

Tax Adviser's Letter On Taxation of The Trust and Unitholders

The Board of Trustees / Directors
BHLB Pacific Trust Management Berhad
52 & 54, Jalan SS21/39, Damansara Utama,
47400 Petaling Jaya, Selangor Darul Ehsan.

Dear Sirs

Re: BHLB Pacific Index-Linked Fund Taxation of the Trust and Unitholders

Taxation of the Unit Trust Fund

The Fund and Unitholders are subject to the provisions of the Malaysian Income Tax Act, 1967, and in particular Section 61 thereof which deals specifically with the taxation of trust bodies established in Malaysia.

Tax Position of the Fund

The income of the Fund in respect of dividends from Malaysian companies and interest income from deposits is liable to Malaysian income tax at the rate of twenty eight percent (28%) with effect from Year of Assessment 1998.

Deductions in respect of the Management Company's remuneration, secretarial, audit and accounting fees, telephone charges, printing and stationery costs and postage are allowed based on a formula subject to a minimum of ten per centum (10%) and a maximum of twenty five percent (25%) of the expenses.

Profit on the disposal of investments by the Fund is not subject to income tax. Similarly, interest income earned from securities or bonds issued by the Government, or bonds, other than convertible loan stocks, issued by public companies listed on the Kuala Lumpur Stock Exchange (KLSE) or by a company rated by Rating Agency Malaysia Berhad or Malaysian Rating Corporation Berhad or Bon Simpanan Malaysia issued by Bank Negara Malaysia are exempted from income tax. With effect from Year of Assessment 1999, interest income of the Fund derived from Malaysia and paid or credited by any bank or financial institution licensed under the Banking Financial Institutions Act 1989 or the Islamic Banking Act 1983, will also be exempt from tax.

With effect from Year of Assessment 1998, income received by the Fund from sources outside Malaysia is exempt from tax.

Tax Position of the Unitholders

Unitholders are taxed on an amount equivalent to their share of the total taxable income of the Fund, to the extent that this is distributed to them. The income distribution from the Fund will carry with it a tax credit in respect of the tax paid by the Fund. Unitholders are entitled to utilise the tax credit as a set off against the tax chargeable on the income distribution received by them. No additional withholding tax will be imposed on the income distribution from the Fund.

Corporate Unitholders, resident or non-resident in Malaysia, are liable to income tax at twenty eight percent (28%) with effect from Year of Assessment 1998 on distribution of income from the Fund to the extent of an amount equivalent to their share of the total taxable income of the Fund.

Individuals and other non-corporate Unitholders who are resident in Malaysia will be subject to income tax at graduated rates. Individuals and other non-corporate Unitholders who are not resident in Malaysia, for tax purposes, are subject to income tax at thirty percent (30%). [It was proposed in the 2000 Budget that the rate will be reduced to twenty nine percent (29%) with effect from Year of Assessment 2000 (current year basis). However, the relevant Finance Bill has yet to be gazetted at the date of the issuance of this letter].

The distribution of gains arising from the disposal of investments of the Fund and other exempt income earned by the Fund are exempt from tax in the hands of Unitholders. With effect from Year of Assessment 1998, distributions of exempt foreign income are also similarly exempt in the hands of the Unitholders. In the case of corporate Unitholders, distribution from foreign exempt income can also be further paid out to its shareholders and is also exempt in their hands.

Any gains realised by Unitholders (other than dealers in securities, insurance companies or financial institutions) on the transfers or redemptions of the Units are treated as capital gains and not subject to Malaysian taxes.

Unit split issued by the Fund are exempt from tax in the hands of the Unitholders.

With the gazetting of the Income Tax (Amendment) Act 1999 on 8 July 1999, income derived in 1999, i.e. the basis period for Year of Assessment 2000 (preceding year basis), other than dividend income paid out of prior years income, shall be waived from income tax. The tax payable on dividend income would however be sheltered by the corresponding Section 110 credit.

The tax position is based on the Malaysian tax laws and provisions as they stand at present. Unitholders are advised to seek professional advice on their respective tax positions.

Yours faithfully

Chew Theam Hock
Director