



United SSE 50 China ETF

Annual Report

for the financial year ended
30th June 2015

United SSE 50 China ETF

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

MANAGER

UOB Asset Management Ltd
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DIRECTORS OF UOB ASSET MANAGEMENT

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CUSTODIAN

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SOLICITORS TO THE MANAGER

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SOLICITORS TO THE TRUSTEE

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A) Fund Performance

Fund Performance/ Benchmark Returns	3 mth % Growth	6 mth % Growth	1 yr % Growth	3 yr Ann Comp Ret	5 yr Ann Comp Ret	10 yr Ann Comp Ret	Since Inception 12 November 2009 Ann Comp Ret
United SSE 50 China ETF	1.93	11.43	105.64	20.52	9.85	N/A	2.73
Benchmark	2.25	13.02	109.25	22.28	10.72	N/A	3.60

Source: Lipper, a Thomson Reuters Company.

Note: The performance returns of the Fund are in Singapore dollars based on a NAV-to-NAV basis with net dividends reinvested.
The benchmark of the Fund: SSE 50 Index.

For the 12 months ended 30 June 2015, the Fund **increased by 105.64%** on a net asset value basis in Singapore dollar terms, compared to the benchmark SSE 50 Index which rose by 109.25% during the same period.

Market and Portfolio Review

2014 was a year of harvest in China's equity market as it outperformed most of the major global equity markets for the first time in five years. The rally extended into the first half of 2015, mainly driven by the continued loosening of monetary policy and investors' rising risk appetite. Unfortunately, the stock market took a tumble in mid-June 2015 with the massive sell-off driven by continued weak earnings growth due to the economic slow-down, high stock valuation as well as the increased equity supply in the market.

China may launch several key reform measures in the second half of 2015, including a stock market connection programme, liberalization of its capital account and a registration-based initial public offer (IPO) system. The effects of these measures will likely be felt gradually. Eased restrictions on supply and less control over capital flows will likely help to correct the pricing imbalance, improve risk pricing in the domestic China 'A'-share market and align 'A'-shares with international markets.

Recent economic data in China show signs of a slowdown with key economic and credit indicators progressively softening. China real economic performance has not only been poor but is deteriorating. Industrial output growth slowed from 9.7% in 2013 to 8.3% in 2014 and to 6.4% in the first quarter of 2015 (1Q 2015). The producer price index (PPI) has been in negative territory for 37 months and the consumer price index (CPI) dropped to 1.2% on average in the first quarter this year from 2% in 2014 and 2.6% in 2013. As such, the growth in industrial profits turned negative in October last year and state-owned enterprise (SOE) profits as a whole plunged 21.5% year-on-year (yoy) during January to February 2015.

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As of 16 June 2014, the SSE 50 Index had an index review and rebalancing, which was effective between 16 June 2014 and 14 December 2014. During this index review, five constituents were changed. **Jiangxi Copper Co Ltd (materials)**, **Zhongjin Gold Co Ltd (materials)**, **Xiamen Tungsten Co Ltd (materials)**, **ShanziLu'an Environment Energy Development Co Ltd (energy)** and **Zijin Mining Group Co Ltd (materials)** were removed from the index and replaced by **TEBA Co Ltd (industrials)**, **Shanghai Fosun Pharmaceutical Group Co Ltd (health care)**, **Sanan Optoelectronics Co Ltd (information technology)**, **Shanghai Oriental Pearl (Group) Co Ltd (consumer discretionary)** and **China Hainan Rubber Industry Group Co., Ltd (consumer discretionary)**. All the 50 index constituents rose during the period from July to December 2014.

As of 15 December 2014, five constituents were changed during the index review and rebalancing for the SSE 50 Index, effective between 15 December 2014 and 14 June 2015. **Sany Heavy Industry Co Ltd (industrials)**, **Gemdale Corporation (financials)**, **Shandong Gold-Mining Co Ltd (materials)**, **China National Chemical Engineering Co Ltd (industrials)** and **New China Life Insurance Co Ltd (financials)** were removed from the index and replaced by **Sino link Securities Co Ltd (financials)**, **China CSSC Holdings Limited (industrials)**, **China Avic Electronics Co Ltd (industrials)**, **Qingdao Haier Co Ltd (consumer discretionary)** and **China Citic Bank Corporation Limited (financials)**. All the 50 index constituents rose during the period from December 2014 to June 2015.

As of 15 June 2015, the SSE 50 Index had another index review and rebalancing, which will be effective between 15 June 2015 and 15 December 2015. During this index review, five constituents were changed. **Shanghai Fosun Pharmaceutical (Group) Co. Ltd (health care)**, **Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (health care)**, **China Avionics System Co. Ltd (industrials)**, **Sanan Optoelectronics Co. Ltd (information technology)** and **China Hainan Rubber Industry Group Co., Ltd (consumer discretionary)** were removed from the index and replaced by **Bank of China Ltd (financials)**, **China Railway Construction Co Ltd (industrials)**, **China Railway Group Limited (industrials)**, **China Communications Construction Company Limited (industrials)** and **Orient Securities Company Limited (financials)**.

Market Outlook

The rally in China equities seems more supported by liquidity and less by fundamentals. Strong liquidity could spill over and benefit the broader Asian market. However, the market may slow going forward due to the cyclical outlook for the Chinese economy as it undergoes restructuring and reform. The reform process is both painful and difficult to execute and there is no guarantee that it can be executed without a major disruption to growth. China still has overcapacity challenges that need to be addressed. The "One Belt One Road" plan may help to mitigate some of the pressures in aligning industrial capacity with demand, but this will take some time to play out. The key risks in the market include the potential US rate increases and the rising of US dollar that may cause capital outflow from Asia as well as the China 'A'-share market volatility.

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Disclosures

The Fund invests in Participatory Notes (P-Notes) and the value of the P-Notes is linked to a composite portfolio comprising an underlying basket of 'A'-Shares, closely corresponding to the performance of the SSE 50 Index.

BNP Paribas posts collateral for any value of the P-Notes issued by BNP Paribas held by the Trustee on behalf of the Sub-Fund that is above 10% of the Net Asset Value of the Sub-Fund in order to reduce the Sub-Fund's exposure to BNP Paribas to not more than 10% of the Net Asset Value of the Sub-Fund. It is intended that the collateral would be placed in a trust or custodian account charge and assigned to the Trustee as trustee for the Sub-Fund. The details of the collaterals as of 30 June 2015 are as follows:

Name	Value (SGD)	Natural of Collateral
GERMANY (REP OF) 2.25P 0921	22,032,138.57	Government Bond
GERMANY (REP) 4.0 040137 EUR	30,997,314.59	Government Bond
GERMANY 4.75P28	10,835,232.27	Government Bond
KFW 3.5000 040721 EUR	8,004,894.21	Government Bond

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B) Investments at fair value and as a percentage of NAV as at 30 June 2015 under review classified by

i) Country

Please refer to the Statement of Portfolio on page 15

ii) Industry

Please refer to the Statement of Portfolio on page 15

iii) Asset Class

Please refer to the Statement of Portfolio on page 15

iv) Credit rating of debt securities

N/A

C) Top Ten Holdings

The top 10 holdings as at 30 June 2015 and 30 June 2014

30 June 2015⁺

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
BNP PARIBAS ARBITRAGE ISSUANCE B.V. (UNITED SSE 50 CHINA ETF) P-NOTE 03/11/2015	47,230,138	100.04

+ There was only 1 holding as at 30 June 2015

30 June 2014⁺

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

+ There was only 1 holding as at 30 June 2014

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D) Exposure to derivatives

- i) fair value of derivative contracts and as a percentage of NAV as at 30 June 2015

	Contract or underlying principal amount \$	Negative fair value \$	% of NAV
P-notes	47,230,138	7,362,535	15.60

- ii) there was a net gain of SGD 47,213,296 on derivative contracts realised during the financial year ended 30 June 2015
- iii) there was a net loss of SGD 7,362,535 on outstanding derivative contracts marked to market as at 30 June 2015

E) Amount and percentage of net asset value (NAV) invested in other schemes as at 30 June 2015

N/A

F) Amount and percentage of borrowings to net asset value (NAV) as at 30 June 2015

N/A

G) Amount of redemptions and subscriptions for the financial year ended 30 June 2015

Total amount of redemptions	SGD	36,873,700
Total amount of subscriptions	SGD	-

H) The amount and terms of related-party transactions for the financial year ended 30 June 2015

- i) As at 30 June 2015 the Fund maintained current account with HSBC Group as follows:

<u>HSBC Group</u>		
Bank balances	SGD	321,309

- ii) Purchase/holdings of UOBAM unit trusts by UOB or its affiliated companies as at 30 June 2015

N/A

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H) The amount and terms of related-party transactions for the financial year ended 30 June 2015 (continued)

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

N/A

iv) As at 30 June 2015 there was no brokerage income earned by UOB Kay Hian Pte Ltd.

I) Expense ratios

	2015	2014
Expense ratio ¹ (excluding collateral fee)	1.34%	1.32%
Expense ratio (including collateral fee)	2.74%	2.47%
Turnover ratio ²	647.69%	187.18%

¹ The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio at 30 June 2015 was based on total operating expenses of \$706,432 (2014: \$630,937) divided by the average net asset value of \$52,823,086 (2014: \$47,839,139) for the year. The total operating expenses do not include (where applicable) brokerage and other transactions costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Fund does not pay any performance fee. The average net asset value is based on the daily balances

² The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of the total value of purchases or sales of the underlying investments, being purchases of \$342,127,302 (2014: purchases of \$89,545,157) divided by the average daily net asset value of \$52,823,086 (2014: \$47,839,139).

J) Turnover ratios

30 June 2015	647.69%
30 June 2014	187.18%

Note: The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of the total value of purchases or sales of the underlying investments, being purchases of \$342,127,302 (2014: purchases of \$89,545,157) divided by the average daily net asset value of \$52,823,086 (2014: \$47,839,139).

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 a percentage of NAV as at 30 June 2015 and 30 June 2014

N/A

- ii) expense ratios for the financial year ended 30 June 2015 and 30 June 2014

N/A

- iii) turnover ratios for the financial year ended 30 June 2015 and 30 June 2014

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 products and services relate essentially to computer hardware and software to the extent that they are used to support the investment decision making process, research and advisory services, economic and political analyses, portfolio analyses including performance measurements, market analyses, data and quotation services, all of which are believed to be helpful in the overall discharge of UOB Asset Management’s duties to clients. As such services generally benefit all of UOB Asset Management’s clients in terms of input into the investment decision making process, the soft credits utilised are not allocated on a specific client basis. The Manager confirms that trades were executed on a best execution basis and there was no churning of trades.

There are no soft dollars, rebates, commissions or other money incentives generated by the Fund.

N) Where the scheme offers pre-determined payouts, an explanation on the calculation of the actual payouts received by participants and any significant deviation from the pre-determined payouts

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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REPORT OF THE TRUSTEE

The Trustee is under a duty to take into custody and to hold the assets of United SSE 50 China ETF (the “Fund”) in trust for the unitholders. In accordance with the Securities and Futures Act (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting year and report thereon to unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the year covered by these financial statements, set out on pages 12 to 26, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

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

Authorised signatory

21 September 2015

United SSE 50 China ETF

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STATEMENT BY THE MANAGER

In the opinion of the directors of UOB Asset Management Ltd, the accompanying financial statements set out on pages 12 to 26, comprising the Statement of Total Return, Statement of Financial Position, Statement of Movements of Unitholders' Funds, Statement of Portfolio and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of United SSE 50 China ETF (the "Fund") as at 30 June 2015 and the total return and changes in unitholders' funds for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that the Fund will be able to meet its financial obligations as and when they materialise.

For and on behalf of the Manager
UOB ASSET MANAGEMENT LTD

THIO BOON KIAT
Authorised signatory

21 September 2015

United SSE 50 China ETF

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INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF UNITED SSE 50 CHINA ETF

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

We have audited the accompanying financial statements of United SSE 50 China ETF (the "Fund"), which comprise the Statement of Financial Position and Statement of Portfolio as at 30 June 2015, the Statement of Total Return and Statement of Movements of Unitholders' Funds for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 12 to 26.

Manager's Responsibility for the Financial Statements

The Fund's Manager (the "Manager") is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 30 June 2015 and the total return for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 21 September 2015

United SSE 50 China ETF
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STATEMENT OF TOTAL RETURN

For the financial year ended 30 June 2015

	Note	2015 \$	2014 \$
Income			
Dividends		1,360,264	1,491,890
Less: Expenses			
Management fee	8	237,650	215,393
Trustee fee	8	42,510	42,000
Audit fee		25,500	25,000
Custody fee	8	-	9,473
Maintenance fee	8	158,503	145,817
Collateral fee		737,201	550,536
Transaction cost		74,362	362,896
Other expenses		242,269	193,254
		1,517,995	1,544,369
Net loss		(157,731)	(52,479)
Net gains or losses on value of investments			
Net gain/(loss) on investments		39,850,761	(3,740,607)
Net foreign exchange loss		(129)	(160)
		39,850,632	(3,740,767)
Total return/(deficit) for the year before income tax		39,692,901	(3,793,246)
Less: Capital gain tax reversal/(tax)	3	6,789	(2,075)
Total return/(deficit) for the year		39,699,690	(3,795,321)

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

United SSE 50 China ETF
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STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Note	2015 \$	2014 \$
ASSETS			
Portfolio of investments		47,230,138	44,028,102
Receivables	4	17,062	-
Cash and bank balances		321,309	481,778
Total Assets		47,568,509	44,509,880
LIABILITIES			
Payables	5	360,571	127,932
Total Liabilities		360,571	127,932
EQUITY			
Net assets attributable to unitholders	6	47,207,938	44,381,948

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

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STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS

For the financial year ended 30 June 2015

	Note	2015 \$	2014 \$
Net assets attributable to unitholders at the beginning of the financial year		44,381,948	48,177,269
Operations			
Change in net assets attributable to unitholders resulting from operations		39,699,690	(3,795,321)
Unitholders' contributions/(withdrawals)			
Creation of units		-	-
Cancellation of units		(36,873,700)	-
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		(36,873,700)	-
Total increase/(decrease) in net assets attributable to unitholders		2,825,990	(3,795,321)
Net assets attributable to unitholders at the end of the financial year	6	47,207,938	44,381,948

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

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STATEMENT OF PORTFOLIO

As at 30 June 2015

	Holdings at 30 June 2015	Fair value at 30 June 2015 \$	Percentage of total net assets attributable to unitholders at 30 June 2015 %
By Geography - Primary			
CHINA			
BNP PARIBAS ARBITRAGE ISSUANCE B.V. (UNITED SSE 50 CHINA ETF) P-NOTE 03/11/2015	16,110,000	47,230,138	100.04
Portfolio of investments		47,230,138	100.04
Other net liabilities		(22,200)	(0.04)
Net assets attributable to unitholders		47,207,938	100.00

	Percentage of total net assets attributable to unitholders at 30 June 2015 %	Percentage of total net assets attributable to unitholders at 30 June 2014 %
By Geography - Primary (Summary)		
CHINA	100.04	99.20
Portfolio of investments	100.04	99.20
Other net liabilities	(0.04)	0.80
Net assets attributable to unitholders	100.00	100.00

As the Fund invests only into one participatory note, no secondary representation is considered necessary.

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

United SSE 50 China ETF
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2015

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

1. General

United SSE 50 China ETF (the “Fund”) is a Singapore registered trust fund constituted by a Trust Deed dated 8 October 2009 between UOB Asset Management Ltd (the “Manager”) and HSBC Institutional Trust Services (Singapore) Limited (the “Trustee”). The Deed is governed by the laws of the Republic of Singapore.

The primary activity of the Fund is to invest in a type of market access product known as participatory notes (the “P-Notes”) to be issued by suitably rated P-Notes issuer(s), which will be linked to a composite portfolio (the “Composite Portfolio”) comprising of an underlying basket of the ‘A’-Shares held by the relevant Qualified Foreign Institutional Investor (“QFII”) and designed to track as closely as possible, before fees, costs and expenses (including any taxes and withholding taxes), the performance of the SSE 50 China Index.

Subscriptions and redemptions of the units are denominated in Singapore Dollar.

2. Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, modified by the revaluation of financial assets at fair value through profit or loss, and in accordance with the Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” issued by the Institute of Singapore Chartered Accountants.

(b) Recognition of income

Dividend income is recognised when the right to receive payment is established.

(c) Investments

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

(i) *Initial recognition*

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

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2015

2. Significant accounting policies (continued)

(c) Investments (continued)

(ii) *Subsequent measurement*

Investments are subsequently carried at fair value. Net change in fair value on investments are included in the Statement of Total Return in the year in which they arise.

(iii) *Derecognition*

Investments are derecognised on the trade date of disposal. The resultant realised gains and losses on the sales of investments are computed on the basis of the difference between the weighted average cost and selling price gross of transaction costs, and are taken up in the Statement of Total Return.

(d) Basis of valuation of investments

The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The fair value of P-Notes which are not traded in active markets is based on quotation from market maker at the end of each reporting period.

(e) Foreign currency translation

(i) *Functional and presentation currency*

The Fund's investors are mainly from Singapore with the subscriptions and redemptions of the units denominated in Singapore Dollar.

The performance of the Fund is measured and reported to the investors in Singapore Dollar. The Manager considers the Singapore Dollar as the currency of the primary economic environment in which the Fund operates. The financial statements are presented in Singapore Dollar, which is the Fund's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Total Return. Translation differences on non-monetary financial assets and liabilities are also recognised in the Statement of Total Return within the net gain or loss on investments.

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NOTES TO THE FINANCIAL STATEMENTS

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2. Significant accounting policies (continued)

(f) Expenses charged to the Fund

All direct expenses relating to the Fund are charged directly to the Statement of Total Return. In addition, certain expenses shared by all unit trusts managed by the Manager are allocated to each Fund based on the respective Fund's net asset value.

(g) Financial derivatives

Financial derivatives including forwards and swaps are entered into for the purposes of efficient portfolio management, tactical asset allocation or specific hedging of financial assets held as determined by the Manager and in accordance with the provision of the Trust Deed and the Code on Collective Investment Schemes.

Financial derivatives outstanding on the reporting date are valued at the forward rate or at the current market prices using the "mark-to-market" method, as applicable, and the resultant gains and losses are taken up in the Statement of Total Return.

(h) Distribution

The Manager has the absolute discretion to determine whether a distribution is to be made. In such an event, an appropriate amount will be transferred to a distribution account to be paid out on the distribution date. The amount shall not be treated as part of the property of the Fund. Distributions are accrued for at the reporting date if the necessary approvals have been obtained and a legal or constructive obligation has been created.

3. Income tax

	2015	2014
	\$	\$
Capital gain (tax reversal)/tax	<u>(6,789)</u>	<u>2,075</u>

The Fund was granted the status of an Enhanced-Tier Fund under Section 13X of the Income Tax Act by the Monetary Authority of Singapore. Subject to certain conditions, the Fund will be granted tax exemption on specified income from designated investments for the life of the Fund. The terms "specified income" and "designated investments" are defined in the relevant income tax regulations and MAS circulars.

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NOTES TO THE FINANCIAL STATEMENTS

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3. Income tax (continued)

In addition, the Fund has exposure to China 'A'-shares through P-Notes issued by brokers in the Qualified Foreign Institutional Investors ("QFII") programme. There is significant uncertainty over the People's Republic of China's ("PRC") taxation on capital gains derived from China 'A'-shares for any transaction prior to 17 November 2014.

The capital gain tax represents tax accrued for gains from trading of P-Notes which link to the Composite Portfolio comprising of an underlying basket of the 'A'-shares.

4. Receivables

	2015	2014
	\$	\$
Dividend receivable	1	-
Input tax credit refund	17,061	-
	17,062	-

5. Payables

	2015	2014
	\$	\$
Amount due to Manager	101,294	80,304
Amount due to Trustee	11,010	10,500
Other creditors and accrued expenses	248,267	37,128
	360,571	127,932

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NOTES TO THE FINANCIAL STATEMENTS

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6. Units in issue

During the year ended 30 June 2015 and 2014, the number of units issued, redeemed and outstanding were as follows:

	2015	2014
Units at the beginning of the year	32,052,000	32,052,000
Units created	-	-
Units cancelled	(15,400,000)	-
Units at the end of the year	16,652,000	32,052,000
Net assets attributable to unitholders (\$)	47,207,938	44,381,948
Net asset value per unit (\$)	2.834	1.384

A reconciliation of the net assets attributable to unitholders per unit per the financial statements and the net assets attributable to unitholders per unit for issuing/redeeming units at the financial year end date is presented below:

	2015	2014
	\$	\$
Net assets attributable to unitholders per unit per the financial statements	2.834	1.384
Under accrual for collateral fee	0.012	-
Net assets attributable to unitholders per unit for issuing/ redeeming units	2.846	1.384

7. Financial risk management

The Fund's activities expose it to a variety of market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Fund's overall risk management programme seeks to minimise potential adverse effects on the Fund's financial performance. The Fund may use financial futures contracts, financial options contracts and/or currency forward contracts subject to the terms of the Prospectus to moderate certain risk exposures. Specific guidelines on exposures to individual securities and certain industries are in place for the Fund at any time as part of the overall financial risk management to reduce the Fund's risk exposures.

The Fund's assets principally consist of investments in P-Notes as provided in Note 1 to the financial statements. They are held in accordance with the published investment policies of the Fund. The allocation of assets between the various types of investments is determined by the Manager to achieve their investment objectives.

United SSE 50 China ETF

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2015

7. 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 makes reasonable efforts in the choice of investments, events beyond reasonable control of the Manager could affect the prices of the underlying investments and hence the asset value of the Fund. Guidelines are set to reduce the Fund's risk exposures to market volatility such as diversifying the portfolio by investing across various geographies, alternatively, the Fund may be hedged using derivative strategies.

(i) Foreign exchange risk

The majority of the Fund's financial assets and liabilities are denominated in Singapore Dollar. Consequently, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of foreign currency rates.

(ii) Price risk

Price risk is the risk of potential adverse changes to the value of financial investments because of changes in market conditions and volatility in security prices. The Fund is designated to track the performance of the SSE 50 Index, therefore the exposure to price risk in the Fund will be substantially the same as the SSE 50 Index. As an exchange traded Fund, the Manager manages the Fund's exposure to price risk by ensuring the key characteristics of the portfolio, such as security weight and industry weight, is closely aligned to the SSE 50 Index characteristics.

Benchmark component	2015		2014	
	Net impact to net assets attributable to unitholders		Net impact to net assets attributable to unitholders	
	\$	%	\$	%
Shanghai SE 50 'A'-share Index	13,602,280	30	8,364,742	20

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2015

7. Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

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

(b) Liquidity risk

The Fund is exposed to daily cash redemptions and disbursements for the settlements of purchases. The Manager therefore ensures that the Fund maintains sufficient cash and cash equivalents and that it is able to obtain cash from the sale of investments held to meet its liquidity requirements. Reasonable efforts will be taken to invest in securities which are traded in a relatively active market and which can be readily disposed of.

At the end of the reporting year, the Fund's investments in P-Notes and other assets are realisable within one month.

The Manager may from time to time employ derivatives to implement a portfolio strategy to reduce risk or for the purpose of efficient portfolio management. Market liquidity of complex derivatives are significantly less than traditional investment instruments and such positions may therefore require a longer time to reverse than would be typically be expected for traditional investment instruments. No such investments were held at the reporting date.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting 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 2015

	Less than 3 months \$
Payables	360,571

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2015

7. Financial risk management (continued)

(b) Liquidity risk (continued)

As at 30 June 2014

Less than
3 months
\$

Payables

127,932

(c) Credit risk

The Fund takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Fund's credit risk is concentrated on cash and bank balances, and amounts or securities receivable on the sale and purchase of investments respectively. In order to mitigate exposure to credit risk, all transactions in listed securities are settled/paid for upon delivery and transacted with approved counterparties using an approved list of brokers that are regularly assessed and updated by the Manager.

The table below summarises the credit rating of bank and custodian in which the Fund's assets are held as at 30 June 2015 and 2014.

The credit ratings are based on the Viability (2014: Bank Financial Strength) ratings published by the rating agency.

As at 30 June 2015

	Credit rating	Source of credit rating
<u>Bank</u>		
HSBC Group	aa-	Fitch
<u>Custodian</u>		
HSBC Group	aa-	Fitch

As at 30 June 2014

	Credit rating	Source of credit rating
<u>Bank</u>		
HSBC Group	B	Moody's
<u>Custodian</u>		
HSBC Group	B	Moody's

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2015

7. Financial risk management (continued)

(c) Credit risk (continued)

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

The Fund is exposed to BNP as the counterparty for the issuance of the P-Notes. BNP's credit rating per Fitch is a+ (2014: per Moody's is C-). To limit the Fund's net exposure to BNP, BNP posts collateral to reduce the Fund's exposure to BNP to not more than 10% of the Fund's Net Asset Value at any time. The collateral is placed into a trust or custodian account in Hong Kong charged and assigned by BNP to the Trustee of the Fund.

(d) Capital management

The Fund's capital is represented by the net assets attributable to unitholders. The Fund strives to invest the subscriptions of redeemable participating units in investments that meet the Fund's investment objectives while maintaining sufficient liquidity to meet unitholder redemptions.

(e) Fair value estimation

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value at 30 June 2015 and 2014:

As at 30 June 2015	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Financial assets at fair value through profit or loss				
- Participatory notes	-	47,230,138	-	47,230,138

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2015

7. Financial risk management (continued)

(e) Fair value estimation (continued)

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

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These comprise of P-Notes.

Except for cash and bank balances which are classified as Level 1, the Fund's assets and liabilities not measured at fair value at 30 June 2015 and 2014 have been classified as Level 2. The carrying amounts of these assets and liabilities approximate their fair values as at the reporting date.

8. Related party transactions

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

Management and maintenance fees are paid to the Manager, while trustee fee is paid to the Trustee. The custodian of the Fund is The Hongkong and Shanghai Banking Corporation Limited, to which custodian fees are paid. These fees paid or payable by the Fund are shown in the Statement of Total Return and in the respective Notes to the Financial Statements are on terms set out in the Trust Deed. All other related party transactions are shown elsewhere in the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2015

8. Related party transactions (continued)

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

	2015	2014
	\$	\$
<u>HSBC Group</u>		
Bank balances	321,309	481,778

- (c) The following transactions took place during the financial year between the Fund and The Hongkong and Shanghai Banking Corporation Limited at terms agreed between the parties:

	2015	2014
	\$	\$
Bank charges	2,531	517

9. Financial ratios

	2015	2014
Expense ratio ¹ (excluding collateral fee)	1.34%	1.32%
Expense ratio (including collateral fee)	2.74%	2.47%
Turnover ratio ²	647.69%	187.18%

¹ The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio at 30 June 2015 was based on total operating expenses of \$706,432 (2014: \$630,937) divided by the average net asset value of \$52,823,086 (2014: \$47,839,139) for the year. The total operating expenses do not include (where applicable) brokerage and other transactions costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Fund does not pay any performance fee. The average net asset value is based on the daily balances.

² The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of the total value of purchases or sales of the underlying investments, being purchases of \$342,127,302 (2014: purchases of \$89,545,157) divided by the average daily net asset value of \$52,823,086 (2014: \$47,839,139).

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