



United Greater China Fund

Semi Annual Report

for the period 1st January to
30th June 2009

United Greater China Fund

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

MANAGER

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United Greater China Fund

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

A) Fund Performance

	3 mth	6 mth	1yr	3 yr	5 yr	10 yr	Since Inception 29 May 1997
Fund Performance/ Benchmark Returns	% Growth	% Growth	% Growth	Ann Comp Ret	Ann Comp Ret	Ann Comp Ret	Ann Comp Ret
United Greater China Fund	20.76	31.62	-9.88	3.30	11.30	6.38	5.40
Benchmark	25.98	36.85	-9.09	3.23	7.36	1.82	2.52

Source: Lipper, a Thomson Reuters Company

Note: The performance returns of the Fund are in Singapore dollars based on a NAV-to-NAV basis price with net dividends reinvested.
The benchmark of the Fund: MSCI Golden Dragon

For the six months to 30 June 2009, the unit price of the Fund **rose 31.62%** on a net asset value basis, compared with a 36.85% increase in the benchmark MSCI Golden Dragon index in Singapore dollar terms.

A key reason for the fund's underperformance was the conservative position of the portfolio with relatively high cash levels, which dragged the fund down when the market rallied especially in March to May 2009. Country allocation did not make much difference as China, Hong Kong and Taiwan all performed in line. While stock selection in **Hong Kong** and **China** were positive, the fund was held back by negative stock selection in **Taiwan**, as we were underweight in Technology which outperformed during the first half of 2009, up 47.1%.

In terms of stock selection, the fund's performance was lifted particularly by our stock picks in **China**. These included **Anta Sports**, **China Resources Land**, **Beijing Capital Land**, **China Vanke** and **Ping An Insurance**. In **Hong Kong**, **Sun Hung Kai Properties**, **Bank of China Hong Kong** and **Hang Lung Properties** contributed positively. Our **Taiwan** holdings in **Hon Hai Precision**, **Taiwan Fertilizer** and **Far Eastern Textile** paid off well. This was offset by the relatively poorer performance of the following stocks - **China Coal Energy**, **Shanghai Electric Group** (China), **Cathay Financial** and **Chroma Ate** (Taiwan) and **Sinotech Fibre** (Singapore)

As at end June 2009, the fund had the following regional asset allocation: **China** (54.8%), **Hong Kong** (16%), **Taiwan** (22.1%), and the remainder in cash (7.1%).

Market Review

The Greater China equity markets experienced sharp volatility in the first half of 2009, ending the first six months of the year higher and reversing some of the sharp losses of 2008. The markets were sold 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. Exports continued to deteriorate against the backdrop of falling global demand. Governments around the world including Asia downgraded growth forecasts early in the year and at the same time introduced aggressive fiscal stimulus measures as well as interest rate cuts to support domestic growth.

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March 2009 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. Further measures from the US to clean up its financial system, added fiscal stimulus to boost its economy and the conclusion of the G20 leaders' meeting aimed to restart the global economy helped to lift the overall sentiment.

The markets continued to pick up strongly up to May 2009 with double-digit month-on-month price increases, supported by favourable economic data such as an improvement in domestic activity, a pick-up in housing sales volumes and automobile sales and a moderation in exports decline. Significantly, the Purchasing Managers' Index, which has been a reliable leading indicator, picked up significantly especially in China, which came back above 50 since March 2009. Markets started pricing in expectations that the global economic contraction had slowed and economic activity was turning out to be better than the worst-case outlook that had been projected.

The **Taiwan** market, which had already been doing well with the out-performance of the technology sector in the early part of 2009, saw a further boost with **China Mobile's** investment stake in **Far East Tone** at the end of April 2009. This sparked off anticipation of more cross border deals and linkages with China. Following this, the market saw strong inflows from locals bringing back their overseas money and foreign funds which had historically been underweight Taiwan.

The **Greater China** markets corrected in June as renewed concerns surfaced about the global economy. The World Bank projected a lower global growth forecast of 2.9% in 2009. Investors were also concerned that Asian markets had run up too fast ahead of economic fundamentals, and inflation fears resurfaced on the back of rising global oil prices. In particular, **Taiwan** saw a sharp correction in the month of June of -6.9% after significantly outperforming up to May 2009 (up 45.3% versus 35.5% for the benchmark), ending the first half of 2009 in line with the benchmark.

Fund Strategy and Outlook

The structural strengths of the Greater China economies have begun to manifest themselves and the markets are recognizing this after the severe global deleveraging process last year. China looks to be among the first countries to emerge from the global recession given its quick and positive response to the government's stimulus. Details in the latest investment and retail sales reports portray a more balanced growth picture in China across public and private sectors, and domestic/export sectors, reducing the risk of a lopsided development in the Chinese economy.

The market may see a technical correction some time in the second half of 2009 after a rapid run-up in the 2nd quarter of 2009. However, further data releases should confirm a re-acceleration of the Chinese economy. Hence, we believe there is still scope for upside earnings surprises. We expect a sustained economic recovery in 2010 and ongoing positive earnings revisions for both FY09 and FY10 to underpin a higher trajectory in the Greater China equity markets after a brief consolidation.

With China on a more solid footing, more developments on closer links and cross border investments between Taiwan and China could drive the **Taiwan** market higher. There could also be plans to allow Chinese investors to invest in Taiwan through Exchange-traded funds listed in China. The Taiwan market still remains cheap on a price to book basis at 1.6x compared to its long run historical average of 2.5x. Moreover, there is ample scope for further fund inflows into Taiwan as most foreign funds are still underweight the market and the locals still have a large amount of money located overseas.

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Hong Kong will benefit from its close ties and proximity to China particularly when the “through train” scheme, in which retail Chinese investors can invest directly in Hong Kong, is implemented. Moreover, the increasing use of the renmimbi for trade settlement will benefit Hong Kong banks, and the economy as a whole.

We continue to **overweight China**, with a positive tilt towards domestic consumption/demand-related stocks (property, autos, and banks), due to strong evidence of a sustained recovery in domestic demand. Although valuations have run up and MSCI China has recovered to pre-Lehman levels (those prior to September 15, 2009), trading at 2.4x price to book compared to its long-run average of 2.0x, we still see strong tailwinds sustaining the market momentum such as government fiscal spending, accommodative policy environment, and strong new loan growth especially to the non-state sectors and small/ medium sized enterprises. This should continue to bolster the earnings visibility of companies geared towards domestic demand. We also see a continued stable policy environment towards the real estate market. With the external economy still remaining weak, it is unlikely that the authorities will implement draconian measures to cool the real estate market, given its significance to China’s domestic economic growth.

We favour the asset reflation plays of **banks, insurance** and **property**. We favour **China Construction Bank, Ping An Insurance** and **China Resources Land**. We also see strong opportunities in the consumer sector such as automobile company, **Geely Auto** and department stores like **Golden Eagle** and leading sports shoes and apparel brand, **Anta Sports**. We expect them to post positive result surprises for the remainder of the year as domestic consumption picks up speed.

We maintain our **underweight** position in **Hong Kong**. In terms of valuations, Hong Kong still looks cheap at 1.3x price to book compared to its long run average of 1.6x. However, although unemployment seems to have stabilized, a meaningful recovery of the economy still hinges on the export sector, whose outlook is still weak. Consumer confidence has improved on better asset market performances recently. The strong liquidity since late March and a pick up in the residential property market, all indicate that sentiment may have bottomed. Looking ahead, we expect the improvement in activity growth in China and the easing in local financial conditions to become supportive of growth. In Hong Kong, we favour property recovery plays like **Sun Hung Kai Properties**, and companies with sizeable and sensible strategy in China such as **Hang Lung Properties** which owns retail malls in China. We also like **Bank of China Hong Kong**, that will take a sizeable portion of the Renmimbi trade settlement business and whose earnings should turn around significantly this year after sizeable writedowns in investments last year. **Hong Kong Exchange** is the most direct beneficiary from the improved liquidity environment and the potential “through train” scheme when it comes into effect.

We remain **underweight** in **Taiwan** albeit less so than before. While the recent improvement in cross strait relations is a strong positive, the pace of concrete steps in that direction may disappoint the market. On the economic front, exports still remain weak despite signs of stabilizing. While the technology sector has been doing well on global restocking of the channels, final demand sell-through still remains uncertain as US retail sales remain weak. Within Taiwan, we are underweight **Technology** and overweight **financials** and asset plays which should benefit most from closer capital links with China. We favour **property development** plays like construction company **Huaku Development**, and companies like **Taiwan Fertilizer, Far Eastern Textile** and **Yulon Motors** which have sizeable landbank and a clear strategy for realizing value in them. Within **Financials**, we like **Chinatrust** and **KGI Securities**, which we believe could be prime candidates for an investment stake and tie-up with Chinese financial firms.

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B) Investments at fair value and as a percentage of NAV as at 30 June 2009 under review classified by

	Fair Value (S\$)	% of NAV
i) Country		
China	77,992,282	54.81
Hong Kong	22,773,950	16.00
Taiwan	31,478,407	22.12
Portfolio of investments	132,244,639	92.93
Other net assets	10,058,546	7.07
Total	142,303,185	100.00

ii) Industry		
Consumer Discretionary	13,534,469	9.51
Consumer Staples	88,895	0.06
Energy	11,342,333	7.98
Financials	56,895,147	39.98
Industrials	10,052,715	7.06
Information Technology	12,832,870	9.02
Materials	14,330,958	10.07
Telecommunications Services	9,263,727	6.51
UT/Fund	1,294,203	0.91
Utilities	2,609,322	1.83
Portfolio of investments	132,244,639	92.93
Other net assets	10,058,546	7.07
Total	142,303,185	100.00

iii) Asset Class		
Equities	132,244,639	92.93
Other net assets	10,058,546	7.07
Total	142,303,185	100.00

iv) Credit rating of debt securities

N/A

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C) Top Ten Holdings

The top 10 holdings as at 30 June 2009 and 30 June 2008

10 largest holdings at 30 June 2009

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
CHINA MOBILE LIMITED	7,825,724	5.50
CHINA BLUECHEMICAL LIMITED	6,065,758	4.26
ANTA SPORTS PRODUCTS LIMITED	5,934,843	4.17
PING AN INSURANCE COMPANY	5,382,239	3.78
TAIWAN SEMICONDUCTOR MFG CO LIMITED	5,226,961	3.67
INDUSTRIAL & COMMERCIAL BK OF CHINA - H	5,042,348	3.54
SUN HUNG KAI PROPERTIES LIMITED	4,352,106	3.06
CHINA CONSTRUCTION BANK - H	4,257,983	2.99
PETROCHINA COMPANY LIMITED	4,063,398	2.86
BOC HONG KONG LTD	4,051,807	2.85

10 largest holdings at 30 June 2008

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
CHINA MOBILE LIMITED	9,121,613	6.43
PETROCHINA COMPANY LIMITED	7,552,382	5.33
CHINA BLUECHEMICAL LIMITED	6,210,015	4.38
TAIWAN SEMICONDUCTOR MFG CO LIMITED	5,847,823	4.12
INDUSTRIAL & COMMERCIAL BK OF CHINA - H	5,758,029	4.06
PING AN INSURANCE COMPANY	5,553,555	3.92
CHINA COAL ENERGY COMPANY	5,221,013	3.68
HON HAI PRECISION IND	4,958,672	3.50
BEIJING ENTERPRISES HOLDINGS	4,425,768	3.12
HONG KONG EXCHANGES & CLEARING	3,969,252	2.80

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D) Exposure to derivatives

- i) fair value of derivative contracts and as a percentage of NAV as at 30 June 2009

N/A

- ii) net gains/(losses) on derivative contracts realised during the financial period ended 30 June 2009

N/A

- iii) net gains/(losses) on outstanding derivative contracts marked to market as at 30 June 2009

N/A

E) Amount and percentage of net asset value (NAV) invested in other schemes as at 30 June 2009

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
ISHARES FTSE/XINHUA A50 CHINA TRACKER	1,294,203	0.91

F) Amount and percentage of borrowings to net asset value (NAV) as at 30 June 2009

N/A

G) Amount of redemptions and subscriptions for the period 01 January 2009 to 30 June 2009

Total amount of redemptions	SGD	7,659,058
Total amount of subscriptions	SGD	33,225,666

H) The amount and terms of related-party transactions for the period 01 January 2009 to 30 June 2009

- i) As at 30 June 2009 the Fund maintained current accounts with the United Overseas Bank Limited and HSBC Group as follows :

United Overseas Bank Limited

Bank balances SGD 4,048,724

HSBC Group

Bank balances SGD 8,828,889

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H) The amount and terms of related-party transactions for the period 01 January 2009 to 30 June 2009 (continued)

ii) Purchase/holdings of UOBAM unit trusts by UOB or its affiliated companies as at 30 June 2009

Holdings of United Greater China Fund as at 30 June 2009 were as follows:-

Affiliated Companies	No. of Units	Unit Price SGD	Market Value SGD
a) UOB Life Assurance Limited	200,199.57	1.815	363,362.22
b) UOB Smart Greater China Fund	7,640,530.51	1.815	13,867,562.88

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

N/A

iv) As at 30 June 2009 the brokerage income earned by UOB Kay Hian Pte Ltd was SGD 660.

I) Expense ratios

30 June 2009	1.90%
30 June 2008	1.84%

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

J) Turnover ratios

30 June 2009	51.95%
30 June 2008	32.42%

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 30 June 2009 and 30 June 2008

N/A

- ii) expense ratios for the period ended 30 June 2009 and 30 June 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 ended 30 June 2009 and 30 June 2008

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 half year ended 30 June 2009 (Un-audited)

	Notes	30 June 2009 \$	30 June 2008 \$
Income			
Dividends		1,684,478	1,893,391
Interest		1,576	5,184
		1,686,054	1,898,575
Less: Expenses			
Management fee	9	789,334	1,374,530
Trustee fee	9	34,213	52,489
Audit fee		7,456	6,044
Registrar fee	9	7,984	7,984
Valuation fee	9	68,945	109,820
Custody fee		36,795	60,091
Interest expenses		-	5,874
Other expenses		41,852	31,909
		986,579	1,648,741
Net income		699,475	249,834
Net gains or losses on value of investments			
Net realised losses on investments		(17,177,130)	(11,699,788)
Net change in fair value on investments		45,832,474	(63,082,178)
Net realised losses on financials derivative		-	(486,507)
Net foreign exchange losses		(86,896)	(179,800)
Net gains/(losses) on value of investments		28,568,448	(75,448,273)
Total return/(deficit) for the period before income tax		29,267,923	(75,198,439)
Less : Income tax	3	(130,621)	(153)
Total return/(deficit) for the period		29,137,302	(75,198,592)

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

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BALANCE SHEET

As at 30 June 2009 (Un-audited)

		30 June 2009	31 December 2008
	Notes	\$	\$
ASSETS			
Portfolio of investments		132,244,639	82,102,412
Receivables	4	4,025,430	103,122
Cash and bank balances		12,877,613	5,869,129
Total Assets		149,147,682	88,074,663
LIABILITIES			
Purchases awaiting settlement		5,470,083	-
Payables	5	1,374,414	475,388
Net assets attributable to unitholders	6	142,303,185	87,599,275
Total Liabilities		149,147,682	88,074,663

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

United Greater China Fund

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PORTFOLIO STATEMENT

As at 30 June 2009 (Un-audited)

	Holdings at 30 June 2009	Fair value at 30 June 2009 \$	Percentage of total net assets attributable to unitholders at 30 June 2009 %
By Geography - Primary Quoted Equities			
CHINA			
ANTA SPORTS PRODUCTS LIMITED	3,300,000	5,934,843	4.17
ASIA CEMENT CHINA HOLDINGS CORPORATION	1,400,000	1,479,836	1.04
BEIJING CAPITAL LAND	3,220,000	2,014,511	1.41
CHINA BLUECHEMICAL LIMITED	8,000,000	6,065,758	4.26
CHINA CONSTRUCTION BANK - H	3,800,000	4,257,983	2.99
CHINA EVERBRIGHT LIMITED	430,000	1,517,747	1.07
CHINA LIFE INSURANCE CO LIMITED	550,000	2,942,770	2.07
CHINA MOBILE LIMITED	540,000	7,825,724	5.50
CHINA OILFIELD SERVICES LTD - H	792,000	1,245,393	0.88
CHINA OVERSEAS LAND & INVESTMENT LTD	460,000	1,534,293	1.08
CHINA PETROLEUM & CHEM CORP (SINOPEC)	1,500,000	1,649,968	1.16
CHINA RAILWAY CONSTRUCTION CORPN - H	620,000	1,384,815	0.97
CHINA RESOURCES LAND LIMITED	1,248,000	4,013,440	2.82
CHINA SHENHUA ENERGY COMPANY LIMITED	150,000	794,170	0.56
CHINA STH LOCOMOTIVE & ROLLING STOCK-H	2,000,000	1,695,723	1.19
CHINA TELECOM CORP LIMITED	2,000,000	1,438,003	1.01
CHINA VANKE CO LTD - B	700,000	1,464,148	1.03
CNOOC LIMITED	2,000,000	3,589,404	2.52
DALIAN PORT (PDA) COMPANY LIMITED	2,229,000	1,307,100	0.92
GEELY AUTOMOBILE HOLDINGS LIMITED	5,800,000	1,505,608	1.06
GOLDEN EAGLE RETAIL GROUP	830,000	1,395,049	0.98
HUANENG POWER INTERNATIONAL INC	1,200,000	1,223,610	0.86
INDUSTRIAL & COMMERCIAL BK OF CHINA - H	5,000,000	5,042,348	3.54
ISHARES FTSE/XINHUA A50 CHINA TRACKER	500,000	1,294,203	0.91
PETROCHINA COMPANY LIMITED	2,530,008	4,063,398	2.86
PING AN INSURANCE COMPANY	550,000	5,382,239	3.78
SHANDONG CHENMING PAPER HOLDINGS - B	3,454,482	3,328,907	2.34
SINOFERT HOLDINGS LIMITED	1,200,000	878,489	0.62
ZHEJIANG EXPRESSWAY	1,500,000	1,722,802	1.21
TOTAL CHINA		77,992,282	54.81

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PORTFOLIO STATEMENT

As at 30 June 2009 (Un-audited)

	Holdings at 30 June 2009	Fair value at 30 June 2009 \$	Percentage of total net assets attributable to unitholders at 30 June 2009 %
By Geography - Primary (continued)			
Quoted Equities			
HONG KONG			
BAWANG INTERNATIONAL	200,000	88,895	0.06
BOC HONG KONG LTD	1,600,000	4,051,807	2.85
CHEUNG KONG	180,000	2,995,154	2.10
GUANGDONG INVESTMENT LIMITED	2,000,000	1,385,712	0.97
HANG LUNG PROPERTIES LIMITED	500,000	2,348,427	1.65
HONG KONG EXCHANGES & CLEARING	160,000	3,609,574	2.54
HUTCHISON WHAMPOA LTD	270,000	2,543,864	1.79
MTR CORPORATION	320,000	1,398,411	0.98
SUN HUNG KAI PROPERTIES LIMITED	240,000	4,352,106	3.06
TOTAL HONG KONG		22,773,950	16.00
TAIWAN			
CATCHER TECHNOLOGY CO LTD	300,000	1,034,893	0.73
CHINATRUST FINANCIAL HOLDINGS	3,800,000	3,319,067	2.33
FAR EASTERN TEXTILE	1,020,000	1,709,823	1.20
HON HAI PRECISION IND	643,500	2,867,063	2.02
HUAKU DEVELOPMENT CO LTD	450,000	1,548,369	1.09
KGI SECURITIES CO LTD	4,680,000	3,096,738	2.18
QUANTA COMPUTER INC.	1,000,000	2,333,581	1.64
TAIWAN FERTILIZER CO LTD	600,000	2,577,968	1.81
TAIWAN SEMICONDUCTOR MFG CO LIMITED	2,170,148	5,226,961	3.67
THE AMBASSADOR HOTEL	900,000	1,502,712	1.06
WISTRON CORPORATION	570,000	1,370,372	0.96
YUANTA FINANCIAL HOLDING CO LTD	3,500,000	3,404,426	2.39
YULON MOTOR CO LTD	1,080,000	1,486,434	1.04
TOTAL TAIWAN		31,478,407	22.12
Portfolio of investments		132,244,639	92.93
Other net assets		10,058,546	7.07
Net assets attributable to unitholders		142,303,185	100.00

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

United Greater China Fund

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

PORTFOLIO STATEMENT

As at 30 June 2009 (Un-audited)

	Percentage of total net assets attributable to unitholders at 30 June 2009 %	Percentage of total net assets attributable to unitholders at 31 December 2008 %
By Geography – Primary (Summary)		
Quoted Equities		
China	54.81	64.86
Hong Kong	16.00	15.56
Singapore	-	0.92
Taiwan	22.12	12.38
Portfolio of investments	92.93	93.72
Other net assets	7.07	6.28
Net assets attributable to unitholders	100.00	100.00

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

United Greater China Fund

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

PORTFOLIO STATEMENT

As at 30 June 2009 (Un-audited)

	Fair value at 30 June 2009 \$	Percentage of total net assets attributable to unitholders at 30 June 2009 %	Percentage of total net assets attributable to unitholders at 31 December 2008 %
By Industry – Secondary Quoted Equities			
Consumer Discretionary	13,534,469	9.51	5.56
Consumer Staples	88,895	0.06	1.43
Energy	11,342,333	7.98	13.62
Financials	56,895,147	39.98	26.46
Industrials	10,052,715	7.06	11.08
Information Technology	12,832,870	9.02	7.59
Materials	14,330,958	10.07	7.48
Telecommunications Services	9,263,727	6.51	16.53
UT/Fund	1,294,203	0.91	0.89
Utilities	2,609,322	1.83	3.08
Portfolio of investments	132,244,639	92.93	93.72
Other net assets	10,058,546	7.07	6.28
Net assets attributable to unitholders	142,303,185	100.00	100.00

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

United Greater China Fund

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NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2009 (Un-audited)

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

1. General

United Greater China Fund (the “Fund”) is a Singapore registered trust fund constituted by a Trust Deed dated 3 July 1995 between UOB Asset Management Limited (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 give investors an opportunity to achieve medium to long term capital appreciation and to receive regular income distributions during the investment period through investing in shares of companies listed or quoted, in China, Hong Kong, Taiwan and Singapore.

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

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NOTES TO THE FINANCIAL STATEMENTS

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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 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/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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NOTES TO THE FINANCIAL STATEMENTS

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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

	30 June 2009 \$	30 June 2008 \$
Overseas income tax	<u>130,621</u>	153

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

	30 June 2009 \$	31 December 2008 \$
Amount due from unitholders	3,780,697	97,564
Dividend receivable	244,733	5,558
	<u>4,025,430</u>	103,122

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5. Payables

	30 June 2009	31 December 2008
	\$	\$
Amount due to unitholders	285,258	79,000
Amount due to Manager	1,043,113	361,819
Amount due to Trustee	18,072	14,084
Other creditors and accrued expenses	27,971	20,485
	1,374,414	475,388

6. Net assets attributable to unitholders

	30 June 2009	31 December 2008
	\$	\$
At the beginning of the financial period/year	87,599,275	228,541,757
Operations		
Change in net assets attributable to unitholders resulting from operations	29,137,302	(118,352,795)
Unitholders' contributions/(withdrawals)		
Creation of units	33,225,666	32,441,720
Cancellation of units	(7,659,058)	(55,031,407)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	25,566,608	(22,589,687)
Total increase/(decrease) in net assets attributable to unitholders	54,703,910	(140,942,482)
At the end of the financial period/year	142,303,185	87,599,275
Units in issue (Note 7)	78,497,917	63,720,507
	\$	\$
Net assets attributable to unitholders per unit	1.81	1.37

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7. Units in issue

	30 June 2009	31 December 2008
Units at beginning of the period/year	63,720,507	75,817,186
Units created	19,436,240	14,341,586
Units cancelled	(4,658,830)	(26,438,265)
Units at end of the period/year	<u>78,497,917</u>	<u>63,720,507</u>

8. 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.

(i) Foreign exchange risk

The Fund has securities denominated in currencies other than the Singapore dollar and it may be affected favourably or unfavourably by exchange rate regulations or changes in the exchange rates between the Singapore dollar 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.

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NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2009 (Un-audited)

8. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

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

As at 30 June 2009

	SGD \$	HKD \$	TWD \$	USD \$	Total \$
Assets					
Portfolio of investments	-	100,766,232	31,478,407	-	132,244,639
Receivables	3,049,528	19,345	89,148	867,409	4,025,430
Cash and bank balances	4,430,999	1,223,285	5,196,002	2,027,327	12,877,613
Total Assets	7,480,527	102,008,862	36,763,557	2,894,736	149,147,682
Liabilities					
Purchases awaiting settlement	-	2,791,305	2,678,778	-	5,470,083
Payables	1,153,756	3,939	-	216,719	1,374,414
Net assets attributable to unitholders	142,303,185	-	-	-	142,303,185
Total Liabilities	143,456,941	2,795,244	2,678,778	216,719	149,147,682
Net currency exposure	(135,976,414)	99,213,618	34,084,779	2,678,017	

As at 31 December 2008

	SGD \$	HKD \$	TWD \$	USD \$	Total \$
Assets					
Portfolio of investments	2,209,500	69,044,451	10,848,461	-	82,102,412
Receivables	97,564	5,558	-	-	103,122
Cash and bank balances	2,013,614	126,847	3,684,388	44,280	5,869,129
Total Assets	4,320,678	69,176,856	14,532,849	44,280	88,074,663
Liabilities					
Payables	473,364	-	-	2,024	475,388
Net assets attributable to unitholders	87,599,275	-	-	-	87,599,275
Total Liabilities	88,072,639	-	-	2,024	88,074,663
Net currency exposure	(83,751,961)	69,176,856	14,532,849	42,256	

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For the half year ended 30 June 2009 (Un-audited)

8. Financial risk management (continued)

(a) Market risk (continued)

(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 investment, 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 30 June 2009 and 31 December 2008. 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	30 June 2009		31 December 2008	
	Net impact to net assets attributable to unitholders		Net impact to net assets attributable to unitholders	
	\$	%	\$	%
MSCI Golden Dragon	27,506,885	20	17,241,507	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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For the half year ended 30 June 2009 (Un-audited)

8. 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 30 June 2009

	Less than 3 months \$	3 months to 1 year \$	1-5 years \$	Above 5 years \$
Purchases awaiting settlement	5,470,083	-	-	-
Payables	1,374,414	-	-	-
Net assets attributable to unitholders	142,303,185	-	-	-

As at 31 December 2008

	Less than 3 months \$	3 months to 1 year \$	1-5 years \$	Above 5 years \$
Payables	475,388	-	-	-
Net assets attributable to unitholders	87,599,275	-	-	-

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For the half year ended 30 June 2009 (Un-audited)

8. 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 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.

The table below summarizes the credit rating of banks in which the Fund's assets are held as at 30 June 2009 and 31 December 2008.

As at 30 June 2009

<u>Bank</u>	Amount \$	Credit rating	Source of credit rating
HSBC Group	8,828,889	B+	Moody's
United Overseas Bank Limited	4,048,724	B	Moody's

As at 31 December 2008

<u>Bank</u>	Amount \$	Credit rating	Source of credit rating
HSBC Group	4,176,181	B+	Moody's
United Overseas Bank Limited	1,692,948	B	Moody's

All investments are held in custody with HSBC Group., whose credit rating assigned by Moody's at 30 June 2009 is B+ (31 December 2008: B+). 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 30 June 2009 (Un-audited)

9. Related party transactions

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

	30 June 2009	31 December 2008
	\$	\$
<u>United Overseas Bank Limited</u>		
Bank balances	4,048,724	1,692,948
<u>HSBC Group</u>		
Bank balances	8,828,889	4,176,181

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

	30 June 2009	30 June 2008
	\$	\$
<u>United Overseas Bank Limited</u>		
Interest expense	-	2,880
Bank charges	60	-
<u>HSBC Group</u>		
Interest income	1,576	5,184
Interest expense	-	2,994
Bank charges	48	-

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NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2009 (Un-audited)

9. Related party transactions (continued)

(d) UOB Kay Hian Pte Ltd is an affiliate company of United Overseas Bank Limited.

For the financial period ended 30 June 2009, the Fund has brokerage fee paid or payable to UOB Kay Hian Pte Ltd as follows:

	30 June 2009	30 June 2008
	\$	\$
Brokerage charges	660	25,445

10. Financial ratios

	30 June 2009	30 June 2008
Expense ratio ¹	1.90%	1.84%
Turnover ratio ²	51.95%	32.42%

- The expense ratio is computed in accordance with the IMAS guidelines on disclosure of expense ratio 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.*
- The turnover ratio is calculated in accordance with the formula stated in the "Code on Collective Investment Schemes".*

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