SECOND SUPPLEMENTAL PROSPECTUS FOR PRINCIPAL INSTITUTIONAL BOND FUND 2

Manager	:	**Principal Asset Management Berhad** (199401018399 (304078-K))
Trustee	:	**HSBC (Malaysia) Trustee Berhad** (193701000084 (1281-T))

This Second Supplemental Prospectus is dated 27 February 2025 and is to be read in conjunction with the Prospectus Issue No. 11 for the Principal Institutional Bond Fund 2 dated 14 April 2023 and First Supplemental Prospectus dated 5 September 2023 ("Prospectus").

This Fund was constituted on 16 January 2006.

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THE PROSPECTUS AND THIS SECOND SUPPLEMENTAL PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 4 OF THE PROSPECTUS.

THIS IS A SECOND SUPPLEMENTAL PROSPECTUS WHICH HAS TO BE READ IN CONJUNCTION WITH THE PROSPECTUS

RESPONSIBILITY STATEMENTS

This Second Supplemental Prospectus has been reviewed and approved by the directors of Principal Malaysia and they collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, they confirm to the best of their knowledge and belief, that there are no false or misleading statements, or omission of other facts which would make any statement in this Second Supplemental Prospectus false or misleading.

STATEMENTS OF DISCLAIMER

The Securities Commission Malaysia has authorised the Fund and a copy of this Second Supplemental Prospectus has been registered with the Securities Commission Malaysia.

The authorisation of the Fund, and registration of this Second Supplemental Prospectus, should not be taken to indicate that the Securities Commission Malaysia recommends the Fund or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in the Prospectus or this Second Supplemental Prospectus.

The Securities Commission Malaysia is not liable for any non-disclosure on the part of Principal Malaysia who is responsible for the Fund and takes no responsibility for the contents in this Second Supplemental Prospectus. The Securities Commission Malaysia makes no representation on the accuracy or completeness of this Second Supplemental Prospectus, and expressly disclaims any liability whatsoever arising from, or in reliance upon, the whole or any part of its contents.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IF YOU ARE UNABLE TO MAKE YOUR OWN EVALUATION, YOU ARE ADVISED TO CONSULT PROFESSIONAL ADVISERS.

ADDITIONAL STATEMENTS

You should note that you may seek recourse under the *Capital Markets and Services Act 2007* for breaches of securities laws including any statement in this Second Supplemental Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to this Second Supplemental Prospectus or the conduct of any other person in relation to the Fund.

1.0. GENERAL

1.1 This Second Supplemental Prospectus is issued to reflect the amendments made to the Prospectus as stated under paragraphs 1.4, 2, 3, 4, 5, 6, and 7 below.

1.2 All terms used in this Second Supplemental Prospectus shall have the same meanings as those defined in the Definitions Chapter of the Prospectus unless where the context otherwise requires.

1.3 Save and except for paragraphs 2.1 and 4.1, all information provided herein is practicable as at 30 November 2024 and shall remain current and relevant as at such date. The amendments as set out in paragraphs 2.1 and 4.1 will take effect on the date of this Second Supplemental Prospectus.

1.4 All references to "service@principal.com.my" in the Prospectus shall be amended to "myservice@principal.com".

2.0. DEFINITIONS

2.1. The following definition will be inserted under the section of "**Definitions**" at page ii:

Bloomberg	-	Bloomberg LP.
IHS Markit	-	IHS Markit Ltd.

3.0. CORPORATE DIRECTORY

3.1. The corporate information of "The Manager" under the section of "**Corporate Directory**" at page iv has been replaced and read as below:

The Manager
Principal Asset Management Berhad

Business/Registered address
Level 32, Exchange 106, Lingkaran TRX
55188 Tun Razak Exchange
Kuala Lumpur MALAYSIA
Tel : (603) 8680 8000

Customer Care Centre
Level 31, Exchange 106, Lingkaran TRX
55188 Tun Razak Exchange
Kuala Lumpur MALAYSIA
Tel : (603) 7723 7260
WhatsApp : (6016) 299 9792

Website
www.principal.com.my

E-mail
myservice@principal.com

4.0. TRANSACTION INFORMATION

4.1. The second bullet point under the section of "**Valuation of investments permitted by the Fund**" at page 9 has been replaced and read as below:

- **Unlisted debt securities**
  The value of any unlisted MYR-denominated debt securities shall be calculated on a daily basis using prices quoted by a bond pricing agency (BPA) registered with the SC. Where we are of the view that the price quoted by the BPA for a specific unquoted debt securities differs from the market price by more than 20 basis points, we may propose a fair value price, provided that we obtain necessary internal approvals to use the non-BPA price and keep an audit trail of the basis for determining the fair value of the investment. The basis for determining the fair value of the investment should be approved by the Trustee (after appropriate technical consultation), and is documented.

The value of any unlisted non MYR-denominated debt securities shall be calculated daily using prices quoted by ICE, Refinitiv, IHS Markit or Bloomberg, dependent on asset class and market using their proprietary methodology. The debt securities prices are calculated using prices contributed by financial institutions and other market inputs, including benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data (e.g. corporate action announcements and ratings). Where the prices are not available on any Business Day, these debt securities will be valued by reference to the average indicative yield quoted by three (3) independent and reputable financial institutions. However, where quotations are still not available, such unlisted non-MYR-denominated debt securities will be valued daily at a fair price determined in good faith by us, based on the methods or bases which have been verified by the auditor of the Fund and approved by the Trustee.

4.2. The first paragraph under the section of "**Unclaimed Moneys**" at page 14 has been replaced and read as below:

Any moneys payable to you which remain unclaimed after two (2) years as prescribed by the Unclaimed Moneys Act 1965 ("UMA"), will be surrendered to the Registrar of Unclaimed Moneys by us in accordance with the requirements of the UMA. Thereafter, all claims need to be made by you with the Registrar of Unclaimed Moneys.

5.0. ADDITIONAL INFORMATION

5.1. The last paragraph under the section of "**Information on your investment**" at page 15 has been replaced and read as below:

If you wish to write-in, please address your letter to:

Principal Asset Management Berhad
Customer Care Centre
Level 31, Exchange 106, Lingkaran TRX
55188 Tun Razak Exchange
Kuala Lumpur MALAYSIA

6.0. THE MANAGER

6.1. The information under the section of "**Designated Person Responsible for Fund Management Function**" at page 17 has been replaced and read as below:

Name:	Wong Loke Chin
Designation:	Chief Investment Officer, Fixed Income – Malaysia
Experience:	Wong Loke Chin is a seasoned portfolio manager with more than 29 years of relevant experience in managing domestic fixed income investments for retail, institutional, corporate and insurance clients. He has also gained more than 12 years of experience in managing global fixed income investment for institutional investor. Loke Chin joined Principal Malaysia in January 2005 from CIMB's Debt Markets and Derivatives Department where he managed fixed income portfolios of institutional clients. Prior to joining CIMB in year 2001, he has with him more than 6 years' experience in fixed income investment within the insurance industry. Loke Chin is a member of the Financial Markets Association Malaysia. He obtained his fund manager's representative license in January 2005.
Qualifications:	• Bachelor of Commerce from University of New South Wales, Australia

Note: For more information and/or updated information, please refer to our website at ***www.principal.com.my***.

7.0. TAXATION REPORT

7.1. The information under the section of "**Taxation report**" at page 23 to 27 has been replaced and read as below:

Ernst & Young Tax Consultants Sdn Bhd
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

The Board of Directors
Principal Asset Management Berhad
Level 32, Exchange 106,
Lingkaran TRX,
55188 Tun Razak Exchange
Kuala Lumpur, Malaysia

9 December 2024

Dear Sirs

Taxation of the unit trust fund and unit holders

This letter has been prepared for inclusion in this Second Supplemental Prospectus in connection with the offer of units in the unit trust known as Principal Institutional Bond Fund 2 (hereinafter referred to as “the Fund”).

The purpose of this letter is to provide prospective unit holders with an overview of the impact of taxation on the Fund and the unit holders.

Taxation of the Fund

The taxation of the Fund is subject to the provisions of the Malaysian Income Tax Act 1967 (MITA), particularly Sections 61 and 63B.

Subject to certain exemptions, the income of the Fund comprising profits and other investment income derived from or accruing in Malaysia after deducting tax allowable expenses, is subject to Malaysian income tax at the rate of 24% with effect from the year of assessment 2016.

Tax allowable expenses would comprise expenses falling under Section 33(1) and Section 63B of the MITA. Section 33(1) permits a deduction for expenses that are wholly and exclusively incurred in the production of gross income. In addition, Section 63B allows unit trusts a deduction for a portion of other expenses (referred to as “permitted expenses”) not directly related to the production of income, as explained below.

“Permitted expenses” refer to the following expenses incurred by the Fund which are not deductible under Section 33(1) of the MITA:

- the manager's remuneration,
- maintenance of the register of unit holders,
- share registration expenses,
- secretarial, audit and accounting fees, telephone charges, printing and stationery costs and postage.

These expenses are given a partial deduction under Section 63B of the MITA, based on the following formula:

$$A \times \frac{B}{4C}$$

where A is the total of the permitted expenses incurred for that basis period;
B is gross income consisting of dividend[1], interest and rent chargeable to tax for that basis period; and
C is the aggregate of the gross income consisting of dividend[1] and interest (whether such dividend or interest is exempt or not) and rent, and gains made from the realisation of investments (whether chargeable to tax or not) for that basis period,

provided that the amount of deduction to be made shall not be less than 10% of the total permitted expenses incurred for that basis period.

[1] Pursuant to Section 15 of the Finance Act 2011, with effect from the year of assessment 2011, dividend income is deemed to include income distributed by a unit trust which includes distributions from Real Estate Investment Trusts.

Exempt income

The following income of the Fund is exempt from income tax:

- **Malaysian sourced dividends**
  All Malaysian-sourced dividends should be exempt from income tax.

- **Malaysian sourced interest**

  (i) interest from securities or bonds issued or guaranteed by the Government of Malaysia;
  (ii) interest from debentures or *sukuk*, other than convertible loan stock, approved or authorized by, or lodged with, the Securities Commission;
  (iii) interest from Bon Simpanan Malaysia issued by Bank Negara Malaysia;
  (iv) interest derived from Malaysia and paid or credited by banks licensed under the Financial Services Act 2013 or the Islamic Financial Services Act 2013[2];
  (v) interest derived from Malaysia and paid or credited by any development financial institution prescribed under the Development Financial Institutions Act 2002;
  (vi) interest from *sukuk* originating from Malaysia, other than convertible loan stock, issued in any currency other than Ringgit and approved or authorized by, or lodged with, the Securities Commission or approved by the Labuan Financial Services Authority (LFSA)[3]; and
  (vii) interest which is specifically exempted by way of statutory orders or any other specific exemption provided by the Minister.

- **Discount**

  Tax exemption is given on discount paid or credited to any unit trust in respect of investments as specified in items (i), (ii) and (iii) above.

Foreign-sourced income (FSI)

Pursuant to the Finance Act 2021, income derived by a resident person from sources outside Malaysia and received in Malaysia from 1 January 2022 will no longer be exempt from tax.

Based on the Malaysian Inland Revenue Board's "Guidelines on Tax Treatment in Relation to Income Received from Abroad (Amendment)" updated on 20 June 2024, the term "received in Malaysia" means transferred or brought into Malaysia, either by way of cash[4] or electronic funds transfer[5].

FSI received in Malaysia during the transitional period from 1 January 2022 to 30 June 2022 will be taxed at 3% of gross. From 1 July 2022 onwards, FSI received in Malaysia will be taxed at the prevailing tax rate(s) of the taxpayer and based on applicable tax rules. Bilateral or unilateral tax credits may be allowed if the same income has suffered foreign tax[6], and where relevant conditions are met.

The Income Tax (Unit Trust in relation to Income Received In Malaysia from Outside Malaysia) (Exemption) Order 2024 [P.U.(A) 250] has been issued to exempt a "qualifying unit trust"[7] from the payment of income tax in respect of gross income from all sources of income under Section 4 of the MITA (including capital gains classified under Section 4(aa)), which is received in Malaysia from outside Malaysia.

This exemption applies to FSI received in Malaysia from 1 January 2024 to 31 December 2026, subject to the following conditions being complied with by the qualifying unit trust or the management company[8] of the qualifying unit trust:

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[2] Effective from 1 January 2019, the income tax exemption for a unit trust fund, pursuant to Paragraph 35A, Schedule 6 of the Income Tax Act, 1967 shall not apply to a wholesale fund which is a money market fund.
[3] Effective from the year of assessment 2017, the exemption shall not apply to interest paid or credited to a company in the same group or interest paid or credited to a bank licensed under the Financial Services Act 2013 or the Islamic Financial Services Act 2013; or a development financial institution prescribed under the Development Financial Institutions Act 2002.

[4] "Cash" in this context is defined as banknotes, coins and cheques.
[5] "Electronic funds transfer" means bank transfers (e.g., credit or debit transfers), payment cards (debit card, credit card and charge card), electronic money, privately-issued digital assets (e.g., crypto-assets, stablecoins) and central bank digital currency.
[6] "Foreign tax" includes withholding tax
[7] "Qualifying unit trust" in this context means a unit trust resident in Malaysia that is:
(a) managed by a management company;
(b) has income received in Malaysia from outside of Malaysia; and
(c) does not include a unit trust which is approved by the Securities Commission as Real Estate Investment Trust or Property Trust Fund listed on Bursa Malaysia.
[8] "Management company" means a company licensed by the Securities Commission by which or on whose behalf a unit of a qualifying unit trust –
a) has been or is proposed to be issued, or offered for subscription or purchase; or

- The income received in Malaysia has been subject to tax of a similar character to income tax under the laws of territory from which the income arose; and
- The highest rate of tax of a similar character to income tax under the law of that territory at that time is not less than 15%.

OR

The management company of the qualifying unit trust shall employ an adequate number of employees in Malaysia and incur an adequate amount of operating expenditure in Malaysia.

The exemption will not apply to a unit trust carrying on the business of banking, insurance or sea or air transport.

Gains from the realisation of investments

Pursuant to the Finance (No. 2) Act 2023 ("Finance Act"), gains from the realisation of investments by a unit trust would no longer be exempt from tax. Pursuant to Section 61(1)(b) of the MITA, gains arising from the realisation of investments shall be treated as income of a unit trust under Section 4(aa) of MITA, provided that such gains are not related to real property as defined in the Real Property Gains Tax Act 1976. Section 4(aa) provides that gains or profits from the disposal of a capital asset are to be treated as a class of income. The tax imposed on such income under the MITA is commonly referred to as "capital gains tax" (CGT).

Based on the MITA, the following will be subject to Malaysian CGT:

<u>Capital assets situated in Malaysia</u>

a) Gains or profits from the disposal of shares of a company incorporated in Malaysia not listed on the stock exchange (including any rights or interests thereof) owned by a company, limited liability partnership, trust body or co-operative society
b) Gains or profits, accruing to a company, limited liability partnership, trust body or co-operative society, on the disposal of shares in foreign incorporated controlled companies deriving value from real property in Malaysia, as determined based on the relevant provisions of the MITA.

<u>Capital assets situated outside Malaysia</u>

c) Gains or profits from the disposal of movable or immovable property situated outside Malaysia including any rights or interests thereof. Such gains will only be subject to tax when the gains are received in Malaysia.

   <u>Note:</u>
   Pursuant to the Income Tax (Exemption) (No.3) Order 2024 [P.U.(A) 75], a trust body is exempted from payment of income tax in respect of gains or profits from the disposal of capital asset arising from outside Malaysia which is received in Malaysia. This exemption applies for such disposals from 1 January 2024 to 31 December 2026 subject to the following conditions being complied with by the trust body:

   - employ an adequate number of employees in Malaysia with necessary qualifications to carry out the specified economic activities in Malaysia; and
   - incur an adequate amount of operating expenditure for carrying out the specified economic activities in Malaysia.

Note that this exemption order applies to companies, limited liability partnerships, co-operative societies and trust bodies, whilst the (Income Tax (Unit Trust in relation to Income Received in Malaysia from Outside Malaysia) (Exemption) Order 2024 [P.U.(A) 250] (as referred above) applies specifically to qualifying unit trusts.

The Finance Act provides an effective date of 1 January 2024 for the above changes to the MITA. However, pursuant to the Income Tax (Exemption) (No. 7) Order 2023 [P.U.(A) 410] and the Income Tax (Exemption) (No. 2) Order 2024 [P.U.(A) 57], taxpayers, including a trust body, are exempted from the payment of income tax in respect of any gains or profits received from the disposal of capital assets situated in Malaysia (see Item (a) and (b) above) where such disposals occur between 1 January and 29 February 2024.

In addition to the above, the Income Tax (Unit Trust) (Exemption) Order 2024 [P.U.(A) 249] exempts a qualifying unit trust[9] resident in Malaysia from the payment of income tax in respect of any gains or profit received from the disposal of shares of a company incorporated in Malaysia which is not listed on the stock exchange and from the disposal of shares under section 15C of the MITA where such disposals occur between 1 January 2024 to 31 December 2028.

The exemption will not apply to gains or profits from the disposals of capital asset that fall under Section 4(a) of the MITA, as business income.

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b) in respect of which an invitation to subscribed or purchase has been made.

and includes any person for the time being exercising the functions of the management company.

[9] "Qualifying unit trust" in this context does not include a unit trust which is approved by the Securities Commission as a Real Estate Investment Trust or Property Trust Fund listed on Bursa Malaysia.

CGT rates

As noted above, various tax exemptions are available to a qualifying unit trust. For completeness, if exemptions did not apply, the relevant tax rates of the gains of the disposal of capital assets are as below:

	Tax rates
A. Disposal of capital assets situated in Malaysia which was **acquired before 1 January 2024** • On chargeable income of the disposal • On gross disposal price	 10% 2%
B. Disposal of capital assets situated in Malaysia which was **acquired after 1 January 2024** • On chargeable income of the disposal	 10%
C. Disposal of capital assets situated outside Malaysia • On chargeable income of the disposal	 24% (prevailing tax rate of a unit trust)

Implementation of Sales and Service Tax ("SST")

Sales and Service Tax ("SST") was re-introduced effective 1 September 2018. Sales Tax of 10% (most common rate) or 5% is charged by Malaysian manufacturers of taxable goods or upon importation into Malaysia of such taxable goods, unless specifically exempted under the Sales Tax (Goods Exempted From Tax) Order 2018. Service Tax is charged on certain prescribed taxable services performed by taxable persons as stipulated under Service Tax Regulations 2018. The input tax recovery mechanism under the previous GST regime does not apply to SST. Therefore, any SST incurred is not recoverable and will form a cost element for businesses.

Based on the Service Tax Regulations 2018, a unit trust fund is neither regarded as a taxable person nor as providing taxable services and is therefore not liable for SST registration. Where the Fund incurs expenses such as management fees, the management services provided by asset and fund managers who are licensed or registered with Securities Commission Malaysia for carrying out the regulated activity of fund management under the Capital Markets and Services Act 2007, are specifically excluded from the scope of Service Tax. As for other fees, such as trustee fees and other administrative charges, these may be subject to service tax[10] provided they fall within the scope of service tax (i.e. are provided by a "taxable person", who exceeds the required annual threshold (in most cases RM 500,000 per annum) and the services qualify as "taxable services").

Taxation of unit holders

For Malaysian income tax purposes, unit holders will be taxed on their share of the distributions received from the Fund.

The income of unit holders from their investment in the Fund broadly falls under the following categories:

1. taxable distributions; and
2. non-taxable and exempt distributions.

In addition, unit holders may also realise a gain from the sale of units.

The tax implications of each of the above categories are explained below:

1. Taxable distributions

Distributions received from the Fund will have to be grossed up to take into account the underlying tax paid by the Fund and the unit holder will be taxed on the grossed up amount. See however item 2 below on certain distributions which are not taxable to unit holders.

uch taxable distributions carry a tax credit, which will be available for set-off against any Malaysian income tax payable by the unit holder. Should the tax deducted at source exceed the tax liability of the unit holder, the excess is refundable to the unit holders.

Please refer to the paragraph below for the income tax rates applicable to the grossed up distributions.

2. Non-taxable and exempt distributions

[10] Pursuant to Service Tax (Rate of Tax) (Amendment) Order 2024 [P.U. (A) 64], the service tax rate is increased from 6% to 8% with effect from 1 March 2024 on generally all of the taxable services except for provision of food and beverage services, telecommunication services, parking space and logistics services.

Tax exempt distributions made out of gains from the realisation of investments and exempt income earned by the Fund will not be subject to Malaysian income tax in the hands of the unit holders.

A retail money market fund is exempted from tax on its interest income derived from Malaysia, pursuant to Paragraph 35A of Schedule 6 of the MITA. Pursuant to the Finance Act 2021, with effect from 1 January 2022, distributions by a retail money market fund from such tax exempt interest income, to a unit holder other than an individual, will no longer be exempt from tax. The distribution to unit holders other than individuals will be subject to withholding tax at 24%. This would be a final tax for non-residents. Malaysian residents are required to include the distributions in their tax returns and claim a credit in respect of the withholding tax suffered. Individuals will continue to be exempt from tax on such distributions.

As stated above, with effect from 1 January 2024 (1 March 2024 for disposals of shares of a company incorporated in Malaysia not listed on the stock exchange), gains arising from the realisation of investments shall be treated as income of the Fund under Section 4(aa), pursuant to the proviso of Section 61(1)(b) of MITA.[12] However, pursuant to Section 61(1A) of MITA, unit holders will still not be charged to tax on the gains referred to in the proviso to Section 61(1)(b).

Rates of tax

The Malaysian income tax chargeable on the unit holders would depend on their tax residence status and whether they are individuals, corporations or trust bodies. The relevant income tax rates are as follows:

Unit holders	Malaysian income tax rates
Malaysian tax resident: • Individual and non-corporate unit holders (such as associations and societies) • Co-operatives[11] • Trust bodies	 • Progressive tax rates ranging from 0% to 30% • Progressive tax rates ranging from 0% to 24% • 24%
• Corporate unit holders (i) A company with paid up capital in respect of ordinary shares of not more than RM2.5 million (at the beginning of the basis period for the year of assessment) and gross income from a source or sources consisting of a business not exceeding RM50 million for the basis period for the year of assessment[12] [13] (ii) Companies other than (i) above	• First RM150,000 of chargeable income @ 15%[14] • Next RM450,000 of chargeable income @17% • Chargeable income in excess of RM600,000 @ 24% • 24%
Non-Malaysian tax resident (Note 1): • Individual and non-corporate unit holders • Corporate unit holders and trust bodies	 • 30% • 24%

[11] Pursuant to Paragraph 12(1), Schedule 6 of the MITA, the income of any co-operative society—
(a) in respect of a period of five years commencing from the date of registration of such co-operative society; and
(b) thereafter where the members' funds [as defined in Paragraph 12(2)] of such co-operative society as at the first day of the basis period for the year of assessment is less than seven hundred and fifty thousand ringgit,
is exempt from tax.

[12] A company would not be eligible for the concessionary tax rate on the first RM600,000 of chargeable income if:-
(a) more than 50% of the paid-up capital in respect of the ordinary shares of the company is directly or indirectly owned by a related company which has paid-up capital in respect of ordinary shares of more than RM2.5 million at the beginning of a basis period for a year of assessment;
(b) the company owns directly or indirectly more than 50% of the paid-up capital in respect of the ordinary shares of a related company which has paid-up capital in respect of ordinary shares of more than RM2.5 million at the beginning of a basis period for a year of assessment;
(c) more than 50% of the paid-up capital in respect of the ordinary shares of the company and a related company which has a paid-up capital in respect of ordinary shares of more than RM2.5 million at the beginning of a basis period for a year of assessment is directly or indirectly owned by another company.
(d) Pursuant to the Finance Act 2023, effective from the year of assessment 2024, in order for a company to qualify for the concessionary tax rates not more than 20% of the paid-up capital in respect of the ordinary shares of the company at the beginning of a basis period for a year of assessment can be directly or indirectly owned by one or more companies incorporated outside Malaysia or by individuals who are not citizens of Malaysia.

[13] The above excludes a business trust and a company which is established for the issuance of asset-backed securities in a securitization transaction approved by the Securities Commission.

[14] Pursuant to the Finance Act 2023, effective from the year of assessment 2023, the concessionary tax rate is reduced from 17% to 15% for the first RM150,000 of chargeable income.

Note 1:
Non-resident unit holders may be subject to tax in their respective countries depending on the provisions of the tax legislation in the respective countries and any existing double taxation arrangements with Malaysia.

Gains from sale of units

Gains arising from the sale of units will generally not be subject to income tax in the hands of unit holders unless they are insurance companies, financial institutions or traders / dealers in securities.

Unit splits and reinvestment of distributions

Unit holders may also receive new units as a result of unit splits or may choose to reinvest their distributions. The income tax implications of these are as follows:

- Unit splits – new units issued by the Fund pursuant to a unit split will not be subject to income tax in the hands of the unit holders.

- Reinvestment of distributions – unit holders may choose to reinvest their income distribution in new units by informing the Manager. In this event, the unit holder will be deemed to have received the distribution and reinvested it with the Fund.

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We hereby confirm that, as at the date of this letter, the statements made in this letter correctly reflect our understanding of the tax position under current Malaysian tax legislation and the related interpretation and practice thereof, all of which are subject to change, possibly on a retrospective basis. We have not been retained (unless specifically instructed hereafter), nor are we obligated to monitor or update the statements for future conditions that may affect these statements.

The statements made in this letter are not intended to be a complete analysis of the tax consequences relating to an investor in the Fund. As the particular circumstances of each investor may differ, we recommend that investors obtain independent advice on the tax issues associated with an investment in the Fund.

Yours faithfully
Ernst & Young Tax Consultants Sdn Bhd

Bernard Yap
Partner

Ernst & Young Tax Consultants Sdn Bhd has given its consent to the inclusion of the Taxation Adviser's Letter in the form and context in which it appears in this Second Supplemental Prospectus and has not withdrawn such consent before the date of issue of this Second Supplemental Prospectus.

8.0. CONSENT

8.1. HSBC (Malaysia) Trustee Berhad has given its consent for the inclusion of its name and statements in the form and context in which they appear in this Second Supplemental Prospectus and has not withdrawn such consent.

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