



United SSE 50 China ETF

Annual Report

for the financial year ended
30th June 2014

United SSE 50 China ETF

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

MANAGER

UOB Asset Management Ltd
Registered Address:
80 Raffles Place
UOB Plaza
Singapore 048624
Company Registration No. : 198600120Z

OPERATIONS ADDRESS

80 Raffles Place
#06-00, UOB Plaza 2
Singapore 048624
Tel: 1800 22 22 228

DIRECTORS OF UOB ASSET MANAGEMENT

Terence Ong Sea Eng
Cheo Chai Hong
Thio Boon Kiat

TRUSTEE / REGISTRAR

HSBC Institutional Trust Services (Singapore) Limited
21 Collyer Quay
#10-02, HSBC Building
Singapore 049320

CUSTODIAN

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

AUDITORS

PricewaterhouseCoopers LLP
8 Cross Street
#17-00, PWC Building
Singapore 048424

SOLICITORS TO THE MANAGER

Allen & Gledhill LLP
One Marina Boulevard
#28-00
Singapore 018989

SOLICITORS TO THE TRUSTEE

Clifford Chance Pte. Ltd.
Marina Bay Financial Centre
25th Floor, Tower 3
12 Marina Boulevard
Singapore 018982

United SSE 50 China ETF

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

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	0.14	-10.19	-7.92	-8.40	N/A	N/A	-11.56
Benchmark	0.47	-9.32	-7.16	-7.62	N/A	N/A	-10.98

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 year ended 30 June 2014, the Fund **declined 7.9%** on a net asset value basis in Singapore dollar terms, compared to the benchmark SSE 50 Index which declined 7.2% during the same period.

Market and Portfolio Review

The China market continues to face headwinds from weaker external growth, slowing domestic demand as well as weak corporate earnings. The Chinese equity market experienced an increase in market volatility in the second half of 2013 as investors grew concerned about the high levels of debt in China, the possible losses from non-performing loans and the slower economic growth prospects. That made it the worst performing market in Asia. In the first half of 2014, China's economy looked to be in an initial recession with the prices of both housing and wealth management products tumbling. There are already signs of stress in China's financial system. Frequent surges in interbank rates, the near default in January of a RMB 3 billion wealth management product (issued by China Credit Trust), and the default on payment by Shanghai Chaori Solar Energy Science & Technology on payment of interest (the first domestic bond default), all point towards a clear intention of pushing forward market-oriented reforms. The multiple challenges faced by China's policymakers in rebalancing the economy, reforming the financial sector and achieving growth targets may be partially incompatible, making the near term outlook less predictable for investors.

Recent economic data in China is moderating with key economic and credit indicators progressively softening. China's first quarter 2014 GDP rose at 7.4% which was down from the 7.7% growth in the fourth quarter of 2013. The slowdown was an expected consequence of China's reform drive. The key components of the economic reform include reducing overcapacity in key manufacturing industries, improving the efficiency and performance of state-owned enterprises, cleaning up the environment, encouraging the development of the services sector and reforming the financial sector. On a positive note, the official purchasing managers' index (PMI) was at 51 in June from May's 50.8, showing signs that the government's efforts to stabilize growth have taken effect, after hitting an 18-month low of 43.5 in February 2014. The HSBC PMI, which focuses on smaller firms and exporters, rose to 53.1 in June, the highest reading since March 2013. Both new and existing business indices rebounded, suggesting stronger economic momentum. However, the economic recovery still appears patchy, with a cooling property market, sluggish exports and high local government debt level remaining as key risks.

United SSE 50 China ETF

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

During the period under review, the SSE 50 Index had two index review and rebalancing. At the end of June 2013, there were four changes made to the constituents for the SSE 50 Index, effective between 1 July 2013 and 15 December 2013. *Minmetals Development Co Ltd* (industrials), *China Communications Construction Company Limited* (industrials), *Yanzhou Coal Mining Co Ltd* (energy) and *China Coal Energy Co Ltd* (energy) were removed from the index and replaced by *Gemdale Corporation* (financials), *China Merchant Securities Co Ltd* (financials), *Everbright Securities Co Ltd* (financials) and *Kangmei Pharmaceutical Co Ltd* (healthcare).

Among the 50 index constituents, 24 constituents rose, while 25 constituents declined and one constituent was suspended during the period from July to December 2013. All of the constituents in the **telecommunication services** sector posted positive returns. All of the constituents in the **consumer discretionary** and **healthcare** sectors posted negative returns. In the **consumer staples** sector, one constituent posted positive returns and one posted negative returns. In the **energy** sector, two constituents posted positive returns and five posted negative returns. In the **financial** sector, eleven constituents posted positive returns, ten constituents posted negative returns and one constituent remain unchanged. In the **industrials** sector, five constituents posted positive returns and two constituents posted negative returns. In the **materials** sector, five constituents posted positive returns and four constituents posted negative returns.

As of 16 December 2013, there were five changes made to the underlying constituents during the index review and rebalancing for the SSE 50 Index, effective between 16 December 2013 and 15 June 2014. *Baoshan Iron & Steel Co Ltd* (materials), *Shanxi Lanhua Science-Tech Venture Co Ltd* (energy), *Yang Quan Coal Industry (Group) Co. Ltd* (energy), *Sinohydro Group Ltd* (industrials) and *Everbright Securities* (financials) were dropped from the index and replaced by *Shanghai International Port (Group) Co Ltd* (industrials), *NARI Technology Development Co Ltd* (industrials), *China National Chemical Engineering Co Ltd* (industrials), *Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited* (healthcare) and *BesTV New Media Co Ltd* (consumer discretionary).

Among the 50 index constituents, 41 constituents declined while only 9 constituents rose during the period from 16 December to 15 June 2014. In the **consumer discretionary** sector, one constituent posted positive returns and one constituent posted negative returns. All of the constituents in the **industrials**, **telecommunication services** and **healthcare** sectors posted negative returns. In the **materials** sector, one constituent posted negative returns and seven constituents posted negative returns. In the **consumer staples** sector, one constituent posted positive returns and one posted negative returns. In the **energy** sector, one constituent posted positive returns and four constituents posted negative returns. In the **financials** sector, five constituents posted positive returns and sixteen constituents posted negative returns.

As of 16 June 2014, the SSE 50 Index had another index review and rebalancing, which will be effective between 16 June 2014 and 15 December 2014. During this index review, five constituents were changed. *Jiangxi Copper Co Ltd* (materials), *Zhongjin Gold Co Ltd* (materials), *Xiamen Tungsten Co Ltd* (materials), *ShanziLu'an Environment Energy Development Co Ltd* (energy) and *Zijin Mining Group Co Ltd* (materials) were removed from the index and replaced by *TEBA Co Ltd* (industrials), *Shanghai Fosun Pharmaceutical Group Co Ltd* (healthcare), *Sana Optoelectronics Co Ltd* (information technology), *Shanghai Oriental Pearl (Group) Co Ltd* (consumer discretionary) and *China Hainan Rubber Industry Group Co Ltd* (consumer discretionary).

United SSE 50 China ETF

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

Market Outlook

The performance of the Chinese equity market going forward will depend on economic rebalancing efforts in China. How China's reforms evolve will have significant implications more broadly. If China can effectively realign the drivers of domestic growth, the outlook for broad-based growth and investment opportunities would improve tremendously. However this will take time.

United SSE 50 China ETF

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

Disclosures

The Fund invests in Participatory Notes (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 Sub-Fund that is above 10% of the Net Asset Value of the Sub-Fund in order to reduce the Sub-Fund's exposure to BNP Paribas to not more than 10% of the Net Asset Value of the Sub-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 Sub-Fund. The details of the collaterals as of 30 Jun 2014 are as follow:

Name	Value (SGD)	Nature of Collateral
BUNDES DEUT 1.500 15/05/23 EUR	5,300,471.15	Government Bond
BUNDESSCH 0.000 12/06/15 EUR	8,532,463.88	Government Bond
GERMANY(FED) FRN 15/04/20 EUR	5,816,620.79	Government Bond
GERMANY (FED) 0.75 15/04/18 EUR	17,961,559.30	Government Bond
GERMANY (REP OF) 2.75P 04/16	8,944,481.13	Government Bond
GERMANY 4.75P28	11,738,400.94	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 2014 under review classified by

i) Country

Please refer to the Statement of Portfolio on page 16

ii) Industry

Please refer to the Statement of Portfolio on page 16

iii) Asset Class

Please refer to the Statement of Portfolio on page 16

iv) Credit rating of debt securities

N/A

C) Top Ten Holdings

The top 10 holdings as at 30 June 2014 and 30 June 2013

30 June 2014*

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
BNP PARIBAS ARBITRAGE ISSUANCE B.V. (UNITED SSE 50 CHINA ETF) P-NOTE 06/11/2015	44,028,102	99.20

* There was only 1 holding as at 30 June 2014

30 June 2013*

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
RABOBANK NEDERLAND (UNITED SSE 50 CHINA ETF) P-NOTE 06/11/2015 - TRANCHE A	40,481,654	84.03
RABOBANK NEDERLAND (UNITED SSE 50 CHINA ETF) P-NOTE 06/11/2015 - TRANCHE B	8,001,471	16.61

* There were only 2 holdings as at 30 June 2013

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 2014

	Contract or underlying principal amount (\$)	Positive fair value (\$)	% of NAV
P-notes	44,028,102	1,229,803	2.77

- ii) there was a net loss of SGD 4,970,410 on derivative contracts realised during the financial year ended 30 June 2014

- iii) there was a net gain of SGD 1,229,803 on outstanding derivative contracts marked to market as at 30 June 2014

E) Amount and percentage of net asset value (NAV) invested in other schemes as at 30 June 2014

N/A

F) Amount and percentage of borrowings to net asset value (NAV) as at 30 June 2014

N/A

G) Amount of redemptions and subscriptions for the financial year ended 30 June 2014

Total amount of redemptions	SGD	-
Total amount of subscriptions	SGD	-

H) The amount and terms of related-party transactions for the financial year ended 30 June 2014

- i) As at 30 June 2014 the Fund maintained current account with HSBC Group as follows:

<u>HSBC Group</u>		
Bank balances	SGD	481,778

- ii) Purchase/holdings of UOBAM unit trusts by UOB or its affiliated companies as at 30 June 2014

N/A

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

N/A

- iv) As at 30 June 2014 there was no brokerage income earned by UOB Kay Hian Pte Ltd.

United SSE 50 China ETF

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

I) Expense ratios

30 June 2014	1.32%
30 June 2013	1.40%

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 2014 was based on total operating expenses of \$630,937 (2013: \$701,651) divided by the average net asset value of \$47,839,139 (2013: \$49,955,958) 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 2014	187.18%
30 June 2013	126.72%

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 \$89,545,157 (2013: sales of \$63,303,980) divided by the average daily net asset value of \$47,839,139 (2013: \$49,955,958).

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 2014 and 30 June 2013

N/A

- ii) expense ratios for the financial year ended 30 June 2014 and 30 June 2013

N/A

- iii) turnover ratios for the financial year ended 30 June 2014 and 30 June 2013

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)

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.

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 13 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
22 September 2014

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 13 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 2014 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

22 September 2014

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 2014, 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 13 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 2014 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, 22 September 2014

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 2014

	Note	2014 \$	2013 \$
Income			
Dividends		1,491,890	984,530
Less: Expenses			
Management fee	7	215,393	226,069
Trustee fee	7	42,000	44,876
Audit fee		25,000	24,000
Custody fee	7	9,473	9,967
Maintenance fee	7	145,817	150,077
Collateral fee		550,536	693,688
Transaction cost		362,896	379,287
Other expenses		193,254	246,662
		1,544,369	1,774,626
Net loss		(52,479)	(790,096)
Net gains or losses on value of investments			
Net loss on investments		(3,740,607)	(1,143,634)
Net foreign exchange loss		(160)	(4)
		(3,740,767)	(1,143,638)
Total deficit for the year before income tax		(3,793,246)	(1,933,734)
Less: Capital gain tax	3	(2,075)	-
Total deficit for the year		(3,795,321)	(1,933,734)

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 2014

	Note	2014 \$	2013 \$
ASSETS			
Portfolio of investments		44,028,102	48,483,125
Cash and bank balances		481,778	37,981
Total Assets		44,509,880	48,521,106
LIABILITIES			
Payables	4	127,932	343,837
Total Liabilities		127,932	343,837
EQUITY			
Net assets attributable to unitholders	5	44,381,948	48,177,269

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 2014

	Note	2014 \$	2013 \$
Net assets attributable to unitholders at the beginning of the financial year		48,177,269	40,619,003
Operations			
Change in net assets attributable to unitholders resulting from operations		(3,795,321)	(1,933,734)
Unitholders' contributions/(withdrawals)			
Creation of units		-	30,550,000
Cancellation of units		-	(21,058,000)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		-	9,492,000
Total (decrease)/increase in net assets attributable to unitholders		(3,795,321)	7,558,266
Net assets attributable to unitholders at the end of the financial year	5	44,381,948	48,177,269

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 2014

	Holdings at 30 June 2014	Fair value at 30 June 2014 \$	Percentage of total net assets attributable to unitholders at 30 June 2014 %
By Geography – Primary			
CHINA			
BNP PARIBAS ARBITRAGE ISSUANCE B.V. (UNITED SSE 50 CHINA ETF) P-NOTE 06/11/2015	31,205,000	44,028,102	99.20
Portfolio of investments		44,028,102	99.20
Other net assets		353,846	0.80
Net assets attributable to unitholders		44,381,948	100.00
		Percentage of total net assets attributable to unitholders at 30 June 2014 %	Percentage of total net assets attributable to unitholders at 30 June 2013 %
By Geography – Primary (Summary)			
CHINA		99.20	100.64
Portfolio of investments		99.20	100.64
Other net assets/(liabilities)		0.80	(0.64)
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 2014

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 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 2014

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 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.

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 2014

2. Significant accounting policies (continued)

(e) Foreign currency translation (continued)

(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 loss on investments.

(f) Expenses charged to the Fund

All direct expenses relating to the Fund are charged directly to the Statement of Total Return.

(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.

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 2014

3. Income tax

	2014	2013
	\$	\$
Capital gain tax	2,075	-

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.

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.

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. Payables

	2014	2013
	\$	\$
Amount due to Manager	80,304	103,779
Amount due to Trustee	10,500	11,411
Collateral fee payable	-	191,443
Other creditors and accrued expenses	37,128	37,204
	127,932	343,837

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 2014

5. Units in issue

	2014	2013
Units at the beginning of the year	32,052,000	25,052,000
Units created	-	19,000,000
Units cancelled	-	(12,000,000)
Units at the end of the year	32,052,000	32,052,000
Net assets attributable to unitholders (\$)	44,381,948	48,177,269
Net asset value per unit (\$)	1.384	1.503

There is no difference between the net assets attributable to unitholders per financial statements and the net assets attributable to unitholders for issuing/redeeming of units.

6. 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.

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 2014

6. Financial risk management (continued)

(a) Market risk (continued)

(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.

Benchmark component	2014		2013	
	Net impact to net assets attributable to unitholders		Net impact to net assets attributable to unitholders	
	\$	%	\$	%
Shanghai SE 50 A-share Index	8,364,742	20	14,544,938	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 significant risk due to fluctuations in the prevailing levels of market interest rates.

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 2014

6. 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 Statement of Financial Position 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 2014

	Less than 3 months \$
Payables	<u>127,932</u>

As at 30 June 2013

	Less than 3 months \$
Payables	<u>343,837</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 2014

6. 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 2014 and 2013.

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

As at 30 June 2014	Credit rating	Source of credit rating
<u>Bank</u> HSBC Group	B	Moody's
<u>Custodian</u> HSBC Group	B	Moody's
As at 30 June 2013	Credit rating	Source of credit rating
<u>Bank</u> HSBC Group	B	Moody's
<u>Custodian</u> HSBC Group	B	Moody's

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 Moody's is C-. 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 2014

6. 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 2014 and 2013:

As at 30 June 2014	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Financial assets at fair value through profit or loss				
- Participatory notes	-	44,028,102	-	44,028,102

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 2014

6. Financial risk management (continued)

(e) Fair value estimation (continued)

As at 30 June 2013	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Financial assets at fair value through profit or loss				
- Participatory notes	-	48,483,125	-	48,483,125

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 2014 and 2013 have been classified as level 2. The carrying amounts of these assets and liabilities approximate their fair values as at the statement of financial position date.

7. 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, 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:

	2014	2013
	\$	\$
HSBC Group		
Bank balances	481,778	37,981

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 2014

7. Related party transactions (continued)

- (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:

	2014	2013
	\$	\$
Bank charges	517	1,351

8. Financial ratios

	2014	2013
Expense ratio ¹	1.32%	1.40%
Turnover ratio ²	187.18%	126.72%

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 2014 was based on total operating expenses of \$630,937 (2013: \$701,651) divided by the average net asset value of \$47,839,139 (2013: \$49,955,958) 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 \$89,545,157 (2013: sales of \$63,303,980) divided by the average daily net asset value of \$47,839,139 (2013: \$49,955,958).

United SSE 50 China ETF

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

This page has been intentionally left blank.

