United SSE 50 China ETF

Annual Report

for the financial year ended 30th June 2013

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	-9.89	-12.05	-7.51	-5.47	NA	NA	-12.55
Benchmark	-10.39	-11.92	-5.84	-5.03	NA	NA	-12.03

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 2013, the net asset value of the Fund declined 7.51% on a net asset value basis in Singapore dollar terms, compared to the benchmark SSE 50 Index which declined 5.84% during the same period.

Market and Portfolio Review

The China market continues to face headwinds from weaker external growth and slowing domestic growth as the government focuses on rebalancing the Chinese economy. Despite growing worries from investors, China's new leaders appeared comfortable with the economic slowdown and reiterated efforts to speed up reforms. The new leaders' determination to push on with market reforms and the rebalancing of the investment-and-export driven economy was highlighted by the turmoil in the interbank market in June, when the central bank allowed short-term borrowing cost spiked to record highs without immediately injecting liquidity to ease conditions. The stock market was hit by credit crunch fears and plunged as much as 5.8% on 25 June. This marked the first time since January 2009 that the Shanghai Composite Index had fallen below 1900-point mark. However, the market rebounded after the People's Bank of China (PBOC), attempted to ease fears by saying that it would guide the market rates to reasonable levels. But the cash crunch will likely further dim China's economic outlook in the second half of the year, as banks are expected to slow expansion of off-balance lending while the new leadership will probably refrain from stimulus.

China's economic data continue to disappoint and 2Q13 GDP rose at 7.5% which was down from the 7.7% growth in 1Q13. This indicated that the economy could be slowing much faster than initially forecast. It was the fifth straight quarter in which the Chinese economy had expanded below its average growth of 8% of the past few years. The official PMI slip to 50.1 in June from May's 50.8, which was slightly above the 50 point level that indicates growth. The last time the reading fell below 50 was in September. The HSBC PMI, which focuses on smaller firms and exporters, showed new orders in June slump to their lowest level since October, even though producers had cut prices to improve sales. As China experiences structurally lower growth compared to its historical norm, this will exert pressure on corporate profitability in the near to medium term given the lingering overcapacity, cost pressures from rising labour costs and weaker end market demand, especially from overseas. The challenge is for the government to pursue reforms that will improve the structure and competitiveness of the economy and the corporate sector, and improve sustainable longer term growth. There have been some early signs of the new leadership's willingness to pursue change. However, there is still some way to go in the way of successful implementation.

During the period under review, the SSE 50 Index had two index review and rebalancing. At the end of June 2012, there were four changes made to the constituents for the SSE 50 Index, effective between 1 July 2012 and 31 December 2012. **TBEA Co. Ltd** (Industrials), **Gemdale Corporation** (Financials), **Air China Ltd** (Industrials) and **Western Mining Co. Ltd** (Materials) were removed from the index and replaced by **Guanghui Energy Co Ltd** (Financial), **Inner Mongolia Yili Industrial Group Co. Ltd**, **Sinohydro Group Ltd** (Industrials) and **Founder Securities Co. Ltd** (Financials).

Among the 50 index constituents, 35 constituents rose, while 15 constituents declined during the period from July to December 2012. All of the constituents in the **Consumer Discretionary** and **Utilities** sectors posted positive returns. All of the constituents posted negative return in the **Telecommunication Services** sector. One constituent posted positive return and one constituent posted negative return in the **Consumer Staples** sector. Six constituents posted positive returns and two constituents posted negative returns in the **Energy** sector. Fifteen constituents posted positive returns and two constituents posted negative returns in the **Financials** sector. Four constituents posted positive returns and five constituents posted negative returns in the **Industrials** sector. Seven constituents posted positive returns and four constituents posted negative returns in the **Materials** sector.

At the end of December 2012, there were five constituents changed during the index review and rebalancing for the SSE 50 Index, effective between 1 January 2013 and 30 June 2013. **China Gezhouba Group Co. Ltd** (Industrials), **China Hainan Rubber Industry Group Co. Ltd** (Materials), **Aluminum Corporation of China Limited** (Materials), **Jinduicheng Molybdenum Co Ltd** (Materials) and **China Yangtze Power Co. Ltd** (Utilities) were removed from the index and replaced by **Shanxi Lanhua Science-Tech Venture Co Ltd** (Energy), **New China Life Insurance Co. Ltd** (Financials), **Huatai Securities Co. Ltd** (Financials), **China Communications Construction Company Limited** (Industrials) and **Xiamen Tungsten Co Ltd** (Materials).

Among the 50 index constituents, 45 constituents declined, while only 5 constituents rose during the period from January to June 2013. All of the constituents in the **Consumer Discretionary**, **Industrials**, **Materials** and **Telecommunication Services** sectors posted negative returns. One constituent posted positive return and one constituent posted negative return in the **Consumer Staples** sector. One constituent posted positive returns and eight constituents posted negative returns in the **Energy** sector. Sixteen constituents posted positive returns and three constituents posted negative returns in the **Financials** sector.

At the end of June 2013, the SSE 50 Index had another index review and rebalancing, which will be effective between 1 July 2013 and 31 December 2013. During this index review, 4 constituents were changed. **Minmetals Development Co Ltd**, **China Communications Construction Company Limited** (Industrials), **Yanzhou Coal Mining Co Ltd** and **China Coal Energy Co Ltd** (Energy) were removed from the index and replaced by **Gemdale Corporation**, **China Merchant Securities Co Ltd**, **Everbright Securities Co Ltd** (Financials) and **Kangmei Pharmaceutical Co Ltd** (Health Care).

Market Outlook

Uncertainty over how and when the US Fed will step back from its QE programme will likely result in heightened market volatility. The performance of the Chinese equity market going forward will depend on economic rebalancing efforts in China. The key challenge has been the slowing of the economic growth momentum which has been evidence by the recent disappointing GDP and PMI data. This suggests that manufacturing growth momentum has weakened and once again cast doubt on China's recovery. There is now speculation among economist that China could miss the 2013 official growth target of 7.5% set by the government. It would be the first time since Asian Financial Crisis nearly fifteen years ago that the official objective was not achieved. Even 7.5% growth would be the country's weakest performance since 1991. We remain vigilant in tracking operating conditions in China. Given high competitive pressures and broad dispersion of companies' performance amid a challenging economic backdrop, stock selection will be critical.

Disclosures

The Fund invests in two tranches of the Participatory Notes (the P-Notes), Tranche A P-Notes and Tranche B P-Notes. 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.

Rabobank Hong Kong posts collateral for any value of the P-Notes issued by Rabobank 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 Rabobank 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 2013 is as follows:

Name	Value (SGD)	Nature of Collateral
Singapore T-Bills 19 Sep 13	64,960,350	Bond

B) Investments at fair value and as a percentage of NAV as at 30 June 2013 under review classified by

i) Country

Please refer to the Statement of Portfolio on page 15

ii) Industry

Please refer to the Statement of Portfolio on page 15

iii) Asset Class

Please refer to the Statement of Portfolio on page 15

iv) Credit rating of debt securities

N/A

C) Top Ten Holdings

The top 10 holdings as at 30 June 2013 and 30 June 2012

30 June 2013+

	Fair Value (S$)	**Percentage of total net assets attributable to unitholders %**
RABOBANK NEDERLAND (UNITED SSE 50 CHINA ETF) P-NOTE 06/11/2015 - TRANCHE A	**40,481,654**	**84.03**
RABOBANK NEDERLAND (UNITED SSE 50 CHINA ETF) P-NOTE 06/11/2015 - TRANCHE B	**8,001,471**	**16.61**

The top 10 holdings as at 30 June 2012

30 June 2012+

	Fair Value (S$)	Percentage of total net assets attributable to unitholders %
RABOBANK NEDERLAND (BACKET STOCK 5892) WTS 14/11/2012	27,127,721	66.79
RABOBANK NEDERLAND (BACKET STOCK 5891) WTS 14/11/2012	13,555,689	33.37

+ *There were only 2 holdings as at 30 June 2013 and 30 June 2012*

D) Exposure to derivatives

i) fair value of derivative contracts and as a percentage of NAV as at 30 June 2013

	Contract or Underlying Principal amount $	Positive fair value $	% of NAV
P-notes	48,483,125	11,011,033	22.86

ii) there was a net loss of SGD 12,154,667 on derivative contracts realised during the financial year ended 30 June 2013

iii) there was a net gain of SGD 11,011,033 on outstanding deriviative contracts marked to market as at 30 June 2013

E) Amount and percentage of net asset value (NAV) invested in other schemes as at 30 June 2013

N/A

F) Amount and percentage of borrowings to net asset value (NAV) as at 30 June 2013

N/A

G) Amount of redemptions and subscriptions for the financial year ended 30 June 2013

Total amount of redemptions	SGD	21,058,000
Total amount of subscriptions	SGD	30,550,000

H) The amount and terms of related-party transactions for the financial year ended 30 June 2013

i) As at 30 June 2013 the Fund maintained current account with HSBC Group as follows:

HSBC Group		
Bank balances	SGD	37,981

ii) Purchase/holdings of UOBAM unit trusts by UOB or its affiliated companies as at 30 June 2013

N/A

iii) Investment in Initial Public Offerings managed by UOB Group

N/A

iv) As at 30 June 2013 there was no brokerage income earned by UOB Kay Hian Pte Ltd.

I) Expense ratios

30 June 2013	1.40%
30 June 2012	1.42%

Note: The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio at 30 June 2013 was based on total operating expenses of $701,651 (2012: $712,137) divided by the average net asset value of $49,955,958 (2012: $50,260,885) for the year. The total operating expenses do not include (where applicable) brokerage and other transactions costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Fund does not pay any performance fee. The average net asset value is based on the daily balances.

J) Turnover ratios

30 June 2013	126.72%
30 June 2012	0.00%

Note: The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of the total value of purchases or sales of the underlying investments, being sales of $63,303,980 (2012: purchases of NIL) divided by the average daily net asset value of $49,955,958 (2012: $50,260,885).

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 2013 and 30 June 2012.

N/A

ii) expense ratios for the financial year ended 30 June 2013 and 30 June 2012.

N/A

iii) turnover ratios for the financial year ended 30 June 2013 and 30 June 2012.

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.

REPORT OF THE TRUSTEE

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

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the year covered by these financial statements, set out on pages 13 to 27, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

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

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Authorised signatory
24 September 2013

STATEMENT BY THE MANAGER

In the opinion of the directors of UOB Asset Management Ltd, the accompanying financial statements set out on pages 13 to 27, comprising the Statement of Total Return, Statement of Financial Position, Statement of Movements of Unitholders' Funds, Statement of Portfolio and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of United SSE 50 China ETF (the "Fund") as at 30 June 2013 and the total deficit and changes in unitholders' funds for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants (formerly known as 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

24 September 2013

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

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

We have audited the accompanying financial statements of United SSE 50 China ETF (the "Fund"), which comprise the Statement of Financial Position and Statement of Portfolio as at 30 June 2013, the Statement of Total Return and Statement of Movements of Unitholders' Funds for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 13 to 27.

Manager's Responsibility for the Financial Statements

The Fund's Manager (the "Manager") is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants (formerly known as 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 about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 30 June 2013 and the total deficit for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 24 September 2013

STATEMENT OF TOTAL RETURN
For the financial year ended 30 June 2013

	Note	2013 $	2012 $
Income			
Dividends		**984,530**	1,015,745
Less: Expenses			
Management fee	7	**226,069**	226,135
Trustee fee	7	**44,876**	43,197
Audit fee		**24,000**	22,900
Custody fee	7	**9,967**	10,856
Maintenance fee	7	**150,077**	149,855
Collateral fee		**693,688**	122,979
Transaction cost*		**379,287**	-
Other expenses		**246,662**	259,195
		1,774,626	835,117
Net (loss)/income		**(790,096)**	180,628
Net gains or losses on value of investments			
Net loss on investments		**(1,143,634)**	(6,044,158)
Net foreign exchange loss		**(4)**	(445)
		(1,143,638)	(6,044,603)
Total deficit for the year		**(1,933,734)**	(5,863,975)

* *The Fund has adopted the recommendations of the Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP7") issued by the Institute of Singapore Chartered Accountants (formerly known as the Institute of Certified Public Accountants of Singapore) in June 2012 for the financial period beginning 1 July 2012. In accordance with the RAP7, all expenses relating to the purchase and sale of financial instruments are charged against income. As a transitional provision in the first year of application, reclassification of comparative figures is not required.*

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

STATEMENT OF FINANCIAL POSITION
As at 30 June 2013

	Note	2013 $	2012 $
ASSETS			
Portfolio of investments		**48,483,125**	40,683,410
Cash and bank balances		**37,981**	69,051
Total Assets		**48,521,106**	40,752,461
LIABILITIES			
Payables	4	**343,837**	133,458
Total Liabilities		**343,837**	133,458
EQUITY			
Net assets attributable to unitholders	5	**48,177,269**	40,619,003

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

STATEMENTS OF MOVEMENTS OF UNITHOLDERS' FUNDS
For the financial year ended 30 June 2013

	Note	**2013** **$**	2012 $
Net assets attributable to unitholders at the beginning of the financial year		**40,619,003**	65,517,478
Operations			
Change in net assets attributable to unitholders resulting from operations		**(1,933,734)**	(5,863,975)
Unitholders' contributions/(withdrawals)			
Creation of units		**30,550,000**	-
Cancellation of units		**(21,058,000)**	(19,034,500)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		**9,492,000**	(19,034,500)
Total increase/(decrease) in net assets attributable to unitholders		**7,558,266**	(24,898,475)
Net assets attributable to unitholders at the end of the financial year	5	**48,177,269**	40,619,003

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

STATEMENT OF PORTFOLIO
As at 30 June 2013

	Holdings at 30 June 2013	Fair value at 30 June 2013 $	Percentage of total net assets attributable to unitholders at 30 June 2013 %
By Geography - Primary			
CHINA			
RABOBANK NEDERLAND (UNITED SSE 50 CHINA ETF) P-NOTE 06/11/2015 - TRANCHE B	5,196,000	**8,001,471**	**16.61**
RABOBANK NEDERLAND (UNITED SSE 50 CHINA ETF) P-NOTE 06/11/2015 - TRANCHE A	26,288,000	**40,481,654**	**84.03**
Portfolio of investments		**48,483,125**	**100.64**
Other net liabilities		**(305,856)**	**(0.64)**
Net assets attributable to unitholders		**48,177,269**	**100.00**

	Percentage of total net assets attributable to unitholders at 30 June 2013 %	Percentage of total net assets attributable to unitholders at 30 June 2012 %
By Geography - Primary (Summary)		
CHINA	**100.64**	100.16
Portfolio of investments	**100.64**	100.16
Other net liabilities	**(0.64)**	(0.16)
Net assets attributable to unitholders	**100.00**	100.00

As the Fund invests only into two participatory notes, 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 2013

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 preparation

The financial statements have been prepared under the historical cost convention, modified by the revaluation of financial assets at fair value through profit or loss.

The Fund has adopted the recommendations of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants (formerly known as the Institute of Certified Public Accountants of Singapore) in June 2012 ("RAP7") for the financial year beginning 1 July 2012.

The adoption of the revised RAP7 did not result in substantial changes to the Fund's accounting policies and had no material effect on the amounts reported for the current or prior financial years except as disclosed below.

(i) *Classification of net assets attributable to unitholders*

RAP7 recommends that a unit trust should classify its units on initial recognition as equity and present a Statement of Movement in Unitholders' Funds summarising the movements in the value of the Fund. Previously, the Fund had classified its units as liabilities and presented the movements in value in the Notes to the Financial Statements in accordance with the existing framework issued in May 2005. On the adoption of revised RAP7, the Fund has reclassified its units from liabilities to equity. Consequently, the Fund's distributions will no longer be classified as a finance cost in the Statement of Total Return, but will be recorded as a dividend in the Statement of Movement in Unitholders' Funds.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

2. **Significant accounting policies** (continued)

(a) Basis of preparation (continued)

(i) *Classification of net assets attributable to unitholders* (continued)

The reclassification has been applied retrospectively.

(ii) *Transaction costs*

RAP7 recommends that transaction costs, including all expenses relating to the purchase and sale of financial instruments, should be charged against income. Previously, the Fund had capitalised such expenses and recognised realised gains/losses on a net basis.

As the changes have been implemented prospectively, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

(iii) *Financial instruments: fair value measurement*

RAP7 recommends disclosures and presentation of financial instruments in accordance with Singapore Financial Reporting Standard 107 "Financial Instruments: Disclosures" ("FRS107") wherever possible.

Apart from enhanced disclosures to present fair value measurements by level of a fair value measurement hierarchy, the Fund has previously presented disclosures of its financial instruments in accordance with FRS 107 voluntarily. The adoption of this recommendation results in additional disclosures but does not have an impact on the accounting policies and measurement bases of the Fund.

(b) Recognition of income

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

(c) Investments

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

(i) *Initial recognition*

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

2. **Significant accounting policies** (continued)

(c) Investments (continued)

(ii) *Subsequent measurement*

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

(iii) *Derecognition*

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

(d) Basis of valuation of investments

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

In relation to the participatory notes held, the fair value is net of withholding tax where applicable.

(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-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 2013

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.

(h) Financial derivatives

Financial derivatives including forwards and swaps may be entered into for the purposes of hedging existing positons in a portfolio, efficient portfolio management, optimising returns of the Fund or a combination of one or more of these purposes 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 balance sheet 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.

(i) Distribution

The Manager has the absolute discretion to determine whether a distribution is to be made. In such an event, an appropriate amount will be transferred to a distribution account to be paid out on the distribution date. The amount shall not be treated as part of the property of the Fund.

3. Income tax

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

4. Payables

	2013 **$**	2012 $
Amount due to Manager	**103,779**	83,622
Amount due to Trustee	**11,411**	10,500
Collateral fee payable	**191,443**	-
Other creditors and accrued expenses	**37,204**	39,336
	343,837	133,458

5. Units in issue

	2013	2012
Units at the beginning of the year	**25,052,000**	36,552,000
Units created	**19,000,000**	-
Units cancelled	**(12,000,000)**	(11,500,000)
Units at the end of the year	**32,052,000**	25,052,000
Net assets attributable to unitholders ($)	**48,177,269**	40,619,003
Net asset value per unit ($)	**1.503**	1.621

For subscriptions and redemptions, preliminary expenses are amortised over a period of three years, while for financial reporting purposes, preliminary expenses are accounted for as described in Note 2(g). The reconciliation of net asset value per unit for subscription/redemption dealing and the net asset value per unit per the financial statements is as follows:

	2013	2012
Net assets attributable to unitholders per financial statements	**1.503**	1.621
Effect of expensing preliminary expenses	**-**	0.004
Effect for movement in the net asset value between the last dealing date and the end of the reporting period*	**0.000#**	0.000#
Net assets attributable to unitholders for issuing/redeeming	**1.503**	1.625

* *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 reporting period.*

\# *Indicates an effect of less than $0.001 per unit.*

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

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

(i) Foreign exchange risk

The majority of the Fund's financial assets and liabilities are denominated in Singapore 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 2013

6. Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk (continued)

Benchmark component	**2013** Net impact to net assets attributable to unitholders $	**2013** %	2012 Net impact to net assets attributable to unitholders $	2012 %
Shanghai SE 50 A-share Index	**14,544,938**	**30**	12,205,023	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 significant risk due to fluctuations in the prevailing levels of market interest rates.

(b) Liquidity risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

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

(b) Liquidity risk (continued)

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position 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 2013

	Less than 3 months $
Payables	**343,837**

As at 30 June 2012

	Less than 3 months $
Payables	133,458

(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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

6. **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 2013 and 2012.

The credit ratings are based on the Bank Financial Strength ratings published by the rating agency.

As at 30 June 2013	**Credit rating**	**Source of credit rating**
Bank		
HSBC Group	**B**	**Moody's**
Custodian		
HSBC Group	**B**	**Moody's**

As at 30 June 2012	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.

(e) Fair value estimation

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

6. Financial risk management (continued)

(e) Fair value estimation (continued)

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 2013 and 2012:

As at 30 June 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Assets				
Financial assets at fair value through profit or loss				
- Participatory notes	**-**	**48,483,125**	**-**	**48,483,125**

As at 30 June 2012	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Financial assets at fair value through profit or loss				
- Participatory notes	-	40,683,410	-	40,683,410

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

7. Related party transactions

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

7. Related party transactions (continued)

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

	2013	2012
	$	$
<u>HSBC Group</u>		
Bank balances	**37,981**	69,051

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

	2013	2012
	$	$
Bank charges	**1,351**	1,245

8. Financial ratios

	2013	2012
Expense ratio[1]	**1.40%**	1.42%
Turnover ratio[2]	**126.72%**	-

9. Comparatives

The 2012 comparative figures have been reclassified to conform with changes in the current presentation, in relation to the revised Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the the Institute of Singapore Chartered Accountants in June 2012.

1. *The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio at 30 June 2013 was based on total operating expenses of $701,651 (2012: $712,137) divided by the average net asset value of $49,955,958 (2012: $50,260,885) for the year. The total operating expenses do not include (where applicable) brokerage and other transactions costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Fund does not pay any performance fee. The average net asset value is based on the daily balances.*

2. *The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of the total value of purchases or sales of the underlying investments, being sales of $63,303,980 (2012: purchases of NIL) divided by the average daily net asset value of $49,955,958 (2012: $50,260,885).*

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