United SSE 50 China ETF

Annual Report

for the financial year ended
30th June 2011

UOB Asset Management
大華資產管理

United SSE 50 China ETF

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

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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	-4.91	-1.26	1.24	NA	NA	NA	-17.10
Benchmark	-5.80	-1.71	0.89	NA	NA	NA	-16.87

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 2011, the Fund **rose 1.24%** on a net asset value basis in Singapore dollar terms, compared with the benchmark SSE 50 Index which rose 0.89% in Singapore dollar terms over the same period.

Market and Portfolio Review

It had been a tough period for the China A-share market, which turned in a largely flat performance, even though there were some large moves up and equally big falls in between. Investor confidence took a severe hit due to various issues surrounding the Chinese economy, ranging from high inflation, property bubble to over-tightening of monetary policies. That resulted in fears of an economic hard landing. The external global macro environment was similarly challenging, due to the earthquake in Japan, the ongoing debt crisis in the peripheral European countries, concerns over a fiscal crisis in the US and a sharp spike in oil prices due to geopolitical unrests in the Middle East. Share prices of some Chinese overseas-listed companies collapsed due to alleged fraud, and further undermined investor confidence in China and its corporate sector.

The headline news had been focused on the fact that inflation remained uncomfortably high, ticking up to 5.5% year-on-year in May 2011. A combination of bad weather and a general surge in raw commodity prices over the 12 months led to higher food and energy prices. On the other hand, the steadily rising non-food prices, particularly service prices, resulted in inflation staying sticky and structurally higher than expected. This was partially due to the rising wages of migrant workers, and especially with the government's decision to increase the minimum wage levels. However, the persistent inflation had little impact on either consumption or investment behavior so far. Surveys have shown inflation expectations remained anchored, and did not point to the possibility of runaway inflation.

In a bid to rein in the excess liquidity and manage inflation, the Chinese central bank had been tightening monetary policy through various administrative measures. One of the favoured tools used is to hike the banks' Reserves Requirement Ratio (RRR). In the first six months of 2011, People's Bank of China (PBoC) raised the commercial banks' RRR six times and by a total of 3.0%. That pushed the ratio to record highs of 21.5% for large financial institutions, 19.5% for small-and-medium-sized financial institutions and 18.0% for credit cooperatives and township banks. According to some estimates, every 50 basis point hike in the RRR will drain about RMB 370 billion from the financial system. Since the start of this tightening cycle, the authorities have raised RRR aggressively by 6.0%, draining an estimated RMB 4.0 trillion of liquidity from the financial system. The authorities have indicated that there is theoretically no limit as to how high the RRR hikes can go, but the impact of this policy tool has already been felt in the domestic economy and financial markets. During this same period, PBoC has also increased the benchmark one-year deposit rate twice to 3.25% and the lending rates twice to 6.31%.

The aggressive RRR hikes have reportedly resulted in liquidity stress among the banks, and the small-and-medium-sized enterprises (SMEs) are now facing tighter access to bank funding. On the other hand, the large state owned enterprises (SOEs) retained full credit access, as they are often the banks' best customers. The cash flow problems of SMEs along the coastal areas were so severe that the lending rate in the informal market had exceeded 6.0% per month and even as high as 8 – 10% per month at some point. The China Banking Regulatory Commission (CBRC) has urged banks to lend to SMEs but we have yet to see any relief in the financial stress suffered by the SMEs.

As liquidity conditions continued to tighten, there were significant concerns that the Chinese domestic economy could potentially skid to a sharp decline, or a hard landing. However, the economic data suggested that China's growth remained relatively strong, albeit on a moderating trend. The signs continued to support the potential to achieve a 9.0% GDP growth for 2011. Although Beijing's tightening had slowed the growth in the large economic cities along the coastal regions, the interior regions continued to post strong growth, driven by the continued infrastructure investment and relocation of major manufacturing facilities into these regions.

Looking ahead, the Chinese Communist Party has announced its 12th five-year plan from 2011 to 2015 in October 2010. The new five-year plan called for balanced and sustainable growth in China, and highlighted China's focus on improving social welfare and domestic consumption as its main goal to achieving that objective. Part of the goals include an ambitious plan to build 36 million units of subsidized public housing for the low income group over this period, starting with 10 million units to be completed this year. This is partly to ease the asset price inflation in the red-hot property sector in China. Demand for housing had been particularly robust which resulted in the soaring property prices, but social unhappiness has also climbed among the low-income group as they are no longer able to afford to buy a decent home for themselves.

Overall, we believe that inflation will persist, accompanied by continued tightening and slowing growth in China over the near term. We do not think the authorities would ease the monetary policy to support slowing growth given the sticky inflation. Easing monetary policy now could send a "wrong" signal to the market, especially in the property sector. Besides that, keeping a tight on inflation also helps to check the cost of living – an important social objective of the Chinese government.

During this period under review, the SSE 50 Index had two scheduled index reviews and rebalancing. At the end of June 2010, there were four changes made to the constituents for the SSE 50 Index, effective between 1 July 2010 and 31 December 2010. **Shanghai International Port (Group) Co Ltd** (Industrials), **China Southern Airlines Co Ltd** (Industrials), **Shanghai Zhenhua Port Machinery Co Ltd** (Industrials) and **Heilongjiang Agriculture Co Ltd** (Consumer Staples) were removed from the index and replaced by **China Citic Bank Corporation Limited** (Financials), **Everbright Securities Co Ltd** (Financials), **Metallurgical Corporation of China Co Ltd** (Industrials) and **Shanxi Lu'an Environmental Energy Development Co Ltd** (Energy). However during the month of July, Agricultural Bank of China made an initial public offering and made its debut on the Shanghai Stock Exchange on

14 July 2010 with a market capitalization of CNY 918 billion. Due to the size of Agricultural Bank of China's initial public offering, the stock qualified for a fast-track entry into the SSE 50 index after the index composition was reviewed on an exceptional basis apart from its usual semi-annual frequency. As a result, **Agricultural Bank of China** was included in the index from 29 July 2010 replacing **Shanghai Electric Group**.

Among the 50 index constituents, 34 constituents rose, while 16 constituents declined during the period from July to December 2010. The constituents in the Consumer Discretionary, Consumer Staples, Energy, Materials and Telecommunication Services sectors all posted positive returns. The constituents in the Financials and Industrials sectors posted mixed results, while the constituents in the Utilities all fell.

At the end of December 2010, there were five constituents changed during the index review and rebalancing for the SSE 50 Index, effective between 1 January 2011 and 30 June 2011. **Baoding Tianwei Baobian Electric Co Ltd** (Industrials), **Liaoning Cheng Da Co Ltd** (Industrials), **GD Power Development Co Ltd** (Utilities), **China Railway Construction Co Ltd** (Industrials) and **CSR Co Ltd** (Industrials) were removed from the index and replaced by **Sany Heavy Industry Co Ltd** (Industrials), **Inner Mongolia Baotou Steel Rare-Earth Hi-Tech Co Ltd** (Materials), **Shanxi Guoyang New Energy Co Ltd** (Energy), **Huatai Securities Co Ltd** (Financials) and **China Everbright Bank Co Ltd** (Financials).

Of the 50 constituents in the benchmark index, 23 constituents recorded gains and the remaining 27 posted losses during this period from January to June 2011. The best performing sector out of the eight in the Index was the Consumer Non-Cyclical sector, where the constituent posted positive returns. The constituents in the Basic Materials, Consumer Cyclical, Energy, Financials and Industrials posted mixed results, while the constituents in the Communications and Utilities sectors fell.

At the end of June 2011, the SSE 50 Index had another index review and rebalancing, which will be effective between 1 July 2011 and 31 December 2011. During this index review, 5 constituents were changed. **Bank of China Ltd** (Financials), **China Citic Bank Corporation Limited** (Financials), **Everbright Securities Co Ltd** (Financials), **Metallurgical Corporation of China Co Ltd** (Industrials) and **Wuhan Iron and Steel Co Ltd** (Materials) were removed from the index and replaced by **Anhui Conch Cement Co Ltd** (Materials), **China Hainan Rubber Industry Group Co Ltd** (Consumer Discretionary), **CSR Co Ltd** (Industrials), **China Shipbuilding Industry Co Ltd** (Industrials) and **Yanzhou Coal Mining Co Ltd** (Energy).

Market Outlook

In spite of the weak sentiments on the Chinese A-shares market, we remain constructive on the Chinese 'A' share market. We continue to believe that the policy moves would position China for a more sustainable rate of growth, rather than a potential hard landing. The difference in bearish perception and a more probable reality of a soft landing, judging from the economic data, could offer investors some investment opportunities. Furthermore, valuations appear relatively attractive as they are at the lows in recent years.

B) Investments at fair value and as a percentage of NAV as at 30 June 2011 under review classified by

i) Country

Please refer to the Portfolio Statement on page 14

ii) Industry

Please refer to the Portfolio Statement on page 14

iii) Asset Class

Please refer to the Portfolio Statement on page 14

iv) Credit rating of debt securities

N/A

C) Top Ten Holdings

The top 10 holdings as at 30 June 2011 and 30 June 2010

30 June 2011+

	Fair Value (S$)	**Percentage of total net assets attributable to unitholders %**
RABOBANK NEDERLAND (BACKET STOCK 5892) WTS 14/11/2012	**43,633,522**	**66.59**
RABOBANK NEDERLAND (BACKET STOCK 5891) WTS 14/11/2012)	**21,952,353**	**33.51**

30 June 2010+

	Fair Value (S$)	Percentage of total net assets attributable to unitholders %
RABOBANK NEDERLAND (BACKET STOCK 5892) WTS 14/11/2012	79,333,270	66.61
RABOBANK NEDERLAND (BACKET STOCK 5891) WTS 14/11/2012	39,721,509	33.35

\+ *There were only 2 holdings as at 30 June 2011 and 30 June 2010*

D) Exposure to derivatives

i) fair value of derivative contracts and as a percentage of NAV as at 30 June 2011

N/A

ii) net gains/(losses) on derivative contracts realised during the financial year ended 30 June 2011

N/A

iii) net gains/(losses) on outstanding derivative contracts marked to market as at 30 June 2011

N/A

E) Amount and percentage of net asset value (NAV) invested in other schemes as at 30 June 2011

N/A

F) Amount and percentage of borrowings to net asset value (NAV) as at 30 June 2011

N/A

G) Amount of redemptions and subscriptions for the financial year ended 30 June 2011

Total amount of redemptions	SGD	65,195,300
Total amount of subscriptions	SGD	5,412,000

H) The amount and terms of related-party transactions for the financial year ended 30 June 2011

i) As at 30 June 2011 the Fund maintained current account with HSBC Group as follows:

Bank balances	SGD	37,150

ii) Purchase/holdings of UOBAM unit trusts by UOB or its affiliated companies as at 30 June 2011

N/A

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

N/A

iv) As at 30 June 2011 there was no brokerage income earned by UOB Kay Hian Pte Ltd.

I) Expense ratios

30 June 2011

Expense ratio - (including preliminary expenses)	0.97%
Expense ratio - (excluding preliminary expenses)	0.97%

For the financial period from 8 october 2009
(date of constitution) to 30 June 2010

Expense ratio - (including preliminary expenses)	2.24%
Expense ratio - (excluding preliminary expenses)	1.19%

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

J) Turnover ratios

30 June 2011	5.75%
For the financial period from 8 october 2009 (date of constitution) to 30 June 2010	8.50%

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

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

N/A

[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.*

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 2011 and 30 June 2010.

N/A

ii) expense ratios for the financial year ended 30 June 2011 and 30 June 2010. A footnote should state (where applicable) that the expense ratio does not include brokerage and other transaction costs, performance fee, foreign exchange gains/losses, front or back end loads arising from or arising out of income received.

N/A

iii) turnover ratios for the financial year ended 30 June 2011 and 30 June 2010.

N/A

M) Soft dollar commissions/arrangements

There were no soft dollar arrangements, rebates, commissions or other monetary incentives received by UOB Asset Management Ltd.

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 (collectively referred to as the "laws and regulations"), 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 which shall contain the matters prescribed by the laws and regulations as well as the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore and the Trust Deed.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the financial year covered by these financial statements, set out on pages 12 to 26 comprising the Statement of Total Return, Balance Sheet, Portfolio Statement and Notes to the Financial Statements, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed, laws and regulations and otherwise in accordance with the provisions of the Trust Deed.

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

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Authorised signatory
27 September 2011

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, Balance Sheet, Portfolio Statement 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 2011 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 Certified Public Accountants of Singapore. 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 2011

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") set out on pages 12 to 26, which comprise the Balance Sheet and Portfolio Statement as at 30 June 2011, the Statement of Total Return for the year then ended 30 June 2011 and a summary of significant accounting policies and other explanatory information.

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 Certified Public Accountants of Singapore, 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 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 judgment, 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 entity'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 entity's internal controls. 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 2011 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 Certified Public Accountants of Singapore.

PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants

Singapore, 27 September 2011

STATEMENT OF TOTAL RETURN
For the financial year ended 30 June 2011

	Note	**For the financial year ended 30 June 2011 $**	For the financial period from 8 October 2009 (date of constitution) to 30 June 2010 $
Income			
Dividends		**1,401,279**	105,677
Other Income		**283**	-
		1,401,562	105,677
Less: Expenses			
Management fee	8	**421,261**	202,601
Trustee fee	8	**74,891**	36,018
Audit fee		**23,240**	22,000
Registrar fee	8	**-**	2,568
Custody fee	8	**12,686**	5,821
Maintenance fee		**218,371**	201,977
Interest expenses		**-**	283
Preliminary expense		**-**	750,000
Collateral fee		**273,431**	-
Other expenses		**157,700**	64,276
		1,181,580	1,285,544
Net gain/(loss)		**219,982**	(1,179,867)
Net gains or losses on value of investments			
Net realised loss on investments		**(7,139,307)**	(157,844)
Net change in fair value on investments		**13,111,164**	(24,213,699)
Net foreign exchange loss		**(172)**	(74)
Net gain/(loss) on value of investments		**5,971,685**	(24,371,617)
Total return/(deficit) for the year/period		**6,191,667**	(25,551,484)

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

BALANCE SHEET
As at 30 June 2011

	Note	**2011** **$**	2010 $
ASSETS			
Portfolio of investments		**65,585,875**	119,054,779
Dividend receivable		**-**	1,488
Cash and bank balances		**37,150**	227,324
Total Assets		**65,623,025**	119,283,591
LIABILITIES			
Payables	4	**105,547**	174,480
Net assets attributable to unitholders	5	**65,517,478**	119,109,111
Total Liabilities		**65,623,025**	119,283,591

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

PORTFOLIO STATEMENT
As at 30 June 2011

	Holdings at 30 June 2011	Fair value at 30 June 2011 $	Percentage of total net assets attributable to unitholders at 30 June 2011 %
By Geography - Primary			
CHINA			
RABOBANK NEDERLAND (BACKET STOCK 5891) WTS 14/11/2012	12,142,500	21,952,353	33.51
RABOBANK NEDERLAND (BACKET STOCK 5892) WTS 14/11/2012	24,135,000	43,633,522	66.59
Portfolio of investments		**65,585,875**	**100.10**
Other net liabilities		**(68,397)**	**(0.10)**
Net assets attributable to unitholders		**65,517,478**	**100.00**

	Percentage of total net assets attributable to unitholders at 30 June 2011 %	Percentage of total net assets attributable to unitholders at 30 June 2010 %
By Geography - Primary (Summary)		
CHINA	**100.10**	99.96
Portfolio of investments	**100.10**	99.96
Other net (liabilities)/assets	**(0.10)**	0.04
Net assets attributable to unitholders	**100.00**	100.00

As the Fund invests into warrants denominated in Singapore dollars, 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 2011

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.

2. Significant accounting policies

(a) Basis of accounting

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

The financial statements are expressed in Singapore dollars.

(b) Recognition of income

Dividend income is recognised when the right to receive payment is established. Interest income is recognised on a time proportion basis using the effective interest method.

(c) Investments

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

(i) *Initial recognition*

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2011

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 net of transaction costs, and are taken up in the Statement of Total Return.

(d) Basis of valuation of investments

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price for these investments held by the Fund is the current market quoted bid price.

(e) Foreign currency translation

(i) *Functional and presentation currency*

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

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

(ii) *Transactions and balances*

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2011

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) Preliminary expenses

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

3. **Income tax**

The Fund has been approved for the Enhanced-Tier Fund Tax Incentive Scheme under Section 13X of the Income Tax Act with effect from 31 December 2009. Subject to certain conditions, the Fund will be granted tax exemption on specified income in respect of any designated investment for the life of the Fund.

The lists of "specified income" and "designated investments" are defined in the Income Tax (Exemption of Income of Non-residents Arising from Funds Managed by Fund Manager in Singapore) Regulations 2010. The expanded list are defined in the MAS Circular (FDD Cir 03/2009) dated 30 April 2009, as follows:

Expansion of the "Specified Income" List

(a) Income realised, in other forms other than through sale, on or after 22 January 2009 from designated investments. These other forms of income realisation will include (i) holding to maturity, (ii) redemption and (iii) any other forms of realisation where the realisation leads to a transfer of both economic and legal ownership of the designated investment concerned.

(b) Income from debt securities under the Qualifying Debt Securities ("QDS") scheme. The income types are: (i) other income directly attributable to QDS as may be prescribed by regulations made pursuant to Section 13(1)(bb) of the Income Tax Act and issued on or after a prescribed date; and (ii) amount payable on any Islamic debt securities which are QDS issued on or after 22 January 2009.

Expansion of the "Designated Investments" List

(a) Investments in structured products;

(b) Units in any trusts registered under the Business Trusts Act ("Business trusts");

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2011

3. **Income tax** (continued)

   (c) Islamic investments that are commercial equivalents of the designated investments, and involving any of the following concepts: Murabaha, Mudaraba, Ijara wa Igtina, Musharaka, Istisna and Salam;

   (d) Emission derivatives;

   (e) Stocks and shares of unlisted companies (whether resident or non-resident in Singapore), denominated in any currency; and

   (f) Adjudicated and non-adjudicated liquidation claims.

4. **Payables**

	2011	2010
	$	$
Amount due to Manager	**71,948**	127,063
Amount due to Trustee	**4,258**	13,553
Other creditors and accrued expenses	**29,341**	33,864
	105,547	174,480

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2011

5. Net assets attributable to unitholders

	For the financial year ended 30 June 2011 $	For the financial period from 8 october 2009 (date of constitution) to 30 June 2010 $
At the beginning of the financial year/period	**119,109,111**	-
Operations		
Change in net assets attributable to unitholders resulting from operations	**6,191,667**	(25,551,484)
Unitholders' contributions/(withdrawals)		
Creation of units	**5,412,000**	150,064,000
Cancellation of units	**(65,195,300)**	(5,403,405)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	**(59,783,300)**	144,660,595
Total (decrease)/increase in net assets attributable to unitholders	**(53,591,633)**	119,109,111
At the end of the financial year/period	**65,517,478**	119,109,111
Units in issue (Note 6)	**36,552,000**	67,252,000
	$	$
Net assets attributable to unitholders per unit	**1.79**	1.77

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2011

6. Units in issue

	For the financial year ended 30 June 2011	For the financial period from 8 october 2009 (date of constitution) to 30 June 2010
Units at beginning of the year/period	**67,252,000**	-
Units created	**3,000,000**	69,400,000
Units cancelled	**(33,700,000)**	(2,148,000)
Units at end of the year/period	**36,552,000**	67,252,000

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2011

7. Financial risk management

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

The Fund's assets principally consist of 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.

(a) Market risk

Market risk is the risk of loss arising from uncertainty concerning movements in market prices and rates, including observable variables such as interest rates, credit spreads, exchange rates, and others that may be only indirectly observable such as volatilities and correlations. Market risk includes such factors as changes in economic environment, consumption pattern and investor's expectation etc. which may have significant impact on the value of the investments. The Fund's investments are substantially dependent on changes in market prices. The Fund's investments are monitored by the Manager on a regular basis so as to assess changes in fundamentals and valuation. Although the Manager make reasonable efforts in the choice of investments, events beyond reasonable control of the Manager could affect the prices of the underlying investments and hence the asset value of the Fund. Guidelines are set to reduce the Fund's risk exposures to market volatility such as diversifying the portfolio by investing across various geographies, alternatively, the Fund may be hedged using derivative strategies.

(i) Foreign exchange risk

The majority of the Fund's financial assets and liabilities are denominated in Singapore dollars. 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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2011

7. Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk (continued)

Benchmark component	**2011** Net impact to net assets attributable to unitholders $	**2011** %	2010 Net impact to net assets attributable to unitholders $	2010 %
Shanghai SE 50 A-share Index	**19,479,005**	**30**	35,359,269	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.

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

(b) Liquidity risk

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

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 balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2011

7. Financial risk management (continued)

(b) Liquidity risk (continued)

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining year at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

As at 30 June 2011

	Less than 3 months $	**3 months to 1 year $**	**1-5 years $**	**Above 5 years $**
Payables	**105,547**	**-**	**-**	**-**
Net assets attributable to unitholders	**65,517,478**	**-**	**-**	**-**

As at 30 June 2010

	Less than 3 months $	3 months to 1 year $	1-5 years $	Above 5 years $
Payables	174,480	-	-	-
Net assets attributable to unitholders	119,109,111	-	-	-

(c) Credit risk

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2011

7. **Financial risk management** (continued)

(c) Credit risk (continued)

The table below summarises the credit rating of bank and custodian in which the Fund's assets are held as at 30 June 2011 and 2010.

As at 30 June 2011	**Credit rating**	**Source of Credit rating**
Bank		
HSBC Group	**B+**	**Moody's**
Custodian		
HSBC Group	**B+**	**Moody's**

As at 30 June 2010	Credit rating	Source of Credit rating
Bank		
HSBC Group	B+	Moody's
Custodian		
HSBC Group	B+	Moody's

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

(d) Capital management

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

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 valuation fees are paid to the Manager, while trustee and custodian fees are paid to the Trustee, and the registrar fee is paid to HSBC Institutional Trust Services (Singapore) Limited, a subsidiary of HSBC Holdings Plc. 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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2011

8. Related party transactions (continued)

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

	2011	2010
	$	$
<u>HSBC Group</u>		
Bank balances	**37,150**	227,324

(c) The following transactions took place during the financial year/period between the Fund and HSBC Group Limited at terms agreed between the parties as follows:

	For the financial year ended 30 June 2011	For the financial period from 8 October 2009 (date of constitution) to 30 June 2010
	$	$
Bank charges	**1,372**	391
Interest expense	**-**	283

9. Financial ratios

	For the financial year ended 30 June 2011	For the financial period from 8 October 2009 (date of constitution) to 30 June 2010
Expense ratio [1] - (including preliminary expenses)	**0.97%**	2.24%
Expense ratio [1] - (excluding preliminary expenses)	**0.97%**	1.19%
Turnover ratio [2]	**5.75%**	8.50%

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

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

10. Comparatives

The financial statements cover the financial year from 1 July 2010 to 30 June 2011 and the comparatives cover the financial period from 8 October 2009 (date of constitution) to 30 June 2010. Accordingly, the comparatives for the Statement of Total Return and related notes to the financial statements are not comparable.

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