中国平安资产管理（香港）
PING AN OF CHINA ASSET MANAGEMENT (HONG KONG)

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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, the opinions expressed in this Notice have been arrived at after due and careful consideration.

Investments involve risks, including the loss of principal. You are advised to consider your investment objectives and circumstances in determining the suitability of an investment in the Fund. An investment in the Fund may not be suitable for everyone.

SFC authorisation is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

This notice is important and requires your immediate attention. If you are in doubt about the contents of this Notice, you should consult your financial planner, bank manager, solicitor, accountant or other professional adviser.

Ping An of China Select Investment Fund Series (the "Fund")
Ping An of China SIF – RMB Bond Fund (the "Sub-Fund")

Notice to Unitholders

Issued by
Ping An of China Asset Management (Hong Kong) Company Limited
(as the Manager)

All capitalised terms in this notice shall have the same meaning as in the Explanatory Memorandum of the Trust and the Sub-Fund (the "Explanatory Memorandum") dated March 2013 as amended from time to time, unless otherwise stated.

The manager of the Fund and the Sub-Fund, Ping An of China Asset Management (Hong Kong) Company Limited (the "**Manager**") wish to inform you that, with effect from 31 December 2019 (the "**Effective Date**") the following changes will be made:

<u>Changes and enhancements in Investment Strategy</u>

<u>Changes in Investment Strategy</u>

From the Effective Date, the investment strategy and policy of the Sub-Fund will be changed so that:

(i) The Sub-Fund will invest primarily (i.e. 70% to 100% of its Net Asset Value) in RMB denominated instruments including fixed income instruments, asset backed securities (subject to the limit, i.e. 30% of its Net Asset Value, as described below), convertible bonds, commercial papers and short term bills and notes ("**Income Instruments**").

Such RMB denominated Income Instruments may be (i) issued or distributed within mainland China via Bond Connect or (ii) in offshore markets (including but not limited to Dim Sum bonds in Hong Kong, Formosa bonds in Taiwan).

(ii) The Sub-Fund may have up to 30% of its net FX exposure in non-RMB denominated assets. Accordingly, the Sub-Fund may invest up to 30% of its Net Asset Value in Income Instruments denominated in currencies other than RMB.

(iii) The Sub-Fund may use financial derivative instruments for hedging or non-hedging purposes such that its net derivative exposure will not exceed 50% of its Net Asset Value.

(iv) The Sub-Fund may enter into securities lending transactions, sale and repurchase transactions, reverse repurchase transactions (together “**Securities Financing Transactions**”) or other similar over-the-counter transactions for up to 15% of the assets of the Sub-Fund.

Reasons for the Changes

In relation to changes (i) and (ii) above, the Manager would like to make the changes to meet market demand in terms of providing exposure to onshore China debt securities via Bond Connect, to allow a wider investable universe for the Sub-Fund in order to have better credit diversification, and to provide additional tools for the Sub-Fund to manage foreign exchange, rates and credit risks. In relation to changes (iii) and (iv) above, the Manager would like greater flexibility for the Sub-Fund to engage in securities financing transactions and to use financial derivative instruments to achieve its investment objective.

Additional Risks due to Changes in Investment Strategy

The Sub-Fund will be subject to additional risks due to the changes in investment strategy, as set out below:

Risks associated with the increased investment via Bond Connect

Investing in the China interbank bond market via Bond Connect is subject to regulatory risks and various risks such as volatility risk, liquidity risk, settlement and counterparty risk as well as other risk factors typically applicable to debt securities. The relevant rules and regulations on investment in the China interbank bond market via Bond Connect are subject to change which may have potential retrospective effect. In the event that the relevant mainland Chinese authorities suspend account opening or trading on the China interbank bond market, the Sub-Fund’s ability to invest in the China interbank bond market will be adversely affected. In such event, the Sub-Fund’s ability to achieve its investment objective will be negatively affected.

Currency risks associated with increased FX exposure to non-RMB denominated assets

Underlying investments of the Sub-Fund may be denominated in currencies other than its base currency. The its Net Asset Value of the Sub-Fund may be affected unfavorably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.

Risks associated with investments in FDIs

Risks associated with FDI include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element and component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Sub-Fund. Exposure to FDI may lead to a high risk of significant loss by the Sub-Fund.

Risks associated with Securities Financing Transactions

Securities lending transactions – Securities lending transactions may involve the risk that the borrower may fail to return the securities lent out in a timely manner and the value of the collateral may fall below the value of the securities lent out.

Sale and repurchase transactions – In the event of the failure of the counterparty with which collateral has been placed, a Sub-Fund may suffer loss as there may be delays in recovering collateral placed out or the cash originally received may be less than the collateral placed with the counterparty due to inaccurate pricing of the collateral or market movements. The Sub-Fund may also be subject to legal risk, operational risk, liquidity risk of the counterparty and custody risk of the collateral.

Reverse-repurchase transactions – In the event of the failure of the counterparty with which cash has been placed, the Sub-Fund may suffer loss as there may be delay in recovering cash placed out or difficulty in realising collateral or proceeds from the sale of the collateral may be less than the cash placed with the counterparty due to inaccurate pricing of the collateral or market movements. The Sub-Fund may also be subject to legal risk, operational risks, liquidity risk of the counterparty and custody risk of the collateral.

Enhancements and Clarifications in Investment Strategy

Other than the changes to investment strategy set out above, the Manager would also like to enhance and clarify the current disclosure of investment strategy of the Sub-Fund to provide further information and relevant thresholds in relation to different types of instruments that the Sub-Fund may invest in, as set out below:

(a) The Sub-Fund may invest up to 30% of its Net Asset Value in debt instruments with loss-absorption features (“**LAPs**”), including contingent convertible debt securities, subordinated debts, Tier 2 Capital and Additional Tier 1 Capital etc. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

(b) The Sub-Fund may invest up to 30% of its Net Asset Value in fixed income instruments that are below investment grade or unrated.

(c) The Sub-Fund may invest up to 100% in debt securities issued and/or guaranteed by a single sovereign issuer – i.e. China (including its government, quasi-government entity, central bank, public and/or local authorities).

(d) The Sub-Fund may invest up to 30% of its Net Asset Value in (1) urban investment bonds, which are debt instruments issued by mainland local government financing vehicles ("**LGFVs**") in the listed bond and interbank bond market in mainland China, and/or (2) collateralised and/or securitised products such as asset backed securities, mortgage backed securities and asset backed commercial papers). These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for public welfare investment or infrastructure projects.

The risks factors relating to the instruments as described above will also be enhanced in the revised Offering Documents as appropriate (please refer to the section “General” below). Investors are urged to consider the risks of the investments of the Sub-Fund.

Increase in maximum custody fee rate

With effect from the Effective Date, the maximum rate of custody fee will be increased from up to 0.025% to 0.03% per annum of the Net Asset Value of the Sub-Fund.

The reason for the change is a result of the increased investment through Bond Connect.

Impact on the Sub-Fund

Other than as outlined above, namely the changes to the investment strategy and the increase in the maximum custody fee, the changes described in this Notice are not expected to change the operation of the Sub-Fund and/or manner in which the Sub-Fund is being managed or have effects on existing investors.

Other than the increase in maximum rate of custody fee, there are no other changes in the fee level/cost in managing the Sub-Fund as a result of the changes described in this Notice.

It is noted that:

- information relating to past performance of the Sub-Fund will continue to be shown in the KFS. Investors should however note that due to the change in investment strategy of the Sub-Fund, the circumstances under which performance prior to the Effective Date was achieved will no longer apply; and

- the Manager does not expect a substantive change to the ongoing charges figure of the Sub-Fund. The figures for the year ended 31 December 2018 are currently disclosed in the Product Key Facts Statement of the Sub-Fund (the "**KFS**"). The Manager will monitor the ongoing charges figure and, if necessary, update the figures in the KFS, in accordance with the relevant SFC guidance.

The costs (including legal fees and translation fees) incurred in connection with the changes described in this Notice will be approximately HK$450,000 and borne by the Sub-Fund. These costs are not expected to be material to the Sub-Fund, and hence are not expected to pose any material impact to the Net Asset Value of the Sub-Fund nor any significant adverse impact to Unitholders.

The Manager determines that there are no matters or impact arising from the changes described in this Notice that may materially prejudice the existing investors' rights or interests. The changes described in this Notice do not require Unitholders' approval. The Trustee does not have any objection to the changes described in this Notice.

UT Code updates

The Trust Deed of the Fund dated 11 April 2011, as amended from time to time (the "**Trust Deed**") will be amended by way of an amended and restated trust deed effective on the Effective Date. The Explanatory Memorandum and Product Key Facts Statement of the Sub-Fund (collectively, the "**Offering Documents**") will also be amended on the Effective Date.

The purpose of amending and restating the Trust Deed and updating the Offering Documents is to incorporate changes in compliance with the requirements of the revised Code on Unit Trusts and Mutual Funds (the "**UT Code**"). The revised UT Code came into effect on 1 January 2019 with a 12-month transition period for existing schemes (i.e. funds previously authorised by the SFC).

The changes to the Trust Deed relate to the following:

(i) the investment restrictions applicable to the Sub-Fund are revised to reflect the updated investment restrictions under Chapter 7 of the revised UT Code. Investors can refer to the section titled "Investment and Borrowing Restrictions" in the revised Explanatory Memorandum for the revised investment restrictions;

(ii) the maximum borrowing of the Sub-Fund will be reduced from 25% to 10% of its Net Asset Value in accordance with the revised UT Code;

(iii) investment restrictions under Chapter 8.2 (money market funds), Chapter 8.6 (unlisted index funds and index tracking exchange traded funds), Chapter 8.8 (Structured funds) and Chapter 8.9 (funds that invest extensively in financial derivative instruments) of the revised UT Code are also included in the Trust Deed for future sub-funds of the Fund (as may be applicable), although the Sub-Fund does not fall under these chapters of the revised UT Code and hence these are not applicable to the Sub-Fund;

(iv) enhanced obligations of the Trustee and the Manager respectively under the revised UT Code; and

(v) other changes to comply with the revised UT Code.

General

The revised Offering Documents reflecting the changes described above will be made available on or around the Effective Date on the Manager's website at http://asset.pingan.com.hk (this website has not been reviewed by the SFC) and at the Manager's office during normal working hours. A copy of the amended and restated Trust Deed of the Trust will be made available for inspection free of charge at the Manager's office during normal working hours after the Effective Date.

If you have any questions or require further information, please contact the Manager during normal working hours at Suite 2301, 23rd Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong or by telephone at (+852) 3762 9228.

The Manager accepts responsibility for the information contained in this notice as being accurate at the date hereof.

Ping An of China Asset Management (Hong Kong) Company Limited
29 November 2019