



United Asia Top 50 Fund

Semi Annual Report

for the period 1st July to
31st December 2009

UNITED ASIA TOP 50 FUND

(Constituted under a Trust Deed registered 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
Yeo Eng Cheong
Thio Boon Kiat

TRUSTEE

HSBC Institutional Trust Services (Singapore) Limited
21 Collyer Quay
#14-01, HSBC Building
Singapore 049320

AUDITORS

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

SOLICITORS TO THE MANAGER

Tan Peng Chin LLC
30 Raffles Place
#11-00, Chevron House
Singapore 048622

SOLICITORS TO THE TRUSTEE

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

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A) Fund Performance

Fund Performance/ Benchmark Returns	3 mth % Growth	6 mth % Growth	1 yr % Growth	3yr Ann Comp Ret	5 yr Ann Comp Ret	10 yr Ann Comp Ret	Since Inception 22 November 1999 Ann Comp Ret
United Asia Top 50 Fund	6.20	17.52	36.44	-8.20	0.91	-2.19	-1.62
Benchmark	1.10	10.11	25.76	-7.36	1.04	-2.20	-1.62

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: MSCI AC Far East.

Fund Performance and Review

For the six months ended 31 December 2009, the Fund **rose 17.5%** on a net-asset-value basis, outperforming the benchmark MSCI AC Far East Index (Singapore dollar adjusted), which rose 10.1%.

The outperformance was contributed both by the regional allocation as well as stock selection. The fund's large *underweight* in **Japan** and *overweight* in **Asia ex-Japan**, particularly in **HK/China** and **Singapore** paid off well. The Japan market returned 0.5%, significantly underperforming Asia ex-Japan which was up 22.8% for the six-month period.

Top contributors to overall performance were **Hyundai Motors, GS Engineering & Construction, Wilmar International** and **Hon Hai Precision**. On the downside, **Sumitomo Mitsui Financial, T&D Holdings** and **Nintendo** hurt performance at the margin.

As at end December 2009, the Fund continued to *overweight Asia ex- Japan*, at 58.8% and *underweight Japan* at 38.7%. In November, the variance in our allocation in Japan against the benchmark was the highest but we have since been gradually reducing this underweight. In terms of sectors, the Fund was weighted towards the cyclical sectors in the second half of 2009, in the light of healing global economies.

As at 31 December, the fund was 97.5% invested with 58.8% allocated to the Asia ex-Japan region and 38.7% in Japan.

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Market Review

Far East markets rose 10.1% in 2H 2009. **Indonesia, South Korea and Taiwan** led the region, rising between 28.4% and 40.5%, while **Japan** clearly lagged, up just 0.5%. In terms of sectors, **Consumer Discretionary, Materials, Energy and Industrials** led the rally, up between 10.2% and 21.7%, while the defensive sectors **Utilities, Healthcare, Consumer Staples and Telecom Services** posted negative returns.

Returns towards the last few months of the year were relatively subdued compared to the third quarter. As Asian economies showed clear signs of recovery, monetary policy was also 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.

In **Asia ex-Japan**, economic growth regained momentum fairly quickly. After a difficult time for the markets in the first few months of 2009, 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. In fact, 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. Closer to the year end, Central banks also started talking publicly about exit strategies from their loose monetary policy stances. As to be expected, investors increasingly started to ponder the implications of monetary policy tightening.

Japan's economy and stock market returns paled in general relative to the rest of Asia. Even after the market downturn at the start of 2009, its subsequent rebound was also disappointing. Prolonged domestic deflationary pressures, capital raising by Japan's major banks, and more socialist-like policy announcements by the DPJ government negatively affected sentiment.

Outlook and Strategy

At the end of 2009, we began narrowing our bets against the benchmark and will continue to do so through the first few months of 2010. We still expect to maintain our *overweight* stance in **Asia-ex-Japan**, but to a lesser degree. In turn, we expect to reallocate this to **Japan**, while still maintaining an *underweight*.

Asia-ex-Japan's economic and profit growth profile should continue to stay strong. Capacity utilization is also broadly higher than in Japan, providing a better backdrop for margin strength. In light of the financial crisis, governments across Asia ex-Japan are focused on engineering domestic growth, while being less reliant on exports, making the region more stable and predictable – another positive.

As Asian economies emerge from the global recession in 2010, we expect company **earnings** to also record sizeable growth. Continued low interest rates, at least in the earlier part of the year, could continue to underpin asset values in certain pockets.

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Valuations in the near term, however have priced this in: Asia ex-Japan's price-to-earnings estimates are near mean valuation levels. Instead, we expect earnings growth and upward revisions to be the primary driver of stock market performance. We therefore focus on stocks that will see sustainable earnings growth and with the potential for upside surprises, which we believe will be needed to generate further equity returns.

Some of our largest holdings in Asia-ex-Japan include **PT Tambang Batubara** (coal producer), **Hyundai Motors** (fastest growing South Korean auto manufacturer), **Noble Group** (commodity trader) and **China Life Insurance** (China's dominant Insurer).

In **Japan**, we expect more fiscal stimulus measures and a rebound in exports to help reaccelerate Japan's economic growth. More serious measures to combat deflation, including the Bank of Japan's moves to increase quantitative easing, could also alleviate upward pressure in the JPY/USD-rate, and help underpin the Japan equity market in the near term.

On the **earnings** front, Japanese firms have started to show clear signs of recovery. Toyo Keizai forecasts recurring profit growth of 63.9% at TSE-1 companies (including financials) in FY09, and 39.9% growth in FY10 on the back of a global economic recovery. There may be room for upward revisions if the Yen weakens further, and if companies embark on more aggressive cost-cutting measures. On **valuations**, Japanese equities are cheap, especially after the recent run-up in global stock markets. On a normalized basis, their P/E ratios are at the lowest levels since the 1980s. At a price to book value of 1.1x, the Japanese market is trading at 35% discount to the MSCI World.

We maintain our preference for cyclicals over defensives. We are *overweight* **Industrials, Materials** and **Technology**. We are *underweight* the more defensive sectors like **Telecommunications** and **Pharmaceuticals** as well as the **Financials** sector. Our largest Japanese holdings include **Toyota Motors, Komatsu** (second largest construction machinery producer globally) and **NIDEC Corp** (manufactures small precision motors and commands 70% share of the Hard Disc Drive spindle motor market).

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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	6,880,639	18.96
Hong Kong	1,818,497	5.01
India	868,310	2.39
Indonesia	1,546,661	4.26
Japan	14,040,343	38.69
Singapore	2,567,700	7.08
South Korea	4,781,850	13.18
Taiwan	2,890,656	7.97
Portfolio of investments	35,394,656	97.54
Other net assets	891,272	2.46
Total	36,285,928	100.00

ii) Industry		
Consumer Discretionary	5,446,099	15.01
Consumer Staples	2,754,760	7.59
Energy	3,528,289	9.72
Financials	5,217,873	14.38
Healthcare	374,457	1.03
Industrials	9,295,537	25.62
Information Technology	5,732,419	15.80
Materials	2,482,767	6.84
Telecommunication Services	562,455	1.55
Portfolio of investments	35,394,656	97.54
Other net assets	891,272	2.46
Total	36,285,928	100.00

iii) Asset Class		
Equities	35,394,656	97.54
Other net assets	891,272	2.46
Total	36,285,928	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 and 31 December 2008

10 largest holdings at 31 December 2009

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
HYUNDAI MOTOR COMPANY	1,750,604	4.83
PT TAMBANG BATUBARA BUKIT ASAM TBK	1,546,661	4.26
NOBLE GROUP LTD	1,458,000	4.02
CHINA LIFE INSURANCE COMPANY LIMITED	1,249,859	3.44
HON HAI PRECISION INDUSTRY COMPANY LIMITED	1,178,702	3.25
TOYOTA MOTOR	1,158,570	3.19
KEPPEL CORPORATION LIMITED	1,109,700	3.06
CHINA AGRI-INDUSTRIES HOLDINGS	1,099,398	3.03
GS ENGINEERING & CONSTRUCTION CORPORATION	1,041,682	2.87
GOME ELECTRICAL APPLIANCES HOLDINGS LTD	1,021,180	2.81

10 largest holdings at 31 December 2008

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
BEIJING ENTERPRISES HOLDINGS	1,468,597	5.35
CHINA MOBILE LIMITED	1,446,290	5.26
BHARAT HEAVY ELECTRICALS LIMITED	1,204,499	4.38
CHINA BLUECHEMICAL LIMITED	1,002,602	3.65
PETROCHINA COMPANY LIMITED	882,274	3.21
SUMITOMO MITSUI FINANCIALS GROUP INCORPORATION	806,756	2.94
NINTENDO COMPANY LIMITED	803,419	2.92
CHINA COAL ENERGY COMPANY	802,895	2.92
EAST JAPAN RAILWAY COMPANY	755,595	2.75
BEIJING JINGKELONG SUPERMARKET	722,215	2.63

D) Exposure to derivatives

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

N/A

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D) Exposure to derivatives (continued)

- 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

G) Amount of redemptions and subscriptions for the period 01 July 2009 to 31 December 2009

Total amount of redemptions	SGD	1,121,081
Total amount of subscriptions	SGD	119,502

H) The amount and terms of related-party transactions for the period 01 July 2009 to 31 December 2009

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

Bank balances	SGD	13,702
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- ii) Purchase/holdings of UOBAM unit trusts by UOB or its affiliated companies as at 31 December 2009

Holdings of United Asia Top 50 Fund as at 31 December 2009 were as follows:

<u>Affiliated Companies</u>	<u>No. of Units</u>	<u>Unit Price</u> <u>SGD</u>	<u>Market Value</u> <u>SGD</u>
a) UOB Life Assurance Limited	71,213.68	0.805	57,327.01

- 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.

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I) Expense ratios

31 December 2009	2.10%
31 December 2008	2.15%

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

31 December 2009	45.49%
31 December 2008	27.38%

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

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 and 31 December 2008

N/A

- ii) expense ratios for the period 31 December 2009 and 31 December 2008. 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 31 December 2009 and 31 December 2008

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.

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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.

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STATEMENT OF TOTAL RETURN

For the half year ended 31 December 2009 (Un-audited)

	Notes	31 December 2009 \$	31 December 2008 \$
Income			
Dividends		250,985	305,763
Interest		13	4,408
		<u>250,998</u>	<u>310,171</u>
Less: Expenses			
Management fee	10	261,450	273,232
Trustee fee	10	13,073	13,662
Audit fee		6,489	5,654
Registrar fee	10	8,066	8,066
Valuation fee	10	21,788	22,769
Custody fee		13,937	13,189
Other expenses		45,146	32,972
		<u>369,949</u>	<u>369,544</u>
Net loss		<u>(118,951)</u>	<u>(59,373)</u>
Net gains or losses on value of investments			
Net realised gains/(losses) on investments		2,525,812	(2,821,749)
Net change in fair value on investments		3,126,559	(9,732,362)
Net foreign exchange losses		(10,912)	(11,904)
Net gain/(loss) on value of investments		<u>5,641,459</u>	<u>(12,566,015)</u>
Total return/(deficit) for the period before income tax		<u>5,522,508</u>	<u>(12,625,388)</u>
Less : Income tax	3	(12,884)	(24,903)
Total return/(deficit) for the period		<u>5,509,624</u>	<u>(12,650,291)</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)

		31 December 2009 \$	30 June 2009 \$
ASSETS			
Portfolio of investments		35,394,656	29,994,918
Receivables	4	10,544	32,555
Sales awaiting settlement		-	887,984
Cash and bank balances	5	1,159,833	1,903,545
Total Assets		36,565,033	32,819,002
LIABILITIES			
Payables	6	194,950	179,473
Purchases awaiting settlement		84,151	861,642
Net assets attributable to unitholders	7	36,285,932	31,777,887
Total Liabilities		36,565,033	32,819,002

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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			
CHINA AGRI-INDUSTRIES HOLDINGS	600,000	1,099,398	3.03
CHINA LIFE INSURANCE COMPANY LIMITED	180,000	1,249,859	3.44
CHINA SHENHUA ENERGY COMPANY LIMITED	110,000	755,836	2.08
CNOOC LTD	350,000	771,859	2.13
DONGFANG ELECTRICAL MACHINE - H	110,000	822,556	2.27
GOME ELECTRICAL APPLIANCES HOLDINGS LTD	2,000,000	1,021,180	2.81
HENGDELI HOLDINGS LIMITED	978,000	509,981	1.41
SHANDONG CHENMING PAPER HOLDINGS - B	620,000	649,970	1.79
TOTAL CHINA		6,880,639	18.96
HONG KONG			
BOC HONG KONG LTD	300,000	960,344	2.65
HONG KONG EXCHANGES & CLEARING	34,000	858,153	2.36
TOTAL HONG KONG		1,818,497	5.01
INDIA			
BHARAT HEAVY ELECTRICALS LIMITED	12,000	868,310	2.39
INDONESIA			
PT TAMBANG BATUBARA BUKIT ASAM TBK	600,000	1,546,661	4.26

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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			
JAPAN			
CANON INCORPORATION	11,000	646,968	1.78
EAST JAPAN RAILWAY COMPANY	6,000	531,147	1.46
FANUC LIMITED	3,600	468,531	1.29
FUJITSU LTD	44,000	394,816	1.09
INPEX CORPORATION	43	453,933	1.25
JAPAN STEEL WORKS LTD	21,000	373,070	1.03
JAPAN TOBACCO INCORPORATION	138	649,320	1.79
KAO CORPN	15,000	490,881	1.35
KOMATSU LIMITED	31,000	903,689	2.49
mitsubishi CORPORATION	20,000	695,226	1.92
MITSUBISHI ESTATE COMPANY LIMITED	17,000	377,895	1.04
MITSUI & COMPANY LIMITED	28,000	553,587	1.53
MITSUI O.S.K. LINES	64,000	470,039	1.29
NIDEC CORPORATION	6,000	769,122	2.12
NIPPON ELECTRIC GLASS COMPANY LIMITED	40,000	766,709	2.11
NIPPON STEEL	74,000	418,493	1.15
NISSHA PRINTING COMPANY LIMITED	5,000	343,843	0.95
NTT DOCOMO	288	562,455	1.55
SHIMADZU CORPORATION	39,000	361,714	1.00
SHIN-ETSU CHEMICAL	8,500	670,418	1.85
SUMITOMO MITSUI FINANCIALS GROUP INCORPORATION	18,000	717,998	1.98
T&D HOLDINGS INCORPORATION	13,000	372,301	1.03
TAKEDA PHARMACEUTICAL COMPANY LIMITED	6,500	374,457	1.03
TOYO SUISAN KAISHA LTD	16,000	515,161	1.42
TOYOTA MOTOR	19,800	1,158,570	3.19
TOTAL JAPAN		14,040,343	38.69
SINGAPORE			
KEPPEL CORPORATION LIMITED	135,000	1,109,700	3.06
NOBLE GROUP LTD	450,000	1,458,000	4.02
TOTAL SINGAPORE		2,567,700	7.08

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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			
SOUTH KOREA			
GS ENGINEERING & CONSTRUCTION CORPORATION	8,000	1,041,682	2.87
HYUNDAI MOTOR COMPANY	12,000	1,750,604	4.83
LG DISPLAY COMPANY LIMITED	6,000	283,569	0.78
POSCO	1,000	743,886	2.05
SAMSUNG ELECTRONICS	1,000	962,109	2.65
TOTAL SOUTH KOREA		4,781,850	13.18
TAIWAN			
CHINATRUST FINANCIAL HOLDINGS	780,000	681,323	1.88
EPISTAR CORPORATION	70,000	368,710	1.02
HON HAI PRECISION INDUSTRY COMPANY LIMITED	177,250	1,178,702	3.25
YULON MOTOR CO LTD	400,000	661,921	1.82
TOTAL TAIWAN		2,890,656	7.97
Portfolio of investments		35,394,656	97.54
Other net assets		891,272	2.46
Net assets attributable to unitholders		36,285,928	100.00

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

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PORTFOLIO STATEMENT

As at 31 December 2009 (Un-audited)

	Percentage of total net assets attributable to unitholders at 31 December 2009 %	Percentage of total net assets attributable to unitholders at 30 June 2009 %
By Geography – Primary (Summary) Quoted Equities		
China	18.96	16.29
Hong Kong	5.01	8.71
India	2.39	2.51
Indonesia	4.26	2.21
Japan	38.69	36.18
Singapore	7.08	15.01
South Korea	13.18	6.81
Taiwan	7.97	6.67
Portfolio of investments	97.54	94.39
Other net assets	2.46	5.61
Net assets attributable to unitholders	100.00	100.00

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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 %	Percentage of total net assets attributable to unitholders at 30 June 2009 %
By Industry - Secondary Quoted Equities			
Consumer Discretionary	5,446,099	15.01	10.00
Consumer Staples	2,754,760	7.59	8.24
Energy	3,528,289	9.72	6.96
Financials	5,217,873	14.38	26.50
Healthcare	374,457	1.03	1.15
Industrials	9,295,537	25.62	23.03
Information Technology	5,732,419	15.80	7.80
Materials	2,482,767	6.84	4.77
Telecommunication Services	562,455	1.55	5.94
Portfolio of investments	35,394,656	97.54	94.39
Other net assets	891,272	2.46	5.61
Net assets attributable to unitholders	36,285,928	100.00	100.00

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

UNITED ASIA TOP 50 FUND

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NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 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 Top 50 (the "Fund") is a Singapore registered trust fund constituted by a Trust Deed dated 28 September 1999 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 that of investment trading. The Fund's investment objective is to achieve long-term capital appreciation by investing, directly or indirectly, in Authorised Investments issued by not more than 50 in total of the top corporations or any other entities either incorporated or incorporated in or whose principal operations are in, Asia, as may from time to time be determined by the Manager. These companies can be listed in any of the stock exchanges of the world.

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 recognised on trade date. Investments are recorded at fair value on initial recognition.

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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 period in which they arise.

(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.

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/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.

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2. Significant accounting policies (continued)

(f) Financial derivatives

Financial derivatives including forwards and swaps are entered into for the purpose of efficient portfolio management, tactical asset allocation or specific hedging of financial assets held as determined by the Manager and in accordance with the provisions of the Trust Deed.

Financial derivatives outstanding at the balance sheet date are valued at forward rates or at 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.

(g) 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.

3. Income tax

	31 December 2009	31 December 2008
	\$	\$
Overseas income tax	12,884	24,903

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.

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4. Receivables

	31 December 2009	30 June 2009
	\$	\$
Amount due from unitholders	2,059	2,500
Dividend receivable	8,485	28,761
Other receivable	-	1,294
	10,544	32,555

5. Cash and bank balances

	31 December 2009	30 June 2009
	\$	\$
Cash at bank	1,159,833	1,903,545

6. Payables

	31 December 2009	30 June 2009
	\$	\$
Amount due to unitholders	32,698	34,507
Amount due to Manager	145,081	123,847
Amount due to Trustee	6,660	5,678
Other creditors and accrued expenses	10,511	15,441
	194,950	179,473

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7. Net assets attributable to unitholders

	31 December 2009	30 June 2009
	\$	\$
At the beginning of the financial period/year	31,777,887	41,415,894
Operations		
Change in net assets attributable to unitholders resulting from operations	5,509,624	(8,213,151)
Unitholders' contributions/(withdrawals)		
Creation of units	119,502	245,307
Cancellation of units	(1,121,081)	(1,670,163)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	(1,001,579)	(1,424,856)
Total increase/(decrease) in net assets attributable to unitholders	4,508,045	(9,638,007)
At the end of the financial period/year	36,285,932	31,777,887
Units in issue (Note 8)	45,109,323	46,433,701
	\$	\$
Net assets attributable to unitholders per unit	0.80	0.68

8. Units in issue

	31 December 2009	30 June 2009
Units at beginning of the period/year	46,433,701	48,394,926
Units created	156,131	369,166
Units cancelled	(1,480,509)	(2,330,391)
Units at end of the period/year	45,109,323	46,433,701

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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.

(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.

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9. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk

The Fund has securities denominated in currencies other than the 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

	SGD \$	JPY \$	KRW \$	HKD \$	Others \$	Total \$
Assets						
Portfolio of investments	2,567,700	14,040,343	4,781,850	8,699,136	5,305,627	35,394,656
Receivables	2,059	8,485	-	-	-	10,544
Cash and bank balances	944,036	-	1	-	215,796	1,159,833
Total Assets	3,513,795	14,048,828	4,781,851	8,699,136	5,521,423	36,565,033
Liabilities						
Payables	193,867	1,083	-	-	-	194,950
Purchases awaiting settlement	-	84,151	-	-	-	84,151
Net assets attributable to unitholders	36,285,932	-	-	-	-	36,285,932
Total Liabilities	36,479,799	85,234	-	-	-	36,565,033
Net currency exposure	(32,966,004)	13,963,594	4,781,851	8,699,136	5,521,423	

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9. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

As at 30 June 2009

	SGD \$	JPY \$	KRW \$	HKD \$	Others \$	Total \$
Assets						
Portfolio of investments	4,767,700	11,496,991	2,163,725	7,943,197	3,623,305	29,994,918
Receivables	3,794	3,683	-	-	25,078	32,555
Sales awaiting settlement	-	346,779	-	541,205	-	887,984
Cash and bank balances	1,131,933	40,460	-	37,805	693,347	1,903,545
Total Assets	5,903,427	11,887,913	2,163,725	8,522,207	4,341,730	32,819,002
Liabilities						
Payables	178,972	501	-	-	-	179,473
Purchases awaiting settlement	155,871	393,982	-	-	311,789	861,642
Net assets attributable to unitholders	31,777,887	-	-	-	-	31,777,887
Total Liabilities	32,112,730	394,483	-	-	311,789	32,819,002
Net currency exposure	(26,209,303)	11,493,430	2,163,725	8,522,207	4,029,941	

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.

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For the half year ended 31 December 2009 (Un-audited)

9. Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk

Price risk is the risk of potential adverse changes to the value of financial investments because of changes in market conditions and volatility in security prices.

The 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 and 30 June 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		30 June 2009	
	Net impact to net assets attributable to unitholders		Net impact to net assets attributable to unitholders	
	\$	%	\$	%
MSCI AC Far East	8,211,560	20	7,138,790	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.

(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.

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For the half year ended 31 December 2009 (Un-audited)

9. 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 31 December 2009

	Less than 3 months \$	3 months to 1 year \$	1-5 years \$	Above 5 years \$
Payables	194,950	-	-	-
Purchases awaiting settlement	84,151	-	-	-
Net assets attributable to unitholders	36,285,932	-	-	-

As at 30 June 2009

	Less than 3 months \$	3 months to 1 year \$	1-5 years \$	Above 5 years \$
Payables	179,473	-	-	-
Purchases awaiting settlement	861,642	-	-	-
Net assets attributable to unitholders	31,777,887	-	-	-

(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 in which the Fund's assets are held as at 31 December 2009 and 30 June 2009.

As at 31 December 2009

	Credit rating	Source of credit rating
<u>Bank</u>		
State Street Bank & Trust Co.	B	Moody's
United Overseas Bank Limited	B	Moody's
<u>Custodian</u>		
State Street Bank & Trust Co.	B	Moody's

As at 30 June 2009

	Credit rating	Source of credit rating
<u>Bank</u>		
State Street Bank & Trust Co.	B	Moody's
United Overseas Bank Limited	B	Moody's
<u>Custodian</u>		
State Street Bank & Trust Co.	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.

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For the half year ended 31 December 2009 (Un-audited)

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 Limited is a subsidiary of United Overseas Bank Limited and HSBC Institutional Trust Services (Singapore) Limited is a subsidiary of HSBC Holdings Plc.

Management and valuation 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.

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

	31 December 2009	30 June 2009
	\$	\$
<u>United Overseas Bank Limited</u>		
Bank balances	13,702	2,878

- (c) The following transactions took place during the financial period between the Fund and United Overseas Bank Limited at terms agreed between the parties as follows:

	31 December 2009	31 December 2008
	\$	\$
Bank charges	30	30

11. Financial ratios

	31 December 2009	31 December 2008
Expense ratio ¹	2.10%	2.15%
Turnover ratio ²	45.49%	27.38%

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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