INFORMATION MEMORANDUM

This Information Memorandum is dated 28 September 2022.

OPUS CASH EXTRA FUND 2

Manager	:	Opus Asset Management Sdn Bhd		
		(Registration No.: 199601042272 (414625-T))		

Trustee : SCBMB Trustee Berhad (Registration No.: 201201021301 (1005793-T))

UNITS OF THE FUND IS ONLY OFFERED FOR SALE TO SOPHISTICATED INVESTORS ONLY.

SOPHISTICATED INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS INFORMATION MEMORANDUM. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

Responsibility Statement

This Information Memorandum has been seen and approved by the directors of Opus Asset Management Sdn Bhd and they collectively and individually accept full responsibility for the accuracy of all information contained herein and confirm having made all enquiries which are reasonable in the circumstances, that to the best of their knowledge and belief, there are no other facts omitted which would make any statement in this Information Memorandum misleading.

Statements of Disclaimer

A copy of this Information Memorandum has been lodged with the Securities Commission Malaysia.

The Securities Commission Malaysia will not be liable for any non-disclosure on the part of Opus Asset Management Sdn Bhd and takes no responsibility for the contents in this Information Memorandum, makes no representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss howsoever arising from, or in reliance upon the whole or any part of its contents of this Information Memorandum.

SOHPISTICATED INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IF SOPHISTICATED INVESTORS ARE UNABLE TO MAKE THEIR OWN EVALUATION, THEY ARE ADVISED TO CONSULT PROFESSIONAL ADVISERS.

Additional Statements

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

This Information Memorandum is not intended to and will not be issued and distributed in any country or jurisdiction other than Malaysia ("Foreign Jurisdiction"). Consequently, no representation has been and will be made as to its compliance with the laws of any Foreign Jurisdiction.

TABLE OF CONTENTS

1. GLOSSARY1
2. CORPORATE DIRECTORY
3. THE FUND
3.1 FUND INFORMATION4
3.2 FEES AND CHARGES6
3.3 TRANSACTION DETAILS8
3.4 DISTRIBUTION POLICY10
4. RISK FACTORS11
5. TRANSACTION INFORMATION13
5.1 COMPUTATION OF NAV AND NAV PER UNIT13
5.2 PRICING OF UNITS13
5.3 OTHER INFORMATION14
6. THE MANAGER17
6.1 BACKGROUND INFORMATION17
6.2 ROLE OF THE MANAGER17
6.3 KEY MANAGEMENT
7. THE TRUSTEE
7.1 ABOUT SCBMB TRUSTEE BERHAD18
7.2 EXPERIENCE IN TRUSTEE BUSINESS18
7.3 TRUSTEE'S ROLES, DUTIES AND RESPONSIBILITIES
7.4 TRUSTEE'S DISCLOSURE OF MATERIAL LITIGATION AND ARBITRATION
7.5 TRUSTEE'S DELEGATE18
8. SALIENT TERMS OF THE DEED20
8.1 YOUR RIGHTS AND LIABILITIES AS A UNIT HOLDER
8.2 PROVISIONS RELATING TO MEETINGS OF UNIT HOLDERS
8.3 TERMINATION OF THE FUND21
8.4 INCORRECT PRICING21
9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS212
TAXATION ADVISER'S LETTER (included behind)

1. GLOSSARY

"Base Currency"	:	means the base currency of the Fund which is RM.		
"BNM"	:	means Bank Negara Malaysia.		
"Bursa Malaysia"	:	means the stock exchange managed and operated by Bursa Malaysia Securities Berhad including such other name as it may be amended from time to time.		
"Business Day"	:	means a day (excluding Saturdays, Sundays and public holidays in Malaysia) on which banks in Kuala Lumpur are open for business and/or a day on which Bursa Malaysia is open for trading.		
"CMSA"	:	means the Capital Markets and Services Act 2007 as may be amended from time to time.		
"Commencement Date"	:	means the next Business Day after the end of the Offer Period.		
"Deed"	:	means the deed dated 19 September 2022 enterd into between the Manager and the Trustee, which may be modified or varied by further supplemental deeds from time to time.		
"deposit(s)"	:	has the same meaning as prescribed under the Financial Services Act 2013.		
"Development Financial Institutions" or "DFIs"	:	means a development financial institution under the Development Financial Institutions Act 2002.		
"Financial Institution"	:	 means: (a) if the institution is in Malaysia: (i) licensed bank; (ii) licensed investment bank; (iii) licensed Islamic bank; or (iv) DFIs. (b) if the institution is outside Malaysia, any institution that is licensed or registered or approved or authorised by the relevant banking regulator to provide financial services. 		
"FIS"	:	means fixed income securities.		
"Fund"	:	means Opus Cash Extra Fund 2.		
"Guidelines"	:	means the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the SC as may be revised, updated or amended from time to time.		
"Information Memorandum"	:	means this offer document in relation to the Fund which is lodged with the SC.		
"Investor"	:	means Sohisticated Investor.		
"licensed bank"	:	means a bank licensed under the Financial Services Act 2013.		
"licensed investment bank"	:	means an investment bank licensed under the Financial Services Act 2013.		

"licensed Islamic bank"	:	means an Islamic bank licensed under the Islamic Financial Services Act 2013.	
"Manager" or "us" or "we" or "our" or "OpusAM"	:	refers to Opus Asset Management Sdn Bhd.	
"Net Asset Value" or "NAV"	:	means the value of all the assets of the Fund less the value of all the liabilities of that Fund at a valuation point.	
"NAV per Unit"	:	means the NAV of the Fund at a particular valuation point divided by the number of Units in circulation of the Fund at the same valuation point.	
"Offer Period"	:	means a period of not more than fourteen (14) days from the date of this Information Memorandum (inclusive).	
		The offer period may be shortened if we determine that it is in your best interest.	
"Offer Price"	:	means the fixed price per Unit during the Offer Period.	
"RM"	:	means Ringgit Malaysia, the official currency of Malaysia.	
"Sales Charge"	:	means a fee payable pursuant to an application for purchase of Units.	
"SC"	:	means Securities Commission Malaysia.	
"SC Guidelines"	:	means Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework as may be amended or replaced from time to time.	
"Sophisticated Investor(s)"	:	means to any person who falls within any of the categories of investors set out in Part I, Schedules 6 and 7 of the CMSA or any person who acquires unlisted capital market products where the consideration is not less than RM250,000 or its equivalent in foreign currencies for each transaction whether such amount is paid for in cash or otherwise, and/or any other category(ies) of investors as may be permitted by the SC from time to time. <i>Note: For more information, please refer to our website at <u>www.opusasset.com</u> for the definition of Sophisticated Investor.</i>	
"Special Resolution"	:	means a resolution passed at a meeting of Unit Holders duly convened in accordance with the Deed by a majority of not less than three-fourths of the Unit Holders present and voting at the meeting in person or by proxy; for the avoidance of doubt, "three-fourths of the Unit Holders present and voting in person or by proxy" means three-fourths of the votes cast by the Unit Holders present and voting; for the purposes of terminating the Fund, " Special Resolution " means a resolution passed at a meeting of Unit Holders duly convened in accordance with the Deed by a majority in number representing at least three-fourths of the value of the Units held by the Unit Holders present and voting at the meeting in person or by proxy.	
"Trustee"	:	refers to SCBMB Trustee Berhad, the trustee for the Fund.	
"Unit(s)"	:	means a measurement of the right or interest of a Unit Holder in the Fund and means a unit of the Fund.	
"Unit Holder" or "you"	:	means a registered holder of a Unit including any jointholder whose name appears in our register of Unit Holders.	

2. CORPORATE DIRECTORY

THE MANAGER NAME REGISTRATION NO. REGISTERED OFFICE TELEPHONE NO. FAX NO. BUSINESS OFFICE TELEPHONE NO. FAX NO.	:	Opus Asset Management Sdn Bhd 199601042272 (414625-T) 2nd Floor, No. 2-4, Jalan Manau 50460 Kuala Lumpur 603-2273 1221 603-2273 1220 B-19-2, Northpoint Offices, Mid Valley City No. 1, Medan Syed Putra Utara 59200 Kuala Lumpur 603-2288 8882 603-2288 8889
WEBSITE ADDRESS	:	www.opusasset.com
THE TRUSTEE NAME REGISTRATION NO. REGISTERED ADDRESS		SCBMB Trustee Berhad 201201021301 (1005793-T) Level 26, Equatorial Plaza Jalan Sultan Ismail 50250 Kuala Lumpur
BUSINESS ADDRESS TELEPHONE NO EMAIL ADDRESS	:	Level 23, Equatorial Plaza Jalan Sultan Ismail 50250 Kuala Lumpur 603 – 7682 9712 / 603 – 7682 9710 / 603 – 7682 9704 my.trustee@sc.com

3. THE FUND

3.1 FUND INFORMATION

Name of the Fund	Opus Cash Extra Fund 2
Base Currency	RM
Fund Category	Bond
Fund Type	Income
Offer Price	RM1.0000
Offer Period	Three (3) Business Days from the date of this Information Memorandum (inclusive).
	The offer period may be shortened if we determine that it is in your best interest.
Investor's Profile	The Fund is suitable for Sophisticated Investors who:
	 seeks to achieve higher returns than 1-Month Fixed Deposit Rate. seeks for short to medium term investment horizon. seeks for liquidity while preserving capital. seeks for regular income stream.
Investment Objective	To achieve higher returns than 1-Month Fixed Deposit Rate over the short to medium-term and to provide liquidity while preserving capital. Note: The Manager regards 1-3 years as short-term and 3-5 years as medium-term.
Investment Strategy	 The Fund may invest primarily in FIS including government securities, commercial paper, corporate bonds and money market instruments. The Fund will be actively managed to provide liquidity to meet the short to medium term cash flow requirements. The average duration of the portfolio shall not be more than two (2) years. The Fund aims to accrue and allocate distributable income and gains from the investments to unit holders on a daily basis in order for the Manager to maintain a stable NAV per unit of RM1.0000. <i>Note: This is neither a capital protected or capital guaranteed fund.</i> Temporary Defensive Position We may take temporary defensive positions that may be inconsistent with the Fund's investment strategy in attempting to
	respond to certain adverse conditions which include but not limited to adverse market, economic and political conditions, insufficient funds to form an efficient portfolio, periods of high repurchases or any other adverse conditions in order to preserve the NAV of the Fund. By taking a temporary defensive position, we will reduce the

Fund's investment exposure and hold more cash. The cash will be placed in deposits with Financial Institutions to reduce the exposure during market downturn and to help preserve the Fund's capital and mitigate losses.

We are allowed to implement temporary defensive positions up to a maximum of three (3) months from the date the temporary defensive positions is implemented.

Asset Allocation	NAV of the Fund	Asset Class	% of Fund's NAV
	RM100 million	FIS and money market instruments	Minimum 70%
	and above	Cash, liquid assets or any other permitted investments	Up to 30%
	Below	FIS and money market instruments	Minimum 20%
	RM100 million	Cash, liquid assets or any other permitted investments	Up to 80%
Benchmark	Maybank, 1-Month Fixed Deposit Rate		
Financial Year End	31 December The first financial year of the Fund shall commence on the launch date of the Fund and end on a date which shall not exceed 18 months from the launch date of the Fund.		
Permitted	The Fund may invest in the following:		

Permitted Investments

- Cash or cash equivalents. (a)
- (b) Money placements or deposits placed with Financial Institution(s) and/or authorized dealers.
- (c) Domestic debt securities issued or guaranteed by the Malaysian Government, Bank Negara Malaysia, any other government related or quasi-government related bodies.
- (d) Listed or unlisted and rated or unrated securities including those convertible into equity. These include commercial papers, medium-trade notes, promissory notes, corporate bonds, loan stocks, subordinated debts, irredeemable convertible loan stocks or redeemable convertible loan stocks, innovative tier one capital etc;
- (e) Repurchase agreements of any FIS mentioned above;
- Tradable money-market instruments in the money market; (f)
- Swap and structure products including structured deposits, (g) interest rate swaps, etc;
- (h) Units or shares in other collective investment schemes including unit trust schemes, wholesale funds/restrictive investment schemers, etc;
- Any kind of investments as permitted by the relevant (i) authorities; and
- Any other form of investments as may be agreed upon by the (j) Manager and the Trustee from time to time and permitted by the Securities Commission Malaysia, if necessary.

Investment Restrictions and Limits	The Fund will be managed in accordance with the following investment restrictions and limits:
	 (a) The average duration of the portfolio shall not be more than two (2) years. (b) There are no limits for repo placements or deposits with any single financial institution including banks, investment banks, or other financial institutions, including Islamic financial institutions, licensed by the relevant authorities including Bank Negara Malaysia or the Ministry of Finance of Malaysia. (c) For rated securities, the minimum debt rating by local rating agencies for long term FIS and short term FIS shall be at least A3 or P2, or their equivalent ratings, respectively, at the time of purchase. (d) If the NAV of the Fund is below RM30 million, there is no single or group issuer limits. However if the NAV of the Fund is RM30 million and above, the following will be employed:
	 (i) investment in any FIS issued by any single issuer shall not exceed 30% of NAV of the Fund, at the time of purchase, except for (ii) and (iii) below. (ii) investment in any private debt securities issued by Financial Institution(s), Telekom Malaysia Berhad, Tenaga Nasional Bhd, Petronas Berhad and Khazanah Nasional Berhad or their related companies which are rated at least AA3 or P1 shall not exceed 50% of NAV of the Fund, at the time of purchase. (iii) there are no maximum limits for single issuer for domestic securities issued or guaranteed by the Malaysian Government, Bank Negara Malaysia, any other government related or quasigovernment related bodies. Such instruments include Malaysian Government Securities, Treasury Bills, Bank Negara Bills, etc.
	(e) Investment portfolio shall not be leveraged, i.e. no borrowing is allowed. The limits and restrictions mentioned herein are determined at the time of purchase.

3.2 FEES AND CHARGES

The fees, charges and expenses disclosed herein are exclusive of any tax which may be imposed by the government from time to time.

The following describes the fees and charges that may be directly incurred by Unit Holders of the Fund when purchasing or redeeming Units of the Fund.

Up to 0.50% of the NAV per Unit.
Nil.
Nil.
Nil.

The following describes the fees and expenses that may indirectly incurred by Unit Holders of the Fund when investing in the Fund.

Annual	Up to 0.50% per annum of the NAV of the Fund.		
Management Fee	The annual management fee is calculated and accrued on a daily basis and payable to us on a monthly basis.		
Annual Trustee Fee	0.03% per annum of the NAV of the Fund (including local custodian fees but excluding foreign custodian fees and charges, if any), subject to a minimum fee of RM12,000 per annum or any other lower amount as may be agreed between the Trustee and the Manager.		
	The annual trustee fee is calculated and accrued on a daily basis and payable to the Trustee on a monthly basis.		
Maximum Annual Trustee Fee	0.20% per annum of the NAV of the Fund, subject to a maximum of RM300,000 per annum (including local custodian fees but excluding foreign custodian fees and charges, if any).		
	Any increase of the fees and/or charges above the maximum stated in the Deed shall require Unit Holders' approval.		
List of Expenses related to the Fund	 Only the expenses (or part thereof) which are directly related and necessary to the operation and administration of the Fund may be charged to the Fund. These would include (but are not limited to) the following: Fees, charges, costs and expenses relating to the preparation, printing, posting and lodgment of documents and reports which the Manager and/or the Trustee may be obliged to prepare, print, post and/or lodge in relation to the Fund by virtue of any relevant law; Costs, fees and expenses incurred for the fund valuation agent; Taxes and other duties charged on the Fund by the government and/or other authorities; Costs, fees and expenses properly incurred by the auditor appointed for the Fund; Costs, fees and expenses incurred for the valuation of any investment of the Fund by independent valuers for the benefit of the Fund; Costs, fees and expenses incurred for any modification of the Deed save where such modification is for the benefit of the Manager and/or the Trustee; Costs and expenses incurred for any meeting of the Unit Holders save where such meeting is convened for the benefit of the Manager and/or the Trustee; Costs and expenses incurred in relation to the distribution of income (if any); Any tax now or hereafter imposed by law or required to be paid in connection with any costs, fees and expenses related to the Fund allowed under the Deed. 		
Other Charges	Charges, for instance bank charges (including, but not limited to Financial Process Exchange ("FPX") and direct debit), telegraphic transfer charges and courier charges in connection with the execution of transactions on behalf of the investor shall beborne by the investor.		

Rebates and Soft Commission	We, our delegate, the Trustee or the Trustee's delegate will not retain any rebate from, or otherwise share in any commission with, any broker or dealer in consideration for directing dealings in the Fund's assets. Any rebate or shared commission will be directed to the account of the Fund. However, soft commissions may be retained by us if:	
	(1) the goods and services are of demonstrable benefit to Unit Holders and in the form of research and advisory services that assist in the decision making process relating to the Fund's investments; and	
	(2) any dealing by the broker or dealer is executed on terms which are the most favourable for the Fund.	
Manager's Rights	We may, for any reason and at any time, reduce or waive the amount of any fees (except for the trustee fee) or other charges payable by the Unit Holder in respect of the Fund, either generally (for all Unit Holders) or specifically (for any particular Unit Holder) and for any period of time at our absolute discretion.	

THERE ARE FEES AND CHARGES INVOLVED AND INVESTORS ARE ADVISED TO CONSIDER THEM BEFORE INVESTING IN THE FUND.

3.3 TRANSACTION DETAILS

Minimum Initial Investment [^]	RM50,000
Minimum Additional Investment [^]	10,000 Units
Minimum Units for Repurchase^	10,000 Units
Minimum Holdings to Maintain an Account^	10,000 Units

^ or such other lower amount or number of Units, as the case may be, as may be determined by us from time to time.

Subscription of Units	Applications for subscription can be made on any Business Day by sending the Application Form or electronic Application Form to the Manager. The processing of applications for subscription of Units, completed documents and cleared funds shall be provided on or before 4:00 p.m. on any Business Day.
	Note: You can obtained the Application Form and access the electronic Application Form at <u>www.opusasset.com</u> .
	Units will then be effected at the NAV per Unit of the Fund calculated at the end of the Business Day. For any Application Form or electronic Application Form received after 4:00 p.m., the application will be processed on the next Business Day (or "T+1 day"), unless a prior written arrangement is made to our satisfaction.

	A confirmation statement detailing your investment amount and the number of Units allocated to you in the Fund will be sent to you within ten (10) Business Days from the date of issuance of such Units.
	We reserve the right to reject any application for subscription without providing any reason. We may also reject any application for subscription that is not complete and/or not accompanied by the required documents and those applications will only be processed upon the documentation being satisfactorily completed.
Redemption of Units	Any completed Redemption Form received by the Manager on or before 4:00 p.m. on a Business Day will be processed on the same Business Day ("Redemption Processing Date") and Units will be repurchased based on the NAV per Unit of the Fund calculated at the end of the Redemption Processing Date.
	Any completed Redemption Form received after 4:00 p.m. will be treated as having been received by us on the following Business Day, unless a prior written arrangement is made to our satisfaction.
	The redemption proceeds will be paid to you within ten (10) calendar days from the Redemption Processing Date.
	We reserve the right to repurchase all of your Units if such repurchase is necessary to ensure that we are in compliance with the relevant laws. We will notify you prior to such repurchase.
Switching of Units	Switching is allowed for Unit Holders to switch between the funds managed by the Manager, and it is subject to the terms and conditions applicable for the respective funds. Unit Holders must maintain the minimum holding requirement of the fund after switching.
	The minimum Units per switch is 10,000 Units (or such other amount as may be determined by the Manager from time-to-time).
	The Manager reserves the right to reject any switching requests that are deemed to be contrary to the best interest of the fund and/or existing Unit Holders.
	Unit Holders must complete the switching form and submit it to the Manager on or before 4:00 p.m. on any business day. If the Manager receives the switching form after 4:00 p.m., the Manager will process the request on the next business day.
	Unit Holders should note that the pricing day of the switching out fund is subject to the respective OpusAM funds' pricing conditions.
	The Manager reserves the right to reject any switching requests that are deemed to be contrary to the best interest of the fund and/or existing Unit Holders.
Transfer of Units	Unit Holders are permitted to transfer ownership of their investments in the Fund at any point in time by completing the transfer form and submit it to the Manager on any business day. The transfer must be made in terms of Units only and not in RM value.
	The minimum Units per transfer is 10,000 Units (or such other amount as may be determined by the Manager from time-to-time).
	The Manager reserves the right to reject any transfer requests.

3.4 DISTRIBUTION POLICY

Distribution Policy	The Fund may make capital distributions to its Unit Holders at such time as the Manager deems fit where permitted in accordance with the provisions of the relevant Deed and/or Guidelines.
	All distributable income and gains from the investments will be accrued and allocated to Unit Holders on a daily basis and be paid monthly within fourteen (14) days after the last Business Day of each month or on full redemption.
	Any distribution payable which is less than or equal to the amount of RM100.00 will be automatically reinvested on behalf of the Unit Holders.
Reinvestment Policy	If an Investor opts for reinvestments, all reinvestments will be made at the NAV per Unit of the income declaration date. The allotment of Units for the reinvestment shall be made within two (2) Business Days after the income declaration date.

4. **RISK FACTORS**

GENERAL RISKS OF INVESTING IN THE FUND

Below are the risks associated with the investment of the Fund that you should consider before investing:

Market risk

Market risk refers to the possibility that an investment will lose value because of a general decline in financial markets due to economic, political and/or other factors which will result in a decline in the Fund's NAV.

Inflation/Purchasing Power risk

Inflation can be described as increases of price level of goods and services and is commonly represented using the Consumer Price Index. High inflation reduces the purchasing power of a fixed sum of money. In an inflationary environment, fixed rate securities are exposed to higher inflation risk than inflation-linked securities

Manager's risk

This risk refers to the day-to-day management of the Fund by us which will impact the performance of the Fund. For example, investment decisions undertaken by us, as a result of an incorrect view of the market or any non-compliance with internal policies, investment mandate, the Deed, relevant law or Guidelines due to factors such as human error or weaknesses in operational process and systems, may adversely affect the performance of the Fund.

Returns are not guaranteed

There is no guarantee that investing in the Fund will produce the desired investment returns.

Operational risk

This risk refers to the possibility of a breakdown in our internal controls and policies. The breakdown may be a result of human error (for instance the keying of wrong details), system failure (causing unnecessary downtime) or even fraud (where our employees collude with one another). Whilst this risk may not necessarily cause monetary loss to the Fund, Unit Holders cannot discount the risk that losses may be suffered by the Fund if the breakdown is sufficiently serious. We will regularly review our internal policies and system capability to mitigate the occurrence of this risk.

Risk of non-compliance

Although it is our intention to observe all rules governing the Fund at all times, both external factors (adverse market conditions, natural disasters or political instability) and internal factors (oversight by the fund manager, a lapse in the compliance function or a clerical error) could impact our ability to observe rules governing the Fund. Whilst non-compliance with the rules governing the Fund will not necessarily result in losses to the Fund, Unit Holders cannot discount the risk that losses may be suffered by the Fund if the non-compliance with the rules is sufficiently serious.

SPECIFIC RISKS OF INVESTING IN THE FUND

Credit and default risk

Credit risk relates to the creditworthiness of the issuers of the FIS and their expected ability to make timely payment of interest and/or principal. Any adverse situations faced by the issuer may impact the value as well as liquidity of the FIS. Default risk relates to the risk that an issuer of a FIS either defaulting on payments or failing to make payments in a timely manner which will in turn adversely affect the value of the FIS. This could adversely affect the value of the FIS. Fund.

Interest rate risk

Interest rate risk refers to the impact of interest rate changes on the valuation of the FIS. When interest rate rise, the pricing of FIS may decline and lower the market value of the Fund's

investment in FIS. The reverse may apply when interest rates fall. Prices of FIS move in the opposite direction of interest rates. A rise/fall in interest rates will cause a fall/rise in prices of FIS and investors may experience a capital loss/gain should the FIS be sold before maturity.

Income Distribution risk

The distribution of income is not guaranteed.

Liquidity risk

Liquidity risk is define as the ease with which a security can be sold at or near its fair value depending on the volume traded on the market. This is a risk more pertinent to a bond fund as bonds are generally not as easily liquidated in comparison to equities. In the event some of the underlying investments of the Fund are not actively traded, there is a risk the Manager may not be easily liquidate such investments and as a result, investors may face difficulties in redeeming their Units.

Counterparty risk

Counterparty risk is the risk to each party of a contract that the counterparty will fail to perform its contractual obligations and/or to respect its commitments under the term of such contract, whether due to insolvency, bankruptcy or other cause. In this regards, the Fund may be exposed to risks arising from the solvency of its counterparties and from its inability to respect the conditions of the contracts.

Concentration risk

The Fund is susceptible to concentration risk. As the Fund is not subject to any limit or restriction for its placement in deposits with any single financial institution, there is a possibility that the Fund may be exposed to a single financial institution.

Cancellation of Units Risk

This is the risk that occurs when the Fund suffers losses and the value of a unit of the Fund goes below RM1.0000, and a consolidation exercise is carried out. A suspense account is created during the consolidation exercise where the investment loss is apportioned to each Unit Holder in accordance to their unit holdings. Such units will be cancelled once the consolidation exercise is completed. As a result, this will lead to a reduction in your unit holdings.

IT IS IMPORTANT TO NOTE THAT AN INVESTMENT IN THE FUND CARRIES RISKS AND THE ABOVE LIST OF RISKS MAY NOT BE EXHAUSTIVE. WHILE EVERY CARE WILL BE TAKEN BY THE MANAGER TO MITIGATE THE RISK, INVESTORS ARE ADVISED THAT IT IS NOT ALWAYS POSSIBLE TO PROTECT INVESTMENTS AGAINST ALL RISKS. IF NECESSARY, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER FOR A BETTER UNDERSTANDING OF THE RISKS BEFORE INVESTING.

5. TRANSACTION INFORMATION

5.1 COMPUTATION OF NAV AND NAV PER UNIT

The NAV of the Fund means the total value of the Fund's assets less the Fund's expenses or liabilities incurred or accrued for the day.

Below is an illustration on how the NAV of the Fund is calculated:

		Fund (RM)
	Value of the Fund	100,000,000.00
Add:	Income	200,000.00
Less:	Expenses	100,000.00
	NAV before deducting management fee and trustee fee for the day	100,100,000.00
Less:	Management fee for the day (100,100,000 x 0.50% / 365 days)	1,371.24
Less:	Trustee fee for the day (100,100,000 x 0.03% / 365 days)	82.27
Total	NAV (RM)	100,098,546.49

NAV per Unit

The NAV per Unit is calculated by dividing the NAV of the Fund by the total number of Units in circulation at the valuation point.

Below is an illustration on how the NAV per Unit is calculated:

		Fund (RM)
	NAV	100,098,546.49
Divide:	Units in circulation	100,000,000
	NAV per Unit (RM)	1.0001

At all time, transaction of units will be carried out at RM1.0000 per unit, instead of the NAV per Unit. An amount to decided by the Manager, of reserve will be kept by the Fund in order to maintain a stable NAV per unit of RM1.0000.

5.2 PRICING OF UNITS

5.2.1 Single Pricing Policy

We adopt a single pricing policy in calculating your application for Units. This means that all purchases are transacted on a single price. During the Offer Period, the selling price of a Unit is equivalent to the Offer Price.

After the Offer Period, dealing of units will be carried out at RM1.0000 per unit at all time, instead of the NAV per Unit.

5.2.2 Valuation of the Assets of the Fund

Unlisted FIS	Price quoted by a bond pricing agency (BPA) registered by the SC.	
	Where we are of the view that the price quoted by BPA for a specific FIS differs from the "market price" by more than 20 basis points, we may use the "market price", provided that we:	
	 (a) record our basis for using a non-BPA price; (b) obtain necessary internal approvals to use the non-BPA price; and (c) keep an audit trail of all decisions and basis for adopting the "market yield". 	
Other unlisted FIS	Fair value by reference to the average indicative yield quoted by three (3) independent and reputable institutions as determined in good faith by us.	
Listed FIS	Listed FIS will be valued based on the last done market price at the close of the exchange if reliable sources are available; otherwise, we will decide on the valuation on best effort basis.	
Money market instruments	Money market instruments will be valued based on the price quoted by BPA registered by the SC. Where the price of the money market instruments are not available at the BPA, such money market instruments will be valued based on accretion method using yield or discount rate at cost.	
Deposits	Deposits will be valued each day by reference to the principal value and the accrued interest thereon for the relevant period.	

5.2.3 Valuation of the Fund

We will value the Fund at 6.30 p.m. on every Business Day.

5.3 OTHER INFORMATION

5.3.1 How to Keep Abreast of Development in the Fund

You may obtain the daily price of the Fund from our website at <u>www.opusasset.com</u>. The price of the Fund on a Business Day will be available on the next Business Day.

We will provide you with an annual report and a quarterly report of the Fund via electronic mail within 2 months after the end of the financial period that the report covers. The annual report and quarterly report will also be available at our website thereafter.

Updates, information or queries relating to the Fund and/or your investment in the Fund may be directed to us or our authorised distributors.

5.3.2 Avenue for Advice

You may contact our client services at 603-2288 8833 or fax to 603-2288 8889 or email us at <u>clientservices@opusasset.com</u> if you require further information relating to the Fund or this Information Memorandum.

5.3.3 Unclaimed Money Policy

Any moneys payable to you which remain unclaimed after 12 months from the date of payment will be paid to the Registrar of Unclaimed Monies in accordance with the requirements of the Unclaimed Moneys Act, 1965.

5.3.4 Modification to the Information Memorandum

This Information Memorandum may be modified in any manner by a supplemental/replacement Information Memorandum lodged with the SC. For the avoidance of doubt, the consent of Unit Holders is not required for any modification to this Information Memorandum unless otherwise stated in the Deed.

5.3.5 Special Redemption Mechanism

In a situation where the Manager receives a high amount of redemption requests on any Business Day (more than 20% of the Fund's NAV), the Manager shall be entitled to base the calculation of redemption on several valuation points (instead of the NAV per Unit of the Fund at the end of the next Business Day from the day the Manager receives the redemption request). For example, if the redemption requests received today is more than 20% of the Fund's NAV, the Manager shall sell off assets of the Fund on staggered basis and based on different Business Days NAV per Unit of the Fund.

However, the Manager may only invoke this mechanism when market conditions are such that it would not be possible to liquidate assets of the Fund at a reasonable price or prices beneficial to the Fund without jeopardising the whole investment portfolio of the Fund. Other factors that may also affect the decision of the Manager are, amongst others, as follows:

- Liquidity of a particular investment;
- Aggregate prices for disposal;
- · Amount of assets to be disposed of; and
- Other investment limits and restrictions of the Fund.

If the mechanism were to be implemented, the Manager will sell off assets of the Fund on a staggered basis. This would result in the redemption proceeds being calculated at several valuation points with each redeeming Unit Holder being paid proportionately in accordance with the quantum of his redemption request calculated at the several valuation points until the sell down is complete.

5.3.6 Suspension of Dealing in Units

The Manager may, in consultation with the Trustee and having considered the interests of the Unit Holders, suspend the dealing in Units due to exceptional circumstances, where there is good and sufficient reason to do so. The Manager will cease the suspension as soon as practicable after the exceptional circumstances have ceased, and in any event, within twenty-one (21) days from the commencement of suspension.

The period of suspension may be extended if the Manager satisfies the Trustee that it is in the best interest of the Unit Holders for the dealing in Units to remain suspended, subject to a weekly review by the Trustee. The Trustee may suspend the sale and/or repurchase of Units, if the Trustee, on its own accord, considers that exceptional circumstances have been triggered. In such a case, the Trustee shall immediately call for a Unit Holders' meeting to decide on the next course of action.

Consolidation Exercise

When the value of the Fund fall below RM1.0000 per unit, the Fund will be suspended and consolidation exercise will be carried out.

During the suspension, the Manager will calculate the ratio of the investment loss to the total NAV of the Fund. Two sub-accounts will be created with the Fund:

- Suspense account where the loss is apportioned to each Unit Holder in accordance to their unit holdings and such units will be cancelled; and
- Ordinary units account where the NAV per unit of the remaining units will be maintained at RM1.0000

Once the suspension is uplifted upon completion of the consolidation exercise, you will continue to earn income from the remaining units due to you.

We shall as soon as possible publish a notice of any consolidation exercise. We will also send to you a consolidation advice informing you of the amount loss, the units apportioned and cancelled, and the remaining units after the consolidation exercise.

6. THE MANAGER

6.1 BACKGROUND INFORMATION

Opus Asset Management Sdn Bhd is licensed by the SC under the CMSA to conduct fund management services and dealing in securities restricted to unit trust.

The company has been providing investment management services since 24 December 1996 and started by managing equity investment portfolios, including a third party equity unit trust fund. When the present shareholders took over management of the company on 3 January 2005, they started a new business direction, which focused solely on fixed income investments.

In Malaysia, OpusAM has a wide market network and strives to achieve a strong market presence in the fixed income market. OpusAM's clients include insurance companies, state governments, statutory bodies, government-linked companies, corporations, foundations, cooperatives, private banking, universities, hospitals, individuals and family trusts.

6.2 ROLE OF THE MANAGER

We are responsible for the operation and administration of the Fund, investment management and marketing of the Fund, servicing Unit Holders' needs, keeping proper administration records of Unit Holders and accounting records of the Fund, ensuring that the Units are correctly priced, ensuring compliance with stringent internal procedures and guidelines of relevant authorities and relevant laws.

6.3 KEY MANAGEMENT

Mr. Siaw Wei Tang, Managing Director

Mr. Siaw is one of the founders of Opus Asset Management Sdn Bhd and is currently holding the position of Managing Director and Chief Investment Officer in the company. He is also a Non-independent Non-executive Director of Abbas Investment Management Sdn Bhd (formerly known as Abbas IM Sdn Bhd), a wholly-owned subsidiary of Opus Asset Management Sdn Bhd. He started his career as a Risk Manager and Actuarial Consultant at NMG Risk Managers & Actuaries Sdn Bhd. He then joined Gadek Asset Management (later renamed Phileo Asset Management) in 1996 as the Portfolio Manager in charge of fixed income where he grew the fixed income portfolio under management to RM430 million over a four year period.

Later, he joined HLG Asset Management in 2000 where he was responsible for over RM1 billion of funds under management and a team of seven investment professionals. He was later promoted to General Manager, Investment/Chief Investment Officer of Hong Leong Assurance Bhd ("HLA") in 2002 where he was responsible for approximately RM3 billion (of which approximately RM2 billion was in fixed income securities) of HLA's investment portfolio.

Mr. Siaw holds a MSc degree in International Banking & Financial Studies from the University of Southampton, UK; a BSc (Honours) degree in Actuarial Mathematics & Statistics from Heriot-Watt University, Edinburgh and holds a Capital Markets Services Representative's Licence.

INVESTORS MAY VISIT THE MANAGER'S WEBSITE AT <u>www.opusasset.com</u> FOR FURTHER INFORMATION ON THE MANAGER.

7. THE TRUSTEE

7.1 ABOUT SCBMB TRUSTEE BERHAD

SCBMB Trustee Berhad ("**STB**"), a company incorporated in Malaysia under the Companies Act 1965 on 13 June 2012 and registered as a trust company under the Trust Companies Act 1949. Its business address is at Level 23, Equatorial Plaza, Jalan Sultan Ismail, 50250 Kuala Lumpur.

7.2 EXPERIENCE IN TRUSTEE BUSINESS

STB has been registered and approved by the SC on 18 February 2013 to act as trustee for collective investment schemes approved or authorised under the CMSA. STB has suitably qualified and experienced staff in the administration of unit trust funds who have sound knowledge of all relevant laws. As at 15 September 2022, STB is the appointed trustee for 14 wholesale funds, 12 unit trust funds and appointed custodian for 8 private mandate funds.

STB's trustee services are supported by Standard Chartered Bank Malaysia Berhad ("**SCBMB**"), a subsidiary of Standard Chartered PLC, financially and for other various functions including but not limited to compliance, legal, operational risks and internal audit.

7.3 TRUSTEE'S ROLES, DUTIES AND RESPONSIBILITIES

The Trustee's main functions are to act as trustee and custodian of the assets of the Fund and to safeguard the interest of Unit Holders of the Fund. In performing these functions, the Trustee has to exercise due care and vigilance and is required to act in accordance with the provisions of the Deed, the laws and all relevant guidelines.

The Trustee also assume an oversight function on the management company by ensuring that the management company performs its duties and obligations in accordance with the provisions of the Deed, the laws and all relevant guidelines.

7.4 TRUSTEE'S DISCLOSURE OF MATERIAL LITIGATION AND ARBITRATION

As at 15 September 2022, the Trustee is not engaged in any material litigation and arbitration, including those pending or threatened, and the Trustee is not aware of any facts likely to give rise to any proceedings which might materially affect the business or financial position of the Trustee.

7.5 TRUSTEE'S DELEGATE

The Trustee has appointed SCBMB as custodian of the quoted and unquoted assets of the Fund. The custodian provides custody services to domestic, foreign, retail and institutional investors. The custodian's comprehensive custody and clearing services cover traditional settlement processing and safekeeping as well as corporate related services including cash and security reporting, income collection and corporate event processing. The assets are registered in the name of the Trustee to the order of the Fund and held through the custodian's wholly owned subsidiary and nominee company Cartaban Nominees (Tempatan) Sdn Bhd.

SCBMB was incorporated on 29 February 1984 in Malaysia under the Companies Act 1965 as a public limited company and is a subsidiary of Standard Chartered PLC (the holding company of a global banking group). SCBMB was granted a licence on 1 July 1994 under the Banking and Financial Institutions Act 1989 (now known as the Financial Services Act 2013). SCBMB has been providing custody services for more than 20 years and has been providing subcustody services to local investors in Malaysia since 1995.

The roles and duties of SCBMB as the Trustee's delegate inter alia are as follows:

- 1. To act as custodian for the local and selected cross-border investment of the Fund and to hold in safekeeping the assets of the Fund;
- 2. To provide corporate action information or entitlements arising from the underlying assets and to provide regular reporting on the activities of the invested portfolios;
- 3. To maintain proper records on the assets held to reflect the ownership of the assets belonging to the respective client; and
- 4. To collect and receive for the account of the clients all payments and distribution in respect of the assets held.

The custodian acts only in accordance with instructions from the Trustee.

8. SALIENT TERMS OF THE DEED

8.1 YOUR RIGHTS AND LIABILITIES AS A UNIT HOLDER

A Unit Holder is a person registered in the register as a holder of Units or fractions of Units in the Fund which automatically accord him rights and interest in the Fund.

Unit Holders' Rights

A Unit Holder has the right, amongst others:

- (a) to receive distribution of income, if any, of the Fund;
- (b) to participate in any increase in the value of the Units;
- (c) to call for Unit Holders' meetings and to vote for the removal of the Trustee or the Manager through Special Resolution;
- (d) to exercise cooling-off rights (if applicable);
- (e) to receive annual and quarterly reports of the Fund; and
- (f) to enjoy such other rights and privileges as are provided for in the Deed.

No Unit Holder shall be entitled to require the transfer to him of any of the assets of the Fund or be entitled to interfere with or question the exercise by the Trustee, or the Manager on the Trustee's behalf, of the rights of the Trustee as the registered owner of such assets.

Unit Holders' Liabilities

- (a) No Unit Holder shall be liable for any amount in excess of the purchase price paid for the Units as determined in accordance with the Deed at the time the Units were purchased and any charges payable in relation thereto.
- (b) A Unit Holder shall not be under any obligation to indemnify the Manager and/or the Trustee in the event that the liabilities incurred by the Manager and/or the Trustee in the name of or on behalf of the Fund pursuant to and/or in the performance of the provisions of the Deed exceed the value of the assets of the Fund, and any right of indemnity of the Manager and/or the Trustee shall be limited to recourse to the Fund.

8.2 PROVISIONS RELATING TO MEETINGS OF UNIT HOLDERS

A Unit Holders' meeting may be called by the Manager, Trustee and/or Unit Holders. Any such meeting must be convened in accordance with the Deed and/or the SC Guidelines.

Every question arising at any Unit Holders' meeting shall be decided in the first instance by a show of hands unless a poll be demanded or, if it be a question which under the Deed requires a Special Resolution a poll shall be taken. On a voting by show of hands every Unit Holder who is present in person or by proxy shall have one vote.

Quorum

- (a) The quorum required for a meeting of the Unit Holders of the Fund shall be 5 Unit Holders, whether present in person or by proxy, however:
 - (i) if the Fund has 5 or less Unit Holders, the quorum required for a meeting of the Unit Holders of the Fund shall be 2 Unit Holders, whether present in person or by proxy; or
 - (ii) if the Fund has only 2 Unit Holders, the quorum required for a meeting of the Unit Holders of the Fund shall be 1 Unit Holder, whether present in person or by proxy.

(b) If the meeting has been convened for the purpose of voting on a Special Resolution, the Unit Holders present in person or by proxy must hold in aggregate at least 25% of the Units in circulation of the Fund at the time of the meeting.

8.3 TERMINATION OF THE FUND

The Manager may, in its sole discretion and without having to obtain the prior approval of the Unit Holders, determine the trust and wind up the Fund upon the occurrence of any of the following events:

- (a) if any new law shall be passed which renders it; or
- (b) if in the reasonable opinion of the Manager it is impracticable or inadvisable to continue the Fund and the termination of the Fund is in the best interests of the Unit Holders.

If the Fund is left with no Unit Holders, the Manager shall also be entitled to terminate the Fund.

8.4 INCORRECT PRICING

In the event of any incorrect pricing of units of the Fund, the Manager shall take immediate remedial action where that incorrect pricing:

- (i) is equal or more than 0.5% of the NAV per unit; and
- (ii) results in a sum total of RM10.00 or more to be reimbursed to the affected Unit Holder for each purchase or redemption transaction.

Subject to any regulatory requirements, the Manager shall have the right to amend, vary or revise the abovesaid limits or threshold from time to time.

9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS

Related Party Transaction

The Manager

As at 15 September 2022, we are not aware of any existing related party transactions or conflict of interest situations involving the Fund.

SCBMB Trustee Berhad

The Trustee may have related party transactions involving or in connection with the Fund in the following events:

- where the Fund invests in the products offered by Standard Chartered Bank Malaysia Berhad and any of its group companies (e.g. money market placement, etc.);
- where the Manager utilised the services offered by Standard Chartered Bank Malaysia Berhad (e.g. fixed income brokerage services, etc.); and
- where the Trustee has delegated its custodian functions for the Fund to Standard Chartered Bank Malaysia Berhad.

The Trustee will rely on the Manager to ensure that any related party transactions, dealings, investments and appointments are on terms which are the best that are reasonably available for or to the Fund and are on an arm's length basis as if between independent parties. While the Trustee has internal policies intended to prevent or manage conflicts of interests, no assurance is given that their application will necessarily prevent or mitigate conflicts of interests. The Trustee's commitment to act in the best interests of the Unit Holders of the Fund does not preclude the possibility of related party transactions or conflicts.

Policy on dealing with conflict of interest

We will at all times act in your best interest and will not conduct ourselves in any manner that will result in a conflict of interest or potential conflict of interest. In the unlikely event that any conflict of interest arises, such conflict shall be resolved such that the Fund is not disadvantaged. We will not conduct transactions in any manner which will result in unnecessary costs or risk to the Fund.

In the unlikely event that we face conflicts in respect of our duties to the Fund and our duties to the other funds that we manage, we are obliged to act in the best interests of our investors and will seek to resolve any conflicts fairly and in accordance with the Deed and the relevant laws.

Cross Trade Policy

To provide more liquidity in the dealing of securities, we may carry out transactions between the Fund and the investment portfolios of our other customers ("cross-trades") provided always that any such cross-trades are conducted on a best execution basis and are no less favourable to the Fund when compared to an arm's length transaction between independent parties.

We shall have full discretion to determine the price (or yield) on such trades by taking into consideration factors such as broker's valuation, bond pricing agencies, market quotes, odd lot trades and market condition. We will decide the price which we believe to be a fair price to the seller, who will provide the securities in time of shortage and the buyer who will provide the liquidity in cash in time to the seller who wants to liquidate the securities or the portfolio. All cross-trades will be carried out in compliance with the relevant laws.



Crowe KL Tax Sdn Bhd 197101000345 (10709-X) Level 15, Tower C, Megan Avenue II 12, Jalan Yap Kwan Seng 50450 Kuala Lumpur Malaysia Main +6 03 2788 9898 Fax +6 03 2788 9899 www.crowe.my

Date: 19 September 2022

Opus Asset Management Sdn Bhd B-19-2 Northpoint Offices Mid Valley City No. 1 Medan Syed Putra Utara 59200 Kuala Lumpur

Dear Sirs

OPUS CASH EXTRA FUND 2 TAXATION OF THE FUND AND UNIT HOLDERS

This letter has been prepared for the inclusion in the Information Memorandum in connection with the offer of units in the wholesale fund known as the Opus Cash Extra Fund 2 (hereinafter referred to as "the Fund").

1. INFORMATION ON THE FUND

The Fund is an investment scheme that is required to adhere to the *Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework* issued by the SC under the Capital Markets and Services Act, 2007 ("CMSA").

The scope of this letter is to address on the taxation implications in Malaysia.

2. TAXATION OF A UNIT TRUST FUND

2.1 Taxable income

The taxation of the Fund which is a unit trust scheme is governed principally by Sections 61 and 63B of the Income Tax Act, 1967 ("MITA"). Further, the Inland Revenue Board of Malaysia ("IRBM") has issued the Public Ruling 7/2013: Unit Trust Funds Part I – An Overview and Public Ruling 7/2014: Unit Trust Funds - Part II – Taxation of Unit Trusts dated 28 May 2013 and 4 November 2014 respectively to explain the tax treatments for Unit Trust Funds.



The Fund's trustee is SCBMB Trustee Berhad, which is a resident in Malaysia for tax purposes. As the trustee is a tax resident in Malaysia, the Fund is also regarded as a Malaysian tax resident.

(a) Malaysia sourced income

The income of the Fund in respect of dividends, interest or profits from deposits and other investment income derived from or accruing in Malaysia is liable to income tax unless specifically exempted under the law. In this respect, any gains or profits received, in lieu of interest, for transactions conducted in accordance with the principles of Shariah, will be treated as interest and be accorded the same treatment as if they were interest in accordance with Section 2(7) of the MITA. Under Section 2(7) of the MITA, any reference to interest shall apply, mutatis mutandis, to gains or profits received and expenses incurred, in lieu of interest, in transaction conducted in accordance with the principles of Shariah. The income tax rate applicable to the Fund is 24%.

(b) Foreign sourced income

The income of the Fund in respect of dividends, interest or profits from deposits and other investment income derived from outside Malaysia is subject to Malaysian income tax when the income is received in Malaysia from outside Malaysia at the prevailing tax rate applicable to the Fund. Where the Fund has suffered foreign tax on the foreign sourced income that is subject to Malaysian tax, the Fund may claim bilateral relief (for a country that has a double tax agreement with Malaysia) or unilateral relief (for a country not having a double tax agreement with Malaysia) against the Malaysian tax payable.

2.2 Exempt income / Non taxable income

(a) Profits from the realization of investments

Gains from sale of investments will not be treated as income of the Fund and hence, are not subject to income tax [Section 61(1) of the MITA].

(b) Dividend income

Dividends received by the Fund from Malaysian entities which are tax exempted are not subject to income tax. This includes dividends distributed under the single tier tax system [*Paragraph 12B*, Schedule 6 of the MITA].



(c) Interest income

Interest income received by the Fund from the following is exempted from income tax:

- (i) Any savings certificates issued by the Government [Paragraph 19 to Schedule 6 of the MITA];
- (ii) Securities or bonds issued or guaranteed by the Government [Paragraph 35(a) to Schedule 6 of the MITA];
- (iii) Debentures or sukuk, other than convertible stock, approved by the Securities Commission [Paragraph 35(b) to Schedule 6 of the MITA];
- (iv) Bon Simpanan Malaysia issued by Central Bank of Malaysia [Paragraph 35(d) to Schedule 6 of the MITA];
- (v) Deposits with banks licensed under the Financial Services Act 2013 or the Islamic Financial Services Act 2013 or any development financial institution prescribed under the Development Financial Institutions Act 2002. The exemption shall not apply to a wholesale fund which is a money market fund [Paragraph 35A to Schedule 6 of the MITA];
- (vi) Islamic securities (including 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, provided that the exemption shall not apply to interest paid or credited to a company in a same group, or interest paid or credited to a bank licensed under the Financial Services Act 2013, an Islamic bank licensed under the Islamic Financial Services Act 2013 or a development financial institution prescribed under the Development Financial Institutions Act 2002 [Paragraph 33B to Schedule 6 of the MITAJ; With effect from 1 January 2022, the exemption shall not apply to interest paid or credited by a special purpose vehicle to a company pursuant to the issuance of asset-backed securities lodged with the Securities Commission Malaysia or approved by the Labuan Financial Services Authority if the company and the person who established the special purpose vehicle solely for the issuance of the asset-backed securities are in the same group;
- (vii) Bonds and securities issued by Pengurusan Danaharta Nasional Berhad [Income Tax (Exemption) (No. 5) Order 2001];
- (viii) Bonds (other than convertible loan stock) issued by any company listed in Malaysia Exchange of Securities Dealing and Automated Quotations Berhad ("MESDAQ") [Income Tax (Exemption) (No.13) Order 2001];
- (ix) Bonds and securities issued by Pengurusan Danaharta Nasional Berhad / Danaharta Urus Sdn Bhd [Income Tax (Exemption) (No. 6) Order 2003];
- (x) Sukuk Issue which has been issued by Malaysia Global Sukuk Inc [Income Tax (Exemption)(No. 31) Order 2002];
- (xi) Sukuk Ijarah, other than convertible loan stock, issued in any currency by 1Malaysia Sukuk Global Berhad [Income Tax (Exemption) Order 2010];



- (xii) Sukuk Wakala, other than convertible loan stock, issued in any currency by Wakala Global Sukuk Behad [Income Tax (Exemption) (No. 4) Order 2011];
- (xiii) Sukuk Kijang issued by BNM Kijang Berhad [Income Tax (Exemption) (No. 10) Order 2013];
- (xiv) Sukuk Wakala with a nominal value up to USD1.5b, other than convertible loan stock, issued by the Malaysian Sovereign Sukuk Berhad [Income Tax (Exemption) (No. 3) Order 2015]; and
- (xv) Sukuk Wakala with a nominal value up to USD1.5b (other than convertible loan stock) issued by Malaysia Sukuk Global Berhad [*Income Tax* (*Exemption*) (*No. 2*) Order 2016].

(d) Discount income or profit derived

Tax exemption is given on discount income received on the securities and debentures mentioned in items 2.2 (c) (ii) to (iv) above [Paragraph 35(a) to Paragraph 35(d) to Schedule 6 of the MITA].

2.3 Deductibility of expenses

Section 33(1) of the MITA allows expenses incurred "wholly and exclusively in the production of gross income" to be deductible against the gross income, e.g. interest incurred on a loan to finance investments can be deducted against the dividend or interest income from that investment.

In addition, Section 63B allows partial deduction for other non-direct expenses known as "permitted expenses". "Permitted expenses" comprise the manager's remuneration, charges for maintenance of register of unit holders, share registration expenses, secretarial, audit and accounting fees, telephone charges, printing and stationery costs and postage. The amount deductible is calculated based on the formula below:

where

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

Dividend income is deemed to include income distributed by a unit trust for the purpose of calculating the above deduction.



The special deduction of expenses is subject to a minimum of 10% of the total permitted expenses incurred for that basis period. The allowable portion of permitted expenses will be deducted from the aggregate income. Should the deduction exceeds the income assessable to tax, the excess is not allowed to be carried forward for offset against the income of future years of assessment.

2.4 Real Property Gains Tax ("RPGT")

Generally, gains on disposal of investments by the Fund will not be subject to Income Tax in Malaysia as mentioned in 3.2(a).

Nevertheless, capital gains from disposals of chargeable assets, such as real properties or shares in real property companies will be subject to RPGT as follows:

- (a) Gains arising from disposals made within 3 years from the date of acquisition of the chargeable assets are subject to RPGT at the rate of 30%;
- (b) Gains arising from disposals made between the 4th year from the date of acquisition of the chargeable assets are subject to RPGT at the rate of 20%;
- (c) Gains arising from disposals made between the 5th year from the date of acquisition of the chargeable assets are subject to RPGT at the rate of 15%; and
- (d) Gains arising from disposals made after 5 years from the date of acquisition of the chargeable assets are subject to RPGT at the rate of 10%.

[Schedule 5 of the Real Property Gains Tax Act 1976]

2.5 Sales and Service Tax ("SST")

Pursuant to the Sales Tax Act 2018, sales tax shall be charged and levied on all taxable goods which are locally manufactured or imported into Malaysia. The rates for sales tax are 5%, 10% or a specific rate. On the other hand, pursuant to the Service Tax Act 2018, service tax shall be charged and levied on any taxable services provided in Malaysia by a registered person in carrying on his business or any imported taxable service. The rate for service tax is 6%.

If the Fund provides any taxable services such as management and consulting services with a total value of RM500,000 or more in a 12 months period, the Fund shall be liable for service tax registration and shall be required to charge service tax on the said services.

Expenses such as management fees, trustee fees and other expenses paid by the Fund may be subject to service tax at 6%.



3. TAXATION OF UNIT HOLDERS

3.1. Distribution of taxable income

The general provisions under the MITA are applicable to income received by unit holders. In addition, the tax treatments for unit holders are explained in the IRBM's Public Ruling 5/2013 – Taxation of Unit Holders of Unit Trust Funds dated 23 May 2013. Unit holders will be taxed on their share of the total taxable income of the Fund distributed to them. This income distribution carries with it a tax credit for the tax paid by the Fund on its taxable income. This tax credit may be utilised by the unit holders to set off the tax payable by them pursuant to Section 110(9A) of the MITA. The tax authorities will refund any excess of tax credit over tax chargeable to the unit holders.

Distributions of income from the Fund received by individuals and other non-corporate unit holders who are residents in Malaysia for tax purposes will be taxed at graduated rates from 1% to 30%. Individuals and other non-corporate unit holders who are not resident in Malaysia, will be subject to tax at the non-resident rate applicable of 30% on the distributions of income received.

Corporate unit holders, whether resident or not resident in Malaysia, will be subject to tax at the corporate tax rate of 24% on the distributions of income from the Fund received by them. With effect from year of assessment 2020, small and medium scale companies with a paid-up capital of RM2.5 million and below (SME) and having an annual business income of not more than RM50 million, the corporate tax rate of 17% is applicable on chargeable income of up to RM600,000 and 24% on the amount exceeding RM600,000. However, a company with a paid-up capital of not exceeding RM2.5 million will not qualify as a SME under the following circumstances:

- i. more than 50% of the paid up capital in respect of ordinary shares of the company is directly or indirectly owned by a "related company";
- more than 50% of the paid up capital in respect of the ordinary shares of the "related company" is directly or indirectly owned by the first mentioned company; or
- iii. more than 50% of the paid up capital in respect of the ordinary shares of the first mentioned company and the "related company" is directly or indirectly owned by another company.

"Related company" is defined as a company which has a paid-up capital exceeding RM2.5 million in respect of ordinary shares at the beginning of the basis period for a year of assessment.



3.2 Distribution of tax exempt income

Distributions of tax exempt income by the Fund from gains from realisation of investments, exempted interest/discount income, exempted dividends including single tier dividends, will be exempted from tax in the hands of the unit holders.

3.3 Distribution to a unit trust holder other than an individual

Effective from 1 January 2022, where a unit trust is a retail money market fund:

- (a) A unit holder other than an individual is chargeable to tax on income distributed from the interest income which is exempted under Paragraph 35A of Schedule 6 to the MITA [Section 61(1A) of the MITA]; and
- (b) In view of this, a unit trust is required to withhold tax at 24% on distributions made out of the income exempted under Paragraph 35A of Schedule 6 to the MITA to the unit holders other than an individual, pursuant to Section 109DA of the MITA. The tax withheld must be remitted within one month of the distribution to the IRBM to avoid late payment penalty of 10%. Unit holders who are Malaysian tax residents are entitled for a set off against the tax charged on its chargeable income under Section 110(9A) in respect of the tax withheld. For non-resident unit holders, the tax withheld is a final tax.

3.4 Unit splits, distribution out of capital of the Fund, sale, transfer or redemption of units

Unit splits issued by the Fund and distribution out of capital of the Fund are not taxable in the hands of the unit holders. Any gains realised by unit holders (other than dealers in securities, insurance companies or financial institutions) from the sale, transfer or redemption of the units are treated as capital gains and thus, will not be taxable.

However, the gains realised by a person trading or dealing in securities, insurance companies or financial institutions are generally regarded as business income and are subject to income tax.



We hereby confirm that, as at the date of this letter, the statements made correctly reflect our understanding of the tax position under the current Malaysian income tax legislation and the related interpretation and practice thereof, all of which are subject to change, possibly on a retrospective basis. In addition, unit holders are advised to seek professional advice on their respective tax positions.

Yours faithfully Crowe KL Tax Sdn Bhd

fall

Foo Meng Huei Executive Director, Tax