



INCOME PARTNERS

A Polen Capital Strategic Partner

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.

Unless otherwise stated, all capitalised terms herein contained shall have the same meaning in this notice as in the Explanatory Memorandum.

The Manager accepts full responsibility for the accuracy of the information contained in this notice and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement in this notice misleading as at the date of publication.

26 February 2024

Dear Unitholders,

Termination of the Fund and the Sub-Fund

We, Income Partners Asset Management (HK) Limited, the manager of the Fund and Sub-Fund (the “**Manager**”), are writing to inform you of the Manager’s decision to terminate the Fund and Sub-Fund.

Since the Sub-Fund invests primarily in RMB-denominated fixed income securities issued within the PRC, the termination of the Sub-Fund will be subject to the PRC tax clearance (as discussed in the section titled “**PRC tax settlement and clearance**” below).

Based on the independent professional tax advice and our best efforts and reasonable expectations having regard to the timeframe generally needed to obtain the PRC tax clearance, the Manager and the Trustee expect that such tax clearance will be obtained from the relevant PRC tax authorities around 5 months from the date of this notice (i.e. 1 August 2024). Once the PRC tax clearance is obtained, the Manager shall proceed to terminate the Sub-Fund on or around 15 August 2024 (the “**Termination Date**”) after the Manager and the Trustee have formed an opinion that the Sub-Fund has no outstanding contingent or actual liabilities or assets.

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Relevant Unitholder(s) (as defined below) will be notified of any change in the Termination Date and/or the PRC Tax Clearance Date (as defined below), details of which are set out under the section “**Arrangements after the Dealing Deadline**” below. The Manager will also apply to the Securities and Futures Commission in Hong Kong (the “**SFC**”) for the withdrawal of authorisation of the Fund and the Sub-Fund and its offering documents after such termination.

1. Reasons for termination of the Fund and the Sub-Fund

As at 29 December 2023, the net asset value of the Sub-Fund is approximately RMB 27,509,442.22 (i.e. approximately USD 3,862,930.90). In light of the small fund size, the Manager has determined to terminate the Sub-Fund pursuant to Clause 28.3 of the Amended and Restated Trust Deed of the Fund dated 31 December 2019 (as amended and supplemented from time to time) (the “**Trust Deed**”), and as specified in the section “Termination of Fund or a Sub-Fund” of the Explanatory Memorandum, which provide that any sub-fund (including the Sub-Fund) may be terminated by the Manager in its discretion by notice in writing to the Trustee and the Unitholders if on any date, in relation to a sub-fund, the aggregate Net Asset Value of the Units outstanding in respect of such sub-fund shall be less than US\$10 million or its equivalent (“**Small Fund Size Threshold**”). As the Sub-Fund is the only sub-fund of the Fund, the Fund will also be terminated when the Sub-Fund is terminated.

The Trustee has been consulted and has no objection to the termination of the Fund and the Sub-Fund.

2. Latest information of the Sub-Fund

As of 31 December 2023, the total expense ratio of the Sub-Fund are as follows:-

Class of Units	Total expense ratio
Class 2A (Distribution)	3.49%
Class 2B (Distribution)	3.49%
Class 2C (Distribution)	3.49%
Class 2D (Distribution)	3.49%
Class 2A (Accumulation)	3.49%
Class 2B (Accumulation)	3.49%
Class 2C (Accumulation)	3.49%
Class 2D (Accumulation)	3.49%



The total expense ratio for a class is based on the total expenses and fees of the relevant class expressed as a percentage of its average Net Asset Value for the period from 1 January 2023 to 31 December 2023.

There are no unamortised establishment costs of the Sub-Fund.

3. Implications of termination

From the date of this notice, the Sub-Fund will cease to accept any subscription from new or existing investors, save for those subscriptions from existing unitholders by way of regular investment plans. Further, the Sub-Fund will no longer be allowed to be marketed to the public in Hong Kong. The Sub-Fund will cease dealing after the Dealing Deadline (as defined below).

In order to ensure that the Sub-Fund will be terminated in an orderly manner, the Manager will progressively realise the assets of the Sub-Fund from the date of this notice and therefore, it is likely that the Sub-Fund may be substantially held in cash until the Termination Date. Therefore, from the date of this notice onwards, the Sub-Fund may not be able to meet its investment strategy and restrictions on diversification. The Manager will apply to the SFC for withdrawal of authorisation of the Fund and the Sub-Fund and their offering documents immediately following the termination of the Fund and the Sub-Fund.

4. Alternatives available to Unitholders of the Sub-Fund

From the date of this notice, you may choose one of the following:-

(a) Free redemption

You may redeem your Units in the Sub-Fund on a Redemption Day from the date of this notice until 5:00 p.m. (Hong Kong time) on 26 March 2024 (the "**Dealing Deadline**"), at the then prevailing Redemption Price per Unit on the relevant Valuation Day (calculated by reference to the applicable Net Asset Value per Unit), free of any redemption charge. It is intended that the redemption proceeds will be paid as soon as practicable but in any event not exceeding one calendar month after the later of (i) the relevant Redemption Day and (ii) the day on which the Processing Agent receives the duly completed Redemption Form and such other documents and information as the Trustee, the Manager and/or the Processing Agent may require. Redemption of Units and payment of redemption proceeds will be subject to procedures as set out in the sub-sections titled "**Redemption Procedures**" and "**Payment of Redemption Proceeds**" under the section headed "**REDEMPTION OF UNITS**" in the Explanatory Memorandum.



(b) Distribution of cash proceeds after the Dealing Deadline

If you choose to take no action and remain in the Sub-Fund after the Dealing Deadline (and thereby become a "**Relevant Unitholder**") with effect on and from 26 March 2024 (the "**Dealing Cessation Date**"), all the assets comprised in the Sub-Fund will be realised and all net cash proceeds derived from the realisation and available for the purposes of such distribution will be distributed to the Relevant Unitholder(s) in proportion to their holdings of those Units in the Sub-Fund as at the Dealing Cessation Date. Such distribution will be made as soon as practicable but in any event not exceeding one calendar month after the Dealing Deadline. Please refer to the section "**Arrangements after the Dealing Deadline**" below.

IMPORTANT:

Please note the following:

- **Your distributors or intermediaries may impose an internal dealing cut-off which may be earlier than the Dealing Deadline as stated above.**
- **Although there is no redemption charge imposed by the Manager, you should check with your distributors or intermediaries to confirm the applicable transaction fees and expenses which may be incurred on the redemption of Units.**

5. Estimated expenses relating to the termination

The costs and expenses of the termination (including the audit costs and fees, the legal costs and fees, tax advisers costs and fees and liquidation costs) and the subsequent withdrawal of authorisation from the SFC, but excluding the estimated operating expenses of the Sub-Fund from the date of this notice (if any), are estimated to be around RMB 967,545 (i.e. approximately 3.5% of the net asset value of the Sub-Fund as at 29 December 2023) and will be borne by the Sub-Fund.

Such amount which will be borne by the Sub-Fund will be set aside from the Sub-Fund's assets ("**Termination Expense Provision**") and deducted from the total assets of the Sub-Fund on the date of this notice. The Trustee has no objection to the amount of the Termination Expense Provision.

If the Termination Expense Provision is not enough to cover the actual costs of the termination, the Manager will bear the shortfall. In the event that the actual costs of the termination is lower than the Termination Expense Provision, the Manager will, after consultation with the Trustee, make a distribution to the Relevant Unitholder(s) in proportion to their holdings of the Units in the Sub-Fund. Please refer to the sub-section "**Refund of the Termination Expense Provision**" below for further details on such distribution arrangements.



6. PRC tax settlement and clearance

The Sub-Fund invests primarily in RMB-denominated fixed income securities through the Bond Connect or in reliance on the Qualified Foreign Investor (“**QFI**”) status of the Manager. By investing in these securities, the Sub-Fund may be subject to withholding tax and other taxes imposed by the PRC tax authorities. The tax provision policy of the Sub-Fund is described below.

(a) Corporate Income 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 a 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 QFIs in the past and having taken independent professional tax advice, the Sub-Fund has elected to withhold a 10% tax provision on both capital gains realised and unrealised on the PRC debt securities based on the general tax provisions of the CIT Law, which stipulates a 10% tax on a withholding basis (“**WIT**”) 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 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 details, please refer to the “Notice to Unitholders” dated 18 September 2017.

In light of the above, as at the date of this notice, the Manager has made:

- no WIT provision on interest income arising from investments in the China bond market; and
- no WIT provision on realised capital gains derived from the disposal of PRC Bonds.



(b) Value-added Tax and other surtaxes

According to Circular 36 and Caishui [2016] No. 46, interest income derived from PRC government bonds or local government bonds is exempt from PRC Value-added Tax (“VAT”). Pursuant to Circular Caishui [2018] No. 108 and Bulletin [2021] No. 34, VAT are temporarily exempted with respect to bond interest income derived in the domestic bond market from 7 November 2018 to 31 December 2025.

As at the date of this notice, in light of the above and having consulted with independent and professional tax advisor, the Manager has made:

- no VAT provision on interest income arising from investments in the China bond market; and
- no VAT provision on gains realised from the trading of PRC debt securities.

For further details relating to PRC taxes authorities to which the Sub-Fund may be subject, and the Manager’s tax provisioning policy, please refer to the section headed “PRC Taxation” under the “TAXATION” section in Appendix 1 of the Explanatory Memorandum.

The Manager will perform tax filings after the date of this notice in consultation with professional tax advisers, to the relevant PRC tax authorities as described above. Based on the independent professional tax advice and having regard to the timeframe generally needed to obtain the PRC tax clearance, the Manager expects that such tax clearance will be obtained from the relevant PRC tax authorities around 5 months from the date of this notice (i.e. around 1 August 2024) (the “**PRC Tax Clearance Date**”). If, after the upcoming tax filings for the purpose of termination of the Sub-Fund, the PRC tax authorities make a tax assessment to the effect that the Sub-Fund should bear any taxes in respect of any PRC-sourced capital gains and/or income, the Manager will be prepared to bear such tax payment so that the Sub-Fund and the Relevant Unitholder(s) will not be required to be responsible for any such tax payment.

Unitholders should note that the termination and deauthorisation of the Sub-Fund is subject to PRC tax clearance. Unitholders should consult their professional tax advisers for tax advice.

7. Arrangements after the Dealing Deadline

All Units in the Sub-Fund remaining in issue after the Dealing Deadline will be compulsorily redeemed (free of any redemption charge) and the payment of redemption proceeds will be made to the Relevant Unitholder(s) in respect of the Units of the Sub-Fund held on the Dealing Cessation Date.

Immediately after the Dealing Deadline, all assets comprised in the Sub-Fund will be realised and all net cash proceeds derived from the realisation and available for the purposes of such



distribution will be distributed to the Relevant Unitholder(s) in proportion to their holdings of those Units in the Sub-Fund as at the Dealing Cessation Date. Such distribution will be made as soon as practicable but in any event not exceeding one calendar month after the Dealing Deadline.

After PRC tax settlement and clearance, the Manager will provide the Relevant Unitholder(s) with the result of the PRC tax settlement and clearance, and advise the Termination Date by way of notice. In the event that the PRC tax settlement and clearance cannot be achieved by the PRC Tax Clearance Date (i.e. 1 August 2024) and/or the Sub-Fund cannot be terminated by the Termination Date (i.e. 15 August 2024), the Manager will also provide the Relevant Unitholder(s) with an update on the status and an amended Termination Date by way of notice.

8. Refund of Termination Expense Provision

In the event that the actual costs of the termination are lower than the Termination Expense Provision, we will, after consultation with the Trustee, make a further distribution to the Relevant Unitholder(s). This distribution represents the excess in the Termination Expense Provision over the actual costs of the termination ("**Excess Termination Expense Distribution**") and will be distributed together with the termination proceeds, which will be distributed to the Relevant Unitholder(s) in proportion to their holdings of the Units in the Sub-Fund.

9. Tax implications to Hong Kong investors

Profits derived by the Sub-Fund will be excluded from profits tax in Hong Kong during the period it is authorised by the SFC as a collective investment scheme under section 104 of the Securities and Futures Ordinance for offer to the retail public in Hong Kong.

Dividends or other income distributions which the Sub-Fund may pay on its Units will not be taxable in Hong Kong (whether by way of withholding or otherwise) under current legislation and practice. Hong Kong does not tax capital gains arising from the sale or other disposal of Units by Unitholders except for the case where certain Unitholders are carrying on a trade or business in Hong Kong and who also invest in securities for trading purposes (e.g. dealers in securities, financial institutions and insurance companies). Such gains may be considered to be part of the Unitholder's normal business profits and in such circumstances will be subject to Hong Kong profits tax (which is currently charged at the rate of 16.5% for corporations, and 15% for others (with, subject to certain conditions being met, the first HK\$2 million of assessable profits charged at half of the applicable tax rate)) if the gains in question arise in or are derived from Hong Kong.

No Hong Kong stamp duty should be payable in relation to the issue of Units or on the redemption of Units. No Hong Kong stamp duty is payable where the sale or transfer of the Unit is effected by selling or transferring the Units back to the Manager, who subsequently either extinguishes the Units or re-sells the Units to another person within two months thereof.



Other types of sales or purchases or transfers of the Units by the Unitholders should be liable to Hong Kong Stamp Duty of 0.26% (normally borne by the buyer and seller in equal share) on the higher of the consideration amount or market value. In addition, a fixed duty of HK\$5.00 is currently payable on any instrument of transfer of Units. The information on taxation discussed under the sections “**PRC tax settlement and clearance**” and “**Tax implications to Hong Kong investors**” in this notice do not constitute tax advice.

Investors are recommended to consult their professional advisors on the potential taxation consequences to them arising from the termination of the Sub-Fund.

10. Preparing annual report covering the Termination Audit

Under Chapter 11.6 of the Code on Unit Trusts and Mutual Funds (the “**Code**”), the Manager is required to publish and distribute annual reports containing the information provided under Appendix E to the Code to Unitholders within four months of the end of the Sub-Fund’s financial year (which ends on 31 December in each year). Once financial reports are issued, the Unitholder(s) will be notified of where such reports, in printed and electronic forms, can be obtained within the relevant timeframe.

11. Documents available for inspection

Copies of the following documents are available for inspection during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the offices of the Manager (see address below) free of charge and copies thereof may be obtained from the Manager upon payment of a reasonable fee:

- (a) the Explanatory Memorandum;
- (b) the Product Key Facts Statement of the Sub-Fund;
- (c) the Trust Deed, and any supplemental deeds;
- (d) all material contracts (as specified in the Explanatory Memorandum, if any); and
- (e) the latest financial reports of the Sub-Fund.

The Explanatory Memorandum and the Product Key Facts Statement of the Sub-Fund are also available on the Manager’s website (www.incomepartners.com¹).

¹ This website has not been reviewed by the SFC and may contain information on funds not authorised by the SFC.



If you have any queries or require further information in relation to any aspect of this notice, please contact the Manager at 3503-4 Cambridge House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong or by electronic mail at marketing@incomepartners.com or by phone at +852 2169 2100 during normal business hours.

For and on behalf of
Income Partners RMB Bond Fund