# SECOND SUPPLEMENTAL MASTER PROSPECTUS

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

This Second Supplemental Master Prospectus dated 29 August 2025 is to be read in conjunction with the Master Prospectus Issue No. 24 dated 10 July 2023 as amended by the First Supplemental Master Prospectus dated 27 October 2023 ("Master Prospectus").

This Second Supplemental Master Prospectus is dated 29 August 2025 and incorporates the following 17 Funds namely:

| **Equity Funds** | **Constitution Date** |
|---|---|
| Principal Malaysia Titans Fund | 21 July 1995 |
| Principal Malaysia Enhanced Opportunities Fund | 23 November 2001 |
| Principal Malaysia Opportunities Fund | 10 March 1998 |
| Principal Titans Growth & Income Fund | 12 April 1991 |
| Principal Titans Income Plus Fund | 23 November 2001 |
| Principal Small Cap Opportunities Fund | 8 April 2004 |
| **Mixed Asset Funds** | |
| Principal Lifetime Balanced Fund | 10 March 1998 |
| Principal Lifetime Balanced Income Fund | 4 August 1995 |
| Principal Dynamic Enhanced Malaysia Income Fund | 10 March 1998 |
| **Fixed Income Funds** | |
| Principal Lifetime Bond Fund | 7 November 1995 |
| Principal Lifetime Enhanced Bond Fund | 20 January 2004 |
| **Regional & Global Funds** | |
| Principal Asia Titans Fund | 8 November 2005 |
| Principal China-India-Indonesia Opportunities Fund | 16 December 2009 |
| Principal Greater Bay Fund | 28 August 2019 |
| Principal China Direct Opportunities Fund | 22 January 2018 |
| Principal US High Conviction Equity Fund | 20 August 2021 |
| Principal Asia Pacific Renewables Fund | 25 November 2021 |

**INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THE MASTER PROSPECTUS AND THIS SECOND SUPPLEMENTAL MASTER 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 44 OF THE MASTER PROSPECTUS.**

**PRINCIPAL ASIA PACIFIC RENEWABLES FUND IS A QUALIFIED SUSTAINABLE AND RESPONSIBLE INVESTMENT FUND UNDER THE GUIDELINES ON SUSTAINABLE AND RESPONSIBLE INVESTMENT FUNDS.**

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

## RESPONSIBILITY STATEMENTS

This Second Supplemental Master Prospectus has been reviewed and approved by the directors of the 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 Master Prospectus false or misleading.

## STATEMENTS OF DISCLAIMER

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

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

The Securities Commission Malaysia is not liable for any non-disclosure on the part of Principal Malaysia who is responsible for the Funds and takes no responsibility for the contents in this Second Supplemental Master Prospectus. The Securities Commission Malaysia makes no representation on the accuracy or completeness of this Second Supplemental Master 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 Master 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 Master Prospectus or the conduct of any other person in relation to the Funds.

**INVESTORS SHOULD BE AWARE THAT THE CAPITAL OF TI-TIP, LI-B, LI-BI, DY-DEMI, LI-BO AND LI-EIB WILL BE ERODED WHEN TI-TIP, LI-B, LI-BI, DY-DEMI, LI-BO AND LI-EIB DECLARES DISTRIBUTION OUT OF CAPITAL AS THE DISTRIBUTION IS ACHIEVED BY FORGOING THE POTENTIAL FOR FUTURE CAPITAL GROWTH AND THIS CYCLE MAY CONTINUE UNTIL ALL CAPITAL IS DEPLETED.**

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

## 1.0. GENERAL

1.1 This Second Supplemental Master Prospectus is issued to reflect the amendments made to the Master Prospectus as stated under paragraphs 1.4, 1.5, 2, 3, 4, 5, 6, 7 and 8.

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

1.3 Save and except for paragraphs 2.1, 5.1 and 5.2, all information provided herein is practicable as at 31 March 2025 and shall remain current and relevant as at such date. The amendments as set out in paragraphs 2.1, 5.1 and 5.2 will take effect on the date of this Second Supplemental Master Prospectus.

1.4 The information on Principal KLCI-Linked Fund and Principal Asia Dynamic Bond Fund has been deleted in its entirety following their respective terminations on 3 April 2024 and 3 October 2024.

1.5 All references to "service@principal.com.my" and "goinvest@principal.com.my" in the Master Prospectus shall be amended to "myservice@principal.com" and "mygoinvest@principal.com" respectively.

## 2.0. DEFINITIONS

2.1. The following definitions have been inserted under the section of "**Definitions**" at page iii:

| | | |
|---|---|---|
| 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 vi 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
mygoinvest@principal.com (for Class D only)

3.2. The business/registered address of the "Sub-Manager for TI-AT and OP-CIIO" under the section of "**Corporate Directory**" at page vi has been replaced and read as below:

**Business/Registered address**
One Raffles Quay
North Tower #37-01
Singapore 048583
Tel : (65) 6031 0811

## 4.0. FUNDS INFORMATION

4.1. The information on "Benchmark" under the section of "**Principal US High Conviction Equity Fund**" at page 33 has been replaced as the Fund's investment strategy focuses on smaller capitalization U.S. equities with a significant and persistent emphasis on higher growth companies and sectors. As such, a growth-oriented benchmark is more representative of the Fund's style profile and risk profile over time. The disclosure now reads as below:

Benchmark : MSCI U.S Small Cap Growth Index

4.2. The first bullet point on "Regional & Global Funds" under the section of "**Permitted Investments**" at page 38 has been replaced and read as below:

- Equities and debt securities traded in or under the rules of an Eligible Market (not applicable to Principal US High Conviction Equity Fund).

4.3. The eleventh bullet point on "Regional & Global Funds" under the section of "**Permitted Investments**" at page 38 has been replaced and read as below:

- Equities traded in or under the rules of an Eligible Market (only applicable to Principal US High Conviction Equity Fund).

## 5.0. TRANSACTION INFORMATION

5.1. The second bullet point under the section of "**Valuation of Investments Permitted by the Funds**" at page 54 has been replaced and read as below:

- **Unlisted equities**
  The valuation of equities not listed or quoted on a stock exchange but have been approved by the relevant regulatory authority for such listing or quotation and are offered directly to the Fund by the issuer shall be valued daily at the issue price of such equities. The value will be determined by the issuer that issued the instrument.

5.2. A new bullet point has been inserted after the second bullet point under the section of "**Valuation of Investments Permitted by the Funds**" at page 54 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.

  For **TI-AT, TI-TIP, LI-BI, DY-DEMI, LI-BO and LI-EIB**, the value of any unlisted non MYR-denominated debt securities shall be calculated daily using prices quoted by ICE, Refinitiv, IHS Markit Ltd or Bloomberg, dependent on market using their proprietary methodology. The bond 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.

5.3. The textbox under the section of "**Who is distributing these Funds?**" at page 59 has been replaced and read as below:

| |
|---|
| **You should not make any payment directly or indirectly to any individual agent or employee of the Manager or issue a cheque in the name of an individual agent or employee of the Manager when purchasing the Funds.** |

5.4. The fifth paragraph under the section of "**Distribution Payment**" at page 64 has been replaced and read as below:

TI-TIP, LI-B, LI-BI, DY-DEMI, LI-BO and LI-EIB may distribute from realised income, realised capital gains, unrealised income, unrealised capital gains, capital or combination of any of the above. Distributions are at our discretion and are not guaranteed, and the making of any distribution does not imply that further distributions will be made and we reserve the right to vary the frequency and/or amount of distributions. Distribution out of capital is to allow the Fund the ability to distribute more income or to pursue the investment strategy of the Fund. The effects of making distribution out of capital has a risk of eroding the capital of the Fund.

5.5. The information under the section of "**Unclaimed Moneys**" at page 64 has been replaced and read as below:

Any moneys payable to you which remain unclaimed after two (2) years as prescribed by 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.

For income distribution payout to you by bank transfer, if any, which remained unsuccessful and unclaimed for six (6) months, it will be reinvested into the Class/Fund within thirty (30) Business Days after the six (6) months period based on the prevailing NAV per unit on the day of the reinvestment provided that you still hold units of the Class/Fund. No Application Fee is payable for the reinvestment. In the event that you no longer hold any unit in the Class/Fund, the distribution money would be subject to the same treatment mentioned in the above paragraph as prescribed by the UMA.

## 6.0. ADDITIONAL INFORMATION

6.1. The textbox under the section of "**Information on Your Investment**" at page 65 has been replaced and read as below:

**The Fund's annual report is available upon request**

6.2. The last paragraph under the section of "**Information on your investment**" at page 66 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

6.3. The information under the section "**Deeds**" at page 66 has been replaced and read as below:

This table describes the Deeds governing the Funds.

<table>
<tr><th></th><th>Deeds</th></tr>
<tr><td>Equity Funds</td><td rowspan="2">• Master Deed dated 15 May 2008<br>• First Supplemental Deed dated 25 June 2008<br>• Second Supplemental Master Deed dated 25 June 2008<br>• Third Supplemental Master Deed dated 14 July 2008<br>• Fourth Supplemental Master Deed dated 18 March 2009<br>• Fifth Supplemental Master Deed dated 16 July 2009<br>• Sixth Supplemental Master Deed dated 16 December 2009<br>• Seventh Supplemental Master Deed dated 11 February 2010</td></tr>
<tr><td>Mixed Asset Funds</td></tr>
</table>

| | |
|---|---|
| **Fixed Income Funds** | • Eighth Supplemental Master Deed dated 14 June 2010<br>• Ninth Supplemental Master Deed dated 25 November 2010<br>• Thirteenth Supplemental Master Deed dated 26 June 2012<br>• Fourteenth Supplemental Master Deed dated 21 September 2012<br>• Eighteenth Supplemental Master Deed dated 25 March 2015.<br>• Nineteenth Supplemental Master Deed dated 11 May 2016.<br>• Twentieth Supplemental Master Deed dated 21 October 2019<br>• Twenty Third Supplemental Master Deed dated 27 June 2022<br>• Twenty Fourth Supplemental Master Deed dated 13 January 2023<br>• Twenty Fifth Supplemental Master Deed dated 26 May 2023<br>• Twenty Sixth Supplemental Master Deed dated 25 March 2025 |
| **Regional & Global Funds** | For GBAY:<br>• Master Deed dated 28 August 2019<br>• First Supplemental Deed dated 10 January 2023<br><br>For OP-CDO:<br>• Master Deed dated 22 January 2018<br>• First Supplemental Deed dated 7 November 2019<br>• Second Supplemental Deed dated 10 January 2023<br><br>For UHCE:<br>• Master Deed dated 20 August 2021<br>• First Supplemental Deed dated 10 January 2023<br><br>For APRF:<br>• Master Deed dated 25 November 2021<br>• First Supplemental Deed dated 10 January 2023 |

## 7.0. THE MANAGER

7.1. The information under the section of "**Designated Person Responsible for Fund Management Function**" at page 69 has been replaced and read as below:

| | |
|---|---|
| **Name:** | Lee Chun Hong |
| **Designation:** | Chief Investment Officer, Equities – Malaysia |
| **Experience:** | Chun Hong has more than 19 years of experience in fund management and equity research. He joined Principal Malaysia in 2017 to manage unit trust funds and institutional mandates covering Malaysian and ASEAN markets. Prior to that, he was attached to Libra Invest Berhad, managing and supervising Unit Trust and Research divisions that covered ASEAN and China-Hong Kong markets. He commenced his career in fund management industry at Public Mutual Berhad. He had research responsibilities for regional plantation and consumer sectors, as well as research country coverage of ASEAN markets. Subsequently, he moved on to portfolio management specialising in ASEAN markets. He started covering ASEAN markets since 2010. He was also previously with PricewaterhouseCoopers as an auditor. |
| **Qualifications:** | ▪ Bachelor of Commerce (Accounting & Finance) - Monash University, Clayton Campus.<br>▪ A CFA Charterholder.<br>▪ Ex-member of CPA Australia. |

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

## 8.0. TAXATION REPORT

8.1. The information under the section of "**Taxation Report**" at page 87 to 92 has been replaced and read as below:

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

26 March 2025

50490 Kuala Lumpur

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

Dear Sirs

**Taxation of the unit trust fund and unit holders**

This letter has been prepared for inclusion in this Second Supplemental Master Prospectus in connection with the offer of units in the unit trust managed by Principal Asset Management Berhad as listed in Attachment (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.

**Exempt income**

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

[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.

- **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[2];

  (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.

---

[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.

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:

- 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.

---

[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
(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.

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.

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**<br>• On chargeable income of the disposal<br>• On gross disposal price | <br>10%<br>2% |
| B. Disposal of capital assets situated in Malaysia which was **acquired after 1 January 2024**<br>• On chargeable income of the disposal | <br>10% |
| C. Disposal of capital assets situated outside Malaysia<br>• On chargeable income of the disposal | <br>24%<br>(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.

---

[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.

[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.

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.

Such 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**

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:<br><br>• Individual and non-corporate unit holders (such as associations and societies)<br><br>• Co-operatives[11]<br><br>• Trust bodies | <br><br>• Progressive tax rates ranging from 0% to 30%<br><br>• Progressive tax rates ranging from 0% to 24%<br><br>• 24% |
| • Corporate unit holders<br><br>(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 | <br><br>• First RM150,000 of chargeable income @ 15%[14]<br>• Next RM450,000 of chargeable income @17% |

[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.

[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.

| Unit holders | Malaysian income tax rates |
|---|---|
| million for the basis period for the year of assessment[12] [13]<br><br>(ii) Companies other than (i) above | • Chargeable income in excess of RM600,000 @ 24%<br><br>• 24% |
| Non-Malaysian tax resident (Note 1):<br><br>• Individual and non-corporate unit holders<br><br>• Corporate unit holders and trust bodies | <br><br>• 30%<br><br>• 24% |

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.

**********************************************

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.

[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.

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 Prospectus and has not withdrawn such consent before the date of issue of this Prospectus.

## 9.0. CONSENT

9.1. HSBC (Malaysia) Trustee Berhad and Principal Asset Management (S) Pte. Ltd. have given their consent for the inclusion of their name and statements in the form and context in which they appear in this Second Supplemental Master Prospectus and have not withdrawn such consent.

This page has been left blank intentionally

This page has been left blank intentionally

This page has been left blank intentionally