



United Asia Consumer Fund

Semi Annual Report

for the period 28th August 2009 to
31st December 2009

United Asia Consumer Fund

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

MANAGER

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

OPERATIONS ADDRESS

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DIRECTORS OF UOB ASSET MANAGEMENT

Terence Ong Sea Eng
Yeo Eng Cheong
Thio Boon Kiat

TRUSTEE

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AUDITORS

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SOLICITORS TO THE MANAGER

Chan & Goh
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SOLICITORS TO THE TRUSTEE

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A) Fund Performance

Fund Performance/ Benchmark Returns	3 mth %	6 mth %	1 yr %	3 yr Ann Comp Ret	5 yr Ann Comp Ret	10 yr Ann Comp Ret	Since Inception 12 October 2009 Ann Comp Ret
	Growth	Growth	Growth				
United Asia Consumer Fund	NA	NA	NA	NA	NA	NA	15.68
Benchmark	NA	NA	NA	NA	NA	NA	10.95

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: 50% MSCI Asia ex-Japan Consumer Staples Index and 50% MSCI Asia ex-Japan Consumer Discretionary Index.

From the inception of the fund on 12 October 2009 to 31 December 2009, the Fund **rose 15.68%** on a net-asset-value basis, compared with a 10.95% increase in the benchmark, which comprises 50% MSCI Asia ex-Japan Consumer Staples Index and 50% MSCI Asia ex-Japan Consumer Discretionary Index in Singapore dollar terms.

The Fund managed to outperform the index by 4.73% over the reporting period ended 31 Dec 09 due partly to favourable stock selection. Some of the best performers over the period were **Bawang International**, **Haier Electronics**, **Skyworth Digital** and **China Agri-Industries**. **Haier Electronics** and **Skyworth Digital** benefited from favourable policies issued by the Chinese government as part of the overall stimulus package which encouraged rural purchase and replacement of electrical appliances. Both companies have the largest market share in washing machines/water heaters and TVs respectively. **China Agri Industries**, one of the largest oil seed/soft commodity processor in China, was seen as one of the main beneficiaries of a more inflationary environment in the country in the past few quarters. Given the expectation that inflation will continue to be high in the coming quarters, the stock is likely to perform well in the near future as well.

The stocks that detracted from performance over this period included **Maoye International**, **Alliance Global International** and **Astro All Networks**. **Maoye International** is an operator of shopping malls in China with most of its operations in Guangdong and Sichuan provinces. The stock had not done well despite its cheap valuations relative to its peers and a strong rebound in earnings largely because of rumours that the company Chairman had been assisting in investigations over the possible corruption charges on the former Shenzhen mayor. **Alliance Global International** owns the Macdonald's franchise in the Philippines, develops property and runs a casino in Manila in a joint venture with the Genting Group amongst its other businesses. The stock trades at low single-digit PER based on projected earnings in 2010. We believe that the market will eventually realize the exciting growth prospects offered by the company in the next few years, coming especially from its casino operations. **Astro All Networks** is the dominant pay TV operator in Malaysia. The stock looks undervalued based on the value of the cashflow that it is expected to generate. We believe that the market has not reflected the intrinsic value of the company as at the end of last year.

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As at end December 2009, the fund had the following regional asset allocation: **China** (33.6%), **Hong Kong** (31.8%), **South Korea** (8.8%), **Indonesia** (4.5%), others (13.3%) and the remainder in cash (8.0%).

Market Review

Asian equity markets had a sterling year with returns of more than 60% on average, although the ride was a rough one marked by extreme volatility and uncertainty particularly in the first part of the year. Economic conditions looked difficult at the start of the year with little signs of improvement and the market continued the sharp losses of 2008 with a sell-down in the first two months of the year amid concerns of deterioration in the global economy, elevated risk aversion and rumours of bank nationalization in the US.

March marked a turning point with markets paring their losses after the US Treasury unveiled a much-awaited plan to get rid of the toxic assets in the banking system to aid a recovery in the financial industry. The second quarter of the year saw a significant rally in the equity markets with “green shoots” appearing in the economy.

Returns in the second half of the year were relatively subdued compared to the second quarter as Asian economies showed clear signs of recovery and monetary policy was loosened to the extent that some authorities in the region started to become concerned about asset inflation. Almost all the countries in the region were out of recession by the end of August with leading economic indicators in expansion territory, indicating that economies were well on the road to recovery.

Towards the later part of the year, central banks started getting increasingly concerned about asset bubbles in the region brought on by the loose monetary condition. Hong Kong, South Korea and China for example introduced measures to cap lending to the real estate sector. Central banks also started talking publicly about exit strategies from their loose monetary policy stances. The Reserve Bank of Australia was the first among G20 countries to hike rates in October and ended the year with another two rate hikes.

In summary, after a difficult time for the markets in the first few months of the year, the rest of the year was marked by increased investor confidence as the recovery trade took shape and excessive risk premium got compressed. Corporate earnings recovered in this period and the market index crossed above its pre-Lehman October 2008 level around mid-July 2009. By the end of the year, the market started increasingly to ponder the future of monetary policy tightening.

Fund Strategy and Outlook

Going into 2010, we expect to see more policy headwinds compared to the favourable policy environment in 2009. We have already seen governments in Asia voicing their concerns over the huge run-up in property prices in the past few quarters. Many, like China, have implemented anti-speculation measures in the real estate sector. On top of that China has even started tightening their monetary policy. Given the increasing fear of inflation, many analysts in the market are also expecting global interest rates to rise from the current historical low levels. In particular, many expect that an increase in US interest rates might also cause an appreciation of the USD all else being equal. All these are likely to have a negative impact on interest rate sensitive sectors and a stronger dollar could even be negative for commodity prices (which are priced in USD).

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In this context, we think that the consumer sector will be an investment bright spot for 2010. We believe that this sector is unlikely to be affected by unfavourable government policies going forward. In fact, the converse is true. We have seen many governments, especially the Chinese government, issue more incentives to spur domestic consumption and hence increase employment. One of the biggest lessons learnt from the recent financial crisis is that Asia has been too reliant on exports in the past and that private consumption as a percentage of GDP has been too low. In the next few years, or even decades, we are likely to see a structural shift in China and the rest of Asia from being export dominant to becoming more domestic consumption driven. This underlying long term structural shift provides a strong basis for investment into the Asian consumption story for the longer term.

Even within the consumer sector, we seek to diversify our holdings in the various sub segments. We have investments in the fast growing **Health and Personal Care** products market in China such as **Bawang International** (a leading Chinese herbal shampoo producer), for instance. We are also invested in Chinese **sportswear companies** such as **361 Degrees**, **lottery/gaming companies** around Asia such as **Rexlot**, **electronic consumer product makers** and an **ePaper/eBook maker Prime View** that supplies to Amazon.com.

At the same time, we hold stocks in the **consumer staples** sector such as **soft commodity** related stocks (e.g. palm oil, soybean processors), tobacco companies and other food and beverages companies. Stocks in the sector we favour include **China Agri-Industries**. These companies are more defensive in nature and they normally outperform when the markets are down. Many of them pay good dividends as well and make good long term investment targets.

In summary, the portfolio seeks to achieve a good balance between stable consumer staple stocks and higher growth consumer discretionary stocks. Through the careful selection of stocks in the various sub-segments, the fund will be well diversified with a collection of companies that are well run and financially well managed that are able to tap into the tremendous growth opportunities within the Asian consumer space. Over the long term, we believe that the Fund should be able to generate good returns for the patient investor.

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B) Investments at fair value and as a percentage of NAV as at 31 December 2009 under review classified by

	Fair Value (S\$)	% of NAV
i) Country		
China	4,556,507	33.57
Hong Kong	4,314,766	31.80
Indonesia	613,285	4.52
Malaysia	497,143	3.66
Philippines	473,146	3.48
Singapore	469,800	3.46
South Korea	1,194,076	8.80
Thailand	363,831	2.68
Portfolio of investments	12,482,554	91.97
Other net assets	1,089,249	8.03
Total	13,571,803	100.00
ii) Industry		
Consumer Discretionary	6,523,608	48.07
Consumer Staples	2,639,016	19.44
Industrials	1,275,180	9.39
Information Technology	1,680,919	12.39
Telecommunication Services	363,831	2.68
Portfolio of investments	12,482,554	91.97
Other net assets	1,089,249	8.03
Total	13,571,803	100.00
iii) Asset Class		
Equities	12,482,554	91.97
Other net assets	1,089,249	8.03
Total	13,571,803	100.00
iv) Credit rating of debt securities		
N/A		

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C) Top Ten Holdings

The top 10 holdings as at 31 December 2009

10 largest holdings at 31 December 2009

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
REXLOT HOLDINGS LIMITED	661,594	4.87
BAWANG INTERNATIONAL	655,076	4.83
KIA MOTORS CORPORATION	626,938	4.62
PT GUDANG GARAM	613,285	4.52
LG DISPLAY COMPANY LIMITED	567,138	4.18
TCL MULTIMEDIA TECHNOLOGY HOLDINGS LTD	557,564	4.11
JU TENG INTERNATIONAL HOLDINGS LTD	556,217	4.10
CHINA AGRI-INDUSTRIES HOLDINGS	531,376	3.92
SHENZHOU INTERNATIONAL GROUP	508,996	3.75
361 DEGREES INTERNATIONAL LTD	507,403	3.74

D) Exposure to derivatives

i) fair value of derivative contracts and as a percentage of NAV as at 31 December 2009

N/A

ii) net gains/(losses) on derivative contracts realised during the financial period ended 31 December 2009

N/A

iii) net gains/(losses) on outstanding derivative contracts marked to market as at 31 December 2009

N/A

E) Amount and percentage of net asset value (NAV) invested in other schemes as at 31 December 2009

N/A

F) Amount and percentage of borrowings to net asset value (NAV) as at 31 December 2009

N/A

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G) Amount of redemptions and subscriptions for the period 28 August 2009 to 31 December 2009

Total amount of redemptions	SGD	1,193,389
Total amount of subscriptions	SGD	13,042,134

H) The amount and terms of related-party transactions for the period 28 August 2009 to 31 December 2009

- i) As at 31 December 2009 the Fund maintained current accounts with the United Overseas Bank Limited as follows :

Bank balances	SGD	9,945
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- ii) Purchase/holdings of UOBAM unit trusts by UOB or its affiliated companies as at 31 December 2009

N/A

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

N/A

- iv) As at 31 December 2009 there was no brokerage income earned by UOB Kay Hian Pte Ltd.

I) Expense ratios

For the financial period from 28 August 2009
(date of constitution) to 31 December 2009 2.63%

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

For the financial period from 28 August 2009
(date of constitution) to 31 December 2009 21.45%

Note : The turnover ratio is calculated in accordance with the formula stated in the "Code on Collective Investment Schemes".

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

N/A

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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 31 December 2009

N/A

ii) expense ratios for the period ended 31 December 2009. 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 period ended 31 December 2009

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 product 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 the best available terms and there was no churning of trades.

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.

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STATEMENT OF TOTAL RETURN

For the financial period from 28 August 2009 (date of constitution) to 31 December 2009 (Un-audited)

	Notes	For the financial period from 28 August 2009 to 31 December 2009 \$
Income		
Dividends		20,122
Interest		18
		<u>20,140</u>
Less: Expenses		
Management fee	10	40,347
Trustee fee	10	1,076
Audit fee		3,246
Registrar fee	10	3,362
Valuation fee	10	3,362
Custody fee		3,013
Interest expenses		554
Preliminary expenses		33,787
Other expenses		8,763
		<u>97,510</u>
Net loss		<u>(77,370)</u>
Net gains or losses on value of investments		
Net realised gain on investments		13,926
Net change in fair value on investments		1,802,310
Net foreign exchange loss		(15,804)
Net gain on value of investments		<u>1,800,432</u>
Total return for the period before income tax		<u>1,723,062</u>
Less : Income tax	3	(4)
Total return for the period		<u>1,723,058</u>

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

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BALANCE SHEET

As at 31 December 2009 (Un-audited)

	Notes	31 December 2009 \$
ASSETS		
Portfolio of investments		12,482,554
Receivables	4	471,786
Cash and bank balances		790,452
Total Assets		13,744,792
LIABILITIES		
Payables	5	172,989
Net assets attributable to unitholders	6	13,571,803
Total Liabilities		13,744,792

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

United Asia Consumer Fund

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PORTFOLIO STATEMENT

As at 31 December 2009 (Un-audited)

	Holdings at 31 December 2009	Fair value at 31 December 2009 \$	Percentage of total net assets attributable to unitholders at 31 December 2009 %
By Geography - Primary			
Quoted Equities			
CHINA			
361 DEGREES INTERNATIONAL LTD	620,000	507,403	3.74
ASIAN CITRUS HOLDINGS LIMITED	314,000	366,133	2.69
CHINA AGRI-INDUSTRIES HOLDINGS	290,000	531,376	3.92
CHINA DONGXIANG GROUP COMPANY	400,000	431,647	3.18
HAIER ELECTRONICS GROUP CO LTD	530,000	484,608	3.57
HENGDELI HOLDINGS LIMITED	888,000	463,051	3.41
HISENSE KELON ELECTRICAL HOLDINGS CO LTD	590,000	412,346	3.04
REXLOT HOLDINGS LIMITED	4,200,000	661,594	4.87
SKYWORTH DIGITAL HOLDINGS LTD	270,000	390,112	2.88
WEIQIAO TEXTILE COMPANY LIMITED - H	320,000	308,237	2.27
TOTAL CHINA		4,556,507	33.57
HONG KONG			
BAWANG INTERNATIONAL	670,000	655,076	4.83
ESPRIT HOLDINGS LIMITED	1,037	9,745	0.07
GALAXY ENTERTAINMENT GROUP LIMITED	630,000	363,877	2.68
JU TENG INTERNATIONAL HOLDINGS LTD	400,000	556,217	4.10
MINTH GROUP LIMITED	240,000	492,773	3.63
SHENZHOU INTERNATIONAL GROUP	280,000	508,996	3.75
SJM HOLDINGS LIMITED	490,000	378,832	2.79
TCL MULTIMEDIA TECHNOLOGY HOLDINGS LTD	364,000	557,564	4.11
TECHTRONIC INDUSTRIES CO LTD	350,000	404,941	2.99
VODONE LTD	1,200,000	386,745	2.85
TOTAL HONG KONG		4,314,766	31.80
INDONESIA			
PT GUDANG GARAM	190,000	613,285	4.52
MALAYSIA			
AIR ASIA BHD	885,000	497,143	3.66
PHILIPPINES			
ALLIANCE GLOBAL GROUP INC	3,800,000	473,146	3.48

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PORTFOLIO STATEMENT

As at 31 December 2009 (Un-audited)

	Holdings at 31 December 2009	Fair value at 31 December 2009 \$	Percentage of total net assets attributable to unitholders at 31 December 2009 %
By Geography - Primary (continued)			
Quoted Equities			
SINGAPORE			
NOBLE GROUP LTD	145,000	<u>469,800</u>	<u>3.46</u>
SOUTH KOREA			
KIA MOTORS CORPORATION	26,000	626,938	4.62
LG DISPLAY COMPANY LIMITED	12,000	567,138	4.18
TOTAL SOUTH KOREA		<u>1,194,076</u>	<u>8.80</u>
THAILAND			
THAICOM PCL - FOREIGN	1,200,000	<u>363,831</u>	<u>2.68</u>
Portfolio of investments		12,482,554	91.97
Other net assets		<u>1,089,249</u>	<u>8.03</u>
Net assets attributable to unitholders		<u>13,571,803</u>	<u>100.00</u>

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

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	Percentage of total net assets attributable to unitholders at 31 December 2009 %
By Geography - Primary (Summary)	
Quoted Equities	
China	33.57
Hong Kong	31.80
Indonesia	4.52
Malaysia	3.66
Philippines	3.48
Singapore	3.46
South Korea	8.80
Thailand	2.68
Portfolio of investments	<hr/> 91.97
Other net assets	8.03
Net assets attributable to unitholders	<hr/> 100.00 <hr/>

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

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PORTFOLIO STATEMENT

As at 31 December 2009 (Un-audited)

	Fair value at 31 December 2009 \$	Percentage of total net assets attributable to unitholders at 31 December 2009 %
By Industry - Secondary Quoted Equities		
Consumer Discretionary	6,523,608	48.07
Consumer Staples	2,639,016	19.44
Industrials	1,275,180	9.39
Information Technology	1,680,919	12.39
Telecommunication Services	363,831	2.68
Portfolio of investments	12,482,554	91.97
Other net assets	1,089,249	8.03
Net assets attributable to unitholders	13,571,803	100.00

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

United Asia Consumer Fund

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NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 28 August 2009 (date of constitution) to 31 December 2009 (Un-audited)

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

1. General

United Asia Consumer Fund (the "Fund") is a Singapore registered trust fund constituted by a Trust Deed dated 28 August 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 achieve capital appreciation through investment in equities or equity-related securities of Asian (excluding Japanese) companies whose businesses are likely to benefit from or are related to growth in consumer spending in Asia.

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. Interest income is recognised on a time proportion basis using the effective interest method.

(c) Investments

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

(i) *Initial recognition*

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

(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 period in which they arise.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 28 August 2009 (date of constitution) to 31 December 2009 (Un-audited)

2. Significant accounting policies (continued)

(c) Investments (continued)

(iii) *Derecognition*

Investments are derecognised on the trade date of disposal. The resultant realised gains and losses on the sale 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 and United States 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 period-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.

(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.

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NOTES TO THE FINANCIAL STATEMENTS

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2. Significant accounting policies (continued)

(g) Preliminary expenses

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

3. Income tax

For the financial
period from
28 August 2009
to
31 December
2009
\$

Overseas income tax

4

The Fund was granted the status of a Designated Unit Trust and, therefore, the following income is exempt from tax in accordance with section 35(12) of the Income Tax Act (Cap 134):

- (i) gains or profits derived from Singapore or elsewhere from the disposal of securities;
- (ii) interest (other than interest for which tax has been deducted under Section 45 of the Singapore Income Tax Act); and
- (iii) dividends derived from outside Singapore and received in Singapore.

The overseas income tax represents tax withheld on foreign sourced income.

4. Receivables

31 December
2009
\$

Amount due from unitholders
Dividend receivable

462,400
9,386

471,786

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5. Payables

	31 December 2009 \$
Amount due to Manager	124,189
Amount due to Trustee	1,076
Other creditors and accrued expenses	47,724
	<u>172,989</u>

6. Net assets attributable to unitholders

	For the financial period from 28 August 2009 to 31 December 2009 \$
At the beginning of the financial period	-
Operations	
Change in net assets attributable to unitholders resulting from operations	1,723,058
Unitholders' contributions/(withdrawals)	
Creation of units	13,042,134
Cancellation of units	(1,193,389)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	<u>11,848,745</u>
Total increase in net assets attributable to unitholders	<u>13,571,803</u>
At the end of the financial period	<u>13,571,803</u>
Units in issue (Note 7)	<u>11,858,035</u>
	\$
Net assets attributable to unitholders per unit	<u>1.14</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 28 August 2009 (date of constitution) to 31 December 2009 (Un-audited)

7. Units in issue

	For the financial period from 28 August 2009 to 31 December 2009 \$
Units at beginning of the period	-
Units created	12,963,515
Units cancelled	(1,105,480)
Units at end of the period	<u>11,858,035</u>

8. Distribution to unitholders

The Manager does not propose any distribution to unitholders for the financial period ended 31 December 2009.

9. 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 financial instruments such as equity investments, money market investments and cash. 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.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 28 August 2009 (date of constitution) to 31 December 2009 (Un-audited)

9. Financial risk management (continued)

(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 make 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 Fund has securities denominated in currencies other than Singapore dollars and it may be affected favourably or unfavourably by exchange rate regulations or changes in the exchange rates between the Singapore dollars and such other currencies. The Manager may at his discretion, implement a currency management strategy either to reduce currency volatility or to hedge the currency exposures of the Fund.

The table below summarises the on-balance sheet exposure to currency risks for the Fund.

As at 31 December 2009

	HKD \$	SGD \$	Others \$	Total \$
ASSETS				
Portfolio of investments	8,871,273	469,800	3,141,481	12,482,554
Receivables	9,386	462,400	-	471,786
Cash and bank balances	732	568,213	221,507	790,452
Total Assets	8,881,391	1,500,413	3,362,988	13,744,792
Liabilities				
Payables	-	167,507	5,482	172,989
Net assets attributable to unitholders	-	13,571,803	-	13,571,803
Total Liabilities	-	13,739,310	5,482	13,744,792
Net currency exposure	8,881,391	(12,238,897)	3,357,506	

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9. Financial risk management (continued)

(a) Market risk

(i) Foreign exchange risk (continued)

Investments, which is the significant item in the balance sheet is exposed to currency risk and other price risk. The other price risk sensitivity analysis includes the impact of currency risk on non-monetary investments. The Fund's net financial assets comprise significantly non-monetary investments, hence currency risk sensitivity analysis has not been performed on the remaining financial assets.

(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 table below summarises the impact of increases/decreases from the Fund's underlying investments in equities on the Fund's net assets attributable to unitholders at 31 December 2009. The analysis is based on the assumption that the index components within the benchmark increased / decreased by a reasonable possible shift, with all other variables held constant and that the fair value of Fund's investments moved according to the historical correlation with the index.

Benchmark components	31 December 2009	
	Net impact to net assets attributable to unitholders	
	\$	%
50% MSCI Asia ex-Japan Consumer Staples Index and 50% MSCI Asia ex-Japan Consumer Discretionary Index	2,022,174	20

(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.

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9. 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.

The Fund's investments in listed securities are considered to be readily realisable as they are listed on established regional stock exchanges.

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 31 December 2009

	Less than 3 months \$	3 months to 1 year \$	1-5 years \$	Above 5 years \$
Payables	172,989	-	-	-
Net assets attributable to unitholders	13,571,803	-	-	-

(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 Investment Manager.

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9. Financial risk management (continued)

(c) Credit risk (continued)

The table below summarises the credit rating of banks and custodians in which the Fund's assets are held as at 31 December 2009.

As at 31 December 2009

<u>Bank</u>	Credit rating	Source of credit rating
HSBC Group	B+	Moody's
United Overseas Bank Limited	B	Moody's

<u>Custodian</u>	Credit rating	Source of credit rating
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.

10. 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, valuation and administration fees are paid to the Manager, while trustee fee is paid to the Trustee and the registrar fee is paid to HSBC Securities Services (Transfer Agency) Pte Ltd, a subsidiary of HSBC Holdings Plc. These fees paid or payable by the Fund 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.

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10. Related party transactions (continued)

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

	31 December 2009 \$
<u>United Overseas Bank Limited</u> Bank balances	<u>9,945</u>
<u>HSBC Group</u> Bank balances	<u>780,507</u>

- (c) The following transactions took place during the financial period between the Fund and related parties at terms agreed between the parties as follow:

	For the period from 28 August 2009 to 31 December 2009 \$
<u>United Overseas Bank Limited</u> Bank charges	45
Interest expense	<u>10</u>
<u>HSBC Group</u> Bank charges	80
Interest expense	<u>544</u>

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11. Financial ratios

	For the period from 28 August 2009 to 31 December 2009
Expense ratio ¹	2.63%
Turnover ratio ²	21.45%

12. Comparatives

No comparatives figures have been presented as this is the first set of financial statement since its inception.

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".

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