United SSE 50 China ETF

Annual Report

for the financial year ended
30th June 2012

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大華資產管理

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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	0.87	2.33	-9.77	N/A	N/A	N/A	-14.39
Benchmark	0.05	2.23	-9.83	N/A	N/A	N/A	-14.26

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 net dividends reinvested.
The benchmark of the Fund: SSE 50 Index.

For the 12 months ended 30 June 2012, the Fund declined 9.77% on a net asset value basis in Singapore dollar terms, compared to the benchmark SSE 50 Index which declined 9.83% during the same period.

Market and Portfolio Review

Global economic uncertainty continues to plague the China stock market which continued to go through a tough period in the first half of 2012 with signs of capital flight from the market. The market rallied in April and the rebound momentum mainly came from the banking, coal and oil sectors. Although these industries have maintained strong performances, news of short selling and domestic economic slowdown caused investors to be cautious about injecting capital into the A-share market. This was evident in net outflows registered in all months, so far this year. Despite the strong performance in markets in April, net outflows of about US$2.9 billion were reported for the month. Investors continue to face huge liquidity pressure and financing difficulties as the Euro zone debt crisis persists; these added liquidity pressure to the Chinese stock market as well.

Inflation, which has been the main concern of the Chinese government, continued to ease beyond market expectation, from 3.4% year on year (y-o-y) in April to 3% y-o-y in May. With inflation easing, it has given the Chinese authorities more room to fine-tune its macroeconomic policies in the future. The People's Bank of China (POBC) has announced two rates cut within a month. The benchmark rate was cut by 25 basis points (bps) in June and July. Policy rate cuts should promote credit demand and should boost investment in the near term.

The June manufacturing PMI stayed above 50 but all the sub-indices were below 50 except for those of production and finished goods inventory. The sharp fall in new export orders was striking, predicting slower export growth in the months ahead. China's growth is clearly slowing down, GDP grew 8.9% y-o-y in 4Q11, delivering an annual growth of 9.2%, down from 10.4% in 2010. The quarterly growth was the slowest in ten quarters. In 1Q12, GDP grew by 8.1% y-o-y and the slowdown appears to have been driven by weaker domestic and external demand, as investment and consumption both slowed and contribution of net exports to growth turned to -0.8%. In response to the slowdown, the government has made stabilizing growth the top priority. China has unveiled selective easing measures featuring more fiscal spending, increased credit to support projects under construction and targeted easing the low-end property market. Thus, in order to contain inflation, the government may accept lower than potential growth. The government has now adopted a more accommodative stance that is supportive of economic growth and a rebound is technically less challenging if the policy easing continues.

During this period under review, the SSE 50 Index had two scheduled index review and rebalancing. At the end of June 2011, there were five changes made to the constituents for the SSE 50 Index, effective between 1 July 2011 and 31 December 2011. **Bank of China Ltd** (Financials), **China Citic Bank Corporation Limited** (Financials), **Everbright Securities Co Ltd** (Financials), **Metallurgical Corporation of China Co Ltd** (Industrials) and **Wuhan Iron and Steel Co Ltd** (Materials) were removed from the index and replaced by **Anhui Conch Cement Co Ltd** (Materials), **China Hainan Rubber Industry Group Co Ltd** (Consumer Discretionary), **CSR Co Ltd** (Industrials), **China Shipbuilding Industry Co Ltd** (Industrials) and **Yanzhou Coal Mining Co Ltd** (Energy).

Among the 50 index constituents, 4 constituents rose, while 46 constituents declined during the period from July to December 2011. All the constituents in the **Consumer Staples** and **Telecommunication Services** sectors posted positive returns. Two constituents posted positive returns and fifteen constituents posted negative returns in the **Financials** sector. All of the constituents in the **Consumer Discretionary**, **Energy**, **Industrials**, **Materials** and **Utilities** sectors fell.

At the end of December 2011, there were four constituents changed during the index review and rebalancing for the SSE 50 Index, effective between 1 January 2012 and 30 June 2012. **China Railway Group Ltd** (Industrials), **China Cosco Holdings Company Ltd** (Industrials), **China Construction Bank Corporation** (Financials) and **Huatai Securities Co. Ltd** (Financials) were removed from the index and replaced by **China CNR Corporation Ltd** (Industrials), **China Gezhouba Group Company Ltd** (Industrials), **Inner Mongolia Baotou Steel Union Co. Ltd** (Materials) and **Minmetals Development Co. Ltd** (Industrials).

Among the 50 index constituents, 31 constituents rose, while 19 constituents declined during the period from January to June 2012. All the constituents in the **Consumer Discretionary**, **Consumer Staples** and **Utilities** sectors posted positive returns. Thirteen constituents posted positive returns and four constituents posted negative returns in the **Financials** sector. Two constituents posted positive returns and five constituents posted negative returns in the **Energy** sector. Five constituents posted positive returns and five constituents posted negative returns in the **Industrials** sector. Eight constituents posted positive returns and four constituents posted negative returns in the **Materials** sector. All of the constituents in the **Telecommunication Services** sectors fell.

At the end of June 2012, the SSE 50 Index had another index review and rebalancing, which will be effective between 1 July 2012 and 31 December 2012. During this index review, 4 constituents were changed. **TBEA Co. Ltd** (Industrials), **Gemdale Corporation** (Financials), **Air China Ltd** (Industrials) and **Western Mining Co. Ltd** (Materials) were removed from the index and replaced by **Guanghui Energy Co** (Financials)**. Ltd**, **Inner Mongolia Yili Industrial Group Co. Ltd**, **Sinohydro Group Ltd** (Industrials) and **Founder Securities Co. Ltd** (Financials).

Market Outlook

In the near term, markets may continue to be bumpy as the effect of policy easing has not been absorbed across the overall economy with the developments in the Euro zone also adding to near term volatility. Corporate earnings have been squeezed due to slower economic growth. Continued policy moves should boost credit demand, facilitate economic activities and improve economic outlook, therefore reducing the downside risk going forward. However, the banks' ability and willingness to lend remains a challenge. With a supportive policy environment combined with attractive valuation close to or at the global financial crisis levels, there is a limited downside risk; this could be a positive catalyst for the China market going forward. However, the caveat lies with the Euro zone crisis which could lead to a global recession. In this case, China's stimulus measures in its current form will not be sufficient to cushion the fallout in the trade sector and the spillover effects on the domestic economy.

Disclosure

The Fund invests in two tranches of the Participatory Notes (the P-Notes), Tranche A P-Notes and Tranche B P-Notes. P-Note is a financial derivative instrument as its value is derived from the prices or values of a composite portfolio comprising an underlying basket of A-Shares, closely corresponding to the performance of the SSE 50 Index. The global exposure of the financial derivatives for the Fund is calculated based on the commitment approach. The calculation method shall be in the same manner as that prescribed for a total return swap i.e. the underlying market value of the reference assets.

Rabobank Hong Kong posts collateral for any value of the P-Notes issued by Rabobank 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 Rabobank 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 Jun 2012 is as follows:

Name	Value (SGD)	Nature of Collateral
Singapore T-Bills 20 Sep 12	47,970,720	Bond
Singapore T-Bills 05 Jul 12	1,999,920	Bond

B) Investments at fair value and as a percentage of NAV as at 30 June 2012 under review classified by

i) Country

Please refer to the Portfolio Statement on page 14

ii) Industry

Please refer to the Portfolio Statement on page 14

iii) Asset Class

Please refer to the Portfolio Statement on page 14

iv) Credit rating of debt securities

N/A

C) Top Ten Holdings

The top 10 holdings as at 30 June 2012 and 30 June 2011

30 June 2012+

	Fair Value (S$)	**Percentage of total net assets attributable to unitholders %**
RABOBANK NEDERLAND (BACKET STOCK 5892) WTS 14/11/2012	**27,127,721**	**66.79**
RABOBANK NEDERLAND (BACKET STOCK 5891) WTS 14/11/2012	**13,555,689**	**33.37**

The top 10 holdings as at 30 June 2011

30 June 2011+

	Fair Value (S$)	Percentage of total net assets attributable to unitholders %
RABOBANK NEDERLAND (BACKET STOCK 5892) WTS 14/11/2012	43,633,522	66.59
RABOBANK NEDERLAND (BACKET STOCK 5891) WTS 14/11/2012	21,952,353	33.51

+ *There were only 2 holdings as at 30 June 2012 and 30 June 2011*

D) Exposure to derivatives

i) fair value of derivative contracts and as a percentage of NAV as at 30 June 2012

	Contract or Underlying Principal amount $	Negative fair value $	% of NAV
P-notes	40,683,410	834,166	2.05

ii) there was a net loss of SGD 5,209,992 on derivative contracts realised during the financial year ended 30 June 2012

iii) there was a net loss of SGD 834,166 on outstanding derivative contracts marked to market as at 30 June 2012

E) Amount and percentage of net asset value (NAV) invested in other schemes as at 30 June 2012

N/A

F) Amount and percentage of borrowings to net asset value (NAV) as at 30 June 2012

N/A

G) Amount of redemptions and subscriptions for the financial year ended 30 June 2012

Total amount of redemptions	SGD	19,034,500
Total amount of subscriptions	SGD	-

H) The amount and terms of related-party transactions for the financial year ended 30 June 2012

i) As at 30 June 2012 the Fund maintained current account with HSBC Group as follows:

HSBC Group		
Bank balances	SGD	69,051

ii) Purchase/holdings of UOBAM unit trusts by UOB or its affiliated companies as at 30 June 2012

N/A

iii) Investment in Initial Public Offerings managed by UOB Group.

N/A

iv) As at 30 June 2012 there was no brokerage income earned by UOB Kay Hian Pte Ltd.

I) Expense ratios

30 June 2012	1.42%
30 June 2011	0.97%

Note: The expense ratio is computed in accordance with the IMAS guidelines on disclosure of expense ratios dated 25 May 2005. Brokerage and other transaction costs, interest expense, foreign exchange gains/losses, tax deducted at source or arising on income received and dividends paid to unitholders are not included in the expense ratio. The Fund does not pay any performance fees.

J) Turnover ratios

30 June 2012	0.00%
30 June 2011	5.75%

Note: The turnover ratio is calculated in accordance with the formula stated in the "Code on Collective Investment Schemes". As the Fund has not made any purchases during the year, the turnover ratio has been presented as nil.

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

N/A

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 2012 and 30 June 2011.

N/A

ii) expense ratios for the financial year ended 30 June 2012 and 30 June 2011. A footnote should state (where applicable) that the expense ratio does not include brokerage and other transaction costs, performance fee, foreign exchange gains/losses, front or back end loads arising from or arising out of income received.

N/A

iii) turnover ratios for the financial year ended 30 June 2012 and 30 June 2011.

N/A

M) Soft dollar commissions/arrangements

There were no soft dollar arrangements, rebates, commissions or other monetary incentives received by UOB Asset Management Ltd.

[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.*

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 (collectively referred to as the "laws and regulations"), 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 which shall contain the matters prescribed by the laws and regulations as well as the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore and the Trust Deed.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the financial year covered by these financial statements, set out on pages 12 to 23 comprising the Statement of Total Return, Balance Sheet, Portfolio Statement and Notes to the Financial Statements, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed, laws and regulations and otherwise in accordance with the provisions of the Trust Deed.

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

Authorised signatory
20 September 2012

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 23, comprising the Statement of Total Return, Balance Sheet, Portfolio Statement 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 2012 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 Certified Public Accountants of Singapore. 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

20 September 2012

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") set out on pages 12 to 23, which comprise the Balance Sheet and Portfolio Statement as at 30 June 2012, the Statement of Total Return for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 Certified Public Accountants of Singapore, 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 entity'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 entity's internal controls. 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 2012 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 Certified Public Accountants of Singapore.

PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants

Singapore, 20 September 2012

STATEMENT OF TOTAL RETURN
For the financial year ended 30 June 2012

	Note	2012 $	2011 $
Income			
Dividends		**1,015,745**	1,401,279
Other Income		**-**	283
		1,015,745	1,401,562
Less: Expenses			
Management fee	8	**226,135**	421,261
Trustee fee	8	**43,197**	74,891
Audit fee		**22,900**	23,240
Custody fee	8	**10,856**	12,686
Maintenance fee		**149,855**	218,371
Collateral fee		**122,979**	273,431
Other expenses		**259,195**	157,700
		835,117	1,181,580
Net gain		**180,628**	219,982
Net gains or losses on value of investments			
Net realised loss on investments		**(5,209,992)**	(7,139,307)
Net change in fair value on investments		**(834,166)**	13,111,164
Net foreign exchange loss		**(445)**	(172)
Net (loss)/gain on value of investments		**(6,044,603)**	5,971,685
Total (deficit)/return for the year		**(5,863,975)**	6,191,667

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

BALANCE SHEET
As at 30 June 2012

	Note	2012 $	2011 $
ASSETS			
Portfolio of investments		**40,683,410**	65,585,875
Cash and bank balances		**69,051**	37,150
Total Assets		**40,752,461**	65,623,025
LIABILITIES			
Payables	4	**133,458**	105,547
Net assets attributable to unitholders	5	**40,619,003**	65,517,478
Total Liabilities		**40,752,461**	65,623,025

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

PORTFOLIO STATEMENT
As at 30 June 2012

	Holdings at 30 June 2012	Fair value at 30 June 2012 $	Percentage of total net assets attributable to unitholders at 30 June 2012 %
By Geography - Primary			
CHINA			
RABOBANK NEDERLAND (BACKET STOCK 5891) WTS 14/11/2012	8,294,000	**13,555,689**	**33.37**
RABOBANK NEDERLAND (BACKET STOCK 5892) WTS 14/11/2012	16,598,000	**27,127,721**	**66.79**
Portfolio of investments		**40,683,410**	**100.16**
Other net liabilities		**(64,407)**	**(0.16)**
Net assets attributable to unitholders		**40,619,003**	**100.00**

	Percentage of total net assets attributable to unitholders at 30 June 2012 %	Percentage of total net assets attributable to unitholders at 30 June 2011 %
By Geography - Primary (Summary)		
CHINA	**100.16**	100.10
Portfolio of investments	**100.16**	100.10
Other net liabilities	**(0.16)**	(0.10)
Net assets attributable to unitholders	**100.00**	100.00

As the Fund invests only into two warrants, no secondary representation is considered necessary.

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2012

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.

2. Significant accounting policies

(a) Basis of accounting

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 Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Certified Public Accountants of Singapore.

The financial statements are expressed in Singapore dollars.

(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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2012

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 net of transaction costs, and are taken up in the Statement of Total Return.

(d) Basis of valuation of investments

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price for these investments held by the Fund is the current market quoted bid price.

(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 dollars.

The performance of the Fund is measured and reported to the investors in Singapore dollars. The Manager considers the Singapore dollars as the currency of the primary economic environment in which the Fund operates. The financial statements are presented in Singapore dollars, 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 fair value net gain or loss.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2012

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) Preliminary expenses

Preliminary expenses are expensed off in the Statement of Total Return as and when incurred.

3. Income tax

The Fund has been approved for the Enhanced-Tier Fund Tax Incentive Scheme under Section 13X of the Income Tax Act with effect from 31 December 2009. Subject to certain conditions, the Fund will be granted tax exemption on specified income in respect of any designated investment for the life of the Fund.

The lists of "specified income" and "designated investments" are defined in the Income Tax (Exemption of Income of Non-residents Arising from Funds Managed by Fund Manager in Singapore) Regulations 2010. The expanded list are defined in the MAS Circular (FDD Cir 03/2009) dated 30 April 2009.

4. Payables

	2012 **$**	2011 $
Amount due to Manager	**83,622**	71,948
Amount due to Trustee	**10,500**	4,258
Other creditors and accrued expenses	**39,336**	29,341
	133,458	105,547

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2012

5. Net assets attributable to unitholders

	2012 $	2011 $
At the beginning of the financial year	**65,517,478**	119,109,111
Operations		
Change in net assets attributable to unitholders resulting from operations	**(5,863,975)**	6,191,667
Unitholders' contributions/(withdrawals)		
Creation of units	**-**	5,412,000
Cancellation of units	**(19,034,500)**	(65,195,300)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	**(19,034,500)**	(59,783,300)
Total decrease in net assets attributable to unitholders	**(24,898,475)**	(53,591,633)
At the end of the financial year	**40,619,003**	65,517,478
Units in issue (Note 6)	**25,052,000**	36,552,000
	$	$
Net assets attributable to unitholders per unit	**1.62**	1.79

6. Units in issue

	2012	2011
Units at beginning of the year	**36,552,000**	67,252,000
Units created	**-**	3,000,000
Units cancelled	**(11,500,000)**	(33,700,000)
Units at end of the year	**25,052,000**	36,552,000

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2012

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 Prospectus 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 dollars. Consequently, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of foreign currency rates.

(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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2012

7. Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk (continued)

Benchmark component	**2012** Net impact to net assets attributable to unitholders $	**2012** %	2011 Net impact to net assets attributable to unitholders $	2011 %
Shanghai SE 50 A-share Index	**12,205,023**	**30**	19,479,005	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.

The Fund's financial assets and liabilities are largely non-interest bearing. Hence, the Fund is not subjected to risk due to fluctuations in the prevailing levels of market interest rates.

(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 balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2012

7. **Financial risk management** (continued)

(b) Liquidity risk (continued)

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet 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 2012

	Less than 3 months $
Payables	**133,458**
Net assets attributable to unitholders	**40,619,003**

As at 30 June 2011

	Less than 3 months $
Payables	105,547
Net assets attributable to unitholders	65,517,478

(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 banks and custodians in which the Fund's assets are held as at 30 June 2012 and 2011.

The credit ratings are based on the Bank Financial Strength ratings published by the rating agency.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2012

7. **Financial risk management** (continued)

(c) Credit risk (continued)

As at 30 June 2012	**Credit rating**	**Source of credit rating**
Bank		
HSBC Group	**B**	**Moody's**
Custodian		
HSBC Group	**B**	**Moody's**

As at 30 June 2011	Credit rating	Source of credit rating
Bank		
HSBC Group	B+	Moody's
Custodian		
HSBC Group	B+	Moody's

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

(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.

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 is paid to the Trustee. The custodian of the Fund is the Hongkong and Shanghai Banking Corporation, 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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2012

8. **Related party transactions** (continued)

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

	2012 $	2011 $
HSBC Group		
Bank balances	**69,051**	37,150

(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:

	2012 $	2011 $
Bank charges	**1,245**	1,372

9. **Financial ratios**

	2012	2011
Expense ratio[1]	**1.42%**	0.97%
Turnover ratio[2]	**-**	5.75%

1. *The expense ratio is computed in accordance with the IMAS guidelines on disclosure of expense ratios dated 25 May 2005. Brokerage and other transaction costs, interest expense, foreign exchange gains/losses, tax deducted at source or arising on income received and dividends paid to unitholders are not included in the expense ratio. The Fund does not pay any performance fees.*

2. *The turnover ratio is calculated in accordance with the formula stated in the "Code on Collective Investment Schemes". As the Fund has not made any purchases during the year, the turnover ratio has been presented as nil.*

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