 Index ("FBM 100")
Distribution Policy	The Fund endeavours to distribute income, if any, on an annual basis. However, the amount of income available for distribution may fluctuate from year to year.

## BREAKDOWN OF UNITHOLDERS BY SIZE RM CLASS AS AT 31 JULY 2021

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	2,795	7,271
5,001 to 10,000	2,145	15,540
10,001 to 50,000	4,321	94,085
50,001 to 500,000	1,076	117,162
500,001 and above	46	221,331
<b>Total</b>	<b>10,383</b>	<b>455,389</b>

\* Note: Excluding Manager's stock

## FUND PERFORMANCE DATA

Category	As at 31 Jul 2021 (%)	As at 31 Jul 2020 (%)	As at 31 Jul 2019 (%)
Portfolio composition			
<b>Quoted equities – local</b>			
- Construction	2.23	1.34	-
- Consumer products & services	6.10	2.90	21.11
- Financial services	18.83	10.21	21.09
- Health care	1.70	9.33	-
- Industrial products & services	2.88	4.00	5.56
- Plantation	3.39	0.87	-
- Preference share	-	3.41	2.43
- Properties	4.64	-	-
- REITs	-	2.71	3.18
- Technology	15.41	12.34	0.76
- Telecommunication & Media	11.55	8.75	9.24
- Transportation & Logistics	-	1.45	4.71
- Utilities	2.33	5.56	4.13
<b>Total quoted equities – local</b>	<b>69.06</b>	<b>62.87</b>	<b>72.21</b>
<b>Quoted equities – foreign</b>			
- Consumer goods	-	-	2.09
- Consumer services	-	9.09	7.88
- Consumer discretionary	13.11	-	-
- Consumer staples	2.86	-	-
- Financial services	-	7.57	7.03
- Health care	1.03	-	-
- Industrials	1.36	1.17	2.74
- Preference share	-	1.97	-
- Technology	5.54	10.86	3.23
<b>Total quoted equities – foreign</b>	<b>23.90</b>	<b>30.66</b>	<b>22.97</b>
<b>Exchange-traded fund - foreign</b>	<b>0.96</b>	<b>-</b>	<b>-</b>
<b>Cash &amp; cash equivalent</b>	<b>6.08</b>	<b>6.47</b>	<b>4.82</b>
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Total NAV (RM'million)	473.901	683.161	985.888
NAV per Unit (RM)	1.0406	0.9630	0.9754
Unit in Circulation (million)	455.426	709.418	1,010.770
Highest NAV	1.2010	0.9920	1.0227
Lowest NAV	0.9178	0.7962	0.9450
Return of the Fund (%) <sup>iii</sup>	13.09	-1.27	-1.74
- Capital Growth (%) <sup>i</sup>	8.06	-1.27	-3.72
- Income Distribution (%) <sup>ii</sup>	4.66	Nil	2.06
Gross Distribution per Unit (sen)	5.00	Nil	2.00
Net Distribution per Unit (sen)	5.00	Nil	2.00
Management Expense Ratio (%) <sup>1</sup>	1.59	1.59	1.59
Portfolio Turnover Ratio (times) <sup>2</sup>	1.27	1.74	0.86

<sup>1</sup>The MER of the Fund remains unchanged for the financial year.

<sup>2</sup>The decrease in the Fund's PTR for the financial year was due to lower portfolio activities.

**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

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

Cum Date	Ex-Date	Cum-distribution (RM)	Distribution per Unit (RM)	Ex-distribution (RM)
15-Jun-21	16-Jun-21	1.1294	0.0500	1.0740

No unit split were declared for the financial year ended 31 July 2021.

### Performance Review

For the year 1 August 2020 to 31 July 2021, the Fund has registered a return of 13.09% as compared to the benchmark return of -5.09%. The Fund thus outperformed the benchmark by 18.18%. The Net Asset Value (NAV) per unit of the Fund as at 31 July 2021 was RM1.0406 while the NAV per unit on 31 July 2020 was RM 0.9630. During the same year under review, the Fund has declared a gross income distribution of RM0.0500 per unit.

Since commencement, the Fund has outperformed the benchmark by 692.19% with return of 858.78% compared to the benchmark return of 166.59%. The Fund has met its investment objective.

Table 1: Performance of the Fund

	1 Year (1/8/20 - 31/7/21)	3 Years (1/8/18 - 31/7/21)	5 Years (1/8/16 - 31/7/21)	Since Commencement (28/9/01 - 31/7/21)
<b>Fund</b>	<b>13.09%</b>	<b>9.71%</b>	<b>30.92%</b>	<b>858.78%</b>
<b>Benchmark</b>	<b>(5.09%)</b>	<b>(14.00%)</b>	<b>(5.34%)</b>	<b>166.59%</b>
<b>Outperformance</b>	<b>18.18%</b>	<b>23.71%</b>	<b>36.26%</b>	<b>692.19%</b>

Source of Benchmark: Bloomberg

Table 2: Average Total Return

	1 Year (1/8/20 - 31/7/21)	3 Years (1/8/18 - 31/7/21)	5 Years (1/8/16 - 31/7/21)	Since Commencement (28/9/01 - 31/7/21)
<b>Fund</b>	<b>13.09%</b>	<b>3.13%</b>	<b>5.53%</b>	<b>12.06%</b>
<b>Benchmark</b>	<b>(5.09%)</b>	<b>(4.90%)</b>	<b>(1.09%)</b>	<b>5.06%</b>
<b>Outperformance</b>	<b>18.18%</b>	<b>8.03%</b>	<b>6.62%</b>	<b>7.00%</b>

Source of Benchmark: Bloomberg

Table 3: Annual Total Return

	FYE 2021 (1/8/20 - 31/7/21)	FYE 2020 (1/8/19 - 31/7/20)	FYE 2019 (1/8/18 - 31/7/19)	FYE 2018 (1/8/17 - 31/7/18)	FYE 2017 (1/8/16 - 31/7/17)
<b>Fund</b>	<b>13.09%</b>	<b>(1.27%)</b>	<b>(1.74%)</b>	<b>(3.08%)</b>	<b>23.13%</b>
<b>Benchmark</b>	<b>(5.09%)</b>	<b>(1.40%)</b>	<b>(8.10%)</b>	<b>1.84%</b>	<b>8.08%</b>
<b>Outperformance</b>	<b>18.18%</b>	<b>0.13%</b>	<b>6.36%</b>	<b>(4.92%)</b>	<b>15.05%</b>

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: FTSE Bursa Malaysia Top 100 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 July 2021, the Fund's equities weighting stood at 92.96% while the balance was held in cash and cash equivalent. During the year under review, the Fund's allocation into foreign equities was lower at 23.90%, against 30.66% a year ago as the Fund decreased exposures towards the financial services and technology sectors. However, the allocation into local equities was increased to 69.06% from 62.87% a year ago as the Manager added properties and financial sectors within the local market. The Manager also added tiny exposure towards the exchange-traded fund during the year. Overall, cash level was slightly lower at 6.08% against the previous year.

### **Strategy Employed**

With the extreme volatility in markets, we maintained our cash holdings in our allocation. We continue to keep close monitor on market development amidst the rare event of global pandemic. The Fund's alpha were driven by reopening theme through the banks and gaming stocks, structural growth theme through

technology names and China trade diversion theme through the manufacturing players. Weights in politically sensitive stocks have also been trimmed as the situation remains fluid.

## **Market Review**

Global equities started 2021 on a strong note as policy easing, and global vaccine rollouts went underway. At the start of January, US markets saw strong optimism. The storming of the US Capitol in early January had little effect over the broader market. However, a black swan event at the end of the month saw retail investors selectively targeting underperforming stocks (e.g. GME and AMC) that resulted in a short squeeze and pushing their share prices to new highs.

US equity markets ended the month of February with modest gains though sentiment was tested as surging bond yields and inflation fears took precedence. Whilst equities and bonds tend to move in opposite directions, the reality is that equity outperformance in the past year has largely come from growth-centric stocks and “stay at home” trades, which were facing short-term squeezes on their profit margins from rising rates. Another factor is the shift from growth to value, with value stocks performing better over the period.

Global equities endured a mixed session in March as US-China tensions boiled over dampening sentiment. With recovery still in a fragile state, global central banks including the Fed are expected to keep monetary policy accommodative to nurse the economy through the pandemic. Meanwhile, rising bond yields continue to unsettle markets. Banks are enjoying higher trading fees and lower provision costs as the economy gradually regains its footing.

Global markets shrugged off inflation fears to climb higher in June as investors start to buy-in to the Fed’s dovish testimony. The S&P 500 and Nasdaq index rose, buoyed by stimulus optimism after early indication of bipartisan support of the proposed US\$1.2 trillion infrastructure bill in the US Congress. US Fed Chair, Jerome Powell testified in the House of Representatives to reiterate the central bank’s view that inflation is transitory and that the FOMC will not rush to hike rates. The yield on the 10-year Treasury note tumbled as the Fed affirmed that it would not pre-emptively hike rates before signs of a recovery.

In Asia, the MSCI Asia ex-Japan index was marginally weaker in June as sentiment was dampened on geopolitical tensions and consolidation seen in China’s economy. The Group of Seven (“G7”) nations and North Atlantic Treaty Organisation (“NATO”) held its annual summit with political leaders from US and Europe vowing to toughen its stance on China.

China had also reported weaker than expected retail sales and industrial production data. Industrial production grew 8.8% y-o-y in May, which came below consensus expectations of 9.2%. Weaker upstream production as well as a power shortage in the Yunan province which is an aluminium production hub led to lower factory output. May retail sales which rose 12.4% y-o-y also fell market expectations of 14.0%. However, weaker economic data could push back any chance of further tightening in China as policymakers look to sustain growth.

Asia was dragged by the weakness in the Chinese market in July. Once again, China saw regulators cracking down on businesses, this time targeting the education sector. Authorities had banned the provision of holiday and weekend tutoring, and further said that they will no longer approve the establishment of new tuition centres. Instead, tutoring companies are being asked to register as non-profit institutions.

The local equity market’s performance was muted relative to regional peers. In the February result season, the tech sector was largely reporting earnings that beat expectations on the back of robust demand. Meanwhile, Finance Minister clarified in an interview that the government is not looking to impose capital gains tax on stocks. The government was mulling new taxes to widen its revenue base once the economy is on a more stable footing.

The Malaysian bond market saw an unwinding of “rate cut” bets at the end of January following BNM’s announcement to keep interest rates unchanged at 1.75% highlighting that recovery of the local economy was underway. The shorter-end of the MGS curve saw yields rise whilst longer-tenured papers remained resilient that month.

Yields trended higher in tandem with US treasury movement in the quarter. Undoubtedly, the performance of the local bond market has been subpar since the start of the year; especially given the volatility in US Treasury yields, as well as the lack of support from EPF due to its ongoing commitment to the i-Sinar and i-

Lestari programme. However, demand was seen returning in March, as more investors – including insurance players and asset managers – are seen nibbling into the market given the more attractive yield levels.

Fiscal deficit is expected to breach above the government's target of 6.0%. With the unveiled PEMULIH stimulus package, we could see the debt ceiling be raised to 65.0% from 60.0%. This could translate to more government bond supplies, which may put further pressure on Malaysia's sovereign rating.

On the monetary policy side, Bank Negara Malaysia ("BNM") kept Overnight Policy Rates ("OPR") at 1.75% in its monetary policy meeting in July. The central bank remained slightly optimistic on Malaysia's growth outlook on the back of various support measures in place, vaccine rollouts, as well as stronger export numbers.

Political risks abated slightly with the appointment of Datuk Seri Ismail Sabri Yaakob as the 9th Prime Minister after securing the majority support of 114 MPs. The next Parliament sitting is slated in September which Datuk Seri Ismail Sabri will face a test of majority support through a vote of confidence. With political stability expected until the next General Election (GE) due by 2023, the local market could see further support on the back of continued vaccination roll-outs. The gradual reopening of more economic sectors also point to economic growth improving in the coming quarters.

During its quarterly GDP briefing, BNM said that Malaysia's GDP grew 16.1% y-o-y in the 2Q'21, although it contracted 2% on a q-o-q basis. The central bank also revised its full-year GDP growth forecast for Malaysia to between 3% and 4%, from the previous forecast of between 6% and 7.5% for 2021.

### **Investment Outlook**

Global markets have rallied sharply from their lowest, supported by fiscal and monetary stimulus. The economy is still recovering, albeit at a slow pace, as consumers' confidence return. Recovery plays will be the most obvious theme for the year of improving macroeconomic conditions and the inevitable rollout of vaccines has everyone looking to the future and letting go of 2020's miseries. We have already seen the rotation from growth to value take place in the start of 2021.

Earnings momentum will continue in 2021 with earnings growth projected to rise in Asia ex-Japan. Key sectors leading the recovery include the energy, consumer discretionary and industrials. Though, this is tempered by moderately higher valuations which has crept up above historical averages. Liquidity conditions remain positive and with earnings visibility from Asian companies that are riding along a China-led economic recovery, Asia continues to be an ocean of growth potential as the region continues to grow. Selected Chinese consumer names which are less likely to be pressured by regulatory headwinds were deemed more favourable.

Back home, economic recovery continues to be delayed by Covid-19 as cases surge throughout the country. From a bottom-up perspective, the domestic focus will be on the recovery beneficiaries and exporters in the technology and EMS segment which have strong earnings visibility in the near term as well increasing demand. Weights in politically sensitive stocks have also been trimmed as the situation remains fluid.

ESG funds have also been gathering plenty of interest and we will expect this investor shift to ESG-focused funds to be more commonplace across the industry. The Biden administration's foray into building stronger climate change initiatives also signals a shift for the investment industry as this will generate more opportunities across asset classes. The wider implications of this on the economy will take time to materialise, but will continue to be observed.

### **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.

### **Cross Trade**

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

## **TRUSTEE'S REPORT TO THE UNITHOLDERS OF AFFIN HWANG SELECT OPPORTUNITY FUND**

We have acted as Trustee of Affin Hwang Select Opportunity Fund ("the Fund") for the financial year ended 31 July 2021. 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 Unit Trust Funds, 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.

During this financial year, a total distribution of 5.00 sen per unit (gross) has been distributed to the unitholders of the Fund. We are of the view that the distribution is not inconsistent with the objective of the Fund.

For HSBC (Malaysia) Trustee Berhad

Yap Lay Guat  
Manager, Investment Compliance Monitoring

Kuala Lumpur  
13 September 2021

**AFFIN HWANG SELECT OPPORTUNITY FUND**

**FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 JULY 2021**

# **AFFIN HWANG SELECT OPPORTUNITY FUND**

## **FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 JULY 2021**

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## AFFIN HWANG SELECT OPPORTUNITY FUND

### STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 JULY 2021

	<u>Note</u>	<u>2021</u> RM	<u>2020</u> RM
<b>INVESTMENT INCOME/(LOSS)</b>			
Dividend income		12,948,501	21,786,538
Interest income from financial asset at amortised cost		182,592	1,729,892
Net (loss)/gain on foreign currency exchange		(1,042,164)	1,092,355
Net gain/(loss) on forward foreign currency contracts at fair value through profit or loss		381,600	(657,537)
Net gain/(loss) on financial assets at fair value through profit or loss	8	79,667,551	(26,946,522)
		<u>92,138,080</u>	<u>(2,995,274)</u>
<b>EXPENSES</b>			
Management fee	4	(8,454,372)	(12,514,928)
Trustee fee	5	(394,676)	(587,736)
Auditors' remuneration		(9,500)	(9,500)
Tax agent's fee		(3,800)	(23,123)
Transaction cost		(3,957,880)	(7,152,293)
Other expenses		(647,117)	(646,874)
		<u>(13,467,345)</u>	<u>(20,934,454)</u>
<b>NET PROFIT/(LOSS) BEFORE TAXATION</b>		78,670,735	(23,929,728)
Taxation	6	-	-
<b>NET PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL YEAR</b>		<u>78,670,735</u>	<u>(23,929,728)</u>
Net profit/(loss) after taxation is made up of the following:			
Realised amount		73,588,868	(31,571,615)
Unrealised amount		5,081,867	7,641,887
		<u>78,670,735</u>	<u>(23,929,728)</u>

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

## AFFIN HWANG SELECT OPPORTUNITY FUND

### STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2021

	<u>Note</u>	<u>2021</u> RM	<u>2020</u> RM
<b>ASSETS</b>			
Cash and cash equivalents	9	34,808,413	51,684,348
Amount due from brokers		5,983,750	2,840,749
Dividends receivable		366,041	74,950
Financial assets at fair value through profit or loss	8	445,134,417	639,086,722
<b>TOTAL ASSETS</b>		<u>486,292,621</u>	<u>693,686,769</u>
<b>LIABILITIES</b>			
Amount due to brokers		11,263,209	8,405,332
Amount due to Manager			
- management fee		615,793	901,864
- cancellation of units		454,118	1,149,509
Amount due to Trustee		28,737	42,087
Auditors' remuneration		9,500	9,500
Tax agent's fee		7,709	7,709
Other payables and accruals		12,202	10,019
<b>TOTAL LIABILITIES</b>		<u>12,391,268</u>	<u>10,526,020</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>473,901,353</u>	<u>683,160,749</u>
<b>EQUITY</b>			
Unitholders' capital		385,603,178	651,417,009
Retained earnings		88,298,175	31,743,740
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u>473,901,353</u>	<u>683,160,749</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	10	<u>455,426,000</u>	<u>709,418,000</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>1.0406</u>	<u>0.9630</u>

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

## AFFIN HWANG SELECT OPPORTUNITY FUND

### STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 JULY 2021

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 1 August 2020	651,417,009	31,743,740	683,160,749
Total comprehensive income for the financial year	-	78,670,735	78,670,735
Distribution (Note 7)	-	(22,116,300)	(22,116,300)
Movement in unitholders' capital:			
Creation of units arising from applications	2,353,672	-	2,353,672
Creation of units arising from distribution	21,943,920	-	21,943,920
Cancellation of units	(290,111,423)	-	(290,111,423)
Balance as at 31 July 2021	<u>385,603,178</u>	<u>88,298,175</u>	<u>473,901,353</u>
Balance as at 1 August 2019	930,214,867	55,673,468	985,888,335
Total comprehensive loss for the financial year	-	(23,929,728)	(23,929,728)
Movement in unitholders' capital:			
Creation of units arising from applications	10,602,797	-	10,602,797
Cancellation of units	(289,400,655)	-	(289,400,655)
Balance as at 31 July 2020	<u>651,417,009</u>	<u>31,743,740</u>	<u>683,160,749</u>

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

## AFFIN HWANG SELECT OPPORTUNITY FUND

### STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021

	<u>Note</u>	<u>2021</u> RM	<u>2020</u> RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from sale of investments		886,791,606	1,584,748,287
Purchase of investments		(617,414,754)	(1,311,339,670)
Dividends received		12,657,410	21,711,588
Interest received		182,592	1,729,892
Management fee paid		(8,740,443)	(12,891,677)
Trustee fee paid		(408,026)	(605,317)
Payment for other fees and expenses		(658,234)	(679,108)
Realised gain/(loss) on forward foreign currency contracts		381,600	(485,909)
Realised loss on foreign currency exchange		(232,400)	(584,997)
		<hr/>	<hr/>
Net cash flows generated from operating activities		272,559,351	281,603,089
		<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from creation of units		2,353,672	10,932,221
Payments for cancellation of units		(290,806,814)	(290,620,712)
Payment for distribution		(172,380)	-
		<hr/>	<hr/>
Net cash flows used in financing activities		(288,625,522)	(279,688,491)
		<hr/>	<hr/>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		(16,066,171)	1,914,598
<b>EFFECTS OF FOREIGN CURRENCY EXCHANGE</b>		(809,764)	1,677,352
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>		51,684,348	48,092,398
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	9	34,808,413	51,684,348
		<hr/> <hr/>	<hr/> <hr/>

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



## **AFFIN HWANG SELECT OPPORTUNITY FUND**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 JULY 2021**

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 M.

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

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108 ‘Definition of Material’

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 ‘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).
- 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.
- 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.

## **AFFIN HWANG SELECT OPPORTUNITY FUND**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)**

#### **B INCOME RECOGNITION**

##### Dividend income

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of gross dividend income on the ex-dividend date, when the right to receive the dividend has been established.

##### Interest Income

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

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 quoted equities and exchange-traded fund (“ETF”), realised gain 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 TRANSACTION COSTS**

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

#### **D DISTRIBUTION**

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

#### **E TAXATION**

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

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

Withholding taxes on investment income from investments 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.

## **AFFIN HWANG SELECT OPPORTUNITY FUND**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)**

#### **F FUNCTIONAL AND PRESENTATION CURRENCY**

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

#### **G FOREIGN CURRENCY TRANSLATIONS**

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 the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges.

#### **H 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 Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income.

The contractual cash flows of the Fund’s debt securities are solely principal and interest (“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, amount due from brokers and dividends receivable as financial assets at amortised cost as these financial assets are held to collect contractual cash flows that represent SPPI.

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

## **AFFIN HWANG SELECT OPPORTUNITY FUND**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)**

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

(ii) Recognition and measurement

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

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

The fair value 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 last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

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

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

## AFFIN HWANG SELECT OPPORTUNITY FUND

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)

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

##### (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. 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 unlikelihood 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 year.

## **AFFIN HWANG SELECT OPPORTUNITY FUND**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)**

#### **I CASH AND CASH EQUIVALENTS**

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

#### **J AMOUNT DUE FROM/(TO) BROKERS**

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. The due from brokers balance is held for collection. Refer to Note H for accounting policy on recognition and measurement.

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

Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

#### **K UNITHOLDERS' CAPITAL**

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

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

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

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

## **AFFIN HWANG SELECT OPPORTUNITY FUND**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)**

#### **L DERIVATIVE FINANCIAL INSTRUMENTS**

A derivative financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

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 at 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.

#### **M CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES**

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

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

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 Unit Trust Funds.

#### **N REALISED AND UNREALISED PORTIONS OF PROFIT OR LOSS AFTER TAX**

The analysis of realised and unrealised profit or loss after tax as presented in the statement of comprehensive income is prepared in accordance with SC's Guidelines on Unit Trust Funds.

## **AFFIN HWANG SELECT OPPORTUNITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021**

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

The Unit Trust Fund was constituted under the name HwangDBS Select Opportunity Fund (the "Fund") pursuant to the execution of a Deed dated 13 August 2001, First Supplemental Deed dated 18 June 2007, Second Supplemental Deed dated 15 October 2008, Third Supplemental Deed dated 18 January 2012, Fourth Supplemental Deed dated 27 June 2014, Fifth Supplemental Deed dated 28 April 2017 and Sixth Supplemental Deed dated 5 October 2018 (the "Deeds") entered into between Affin Hwang Asset Management Berhad (the "Manager") and HSBC (Malaysia) Trustee Berhad (the "Trustee"). The Fund has changed its name from HwangDBS Select Opportunity Fund to Hwang Select Opportunity Fund as amended by the Third Supplemental Deed dated 18 January 2012 and from Hwang Select Opportunity Fund to Affin Hwang Select Opportunity Fund as amended by Fourth Supplemental Deed dated 27 June 2014.

The Fund commenced operations on 7 September 2001 and will continue its operations until terminated by the Trustee as provided under Clause 13.1 of the Deed.

The Fund may invest in any of the following investments:

- a) Securities of companies listed on Bursa Malaysia and any other exchanges of countries who are members of International Organisation of Securities Commissions
- b) Unlisted securities including, without limitation, securities that have been approved by the relevant regulatory authorities for the listing of and quotation for such securities;
- c) Debentures;
- d) Money market instruments;
- e) Deposits;
- f) Derivatives, for the purpose of hedging only;
- g) Warrants;
- h) Structured products;
- i) Units or shares in collective investment schemes; and
- j) Any other form of investments permitted by the SC from time to time which are in line with the objective of the Fund

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

The main objective of the Fund is to achieve consistent capital appreciation over the medium to long term through investing mainly in listed Malaysian and foreign companies with good growth prospects.

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 financial statements were authorised for issue by the Manager on 13 September 2021.



## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)

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

Financial instruments are as follows:

	<u>Note</u>	At amortised <u>cost</u> RM	At fair value through <u>profit or loss</u> RM	<u>Total</u> RM
<u>2021</u>				
<u>Financial assets</u>				
Cash and cash equivalents	9	34,808,413	-	34,808,413
Amount due from brokers		5,983,750	-	5,983,750
Dividends receivable		366,041	-	366,041
Quoted equities	8	-	440,606,963	440,606,963
Exchange-traded fund	8	-	4,527,454	4,527,454
Total		<u>41,158,204</u>	<u>445,134,417</u>	<u>486,292,621</u>
<u>Financial liabilities</u>				
Amount due to brokers		11,263,209	-	11,263,209
Amount due to Manager				
- management fee		615,793	-	615,793
- cancellation of units		454,118	-	454,118
Amount due to Trustee		28,737	-	28,737
Auditors' remuneration		9,500	-	9,500
Tax agent's fee		7,709	-	7,709
Other payables and accruals		12,202	-	12,202
Total		<u>12,391,268</u>	<u>-</u>	<u>12,391,268</u>
<u>2020</u>				
<u>Financial assets</u>				
Cash and cash equivalents	9	51,684,348	-	51,684,348
Amount due from brokers		2,840,749	-	2,840,749
Dividends receivable		74,950	-	74,950
Quoted equities	8	-	639,086,722	639,086,722
Total		<u>54,600,047</u>	<u>639,086,722</u>	<u>693,686,769</u>

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)

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

Financial instruments are as follows: (continued)

	<u>Note</u>	At amortised <u>cost</u> RM	At fair value through <u>profit or loss</u> RM	<u>Total</u> RM
<u>2020 (continued)</u>				
<u>Financial liabilities</u>				
Amount due to brokers		8,405,332	-	8,405,332
Amount due to Manager				
- management fee		901,864	-	901,864
- cancellation of units		1,149,509	-	1,149,509
Amount due to Trustee		42,087	-	42,087
Auditors' remuneration		9,500	-	9,500
Tax agent's fee		7,709	-	7,709
Other payables and accruals		10,019	-	10,019
Total		<u>10,526,020</u>	<u>-</u>	<u>10,526,020</u>

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

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

#### Market risk

##### (a) Price risk

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

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

	<u>2021</u> RM	<u>2020</u> RM
<b>Quoted investments</b>		
Quoted equities	440,606,963	639,086,722
Exchange-traded fund	4,527,454	-
	<u>445,134,417</u>	<u>639,086,722</u>

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)

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

##### Market risk (continued)

##### (a) Price risk (continued)

The following table summarises the sensitivity of the Fund's profit after taxation and net asset value ("NAV") to price risk movements. The analysis is based on the assumptions that the market price increased by 10% (2020: 10%) and decreased by 10% (2020: 10%) with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the quoted securities having regard to the historical volatility of the prices.

<u>% Change in price</u>	<u>Market value</u> RM	<u>Impact on</u> <u>profit after</u> <u>tax/NAV</u> RM
<u>2021</u>		
-10%	400,620,975	(44,513,442)
0%	445,134,417	-
+10%	489,647,859	44,513,442
	<u>                    </u>	<u>                    </u>
<u>2020</u>		
-10%	575,178,050	(63,908,672)
0%	639,086,722	-
+10%	702,995,394	63,908,672
	<u>                    </u>	<u>                    </u>

##### (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 deposit 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.

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)

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

##### Market risk (continued)

##### (c) Currency risk

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

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

	<u>Quoted equities</u> RM	<u>Exchange- traded fund</u> RM	<u>Cash and cash equivalents</u> RM	<u>Dividends receivable</u> RM	<u>Total</u> RM
<u>2021</u>					
<u>Financial assets</u>					
Chinese Yuan	5,973,523	-	11,488,557	-	17,462,080
Euro	6,016,701	-	27,001	-	6,043,702
Hong Kong Dollar	56,912,196	4,527,454	11,399,743	114,084	72,953,477
Korean Won	12,817,719	-	-	78,417	12,896,136
Singapore Dollar	8,048,204	-	24,648	-	8,072,852
United States Dollar	23,528,789	-	11,115,510	-	34,644,299
	<u>113,297,132</u>	<u>4,527,454</u>	<u>34,055,459</u>	<u>192,501</u>	<u>152,072,546</u>
				<u>Other liabilities*</u> RM	<u>Total</u> RM
<u>Financial liabilities</u>					
Euro				2	2
Hong Kong Dollar				10,327,071	10,327,071
				<u>10,327,073</u>	<u>10,327,073</u>

\*Other liabilities consist of amount due to brokers and other payables and accruals.

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)

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

##### Market risk (continued)

##### (c) Currency risk (continued)

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

	<u>Quoted equities</u> RM	<u>Cash and cash equivalents</u> RM	<u>Dividend receivable</u> RM	<u>Total</u> RM
<u>2020</u>				
<u>Financial assets</u>				
Chinese Yuan	-	1,686	-	1,686
Hong Kong Dollar	106,033,360	14,944,202	-	120,977,562
Korean Won	20,803,890	-	74,950	20,878,840
Singapore Dollar	14,810,401	17,915,281	-	32,725,682
United States Dollar	67,760,739	15,048,924	-	82,809,663
	<u>209,408,390</u>	<u>47,910,093</u>	<u>74,950</u>	<u>257,393,433</u>

The table below summarises the sensitivity of the Fund's profit after tax and net asset value ("NAV") to changes in foreign exchange movements. The analysis is based on the assumption that the foreign exchange rate changes by each currency's respective historical volatility, 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 each currency's respective historical volatility. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	<u>Change in rate</u> %	<u>Impact on profit after tax/ NAV</u> RM
<u>2021</u>		
Chinese Yuan	+/- 3.63	+/- 633,882
Euro	+/- 5.30	+/- 320,478
Hong Kong Dollar	+/- 3.54	+/- 2,219,944
Korean Won	+/- 5.20	+/- 670,017
Singapore Dollar	+/- 2.90	+/- 234,040
United States Dollar	+/- 3.63	<u>+/- 1,257,605</u>

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)

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

##### Market risk (continued)

##### (c) Currency risk (continued)

	Change in rate %	Impact on profit after tax/ <u>NAV</u> RM
<u>2020</u>		
Chinese Yuan	+/- 6.25	+/- 105
Hong Kong Dollar	+/- 6.27	+/- 7,585,293
Korean Won	+/- 9.50	+/- 1,983,490
Singapore Dollar	+/- 4.52	+/- 1,479,201
United States Dollar	+/- 6.25	+/- 5,175,604

##### Liquidity risk

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

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

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

	<u>Within one month</u> RM	<u>Between one month to one year</u> RM	<u>Total</u> RM
<u>2021</u>			
Amount due to brokers	11,263,209	-	11,263,209
Amount due to Manager			
- management fee	615,793	-	615,793
- cancellation of units	454,118	-	454,118
Amount due to Trustee	28,737	-	28,737
Auditors' remuneration	-	9,500	9,500
Tax agent's fee	-	7,709	7,709
Other payables and accruals	-	12,202	12,202
	<u>12,361,857</u>	<u>29,411</u>	<u>12,391,268</u>

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)

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

##### Liquidity risk (continued)

The amounts in the table below are the contractual undiscounted cash flows: (continued)

	<u>Within one month</u> RM	<u>Between one month to one year</u> RM	<u>Total</u> RM
<u>2020</u>			
Amount due to brokers	8,405,332	-	8,405,332
Amount due to Manager			
- management fee	901,864	-	901,864
- cancellation of units	1,149,509	-	1,149,509
Amount due to Trustee	42,087	-	42,087
Auditors' remuneration	-	9,500	9,500
Tax agent's fee	-	7,709	7,709
Other payables and accruals	-	10,019	10,019
	<u>10,498,792</u>	<u>27,228</u>	<u>10,526,020</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 brokers are governed by the relevant rules and regulations as prescribed by the respective stock exchanges.

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

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

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)

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

##### Credit risk (continued)

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

	<u>Cash and cash equivalents</u> RM	<u>Other assets*</u> RM	<u>Total</u> RM
<u>2021</u>			
Construction			
- NR	-	701,039	701,039
Consumer Discretionary			
- NR	-	114,084	114,084
Consumer Staples			
- NR	-	173,540	173,540
Financial Services			
- AAA	34,808,413	-	34,808,413
- AA3	-	2,629,130	2,629,130
Technology			
- NR	-	1,815,213	1,815,213
Telecommunication & Media			
- NR	-	916,785	916,785
	<u>34,808,413</u>	<u>6,349,791</u>	<u>41,158,204</u>
<u>2020</u>			
Financial Services			
- AAA	51,684,348	1,138,635	52,822,983
- AA-	-	1,623,426	1,623,426
- NR	-	78,688	78,688
Technology			
- NR	-	74,950	74,950
	<u>51,684,348</u>	<u>2,915,699</u>	<u>54,600,047</u>

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



## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)

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

##### Capital risk

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

#### 3 FAIR VALUE ESTIMATION

Financial instruments comprise financial assets and financial liabilities. Fair value is 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 markets (such as trading securities) is based on quoted market prices at the close of trading on the period end date. The Fund utilises the current bid price for financial assets which fall 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 SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (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> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<u>2021</u>				
Financial assets at fair value through profit or loss				
- quoted equities	440,606,963	-	-	440,606,963
- exchange-traded fund	4,527,454	-	-	4,527,454
	<u>445,134,417</u>	<u>-</u>	<u>-</u>	<u>445,134,417</u>
<u>2020</u>				
Financial assets at fair value through profit or loss				
- quoted equities	<u>639,086,722</u>	<u>-</u>	<u>-</u>	<u>639,086,722</u>

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

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

#### 4 MANAGEMENT FEE

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

For the financial year ended 31 July 2021, the management fee is recognised at a rate of 1.50% (2020: 1.50%) per annum on the NAV of the Fund calculated on a daily basis as stated in the Prospectus.

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

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)

#### 5 TRUSTEE FEE

In accordance with the Deeds, the Trustee is entitled to an annual fee at a rate not exceeding 0.30% per annum on the NAV of the Fund.

For the financial year ended 31 July 2021, the Trustee fee is recognised at a rate of 0.07% (2020: 0.07%) per annum on the NAV of the Fund, subject to a minimum fee of RM18,000 per annum calculated and accrued daily, exclusive of foreign sub-custodian fee as stated in the Prospectus.

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

#### 6 TAXATION

	<u>2021</u> RM	<u>2020</u> RM
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>2021</u> RM	<u>2020</u> RM
Net profit/(loss) before taxation	78,670,735	(23,929,728)
Tax at Malaysian statutory rate of 24% (2020: 24%)	18,880,976	(5,743,135)
Tax effects of:		
Investment income not subject to tax/ (Investment loss not brought to tax)	(22,113,139)	718,866
Expenses not deductible for tax purposes	1,197,714	2,015,526
Restrictions on tax deductible expenses for Unit Trust Funds	2,034,449	3,008,743
Tax expense	-	-

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)

#### 7 DISTRIBUTION

	<u>2021</u> RM	<u>2020</u> RM
Distribution to unitholders is from the following sources:		
Previous year's realised income	22,116,300	-
Gross realised income	22,116,300	-
Less: Expenses	-	-
Net distribution amount	<u>22,116,300</u>	<u>-</u>
Gross/Net distribution per unit (sen)	<u>5.00</u>	<u>-</u>
Ex-date	<u>16.06.2021</u>	<u>-</u>

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

Included in distributions for the financial year is an amount of RM22,116,300 (2020: RM Nil) made from previous year's realised income.

#### 8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2021</u> RM	<u>2020</u> RM
Financial assets at fair value through profit or loss		
- quoted equities – local	327,309,831	429,678,332
- quoted equities – foreign	113,297,132	209,408,390
- exchange-traded fund - foreign	4,527,454	-
	<u>445,134,417</u>	<u>639,086,722</u>
Net gain/(loss) on financial assets at fair value through profit or loss		
- realised gain/(loss) on sale of investments	73,775,920	(33,082,685)
- unrealised gain on changes in fair value	5,891,631	6,136,163
	<u>79,667,551</u>	<u>(26,946,522)</u>

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)

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

(a) Quoted equities – local

(i) Quoted equities – local as at 31 July 2021 are as follows:

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Construction</u>				
Jaks Resources Bhd	21,607,300	10,263,468	10,587,577	2.23
<u>Consumer Products &amp; Services</u>				
British American Tobacco M Bhd	741,600	8,603,387	10,753,200	2.27
Genting Bhd	3,857,000	19,574,041	18,166,470	3.83
	<u>4,598,600</u>	<u>28,177,428</u>	<u>28,919,670</u>	<u>6.10</u>
<u>Financial Services</u>				
Allianz Malaysia Bhd -PA	1,416,458	6,277,872	18,158,992	3.83
BIMB Holdings Bhd	2,900,000	10,382,000	10,875,000	2.29
CIMB Group Holdings Bhd	3,126,712	13,862,412	13,913,868	2.94
Hong Leong Bank Bhd	946,100	16,848,082	17,029,800	3.59
Malayan Banking Bhd	2,050,423	17,504,593	16,423,888	3.47
RHB Bank Bhd	2,510,784	13,016,390	12,830,106	2.71
	<u>12,950,477</u>	<u>77,891,349</u>	<u>89,231,654</u>	<u>18.83</u>
<u>Health Care</u>				
IHH Healthcare Bhd	1,425,300	8,262,584	8,038,692	1.70
<u>Industrial Products &amp; Services</u>				
Sunway Berhad	8,089,440	12,552,496	13,671,154	2.88
<u>Plantation</u>				
Kuala Lumpur Kepong Bhd	867,700	20,634,362	16,069,804	3.39
<u>Property</u>				
Eco World Development Grp Bhd	31,665,900	16,552,135	22,007,800	4.64

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)

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

(a) Quoted equities – local (continued)

(i) Quoted equities – local as at 31 July 2021 are as follows: (continued)

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<u>Technology</u>				
CTOS Digital Bhd	6,188,700	8,890,151	9,468,711	2.00
Frontken Corp Bhd	4,789,800	11,218,200	15,471,054	3.26
Greatech Technology Bhd	2,624,900	8,452,224	16,851,858	3.56
Inari Amertron Bhd	3,913,200	11,577,642	12,991,824	2.74
My E.G. Services Bhd	11,055,110	15,674,143	18,240,931	3.85
	<u>28,571,710</u>	<u>55,812,360</u>	<u>73,024,378</u>	<u>15.41</u>
<u>Telecommunication &amp; Media</u>				
Telekom Malaysia Bhd	5,182,100	25,209,509	30,781,674	6.50
TIME dotCom Bhd	1,667,500	15,402,965	23,945,300	5.05
	<u>6,849,600</u>	<u>40,612,474</u>	<u>54,726,974</u>	<u>11.55</u>
<u>Utilities</u>				
Tenaga Nasional Bhd	1,145,600	14,545,950	11,032,128	2.33
Total quoted equities – local	<u>117,771,627</u>	285,304,606	<u>327,309,831</u>	<u>69.06</u>
Accumulated unrealised gain on quoted equities – local		<u>42,005,225</u>		
Total quoted equities – local		<u>327,309,831</u>		

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)

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

(a) Quoted equities – local (continued)

(ii) Quoted equities – local as at 31 July 2020 are as follows:

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Construction</u>				
Jaks Resources Bhd	12,000,000	11,025,820	9,180,000	1.34
<u>Consumer Products &amp; Services</u>				
Fraser & Neave Holdings Bhd	152,800	4,635,755	4,920,160	0.72
Heineken Malaysia Bhd	369,500	8,286,578	8,269,410	1.21
Mynews Holdings Bhd	9,846,600	6,958,378	6,646,455	0.97
	<u>10,368,900</u>	<u>19,880,711</u>	<u>19,836,025</u>	<u>2.90</u>
<u>Financial Services</u>				
Allianz Malaysia Bhd	1,053,900	11,405,643	14,101,182	2.06
Allianz Malaysia Bhd -PA	1,556,458	6,898,365	21,105,570	3.09
Hong Leong Financial Group Bhd	707,900	13,063,089	9,471,702	1.39
Malayan Banking Bhd	3,411,243	30,960,992	26,164,234	3.83
RHB Bank Bhd	4,025,200	20,194,665	20,045,496	2.93
	<u>10,754,701</u>	<u>82,522,754</u>	<u>90,888,184</u>	<u>13.30</u>
<u>Health Care</u>				
Hartalega Holdings Bhd	442,000	7,128,315	8,963,760	1.31
IHH Healthcare Bhd	1,425,300	8,262,584	7,668,114	1.12
Supermax Corp Bhd	1,363,300	23,252,183	25,221,050	3.69
Top Glove Corp Bhd	849,000	19,975,485	21,921,180	3.21
	<u>4,079,600</u>	<u>58,618,567</u>	<u>63,774,104</u>	<u>9.33</u>
<u>Industrial Products &amp; Services</u>				
Comfort Glove Bhd	732,500	3,971,981	3,926,200	0.57
Sunway Bhd	17,350,840	26,853,513	23,423,634	3.43
	<u>18,083,340</u>	<u>30,825,494</u>	<u>27,349,834</u>	<u>4.00</u>
<u>Plantation</u>				
Kuala Lumpur Kepong Bhd	259,400	5,870,414	5,966,200	0.87

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)

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

(a) Quoted equities – local (continued)

(ii) Quoted equities – local as at 31 July 2020 are as follows: (continued)

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<u>Property</u>				
SP Setia Bhd Group - RCPS-i B	3,382,600	2,976,688	2,215,603	0.32
<u>REITs</u>				
Sunway REIT	7,496,700	12,378,415	11,544,918	1.69
YTL Hospitality REIT	7,301,600	7,751,971	6,936,520	1.02
	<u>14,798,300</u>	<u>20,130,386</u>	<u>18,481,438</u>	<u>2.71</u>
<u>Technology</u>				
Datasonic Group Bhd	12,268,400	18,386,717	17,053,076	2.50
Frontken Corp Bhd	3,600,000	12,240,000	12,600,000	1.84
Greatech Technology Bhd	682,000	3,723,405	3,682,800	0.54
Inari Amertron Bhd	11,429,000	20,519,955	24,229,480	3.55
My E.G. Services Bhd	19,942,800	25,879,993	26,723,352	3.91
	<u>47,922,200</u>	<u>80,750,070</u>	<u>84,288,708</u>	<u>12.34</u>
<u>Telecommunication &amp; Media</u>				
Astro Malaysia Holdings Bhd	8,248,000	12,804,646	6,515,920	0.95
Axiata Group Bhd	4,743,900	16,809,912	15,180,480	2.22
TIME dotCom Bhd	3,494,900	32,282,951	38,094,410	5.58
	<u>16,486,800</u>	<u>61,897,509</u>	<u>59,790,810</u>	<u>8.75</u>
<u>Transportation &amp; Logistics</u>				
Malaysia Airports Holdings Bhd	1,268,600	7,153,938	6,596,720	0.97
MISC Bhd	422,200	3,396,543	3,305,826	0.48
	<u>1,690,800</u>	<u>10,550,481</u>	<u>9,902,546</u>	<u>1.45</u>



## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)

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

(a) Quoted equities – local (continued)

(ii) Quoted equities – local as at 31 July 2020 are as follows: (continued)

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<u>Utilities</u>				
Tenaga Nasional Bhd	3,345,500	43,158,521	38,004,880	5.56
	<hr/>	<hr/>	<hr/>	<hr/>
Total quoted equities – local	143,172,141	428,207,415	429,678,332	62.87
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated unrealised gain on quoted equities – local		1,470,917		
		<hr/>		
Total quoted equities – local		429,678,332		
		<hr/>		

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)

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

(b) Quoted equities – foreign

(i) Quoted equities – foreign as at 31 July 2021 are as follows:

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>China</u>				
<u>Consumer Discretionary</u>				
China Tourism Group Duty Free Corp	37,981	4,903,511	5,973,523	1.26
<u>France</u>				
<u>Consumer Discretionary</u>				
LVMH Moet Hennessy Louis Vuitton	1,777	5,449,895	6,016,701	1.27
<u>Hong Kong</u>				
<u>Consumer Discretionary</u>				
Alibaba Group Holding Ltd	45,100	4,659,552	4,625,068	0.98
BYD Co Ltd	65,000	7,799,621	8,429,291	1.78
Galaxy Entertainment Group Ltd	111,000	3,708,059	3,171,036	0.67
Haier Smart Home Co Ltd	531,000	8,845,248	7,649,602	1.61
Li Ning Company Limited	120,500	5,275,015	5,348,354	1.13
Techtronic Industries Co	51,000	3,654,224	3,843,724	0.81
	<u>923,600</u>	<u>33,941,719</u>	<u>33,067,075</u>	<u>6.98</u>
<u>Consumer Staples</u>				
China Feihe Ltd	592,000	6,295,406	4,786,166	1.01
China Mengniu Dairy Co Ltd	385,000	9,144,131	8,763,397	1.85
	<u>977,000</u>	<u>15,439,537</u>	<u>13,549,563</u>	<u>2.86</u>
<u>Health Care</u>				
Hangzhou Tigermed Consulting	60,000	5,052,828	4,899,678	1.03
<u>Technology</u>				
Baidu Inc	62,900	6,863,309	5,395,880	1.14

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(i) Quoted equities – foreign as at 31 July 2021 are as follows: (continued)

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<u>South Korea</u>				
<u>Technology</u>				
Samsung Electronics Co Ltd - Preference Shares	48,467	8,513,563	12,817,719	2.70
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Singapore</u>				
<u>Technology</u>				
AEM Holdings Ltd	661,000	8,390,847	8,048,204	1.70
	<hr/>	<hr/>	<hr/>	<hr/>
<u>United States</u>				
<u>Consumer Discretionary</u>				
Airbnb Inc - Class A	6,491	3,607,545	3,941,599	0.83
Amazon.com Inc	936	7,879,912	13,140,600	2.77
	<hr/>	<hr/>	<hr/>	<hr/>
	7,427	11,487,457	17,082,199	3.60
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Industrials</u>				
Visa Inc	6,200	5,399,647	6,446,590	1.36
	<hr/>	<hr/>	<hr/>	<hr/>
Total quoted equities – foreign	<u>2,786,352</u>	<u>105,442,313</u>	<u>113,297,132</u>	<u>23.90</u>
Accumulated unrealised gain on quoted equities – foreign		<u>7,854,819</u>		
Total quoted equities – foreign		<u>113,297,132</u>		

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(ii) Quoted equities – foreign as at 31 July 2020 are as follows:

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<u>Hong Kong</u>				
<u>Consumer Services</u>				
Alibaba Group Holding Ltd	247,600	21,181,711	33,305,369	4.88
Sands China Ltd	464,000	8,334,994	7,598,770	1.11
	<u>711,600</u>	<u>29,516,705</u>	<u>40,904,139</u>	<u>5.99</u>
<u>Financial Services</u>				
CIFI Holdings Group Co Ltd	115,800	420,192	440,703	0.06
Ping An Insurance Grp Co China	492,000	21,884,246	22,087,002	3.23
	<u>607,800</u>	<u>22,304,438</u>	<u>22,527,705</u>	<u>3.29</u>
<u>Technology</u>				
Tencent Holdings Ltd	145,900	25,405,243	42,601,516	6.24
<u>South Korea</u>				
<u>Technology</u>				
Samsung Electronics Co Ltd - Preference Shares	76,527	11,807,803	13,436,343	1.97
SK Hynix Inc	25,086	7,292,160	7,367,547	1.08
	<u>101,613</u>	<u>19,099,963</u>	<u>20,803,890</u>	<u>3.05</u>
<u>Singapore</u>				
<u>Financial Services</u>				
CapitaLand Retail China Trust	3,938,000	17,129,944	14,810,401	2.17

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(ii) Quoted equities – foreign as at 31 July 2020 are as follows: (continued)

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<u>United States</u>				
<u>Consumer Services</u>				
Amazon.com Inc	1,579	13,293,143	21,169,427	3.10
<u>Financial Services</u>				
Visa Inc	17,884	13,924,814	14,428,411	2.11
<u>Industrials</u>				
PayPal Holdings Inc	9,600	7,038,023	7,978,975	1.17
<u>Technology</u>				
Kingsoft Cloud Holdings	49,981	5,483,549	7,425,515	1.09
Microsoft Corporation	19,286	14,289,528	16,758,411	2.45
	69,267	19,773,077	24,183,926	3.54
Total quoted equities – foreign	<u>5,603,243</u>	<u>167,485,350</u>	<u>209,408,390</u>	<u>30.66</u>
Accumulated unrealised gain on quoted equities – foreign		41,923,040		
Total quoted equities – foreign		<u>209,408,390</u>		

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)

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

(c) Exchange-traded fund – foreign

(i) Exchange-traded fund – foreign as at 31 July 2021 is as follows

<u>Name of counter</u>	<u>Quantity</u>	<u>Aggregate cost USD</u>	<u>Fair value USD</u>	<u>Percentage of NAV %</u>
ChinaAMC Global ETF Series ChinaAMC HS HK Biotech In. ETF	350,000	5,101,910	4,527,454	0.96
Total exchange-traded fund - foreign	<u>350,000</u>	<u>5,101,910</u>	<u>4,527,454</u>	<u>0.96</u>
Accumulated unrealised loss on exchange-traded fund - foreign		<u>(574,456)</u>		
Total exchange-traded fund - foreign		<u>4,527,454</u>		

(ii) There was no investment in exchange-traded fund – foreign as at 31 July 2020.

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)

#### 9 CASH AND CASH EQUIVALENTS

	<u>2021</u> RM	<u>2020</u> RM
Cash and bank balances	34,088,275	47,963,994
Deposits with licensed financial institutions	720,138	3,720,354
	<u>34,808,413</u>	<u>51,684,348</u>

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

	<u>2021</u> %	<u>2020</u> %
Deposits with licensed financial institutions	<u>1.75</u>	<u>1.75</u>

Deposits with licensed financial institutions have an average maturity period of 2 days (2020: 3 days).

#### 10 NUMBER OF UNITS IN CIRCULATION

	<u>2021</u> No. of units	<u>2020</u> No. of units
At the beginning of the financial year	709,418,000	1,010,770,000
Creation of units arising from applications	2,185,000	11,097,000
Creation of units arising from distribution	20,378,826	-
Cancellation of units	(276,555,826)	(312,449,000)
At the end of the financial year	<u>455,426,000</u>	<u>709,418,000</u>

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)

#### 11 TRANSACTIONS WITH BROKERS

(a) Details of transactions with the top 10 brokers for the financial year ended 31 July 2021 are as follows:

<u>Name of brokers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage</u> %
Affin Hwang Investment Bank Bhd#	238,182,882	15.87	592,073	18.41
CLSA Sec Malaysia Sdn Bhd	73,287,129	4.88	148,462	4.62
Public Investment Bank Bhd	72,611,577	4.84	181,529	5.64
HLG Securities Sendirian Bhd	67,550,214	4.50	168,029	5.22
Credit Suisse Secs (M) Sdn Bhd	61,681,940	4.11	154,205	4.79
Robert W.Baird & Co.Inc. NY	59,876,490	3.99	9,622	0.30
UOB Kay Hian Secs (M) Sdn Bhd	57,317,659	3.82	143,294	4.45
Maybank Investment Bank Bhd	54,109,249	3.60	138,689	4.31
Macquarie Securities (Australia) Ltd	50,002,419	3.33	118,156	3.67
Haitong Intl Securities Company Ltd	47,573,431	3.17	95,147	2.96
Others	718,761,646	47.89	1,467,395	45.63
	<u>1,500,954,636</u>	<u>100.00</u>	<u>3,216,601</u>	<u>100.00</u>

(b) Details of transactions with the top 10 brokers for the financial year ended 31 July 2020 are as follows:

<u>Name of brokers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage</u> %
Affin Hwang Investment Bank Bhd#	547,716,427	19.81	1,359,526	23.29
Macquarie Bank Ltd Hong Kong	193,459,258	7.00	383,493	6.57
Robert W.Baird & Co.Inc. NY	158,314,679	5.73	21,210	0.36
JP Morgan Secs (Asia Pac) Ltd HK	129,645,872	4.69	557,263	9.55
UOB Kay Hian Secs (M) Sdn Bhd	129,424,418	4.68	314,161	5.38
CLSA Sec Malaysia Sdn Bhd	119,331,803	4.32	218,728	3.75
Masterlink Secs Co Ltd Taipei	118,766,664	4.29	296,916	5.09
CIMB Investment Bank Bhd	100,151,190	3.61	208,569	3.57
Credit Suisse Secs (M) Sdn Bhd	94,045,964	3.40	235,115	4.03
Maybank Investment Bank Bhd	91,399,152	3.31	228,498	3.91
Others	1,083,010,810	39.16	2,013,260	34.50
	<u>2,765,266,237</u>	<u>100.00</u>	<u>5,836,739</u>	<u>100.00</u>

# Included in transactions with brokers are trades in the stockbroking industry with Affin Hwang Investment Bank Bhd, a company related to the Manager amounting to RM238,182,882 (2020: RM547,716,427). The Manager is of the opinion that all transactions with the related company has been entered into in the normal course of business at agreed terms between the related parties.



## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (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>
Lembaga Tabung Angkatan Tentera (“LTAT”)	Ultimate holding corporate body of the Manager
Affin Bank Berhad (“ABB”)	Penultimate holding company of the Manager
Affin Hwang Investment Bank Berhad	Holding company of the Manager
Affin Hwang Asset Management Berhad	The Manager
Subsidiaries and associated companies of ABB as disclosed in its financial statements	Subsidiary and associated companies of the penultimate holding company of the Manager as disclosed in its financial statements
Directors of Affin Hwang Asset Management Berhad	Directors of the Manager

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

	<u>2021</u>		<u>2020</u>	
	<u>No. of units</u>	<u>RM</u>	<u>No. of units</u>	<u>RM</u>
<u>The Manager:</u>				
Affin Hwang Asset Management Berhad (The units are held legally for booking purposes)	<u>36,936</u>	<u>38,435</u>	<u>201,147</u>	<u>193,704</u>
<u>Subsidiary and associated companies of the penultimate holding company of the Manager:</u>				
ABB Nominee (Tempatan) Sdn Bhd (The units are held beneficially)	<u>566,075</u>	<u>589,058</u>	<u>-</u>	<u>-</u>
AXA Affin Life Insurance Bhd (The units are held beneficially)	<u>1,961,298</u>	<u>2,040,927</u>	<u>957,163</u>	<u>921,748</u>

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONTINUED)

#### 13 MANAGEMENT EXPENSE RATIO (“MER”)

	<u>2021</u> %	<u>2020</u> %
MER	1.59	1.59

MER is derived from the following calculation:

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

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

The average NAV of the Fund for the financial year calculated on a daily basis is RM564,111,691 (2020: RM838,175,297).

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

	<u>2021</u>	<u>2020</u>
PTR (times)	1.27	1.74

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 = RM618,651,129 (2020: RM1,301,717,472)  
total disposal for the financial year = RM818,495,065 (2020: RM1,607,128,056)

#### 15 SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The worsening macro-economic outlook as a result of Covid-19, both domestically and globally, may result in the deterioration of the Fund's Net Asset Value/unit in future periods.

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

## **AFFIN HWANG SELECT OPPORTUNITY FUND**

### **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 38 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 July 2021 and of its financial performance, changes in equity and cash flows for the financial year then ended 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  
13 September 2021

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

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Affin Hwang Select Opportunity Fund (“the Fund”) give a true and fair view of the financial position of the Fund as at 31 July 2021, and of its financial performance and its cash flows for the financial 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 July 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 1 to 38.

### 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 SELECT OPPORTUNITY FUND (CONTINUED)

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

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

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

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

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

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

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

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

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

#### 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.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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 SELECT OPPORTUNITY FUND (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  
13 September 2021

## **DIRECTORY OF SALES OFFICE**

### **HEAD OFFICE**

Affin Hwang Asset Management Berhad  
Ground Floor  
Menara Boustead  
69, Jalan Raja Chulan  
50200 Kuala Lumpur

Tel : 03 – 2116 6000  
Fax : 03 – 2116 6100  
Toll free no : 1-800-88-7080  
Email: [customercare@affinhwangam.com](mailto:customercare@affinhwangam.com)

### **PENANG**

Affin Hwang Asset Management Berhad  
No. 10-C-24 Precinct 10  
Jalan Tanjung Tokong  
10470 Penang

Tel : 04 – 899 8022  
Fax : 04 – 899 1916

### **PERAK**

Affin Hwang Asset Management Berhad  
1, Persiaran Greentown 6  
Greentown Business Centre  
30450 Ipoh Perak

Tel : 05 – 241 0668  
Fax : 05 – 255 9696

### **MELAKA**

Affin Hwang Asset Management Berhad  
Ground Floor, No. 584, Jalan Merdeka  
Taman Melaka Raya  
75000 Melaka

Tel : 06 – 281 2890 / 3269  
Fax : 06 – 281 2937

### **JOHOR**

Affin Hwang Asset Management Berhad  
Unit 22-05, Level 22  
Menara Landmark  
No. 12, Jalan Ngee Heng  
80000 Johor Bahru  
Johor Darul Takzim

Tel : 07 – 227 8999  
Fax : 07 – 223 8998

### **SABAH**

Affin Hwang Asset Management Berhad  
Lot No. B-2-09, 2<sup>nd</sup> Floor  
Block B, Warisan Square  
Jalan Tun Fuad Stephens  
88000 Kota Kinabalu  
Sabah

Tel : 088 – 252 881  
Fax : 088 – 288 803



## **DIRECTORY OF SALES OFFICE (CONTINUED)**

### **SARAWAK**

Affin Hwang Asset Management Berhad  
Ground Floor, No. 69  
Block 10, Jalan Laksamana Cheng Ho  
93200 Kuching  
Sarawak

Tel : 082 – 233 320  
Fax : 082 – 233 663

Affin Hwang Asset Management Berhad  
1<sup>st</sup> Floor, Lot 1291  
Jalan Melayu, MCLD  
98000 Miri  
Sarawak

Tel : 085 – 418 403  
Fax : 085 – 418 372

[www.affinhwangam.com](http://www.affinhwangam.com)

Affin Hwang Asset Management Berhad  
199701014290 (429786-T)