First State Umbrella Funds (the "Trust") –
First State Asian Bridge Fund (the "Fund")

NOTICE TO UNITHOLDERS

Date: 16 December 2019

This document is important and requires your immediate attention. If you are in any doubt as to the action you should take, you should seek advice from your investment consultant, tax adviser and/or legal adviser as appropriate.

Unless otherwise defined herein, all capitalised terms used herein shall bear the same meaning as capitalised terms used in the latest Explanatory Memorandum of the Fund dated 16 December 2019, as may be amended from time to time (the "Explanatory Memorandum").

The Manager of the Fund accepts responsibility for the accuracy of the information contained in this document. To the best of the knowledge and belief of the Manager (who has taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Dear Unitholders,

We are writing to you as an investor in the Fund to inform you of the following changes to the Fund, which will take immediate effect.

A. Changes to the Fund's investment policy

1. Direct investment in China A Shares via the RQFII quota

It was previously disclosed in the Explanatory Memorandum that the Fund may invest in China A Shares directly via the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect or indirectly through access products such as equity linked or participation notes issued by institutions that have obtained the QFII status or through investing in collective investment schemes that invest in China A Shares.

The Fund's investment policy has been revised to include direct investment in China A Shares via the Renminbi qualified foreign institutional investor (RQFII) quota, in addition to the means mentioned above and as disclosed in the Explanatory Memorandum. There is no change to the Fund's current maximum exposure to China A Shares which is limited to less than 30% of the Fund's Net Asset Value.

The RQFII quota to be used by the Fund will be from the Manager. As at the date of this Notice, the RQFII quota is not yet available for use by the Fund. The Manager is in the process of applying for the RQFII license and the RQFII quota for use by the Fund. The Fund intends to avail of the RQFII quota to invest in China A Shares in accordance with its investment policy once the same is available. The Fund's offering document (including the Explanatory Memorandum and the Product Key Facts Statement) will be updated and Unitholders will be notified about the availability and use of the RQFII quota by the Fund as soon as reasonably practicable after such RQFII quota is available for use by the Fund.

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2. Investment in the Science and Technology Innovation Board ("STAR board")

The Fund may invest in the new STAR board of the Shanghai Stock Exchange via the Shanghai-Hong Kong Stock Connect, subject to the current maximum investment in China A Shares of less than 30% of the Fund's Net Asset Value.

3. Investment in onshore debt securities in the People's Republic of China ("PRC")

The Fund may also invest up to 10% of its Net Asset Value in onshore debt securities in the PRC via the Bond Connect. The Fund's investment policy has been amended accordingly.

B. Changes pursuant to the revised Code on Unit Trusts and Mutual Funds

The Fund is subject to the Code on Unit Trusts and Mutual Funds ("**Code**") issued by the Securities and Futures Commission in Hong Kong ("**SFC**"). The Code has been revised. The Explanatory Memorandum has been amended and the Trust Deed has also been amended by way of a supplemental deed to reflect the requirements under the revised Code.

The following are the key changes to the Trust Deed and/or the Explanatory Memorandum (where applicable) to reflect the requirements under the revised Code:

(i) <u>Trustee and Manager</u>: amendments reflecting the additional obligations of the Trustee and the Manager under Chapters 4 and 5 respectively of the revised Code.

(ii) <u>Investment Restrictions - Core Requirements</u>: amendments reflecting the core requirements of the investment limitations and prohibitions under Chapter 7 of the revised Code, including but not limited to amendments in relation to the following: spread of investments, commodities, restrictions on making loans, limitations on borrowing, financial derivative instruments, securities financing transactions and collateral etc.

A summary of the key revised investment restrictions/requirements and borrowing restrictions pursuant to the revised Code and information on net derivative exposure in respect of the Fund is set out in Appendix I to this Notice.

(iii) <u>Other Amendments</u>:

(a) *Custody arrangements* – enhanced disclosures have been made to the Explanatory Memorandum on the custody arrangements in respect of the Fund's assets;
(b) *Transactions with connected persons* – amendments have been made to the Explanatory Memorandum and the Trust Deed to reflect the requirements under the revised Code on transactions with connected persons and soft dollars arrangements;
(c) *Unclaimed proceeds* – enhanced disclosures have been made to the Explanatory Memorandum on the arrangements in handling unclaimed proceeds of the Unitholders in the event the Fund is terminated; and
(d) *Collateral policy* – enhanced disclosures have been made to the Explanatory Memorandum relating to the Manager's collateral policy in respect of any over-the-counter derivatives the Fund may use in accordance with the Fund's existing investment policy.

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C. Other miscellaneous updates

The Explanatory Memorandum has also been amended to reflect other miscellaneous updates as summarised below:

(i) enhancement of disclosures to the Fund's investment policy that the Fund may invest up to 20% of its Net Asset Value in debt securities with loss-absorption features (including contingent convertible debt securities, senior non-preferred debt, instruments issued under the resolution regime for financial institutions and other capital instruments issued by banks or other financial institutions) and consequential enhancement of risk disclosures.

(ii) two new classes of Units, namely "Class I (Hong Kong Dollar)" and "Class I (Renminbi)", have been introduced. Any existing Units held in the Fund are now referred to as "Class I".

In respect of the Class I (Renminbi), it should be noted that RMB is currently not freely convertible and is subject to exchange controls and restrictions. Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (for example HKD) will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Fund. Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors. Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB (if any) may be delayed due to the exchange controls and restrictions applicable to RMB.

(iii) the minimum initial investment amount, minimum subsequent investment amount and minimum holding amount ("**minimum amounts**") for Class I have been reduced. For the avoidance of doubt, save and except for the reduction in the minimum amounts, there is no other change to the features of the Units in Class I.

(iv) other miscellaneous editorial and administrative tidy-ups, and general clarificatory amendments.

Investors should note that:

a) the Fund will be managed in accordance with its revised investment policy incorporating the changes described in Part A above. There will be no other change to the operation and/or manner in which the Fund is being managed;

b) save as described in Part A above, there will be no change to the features and overall risk profile of the Fund;

c) there will be no change to the level of fees or costs in managing the Fund arising from the implementation of the changes above; and

d) the above changes will not materially prejudice the rights and interests of investors of the Fund.

D. Availability of Updated Offering Documents

The revised Explanatory Memorandum and Product Key Facts Statement of the Fund incorporating the above changes and amendments will be available on or around 16 December 2019 at the office of the Manager, First State Investments (Hong Kong) Limited, at Level 25, One Exchange Square, 8

Connaught Place, Central, Hong Kong. The Chinese version of the revised Explanatory Memorandum and Product Key Facts Statement are also available at the same address.

E. Further Enquiries

Should you have any questions relating to the above matters, please contact us on the Manager's Investor Services Hotline on +852 2846 7566, fax +852 2868 4742 or alternatively contact your investment consultant.

Yours faithfully

For and on behalf of
First State Investments (Hong Kong) Limited

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Appendix I

Summary of key revised investment restrictions/requirements and borrowing limit pursuant to the revised Code and information on net derivative exposure

The key amendments to the investment restrictions and borrowing restrictions of the Fund are as follows:

(a) the aggregate value of the Fund's investments in, or exposure to, any single entity (other than Government and other public securities) through the following may not exceed 10% of its latest available Net Asset Value:

  (i) investments in securities issued by that entity;

  (ii) exposure to that entity through underlying assets of financial derivative instruments; and

  (iii) net counterparty exposure to that entity arising from transactions of over-the-counter financial derivative instruments;

(b) subject to the requirements under the revised Code, the aggregate value of the Fund's investments in, or exposure to, entities within the same group (i.e. generally, entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognized accounting standards) through the following may not exceed 20% of its latest available Net Asset Value:

  (i) investments in securities issued by those entities;

  (ii) exposure to those entities through underlying assets of financial derivative instruments; and

  (iii) net counterparty exposure to those entities arising from transactions of over-the-counter financial derivative instruments;

(c) the value of the Fund's cash deposits made with the same entity or entities within the same group may not exceed 20% of its latest available Net Asset Value provided that the 20% limit may be exceeded in certain circumstances specified in the revised Code;

(d) the Fund may not invest in physical commodities unless otherwise approved by the SFC and disclosed in the Fund's investment policy;

(e) subject to the requirements under the revised Code, the Fund may not lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person;

(f) the maximum borrowing of the Fund shall be reduced from 25% to 10% of its latest available Net Asset Value;

(g) the Fund may under its existing investment policy acquire financial derivative instruments for the purposes of efficient portfolio management and hedging against market and exchange rate risks, subject to the limit that the Fund's net exposure relating to these financial derivative instruments ("**net derivative exposure**") does not exceed 50% of its latest available Net Asset Value.

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Net derivative exposure shall be calculated in accordance with the Code and the requirements and guidance issued by the SFC which may be updated from time to time.

For the avoidance of doubt, there is no change to the Fund's use of derivatives. Financial derivative instruments acquired for hedging purposes will not be counted towards the 50% limit so long as there is no residual derivative exposure arising from such hedging arrangement.

(h) to limit the exposure to each counterparty, the Fund may receive collateral from such counterparty, provided that the collateral complies with the requirements in the revised Code. Currently, the Fund may receive cash as collateral in relation to over-the-counter derivative transactions.