INCOME PARTNERS

INCOME PARTNERS INVESTMENT FUND
(the "Fund")

INCOME PARTNERS RMB BOND FUND
(the "Sub-Fund")

NOTICE TO UNITHOLDERS

This document is important and requires your immediate attention. If you are in doubt about the contents of this notice, you should seek independent professional financial advice.

Dear Unitholders,

We are writing to inform you of the following updates of the Sub-Fund.

PRC Taxation and PRC Tax Provisions

Capital Gain Tax on PRC Bonds

As disclosed in the Explanatory Memorandum of the Sub-Fund, in the absence of specific rules or regulations governing the taxation on capital gains derived by a Renminbi qualified foreign institutional investor ("**RQFII**") on the disposal of debt instruments issued by PRC tax residents, the income tax treatment for a RQFII investing in debt instruments issued by PRC tax residents would be governed by the general tax provisions of the PRC Corporate Income Tax Law ("**CIT Law**"). Under current CIT Law, a foreign enterprise that is a non-tax resident enterprise without a permanent establishment in the PRC will generally be subject to a 10% withholding income tax ("**WIT**") on its PRC-sourced capital gains, unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties. Since the launch of the Sub-Fund, the Sub-Fund has been making a provision at 10% on its gross realized and unrealized capital gains derived from the investments in RMB fixed income securities.

Income Partners Asset Management (HK) Limited (the "**Manager**") has reviewed the Sub-Fund's PRC tax provisioning policy. After having taken professional and independent tax advice and considered the latest information in respect of the implementation of WIT, the Manager is of the view that the Sub-Fund should not be subject to the WIT on the capital gains derived from the investments in RMB fixed income securities. Accordingly, the Manager has determined that no PRC WIT provision on the gross realized and unrealized capital gains derived from the investments in RMB fixed income securities will be made starting from 18 August 2017 (the "**Effective Date**") and to reverse all such WIT provisions made from the launch of the Sub-Fund to 17 August 2017.

Value Added Tax ("VAT")

On 23 March 2016, the Ministry of Finance (the "**MOF**") and the State Administration of Taxation (the "**SAT**") jointly issued Circular Caishui [2016] 36 ("**Circular 36**") which stipulates that financial services are subject to 6% VAT instead of the 5% PRC Business Tax ("**BT**") rate applied previously. Pursuant to Circular 36, deposit interest income is not subject to VAT and interest income derived from PRC government bonds or local government bonds is exempt from PRC VAT.

Suites 3311-3313, Two IFC, 8 Finance Street, Central, Hong Kong 香港中環金融街8號國際金融中心2期3311-3313室
T 電話 (852) 2169 2100 F 傳真 (852) 2869 6991 www.incomepartners.com

In the absence of any specific VAT exemption granted to QFIIs / RQFIIs under this regime, other bond interest income paid by PRC enterprises received on and after 1 May 2016 is technically subject to 6% VAT and local surcharges on top of VAT. The regime is subject to further clarification by the SAT and/or the MOF.

The Sub-Fund has not, prior to the Effective Date, made provision for VAT. As stated in the Explanatory Memorandum, the actual applicable tax rates imposed by SAT may be different and may change from time to time and applied retrospectively. As such, any provision for taxation made by the Manager may be inadequate to meet actual PRC tax liabilities causing investors to be disadvantaged.

The Explanatory Memorandum also provided that, if the actual applicable tax rate levied by SAT is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-Fund may suffer more than the tax provision amount as the Sub-Fund will ultimately have to bear the additional tax liabilities.

In light of Circular 36, the Manager, taking independent and professional tax advice, has begun on and from the Effective Date to make provisions for PRC VAT and local surcharges at 6.72% on the coupon interest paid by PRC enterprises received by the Sub-Fund on and after from 1 May 2016.

Impact of Changes to Investors

Net Asset Value

The above changes will have the net effect of increasing the net asset value of the Sub-Fund. For the purpose of illustration:

The Sub-Fund had total tax provision of RMB 1,699,518 relating to the gross realized and unrealized capital gains derived from the investments in RMB fixed income securities, which amounted to an increase in the net asset value of the Sub-Fund by 4.56% as at 18 August 2017.

The total tax provision for VAT paid on non-government bond interest income derived from 1 May 2016 to 30 June 2017 totals RMB 477,051, which amounted to a decrease in the net asset value of the Sub-Fund by 1.28% as at 18 August 2017.

The resulting net impact of the above two changes results in a positive impact on the net asset value of the Sub-Fund by an increase of 3.28%.

Previous Unitholders

As disclosed in the explanatory memorandum, Unitholders who have already redeemed their Units in the Sub-Fund before the Effective Date will not be entitled or have any right to claim any part of the amount representing the reversed WIT provision.

Risk Factors

The Sub-Fund may be subject to the risks associated with changes in the PRC laws and regulations, including PRC tax laws, and such changes may have retrospective effect. The Manager currently intends not to make provisions for any PRC WIT payable by the Sub-Fund on the gross realized and unrealized capital gains derived from investments in PRC Bonds.

In the event that actual tax is collected by the State Administration of Taxation and the Sub-Fund is required to make payments reflecting tax liabilities for which no provision has been made or for which the level of provision is inadequate, the net asset value of the Sub-Fund will be adversely affected, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investments in the Sub-Fund.

On the other hand, if the actual applicable tax levied by PRC tax authorities is less than that provided for by the Manager so that there is an excess in the tax provision amount, Unitholders who have redeemed the Units before PRC tax authorities' ruling, decision or guidance in this respect will be disadvantaged as they would have borne the loss from the Manager's overprovision.

Unitholders may be disadvantaged depending upon the final tax liabilities, the level of tax provision (if any), and when they subscribed and/or redeemed their Units. Unitholders should seek their own tax advice on their tax position with regard to their investments in the Sub-Fund.

The Explanatory Memorandum, which has been updated by way of addendum, and the revised KFS, which have been revised to reflect the change described above are available on the Manager's website (www.incomepartners.com). The Manager's website has not been reviewed by the Securities and Futures Commission.

Capitalised terms used in this letter have the meaning given in the respective Explanatory Memorandum of the Sub-Funds unless otherwise defined or the context requires otherwise.

If you have any queries on the content of this notice, please contact Lorraine Tang by telephone on +852 2169-2100, by email at marketing@incomepartners.com or by post to Income Partners Asset Management (HK) Limited, Suite 3311-3313, Two International Finance Centre, 8 Finance Street, Central, Hong Kong SAR.

Income Partners Asset Management (HK) Limited, as manager of the Sub-Funds, accepts full responsibility for the accuracy of the information contained in the notice.

Yours faithfully,

Income Partners Asset Management (HK) Limited

18 September 2017