



United SSE 50 China ETF

Annual Report

for the financial year ended
30th June 2016

United SSE 50 China ETF

(Constituted under a Trust Deed in the Republic of Singapore)

MANAGER

UOB Asset Management Ltd
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UOB Plaza
Singapore 048624
Company Registration No. : 198600120Z

OPERATIONS ADDRESS

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DIRECTORS OF UOB ASSET MANAGEMENT

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CUSTODIAN

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AUDITORS

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SOLICITORS TO THE MANAGER

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SOLICITORS TO THE TRUSTEE

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United SSE 50 China ETF

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A) Fund Performance

Fund Performance/ Benchmark Returns	3 mth % Growth	6 mth % Growth	1 yr % Growth	3 yr Ann Comp Ret	5 yr Ann Comp Ret	10 yr Ann Comp Ret	Since Inception 12 November 2009 Ann Comp Ret
United SSE 50 China ETF	-5.98	-21.15	-34.22	7.57	0.78	N/A	-3.94
Benchmark	-4.23	-18.69	-31.00	10.23	2.62	N/A	-2.56

Source: Lipper, a Thomson Reuters Company.

Note: The performance returns of the Fund are in Singapore dollars based on a NAV-to-NAV basis with dividends and distributions reinvested, if any.

The benchmark of the Fund: SSE 50 Index.

For the 12 months ended 30 June 2016, the net asset value of the Fund **declined 34.2%** on a net asset value basis in Singapore dollar terms, compared to the benchmark SSE 50 Index which declined 31.0% during the same period.

Market and Portfolio Review

China's equity market tumbled at the start of 2016 after it suffered an unprecedented crash in the second half of 2015, followed by abrupt currency devaluation in August that sent shock waves through the global equity markets. China's stock markets were halted twice within a week in January 2016 after it triggered a 7 percent daily circuit breaker. The circuit breakers will pause trading for 15 minutes if a key index falls 5 percent and stop for the day with a decline of 7 percent. However, on a positive note, after weighing the feasibility, pros and cons, and in order to maintain market stability, China Securities Regulatory Commission (CSRC) decided to remove the circuit breaker mechanism. Investors were cheered by news of the removal. The People's Bank of China also raised its guidance rate for the yuan, which helped to calm the market.

China's economy grew 6.7 percent year-on-year in the first quarter of 2016, down slightly from the end of last year but comfortably within the government's targeted range. The Chinese economy has stabilized due to improved liquidity and sentiment in the property market. It is unclear whether the momentum is sustainable and it will be critical to re-engage private investment. The International Monetary Fund (IMF) also recently revised China's full-year forecast up to 6.5 percent from 6.3 percent, affirming China's efforts to stimulate growth as well as its ability to rebalance its economy. However, the IMF is cautious about corporate debt in China as it is now triple compared to 2010 and credit is growing twice as fast as nominal GDP. Thus, IMF has recommended more policy buffers such as State-Owned Enterprise restructuring and employment projects to accommodate laid-off works. China has promised more market opening reforms in making the financial system more market oriented and reducing the government's role in business.

United SSE 50 China ETF

(Constituted under a Trust Deed in the Republic of Singapore)

As of 15 June 2015, the SSE 50 Index had an index review and rebalancing, which will be effective between 15 June 2015 and 13 December 2015. During this index review, five constituents were changed. **Shanghai Fosun Pharmaceutical (Group) Co. Ltd** (healthcare), **Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited** (healthcare), **China Avionics System Co. Ltd** (industrials), **Sanan Optoelectronics Co. Ltd** (information technology) and **China Hainan Rubber Industry Group Co. Ltd** (consumer discretionary) were removed from the index and replaced by **Bank of China Ltd** (financials), **China Railway Construction Co Ltd** (industrials), **China Railway Group Limited** (industrials), **China Communications Construction Company Limited** (industrials) and **Orient Securities Company Limited** (financials).

As of 14 December 2015, five constituents were changed during the index review and rebalancing for the SSE 50 Index, effective between 14 December 2015 and 12 June 2016. **TBEA Co. Ltd** (industrials), **GuangHui Energy Co. Ltd** (energy), **Nari Technology Co. Ltd** (industrials), **Offshore Oil Engineering Co Ltd** (energy) and **Qingdao Haier Co Ltd** (consumer discretionary) were removed from the index and replaced by **GD Power Development Co Ltd** (utilities), **Guotai Junan Securities Co. Ltd** (financials), **New China Life Insurance Co Ltd** (financials), **Power Construction Corporation of China Ltd** (industrials) and **China National Nuclear Power Co. Ltd** (utilities).

As of 13 June 2016, the SSE 50 Index had another index review and rebalancing, which will be effective between 13 June 2016 and 11 December 2016. During this index review, five constituents were changed. **Shanghai International Port (Group) Co Ltd** (industrials), **China CSSC Holdings Limited** (industrials), **Anhui Conch Cement Co Ltd** (materials), **Hua Xia Bank Co Ltd** (financials) and **Founder Securities** (financials) were removed from the index and replaced by **China Southern Airlines Co Ltd** (industrials), **Industrial Securities Co Ltd** (financials), **Everbright Securities Co Ltd** (financials), **Shanghai Electric Group Co Ltd** (industrials) and **China Cosco Holdings Co Ltd** (industrials).

Market Outlook

Investors are in general more cautious towards the full-year trend in the equity market in 2016 as there will likely be less liquidity injection as compared to last year. China has recently considered reforming its regulation of initial public offerings (IPOs) in equity markets and current policy allows more IPOs in rising markets but restricts new issues in falling markets, possibly to avoid pushing down the values of existing stocks. There have been marginal improvements in economic data but it remains to be seen whether the recovery is sustainable. China's growth is expected to stabilize as a result of earlier monetary loosening, government spending and a property market pick-up. Structural challenges in terms of overcapacity and high debt levels remain, but on a positive note, the economic rebalancing is accelerating.

United SSE 50 China ETF

(Constituted under a Trust Deed in the Republic of Singapore)

Disclosures

The Fund invests in Participatory Notes (the P-Notes) and the value of the P-Notes is linked to a composite portfolio comprising an underlying basket of A-Shares, closely corresponding to the performance of the SSE 50 Index.

BNP Paribas posts collateral for any value of the P-Notes issued by BNP Paribas held by the Trustee on behalf of the Fund that is above 10% of the Net Asset Value of the Fund in order to reduce the Fund's exposure to BNP Paribas to not more than 10% of the Net Asset Value of the Fund. It is intended that the collateral would be placed in a trust or custodian account charge and assigned to the Trustee as trustee for the Fund. The detail of the collaterals as of 30 June 2016 is as follows:

Name	Value (SGD)	Natural of Collateral
BUNDES REP 2.500 040744 EUR	9,386,918.35	Government Bond
GERMANY (REP OF) 4.25P 0717	4,712,065.66	Government Bond
GERMANY 4.75P28	8,078,695.77	Government Bond
GERMANY (FED) 5.500 040131 EUR	24,144,311.76	Government Bond

United SSE 50 China ETF

(Constituted under a Trust Deed in the Republic of Singapore)

B) Investments at fair value and as a percentage of NAV as at 30 June 2016 under review classified by

i) Country

Please refer to the Statement of Portfolio on page 15

ii) Industry

Please refer to the Statement of Portfolio on page 15

iii) Asset Class

Please refer to the Statement of Portfolio on page 15

iv) Credit rating of debt securities

N/A

C) Top Ten Holdings

The top 10 holdings as at 30 June 2016 and 30 June 2015

30 June 2016⁺

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
BNP PARIBAS ARBITRAGE ISSUANCE B.V. (UNITED SSE 50 CHINA ETF) P-NOTE 08/11/2017	29,175,275	100.55

* There was only 1 holding as at 30 June 2016

30 June 2015⁺

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
BNP PARIBAS ARBITRAGE ISSUANCE B.V. (UNITED SSE 50 CHINA ETF) P-NOTE 03/11/2015	47,230,138	100.04

* There was only 1 holding as at 30 June 2015

United SSE 50 China ETF

(Constituted under a Trust Deed in the Republic of Singapore)

D) Exposure to derivatives

- i) fair value of derivative contracts and as a percentage of NAV as at 30 June 2016

	Contract or underlying principal amount \$	Positive fair value \$	% of NAV
P-notes	29,175,275	3,079,544	10.61

- ii) there was a net loss of SGD 16,591,853 on derivative contracts realised during the financial year ended 30 June 2016
- iii) there was a net gain of SGD 3,079,544 on outstanding derivative contracts marked to market as at 30 June 2016

E) Amount and percentage of net asset value (NAV) invested in other schemes as at 30 June 2016

N/A

F) Amount and percentage of borrowings to net asset value (NAV) as at 30 June 2016

N/A

G) Amount of redemptions and subscriptions for the financial year ended 30 June 2016

Total amount of redemptions	SGD	5,985,000
Total amount of subscriptions	SGD	2,626,600

H) The amount and terms of related-party transactions for the financial year ended 30 June 2016

- i) As at 30 June 2016 the Fund maintained current account with The Hongkong and Shanghai Banking Corporation Limited as follows:

The Hongkong and Shanghai Banking
Corporation Limited

Bank balances SGD 55,467

- ii) Purchase/holdings of UOBAM unit trusts by UOB or its affiliated companies as at 30 June 2016

N/A

United SSE 50 China ETF
(Constituted under a Trust Deed in the Republic of Singapore)

H) The amount and terms of related-party transactions for the financial year ended 30 June 2016 (continued)

iii) Investment in Initial Public Offerings managed by UOB Group

N/A

iv) As at 30 June 2016 there was no brokerage income earned by UOB Kay Hian Pte Ltd.

I) Expense ratios

	2016	2015
Expense ratio (excluding collateral fee and running fee)	2.52%	1.34%
Expense ratio (including collateral fee and running fee)	4.14%	2.74%

Note: The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio at 30 June 2016 was based on total operating expenses of \$841,541 (2015: \$706,432) divided by the average net asset value of \$33,387,969 (2015: \$52,823,086) for the year. The total operating expenses do not include (where applicable) brokerage and other transactions costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Fund does not pay any performance fee. The average net asset value is based on the daily balances.

J) Turnover ratios

30 June 2016	110.34%
30 June 2015	647.69%

Note: The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of the total value of purchases or sales of the underlying investments, being purchases of \$36,838,816 (2015: purchases of \$342,127,302) divided by the average daily net asset value of \$33,387,969 (2015: \$52,823,086).

K) Any material information that will adversely impact the valuation of the scheme such as contingent liabilities of open contracts

N/A

United SSE 50 China ETF

(Constituted under a Trust Deed in the Republic of Singapore)

L) For schemes which invest more than 30% of their deposited property in another scheme, the following key information on the second-mentioned scheme (“the underlying scheme”)¹ should be disclosed as well

- i) top 10 holdings at fair value and as percentage of NAV as at 30 June 2016 and 30 June 2015

N/A

- ii) expense ratios for the financial year ended 30 June 2016 and 30 June 2015

N/A

- iii) turnover ratios for the financial year ended 30 June 2016 and 30 June 2015

N/A

M) Soft dollar commissions/arrangements

UOB Asset Management has entered into soft dollars arrangements with selected brokers from whom products and services are received from third parties. The products and services relate essentially to computer hardware and software to the extent that they are used to support the investment decision making process, research and advisory services, economic and political analyses, portfolio analyses including performance measurements, market analyses, data and quotation services, all of which are believed to be helpful in the overall discharge of UOB Asset Management’s duties to clients. As such services generally benefit all of UOB Asset Management’s clients in terms of input into the investment decision making process, the soft credits utilised are not allocated on a specific client basis. The Manager confirms that trades were executed on a best execution basis and there was no churning of trades.

There are no soft dollars, rebates, commissions or other money incentives generated by the Fund.

N) Where the scheme offers pre-determined payouts, an explanation on the calculation of the actual payouts received by participants and any significant deviation from the pre-determined payouts

N/A

¹ where the underlying scheme is managed by a foreign manager which belongs to the same group of companies as, or has a formal arrangement or investment agreement with, the Singapore manager, the above information should be disclosed on the underlying scheme. In other cases, such information on the underlying scheme should be disclosed only if it is readily available to the Singapore manager.

United SSE 50 China ETF

(Constituted under a Trust Deed in the Republic of Singapore)

REPORT OF THE TRUSTEE

The Trustee is under a duty to take into custody and to hold the assets of United SSE 50 China ETF (the “Fund”) in trust for the unitholders. In accordance with the Securities and Futures Act (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting year and report thereon to unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the year covered by these financial statements, set out on pages 12 to 27, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee
HSBC INSTITUTIONAL TRUST SERVICES (SINGAPORE) LIMITED

Authorised signatory

21 September 2016

United SSE 50 China ETF

(Constituted under a Trust Deed in the Republic of Singapore)

STATEMENT BY THE MANAGER

In the opinion of the directors of UOB Asset Management Ltd, the accompanying financial statements set out on pages 12 to 27, comprising the Statement of Total Return, Statement of Financial Position, Statement of Movements of Unitholders' Funds, Statement of Portfolio and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of United SSE 50 China ETF (the "Fund") as at 30 June 2016 and the total deficit and changes in unitholders' funds for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that the Fund will be able to meet its financial obligations as and when they materialise.

For and on behalf of the Manager
UOB ASSET MANAGEMENT LTD

THIO BOON KIAT
Authorised signatory

21 September 2016

United SSE 50 China ETF

(Constituted under a Trust Deed in the Republic of Singapore)

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF UNITED SSE 50 CHINA ETF

(Constituted under a Trust Deed in the Republic of Singapore)

We have audited the accompanying financial statements of United SSE 50 China ETF (the "Fund"), which comprise the Statement of Financial Position and Statement of Portfolio as at 30 June 2016, the Statement of Total Return and Statement of Movements of Unitholders' Funds for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 12 to 27.

Manager's Responsibility for the Financial Statements

The Fund's Manager (the "Manager") is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements 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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 30 June 2016 and the total deficit for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 21 September 2016

United SSE 50 China ETF
(Constituted under a Trust Deed in the Republic of Singapore)

STATEMENT OF TOTAL RETURN

For the financial year ended 30 June 2016

	Note	2016 \$	2015 \$
Income			
Dividends		788,679	1,360,264
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Less: Expenses			
Management fee	8	150,369	237,650
Trustee fee	8	42,000	42,510
Audit fee		25,500	25,500
Custody fee	8	139,030	-
Maintenance fee	8	100,246	158,503
Collateral fee		537,587	737,201
Transaction costs		41,911	74,362
Other expenses ¹		1,052,642	242,269
		2,089,285	1,517,995
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Net loss		(1,300,606)	(157,731)
<hr/>			
Net gains or losses on value of investments			
Net (loss)/gain on investments		(13,512,309)	39,850,761
Net foreign exchange gain/(loss)		10	(129)
		(13,512,299)	39,850,632
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Total (deficit)/return for the year before income tax		(14,812,905)	39,692,901
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Less: Capital gains (tax)/reversal	3	(21,484)	6,789
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Total (deficit)/return for the year		(14,834,389)	39,699,690
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¹ Included in the 'Other expenses' is running fee of an amount \$668,246. In the previous years, running fee was priced into the participatory notes (the "P-Notes") by the issuer during incidences of index rebalancing by entering into back-to-back P-Note transactions. Due to a change in the arrangement of P-Notes, no issuance of New P-Notes was required and the running fee was incurred and expensed separately.

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

United SSE 50 China ETF
(Constituted under a Trust Deed in the Republic of Singapore)

STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	2016 \$	2015 \$
ASSETS			
Portfolio of investments		29,175,275	47,230,138
Receivables	4	-	17,062
Cash and bank balances		55,467	321,309
Total Assets		29,230,742	47,568,509
LIABILITIES			
Payables	5	215,593	360,571
Total Liabilities		215,593	360,571
EQUITY			
Net assets attributable to unitholders	6	29,015,149	47,207,938

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

United SSE 50 China ETF
(Constituted under a Trust Deed in the Republic of Singapore)

STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS

For the financial year ended 30 June 2016

	Note	2016 \$	2015 \$
Net assets attributable to unitholders at the beginning of the financial year		47,207,938	44,381,948
Operations			
Change in net assets attributable to unitholders resulting from operations		(14,834,389)	39,699,690
Unitholders' contributions/(withdrawals)			
Creation of units		2,626,600	-
Cancellation of units		(5,985,000)	(36,873,700)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		(3,358,400)	(36,873,700)
Total (decrease)/increase in net assets attributable to unitholders		(18,192,789)	2,825,990
Net assets attributable to unitholders at the end of the financial year	6	29,015,149	47,207,938

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

United SSE 50 China ETF

(Constituted under a Trust Deed in the Republic of Singapore)

STATEMENT OF PORTFOLIO

As at 30 June 2016

	Holdings at 30 June 2016	Fair value at 30 June 2016 \$	Percentage of total net assets attributable to unitholders at 30 June 2016 %
By Geography - Primary			
CHINA			
BNP PARIBAS ARBITRAGE ISSUANCE B.V. (UNITED SSE 50 CHINA ETF) P-NOTE 08/11/2017	14,495,000	29,175,275	100.55
Portfolio of investments		29,175,275	100.55
Other net liabilities		(160,126)	(0.55)
Net assets attributable to unitholders		29,015,149	100.00

	Percentage of total net assets attributable to unitholders at 30 June 2016 %	Percentage of total net assets attributable to unitholders at 30 June 2015 %
By Geography - Primary (Summary)		
CHINA	100.55	100.04
Portfolio of investments	100.55	100.04
Other net liabilities	(0.55)	(0.04)
Net assets attributable to unitholders	100.00	100.00

As the Fund invests only into one participatory note, no secondary representation is considered necessary.

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

United SSE 50 China ETF
(Constituted under a Trust Deed in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

United SSE 50 China ETF (the “Fund”) is a Singapore registered trust fund constituted by a Trust Deed dated 8 October 2009 between UOB Asset Management Ltd (the “Manager”) and HSBC Institutional Trust Services (Singapore) Limited (the “Trustee”). The Deed is governed by the laws of the Republic of Singapore.

The primary activity of the Fund is to invest in a type of market access product known as participatory notes (the “P-Notes”) to be issued by suitably rated P-Notes issuer(s), which will be linked to a composite portfolio (the “Composite Portfolio”) comprising of an underlying basket of the A-Shares held by the relevant Qualified Foreign Institutional Investor (“QFII”) and designed to track as closely as possible, before fees, costs and expenses (including any taxes and withholding taxes), the performance of the SSE 50 China Index.

Subscriptions and redemptions of the units are denominated in Singapore Dollar.

2. Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, modified by the revaluation of financial assets at fair value through profit or loss, and in accordance with the recommendations of Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” issued by the Institute of Singapore Chartered Accountants.

(b) Recognition of income

Dividend income is recognised when the right to receive payment is established.

(c) Investments

Investments are classified as financial assets at fair value through profit or loss.

(i) *Initial recognition*

Purchase of investments are recognised on the trade date. Investments are recorded at fair value on initial recognition.

United SSE 50 China ETF

(Constituted under a Trust Deed in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

2. Significant accounting policies (continued)

(c) Investments (continued)

(ii) *Subsequent measurement*

Investments are subsequently carried at fair value. Net change in fair value on investments are included in the Statement of Total Return in the year in which they arise.

(iii) *Derecognition*

Investments are derecognised on the trade date of disposal. The resultant realised gains and losses on the sales of investments are computed on the basis of the difference between the weighted average cost and selling price gross of transaction costs, and are taken up in the Statement of Total Return.

(d) Basis of valuation of investments

The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The fair value of P-Notes which are not traded in active markets is based on quotation from market maker at the end of each reporting period.

(e) Foreign currency translation

(i) *Functional and presentation currency*

The Fund's investors are mainly from Singapore with the subscriptions and redemptions of the units denominated in Singapore Dollar.

The performance of the Fund is measured and reported to the investors in Singapore Dollar. The Manager considers the Singapore Dollar as the currency of the primary economic environment in which the Fund operates. The financial statements are presented in Singapore Dollar, which is the Fund's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Total Return. Translation differences on non-monetary financial assets and liabilities are also recognised in the Statement of Total Return within the net gain or loss on investments.

United SSE 50 China ETF
(Constituted under a Trust Deed in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

2. Significant accounting policies (continued)

(f) Expenses charged to the Fund

All direct expenses relating to the Fund are charged directly to the Statement of Total Return. In addition, certain expenses shared by all unit trusts managed by the Manager are allocated to each Fund based on the respective Fund's net asset value.

(g) Financial derivatives

Financial derivatives including forwards and swaps are entered into for the purposes of efficient portfolio management, tactical asset allocation or specific hedging of financial assets held as determined by the Manager and in accordance with the provision of the Trust Deed and the Code on Collective Investment Schemes.

Financial derivatives outstanding on the reporting date are valued at the forward rate or at the current market prices using the "mark-to-market" method, as applicable, and the resultant gains and losses are taken up in the Statement of Total Return.

(h) Distribution

The Manager has the absolute discretion to determine whether a distribution is to be made. In such an event, an appropriate amount will be transferred to a distribution account to be paid out on the distribution date. The amount shall not be treated as part of the property of the Fund. Distributions are accrued for at the reporting date if the necessary approvals have been obtained and a legal or constructive obligation has been created.

3. Income tax

	2016	2015
	\$	\$
Capital gain tax/(tax reversal)	21,484	(6,789)

The Fund was granted the status of an Enhanced-Tier Fund under Section 13X of the Income Tax Act by the Monetary Authority of Singapore. Subject to certain conditions, the Fund will be granted tax exemption on specified income from designated investments for the life of the Fund. The terms "specified income" and "designated investments" are defined in the relevant income tax regulations and MAS circulars.

United SSE 50 China ETF
(Constituted under a Trust Deed in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

3. Income tax (continued)

In addition, the Fund has exposure to China A-shares through P-Notes issued by brokers in the Qualified Foreign Institutional Investors (“QFII”) programme. There is significant uncertainty over the People’s Republic of China’s (“PRC”) taxation on capital gains derived from China A-shares for any transaction prior to 17 November 2014.

The capital gain tax represents tax accrued for gains from trading of P-Notes which link to the Composite Portfolio comprising of an underlying basket of the A-shares.

4. Receivables

	2016	2015
	\$	\$
Dividend receivable	-	1
Input tax credit refund	-	17,061
	<hr/>	<hr/>
	-	17,062

5. Payables

	2016	2015
	\$	\$
Amount due to Manager	56,438	101,294
Amount due to Trustee	10,500	11,010
Other creditors and accrued expenses	148,655	248,267
	<hr/>	<hr/>
	215,593	360,571

United SSE 50 China ETF
(Constituted under a Trust Deed in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

6. Units in issue

During the year ended 30 June 2016 and 2015, the number of units issued, redeemed and outstanding were as follows:

	2016	2015
Units at the beginning of the year	16,652,000	32,052,000
Units created	1,300,000	-
Units cancelled	(2,400,000)	(15,400,000)
Units at the end of the year	15,552,000	16,652,000
Net assets attributable to unitholders (\$)	29,015,149	47,207,938
Net asset value per unit (\$)	1.865	2.834

A reconciliation of the net assets attributable to unitholders per unit per the financial statements and the net assets attributable to unitholders per unit for issuing/redeeming units at the financial year end date is presented below:

	2016	2015
	\$	\$
Net assets attributable to unitholders per unit per the financial statements	1.865	2.834
Under accrual for collateral fee	0.007	0.012
Net assets attributable to unitholders per unit for issuing/ redeeming units	1.872	2.846

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

7. Financial risk management

The Fund's activities expose it to a variety of financial risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Fund's overall risk management programme seeks to minimise potential adverse effects on the Fund's financial performance. The Fund may use financial futures contracts, financial options contracts and/or currency forward contracts subject to the terms of the Trust Deed to moderate certain risk exposures. Specific guidelines on exposures to individual securities and certain industries are in place for the Fund at any time as part of the overall financial risk management to reduce the Fund's risk exposures.

The Fund's assets principally consist of investments in P-Notes as provided in Note 1 to the financial statements. They are held in accordance with the published investment policies of the Fund. The allocation of assets between the various types of investments is determined by the Manager to achieve their investment objectives.

(a) Market risk

Market risk is the risk of loss arising from uncertainty concerning movements in market prices and rates, including observable variables such as interest rates, credit spreads, exchange rates, and others that may be only indirectly observable such as volatilities and correlations. Market risk includes such factors as changes in economic environment, consumption pattern and investor's expectation etc. which may have significant impact on the value of the investments. The Fund's investments are substantially dependent on changes in market prices. The Fund's investments are monitored by the Manager on a regular basis so as to assess changes in fundamentals and valuation. Although the Manager makes reasonable efforts in the choice of investments, events beyond reasonable control of the Manager could affect the prices of the underlying investments and hence the asset value of the Fund. Guidelines are set to reduce the Fund's risk exposures to market volatility such as diversifying the portfolio by investing across various geographies, alternatively, the Fund may be hedged using derivative strategies.

(i) Foreign exchange risk

The majority of the Fund's financial assets and liabilities are denominated in Singapore Dollar. Consequently, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of foreign currency rates.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

7. Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk

Price risk is the risk of potential adverse changes to the value of financial investments because of changes in market conditions and volatility in security prices. The Fund is designated to track the performance of the SSE 50 Index, therefore the exposure to price risk in the Fund will be substantially the same as the SSE 50 Index. As an exchange traded Fund, the Manager manages the Fund's exposure to price risk by ensuring the key characteristics of the portfolio, such as security weight and industry weight, is closely aligned to the SSE 50 Index characteristics.

Benchmark component	2016		2015	
	Net impact to net assets attributable to unitholders		Net impact to net assets attributable to unitholders	
	\$	%	\$	%
Shanghai SE 50 A-share Index	8,299,663	30	13,602,280	30

(iii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Investment funds that invest in equity securities may be subject to interest rate risk as any interest rate change may affect the equity risk premium though at varying degrees. To manage this risk, the Manager analyses how interest rate changes may affect different industries and securities and then seeks to adjust the Fund's portfolio investments accordingly. However, the effects of changes in interest rates on the Fund's portfolio may not be quantified as the relationship between the interest rates and the value of equity securities is indirect.

Other than cash and bank balances which are at short-term market interest rates and therefore subject to insignificant interest rate risk, the Fund's financial assets and liabilities are largely non-interest bearing.

Hence, no sensitivity analysis has been presented separately.

United SSE 50 China ETF

(Constituted under a Trust Deed in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

7. Financial risk management (continued)

(b) Liquidity risk

The Fund is exposed to daily cash redemptions and disbursements for the settlements of purchases. The Manager therefore ensures that the Fund maintains sufficient cash and cash equivalents and that it is able to obtain cash from the sale of investments held to meet its liquidity requirements. Reasonable efforts will be taken to invest in securities which are traded in a relatively active market and which can be readily disposed of.

At the end of the reporting year, the Fund's investments in P-Notes and other assets are realisable within one month.

The Manager may from time to time employ derivatives to implement a portfolio strategy to reduce risk or for the purpose of efficient portfolio management. Market liquidity of complex derivatives are significantly less than traditional investment instruments and such positions may therefore require a longer time to reverse than would be typically be expected for traditional investment instruments. No such investments were held at the reporting date.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

As at 30 June 2016

	Less than 3 months \$
Payables	<u>215,593</u>

As at 30 June 2015

	Less than 3 months \$
Payables	<u>360,571</u>

United SSE 50 China ETF

(Constituted under a Trust Deed in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

7. Financial risk management (continued)

(c) Credit risk

The Fund takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Fund's credit risk is concentrated on cash and bank balances, and amounts or securities receivable on the sale and purchase of investments respectively. In order to mitigate exposure to credit risk, all transactions in listed securities are settled/paid for upon delivery and transacted with approved counterparties using an approved list of brokers that are regularly assessed and updated by the Manager.

The table below summarises the credit rating of bank and custodian in which the Fund's assets are held as at 30 June 2016 and 2015.

The credit ratings are based on the Viability ratings published by the rating agency.

As at 30 June 2016

	Credit rating	Source of credit rating
<u>Bank</u>		
The Hongkong and Shanghai Banking Corporation Limited	aa-	Fitch
<u>Custodian</u>		
The Hongkong and Shanghai Banking Corporation Limited	aa-	Fitch

As at 30 June 2015

	Credit rating	Source of credit rating
<u>Bank</u>		
The Hongkong and Shanghai Banking Corporation Limited	aa-	Fitch
<u>Custodian</u>		
The Hongkong and Shanghai Banking Corporation Limited	aa-	Fitch

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

The Fund is exposed to BNP as the counterparty for the issuance of the P-Notes. BNP's credit rating per Fitch is a+. To limit the Fund's net exposure to BNP, BNP posts collateral to reduce the Fund's exposure to BNP to not more than 10% of the Fund's Net Asset Value at any time. The collateral is placed into a trust or custodian account in Hong Kong charged and assigned by BNP to the Trustee of the Fund.

United SSE 50 China ETF

(Constituted under a Trust Deed in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

7. Financial risk management (continued)

(d) Capital management

The Fund's capital is represented by the net assets attributable to unitholders. The Fund strives to invest the subscriptions of redeemable participating units in investments that meet the Fund's investment objectives while maintaining sufficient liquidity to meet unitholder redemptions.

(e) Fair value estimation

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value at 30 June 2016 and 2015:

As at 30 June 2016	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Financial assets at fair value through profit or loss				
- Participatory notes	-	29,175,275	-	29,175,275
As at 30 June 2015	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Financial assets at fair value through profit or loss				
- Participatory notes	-	47,230,138	-	47,230,138

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

7. Financial risk management (continued)

(e) Fair value estimation (continued)

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These comprise of P-Notes.

Except for cash and bank balances which are classified as Level 1, the Fund's assets and liabilities not measured at fair value at 30 June 2016 and 2015 have been classified as Level 2. The carrying amounts of these assets and liabilities approximate their fair values as at the reporting date.

8. Related party transactions

- (a) The Manager and the Trustee of the Fund are UOB Asset Management Ltd and HSBC Institutional Trust Services (Singapore) Limited respectively. UOB Asset Management Ltd is a subsidiary of United Overseas Bank Limited and HSBC Institutional Trust Services (Singapore) Limited is a subsidiary of HSBC Holdings Plc.

Management and maintenance fees are paid to the Manager, while trustee fee is paid to the Trustee. The custodian of the Fund is The Hongkong and Shanghai Banking Corporation Limited, to which custodian fees are paid. These fees paid or payable by the Fund are shown in the Statement of Total Return and in the respective Notes to the Financial Statements are on terms set out in the Trust Deed. All other related party transactions are shown elsewhere in the financial statements.

- (b) As at the end of the financial year, the Fund maintained the following accounts with a related party:

	2016	2015
	\$	\$
<u>The Hongkong and Shanghai Banking Corporation Limited</u>		
Bank balances	55,467	321,309

- (c) The following transactions took place during the financial year between the Fund and The Hongkong and Shanghai Banking Corporation Limited at terms agreed between the parties:

	2016	2015
	\$	\$
Bank charges	2,676	2,531

United SSE 50 China ETF
(Constituted under a Trust Deed in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

9. Financial ratios

	2016	2015
Expense ratio ¹ (excluding collateral fee and running fee)	2.52%	1.34%
Expense ratio ¹ (including collateral fee and running fee)	4.14%	2.74%
Turnover ratio ²	110.34%	647.69%

¹ The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio at 30 June 2016 was based on total operating expenses of \$841,541 (2015: \$706,432) divided by the average net asset value of \$33,387,969 (2015: \$52,823,086) for the year. The total operating expenses do not include (where applicable) brokerage and other transactions costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Fund does not pay any performance fee. The average net asset value is based on the daily balances.

² The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of the total value of purchases or sales of the underlying investments, being purchases of \$36,838,816 (2015: purchases of \$342,127,302) divided by the average daily net asset value of \$33,387,969 (2015: \$52,823,086).

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