



United SSE 50 China ETF

Annual Report

for the financial year ended
30th June 2017

United SSE 50 China ETF
(Constituted under a Trust Deed in the Republic of Singapore)

MANAGER

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Company Registration No. : 198600120Z

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Lee Wai Fai
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TRUSTEE

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CUSTODIAN / ADMINISTRATOR / REGISTRAR

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AUDITOR

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SOLICITOR TO THE MANAGER

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United SSE 50 China ETF
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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	7.74	7.53	19.02	17.18	6.51	N/A	-1.21
Benchmark	8.25	8.93	20.43	20.23	8.73	N/A	0.19

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 dividends and distributions reinvested, if any.*

The benchmark of the Fund: SSE 50 Index.

For the 12 months ended 30 June 2017, the net asset value of the Fund **increased 19.02%** on a net asset value basis in Singapore dollar terms, compared to the benchmark SSE 50 Index which increased 20.43% during the same period.

Economic and Market Review

China equity markets outperformed global markets for the year ended 30 June 2017. Emerging Markets (EM) as a whole outperformed Developed Markets (DM), as appetite for higher yielding assets increased with improved global economic momentum and a weaker US dollar.

The softening of President Trump's trade protectionism rhetoric calmed market fears on Asian exporters. Concerns of Sino-US tensions faded after a successful meeting between President Trump and President Xi.

The US Federal Reserve (Fed) hiked rates by quarter of a percentage point (25 basis points) in March and June 2017, as it took a gradual and predictable path to normalising interest rates. The US dollar weakened against other major currencies including the Euro and Japanese yen.

On the geopolitical front, markets brushed off concerns on North Korea's missile launches, US President Trump's legal woes and welcomed the election of Pro-EU French President Macron.

China's economic indicators were generally strong. China's purchasing managers index (PMI) accelerated in the first quarter 2017 to hit 51.8 in March, before moderating in April and recovering in June. The producer price index (PPI) accelerated to a peak of 7.6% in March before moderating to 5.5% in June, while the CPI remained steady below 2%. China's exports also accelerated more than expected with strong demand globally.

As of 13 June 2016, the SSE 50 Index had an index review and rebalancing, which was effective between 13 June 2016 and 12 December 2016. During the index review, 5 constituents were changed. *Shanghai International Port (Group) Co Ltd (Industrials)*, *China CSSC Holdings Limited (Industrials)*, *Anhui Conch Cement Co Ltd (Materials)*, *Hua Xia Bank Co Ltd (Financials)* and *Founder Securities (Financials)*, were removed from the index and replaced by *China Southern Airlines Co Ltd (Industrials)*, *Industrial Securities Co Ltd (Financials)*, *Everbright Securities Co Ltd (Financials)*, *Shanghai Electric Group Co Ltd (Industrials)* and *China Cosco Holdings Co Ltd (Industrials)*.

As of 12 December 2016, five constituents changed during the index review and rebalancing for the SSE50 Index, effective between 12 December 2016 and 12 June 2017. *Inner Mongolia Baotou Steel Union Co Ltd (Materials)*, *GD Power Development Co Ltd (Utilities)*, *Power Construction Corporation of China Ltd (Industrials)*, *Shanghai Electric Group Co Ltd (Industrials)* and *Cosco Shipping Holdings Co Ltd (Industrials)*, were removed from the index and replaced by *Tsinghua Tongfang Co Ltd (Information Technology)*, *Beijin Xinwei Telecom Technology Group Co Ltd (Telecommunication Services)*, *Shandong Gold-Mining Co Ltd (Materials)*, *DongXing Securities Co Ltd (Financials)* and *Founder Securities Co Ltd (Financials)*.

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A) Fund Performance (continued)

As of 12 June 2017, five constituents changed during the index review and rebalancing for the SSE50 Index, effective between 12 June 2017 and 12 December 2017. *Shanghai Oriental Pearl Media Co Ltd (Consumer Discretionary)*, *China Citic Bank Corporation Ltd (Financials)*, *Industrial Securities Co Ltd (Financials)*, *Sinolink Securities Co Ltd (Financials)* and *AECC Aviation Power Co Ltd (Industrials)*, were removed from the index and replaced by *Bank of Shanghai Co Ltd (Financials)*, *Bank of Jiangsu Co Ltd (Financials)*, *China Galaxy Securities Co Ltd (Financials)*, *China Fortune Land Development Co Ltd (Financials)* and *Greenland Holdings Co Ltd (Financials)*.

Outlook and Fund Strategy

In recent months, China's economic recovery looks to have stabilised with the PMI above 50 and the rebound in the PPI after many years in negative territory. The improvement in economic activity and earnings growth, coupled with renewed focus on debt deleveraging give comfort that the slowdown in GDP growth will be manageable and asset quality risks will be contained. Regulators have concurrently been stepping up action to tighten monetary conditions to control financial leverage and prevent overheating.

The market is seeing improving returns on equity (ROE) and upward revisions in corporate earnings after many years as global growth recovers. China 'A' share inclusion in global indices will also drive more funds flow into the market over time.

Appendix

Disclosures

The Fund invests in the Participatory Notes (the P-Notes) and the value of the P-Notes is linked to a composite portfolio comprising an underlying basket of A-Shares, closely correspond 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 detail of the collaterals as of 30 June 2017 is as follow:

Name	Value (SGD)	Natural of Collateral
GERMANY (REP OF) 2.5P 0121	5,207,200.09	Government Bond
DEUTSCHE ILB 0.1 150426 EUR	39,486,669.31	Government Bond

B) Investments at fair value and as a percentage of net asset value (“NAV”) as at 30 June 2017 under review classified by

i) Country

Please refer to the Statement of Portfolio

ii) Industry

Please refer to the Statement of Portfolio

iii) Asset Class

Please refer to the Statement of Portfolio

iv) Credit rating of quoted bonds

N/A

C) Top Ten Holdings

10 largest holdings as at 30 June 2017

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
BNP PARIBAS ARBITRAGE ISSUANCE B.V. (UNITED SSE 50 CHINA ETF) P-NOTE 08/11/2017	32,962,870	100.45

There was only 1 holding as at 30 June 2017.

10 largest holdings as at 30 June 2016

	Fair Value (S\$)	Percentage of total net assets attributable to unitholders %
BNP PARIBAS ARBITRAGE ISSUANCE B.V. (UNITED SSE 50 CHINA ETF) P-NOTE 08/11/2017	29,175,275	100.55

There was only 1 holding as at 30 June 2016.

D) Exposure to derivatives

i) fair value of derivative contracts and as a percentage of NAV as at 30 June 2017

N/A

ii) net gains/(losses) on derivative contracts realised during the financial year ended 30 June 2017

N/A

D) Exposure to derivatives (continued)

- iii) net gains/(losses) on outstanding derivative contracts marked to market as at 30 June 2017
N/A

E) Amount and percentage of NAV invested in other schemes as at 30 June 2017

N/A

F) Amount and percentage of borrowings to NAV as at 30 June 2017

N/A

G) Amount of redemptions and subscriptions for the financial year ended 30 June 2017

Total amount of redemptions	SGD	1,435,900
Total amount of subscriptions	SGD	-

H) The amount and terms of related-party transactions for the financial year ended 30 June 2017

Please refer to Note 8 of the Notes to the Financial Statements.

I) Expense ratios

Please refer to Note 9 of the Notes to the Financial Statements.

J) Turnover ratios

Please refer to Note 9 of the Notes to the Financial Statements.

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

N/A

L) For schemes which invest more than 30% of their deposited property in another scheme, the following key information on the second-mentioned scheme (“the underlying scheme”)¹ should be disclosed as well

- i) top 10 holdings at fair value and as percentage of NAV as at 30 June 2017 and 30 June 2016
N/A
- ii) expense ratios for the financial year ended 30 June 2017 and 30 June 2016
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 (continued)

iii) turnover ratios for the financial year ended 30 June 2017 and 30 June 2016

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.*

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

REPORT OF THE TRUSTEE

The Trustee is under a duty to take into custody and 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
STATE STREET TRUST (SG) LIMITED

Authorised signatory
27 September 2017

STATEMENT BY THE MANAGER

In the opinion 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 and portfolio holdings of United SSE 50 China ETF (the "Fund") as at 30 June 2017, and the financial performance and movements of 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
27 September 2017

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

Our Opinion

In our opinion, the accompanying financial statements of the United SSE 50 China ETF (the "Fund"), are properly drawn up 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, so as to present fairly, in all material respects, the financial position and portfolio holdings of the Fund as at 30 June 2017, and of the financial performance and movements of unitholders' funds for the financial year ended on that date.

What we have audited

The financial statements of the Fund comprise:

- the Statement of Total Return for the financial year ended 30 June 2017;
- the Statement of Financial Position as at 30 June 2017;
- the Statement of Movements of Unitholders' Funds for the financial year ended 30 June 2017;
- the Statement of Portfolio as at 30 June 2017; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Fund in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular we considered where the Fund's manager (the "Manager") made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 30 June 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are the areas of focus described as a "Key Audit Matter" below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Key Audit Matter

Valuation of investment

The value of the Fund's investment is presented on the Statement of Financial Position.

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

The valuation of investment was an area of focus because investments represent the principal element of the net asset value as disclosed on the Statement of Financial Position in the financial statements.

How our audit addressed the Key Audit Matter

Our testing on the valuation of the investment included:

- comparing the price used in valuation to an independent third party source;
- backtesting the price used in valuation to actual trades transacted near the financial year end date; and
- assessing the credit risk of the counterparty.

Based on the procedures performed above, we found no exceptions to be highlighted in our report.

Other Information

The Manager is responsible for the other information. The other information comprises all sections of the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the Financial Statements

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.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to terminate the Fund or to cease the Fund's operations, or has no realistic alternative but to do so.

The Manager's responsibilities include overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lim Kheng Wah.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 27 September 2017

United SSE 50 China ETF
(Constituted under a Trust Deed in the Republic of Singapore)

STATEMENT OF TOTAL RETURN

For the financial year ended 30 June 2017

	Note	2017 \$	2016 \$
Income			
Dividends		<u>774,419</u>	<u>788,679</u>
Total		<u>774,419</u>	<u>788,679</u>
Less: Expenses			
Management fee	8	139,585	150,369
Trustee fee	8	34,222	42,000
Audit fee		25,502	25,500
Custody fee	8	22,616	139,030
Maintenance fee	8	93,056	100,246
Collateral fee		452,904	537,587
Running fee*		417,179	668,246
Transaction costs		5,476	41,911
Other expenses		<u>191,505</u>	<u>384,396</u>
Total		<u>1,382,045</u>	<u>2,089,285</u>
Net income/(losses)		<u>(607,626)</u>	<u>(1,300,606)</u>
Net gains/(losses) on value of investments			
Net gains/(losses) on investments		5,844,420	(13,512,309)
Net foreign exchange gains/(losses)		<u>(4)</u>	<u>10</u>
		<u>5,844,416</u>	<u>(13,512,299)</u>
Total return/(deficit) for the year before income tax		5,236,790	(14,812,905)
Less: Capital gains tax	3	<u>-</u>	<u>(21,484)</u>
Total return/(deficit) for the year		<u>5,236,790</u>	<u>(14,834,389)</u>

* Running fee comprises costs incurred during incidences of index rebalancing of the participatory note.

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

United SSE 50 China ETF
(Constituted under a Trust Deed in the Republic of Singapore)

STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	2017 \$	2016 \$
Assets			
Portfolio of investments		32,962,870	29,175,275
Receivables	4	1,020,839	-
Cash and bank balances		<u>580,100</u>	<u>55,467</u>
Total assets		<u>34,563,809</u>	<u>29,230,742</u>
Liabilities			
Payables	5	<u>1,747,770</u>	<u>215,593</u>
Total liabilities		<u>1,747,770</u>	<u>215,593</u>
Equity			
Net assets attributable to unitholders	6	<u>32,816,039</u>	<u>29,015,149</u>

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

United SSE 50 China ETF
(Constituted under a Trust Deed in the Republic of Singapore)

STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS

For the financial year ended 30 June 2017

	Note	2017	2016
		\$	\$
Net assets attributable to unitholders at the beginning of the financial year		29,015,149	47,207,938
Operations			
Change in net assets attributable to unitholders resulting from operations		5,236,790	(14,834,389)
Unitholders' contribution/(withdrawal)			
Creation of units		-	2,626,600
Cancellation of units		<u>(1,435,900)</u>	<u>(5,985,000)</u>
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		(1,435,900)	(3,358,400)
Total increase/(decrease) in net assets attributable to unitholders		<u>3,800,890</u>	<u>(18,192,789)</u>
Net assets attributable to unitholders at the end of the financial year	6	<u>32,816,039</u>	<u>29,015,149</u>

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

United SSE 50 China ETF
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STATEMENT OF PORTFOLIO

As at 30 June 2017

	Holdings at 30 June 2017	Fair value at 30 June 2017 \$	Percentage of total net assets attributable to unitholders at 30 June 2017 %
By Geography - Primary			
Quoted Equities			
CHINA			
BNP PARIBAS ARBITRAGE ISSUANCE B.V. (UNITED SSE 50 CHINA ETF) P-NOTE 08/11/2017	13,580,000	<u>32,962,870</u>	<u>100.45</u>
Portfolio of investments		32,962,870	100.45
Other net assets/(liabilities)		<u>(146,831)</u>	<u>(0.45)</u>
Net assets attributable to unitholders		<u>32,816,039</u>	<u>100.00</u>

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

United SSE 50 China ETF
(Constituted under a Trust Deed in the Republic of Singapore)

STATEMENT OF PORTFOLIO

As at 30 June 2017

	Percentage of total net assets attributable to unitholders at 30 June 2017 %	Percentage of total net assets attributable to unitholders at 30 June 2016 %
By Geography - Primary (Summary)		
China	<u>100.45</u>	<u>100.55</u>
Portfolio of investments	100.45	100.55
Other net assets/(liabilities)	<u>(0.45)</u>	<u>(0.55)</u>
Net assets attributable to unitholders	<u>100.00</u>	<u>100.00</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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 under a Trust Deed dated 8 October 2009 between UOB Asset Management Ltd (the "Manager") and HSBC Institutional Trust Services (Singapore) Limited (the "Retired Trustee"). The Deed is governed by the laws of the Republic of Singapore.

With effect from 1 April 2017, the Trustee of the Fund has changed from HSBC Institutional Trust Services (Singapore) Limited (the "Retired Trustee") to State Street Trust (SG) Limited (the "Trustee"), and the global custodian of the Fund has changed from The Hongkong and Shanghai Banking Corporation Limited to State Street Bank and Trust Company, Singapore Branch.

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 the 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 held at fair value through profit or loss, and 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 in June 2016 ("RAP 7") for the financial year beginning on or after 1 July 2016.

The Fund has adopted the following Singapore Financial Reporting Standards ("FRS") and related amendments in accordance with the recommendations of the RAP 7:

(i) Consolidation and disclosure of interests in other entities

FRS 110 "Consolidated financial statements"

FRS 112 "Disclosure of interests in other entities"

Amendments to FRS 110, FRS 112 and FRS 27 "Investment entities"

FRS 110 and the amendments define an investment entity and introduce an exception from the consolidation requirements for investments entities.

FRS 112 and the amendments require entities to disclose significant judgements and assumptions made in determining whether the entity controls, jointly controls, significantly influences or has some interests in other entities. Entities are also required to provide disclosure around certain "structured entities". The amendments to FRS 112 introduce new disclosure requirements related to investment entities.

(ii) Offsetting financial assets and liabilities disclosures

Amendments to FRS 32 "Financial instruments: Presentation - Offsetting financial assets and financial liabilities"

Amendments to FRS 107 "Disclosures - Offsetting financial assets and financial liabilities"

The amendments to FRS 32 provide clarification on the offsetting criteria in FRS 32 and address inconsistencies in their application.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

2 Significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) Offsetting financial assets and liabilities disclosures (continued)

The amendments to FRS 107 require additional disclosures to enable users of the financial statements to evaluate the effect or the potential effects of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

The adoption of these new or amended FRS impacted the Fund's level of disclosures in certain of the above noted areas, but did not result in substantial changes to the accounting policies of the Fund and had no material effect on the amounts reported for the current or prior years.

(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

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

(ii) Subsequent measurement

Investments are subsequently carried at fair value. Net changes 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 sale 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 financial year end date. The fair value of P-Notes which are not traded in active markets is based on quotation from an independent third party valuer at the end of each financial year.

(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 the Singapore Dollar.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

2 Significant accounting policies (continued)

(e) Foreign currency translation (continued)

(ii) Transactions and balances

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

(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 may be entered into for the purposes 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 financial year end 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) Distributions

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 financial year end date if the necessary approvals have been obtained and a legal or constructive obligation has been created.

(i) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

3 Income tax

	2017	2016
	\$	\$
Capital gains tax	-	21,484

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

3 Income tax (continued)

The Fund has been approved by the Monetary Authority of Singapore under the Enhanced-Tier Fund ("ETF") Scheme (section 13X of the Income Tax Act and the relevant regulations). Subject to certain conditions being met on an annual basis, the Fund may enjoy Singapore corporate income tax exemption on "specified income" derived from "designated investments" for the life of the Fund. The tax exemption does not apply in the year when the relevant conditions are not met. Losses from "designated investments" are correspondingly disregarded. The terms "specified income" and "designated investments" are defined in the relevant income tax regulations.

The trustee of the Fund has assessed and is satisfied that the Fund has met the requisite conditions under the ETF Scheme for the current financial year. The trustee of the Fund will also ensure that the Fund fulfills its reporting obligations under the ETF Scheme.

In addition, the Fund has exposure to China A-shares through P-Notes issued by brokers in the 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 is linked to the Composite Portfolio comprising an underlying basket of China A-shares.

4 Receivables

	2017	2016
	\$	\$
Amount due from the Manager	<u>1,020,839</u>	-
	<u>1,020,839</u>	-

5 Payables

	2017	2016
	\$	\$
Amount due to the Manager	58,339	56,438
Amount due to Trustee	2,722	10,500
Other creditors and accrued expenses	<u>1,686,709</u>	<u>148,655</u>
	<u>1,747,770</u>	<u>215,593</u>

Other creditors and accrued expenses include an amount payable to a broker to settle a tax position. Correspondingly, as the Manager has agreed to reimburse the amount to the Fund for this purpose, a receivable from the Manager is recognised as disclosed in Note 4.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

6 Units in issue

During the financial year ended 30 June 2017 and 2016, the numbers of units issued, redeemed and outstanding were as follows:

	2017	2016
Units at the beginning of the financial year	15,552,000	16,652,000
Units created	-	1,300,000
Units cancelled	<u>(700,000)</u>	<u>(2,400,000)</u>
Units at the end of the financial year	14,852,000	15,552,000
	\$	\$
Net assets attributable to unitholders	32,816,039	29,015,149
Net assets value per unit	2.209	1.865

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 prepared below:

	2017	2016
	\$	\$
Net assets attributable to unitholders per financial statements per unit	2.209	1.865
Under accrual for collateral fee	0.007	0.007
Under accrual for legal and professional fee	0.005	-
Effect of movement in the net asset value between the last dealing date and the end of the reporting period*	<u>0.007</u>	<u>-</u>
Net assets attributable to unitholders for issuing/redeeming per unit	2.228	1.872

* *The net asset value for the purpose of processing unit subscription and redemption was established in accordance with the methodology indicated in the Fund's Prospectus. This item reflects the movement in net asset value between such date and the end of the financial year.*

7 Financial risk management

The Fund's activities expose it to a variety of market risks (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 futures contracts, financial options contracts and/or foreign currency contracts subject to the terms of the Trust Deed 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. 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 its investment objectives.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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 and 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 the 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	2017 Net impact to net assets attributable to unitholders		2016 Net impact to net assets attributable to unitholders	
	\$	%	\$	%
SSE 50 A-share Index	9,691,084	30	8,299,663	30

(iii) Interest rate risk

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

Investment funds that invest in equity securities may be subject to interest rate risk as any interest rate change may affect the equity risk premium though at varying degrees. To manage this risk, the Manager analyses how interest rate changes may affect different industries and securities and then seeks to adjust the Fund's portfolio investments accordingly. However, the effects of changes in interest rates on the Fund's portfolio may not be quantified as the relationship between the interest rates and the value of equity securities is indirect.

Other than the cash and bank balances which are at short term market interest rates, and therefore subject to insignificant interest rate risk, the Fund's financial assets and liabilities are largely non-interest bearing.

Hence, no sensitivity analysis has been presented separately.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

7 Financial risk management (continued)

(b) Liquidity risk (continued)

At the end of the financial 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.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end 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.

	2017			2016		
	Less than 3 months	3 months to 1 year	Over 1 year	Less than 3 months	3 months to 1 year	Over 1 year
	\$	\$	\$	\$	\$	\$
Payables	726,931	1,020,839	-	215,593	-	-

(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 banks and custodians in which the Fund's assets are held as at 30 June 2017 and 2016.

The credit ratings are based on the Viability ratings published by Fitch.

	Credit rating as at 30 June 2017	Credit rating as at 30 June 2016
Bank and custodian		
State Street Bank and Trust Company	aa-	aa-
The Hongkong and Shanghai Banking Corporation Limited	n/a	aa-

The maximum exposure to credit risk at the financial year end date is the carrying amount of the portfolio of investments and cash and bank balances as presented in Statement of Financial Position.

The Fund is exposed to BNP Paribas Arbitrage Issuance B.V. ("BNP") as the counterparty for the issuance of the P-Notes. BNP's credit rating per Fitch is a+. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

7 Financial risk management (continued)

(d) Capital management

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

(e) Fair value estimation

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

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

The following table analyses within the fair value hierarchy, the Fund's financial assets and liabilities (by class) measured at fair value at 30 June 2017 and 2016:

	2017				2016			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets								
Portfolio of investments								
- Participatory notes	-	32,962,870	-	32,962,870	-	29,175,275	-	29,175,275
Total	-	32,962,870	-	32,962,870	-	29,175,275	-	29,175,275

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 the 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 2017 and 2016 have been classified as Level 2. The carrying amounts of these assets and liabilities approximate their fair values as at the financial year end date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

8 Related party transactions

(a) The Manager and the Trustee of the Fund are UOB Asset Management Ltd and State Street Trust (SG) Limited respectively. State Street Trust (SG) Limited replaced HSBC Institutional Trust Services (Singapore) Limited as the Trustee with effect from 1 April 2017. The Manager is a subsidiary of United Overseas Bank Limited while the Trustee is a subsidiary of State Street Bank and Trust Company.

Management fee and maintenance fee are paid to the Manager for the financial year. Trustee fee was paid to the Retired Trustee for the period from 1 July 2016 to 31 March 2017. With effect from 1 April 2017, trustee fee is paid to the Trustee.

Custody fee was paid to The Hongkong and Shanghai Banking Corporation Limited, a related party of the Retired Trustee, for the period from 1 July 2016 to 31 March 2017 and is paid to State Street Bank and Trust Company, Singapore Branch with effect from 1 April 2017.

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 year, the Fund maintained the following accounts with the related parties:

	2017	2016
	\$	\$
State Street Bank and Trust Company, Singapore Branch		
Cash and bank balances	580,100	-
The Hongkong and Shanghai Banking Corporation Limited		
Cash and bank balances	-	55,467

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

	2017	2016
	\$	\$
State Street Bank and Trust Company, Singapore Branch		
Bank charges	163	-
The Hongkong and Shanghai Banking Corporation Limited		
Bank charges	2,213	2,676

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

9 Financial ratios

	2017 \$	2016 \$
Total operating expenses (excluding collateral fee and running fee)	506,486	841,541
Total operating expenses (including collateral fee and running fee)	1,376,569	2,047,374
Average daily net asset value	<u>31,059,277</u>	<u>33,387,969</u>
Expense ratio (excluding collateral fee and running fee) ¹	<u>1.63%</u>	<u>2.52%</u>
Expense ratio (including collateral fee and running fee)	<u>4.43%</u>	<u>6.13%</u>
Lower of total value of purchases or sales [#]	2,051,349	36,838,816
Average daily net assets value	<u>31,059,277</u>	<u>33,387,969</u>
Turnover ratio ²	<u>6.60%</u>	<u>110.34%</u>

There were no purchases during the financial year ended 30 June 2017. Therefore, the total value of sales is used in the calculation of portfolio turnover ratio.

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 Fund's expense ratio at 30 June 2017 was based on total operating expenses divided by the average net asset value respectively for the financial 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 divided by the average daily net asset value.

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