

**INCOME PARTNERS RMB BOND FUND**

(A sub-fund of an open-ended unit trust established as an umbrella fund under the laws of Hong Kong)

**Annual Report**

**For the year ended 31 December 2023**

## INCOME PARTNERS RMB BOND FUND

<b>Contents</b>	<b>Pages</b>
Management and administration	1
Manager's report	2 - 4
Trustee's report	5
Independent auditor's report	6 - 8
Audited financial statements	
Statement of financial position	9
Statement of profit or loss and other comprehensive income	10
Statement of changes in net assets attributable to unitholders	11 - 12
Statement of cash flows	13
Notes to the financial statements	14 – 51
Investment portfolio (unaudited)	52
Statement of movements in portfolio holdings (unaudited)	53 – 54
Performance table (unaudited)	55 - 57

## **INCOME PARTNERS RMB BOND FUND**

### **MANAGEMENT AND ADMINISTRATION**

#### **MANAGER AND QFII HOLDER**

Income Partners Asset Management (HK) Limited  
Suites 3503-04  
Cambridge House, Taikoo Place  
979 King's Road, Quarry Bay  
Hong Kong

#### **DIRECTORS OF THE MANAGER**

Emil Nguy Hoc Ty  
Dasher Karl Franklin (appointed on 21 June 2023)  
Doggett John Blackman (appointed on 21 June 2023)  
Haenni Gregoire Marie (appointed on 21 June 2023)

#### **TRUSTEE**

Cititrust Limited  
50<sup>th</sup> Floor, Champion Tower  
Three Garden Road  
Central  
Hong Kong

#### **CUSTODIAN AND ADMINISTRATOR**

Citibank, N.A., Hong Kong Branch  
50<sup>th</sup> Floor, Champion Tower  
Three Garden Road  
Central  
Hong Kong

#### **REGISTRAR AND PROCESSING AGENT**

Citicorp Financial Services Limited  
Citi Tower, One Bay East  
83 Hoi Bun Road  
Kwun Tong, Kowloon  
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#### **QFII CUSTODIAN**

Industrial and Commercial Bank of China Limited  
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Beijing  
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#### **SOLICITORS TO THE MANAGER**

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5<sup>th</sup> Floor, Alexandra House  
18 Chater Road  
Central  
Hong Kong

#### **AUDITORS**

Ernst & Young  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

#### **SWISS REPRESENTATIVE AGENT**

Acolin Fund Services AG, Geneva Branch  
Leutschenbachstrasse 50  
8050 Zurich  
Switzerland

**MANAGER’S REPORT  
TO THE UNITHOLDERS OF INCOME PARTNERS RMB BOND FUND**

We are pleased to provide you with the annual report of the Income Partners RMB Bond Fund (the “Sub-Fund”). The Sub-Fund seeks long-term interest income and capital appreciation through investing all or substantially all of its assets in RMB-denominated fixed income securities issued within the PRC through (i) the China exchange traded bond market using the QFI status of the Manager, (ii) the China interbank bond market using Bond Connect (as defined in the Explanatory Memorandum) and/or the QFI status of the Manager and/or (iii) other means as may be permitted by the relevant regulations from time to time.

**2023 PERFORMANCE OVERVIEW**

For the latest performance overview, please refer to the Performance and Dividend section on our website <http://www.incomepartners.com/products/long-only-strategy/onshore-renminbi-bond-strategy#>

For the year 2023, the **Income Partners RMB Bond Fund** (the “Fund”) generated a total return<sup>1</sup> as per below table:

Class of Shares	ISIN Code	Bloomberg ticker	Fund Class Inception Date	FY 2023 Return
Class 1A Dis (USD)	HK0000204443	IPRB1AD HK	deactivated	-
Class 1A Acc (USD)	HK0000204450	IPRB1AA HK	03-Sep-18	-2.56%
Class 1B Dis (RMB)	HK0000204468	IPRB1BD HK	not yet launched	-
Class 1B Acc (RMB)	HK0000204476	IPRB1BA HK	deactivated	-
Class 2A Dis (USD)	HK0000204526	IPRB2AD HK	deactivated	-
Class 2A Acc (USD)	HK0000204534	IPRB2AA HK	4-Jul-14	-2.86%
Class 2B Dis (RMB)	HK0000204542	IPRB2BD HK	11-Jul-14	-0.05%
Class 2B Acc (RMB)	HK0000204559	IPRB2BA HK	deactivated	-
Class 2C Dis (HKD)	HK0000204567	IPRB2CD HK	deactivated	-
Class 2C Acc (HKD)	HK0000204575	IPRB2CA HK	not yet launched	-
Class 2D Dis (EUR)	HK0000204583	IPRB2DD HK	deactivated	-
Class 2D Acc (EUR)	HK0000204591	IPRB2DA HK	deactivated	-

The Fund paid an annualized 1.1% dividend yield<sup>2</sup> for Class 2B Dis (RMB) shares.

<sup>1</sup> Adjusted for monthly dividend distributions

<sup>2</sup> Annualized dividend yield is calculated as (total dividend paid or to be paid over the current calendar year / last available net asset value of the Fund) in the prior calendar year) x 100%. Yield figures are for reference only. Positive dividend yield does not imply positive return. Dividend rate is not guaranteed and distributions may be paid from capital. Data as of 29 December 2023.

**MANAGER'S REPORT (CONTINUED)**  
**TO THE UNITHOLDERS OF INCOME PARTNERS RMB BOND FUND**

**MARKET OVERVIEW AND OUTLOOK**

In 2023, China witnessed a strong economic recovery in the early part of the year following the reopening in late 2022. The manufacturing Purchasing Managers' Index (PMI) indicated robust expansion, reaching its peak at 52.6 in February. This positive sentiment led to an increase in the 10-year Chinese government bond (CGB) yield from 2.84% to 2.93% in early March. However, this momentum was short-lived as disappointing economic data emerged in March and subsequent months. In response, the central bank implemented policy rate cuts and maintained ample liquidity, resulting in a decline in the 10-year CGB yield to its lowest point of the year at 2.54% in August, reflecting concerns about economic growth.

Temporary improvements in economic data and government policies supporting the property sector led to a short-term rebound in interest rates in September and October. The manufacturing PMI increased for four consecutive months, reaching 50.2, indicating expansion. However, sentiment quickly deteriorated in November as data worsened, with the manufacturing PMI declining below 50 for three months. The non-manufacturing PMI, which had been declining but remained above 50 throughout the year, was on the verge of contracting. The 10-year CGB yield finished the year at 2.56%, slightly above its lowest level in 2023.

Unlike developed regions, China experienced muted inflationary pressures and concerns of deflation throughout the year. In November, the year-on-year inflation rate stood at -0.2%. However, GDP growth for the first three quarters reached 5.2% year-on-year, indicating progress towards meeting the annual target of 5.0%.

Looking ahead to 2024, the Chinese economy is expected to face challenges such as a troubled property sector, fading pent-up demand, weaker external demand, and ongoing geopolitical tensions. These factors are likely to exert downward pressure on domestic bond yields.

It is important to note that the Chinese government possesses tools to address these challenges. Despite a CNY 1 trillion special government bond issuance in the fourth quarter of 2023, China's fiscal deficit remains moderate at 3.8% of GDP, suggesting room for further government spending to support the economy. On the monetary front, with US interest rates reaching their peak and domestic inflation remaining subdued, the central bank PBOC has flexibility to implement expansionary policies if necessary.

As of December 2023, the portfolio yield stood at 2.43%, with a duration of 6.5 years.

**MANAGER'S REPORT (CONTINUED)  
TO THE UNITHOLDERS OF INCOME PARTNERS RMB BOND FUND**

**PORTFOLIO OVERVIEW AS OF 31 DECEMBER 2023**

The following financial information is extracted and calculated before audit adjustments. For the detail of the audit adjustments, please refer to Note 10 to the financial statements.

Modified Duration:	Average Credit Rating:	Yield to Maturity (YTM):
6.4 years	A+	2.5%

Top 5 Holdings	95.9%
China Government Bond	51.2%
China Development Bank	41.6%
Sinopharm Group Co	3.7%

**Industry Exposure**



**Credit Rating Exposure**



Total exposures may differ due to rounding. Please note the ratings exposures shown here include some of Income Partners' own implied internal ratings. Where S&P/Moody's/Fitch ratings for bond holdings are not available, Income Partners' internal credit ratings apply.

**TRUSTEE'S REPORT  
TO THE UNITHOLDERS OF INCOME PARTNERS RMB BOND FUND**

7

We hereby confirm that, in our opinion, the Manager, Income Partners Asset Management (HK) Limited has, in all material respects, managed Income Partners RMB Bond Fund in accordance with the provisions of the Trust Deed dated 23 June 2014, as amended or supplemented from time to time, for the year ended 31 December 2023.



.....  
Cititrust Limited,  
the Trustee  
19 April 2024



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Quarry Bay, Hong Kong

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## **INDEPENDENT AUDITOR'S REPORT** **To the unitholders of Income Partners RMB Bond Fund**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of Income Partners RMB Bond Fund (the "Sub-Fund") set out on pages 9 to 51, which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, the statement of changes in net assets attributable to unitholders and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

#### **Basis for opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Fund in accordance with the *Code of Ethics for Professional Accountants* (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Emphasis of Matter**

We draw attention to Note 2(a) to the financial statements which describes that the financial statements for the year ended 31 December 2023 have not been prepared on a going concern basis. Our opinion is not modified in respect of this matter.

#### **Other Information**

The Manager and the Trustee of the Sub-Fund are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT (continued)**  
**To the unitholders of Income Partners RMB Bond Fund**

**Responsibilities of the Manger and Trustee for the financial statements**

The Manager and the Trustee of the Sub-Fund are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Manager and the Trustee determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager and the Trustee of the Sub-Fund are responsible for assessing the Sub-Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager and the Trustee either intend to liquidate the Sub-Fund or to cease operations, or have no realistic alternative but to do so.

In addition, the Manager and the Trustee of the Sub-Fund are required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the trust deed dated 23 June 2014 (the "Trust Deed") and the relevant disclosure provisions of Appendix E of the Code on Unit Trusts and Mutual Funds (the "SFC Code") issued by the Hong Kong Securities and Futures Commission.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Sub-Fund have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sub-Fund's internal control.

**INDEPENDENT AUDITOR'S REPORT (continued)**  
**To the unitholders of Income Partners RMB Bond Fund**

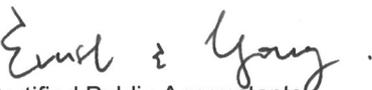
**Auditor's responsibilities for the audit of the financial statements (continued)**

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager and the Trustee.
- Conclude on the appropriateness of the Manager's and the Trustee's use of the going concern basis of accounting. When such use is inappropriate and the Manager and the Trustee use an alternative basis of accounting, we conclude on the appropriateness of the Manager's and the Trustee's use of the alternative basis of accounting. We also evaluate the adequacy of the disclosures describing the alternative basis of accounting and reasons for its use. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager and the Trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on matters under the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code**

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.

  
Certified Public Accountants  
Hong Kong  
19 April 2024

INCOME PARTNERS RMB BOND FUND

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB	2022 RMB
<b>Assets</b>			
Cash and cash equivalents	8	2,647,136	1,157,584
Financial assets at fair value through profit or loss	7	26,122,212	53,414,857
Interest receivable		406,528	906,983
Prepayments		41,497	7,202
<b>Total assets</b>		<u>29,217,373</u>	<u>55,486,626</u>
<b>Liabilities</b>			
Custodian fee payable	11	18,210	17,774
Management fee payable	11	1,576	4,263
Redemption payable		1,376,707	975,811
Trustee fee payable	11	43,703	42,659
Accruals and other payables		1,421,265	214,090
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<u>2,861,461</u>	<u>1,254,597</u>
<b>Net assets attributable to unitholders</b>	10	<u>26,355,912</u>	<u>54,232,029</u>
<b>Total liabilities</b>		<u>29,217,373</u>	<u>55,486,626</u>

  
Income Partners Asset Management (HK) Limited,  
the Manager

The accompanying notes are an integral part of these financial statements.

**INCOME PARTNERS RMB BOND FUND****STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2023

	Notes	2023 RMB	2022 RMB
<b>Income</b>			
Interest income on financial assets at fair value through profit or loss		1,300,375	13,534,507
Interest income on bank deposits		10,471	148,182
Net gains/(losses) on financial assets at fair value through profit or loss	7	233,591	(660,396)
Net foreign exchange differences		92,217	190,051
Miscellaneous income		—	99
<b>Total income</b>		<u>1,636,654</u>	<u>13,212,443</u>
<b>Expenses</b>			
Management fee	11	(30,999)	(2,149,970)
Trustee fee	11	(511,079)	(679,922)
Custodian fee	11	(212,950)	(343,763)
Auditor's remuneration		(398,729)	(184,887)
Legal and Professional fees		(527,382)	(71,050)
Bank charges		(4,179)	(2,657)
Liquidation fee		(467,545)	—
Brokerage fees and other transaction costs	13	(16,199)	(4,975)
Other expenses		<u>(345,393)</u>	<u>(457,891)</u>
<b>Total expenses</b>		<u>(2,514,455)</u>	<u>(3,895,115)</u>
<b>Operating (loss)/profit</b>		(877,801)	9,317,328
<b>Finance costs (excluding change in net assets attributable to unitholders)</b>			
Distributions to unitholders	14	<u>(5,194)</u>	<u>(11,357)</u>
<b>(Loss)/Profit before tax</b>		(882,995)	9,305,971
Withholding taxes		<u>(319)</u>	<u>(544)</u>
<b>(Decrease)/Increase in net assets attributable to unitholders and total comprehensive income for the year</b>		<u><u>(883,314)</u></u>	<u><u>9,305,427</u></u>

The accompanying notes are an integral part of these financial statements.

**INCOME PARTNERS RMB BOND FUND**

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

**For the year ended 31 December 2023**

	Note	2023 RMB	2022 RMB
<b>As at beginning of the year</b>		54,232,029	924,972,913
Subscription of units		44,443	232,014,279
Redemption of units		(27,037,246)	(1,112,060,590)
(Decrease)/Increase in net assets attributable to unitholders and total comprehensive income for the year		<u>(883,314)</u>	<u>9,305,427</u>
<b>As at end of the year</b>	10	<u>26,355,912</u>	<u>54,232,029</u>

**Number of units in issue**

	Notes	2023 Units	2022 Units
<b>Class 1A USD (Accumulation) units</b>			
Units in issue at beginning of the year		546.348	1,181,636.728
Issue of units during the year		–	240,943.367
Redemption of units during the year		–	<u>(1,422,033.747)</u>
Units in issue at end of the year	9	<u>546.348</u>	<u>546.348</u>
<b>Class 2A USD (Accumulation) units</b>			
Units in issue at beginning of the year		5,950.659	6,126.405
Redemption of units during the year		<u>(3,771.344)</u>	<u>(175.746)</u>
Units in issue at end of the year	9	<u>2,179.315</u>	<u>5,950.659</u>

The accompanying notes are an integral part of these financial statements.

**INCOME PARTNERS RMB BOND FUND****STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (CONTINUED)**

For the year ended 31 December 2023

**Number of units in issue (continued)**

	Notes	2023 Units	2022 Units
<b>Class 2B RMB (Distribution) units</b>			
Units in issue at beginning of the year		6,383.878	10,026.399
Issue of units during the year		141.201	6,374.019
Redemption of units during the year		<u>(2,317.532)</u>	<u>(10,016.540)</u>
Units in issue at end of the year	9	<u>4,207.547</u>	<u>6,383.878</u>
<b>Class 2B RMB (Accumulation) units</b>			
Units in issue at beginning of the year		452.556	68,142.998
Issue of units during the year		308.064	1,951.626
Redemption of units during the year		<u>(268.227)</u>	<u>(69,642.068)</u>
Units in issue at end of the year	9	<u>492.393</u>	<u>452.556</u>
<b>Class 4A USD (Accumulation) units</b>			
Units in issue at beginning of the year		63,799.701	20,462.000
Issue of units during the year		–	63,799.701
Redemption of units during the year		<u>(31,300.000)</u>	<u>(20,462.000)</u>
Units in issue at end of the year	9	<u>32,499.701</u>	<u>63,799.701</u>

The accompanying notes are an integral part of these financial statements.

**INCOME PARTNERS RMB BOND FUND**

**STATEMENT OF CASH FLOWS**

**For the year ended 31 December 2023**

	Note	2023 RMB	2022 RMB
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss)/Profit before tax		(882,995)	9,305,971
Adjustments for:			
Interest income on financial assets at fair value through profit or loss		(1,300,375)	(13,534,507)
Interest income on bank deposits		(10,471)	(148,182)
Distributions to unitholders		5,194	11,357
Operating losses before changes in working capital		<u>(2,188,647)</u>	<u>(4,365,361)</u>
Decrease in financial assets at fair value through profit or loss		27,292,645	854,526,732
Decrease in amounts due from brokers		–	127,495
Increase in prepayments		(34,295)	–
Increase/(decrease) in custodian fee payable		436	(36,001)
Decrease in management fee payable		(2,687)	(359,865)
Increase/(decrease) in trustee fee payable		1,044	(30,787)
Decrease in amounts due to brokers		–	(127,046)
Increase in accruals and other payables		<u>1,207,175</u>	<u>8,735</u>
Cash flow generated from operations		26,275,671	849,743,902
Interest received		1,811,301	26,987,143
Tax paid		<u>(319)</u>	<u>(544)</u>
<b>Net cash flows generated from operating activities</b>		<u>28,086,653</u>	<u>876,730,501</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from subscription of units		44,443	232,014,279
Payments on redemption of units		(26,636,350)	(1,111,084,779)
Distributions paid to unitholders		<u>(5,194)</u>	<u>(11,357)</u>
<b>Net cash flows used in financing activities</b>		<u>(26,597,101)</u>	<u>(879,081,857)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at the beginning of the year		1,489,552	(2,351,356)
		<u>1,157,584</u>	<u>3,508,940</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>			
		<u>2,647,136</u>	<u>1,157,584</u>
<b>ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS</b>			
Cash at banks	8	<u>2,647,136</u>	<u>1,157,584</u>

The accompanying notes are an integral part of these financial statements.

## INCOME PARTNERS RMB BOND FUND

### NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

#### 1. THE SUB-FUND

Income Partners Investment Fund (the "Trust") was constituted as an open-ended unit trust established as an umbrella fund under the laws of Hong Kong pursuant to a trust deed dated 23 June 2014 (the "Trust Deed"), as amended or supplemented from time to time, between Income Partners Asset Management (HK) Limited (the "Manager") and Cititrust Limited (the "Trustee"). The Trust has been established as an umbrella fund and the assets of the Trust are separated into different sub-funds.

Income Partners RMB Bond Fund (the "Sub-Fund") is a sub-fund of the Trust. The Sub-Fund is a unit trust and is authorised by the Securities and Futures Commission ("SFC") pursuant to section 104(1) of the Securities and Futures Ordinance and is required to comply with the Code on Unit Trusts and Mutual Funds established by the SFC (the "SFC Code"). The date of inception of the Sub-Fund was on 2 July 2014 with a financial year-end of 31 December.

The investment objective of the Sub-Fund is to seek long-term interest income and capital appreciation through investing all or substantially all of its assets in Renminbi ("RMB") denominated fixed income securities issued within the People's Republic of China ("PRC") directly through the RMB Qualified Foreign Institutional Investor ("RQFII") quota of the Manager. All PRC bonds in which the Sub-Fund invests will be onshore investments in the PRC and denominated and settled in RMB.

Pursuant to the notice to unitholders dated 26 February 2024, the Manager of the Sub-Fund determined to terminate the Sub-Fund with effect on or around 15 August 2024 with the last valuation date on 26 March 2024.

#### 2. MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

##### (a) Statement of compliance and basis of preparation

The financial statements of the Sub-Fund have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong, and the relevant disclosure provisions of the Trust Deed dated 23 June 2014, and the relevant disclosure provisions specified in Appendix E of the SFC Code.

The financial statements have been prepared for the 12 months period from 1 January 2023 to 31 December 2023. The financial statements are presented in RMB and all values are rounded to the nearest RMB except where otherwise indicated.

As explained in Note 1 to the financial statements, the Sub-Fund will be terminated on or around 15 August 2024. Accordingly, in the opinion of the Manager and Trustee of the Sub-Fund, the going concern basis is no longer applicable and the financial statements of the Sub-Fund for the year ended 31 December 2023 have been prepared on a liquidation basis.

## INCOME PARTNERS RMB BOND FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

#### 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

##### (a) Statement of compliance and basis of preparation (continued)

The Manager and Trustee of the Sub-Fund has assessed the carrying values of the Sub-Fund's assets and liabilities and determined that these approximate the net realisable values and estimated settlement amounts, respectively. Estimated liquidation costs amounting to RMB467,545 have been accrued in the statement of financial position of the Sub-Fund. Where the provision is in excess of future costs until the termination date, such excess will be refunded to the investors as part of the further distribution. If the provision is not sufficient to cover future costs, the fees will be borne by the Manager.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires the Trustee and the Manager to exercise their judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

##### (b) Changes in accounting policies and disclosures

The Sub-Fund has adopted the following revised HKFRSs, which are applicable to the Sub-Fund for the first time in the current year's financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
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Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
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##### Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Sub-Fund has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any item in the Sub-Fund's financial statements.

##### Amendments to HKAS 8 *Definition of Accounting Estimates*

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Company's approach and policy align with the amendments, the amendments had no impact on the Company's financial statements.

## INCOME PARTNERS RMB BOND FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

#### 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

##### (c) Impact of issued but not yet effective HKFRSs

The Sub-Fund has not early applied any of the revised HKFRSs that have been issued but are not yet effective for the accounting year ended 31 December 2023 in these financial statements. Among these HKFRSs, the following is expected to be relevant to the Sub-Fund's financial statements upon becoming effective:

##### Amendments to HKAS 1 Classification of Liabilities as Current or Non-current (the "2020 Amendments")

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification.

The amendment is effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The amendment is not expected to have a significant impact on the Sub-Fund's financial statements.

##### (d) Foreign currency translation

###### (i) Functional and presentation currency

The Sub-Fund's subscriptions and redemptions are mainly denominated in RMB. The primary activity of the Sub-Fund is to invest mainly in RMB-denominated bonds and settle fixed income securities issued within the PRC which are traded in RMB. The performance of the Sub-Fund is measured and reported to unitholders in RMB. Management considers RMB as the currency that most faithfully represents the economic effects of the transactions, events and conditions (the "Functional Currency"). The Sub-Fund's financial statements are presented in RMB, which is the Sub-Fund's functional and presentation currency.

###### (ii) Translations and balances

Foreign currency transactions are translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the Functional Currency using the exchange rate prevailing at the statement of financial position date.

Foreign exchange gains and losses arising from translation are included in the statement of profit or loss and other comprehensive income.

Foreign exchange gains and losses relating to the financial assets carried at fair value through profit or loss are presented in the statement of profit or loss and other comprehensive income within "Net gains on financial assets at fair value through profit or loss". Foreign exchange gains and losses relating to other financial instruments are presented in the statement of profit or loss and other comprehensive income within "Net foreign exchange differences".

## INCOME PARTNERS RMB BOND FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

#### 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

##### (e) Financial instruments

###### Financial assets

###### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Sub-Fund's business model for managing them. The Sub-Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Sub-Fund's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Sub-Fund commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

All the quoted debt securities are classified, at initial recognition, as financial assets through profit or loss while cash and cash equivalents, amounts due from brokers and interest receivable are classified as financial assets at amortised cost.

## INCOME PARTNERS RMB BOND FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

#### 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

##### (e) Financial instruments (continued)

###### **Financial assets (continued)**

###### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

###### *Financial assets at amortised cost (debt instruments)*

The Sub-Fund measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method (see accounting policy on the description for effective interest method at financial liabilities below) and are subject to impairment (see accounting policy on impairment of financial assets below). Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

###### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss ("FVTPL"), or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

###### **Financial liabilities**

###### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, other financial liabilities measured at amortised cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The Sub-Fund's financial liabilities include relating to custodian fee payable, management fee payable, trustee fee payable and accruals and other payables which are measured at amortised cost and the net assets attributable to unitholders being measured at fair value.

## INCOME PARTNERS RMB BOND FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

#### 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

##### (e) Financial instruments (continued)

###### Financial liabilities (continued)

###### Subsequent measurement

The Sub-Fund's financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

###### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Sub-Fund estimates cash flows considering all contractual terms of the financial instruments, but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets at FVTPL, of which interest income is included in interest income on interest bearing securities.

###### Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired or the Sub-Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either:

- (a) the Sub-Fund has transferred substantially all the risks and rewards of the asset; or
- (b) the Sub-Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Sub-Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Sub-Fund's continuing involvement in the asset. In that case, the Sub-Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Sub-Fund has retained.

The Sub-Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

##### (f) Impairment of financial assets

The Sub-Fund recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Sub-Fund expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

## INCOME PARTNERS RMB BOND FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

#### 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

##### (f) Impairment of financial assets (continued)

###### General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Sub-Fund assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Sub-Fund compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Sub-Fund may consider a financial asset to be in default when internal or external information indicates that the Sub-Fund is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Sub-Fund. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

##### (g) Fair value estimation

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at year end. Under HKFRS 13 "Fair value measurement", last-traded price or mid-market price is allowed to be adopted as long as the last-traded price or the mid-market price adopted fall within the bid-ask spread. In circumstances where the last-traded price and the mid-market price are not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Sub-Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity specific inputs.

##### (h) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

## INCOME PARTNERS RMB BOND FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

#### 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

##### (i) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise short-term deposits in banks that are readily fixed rate to known amounts of cash and which are subject to an insignificant risk of changes in value and for held for the purpose of meeting short-term cash commitments, with original maturities of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

##### (j) Accrued expenses

Accrued expenses are accounted for on an accruals basis and charged to the statement of profit or loss and other comprehensive income.

##### (k) Amounts due from and due to brokers

Amounts due from and to the brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date, respectively.

##### (l) Net assets attributable to unitholders

The Sub-Fund issues redeemable units, namely Class 1A USD (Accumulation), Class 1B RMB (Accumulation), Class 2A USD (Distribution), Class 2A USD (Accumulation), Class 2B RMB (Distribution), Class 2B RMB (Accumulation), Class 2C HKD (Distribution) and Class 4A USD (Accumulation) which are redeemable at the unitholder's option and are classified as financial liabilities.

For Distribution class units, there will be a dividend distributed on a monthly basis based on the Manager's discretion, distributions may be paid out of the capital of the Sub-Fund and any such distributions may result in an immediate reduction of the net asset value per unit of the Sub-Fund.

For Accumulation class units, no dividends will be paid.

As at 31 December 2023 and 2022, Class 1A USD (Accumulation), Class 2A USD (Accumulation), Class 2B RMB (Distribution), Class 2B RMB (Accumulation) and Class 4A USD (Accumulation) were in issue.

##### (m) Revenue recognition

Interest income is recognised in the statement of profit or loss and other comprehensive income for all interest bearing instruments on an accrual basis using the effective interest rate method. It represents interest income on debt securities at fair value through profit or loss and interest income on bank deposits.

Other income is accounted for on an accrual basis.

## INCOME PARTNERS RMB BOND FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

#### 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

##### (n) Net gains/(losses) on financial assets at fair value through profit or loss

This item includes changes in the fair value of financial assets as at fair value through profit or loss and excludes interest income and expense.

Unrealised gains/(losses) comprise changes in the fair value of financial instruments for the year.

Realised gains/(losses) on disposals of financial instruments classified as at fair value through profit or loss are calculated using the First In, First Out ("FIFO") method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

##### (o) Related parties

A party is considered to be related to the Sub-Fund if:

- (a) the party is a person or a close member of that person's family and that person:
  - (i) has control or joint control over the Sub-Fund;
  - (ii) has significant influence over the Sub-Fund; or
  - (iii) is a member of the key management personnel of the Sub-Fund or of a parent of the Sub-Fund; or
- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Sub-Fund are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Sub-Fund are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Sub-Fund or an entity related to the Sub-Fund;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is part, provides key management personnel services to the Sub-Fund or to the parent of the Sub-Fund.

##### (p) Taxation

###### (i) Income tax

###### a) Hong Kong Tax

No provision for Hong Kong profit tax has been made for the Sub-Fund as the interest/dividend income and realised gain on disposal of investment of the Sub-Fund are excluded from the charge to profits tax under Section 14, Section 26 or Section 26A of the Hong Kong Inland Revenue Ordinance.

###### b) PRC Tax

The Sub-Fund invests in fixed income securities issued through the PRC RQFII. By investing in these securities, the Sub-Fund may be subjected to withholding tax and other taxes imposed in the PRC.

## INCOME PARTNERS RMB BOND FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

#### 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

##### (p) Taxation (continued)

###### (ii) Capital gains tax

Under the prevailing PRC Corporate Income Tax Law ("CIT Law"), there is no specific provision on whether capital gains derived by a non-resident investor (including the Sub-Fund) from disposal of PRC debt securities would be considered as PRC sourced income and subject to PRC capital gains tax at 10%.

In the absence of specific rules governing taxes on capital gains derived by RQFIs in the past as well as consultation to professional tax advisor, the Sub-Fund has elected to withhold a 10% tax provision on both capital gains realised and unrealised on the PRC debt securities which is based on the general tax provisions of the CIT Law, which stipulates a 10% tax on a withholding basis for capital gains derived on disposal of PRC debt securities.

In 2017, the Sub-Fund consulted its independent professional tax advisor, the Manager assessed that, based on the current interpretation of the State Administration of Taxation of the PRC ("SAT") and the local tax authorities, gains derived by foreign investors (including the Sub-Fund) from investment in PRC debt securities should not be treated as PRC sourced income thus should not be subject to PRC capital gains tax. The Sub-Fund therefore did not accrue any PRC capital gains tax and value-added tax ("VAT") provisions related to the capital gains on disposal of PRC debt securities since the year ended 31 December 2017 and reversed the previously made potential tax liabilities amounting to RMB1,759,583 during the year ended 31 December 2017. For detail, please refer to the "Notice to Unitholders" dated 18 September 2017.

###### (iii) Value-added tax

According to Circular 36 and Caishui [2016] No. 70, a supplementary notice to Circular 36 issued by the Ministry of Finance ("MOF") and the SAT concerning the financial industry ("Circular 70"), interest income received from investment in non-government bonds is subject to a 6% VAT from 1 May 2016 onwards. Then Circular Caishui [2016] 140 ("Circular 140") is issued to stipulate that asset managers are the VAT payers with respect to taxable income derived by asset management products since 1 May 2016. Shortly after, Circular Caishui [2017] 2 is issued to clarify that PRC VAT is only applicable to the taxable income derived by asset management products on or after 1 July 2017. Subsequently, the MOF and SAT jointly issued Circular Caishui [2017] No.56 further clarifying that asset management products start to be subject to VAT from January 1, 2018. In early 2017, there is clarification under the above circulars that PRC VAT shall apply to non-government bond interest received by offshore asset management products on or after 1 May 2016.

The prevailing VAT regulations do not specifically exempt VAT on interest income received by QFIs, RQFIs and qualified foreign financial institutions for directly investing in CIBM or via Bond Connect ("CIBM investor") from investments in PRC debt securities. Interest receipts from investment in PRC debt securities by QFIs, RQFIs and CIBM investors shall be subject to 6% VAT unless special exemption applies. In addition, there are also other local surtaxes that would amount to as high as 12% of VAT liabilities. The SAT is working on the implementation rule for the VAT collection in relation to asset management products. Currently, in practice, PRC bond issuers have not withheld PRC VAT and local surcharges when paying non-government bond interest to offshore asset management products.

## INCOME PARTNERS RMB BOND FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

#### 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

##### (p) Taxation (continued)

##### (iii) Value-added tax (continued)

Interest income derived from government bonds issued by the MOF, or bonds issued by local government of a province, autonomous region, municipality directly under the Central Government or municipality separately listed on the state plan, as approved by the State Council ("Government Bonds") is exempt from PRC withholding tax and VAT. According to Circular 36 and Caishui [2016] No.46, deposit interest income is not subject to VAT.

On 7 November 2018, MOF and SAT jointly issued Circular Caishui [2018] No.108 to clarify the 3-year PRC tax exemption treatment of bond interest derived by foreign institutional investors. According to Circular 108, foreign institutional investors are temporarily exempt from VAT with respect to bond interest income derived in the domestic bond market for the period from 7 November 2018 to 6 November 2021.

On 22 November 2021, the MOF and SAT jointly issued Bulletin [2021] No. 34 (Bulletin 34), which extended VAT exemptions for foreign institutional investors on bond interest derived from mainland China's bond market for the period from 7 November 2021 to 31 December 2025. Therefore, the Sub-Fund did not accrue the PRC VAT provision on these interest income for the years ended 31 December 2023 and 31 December 2022.

##### (iv) Distribution tax

A 10% PRC withholding tax has been levied on dividend and interest payments from PRC companies to foreign investors. As such, the RQFII will pass on this tax liability to the Sub-Fund in the form of a distribution tax and therefore, the Sub-Fund is subject to a distribution tax of 10%. There is no assurance that the rate of the distribution tax will not be changed by the PRC tax authorities in the future.

For the Circular Caishui [2018] No.108 issued on 7 November 2018 jointly by MOF and SAT discussed at Note 2(p)(iii), the 3-year PRC tax exemption treatment of bond interest derived by foreign institutional investors would include the distribution tax with respect to bond interest income derived in the domestic bond market for the period from 7 November 2018 to 6 November 2021. The exemption for foreign institutional investors on bond interest derived from mainland China's bond market has been extended from 7 November 2021 to 31 December 2025 per Bulletin 34. Therefore, there is no 10% distribution tax accrued and paid for the years ended 31 December 2023 and 31 December 2022.

## INCOME PARTNERS RMB BOND FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

#### 3. FINANCIAL RISK MANAGEMENT

The Sub-Fund's activities expose it to a variety of financial risks: market risk (including market price risk, currency risk and interest rate risk), credit risk, liquidity risk, and other risk (including custodial risk, counterparty risk, currency and foreign exchange risk, restricted market risk, legal, tax and regulatory risk and distribution risk)...

The principal investment objective of the Sub-Fund is to provide a return of capital growth and income in RMB or RMB equivalent terms. The Sub-Fund mainly invests in the RMB instruments which are below investment grade or unrated with long-only position. The portfolio of the Sub-Fund is expected to maintain a level of diversity across countries and industries.

The Sub-Fund uses different methods to measure and manage the various types of risk to which it is exposed, these methods are explained below.

##### (a) Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Sub-Fund's investment in debt securities is susceptible to market price risk arising from uncertainties about future prices of the instruments. The Manager monitors the Sub-Fund's market price risk on a daily basis and the Trustee reviews it on a daily basis. The following table discloses the financial asset investments at fair value through profit or loss of the Sub-Fund by product type:

**INCOME PARTNERS RMB BOND FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

31 December 2023

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(a) Market price risk (continued)**

	2023 RMB	2022 RMB
<b>Financial assets at fair value through profit or loss</b>		
- Corporate bonds	1,003,100	2,361,990
- Government bonds	<u>25,119,112</u>	<u>51,052,867</u>
	<u><u>26,122,212</u></u>	<u><u>53,414,857</u></u>

The following tables disclose the financial assets at fair value through profit or loss of the Sub-Fund by sector:

	2023		2022	
	RMB	% of net asset value <sup>(1)</sup>	RMB	% of net asset value <sup>(1)</sup>
<b>Corporate bonds</b>				
Healthcare	1,003,100	3.81	1,014,000	1.87
Real estate	<u>–</u>	<u>–</u>	<u>1,347,990</u>	<u>2.49</u>
<b>Total corporate bonds</b>	<u>1,003,100</u>	<u>3.81</u>	<u>2,361,990</u>	<u>4.36</u>
<b>Government bonds</b>				
Sovereign	13,955,332	52.94	8,784,807	16.20
Quasi-Sovereign	<u>11,163,780</u>	<u>42.36</u>	<u>42,268,060</u>	<u>77.93</u>
<b>Total government bonds</b>	<u>25,119,112</u>	<u>95.30</u>	<u>51,052,867</u>	<u>94.13</u>
<b>Total financial assets at fair value through profit or loss</b>	<u>26,122,212</u>	<u>99.11</u>	<u>53,414,857</u>	<u>98.49</u>

<sup>(1)</sup> The percentage is calculated based on the fair value of the debt instruments without accrued interest, which are separately disclosed as interest receivable on the statement of financial position.

## INCOME PARTNERS RMB BOND FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

#### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (a) Market price risk (continued)

As at 31 December 2023 and 31 December 2022, if the underlying securities were to increase by the following sensitivity thresholds with all other variables held constant, this would increase the net asset value by the amounts stated below. Conversely, if the underlying securities were to decrease by the same sensitivity thresholds, this would decrease the net asset value by approximately equal amounts.

	2023		2022	
	Sensitivity threshold in %	Impact on net assets attributable to unitholders RMB	Sensitivity threshold in %	Impact on net assets attributable to unitholders RMB
<b>Financial assets at fair value through profit or loss</b>				
- Debt securities	+/-5	8,120,192	+/-5	10,195,098

##### (b) Risks relating to debt securities

There are several risks relating to debt securities, including the following:

###### (i) Credit risk

Investment in bonds or other debt securities involve credit risk of the issuers. An issuer suffering an adverse change in its financial condition could lower the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security or its issuer may also affect the security's liquidity, making it more difficult to sell. The Sub-Fund's investment is also subject to the risk that issuers may not make timely payments on principal and/or interests of the securities they issue. If the issuers of any of the securities in which the Sub-Fund's assets are invested default, the performance of the Sub-Fund will be adversely affected.

The debt securities that the Sub-Fund invests in may be offered on an unsecured basis without collateral. In such circumstances, the Sub-Fund will rank equally with other unsecured creditors of the relevant issuer. As a result, if the issuer becomes bankrupt, proceeds from the liquidation of the issuer's assets will be paid to holders of the relevant fixed income instrument issued by it only after all secured claims have been satisfied in full. The Sub-Fund is therefore fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

The Sub-Fund may hold cash and deposits in banks or other financial institutions and the extent of governmental and regulatory supervision may vary. The Sub-Fund might suffer a significant or even total loss in the event of insolvency of the banks or financial institutions.

## INCOME PARTNERS RMB BOND FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

#### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (b) Risks relating to debt securities (continued)

###### (i) Credit risk (continued)

###### **Financial assets subject to HKFRS 9's impairment requirements**

The Sub-Fund's financial assets subject to the expected credit loss model within HKFRS 9 are cash and cash equivalents and interest receivable. At 31 December 2023 and 31 December 2022, no loss allowance had been provided for cash and cash equivalents, amount due from brokers and interest receivable. There is not considered to be any concentration of credit risk within these assets. No assets are considered impaired and no amounts have been written off in the period.

At 31 December 2023 and 31 December 2022, cash and cash equivalents and interest receivable which are all relatively short-term receivables with no financing component are impacted by the HKFRS 9 ECL model, the Sub-Fund has adopted the general approach. The loss allowance shown is measured at an amount equal to 12-month ECLs as the credit risk does not increase significantly since initial recognition.

In calculating the loss allowance, a provision matrix has been used based on historical observed loss rates over the expected life of the receivables adjusted for forward-looking estimates.

###### **Financial assets not subject to HKFRS 9's impairment requirements**

The Sub-Fund is exposed to credit risk on debt securities. These classes of financial assets are not subject to HKFRS 9's impairment requirements as they are measured at FVPL. The carrying value of these assets, under HKFRS 9 represents the Sub-Fund's maximum exposure to credit risk on financial instruments not subject to the HKFRS 9 impairment requirements on the respective reporting dates.

The Sub-Fund only trades with reputable brokers authorised by management. The bank balances are held with reputable banks in Hong Kong. The Manager and Trustee consider the associated credit risk is not significant. The maximum exposure to credit risk at the year end is the carrying amount of financial assets as shown in the statement of net assets. None of the assets is impaired nor past due but not impaired.

The Sub-Fund invests in debt securities with reference of their ratings of by Moody's Investor Services, Standard & Poor's and Fitch's which are a generally accepted barometer of credit risk. They are, however, subject to certain limitations from an investor's standpoint. The rating of an issuer is heavily weighted by past performance and does not necessarily reflect probable future conditions. Rating agencies might not always change their credit rating of an issuer in a timely manner to reflect events that could affect the issuer's ability to make scheduled payment on its obligations. In addition, there may be varying degrees of difference in credit risk of securities within each rating category.

**INCOME PARTNERS RMB BOND FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**31 December 2023**

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(b) Risks relating to debt securities (continued)**

(ii) Credit rating risk

The table below summarises the Sub-Fund's assets placed with banks and their related credit ratings:

*Investment's credit risk*

Credit rating <sup>(2)</sup>	2023 % <sup>(1)</sup>	2022 % <sup>(1)</sup>
A+	95.30	94.15
A-	3.81	1.88
BB+	–	0.95
BB-	–	1.53
Total	<u>99.11</u>	<u>98.51</u>

<sup>(1)</sup> The percentage is calculated based on the fair value of the debt instruments without accrued interest, which are separately disclosed as interest receivable on the statement of financial position.

<sup>(2)</sup> Where S&P/Moody's/Fitch ratings for bond holdings are not available, the Sub-Fund's internal credit rating applies based on the similar assessment basis of S&P.

The Sub-Fund is exposed to credit risk on its banks and amounts due from brokers rated as following by Standard & Poor's as at 31 December 2023 and 31 December 2022:

As at 31 December 2023	RMB	Credit rating	Source of credit rating
<u>Banks</u>			
Citibank. N.A.	2,299,344	A+	Standard & Poor's
Industrial and Commercial Bank of China	347,792	A	Standard & Poor's
<u>Broker</u>			
Citibank. N.A.	–	A+	Standard & Poor's
As at 31 December 2022	RMB	Credit rating	Source of credit rating
<u>Banks</u>			
Citibank. N.A.	220,652	A+	Standard & Poor's
Industrial and Commercial Bank of China	936,932	A	Standard & Poor's
<u>Broker</u>			
Citibank. N.A.	–	A+	Standard & Poor's

## INCOME PARTNERS RMB BOND FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

#### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (b) Risks relating to debt securities (continued)

###### (iii) Credit rating downgrading risk

The credit rating assigned to a security or an issuer may be re-evaluated and updated based on recent market events or specific developments. As a result, investment grade securities may be subject to the risk of being downgraded to below investment grade securities. Similarly, an issuer having an investment grade rating may be downgraded, for example, as a result of deterioration of its financial conditions.

In the event of downgrading in the credit ratings of a security or an issuer relating to a security, the Sub-Fund's investment value in such security may be adversely affected. The Manager may or may not dispose of the securities, subject to the investment objectives of the Sub-Fund. In the event of investment grade securities being downgraded to below investment grade securities and such securities continued to be held by the Sub-Fund, the Sub-Fund will also be subject to the below investment grade securities risk outlined in the following paragraph.

###### (iv) Below investment grade and unrated securities risk

The Sub-Fund may invest in securities which are below investment grade or which are unrated. Investors should note that such securities would generally be considered to have a higher degree of counterparty risk, credit risk and liquidity risk than higher rated, lower yielding securities and may be subject to greater fluctuation in value and higher chance of default. If the issuer of securities defaults, or such securities cannot be realised, or perform badly, investors may suffer substantial losses. The market for these securities may be less active, making it more difficult to sell the securities. Valuation of these securities is more difficult and thus the Sub-Fund's prices may be more volatile.

The value of lower-rated or unrated corporate bonds may be affected by investors' perceptions. When economic conditions appear to be deteriorating, below investment grade or unrated corporate bonds may decline in market value due to investors' heightened concerns and perceptions over credit quality.

###### (v) Interest rate risk

Changes in interest rates may affect the value of a debt security as well as the financial markets in general. Debt securities (such as bonds) are more susceptible to fluctuation in interest rates and may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes. If the debt securities held by the Sub-Fund fall in value, the Sub-Fund's value will also be adversely affected.

In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be significant.

	2023		2022	
	Sensitivity of change in basis points	Change in fair value of investments RMB	Sensitivity of change in basis points	Change in fair value of investments RMB
Debt Securities	+/-25	<u>326,528</u>	+/-25	<u>667,686</u>

## INCOME PARTNERS RMB BOND FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

#### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (b) Risks relating to debt securities (continued)

###### (v) Interest rate risk (continued)

The Manager has used its view of what would be a reasonable possible shift in the interest rates to estimate the change in the sensitivity analysis above.

Disclosures above are shown in absolute terms, changes and impacts could be positive or negative. Changes in interest rates are revised annually depending on the Manager's current view of interest rates volatility and other relevant factors.

The Sub-Fund also has interest-bearing bank deposits. As the bank deposits are on demand, the Manager considers the movement in interest rates will have insignificant cash flow impact on the daily net assets attributable to unitholders of redeemable units as at 31 December 2023 and 31 December 2022 and therefore no sensitivity analysis of interest on bank deposits is presented.

###### (vi) Valuation risk

The value of debt securities that the Sub-Fund invests may be subject to the risk of mispricing or improper valuation, i.e. operational risk that the debt securities are not priced properly. Valuations of quoted or listed debt securities are primarily based on the valuations from independent third party sources where the prices are available. However, in the case where independent pricing information may not be available such as in extreme market conditions or break down in the systems of third party sources, the value of such debt securities may be based on certification by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager after consultation with the Trustee. Valuations in such circumstance may involve uncertainty and judgmental determination. In the event of adverse market conditions where it is not possible to obtain any reference quotation from the market at the relevant time of valuation, the latest available quotations of the relevant debt securities may be used to estimate the fair market value. Alternatively, the Manager after consultation with the Trustee may, permit some other method of valuation to be used to estimate the fair market value of such debt securities including the use of quotation of other debt securities with very similar attributes. Such valuation methodology may not equal to the actual liquidation price due to liquidity and size constraints. If valuation is proven to be incorrect, this will affect the net asset value calculation of the Sub-Fund.

The valuation of unlisted debt securities is more difficult to calculate than listed debt securities. Normally, unlisted debt securities are valued at their initial value thereof equal to the amount expended out of the Sub-Fund in the acquisition thereof (excluding in each case the amount of the stamp duties, commissions and other acquisition expenses which will be charged as expenses to the Sub-Fund) provided that the value of any such unlisted debt securities shall be determined on a regular basis by a professional person approved by the Trustee as qualified to value such unlisted debt securities. Such professional person may value the unlisted debt securities by reference to the prices of other comparable unlisted debt securities. The trading of unlisted debt securities may not be transparent and the prices of unlisted debt securities may not be openly displayed. There is a risk that such professional person is not aware of all the trading in unlisted debt securities and may use prices which may be historical only and may not reflect recent trading in the debt securities concerned. In such circumstance, the valuation of the unlisted debt securities may not be accurate as a result of incomplete price information. This would have impact on the calculation of the net asset value of the Sub-Fund.

## INCOME PARTNERS RMB BOND FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

#### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (b) Risks relating to debt securities (continued)

###### (vii) *Unlisted debt securities risk*

The debt securities in which the Sub-Fund invests may not be listed on an exchange traded or interbank bond market where trading is conducted on a regular basis. Even if the debt securities are listed, the market for such securities may be inactive and the trading volume may be low. In the absence of an active secondary market, the Sub-Fund may need to hold the debt securities until their maturity date. If sizeable redemption requests are received, the Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and the Sub-Fund may suffer losses in trading such securities.

As at 31 December 2023 and 31 December 2022, debt securities of the Sub-Fund are either listed in exchange traded or inter-bank bond markets.

##### (c) Risk relating to convertible bonds

The Sub-Fund may invest in convertible bonds. Convertibles are a hybrid between debt and equity, permitting holders to convert into shares or stocks in the company issuing the bond at a specified future date. Prior to conversion, convertible bonds have the same general characteristics as non-convertible fixed income securities and the market value of convertible bonds tends to decline as interest rates increase and increase as interest rates decline. However, while convertible bonds generally offer lower interest or dividend yields than non-convertible fixed income securities of similar quality, they enable the Sub-Fund to benefit from increases in the market price of the underlying stock, and hence the price of a convertible bond will normally vary with changes in the price of the underlying stock.

Therefore, investors should be prepared for greater volatility than straight bond investments, with an increased risk of capital loss, but with the potential of higher returns.

As at 31 December 2023 and 31 December 2022, the Sub-Fund has no convertible bonds in its portfolio holdings.

##### (d) Settlement risk

Settlement procedures in emerging countries are frequently less developed and less reliable and may involve the Sub-Fund's delivery of securities, or transfer of title to securities, before receipt of payment for their sale. The Sub-Fund may be subject to a risk of substantial loss if a securities firm defaults in the performance of its responsibilities. The Sub-Fund may incur substantial losses if its counterparty fails to pay for securities the Sub-Fund has delivered, or for any reason fails to complete its contractual obligations owed to the Sub-Fund. On the other hand, significant delays in settlement may occur in certain markets in registering the transfer of securities. Such delays could result in substantial losses for the Sub-Fund if investment opportunities are missed or if the Sub-Fund is unable to acquire or dispose of a security as a result.

## INCOME PARTNERS RMB BOND FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

#### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (e) Custodial risk

Custodians or sub-custodians may be appointed in local markets for the purpose of safekeeping assets in those markets. Where the Sub-Fund invests in markets where custodial and/or settlement systems are not fully developed, the assets of the Sub-Fund may be exposed to custodial risk. In case of liquidation, bankruptcy or insolvency of a custodian or sub-custodian, the Sub-Fund may take a longer time to recover its assets. In extreme circumstances such as the retroactive application of legislation and fraud or improper registration of title, the Sub-Fund may even be unable to recover all of its assets. The costs borne by the Sub-Fund in investing and holding investments in such markets will be generally higher than in organised securities markets.

##### (f) Counterparty risk

Counterparty risk involves the risk that a counterparty or third party will not fulfil its obligations to the Sub-Fund. The Sub-Fund may be exposed to the risk of a counterparty through investments such as bonds, futures and options. To the extent that a counterparty defaults on its obligations and the Sub-Fund is prevented from exercising its rights with respect to the investment in its portfolio, the Sub-Fund may experience a decline in the value and incur costs associated with its rights attached to the security. The Sub-Fund may sustain substantial losses as a result.

##### (g) Currency and foreign exchange risk

The Sub-Fund may also issue classes denominated in a currency other than the base currency of that fund. The Sub-Fund may be invested in part in assets quoted in currencies other than its base currency or the relevant class currency. The performance of the Sub-Fund will therefore be affected by movements in the exchange rate between the currencies in which the assets are held and the base currency of the Sub-Fund or the relevant class currency. Since the Manager aims to maximise returns for the Sub-Fund in terms of its base currency, investors in the Sub-Fund may be exposed to additional currency risk. These risks may have adverse impact on the Sub-Fund and its investors.

The Sub-Fund may, in part, seek to offset the risks associated with such exposure through foreign exchange transactions. The markets in which foreign exchange transactions are effected are highly volatile, highly specialised and highly technical. Significant changes, including changes in liquidity and prices, can occur in such markets within very short periods of time, often within minutes. Foreign exchange trading risks include, but are not limited to, exchange rate risk, interest rate risk and potential interference by foreign governments through regulation of local exchange markets, foreign investment, or particular transactions in foreign currency. These risks may have adverse impact on the Sub-Fund and its investors.

## INCOME PARTNERS RMB BOND FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

#### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (g) Currency and foreign exchange risk (continued)

The Sub-Fund's net direct exposure to each currency other than RMB at the reporting date and their estimated impact to the net assets attributable to unitholders and the changes in net assets attributable to unitholders and total comprehensive income during the year has the RMB weakened by 5% are illustrated below.

	2023		2022	
	Net direct exposure RMB	Estimated increase had the RMB weakened by 5% RMB	Net direct exposure RMB	Estimated increase had the RMB weakened by 5% RMB
Hong Kong Dollar	28	1	27	1
United States Dollar	156,823	7,841	53,880	2,694

A 5% appreciation of RMB against the above currencies would have resulted in an equal but opposite effect on the financial statements, on the basis that all other variables remain constant.

##### (h) Liquidity risk

Some of the markets in which the Sub-Fund invests may be less liquid and more volatile than the world's leading stock markets and this may result in the fluctuation in the price of securities traded on such markets. Certain securities may be difficult or impossible to sell, and this would affect the Sub-Fund's ability to acquire or dispose of such securities at their intrinsic value. As a result, this may have adverse impact on the Sub-Fund and its investors.

##### Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Sub-Fund can be required to pay.

## INCOME PARTNERS RMB BOND FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

#### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (h) Liquidity risk (continued)

###### *Financial liabilities* (continued)

The following table summarises the maturity profile of the Sub-Fund's financial liabilities. Balances due within one year equal their carrying amounts, as the impact of discounting is insignificant.

	On demand RMB	Less than 1 month RMB	Less than 1 year RMB	Others <sup>(1)</sup> RMB	Total RMB
<b>As at 31 December 2023</b>					
<u>Financial liabilities</u>					
Custodian fee payable	–	18,210	–	–	18,210
Management fee payable	–	1,576	–	–	1,576
Redemption payable	–	1,376,707	–	–	1,376,707
Trustee fee payable	–	43,703	–	–	43,703
Accruals and other payables	–	–	1,421,265	–	1,421,265
Net assets attributable to unitholders <sup>(1)</sup>	–	–	–	26,355,912	26,355,912
<b>Total financial liabilities</b>	<b>–</b>	<b>1,440,196</b>	<b>1,421,265</b>	<b>26,355,912</b>	<b>29,217,373</b>
	On demand RMB	Less than 1 month RMB	Less than 1 year RMB	Others <sup>(1)</sup> RMB	Total RMB
<b>As at 31 December 2022</b>					
<u>Financial liabilities</u>					
Custodian fee payable	–	17,774	–	–	17,774
Management fee payable	–	4,263	–	–	4,263
Redemption payable	–	975,811	–	–	975,811
Trustee fee payable	–	42,659	–	–	42,659
Accruals and other payables	–	–	214,090	–	214,090
Net assets attributable to unitholders <sup>(1)</sup>	–	–	–	54,232,029	54,232,029
<b>Total financial liabilities</b>	<b>–</b>	<b>1,040,507</b>	<b>214,090</b>	<b>54,232,029</b>	<b>55,486,626</b>

<sup>(1)</sup> Please refer to Note 9 to the financial statements for the redemption policy.

## INCOME PARTNERS RMB BOND FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

#### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (i) Restricted markets risk

The Sub-Fund may invest all or substantially all of its assets in bonds issued by PRC resident issuers which impose limitations or restrictions on foreign ownership or holdings. In such circumstances, the Sub-Fund may be required to make investments in the relevant markets directly or indirectly. In either case, legal and regulatory restrictions or limitations may have adverse effect on the liquidity and performance of such investments due to factors such as limitations on fund repatriation, dealing restrictions, adverse tax treatments, higher commission costs, regulatory reporting requirements and reliance on services of local custodians and service providers.

##### (j) Legal, tax and regulatory risk

Legal, tax and regulatory changes could occur in the future. For example, the regulatory or tax environment for derivative instruments is evolving, and changes in their regulation or taxation may adversely affect the value of derivative instruments. Changes to the current laws and regulations will lead to changes in the legal requirements to which the Sub-Fund may be subject, and may adversely affect the Sub-Fund and its investors.

##### (k) Distributions risk

Distributions may be made in respect of the distribution classes. However, there is no guarantee that such distributions will not be made nor will there be a target level of distributions payout. A high distribution yield does not imply a positive or high return.

Subject to the disclosure in the relevant appendix, distributions may be paid out of the capital of the Sub-Fund. The Manager may distribute out of the capital of the Sub-Fund if the net distributable income attributable to the relevant distribution class during the relevant period is insufficient to pay distributions as declared. Investors should note that the payment of distributions out of capital represents a return or a withdrawal of part of the amount they originally invested or capital gain attributable to that amount. Distributions will result in an immediate decrease in the net asset value of the relevant units.

For accumulation classes, the Manager does not intend to pay distributions. Accordingly, an investment in the accumulation classes may not be suitable for investors seeking income returns for financial or tax planning purposes.

## INCOME PARTNERS RMB BOND FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

#### 4. FAIR VALUE ESTIMATION

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on mid-market prices at the close of trading on the year end date.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value hierarchy has the following levels:

- Level 1 – based on quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes “observable” requires significant judgement by the Sub-Fund. The Sub-Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

**INCOME PARTNERS RMB BOND FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**31 December 2023**

**4. FAIR VALUE ESTIMATION (CONTINUED)**

The following table analyses within the fair value hierarchy the Sub-Fund's financial assets measured at fair value. Please refer to Note 3(a) for disclosure of the Sub-Fund's financial assets by class.

<b>As at 31 December 2023</b>	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
<b>Assets</b>				
Financial assets at fair value through profit or loss:				
- Corporate bonds	–	1,003,100	–	1,003,100
- Government bonds	–	25,119,112	–	25,119,112
	–	26,122,212	–	26,122,212
<b>As at 31 December 2022</b>				
	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
<b>Assets</b>				
Financial assets at fair value through profit or loss:				
- Corporate bonds	–	2,361,990	–	2,361,990
- Government bonds	–	51,052,867	–	51,052,867
	–	53,414,857	–	53,414,857

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted/tradable market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include corporate bonds, government bonds and private label asset backed securities. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Management considers the carrying value of the Sub-Fund's other financial assets and financial liabilities are a reasonable approximation of fair value.

There were no transfer of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 during the years ended 31 December 2023 and 31 December 2022.

## INCOME PARTNERS RMB BOND FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

#### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

##### (a) Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

##### **Fair value of financial instruments**

The Sub-Fund may, from time to time, hold financial instruments that are not quoted in active markets, whereby the arranging banks or placement banks would be the sole providers of mark to market prices. Fair values of such instruments are determined by using valuation techniques. The Sub-Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date.

Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel at the Manager. The Manager also closely monitors the coupon and principal payment of these fixed income and debt instruments.

In certain cases, the Manager may determine the prices or make adjustments to the market values of investments at their discretion if they believe that an adjustment is required to arrive at the fair value of the investment.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The Sub-Fund holds financial instruments that are not actively traded on an exchange such as unlisted bonds which may not trade in an active market and whose fair value has been determined by reference to quotations provided by the relevant brokers. Their quotations may be indicative quotes only and may not necessarily represent actual transactions price nor may represent a binding offer price. The directors consider that the above valuation approach as the best estimate of the fair value of the investments. Actual transacted prices may differ from the quotes provided by the relevant brokers.

##### (b) Critical judgments

###### Functional currency

The Manager considers RMB the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. RMB is the currency in which the Sub-Fund measures its performance and reports its results.

###### Taxation

In preparing these financial statements, the Manager has made certain assumptions and used various estimates concerning the tax exposure which is dependent on what might happen in the future. The resulting accounting estimates may not equal the related actual results.

**INCOME PARTNERS RMB BOND FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**31 December 2023**

**6. FINANCIAL INSTRUMENTS BY CATEGORY**

The following tables disclose the financial assets and liabilities of the Sub-Fund by category:

	Measured at amortised cost RMB	Measured at fair value through profit or loss RMB	Total RMB
<b>As at 31 December 2023</b>			
<u>Financial assets</u>			
Cash and cash equivalents	2,647,136	–	2,647,136
Financial assets at fair value through profit or loss	–	26,122,212	26,122,212
Interest receivable	406,528	–	406,528
<b>Total financial assets</b>	<b>3,053,664</b>	<b>26,122,212</b>	<b>29,175,876</b>
<u>Financial liabilities</u>			
Custodian fee payable	18,210	–	18,210
Management fee payable	1,576	–	1,576
Redemption payable	1,376,707	–	1,376,707
Trustee fee payable	43,703	–	43,703
Accruals and other payables	1,421,265	–	1,421,265
Net assets attributable to unitholders	–	26,355,912	26,355,912
<b>Total financial liabilities</b>	<b>2,861,461</b>	<b>26,355,912</b>	<b>29,217,373</b>
	Measured at amortised cost RMB	Measured at fair value through profit or loss RMB	Total RMB
<b>As at 31 December 2022</b>			
<u>Financial assets</u>			
Cash and cash equivalents	1,157,584	–	1,157,584
Financial assets at fair value through profit or loss	–	53,414,857	53,414,857
Interest receivable	906,983	–	906,983
<b>Total financial assets</b>	<b>2,064,567</b>	<b>53,414,857</b>	<b>55,479,424</b>
<u>Financial liabilities</u>			
Custodian fee payable	17,774	–	17,774
Management fee payable	4,263	–	4,263
Redemption payable	975,811	–	975,811
Trustee fee payable	42,659	–	42,659
Accruals and other payables	214,090	–	214,090
Net assets attributable to unitholders	–	54,232,029	54,232,029
<b>Total financial liabilities</b>	<b>1,254,597</b>	<b>54,232,029</b>	<b>55,486,626</b>

**INCOME PARTNERS RMB BOND FUND****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

31 December 2023

**7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2023 RMB	2022 RMB
Financial assets at fair value through profit or loss:		
- Debt securities	<u>26,122,212</u>	<u>53,414,857</u>
Total financial assets at fair value through profit or loss	<u><u>26,122,212</u></u>	<u><u>53,414,857</u></u>
Gains/(losses) recognised in relation to financial assets at fair value through profit or loss:		
- realised gains	1,590,927	13,453,266
- change in unrealised losses	<u>(1,357,336)</u>	<u>(14,113,662)</u>
Net gains/(losses)	<u>233,591</u>	<u>(660,396)</u>

**8. CASH AND CASH EQUIVALENTS**

	2023 RMB	2022 RMB
Bank balance	<u>2,647,136</u>	<u>1,157,584</u>

The cash at bank of the Sub-Fund is being held in an interest bearing account with Citibank, N.A. (Hong Kong) and Industrial and Commercial Bank of China ("ICBC"). Citibank, N.A. (Hong Kong) is an affiliate company of the Trustee.

## INCOME PARTNERS RMB BOND FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

#### 9. NUMBER OF UNITS IN ISSUE

	2023 Units	2022 Units
- Class 1A USD (Accumulation) units	546.348	546.348
- Class 2A USD (Accumulation) units	2,179.315	5,950.659
- Class 2B RMB (Distribution) units	4,207.547	6,383.878
- Class 2B RMB (Accumulation) units	492.393	452.556
- Class 4A USD (Accumulation) units	32,499.701	63,799.701

Units can be issued and redeemed on each valuation day. A valuation day is each business day on which the net asset value of a unit or a class of unit falls to be calculated and in relation to each subscription day or redemption day (as the case may be) of any class or classes of units means either such subscription day or redemption day (as the case may be) or such other business day or day as the Trustee and the Manager may from time to time determine, either generally or in relation to a class of units. The unitholders may redeem the units on any valuation day by no later than the redemption deadline. Redemption requests received after such time will be deemed to have been received on the next business day.

As stated in the explanatory memorandum, redemption deadline refers to 5:00 p.m. (Hong Kong time) on the business day immediately preceding the relevant redemption day by which a redemption request in respect of the Sub-Fund or a class of units must be received or such other time or on such other business day or day as the Manager may from time to time determine generally or in relation to any particular jurisdiction in which units of the Sub-Fund or the relevant class may from time to time be sold.

Applications for redemption of units may be made to the processing agent by completing the redemption form and sent by post or by facsimile to the processing agent at the business address or facsimile number on the redemption form. The redemption form is available from the processing agent and/or the authorised distributors.

A redemption form received by the processing agent by the redemption deadline of a redemption day will be dealt with on that redemption day. If an application for redemption of units is received after the redemption deadline in respect of a redemption day then the application will be held over until the next redemption day provided that the Manager may in the event of system failure which is beyond the reasonable control of the Manager or events of natural disaster and with the approval of the Trustee (or the registrar on its behalf) after taking into account the interest of other unitholders of the Sub-Fund, exercise its discretion to accept a redemption request in respect of a redemption day which is received after the redemption deadline if it is received prior to the valuation point relating to that redemption day. Notwithstanding the aforesaid, where in the reasonable opinion of the Trustee (or the registrar on its behalf), the Trustee's or the registrar's operational requirements cannot support accepting any such redemption request, the Manager shall not exercise its discretion to accept any redemption request.

A request for redemption once given cannot be revoked without the consent of the Manager.

The Manager may suspend the redemption or delay the payment of redemption proceeds during any periods in which the determination of the net asset value of the Sub-Fund is suspended under certain conditions as set out in the explanatory memorandum of the Sub-Fund.

With a view to protecting the interests of unitholders, the Manager is entitled, with the approval of the Trustee, to limit the number of units of the Sub-Fund redeemed on any dealing day to 10% of the total number of units of the Sub-Fund in issue. In this event, the limitation will apply pro rata so that all unitholders of the Sub-Fund who have validly requested to redeem units of the Sub-Fund on that dealing day will redeem the same proportion of such units of the Sub-Fund.

**INCOME PARTNERS RMB BOND FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**31 December 2023**

**10. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

	2023 RMB	2022 RMB
- Class 1A USD (Accumulation) units	407,325	424,086
- Class 2A USD (Accumulation) units	1,536,213	4,380,377
- Class 2B RMB (Distribution) units	388,587	621,875
- Class 2B RMB (Accumulation) units	47,240	45,341
- Class 4A USD (Accumulation) units	23,976,547	48,760,350

The published net asset value per unit issued is calculated in accordance with the explanatory memorandum while the net asset value per unit as reported in the statement of financial position included the following adjustment:

A reconciliation of the net assets attributable to unitholders as reported in the statement of financial position to the net assets attributable to unitholders as determined for the purposes of processing unit subscriptions and redemptions is provided below:

	2023 RMB	2022 RMB
Published net assets attributable to unitholders	27,507,537	55,207,840
a) Adjustment on redemption on 31 December	-	(975,811)
b) Adjustment on accruals and other payables on 31 December	<u>(1,151,625)</u>	<u>-</u>
Net assets attributable to unitholders as per audited financial statements	<u>26,355,912</u>	<u>54,232,029</u>

	2023		2022	
	Unit price (per financial statements) RMB	Published unit price RMB	Unit price (per financial statements) RMB	Published unit price RMB
- Class 1A USD (Accumulation) units	745.54	745.54	776.22	776.22
- Class 2A USD (Accumulation) units	704.91	704.91	736.12	736.12
- Class 2B RMB (Distribution) units	92.35	92.35	97.41	97.42
- Class 2B RMB (Accumulation) units	95.94	95.94	100.19	100.19
- Class 4A USD (Accumulation) units	737.75	737.75	764.27	764.27

The net asset value is calculated by determining the value of the assets attributable to the Sub-Fund, including accrued income, and deducting all its liabilities as at 31 December 2023 and 31 December 2022. The resultant sum is divided by the total number of units in issue as at 31 December 2023 and 31 December 2022 to give the net asset value per unit and adjusting the resultant sum to the nearest 2 decimal places.

## INCOME PARTNERS RMB BOND FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

#### 11. FEES

##### Management fee

For the years ended 31 December 2023 and 31 December 2022, the Manager is entitled to receive a management fee from the Sub-Fund, 0.50% per annum (with maximum of 1.5%) for Class 1 units, and at a rate of 0.80% per annum (with maximum of 1.5%) for Class 2 units with respect to the net asset value of the Sub-Fund calculated and accrued and payable monthly in arrears.

Total management fees for the year ended 31 December 2023 amounted to RMB30,999 (2022: RMB2,149,970), with RMB1,576 (2022: RMB4,263) remaining payable as at 31 December 2023.

##### Trustee fee

For the years ended 31 December 2023 and 31 December 2022, the Trustee is entitled to receive a trustee fee from the Sub-Fund based on a percentage of the net asset value of the Sub-Fund. For first US\$250 million of the net asset value of the Sub-fund, 0.10% per annum will be payable, and for the remaining balance of the net asset value of the Sub-Fund, 0.08% per annum will be payable, subject to a minimum monthly fee of US\$6,000. The fees are accrued and payable monthly in arrears.

Administration fee for the above fund administration services form part of the trustee fee mentioned above.

Total trustee fee/administration fee for the year ended 31 December 2023 amounted to RMB511,079 (2022: RMB679,922), with RMB43,703 (2022: RMB42,659) outstanding as at 31 December 2023.

##### Custodian fee and registrar fee

Pursuant to the Fund Administration Services Agreement between the Manager, the Trustee and Citibank, N.A. (the "Custodian"), the Trustee separately acting as a fund administrator has agreed to procure financial, accounting, administrative and other services to the Sub-Fund and has appointed the Custodian to provide these services.

Under the Trust Deed, Citicorp Financial Services Limited is the transfer agent of the Fund.

The Trustee has appointed Citibank, N.A. ("Citibank"), acting through its Hong Kong Branch, to act as custodian of the Sub-Fund's assets.

The Custodian and registrar fee are also entitled to fees payable out of the assets of the Sub-Fund, such fees being at rates agreed between the Manager, the Trustee and the Custodian, or the Registrar (as the case may be) from time to time. The Custodian's and the Registrar fees will be accrued daily and payable on a monthly basis.

Total custodian fee for the year ended 31 December 2023 amount to RMB212,950 (2022: RMB343,763) with RMB18,210 (2022: RMB17,774) outstanding as at 31 December 2023.

Total registrar fee for the year ended 31 December 2023 amount to RMB42,590 (2022: RMB40,553) with RMB3,642 (2022: RMB3,555) outstanding as at 31 December 2023.

Total financial statement preparation fee for the year ended 31 December 2023 amount to RMB73,311 (2022: RMB71,207) with RMB36,517 (2022: RMB35,244) outstanding as at 31 December 2023.

## **INCOME PARTNERS RMB BOND FUND**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**31 December 2023**

#### **12. FORMATION COSTS**

In accordance with the provisions of the explanatory memorandum, preliminary expenses of the Sub-Fund is amortised in the first 5 years. However, preliminary expenses are expensed as incurred, as required under HKFRS.

As at 31 December 2023 and 31 December 2022, all the formation costs were fully amortised so the net assets attributable to unitholders as reported in the statement of net assets to the net assets attributable to unitholders as determined for the purposes of processing unit subscriptions and redemptions does not have difference due to the different treatment of the formation cost.

#### **13. BROKERAGE FEES AND OTHER TRANSACTION COSTS**

Broker commission pertain to the broker commission for every transaction made through the broker at the average market rate based on the transaction value. Transaction costs pertain to fees such as trading fee and transaction levy for every transaction made on the exchange.

#### **14. DISTRIBUTION TO UNITHOLDERS**

The amount available for distribution is the total net amount receivable by the Sub-Fund in respect of the relevant year ("Total Income") minus any expenses chargeable against income, subject to adjustments made in accordance with the Trust Deed. Total Income would include amount receivable by way of interests (e.g. generated from bank deposits and debt securities), or other receipts as determined by the Manager to be in the nature of income. Unrealised capital gains or losses do not form part of Total Income and therefore would not impact on the amounts available for distribution.

## INCOME PARTNERS RMB BOND FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

#### 14. DISTRIBUTION TO UNITHOLDERS (CONTINUED)

	2022 RMB
Distribution declared on 4 January 2022: - Class 2B RMB (Distribution) at RMB0.08 per unit	802
Distribution declared on 7 February 2022: - Class 2B RMB (Distribution) at RMB0.08 per unit	803
Distribution declared on 1 March 2022: - Class 2B RMB (Distribution) at RMB0.08 per unit	804
Distribution declared on 1 April 2022: - Class 2B RMB (Distribution) at RMB0.08 per unit	804
Distribution declared on 5 May 2022: - Class 2B RMB (Distribution) at RMB0.08 per unit	805
Distribution declared on 1 June 2022: - Class 2B RMB (Distribution) at RMB0.08 per unit	806
Distribution declared on 4 July 2022: - Class 2B RMB (Distribution) at RMB0.08 per unit	807
Distribution declared on 1 August 2022: - Class 2B RMB (Distribution) at RMB0.08 per unit	807
Distribution declared on 1 September 2022: - Class 2B RMB (Distribution) at RMB0.08 per unit	983
Distribution declared on 10 October 2022: - Class 2B RMB (Distribution) at RMB0.08 per unit	1,312
Distribution declared on 1 November 2022: - Class 2B RMB (Distribution) at RMB0.08 per unit	1,312
Distribution declared on 1 December 2022: - Class 2B RMB (Distribution) at RMB0.08 per unit	1,312
	<hr/> 11,357 <hr/>

**INCOME PARTNERS RMB BOND FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**31 December 2023**

**14. DISTRIBUTION TO UNITHOLDERS (CONTINUED)**

	2023 RMB
Distribution declared on 3 January 2023: - Class 2B RMB (Distribution) at RMB0.09 per unit	575
Distribution declared on 1 February 2023: - Class 2B RMB (Distribution) at RMB0.08 per unit	511
Distribution declared on 1 March 2023: - Class 2B RMB (Distribution) at RMB0.08 per unit	511
Distribution declared on 3 April 2023: - Class 2B RMB (Distribution) at RMB0.08 per unit	512
Distribution declared on 4 May 2023: - Class 2B RMB (Distribution) at RMB0.08 per unit	512
Distribution declared on 1 June 2023: - Class 2B RMB (Distribution) at RMB0.08 per unit	520
Distribution declared on 3 July 2023: - Class 2B RMB (Distribution) at RMB0.08 per unit	343
Distribution declared on 1 August 2023: - Class 2B RMB (Distribution) at RMB0.08 per unit	343
Distribution declared on 4 September 2023: - Class 2B RMB (Distribution) at RMB0.08 per unit	343
Distribution declared on 9 October 2023: - Class 2B RMB (Distribution) at RMB0.08 per unit	344
Distribution declared on 1 November 2023: - Class 2B RMB (Distribution) at RMB0.08 per unit	344
Distribution declared on 1 December 2023: - Class 2B RMB (Distribution) at RMB0.08 per unit	336
	<hr/> <u>5,194</u>

**INCOME PARTNERS RMB BOND FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**31 December 2023**

**15. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES**

	1 January 2023 RMB	Cash flows RMB	Other RMB	31 December 2023 RMB
Net assets attributable to unitholders	<u>54,232,029</u>	<u>(26,992,803)</u>	<u>(883,314)</u>	<u>26,355,912</u>
	1 January 2022 RMB	Cash flows RMB	Other RMB	31 December 2022 RMB
Net assets attributable to unitholders	<u>924,972,913</u>	<u>(880,046,311)</u>	<u>9,305,427</u>	<u>54,232,029</u>

The 'Other' column includes the net increase in net assets attributable to holders of redeemable participating shares from operations for the year.

**16. TRANSACTIONS WITH THE MANAGER, TRUSTEE, CUSTODIAN AND ITS CONNECTED PERSONS**

Connected persons of the Manager, Trustee and Custodian are those as defined in the SFC Code. All transactions entered into during the year between the Sub-Fund and the Manager, Trustee, Custodian and its connected persons were carried out in the normal course of business and on normal commercial terms. To the best of the Manager's knowledge, the Sub-Fund does not have any other transactions with connected persons except for what is disclosed in Note 11 to the financial statements and below.

**(a) Bank deposits held by the Trustee's affiliates**

The Sub-Fund's bank deposits were held by Citibank. Further details of the balances held are described in Note 8 to the financial statements. During the year, interest income on these bank balances was RMB7,272 (2022: RMB142,742).

**(b) Bank deposits held by the Custodian**

The Sub-Fund's bank deposits were held by Industrial and Commercial Bank of China ("ICBC"). During the year, interest income on these bank balances was RMB3,199 (2022: RMB5,440).

**INCOME PARTNERS RMB BOND FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**31 December 2023**

**16. TRANSACTIONS WITH THE MANAGER, TRUSTEE, CUSTODIAN AND ITS CONNECTED PERSONS (CONTINUED)**

**(c) Holdings in the Sub-Fund**

The Sub-Fund allows the Manager, its connected persons and other funds managed by the Manager to subscribe for, and redeem, units in the Sub-Fund. The holdings in the Sub-Fund by the Manager and its connected persons as at 31 December 2023 and 31 December 2022 were as follows:

Details of transactions held by Income Partners Managed Volatility High Yield Bond Fund, a fund managed by the Manager, are shown below:

	<b>2023</b> Class 4A USD (Accumulation)	<b>2022</b> Class 4A USD (Accumulation)
Number of units held as at year end	32,500	63,800
Market value of units held as at year end (RMB)	25,024,204	48,760,349
Total units subscribed during the year	–	63,800
Total subscription during the year (RMB)	–	48,156,039
Total units redeemed during the year	(31,300)	–
Total redemption during the year (RMB)	(23,633,946)	–

Details of transactions held by Income Partners All Season Asian Credit Fund, a fund managed by the Manager, are shown below:

	<b>2023</b> Class 4A USD (Accumulation)	<b>2022</b> Class 4A USD (Accumulation)
Number of units held as at year end	–	–
Market value of units held as at year end (RMB)	–	–
Total units subscribed during the year	–	–
Total subscription during the year (RMB)	–	–
Total units redeemed during the year	–	(20,462)
Total redemption during the year (RMB)	–	(15,544,814)

All transactions entered into during the year between the Sub-Fund and the Manager and its connected persons were carried out in the normal course of business and on normal commercial terms.

## INCOME PARTNERS RMB BOND FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

#### 16. TRANSACTIONS WITH THE MANAGER, TRUSTEE, CUSTODIAN AND ITS CONNECTED PERSONS (CONTINUED)

##### (d) Cross trade

During the year ended 31 December 2023 and 31 December 2022, there was no investment holdings which were bought from other funds also managed by the Manager of the Sub-Fund.

#### 17. SOFT COMMISSION ARRANGEMENTS

The Manager and/or any of its connected person reserves the right to effect transactions by or through the agency of another person with whom the Manager and/or any of its connected person has an arrangement under which that party will from time to time provide to or procure for the Manager and/or any of its connected person goods or services for which no direct payment is made but instead the Manager and/or any of its connected person undertakes to place business with that party. The Manager shall procure that no such arrangements are entered into unless the goods and services to be provided pursuant thereto are of demonstrable benefit to the unitholders (taken as a body and in their capacity as such) whether by assisting the Manager in its ability to manage the relevant Sub-Fund or otherwise and the transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates. Such goods and services may include research and advisory services, economic and political analysis, portfolio analysis including valuation and performance measurement, market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publications. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

Since the inception of the Sub-Fund, the Manager had not participated in any soft dollar arrangements in respect of any transactions for the accounts of the Sub-Fund.

#### 18. CAPITAL MANAGEMENT

As a result of the ability to issue, repurchase and resell shares, the capital of the Sub-fund can vary depending on the demand for redemptions and subscriptions to the Sub-Fund. The Sub-Fund is not subject to externally imposed capital requirements and has no legal restrictions on the issue, repurchase or resale of redeemable shares beyond those included in the Sub-Fund's constitution.

The Sub-Fund's objectives for managing capital are:

- To invest the capital in investments meeting the description, risk exposure and expected return indicated in its prospectus
- To achieve consistent returns while safeguarding capital by investing in diversified portfolio, by participating in derivative and other capital markets and by using various investment strategies and hedging techniques
- To maintain sufficient liquidity to meet the expenses of the Sub-Fund, and to meet redemption requests as they arise
- To maintain sufficient size to make the operation of the Sub-Fund cost-efficient

Risks arising from holding financial instruments are inherent in the Sub-Fund's activities, and are managed through a process of ongoing, measurement and monitoring.

## **INCOME PARTNERS RMB BOND FUND**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**31 December 2023**

#### **19. COMMITMENTS AND CONTINGENT LIABILITIES**

The Sub-Fund has no commitments and contingent liabilities as at 31 December 2023 and 31 December 2022.

#### **20. SUBSEQUENT EVENTS**

On 28 February 2024, The Sub-Fund fully disposed financial assets at fair value through profit or loss. The redeemable participating shares amounting to RMB 26,355,912 were distributed to shareholders on 26 March 2024. There were no other significant events occurred since the end of the reporting year which would impact on the financial position of the Sub-Fund disclosed in the statement of financial position as at 31 December 2023.

#### **21. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved by the Trustee and the Manager on 19 April 2024.

**INCOME PARTNERS RMB BOND FUND**

**INVESTMENT PORTFOLIO (UNAUDITED)**

**31 December 2023**

**DEBT SECURITIES (94.96%)**

	Holding/ nominal value	Fair value RMB	% of net assets
<b>Denominated in RMB (94.96%)</b>			
<i>China (94.96%)</i>			
China Dev Bank Sdbc 2.58 03/01/26	5,000,000	5,038,300	19.12%
China Dev Bank Sdbc 3.39 02/03/27	4,800,000	4,924,800	18.69%
China Dev Bank Sdbc 4.59 08/01/38	1,000,000	1,200,680	4.55%
China Govt Bond Cgb 2.30 05/15/26	2,700,000	2,701,890	10.25%
China Govt Bond Cgb 2.52 08/25/33	3,700,000	3,683,165	13.97%
China Govt Bond Cgb 3.12 10/25/52	3,000,000	3,123,180	11.84%
China Govt Bond Cgb 1.65 07/25/24	1,000,000	998,620	3.79%
China Govt Bond Cgb 2.75 02/17/32	1,800,000	1,815,840	6.89%
China Govt Bond Cgb 3.27 08/22/46	500,000	531,527	2.02%
China Govt Bond Cgb 3.52 04/25/46	1,000,000	1,101,110	4.18%
Sinopharm Group Cpharm 3.20 11/03/24	1,000,000	1,003,100	3.81%
Total quoted debt securities		<u>26,122,212</u>	<u>99.11%</u>
<b><u>TOTAL NET ASSETS</u></b>			
Total debt securities (Cost: RMB25,790,947)		26,122,212	99.11%
Cash and cash equivalents		<u>2,647,136</u>	<u>10.04%</u>
Other net liabilities		<u>(2,413,436)</u>	<u>(9.15)%</u>
Total net assets		<u>26,355,912</u>	<u>100.00%</u>
Total investment cost		<u>25,790,947</u>	

**INCOME PARTNERS RMB BOND FUND**

**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)**

**For the year ended 31 December 2023**

	At 1 January 2023	Movement in holdings		At 31 December 2023
		Additions	Disposals	
<b><u>QUOTED DEBT SECURITIES</u></b>				
<b>Denominated in RMB</b>				
China				
Agricul Dev Bank Adbch 2.96 04/17/30	10,000,000	–	10,000,000	–
China Dev Bank Sdbc 2.58 03/01/26	–	5,000,000	–	5,000,000
China Dev Bank Sdbc 2.69 06/16/27	10,000,000	–	10,000,000	–
China Dev Bank Sdbc 3.39 02/03/27	–	4,800,000	–	4,800,000
China Dev Bank Sdbc 3.87 08/01/23	1,000,000	–	1,000,000	–
China Dev Bank Sdbc 4.59 08/01/38	1,000,000	–	–	1,000,000
China Govt Bond Cgb 1.65 07/25/24	–	1,000,000	–	1,000,000
China Govt Bond Cgb 1.67 10/25/23	2,200,000	5,800,000	8,000,000	–
China Govt Bond Cgb 1.88 07/15/23	2,200,000	–	2,200,000	–
China Govt Bond Cgb 2.01 01/15/24	–	3,600,000	3,600,000	–
China Govt Bond Cgb 2.05 04/25/24	–	5,600,000	5,600,000	–
China Govt Bond Cgb 2.30 05/15/26	–	5,200,000	2,500,000	2,700,000
China Govt Bond Cgb 2.52 08/25/33	–	5,100,000	1,400,000	3,700,000
China Govt Bond Cgb 2.56 10/21/23	–	2,000,000	2,000,000	–
China Govt Bond Cgb 2.57 05/20/23	1,400,000	–	1,400,000	–
China Govt Bond Cgb 2.75 02/17/32	–	1,800,000	–	1,800,000
China Govt Bond Cgb 3.12 10/25/52	–	7,000,000	4,000,000	3,000,000
China Govt Bond Cgb 3.27 08/22/46	3,000,000	–	2,500,000	500,000
China Govt Bond Cgb 3.52 04/25/46	–	1,000,000	–	1,000,000
Country Garden R Cgregc 4.50 08/01/23	600,000	–	600,000	–
Exp-Imp Bk China Eximch 2.57 06/10/25	10,000,000	–	10,000,000	–
Exp-Imp Bk China Eximch 3.23 03/23/30	10,000,000	–	10,000,000	–
Gemdale Corp Gemdal 5.38 05/28/23	500,000	–	500,000	–
Sino Ocean Hold Sinoce 5.50 03/20/24	–	500,000	500,000	–
Sinopharm Group Cpharm 3.20 11/03/24	1,000,000	–	–	1,000,000
Yukhui Group Yukhu 3.90 09/14/25	600,000	–	600,000	–

## INCOME PARTNERS RMB BOND FUND

### STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED) (CONTINUED)

For the year ended 31 December 2023

#### Published net assets attributable to unitholders

(Calculated in accordance with the Sub-Fund's Trust Deed)

	Share class currency	Net assets attributable to unitholders per unit	Net assets attributable to unitholders (RMB)
<b>As at 31 December 2023</b>			
- Class 1A USD (Accumulation) units	USD	104.69	407,325
- Class 2A USD (Accumulation) units	USD	98.98	1,536,213
- Class 2B RMB (Distribution) units	RMB	92.35	388,587
- Class 2B RMB (Accumulation) units	RMB	95.94	47,240
- Class 4A USD (Accumulation) units	USD	103.60	23,976,547
<b>As at 31 December 2022</b>			
- Class 1A USD (Accumulation) units	USD	112.15	424,086
- Class 2A USD (Accumulation) units	USD	106.37	4,380,377
- Class 2B RMB (Distribution) units	RMB	97.41	621,875
- Class 2B RMB (Accumulation) units	RMB	100.19	45,341
- Class 4A USD (Accumulation) units	USD	110.43	48,760,350
<b>As at 31 December 2021</b>			
- Class 1A USD (Accumulation) units	USD	119.41	896,312,431
- Class 2A USD (Accumulation) units	USD	114.17	4,442,954
- Class 2B RMB (Distribution) units	RMB	96.93	971,817
- Class 2B RMB (Accumulation) units	RMB	116.83	7,961,104
- Class 4A USD (Accumulation) units	USD	117.59	15,284,607
<b>As at 31 December 2020</b>			
- Class 1A USD (Accumulation) units	USD	111.06	368,738,206
- Class 2A USD (Distribution) units	USD	92.77	681,859
- Class 2A USD (Accumulation) units	USD	106.50	2,174,441
- Class 2B RMB (Distribution) units	RMB	93.54	936,974
- Class 2B RMB (Accumulation) units	RMB	111.65	34,333,771
- Class 4A USD (Accumulation) units	USD	108.82	14,489,117

## INCOME PARTNERS RMB BOND FUND

### PERFORMANCE TABLE (UNAUDITED) (CONTINUED)

31 December 2023

#### Published net assets attributable to unitholders (continued)

(Calculated in accordance with the Sub-Fund's Trust Deed)

#### Highest issue price and lowest redemption price per unit

	Share class currency	Highest issue price per unit	Lowest redemption price per unit
<b>Year ended 31 December 2023</b>			
- Class 1A USD (Accumulation) units	USD	115.46	105.36
- Class 2A USD (Accumulation) units <sup>3</sup>	USD	109.48	99.67
- Class 2B RMB (Distribution) units	RMB	97.52	95.90
- Class 2B RMB (Accumulation) units	RMB	100.82	99.46
- Class 4A USD (Accumulation) units	USD	113.70	104.17
<b>Year ended 31 December 2022</b>			
- Class 1A USD (Accumulation) units	USD	121.07	105.16
- Class 2A USD (Accumulation) units <sup>3</sup>	USD	115.73	99.78
- Class 2B RMB (Distribution) units	RMB	98.56	96.48
- Class 2B RMB (Accumulation) units	RMB	119.59	99.14
- Class 4A USD (Accumulation) units	USD	119.26	103.45
<b>Year ended 31 December 2021</b>			
- Class 1A USD (Accumulation) units	USD	119.41	110.26
- Class 2A USD (Distribution) units	USD	96.31	91.74
- Class 2A USD (Accumulation) units <sup>3</sup>	USD	114.17	105.65
- Class 2B RMB (Distribution) units	RMB	96.95	92.90
- Class 2B RMB (Accumulation) units	RMB	116.86	111.07
- Class 4A USD (Accumulation) units	USD	117.59	108.17
<b>Year ended 31 December 2020</b>			
- Class 1A USD (Accumulation) units	USD	111.11	101.23
- Class 2A USD (Distribution) units	USD	92.81	85.04
- Class 2A USD (Accumulation) units	USD	106.55	97.23
- Class 2B RMB (Distribution) units	RMB	97.36	92.24
- Class 2B RMB (Accumulation) units	RMB	115.42	109.35
- Class 4A USD (Accumulation) units	USD	108.88	98.96

## INCOME PARTNERS RMB BOND FUND

### PERFORMANCE TABLE (UNAUDITED) (CONTINUED)

31 December 2023

#### Published net assets attributable to unitholders (continued)

(Calculated in accordance with the Sub-Fund's Trust Deed)

#### Highest issue price and lowest redemption price per unit (continued)

	Class currency	Highest issue price per unit	Lowest redemption price per unit
<b>Year ended 31 December 2019</b>			
- Class 1A USD (Accumulation) units	USD	105.00	98.47
- Class 1B RMB (Accumulation) units	RMB	106.17	103.75
- Class 2A USD (Distribution) units	USD	89.59	83.54
- Class 2A USD (Accumulation) units	USD	101.00	94.71
- Class 2B RMB (Distribution) units	RMB	93.34	91.53
- Class 2B RMB (Accumulation) units	RMB	109.96	107.46
- Class 2C HKD (Distribution) units	HKD	96.84	82.17
<b>Year ended 31 December 2018</b>			
- Class 1A USD (Accumulation) units	USD	101.92	98.79
- Class 1B RMB (Accumulation) units	RMB	104.86	100.80
- Class 2A USD (Distribution) units	USD	96.39	85.24
- Class 2A USD (Accumulation) units	USD	105.24	95.02
- Class 2B RMB (Distribution) units	RMB	93.61	91.49
- Class 2B RMB (Accumulation) units	RMB	108.61	104.68
- Class 2C HKD (Distribution) units	HKD	100.00	91.88
<b>Year ended 31 December 2017</b>			
- Class 1B RMB (Accumulation) units	RMB	103.29	100.98
- Class 2A USD (Distribution) units	USD	95.11	88.85
- Class 2A USD (Accumulation) units	USD	102.50	95.44
- Class 2B RMB (Distribution) units	RMB	98.83	93.47
- Class 2B RMB (Accumulation) units	RMB	107.81	104.90
<b>Year ended 31 December 2016</b>			
- Class 1A USD (Accumulation) units	USD	98.42	96.07
- Class 1B RMB (Accumulation) units	RMB	105.72	102.53
- Class 2A USD (Distribution) units	USD	98.81	89.41
- Class 2A USD (Accumulation) units	USD	104.92	95.64
- Class 2B RMB (Distribution) units	RMB	103.39	98.38
- Class 2B RMB (Accumulation) units	RMB	110.47	107.05
- Class 2D EUR (Distribution) units <sup>1</sup>	EUR	121.18	111.62
- Class 2D EUR (Accumulation) units <sup>2</sup>	EUR	130.16	122.24

## INCOME PARTNERS RMB BOND FUND

### PERFORMANCE TABLE (UNAUDITED) (CONTINUED)

31 December 2023

#### Published net assets attributable to unitholders (continued)

(Calculated in accordance with the Sub-Fund's Trust Deed)

#### Highest issue price and lowest redemption price per unit (continued)

	Class currency	Highest issue price per unit	Lowest redemption price per unit
<b>Year ended 31 December 2015</b>			
- Class 1A USD (Accumulation) units	USD	101.26	96.29
- Class 1B RMB (Accumulation) units	RMB	103.97	99.93
- Class 2A USD (Distribution) units	USD	102.14	97.17
- Class 2A USD (Accumulation) units	USD	106.33	101.23
- Class 2B RMB (Distribution) units	RMB	103.56	100.64
- Class 2B RMB (Accumulation) units	RMB	109.09	102.55
- Class 2D EUR (Distribution) units <sup>1</sup>	EUR	128.26	112.93
- Class 2D EUR (Accumulation) units <sup>2</sup>	EUR	134.45	116.88
<b>Period from 2 July 2014 (date of inception) to 31 December 2014</b>			
- Class 2A USD (Distribution) units	USD	103.08	99.73
- Class 2A USD (Accumulation) units	USD	102.09	99.72
- Class 2B RMB (Distribution) units	RMB	101.87	99.70
- Class 2B RMB (Accumulation) units	RMB	102.95	99.64
- Class 2D EUR (Distribution) units <sup>1</sup>	EUR	111.23	99.92
- Class 2D EUR (Accumulation) units <sup>2</sup>	EUR	114.64	99.73

<sup>1</sup> Class 2D EUR (Distribution) units were fully redeemed on 6 April 2017. Hence, there will be no net asset value available after such date until subscription in such share class.

<sup>2</sup> Class 2D EUR (Accumulation) units were fully redeemed on 11 November 2016. Hence, there will be no net asset value available after such date until subscription in such share class.

<sup>3</sup> Class 2A USD (Accumulation) units were fully redeemed on 19 October 2021. Hence, there will be no net asset value available after such date until subscription in such share class.