

Annual Report

GUOTAI JUNAN INVESTMENT FUNDS
-GUOTAI JUNAN GREATER CHINA GROWTH FUND
-GUOTAI JUNAN EQUITY INCOME FUND

31 December 2017

GUOTAI JUNAN INVESTMENT FUNDS
-GUOTAI JUNAN ASIAN HIGH YIELD BOND FUND
(In Liquidation)

FOR THE PERIOD FROM 1 January 2017 to 29 August 2017
(date of termination)

(A unit trust constituted by a Trust Deed dated
29 August 2007 under the laws of Hong Kong)

GUOTAI JUNAN INVESTMENT FUNDS

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GUOTAI JUNAN INVESTMENT FUNDS

ADMINISTRATION AND MANAGEMENT

Investment Manager

Guotai Junan Assets (Asia) Limited
27th Floor, Low Block
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Hong Kong

Directors of the Manager

YIM Fung
QI Haiying
CHIU Simon Siu Hung

Trustee and Registrar

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(Retired on 18 November 2016)
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Cayman Islands

HSBC Institutional Trust Services (Asia) Limited

(Appointed on 18 November 2016)

1 Queen's Road Central
Hong Kong

Auditor

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Legal Adviser

Deacons
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18 Chater Road Central
Hong Kong

INVESTMENT MANAGER'S REVIEW

GUOTAI JUNAN INVESTMENT FUNDS

-GUOTAI JUNAN GREATER CHINA GROWTH FUND

-GUOTAI JUNAN EQUITY INCOME FUND

FOR THE YEAR ENDED 31 December 2017

GUOTAI JUNAN INVESTMENT FUNDS

-GUOTAI JUNAN ASIAN HIGH YIELD BOND FUND (In Liquidation)

FOR THE PERIOD FROM 1 January 2017 to 29 August 2017 (date of termination)

MARKET REVIEW

In 2017, Global equity markets were buoyed by synchronized global economic growth and modest inflation that propelled robust corporate earnings growth, and returns that exceeded expectation set out at the start of the year.

The year opened with enthusiasm over the pro-business agenda of the new Trump administration, but uncertainty surrounding trade and immigration policies loomed. Failed attempts at travel bans and healthcare reform, and a war of words with North Korea pre-occupied President Trump and the media. Washington politicians eventually pivoted to tax reform in the latter stages of the year and policymakers passed the highly anticipated legislation before the year end. The US job market kept strong and pushing unemployment rate to the lowest level since the financial crisis, inflation was kept at an acceptable level and the FED hiked the interest rate 3 times as market expected. S&P 500 increased by 19.4% to make another historical record high.

For Hong Kong market, Hang Seng Index increased 36% in 2017, outperforming all major equity market indexes globally. Given Chinese economic growth beats market expectation, with the supply side reforms propelled by Chinese government, it reduced the overcapacity in manufacturing sectors and mitigated the levels of non-performing loans. The GDP growth rate picked up momentum for the first time since 2013. This led to a significant improvement in corporate earnings among listed companies in HK, after two consecutive years of earnings declines, Hong Kong listed companies earnings are expected to increase in 2017. And since the inception of the stock connect programs, southbound buying interest has accelerated and become a key driver and main contributor of the Hong Kong market.

INVESTMENT MANAGER'S REVIEW (continued)

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MARKET OUTLOOK

We expect that divergence in economic conditions and monetary policies still to be the overarching theme for global economy 2018. The U.S. economy continues its recovery with the strong job market readings, unemployment rate in U.S. stayed below 5% level for quite some time, though inflations are not picking up as the FED expected yet. Federal Reserve started the normalization of FED balance sheet from last September meeting. While the other major economies are facing slower economic growth than previously expected, and the UK voted leave in the Brexit referendum surprised the world and created a huge risk of uncertainty for economic growth, especially for the European Union. And there are a series of political events that may derail the global economy recovery, including a potential trade war between US and China. The FED is expected to hike the interest rate three more times in 2018, meanwhile, other major central banks like European Central Bank and Bank of Japan are still implementing more accommodative monetary policies to stimulate their economies. If there is a coordinated unwinding of the existing extremely accommodative monetary policies, it would push the bond yield back up quickly, and we suspect there might be market turmoil down the road for equity investors. With market volatility returning back up to a higher level from the historical lows set in last year.

And for the greater China markets, domestic A shares market stabilized and recovered somehow last year, with outperformance by large cap names given China's GDP growth picked up steam again. And after the 19th National Congress successfully held in the second half of 2017, we expect the central government would release more favorable policies to revive the industrial sectors with the supply side reform such as de-capacity and de-inventory. And we also expect the new economy such as Internet related service sectors would keep benefitting from the technology upgrades and consumption upgrades.

For Hong Kong market, after the implementations of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect programs, the re-valuation of blue chip large caps stocks contributed to the rally in 2017 with blue chips outperformed. Now Hong Kong market is still trading at an attractive valuation level compared with US or China counterparts, we expect that a large part of the negativities have already been factored in.

INVESTMENT MANAGER'S REVIEW (continued)

GUOTAI JUNAN INVESTMENT FUNDS
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 FOR THE PERIOD FROM 1 January 2017 to 29 August 2017 (date of termination)

SUB-FUNDS' PERFORMANCE

A. Guotai Junan Greater China Growth Fund



Performance table

Index / Fund's Name	Jan - Dec 2017 Rate of Return (%)*	Since Inception Rate of Return (%)
MSCI China Daily Total Return Index	55.3%	37.2%
MSCI Golden Dragon Total Return Index	42.1%	55.7%
Hang Seng Total Return Index	41.3%	55.1%
Hang Seng China Enterprises Total Return Index	29.6%	-1.2%
Guotai Junan Greater China Growth Fund	27.5%	-3.7%
Hang Seng China-Affiliated Total Return Index	27.5%	0.0%
Taiwan Taiex Total Return Index	19.5%	77.6%

* Ranked by the total returns of indices or the Fund for Jan - Dec 2017.

INVESTMENT MANAGER'S REVIEW (continued)

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SUB-FUNDS' PERFORMANCE

A. Guotai Junan Greater China Growth Fund (continued)

The total return of the Guotai Junan Greater China Growth Fund ("GJGC" hereafter) increased by 27.5% in 2017, and recorded a loss of 3.7% since inception i.e. 19 Nov 2007.

In 2017, GJGC underperformed the total returns of the Hang Seng Index ("HSI") and Hang Seng China Enterprises Index ("HSCEI") by 13.8% and 2.1% respectively. GJGC's portfolio had overweighed China-related financial and industrial stocks, which have underperformed the Hang Seng Index constituents.

As of 31 December 2017, GJGC's portfolio was well diversified. Amongst all exposure, financials, information technology and consumer discretionary were the top weighed sectors, which made up of 29.1%, 23.8% and 16.1% of the NAV respectively.

INVESTMENT MANAGER'S REVIEW (continued)

GUOTAI JUNAN INVESTMENT FUNDS

-GUOTAI JUNAN GREATER CHINA GROWTH FUND

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FOR THE YEAR ENDED 31 December 2017

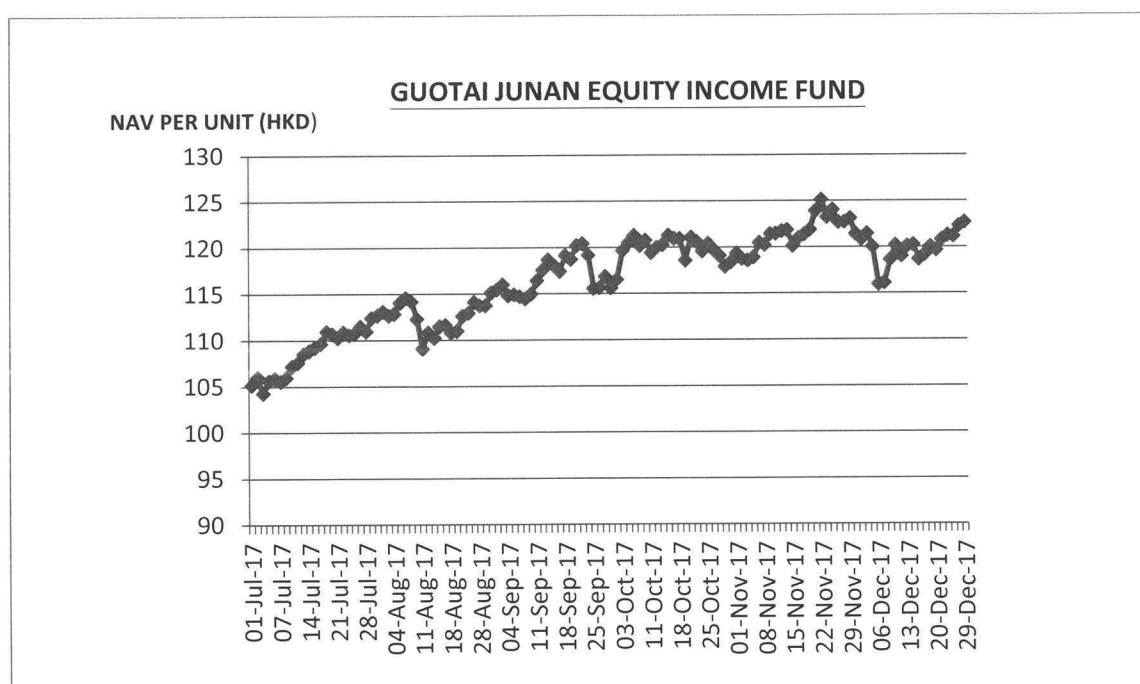
GUOTAI JUNAN INVESTMENT FUNDS

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FOR THE PERIOD FROM 1 January 2017 to 29 August 2017 (date of termination)

SUB-FUNDS' PERFORMANCE

B. Guotai Junan Equity Income Fund



Performance table

Index / Fund's Name	Jan - Dec 2017 Rate of Return (%)*	Since Inception Rate of Return (%)
MSCI China Daily Total Return Index	55.3%	70.2%
MSCI Golden Dragon Total Return Index	42.1%	72.4%
Hang Seng Total Return Index	41.3%	72.5%
Guotai Junan Equity Income Fund	36.8%	49.7%
Hang Seng China Enterprises Total Return Index	29.6%	25.3%
Hang Seng China-Affiliated Total Return Index	27.5%	25.4%
Dow Jones Hong Kong Select Dividend 30 Total Return Index	23.2%	25.8%
Taiwan Taiex Total Return Index	19.5%	62.3%

* Ranked by the total returns of indices or the Fund for Jan - Dec 2017.

INVESTMENT MANAGER'S REVIEW (continued)

GUOTAI JUNAN INVESTMENT FUNDS

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GUOTAI JUNAN INVESTMENT FUNDS

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SUB-FUNDS' PERFORMANCE

B. Guotai Junan Equity Income Fund (continued)

The NAV of the Guotai Junan Equity Income Fund ("GJEI") had a total return of 36.8% in 2017, and recorded a total return of 49.7% since its inception on 29 Feb 2012. GJEI underperformed the total return of the HSI by 4.5%, but outperformed the Dow Jones Hong Kong Select Dividend 30 Index ("DJHKSD") and the HSCEI by 13.7% and 7.2% respectively. We believe the GJEI's strategy of investing in companies with brighter prospect, reasonable valuation, good cash flows and willingness to share profits with shareholders through high dividends, is still sound, but the overweight to China related sectors especially Chinese financials contributed to the underperformance to HSI.

As of 31 December 2017, the portfolio of GJEI tilted more exposure to financials, which provided higher dividend yields. Financials and real estate are the top weighted sectors representing 35.9% and 13.5% of the fund's NAV respectively.

INVESTMENT MANAGER'S REVIEW (continued)

GUOTAI JUNAN INVESTMENT FUNDS

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INVESTMENT STRATEGY

We are conservatively optimistic on companies with good earning visibility and trading at reasonable valuation levels.

We believe corporate earnings growth is the most important driver of the market performance, with the overall earnings of HK listed companies are expected to increase again in 2018, sector selection would still be as critical as ever, we believe sectors with strong cash flows, sectors benefit from the technology upgrades and sectors benefit from consumption upgrades would outperform the general market, and we would position ourselves accordingly.



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Guotai Junan Assets (Asia) Limited

27 APR 2018

REPORT OF THE TRUSTEE

GUOTAI JUNAN INVESTMENT FUNDS
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FOR THE PERIOD FROM 1 January 2017 to 29 August 2017 (date of termination)

We hereby confirm that, in our opinion, the Manager of the Trust has, in all material respects, managed the Trust in accordance with the provisions of the Trust Deed dated 29 August 2007, as amended.



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HSBC Institutional Trust Services (Asia) Limited

27 APR 2018



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Independent auditor's report

To the Manager and the Trustee of
Guotai Junan Greater China Growth Fund,
Guotai Junan Equity Income Fund, and
Guotai Junan Asian High Yield Bond Fund (In Liquidation)
(collectively, the Sub-Funds of Guotai Junan Investment Funds)
(A unit trust constituted by a Trust Deed dated 29 August 2007 under the laws of the Hong Kong)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Guotai Junan Greater China Growth Fund, Guotai Junan Equity Income Fund and Guotai Junan Asian High Yield Bond Fund (In Liquidation) (sub-funds of Guotai Junan Investment Funds (the "Trust")) and referred to collectively as the "Sub-Funds") set out on pages 13 to 49, which comprise the statements of financial position as at 31 December 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity, distribution statements and statements of cash flows for the year then ended for Guotai Junan Greater China Growth Fund and Guotai Junan Equity Income Fund, and the statement of financial position as at 29 August 2017 (date of termination), and the statement of profit or loss and other comprehensive income, statement of changes in equity, distribution statement and statement of cash flows for the period from 1 January 2017 to 29 August 2017 (date of termination) for Guotai Junan Asian High Yield Bond Fund (In Liquidation), and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Guotai Junan Greater China Growth Fund and Guotai Junan Equity Income Fund as at 31 December 2017 and of each of their financial performance and cash flows for the year then ended, and the financial position of Guotai Junan Asian High Yield Bond Fund (In Liquidation) as at 29 August 2017 (date of termination) and of its financial performance and cash flows for the period from 1 January 2017 to 29 August 2017 (date of termination) is in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. 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 are independent of the Sub-Funds in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information included in the Annual Report

The Manager and the Trustee of the Sub-Funds are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements of the Sub-Funds and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do 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, 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.

Independent Auditor's Report (continued)

Responsibilities of the Manager and the Trustee for the financial statements

The Manager and the Trustee of the Sub-Funds are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Manager and the Trustee determine 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 and the Trustee are responsible for assessing the Sub-Funds' 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 and the Trustee either intend to liquidate the Sub-Funds or to cease operations, or have no realistic alternative but to do so.

In addition, the Manager and the Trustee of the Sub-Fund are required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 29 August 2007 ("Trust Deed") and the relevant disclosure provisions of Appendix E of the Code on Unit Trusts and Mutual Funds (the "SFC Code") issued by the Hong Kong Securities and Futures Commission.

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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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. In addition, we are required to access whether the financial statements have been properly prepared, in all material respect, in accordance with the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.

As part of an audit in accordance with HKSAs, 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.
- 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 Sub-Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager and the Trustee.

Independent Auditor's Report (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- For Guotai Junan Greater China Growth Fund and Guotai Junan Equity Income Fund, conclude on the appropriateness of the Manager's and the Trustee'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 Sub-Funds' 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 Sub-Funds to cease to continue as a going concern.
- For Guotai Junan Asian High Yield Bond Fund (In Liquidation), conclude on the appropriateness of the Manager's and the Trustee's use of the going concern basis of accounting. When such use is inappropriate and the Manager and the Trustee use an alternative basis of accounting, we conclude on the appropriateness of the Manager's and the Trustee's use of the alternative basis of accounting. We also evaluate the adequacy of the disclosures describing the alternative basis of accounting and reasons for its use. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- 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 and the Trustee 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.

Report on matters under the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.



Certified Public Accountants
Hong Kong

27 APR 2018

GUOTAI JUNAN INVESTMENT FUNDS
 -Guotai Junan Greater China Growth Fund
 -Guotai Junan Equity Income Fund
 YEAR ENDED 31 December 2017

GUOTAI JUNAN INVESTMENT FUNDS
 -Guotai Junan Asian High Yield Bond Fund (In Liquidation)
 FOR THE PERIOD FROM 1 January 2017 to 29 August 2017 (date of termination)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Guotai Junan Greater China Growth Fund		Guotai Junan Equity Income Fund		Guotai Junan Asian High Yield Bond Fund	
		Year ended 31 December 2017 HK\$	Year ended 31 December 2016 HK\$	Year ended 31 December 2017 HK\$	Year ended 31 December 2016 HK\$	For the period from 1 January 2017 to 29 August 2017 US\$	Year ended 31 December 2016 US\$
Income							
Dividend income		1,324,851	2,005,041	9,238,530	3,488,975	-	-
Interest income		668	261	3,081	2,451	367,071	509,992
Total income		<u>1,325,519</u>	<u>2,005,302</u>	<u>9,241,611</u>	<u>3,491,426</u>	<u>367,071</u>	<u>509,992</u>
Expenses							
Trustee fee	3	468,000	412,000	468,000	420,000	39,516	53,880
Bank charges		26,448	20,297	123,126	29,642	1,996	1,316
Valuation fee		134,191	95,086	135,300	134,750	9,030	17,150
Auditor's remuneration		215,000	266,000	230,000	221,000	16,749	21,293
Brokerage and handling fees	3	282,229	175,608	1,683,860	681,814	-	-
Management fee	3	1,131,104	1,350,049	4,896,264	1,955,051	61,499	72,993
Transaction fees		44,861	11,842	107,679	51,606	2,163	1,205
Registrar fee		42,535	43,120	40,585	39,600	2,787	5,180
Termination fees		-	-	-	-	28,322	-
Miscellaneous expenses		343,766	150,022	164,056	228,267	15,929	10,445
Total expenses		<u>2,688,134</u>	<u>2,524,024</u>	<u>7,848,870</u>	<u>3,761,730</u>	<u>177,991</u>	<u>183,462</u>

GUOTAI JUNAN INVESTMENT FUNDS
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GUOTAI JUNAN INVESTMENT FUNDS
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 FOR THE PERIOD FROM 1 January 2017 to 29 August 2017 (date of termination)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Guotai Junan Greater China Growth Fund		Guotai Junan Equity Income Fund		Guotai Junan Asian High Yield Bond Fund	
		Year ended 31 December 2017 HK\$	Year ended 31 December 2016 HK\$	Year ended 31 December 2017 HK\$	Year ended 31 December 2016 HK\$	For the period from 1 January 2017 to 29 August 2017 US\$	Year ended 31 December 2016 US\$
(Loss)/gain before investment (loss)/ gain and exchange differences		(1,362,615)	(518,722)	1,392,741	(270,304)	189,080	326,530
Investment (loss)/gain and exchange differences							
Net unrealised (loss)/gain on investments		11,040,764	(1,325,514)	67,667,265	(14,879,057)	(36,328)	1,183
Net realised (loss)/gain on investments		9,019,962	(6,773,138)	31,889,234	(6,621,298)	227,085	(45,979)
Foreign exchange differences, net		(4,310)	(15)	1,563	(49)	(600)	(333)
		<u>20,056,416</u>	<u>(8,098,667)</u>	<u>99,558,062</u>	<u>(21,500,404)</u>	<u>190,157</u>	<u>(45,129)</u>
(Loss)/profit before tax		18,693,801	(8,617,389)	100,950,803	(21,770,708)	379,237	281,401
Withholding tax	4	(62,885)	(90,611)	(365,514)	(92,588)	-	-
(Loss)/profit for the year/period		<u>18,630,916</u>	<u>(8,708,000)</u>	<u>100,585,289</u>	<u>(21,863,296)</u>	<u>379,237</u>	<u>281,401</u>
Other comprehensive income for the year/period, net of tax		-	-	-	-	-	-
Total comprehensive income for the year/period		<u>18,630,916</u>	<u>(8,708,000)</u>	<u>100,585,289</u>	<u>(21,863,296)</u>	<u>379,237</u>	<u>281,401</u>

GUOTAI JUNAN INVESTMENT FUNDS
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 FOR THE PERIOD FROM 1 January 2017 to 29 August 2017 (date of termination)

STATEMENT OF FINANCIAL POSITION

	Notes	Guotai Junan Greater China Growth Fund	Guotai Junan Equity Income Fund	Guotai Junan Asian High Yield Bond Fund
		31 December 2017 HK\$	31 December 2016 HK\$	29 August 2017 US\$
Assets				
Financial assets at fair value through profit or loss	5	74,250,782	73,225,237	13,432,890
Dividend receivables		-	97,800	-
Due from brokers		-	25,727,092	-
Interest receivables		6	32	5
Cash and bank balances	6	2,314,005	34,644,764	51,527
Total assets		<u>76,564,793</u>	<u>276,454,026</u>	<u>14,241,081</u>
Liabilities				
Other payables and accruals		423,713	786,254	51,532
Redemption payable		-	-	-
Due to brokers		698,044	31,434,239	-
Total liabilities		<u>1,121,757</u>	<u>32,220,493</u>	<u>51,532</u>
Equity				
Net assets attributable to unitholders		<u>75,443,036</u>	<u>275,798,430</u>	<u>14,205,007</u>
Total liabilities and equity		<u>76,564,793</u>	<u>276,454,026</u>	<u>14,241,081</u>

GUOTAI JUNAN INVESTMENT FUNDS
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 -Guotai Junan Equity Income Fund
 YEAR ENDED 31 December 2017


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 FOR THE PERIOD FROM 1 January 2017 to 29 August 2017 (date of termination)

STATEMENT OF FINANCIAL POSITION (continued)

Notes	Guotai Junan Greater China Growth Fund	Guotai Junan Equity Income Fund	Guotai Junan Asian High Yield Bond Fund
	31 December 2017 HK\$	31 December 2016 HK\$	29 August 2017 US\$
	31 December 2016 HK\$	31 December 2016 HK\$	31 December 2016 US\$
8	809,075.14	2,862,532.33	-
	1,132,470.60	2,860,640.98	138,638.42
9	93.25	127.42	-
	73.12	96.41	102.46

Number of units in issue

Net asset value per unit



HSBC Institutional Trust Services (Asia) Limited



Guotai Junan Assets (Asia) Limited

GUOTAI JUNAN INVESTMENT FUNDS
 -Guotai Junan Greater China Growth Fund
 -Guotai Junan Equity Income Fund
 YEAR ENDED 31 December 2017

GUOTAI JUNAN INVESTMENT FUNDS
 -Guotai Junan Asian High Yield Bond Fund (In Liquidation)
 FOR THE PERIOD FROM 1 January 2017 to 29 August 2017 (date of termination)

STATEMENT OF CHANGES IN EQUITY

<u>Guotai Junan Greater China Growth Fund</u>	Total equity HK\$
At 1 January 2016	103,947,419
Subscription of units	9,277,460
Redemption of units	(21,710,271)
Total comprehensive income for the year	<u>(8,708,000)</u>
At 31 December 2016 and 1 January 2017	82,806,608
Redemption of units	(25,994,488)
Total comprehensive income for the year	<u>18,630,916</u>
At 31 December 2017	<u>75,443,036</u>
 <u>Guotai Junan Equity Income Fund</u>	 Total equity HK\$
At 1 January 2016	45,712,960
Subscription of units	256,116,000
Redemption of units	(4,167,234)
Total comprehensive income for the year	<u>(21,863,296)</u>
At 31 December 2016 and 1 January 2017	275,798,430
Subscription of units	5,207,686
Redemption of units	(5,570,669)
Total comprehensive income for the year	100,585,289
Distribution to unitholders	<u>(11,280,973)</u>
At 31 December 2017	<u>364,739,763</u>

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STATEMENT OF CHANGES IN EQUITY (continued)

<u>Guotai Junan Asian High Yield Bond Fund (In Liquidation)</u>	Total equity US\$
At 1 January 2016	6,239,138
Subscription of units	7,684,468
Total comprehensive income for the year	<u>281,401</u>
At 31 December 2016 and 1 January 2017	14,205,007
Redemption of units	(14,584,244)
Total comprehensive income for the period	<u>379,237</u>
At 29 August 2017 (date of termination)	<u><u>-</u></u>

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GUOTAI JUNAN INVESTMENT FUNDS
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DISTRIBUTION STATEMENT

<u>Guotai Junan Greater China Growth Fund</u>	Total equity HK\$
Undistributed income at 1 January 2016	-
Total comprehensive income for the year	(8,708,000)
Transfer to capital	<u>8,708,000</u>
Undistributed income at 31 December 2016 and 1 January 2017	-
Total comprehensive income for the year	18,630,916
Less: Net unrealised gain on investments	(<u>11,040,764</u>)
Undistributed income before distribution	7,590,152
Transfer to capital	(<u>7,590,152</u>)
Undistributed loss at 31 December 2017	<u><u>-</u></u>

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DISTRIBUTION STATEMENT (continued)

<u>Guotai Junan Equity Income Fund</u>	Total equity HK\$
Undistributed income at 1 January 2016	-
Total comprehensive income for the year	(21,863,296)
Transfer to capital	<u>21,863,296</u>
Undistributed income at 31 December 2016 and 1 January 2017	-
Total comprehensive income for the year	100,585,289
Less: Net unrealised gain on investments	(<u>67,667,265</u>)
Undistributed income before distribution	32,918,024
Distributions to unitholders	(11,280,973)
Transfer to capital	(<u>21,637,051</u>)
Undistributed loss at 31 December 2017	<u><u>-</u></u>

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DISTRIBUTION STATEMENT (continued)

<u>Guotai Junan Asian High Yield Bond Fund (In Liquidation)</u>	Total equity US\$
Undistributed loss at 1 January 2016	-
Total comprehensive income for the year	281,401
Less: Net unrealised gain on investments	(1,183)
Undistributed income before distribution	280,218
Transfer to capital	(280,218)
Undistributed loss at 31 December 2016 and 1 January 2017	-
Total comprehensive income for the year	379,237
Transfer to capital	(379,237)
Undistributed income at 29 August 2017 (date of termination)	<u><u>-</u></u>

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GUOTAI JUNAN INVESTMENT FUNDS
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STATEMENT OF CASH FLOWS

	Guotai Junan Greater China Growth Fund		Guotai Junan Equity Income Fund		Guotai Junan Asian High Yield Bond Fund	
	Year ended 31 December 2017 HK\$	Year ended 31 December 2016 HK\$	Year ended 31 December 2017 HK\$	Year ended 31 December 2016 HK\$	For the period from 1 January 2017 to 29 August 2017 US\$	
Cash flows from operating activities						
(Loss)/profit before tax	18,693,801	(8,617,389)	100,950,803	(21,770,708)	379,237	281,401
Adjustments for:						
Net unrealised loss/(gain) on investments	(11,040,764)	1,325,514	(67,667,265)	14,879,057	36,328	(1,183)
Net realised loss/(gain) on investments	(9,019,962)	6,773,138	(31,889,234)	6,621,298	(227,085)	45,979
Interest income	-	-	-	-	(367,071)	(509,992)
	(1,366,925)	(518,737)	1,394,304	(270,353)	(178,591)	(183,795)
Purchase of financial assets at fair value through profit or loss	(59,142,777)	(33,528,184)	(381,079,956)	(252,182,899)	(9,128,810)	(12,392,723)
Proceeds from disposals of financial assets at fair value through profit or loss	78,177,958	42,896,100	368,036,175	46,567,752	22,730,166	4,819,456
Increase in amounts due from brokers	-	-	(25,727,092)	-	-	-
Decrease/(increase) in dividend receivables	97,800	(97,800)	(14,274)	(34,739)	-	-
(Increase)/decrease in interest receivables	(4)	(2)	(18)	(14)	-	-
(Decrease)/increase in other payables and accruals	(24,192)	37,487	130,658	356,918	15,458	3,791
Increase in amounts due to brokers	698,044	-	31,434,239	-	-	-
Interest received	-	-	-	-	551,505	436,696
Withholding tax paid on dividends received	(62,885)	(90,611)	(365,514)	(92,588)	-	-
Net cash flows from/(used in) operating activities	18,377,019	8,698,253	(6,191,478)	(205,655,923)	13,989,728	(7,316,575)

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STATEMENT OF CASH FLOWS (continued)

	Guotai Junan Greater China Growth Fund		Guotai Junan Equity Income Fund		Guotai Junan Asian High Yield Bond Fund	
	Year ended 31 December 2017 HK\$	Year ended 31 December 2016 HK\$	Year ended 31 December 2017 HK\$	Year ended 31 December 2016 HK\$	For the period from 1 January 2017 to 29 August 2017 US\$	Year ended 31 December 2016 US\$
Cash flows from financing activities						
Proceeds from issue of units	-	9,277,460	5,207,686	256,116,000	-	7,684,468
Payments on redemption of units	(26,068,971)	(21,635,788)	(5,570,669)	(4,167,234)	(14,584,244)	-
Distributions paid	-	-	(11,280,973)	-	-	-
Net cash flows (used in)/from financing activities	(26,068,971)	(12,358,328)	(11,643,956)	251,948,766	(14,584,244)	7,684,468
Net (decrease)/ increase in cash and cash equivalents	(7,691,952)	(3,660,075)	(17,835,434)	46,292,843	(594,516)	367,893
Cash and cash equivalents at beginning of the year/period	10,005,957	13,666,032	52,480,198	6,187,355	646,043	278,150
Cash and cash equivalents at end of the year/period	<u>2,314,005</u>	<u>10,005,957</u>	<u>34,644,764</u>	<u>52,480,198</u>	<u>51,527</u>	<u>646,043</u>
Analysis of balances of cash and cash equivalents						
Bank balances	2,314,005	10,005,957	34,644,764	52,480,198	51,527	646,043
Supplementary cash flow information:						
Cash received in dividend income	1,422,651	1,907,241	9,224,256	3,454,236	-	-
Cash received in interest income	664	259	3,063	2,437	551,505	436,696

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NOTES TO FINANCIAL STATEMENTS

1. THE TRUST AND THE SUB-FUNDS

Guotai Junan Investment Funds (the "Trust"), is a unit trust established as an umbrella fund under the laws of Hong Kong pursuant to a Trust Deed dated 29 August 2007 (the "Trust Deed") and supplemental deed dated 31 October 2016 between Guotai Junan Assets (Asia) Limited (the "Manager") and HSBC Institutional Trust Services (Asia) Limited (the "Trustee"). The Trust will continue for a period of 100 years from the date of the Trust Deed or until it is terminated by the Manager or the Trustee. The Trust was originally constituted as an umbrella unit trust established under the laws of Cayman Islands and was registered with Cayman Island Monetary Authority on 3 September 2007. Pursuant to a Deed of Retirement and Appointment of Trustee dated 26 October 2016, the Trust was removed from the jurisdiction of the Cayman Islands to the jurisdiction of the Hong Kong Special Administrative Region and HSBC Institutional Trust Services (Asia) Limited was appointed as trustee in place of HSBC Trustee (Cayman) Limited effective 18 November 2016. The Trust currently consists of three sub-funds which are Guotai Junan Greater China Growth Fund, Guotai Junan Equity Income Fund and Guotai Junan Asian High Yield Bond Fund (collectively the "Sub-Funds") which has been authorised by the Hong Kong Securities and Future Commission (the "SFC").

The Sub-Funds are established as separate and distinct trusts pursuant their respective supplemental trust deed to the Trust Deed. Accordingly, the assets of each Sub-Fund should be effectively segregated from each other and none of them may be used to discharge the liabilities of or claims against any other Sub-Fund.

Authorisation by the SFC does not imply official approval or recommendation.

The investment objectives of the Sub-Funds are as follows:

- Guotai Junan Greater China Growth Fund ("GJGC")

The Guotai Junan Greater China Growth Fund seeks to provide investors with medium to long term capital appreciation over time.

- Guotai Junan Equity Income Fund ("GJEI")

The Guotai Junan Equity Income Fund seeks to provide capital appreciation to investors by investing in high yielding equity securities of companies established in Greater China or which derive a majority of their revenue from business related to Greater China, whether in the form of direct investment in, or trade with, Greater China. This includes companies incorporated and/or listed outside Greater China. GJEI will not invest in or have any exposure to Shanghai and Shenzhen listed "A" shares.

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1. THE TRUST AND THE SUB-FUNDS (continued)

- Guotai Junan Asian High Yield Bond Fund ("GJAB")

The Guotai Junan Asian High Yield Bond Fund seeks to generate interest income and capital gain through investing in high yield bonds and debt securities issued or guaranteed by Asian Entities in Asian Markets. The Sub-Fund may also invest in bond funds and physical bond Exchange Traded Funds.

Since no unitholder was in GJAB and its authorization in Hong Kong had been withdrawn by the SFC, it is impracticable for GJAB to continue. Pursuant to the written resolution passed on 29 August 2017, the Manager resolved to terminate GJAB's operation on 29 August 2017 (date of termination). Full redemption of the outstanding units was executed on 12 July 2017. The financial statements of GJAB for the period from 1 January 2017 to 29 August 2017 (date of termination) are the last set of financial statements.

2.1 BASIS OF PREPARATION

The financial statements of GJGC and GJEI have been prepared on the basis of the relevant disclosure provisions of the Trust Deed, the relevant disclosure provisions as set out in Appendix E to the Hong Kong Code on Unit Trusts and Mutual Funds established by the SFC (the "SFC Code") and Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. They have been prepared under the historical cost basis, except for investments which have been measured at fair value.

The financial statements of GJAB have been prepared on the basis of the relevant disclosure provisions of the Trust Deed, the relevant disclosure provisions as set out in Appendix E to the SFC Code and HKFRSs (which include all Hong Kong Financial Reporting Standards, HKAS and Interpretations) issued by the HKICPA, and accounting principles generally accepted in Hong Kong. They have been prepared under historical cost basis, except for financial assets at fair value through profit or loss which have been measured at fair value.

As explained in note 1 to the financial statements, GJAB resolved to terminate its operation on 29 August 2017 (date of termination). In the opinion of the Manager and the Trustee, the going concern basis is no longer applicable and the financial statements of GJAB have therefore been prepared on a liquidation basis. Accordingly, all assets of GJAB have been written down to their estimated net realisable values and the estimated liquidation costs amounting to approximately US\$28,322 have been accrued in the statement of financial position of GJAB. In case the actual liquidation expenses reasonably incurred by the Trustee for and on behalf of GJAB exceed the amount of the provisions, the Manager will bear any shortfall.

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2.1 BASIS OF PREPARATION (continued)

Due to the change in basis of preparation in the current period and the fact that these financial statements cover a period of less than twelve months, the amounts presented on the financial statements and related notes of GJAB for the period from 1 January 2017 to 29 August 2017 (date of termination) are not entirely comparable with amounts presented for the year ended 31 December 2016 which were extracted from GJAB's financial statements for the year ended 31 December 2016 that were prepared on a going concern basis.

The financial statements of GJGC and GJEI are presented in Hong Kong Dollars ("HK\$") while GJAB is presented in United States dollars ("US\$") and all values are rounded to the nearest dollar, except where otherwise indicated.

2.2 IMPACT OF CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to the HKFRSs effective as of 1 January 2017:

Amendment to HKAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). These amendments does not have any impact on the Sub-Funds' financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

Standards issued but not yet effective up to the date of issuance of the Sub-Funds financial statements are listed below. The Sub-Funds intends to adopt applicable standards when they become effective.

HKFRS 9 Financial Instruments

In September 2014, the HKICPA issued the final version of HKFRS 9 Financial Instruments that replaces HKAS 39 Financial Instruments: Recognition and Measurement and all previous versions of HKFRS 9. HKFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. HKFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Sub-Funds plan to adopt the new standard on the required effective date and will not restate comparative information. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Sub-Funds in 2018 when the Sub-Funds will adopt HKFRS 9. Overall, the Sub-Funds expect no significant impact on its statement of financial position, statement of profit or loss and other comprehensive income and its statement of changes in equity .

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued in July 2014, and amended in June 2016, and establishes a five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 15 *Revenue from Contracts with Customers* (continued)

The new revenue standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

The Sub-Funds plan to adopt the new standard on the required effective date and will not restate comparative information. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Sub-Funds in 2018 when the Sub-Funds will adopt HKFRS 15. The Sub-Funds expects no significant impact on its results of financial performance or position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Other than as adjusted as applicable for the adoption of liquidation basis in the current period as explained in note 2.1 to the financial statements in respect of GJAB, the significant accounting policies applied in the preparation of these financial statements are set out below:

Financial instruments

(i) **Classification**

The Sub-Funds classify its financial assets and financial liabilities into the categories below in accordance with HKAS 39.

Financial assets held for trading: financial assets are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. This category includes equities securities and debt securities. These assets are acquired principally for the purpose of generating a profit from short-term fluctuations in price. All derivatives and liabilities from short sales of financial instruments are classified as held for trading.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Sub-Funds include in this category amounts relating to due from brokers and short-term receivables.

Other financial liabilities

This category includes all financial liabilities, other than those classified as fair value through profit or loss. The Sub-Funds include in this category amounts relating to due to broker and short-term payables.

(ii) **Recognition**

The Sub-Funds recognise a financial asset or financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e., the date that the Sub-Funds commit to purchase or sell the asset.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iii) Initial measurement

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Loans and receivables and financial liabilities (other than those classified as held for trading) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Sub-Funds recognise the difference in profit or loss, unless specified otherwise.

(iv) Subsequent measurement

After initial measurement, the Sub-Funds measure financial instruments which are classified as fair value through profit or loss at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net unrealised gain/loss on investments. Net realised gain/loss on disposals of financial instruments classified as "fair value through profit or loss" are calculated using the weighted average method. They represent the difference between an instrument's initial carrying amount and disposal amount.

Interest earned and dividend revenue elements of such instruments are recorded separately in profit or loss.

Loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as fair value through profit or loss, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Sub-Funds estimate cash flows considering all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(v) Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where (i) the rights to receive cash flows from the asset have expired or (ii) the Sub-Funds have transferred its rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either: (a) the Sub-Funds have transferred substantially all the risks and rewards of the asset; or (b) the Sub Funds have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(v) ***Derecognition*** (continued)

When the Sub-Funds have transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and have neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Sub-Funds' continuing involvement in the asset. In that case, the fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Sub-Funds have retained. The Sub-Funds derecognise a financial liability when the obligation under the liability is discharged, cancelled or expired.

(vi) ***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Fair value measurement

The Sub-Funds measure its investments in financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Sub-Funds.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. Securities defined in these accounts as 'listed' are traded in an active market.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Sub-Funds assess at each reporting date whether a financial asset or group of financial assets classified as loans and receivables is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor, or a group of debtors, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and, where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

Impaired debts, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Sub-Funds. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a previous write-off is later recovered, the recovery is credited to profit or loss.

Interest revenue on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand, demand deposits, short term deposits in banks with original maturities of three months or less and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Interest income and expense

Interest income and expense are recognised in profit or loss for all interest-bearing financial instruments using the effective interest method.

Dividend income

Dividend income is recognised when the Sub-Funds' right to receive the payment is established. Dividend revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately in profit or loss.

Foreign currency translations

Transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

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-Guotai Junan Equity Income Fund
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NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translations (continued)

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of each reporting period.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign currency transaction gains and losses on financial instruments classified as fair value through profit or loss are included in the statement of comprehensive income as part of net unrealised gain or loss on investments. Foreign exchange differences on other financial instruments are included in profit or loss in the statement of comprehensive income as foreign exchange differences, net.

Redeemable units

Classification of redeemable units

Redeemable units are classified as equity instruments when:

- The redeemable units entitle the holder to a pro rata share of the Sub-Funds' net assets in the event of the Sub-Funds' liquidation.
- The redeemable units are in the class of instruments that is subordinate to all other classes of instruments.
- All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features.
- The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Sub-Funds' net assets.
- The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Sub-Funds over the life of the instrument.

In addition to the redeemable units having all the above features, the Sub-Funds must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Sub-Funds.
- The effect of substantially restricting or fixing the residual return to the redeemable unitholders.

The Sub-Funds continuously assess the classification of the redeemable units. If the redeemable units cease to have all the features or meet all the conditions set out to be classified as equity, the Sub-Funds will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity. If the redeemable units subsequently have all the features and meet the conditions to be classified as equity, the Sub-Funds will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Redeemable units (continued)

Classification of redeemable units (continued)

The issuance, acquisition and cancellation of redeemable units are accounted for as equity transactions. Upon issuance of units, the consideration received is included in equity. Transaction costs incurred by the Sub-Funds in issuing or acquiring its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. Own equity instruments that are reacquired are deducted from equity and accounted for at amounts equal to the consideration paid, including any directly attributable incremental costs. The Sub-Funds' policy is not to keep shares in treasury, but rather to cancel them once repurchased. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issuance or cancellation of the Sub-Funds' own equity instruments.

Related parties

A party is considered to be related to the Sub-Funds if:

- (a) the party is a person or a close member of that person's family and that person
- (i) has control or joint control over the Sub-Funds;
 - (ii) has significant influence over the Sub-Funds; or
 - (iii) is a member of the key management personnel of the Sub-Funds or of a parent of the Sub-Funds;
- or
- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Sub-Funds are members of the same Sub-Funds;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Sub-Funds are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Sub-Funds or an entity related to the Sub-Funds;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Sub-Funds or to the parent of the Sub-Funds.

Income taxes

The Sub-Funds are exempt from all forms of taxation in Hong Kong, including income, capital gains and withholding taxes. However, in some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. The Sub-Funds present the withholding tax separately from the gross investment income in profit or loss. For the purpose of the statement of cash flows, cash inflows from investments are presented net of withholding taxes, when applicable.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Distribution to unitholders

The Sub-Funds recognises a liability to make cash distributions or non-cash distributions to unitholders when the distribution is authorised. The Manager may at its discretion make a cash distribution in Hong Kong Dollars or US Dollars on a semi-annual basis to unitholders. A corresponding amount is recognised directly in equity. Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in profit or loss.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Sub-Funds' financial statements requires management to make judgments, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Fair value of financial instruments

When the fair value of financial instruments recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and discount rates.

Functional currency

The Sub-Funds' functional currency is the HK\$, which is the currency of the primary economic environment in which it operates. The Sub-Fund's performance is evaluated and its liquidity is managed in HK\$. Therefore, the HK\$ is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The presentation currency of GJGC and GJEI are in HK\$ while presentation currency of GJAB is in US\$.

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3. TRANSACTIONS WITH THE MANAGER AND ITS CONNECTED PERSONS

The following is a summary of transactions entered into during the year/period between the Sub-Funds and its connected persons. Connected persons of the Sub-Funds are those as defined in the Code. All such transactions were entered into in the ordinary course of business and on normal commercial terms.

Manager's and its affiliates' holdings in the Sub-Funds

The Manager may transact in the units of the Sub-Funds as principal provided that prior written notice is obtained from the Trustee.

Details of units of the Sub-Funds held by the Manager's affiliates are as below:

	Guotai Junan Greater China Growth Fund	Guotai Junan Equity Income Fund	Guotai Junan Asian High Yield Bond Fund
	31 December 2017	31 December 2017	29 August 2017
	31 December 2016	31 December 2016	31 December 2016
Units of the Sub-Funds	212,192	2,858,452	-
	<u>212,192</u>	<u>2,856,560</u>	<u>138,638</u>

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3. TRANSACTIONS WITH THE MANAGER AND ITS CONNECTED PERSONS (continued)

Management fee

The Manager is entitled to receive a management fee at 1.5% per annum of the net asset value of GJGC and GJEI, and at 1.2% and 0.8% per annum of the net asset value of GJAB for Class A and Class I units, respectively, per annum. The management fee is calculated and accrued as at each valuation day and payable monthly in arrears. As at 31 December 2017 for GJGC and GJEI and as at 29 August 2017 (date of termination) for GJAB, management fee of HK\$106,284 (2016: HK\$109,282) for GJGC, HK\$468,567 (2016: HK\$355,417) for GJEI and US\$3,794 (2016: US\$9,645) for GJAB were payable to the Manager at the end of the reporting period which is included within other payables and accruals in the statement of financial position.

Trustee fee

For GJGC, the Trustee is entitled to receive from GJGC, an annual fee at a sliding scale with a maximum rate of 0.14% per annum of the net asset value of GJGC as at the relevant valuation point subject to a minimum monthly fee of HK\$39,000 in relation to GJGC. This fee is calculated and accrued on each valuation day and paid monthly in arrears. As at 31 December 2017, HK\$39,000 (2016: HK\$34,897) was payable to the Trustee at the end of the reporting period which is included within other payables and accruals in the statement of financial position.

For GJEI, the Trustee is entitled to receive from GJEI, an annual fee at a sliding scale with a maximum rate of 0.14% per annum of the net asset value of GJEI as at the relevant valuation point subject to a minimum monthly fee of HK\$39,000 in relation to GJEI. This fee is calculated and accrued on each valuation day and paid monthly in arrears. As at 31 December 2017, HK\$39,000 (2016: HK\$35,000) was payable to the Trustee at the end of the reporting period which is included within other payables and accruals in the statement of financial position.

For GJAB, the Trustee is entitled to receive from the GJAB, an annual fee at a sliding scale with a maximum rate of 0.14% per annum of the net asset value of GJAB as at the relevant valuation point subject to a minimum monthly fee of US\$5,000 in relation to GJAB. This fee is calculated and accrued on each valuation day and paid monthly in arrears. As at 29 August 2017 (date of termination), US\$4,516 (2016: US\$4,490) was payable to the Trustee at the end of the reporting period which is included within other payables and accruals in the statement of financial position.

For the Sub-Funds, the Trustee is also entitled to receive transaction, processing and valuation fees and be paid or reimbursed with other applicable fees as agreed with the Manager.

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3. TRANSACTIONS WITH THE MANAGER AND ITS CONNECTED PERSONS (continued)

Registrar fee

The Trustee is also entitled to receive a fee for services in its capacity as Registrar at a fixed amount of HK\$40,000 per annum for the first 100 investors, HK\$780 per annum per investor thereafter for GJGC and GJEI, US\$5,130 per annum for the first 100 investors and US\$100 per annum per investor thereafter for GJAB. Such fee may vary depending on the number of holders of redeemable units in the Sub-Funds and is calculated and paid monthly in arrears to the Trustee. There is no maximum amount applicable to the registrar fees. As at 31 December 2017 for GJGC and GJEI and as at 29 August 2017 (date of termination) for GJAB, a registrar fee of HK\$3,397 (2016: HK\$3,583) for GJGC, HK\$3,397 (2016: HK\$3,302) for GJEI, and nil (2016: US\$433) for GJAB were payable to the Registrar at the end of reporting period which is included within other payables and accruals in the statement of financial position.

Further, the Trustee may appoint sub-custodians to safe-keep the assets of the Sub-Funds outside the PRC. All sub-custodian fees will be charged to the Sub-Funds and are calculated and paid monthly in arrears, in addition, to, any fees and expenses payable to the Trustee. The sub-custodian is entitled to recover all out-of-pocket expenses incurred in the performance of its duties in connection with the relevant Sub-Funds.

Brokerage and handling fees

Guotai Junan Securities (Hong Kong) Limited ("GJS"), the fellow subsidiary of the Manager, charged the Sub-Funds a brokerage and handling fee at a fixed rate of 1% for each initial public offering subscription and 0.18% for each listed securities transaction which was changed to 0.15% effective 15 May 2015. During the year ended 31 December 2017 for GJGC and GJEI and period ended 29 August 2017 (date of termination) for GJAB, included in the brokerage and handling fees in the statement of profit or loss and other comprehensive income were HK\$47,824 (2016: HK\$42,915) for GJGC, HK\$265,468 (2016: HK\$100,160) for GJEI, and nil for GJAB charged by GJS. No balances in relation to the brokerage and handling fee were payable by the Sub-Funds to GJS as at 31 December 2017 for GJGC and GJEI, and as at 29 August 2017 (date of termination) for GJAB, and as at 31 December 2016 for the Sub-Funds.

Bank balances

Bank balances are maintained with the Hong Kong and Shanghai Banking Corporation Limited ("HSBC"), Hong Kong Branch, an affiliate of the Trustee. All bank balances were deposited with affiliates of the Trustee as at 31 December 2017 for GJGC and GJEI and as at 29 August 2017 (date of termination) for GJAB and as at 31 December 2016 for the Sub-Funds.

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4. TAX

The Sub-Funds of the Trust are exempt from Hong Kong profits tax on income arising from its authorised activities under Section 26A (1A) of the Hong Kong Inland Revenue Ordinance.

The Trust obtained an undertaking from the Governor-in-Council of the Cayman Islands on 18 September 2007 that, in accordance with Section 81 of the Trust Law (2001 Revision) of the Cayman Islands, for a period of 50 years from the date of creation of the Trust, no laws of the Cayman Islands thereafter enacted imposing any tax or duty to be levied on income or on capital assets, gains or appreciation or any tax in the nature of estate duty or inheritance tax shall apply to any property comprised in or any income arising under the Trust, or the Sub-Funds or the Trustee or the holders of redeemable units in respect of any property or income. Effective 18 November 2016, the Trust has changed its jurisdiction from Cayman Islands to Hong Kong.

Dividend income is subject to withholding tax in certain jurisdictions and is the only item subject to taxation at an average applicable withholding tax rate of 10% (2016: 10%) in such jurisdictions for GJGC and GJEI.

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5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Guotai Junan Greater China Growth Fund	Guotai Junan Equity Income Fund	Guotai Junan Asian High Yield Bond Fund
	31 December 2017 HK\$	31 December 2016 HK\$	29 August 2017 US\$
Financial assets held for trading:			
Listed equity securities, at cost	59,324,202	69,339,421	-
Debt securities, at cost	-	-	-
Unrealised gain/(loss)	14,926,580	3,885,816	13,396,561
			36,329
Total financial assets at fair value through profit or loss	74,250,782	73,225,237	13,432,890

Valuation techniques

Listed investment in equity securities and debt securities

When fair values of publicly traded equity securities and debt securities are based on quoted market prices, or binding dealer price quotations, in an active market for identical assets without any adjustments, the instruments are included within Level 1 of the hierarchy.

GUOTAI JUNAN INVESTMENT FUNDS

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5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Valuation techniques (continued)

Unlisted debt securities

The Fund invests in debt securities, corporate and government bonds. In the absence of a quoted price in an active market, they are valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves. Adjustments are made to the valuations when necessary to recognise differences in the instrument's terms. To the extent that the significant inputs are observable, the Fund categorises these investments as Level 2.

On 31 December 2012, one listed equity held by GJGC were suspended from trading and was reclassified from Level 1 to Level 3. The listed suspended equity was written down to nil on 31 December 2012. On 31 December 2016, another listed equity held by GJGC, which were suspended from trading since 27 March 2015 was classified in Level 3 as its carrying amount of HK\$1,040,000 was valued at last trade price before suspension less a liquidating discount as determined by the Manager. As at 31 December 2017, the Manager considered that due to its lengthy suspension of trading, involvement in the litigation initiated by one of its substantial shareholders, continuous dealing with the forensic accountant for the forensic investigation and failure to provide audited annual reports for consecutive 3 years since 2014, the possibility to resume trading is remote. The fair value of this listed equity has been written down to nil.

The following table analyses within the fair value hierarchy the Sub-Funds' financial assets measured at fair value at 31 December 2017 and at 29 August 2017 (date of termination).

	Guotai Junan Greater China Growth Fund		Guotai Junan Equity Income Fund		Guotai Junan Asian High Yield Bond Fund	
	31 December 2017 HK\$	31 December 2016 HK\$	31 December 2017 HK\$	31 December 2016 HK\$	29 August 2017 US\$	31 December 2016 US\$
Quoted prices in active markets (Level 1)	74,250,782	72,185,237	336,489,755	223,889,475	-	4,426,521
Significant observable inputs (Level 2)	-	-	-	-	-	9,006,369
Significant unobservable inputs (Level 3)	-	1,040,000	-	-	-	-
	<u>74,250,782</u>	<u>73,225,237</u>	<u>336,489,755</u>	<u>223,889,475</u>	<u>-</u>	<u>13,432,890</u>

At the end of year/period

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5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Valuation techniques (continued)

As at 31 December 2017, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2016: Nil).

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period:

	Guotai Junan Greater China Growth Fund	Guotai Junan Equity Income Fund	Guotai Junan Asian High Yield Bond Fund
	31 December 2017 HK\$	31 December 2017 HK\$	29 August 2017 US\$
Financial assets held for trading:			
At beginning of the year/period	1,040,000	-	-
Total losses recognised in profit or loss	(1,040,000)	-	-
At the end of year/period	-	-	-

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5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Sensitivity analysis to significant changes in unobservable inputs – Level 3

As at 31 December 2017, the listed suspended equities have been written down to nil.

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with the quantitative sensitivity analysis as at 31 December 2016 are shown below:

As at 31 December 2016

Description	Valuation Technique	Unobservable inputs	Range	Sensitivity of fair value to the input
Suspended equity securities	Adjusted last trade price	Liquidity discount	50%	+/-5% movement in liquidity discount would result in change in fair value by HK\$104,000

6. CASH AND BANK BALANCES

The cash at bank was held with HSBC in interest bearing accounts as at the reporting dates.

7. DISTRIBUTIONS

	Guotai Junan Equity Income Fund	
	31 December 2017 HK\$	31 December 2016 HK\$
Interim distribution (HK\$3.88 distributed on 3 July 2017)	11,280,973	-

No distribution has been declared on behalf of GJAB during the period ended 29 August 2017 (date of termination) and 31 December 2016, and on behalf of GJGC during the years ended 31 December 2017 and 31 December 2016.

On 29 December 2017, the Manager declared on behalf of GJEI to distribute final distribution of HK\$13,854,656 at HK\$4.84 each unit on ex-dividend date 3 January 2018, in respect of 2,862,532.33 units issued on that date. The final distribution was paid on 8 January 2018.

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8. CAPITAL

As at 31 December 2017 for GJGC and GJEI, as at 29 August 2017 (date of termination) for GJAB and as at 31 December 2016 for the Sub-funds, each Sub-Fund only has one single class of units in issue, being redeemable participating units. The redeemable participating units do not carry any voting rights. They carry the right to receive distributions and the rights to participate in the surplus assets of the Sub-Funds after the payment of all creditors upon liquidation of the Sub-Funds.

Redeemable participating units can be issued and redeemed on each valuation day, i.e. every business day of the calendar year. The holders of redeemable participating unit may redeem the redeemable participating units on any valuation day by no later than the dealing deadline, i.e. no later than the business hours of the business day of the calendar year. Redemption requests received after such time will be deemed to have been received on the next business day.

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8. CAPITAL (continued)

The calculation of the net asset value per unit of the Sub-Funds is based on the net asset of the Sub-Funds as at 31 December 2017 or 29 August 2017 (date of termination), and the number of units in issue as at that date.

	Guotai Junan China Growth Fund	Guotai Junan Equity Income Fund	Guotai Junan Asian High Yield Bond Fund
	31 December 2017 HK\$	31 December 2017 HK\$	29 August 2017 US\$
	31 December 2016 HK\$	31 December 2016 HK\$	31 December 2016 US\$
Net Assets	<u>75,443,036</u>	<u>364,739,763</u>	<u>-</u>
			<u>14,205,007</u>

Movement in the number of participating units issued and fully paid:

	Guotai Junan Greater China Growth Fund	Guotai Junan Equity Income Fund	Guotai Junan Asian High Yield Bond Fund
	31 December 2017 HK\$	31 December 2017 HK\$	29 August 2017 US\$
	31 December 2016 HK\$	31 December 2016 HK\$	31 December 2016 US\$
Financial assets held for trading:			
At beginning of the year/ period	1,132,470.60	2,860,640.98	138,638.42
Issued during the year	-	48,476.64	-
Redeemed during the year/ period	(323,395.46)	(46,585.29)	(138,638.42)
	<u>809,075.14</u>	<u>2,862,532.33</u>	<u>-</u>
At the end of year/period	<u>1,132,470.60</u>	<u>2,860,640.98</u>	<u>138,638.42</u>

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9. RECONCILIATION BETWEEN NET ASSET VALUE PER STATEMENT OF FINANCIAL POSITION AND PUBLISHED NET ASSET VALUE

	Guotai Junan China Growth Fund 31 December 2017 HK\$	Guotai Junan Greater China Growth Fund 31 December 2016 HK\$	Guotai Junan Equity Income Fund 31 December 2017 HK\$	Guotai Junan Equity Income Fund 31 December 2016 HK\$	Guotai Junan Asian High Yield Bond Fund 29 August 2017 US\$	Guotai Junan Asian High Yield Bond Fund 31 December 2016 US\$
Net asset value used for calculating published net asset value per redeemable unit	75,443,036	82,806,608	364,739,763	275,798,430	-	14,240,352
Adjustment to preliminary expenses (a)	-	-	-	-	-	(35,345)
Over-accrual of audit fees	-	-	-	-	-	-
Net asset value per financial statements	75,443,036	82,806,608	364,739,763	275,798,430	-	14,205,007
Number of redeemable units in issue	809,075.14	1,132,470.60	2,862,532.33	2,860,640.98	-	138,638.42
Published net asset value per redeemable unit	93.25	73.12	127.42	96.41	-	102.46
Net asset value per redeemable unit per financial statement	93.25	73.12	127.42	96.41	-	102.46

(a) The explanatory memorandum provides for the amortisation of preliminary over 60 months of operation of GJAB, instead of those amounts being expensed as incurred during the current period, as required under HIKFRSs.

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10. SOFT COMMISSION ARRANGEMENTS

Neither the Manager nor any of its connected persons has entered into any soft commission arrangements with brokers or dealers in respect of the transactions for the account of the Sub-Funds of the Trust.

11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Sub-Funds are subject to various risks as the Sub-Funds invested in a number of financial instruments including listed equity securities and debt securities during the year.

The investment objective, strategy and restrictions apply to any investment at the time that investment is made. The Manager will be responsible for ensuring compliance at all times with the investment policies. Where any policy is breached, the Manager will ensure that immediate corrective action will be taken, except where the breach is due to appreciation or depreciation in the value of investments.

The Manager will also be managing the assets of the three Sub-Funds and will minimise risk by applying a combination of bottom-up and top-down approaches including macroeconomic, industrial and company specific analysis so as to develop a high quality investment portfolio. For GJGC and GJEI, the two Sub-Funds invest substantially all of its assets in Hong Kong listed "H" shares, "Red Chips", Shanghai and Shenzhen listed "B" shares and are broadly diversified with numerous exchange traded investments. For GJAB, the Sub-Fund invests substantially all of its assets in high yield bonds and debt securities issued or guaranteed by Asian Entities in Asian Markets.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

The Sub-Funds are exposed to market risk on its investments. The Sub-Funds minimise its exposure to market risk by diversifying its listed investments broadly and monitoring its investments constantly on a real time basis by a team of fund managers.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Sub-Funds are exposed to interest rate risk as all of its cash and bank balances are placed in interest bearing accounts.

The Manager is responsible for monitoring and managing the interest rate exposure of the Sub-Funds. Financial assets of GJGC and GJEI are predominately equity securities, which are interest free while the interest rate risks of the Sub-Funds are mainly attributable to interest bearing bank deposits. Accordingly, the Manager considers that exposures of GJGC and GJEI to interest rate risk were minimal.

For GJAB, the Manager regularly assesses the economic condition, monitor changes in interest rates outlook and takes appropriate measures accordingly to control the impact of interest rate risk.

GUOTAI JUNAN INVESTMENT FUNDS
 -Guotai Junan Greater China Growth Fund
 -Guotai Junan Equity Income Fund
 YEAR ENDED 31 December 2017

GUOTAI JUNAN INVESTMENT FUNDS
 -Guotai Junan Asian High Yield Bond Fund (In Liquidation)
 FOR THE PERIOD FROM 1 January 2017 to 29 August 2017 (date of termination)

NOTES TO FINANCIAL STATEMENTS

11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

Interest rate risk (continued)

The debt securities held by GJAB primarily carry fixed interest rates. The Manager therefore considers the movement in interest rates will have minimal impact on the interest income.

The following table demonstrates the sensitivity of GJAB's profit or loss for the period to a reasonably possible change in interest rates, with all other variables held constant. The sensitivity of both the net asset attributable to unitholders and profit or loss is the effect of the assumed changes in interest rates on changes on fair value of investments for the period, based on revaluing fixed rate financial assets at the end of the reporting period.

In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be significant.

	%	Sensitivity of change in fair value of investments increase/(decrease) (GJAB) US\$
At 31 December 2016	+/-1	397,000

As at 29 August 2017 (date of termination), interest rate risk is considered minimal as GJAB doesn't hold any interest-bearing financial instrument, except for cash and bank balances.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Such risk exposures arise from trading in securities in currencies other than the Sub-Funds' functional currencies. Fluctuations in exchange rates between the HK\$ and US\$ may affect its financial condition and results of operations, whereas the Manager considers the US\$/HK\$ exposure is minimal as HK\$ is pegged to US\$. Also GJGC and GJEI do not expose to significant currency risk as majority of its operations and transactions are in HK\$ and denominated in HK\$. As at 31 December 2016, GJAB does not expose to significant currency risk as the investments denominated in other currency is minimal. As at 29 August 2017 (date of termination), currency risk is considered minimal as GJAB does not hold any investment.

Equity price risk

Equity price risk is the risk of unfavorable changes in the fair values of equities as a result of changes in the level of equity indices and the value of individual shares. The trading equity price risk exposure arises from the Sub-Funds' investment portfolio. As at 29 August 2017 (date of termination), the Manager considers GJAB exposure to equity price risk is minimal as GJAB does not hold any investment. During 31 December 2016, the Manger considers GJAB exposure to equity price risk to be minimal as GJAB primarily invests in debt securities.

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NOTES TO FINANCIAL STATEMENTS

11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

Equity price risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in Hang Seng Index ("HSI"), with all other variables held constant, of the Sub-Funds' profit and net assets attributable to holders of redeemable units.

		Guotai Junan Greater China Growth Fund		Guotai Junan Equity Income Fund	
		2017 HK\$	2016 HK\$	2017 HK\$	2016 HK\$
HSI	+/-5%	<u>4,404,000</u>	<u>4,506,000</u>	<u>17,763,000</u>	<u>12,040,000</u>

This analysis is based on the assumption that all the equity instruments move according to the historical correlation with the HSI and with all other variables held constant. In practice, the actual results may differ and the difference could be material.

(b) Liquidity risk

Liquidity risk is the risk that the Sub-Funds will encounter difficulty in meeting obligation associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value.

As described in note 8 to the financial statements, the Sub-Funds are subject to cash redemptions of its redeemable units on every business day during the calendar year. The Sub-Funds consider that its exposure to liquidity risk is minimal as most of its investments are listed and actively traded.

The contractual undiscounted cash flows of the financial liabilities as at 31 December 2017 for GJGC and GJEI and as at 29 August 2017 (date of termination) for GJAB are the same as their carrying amounts of HK\$1,121,757 (2016: HK\$522,388), HK\$32,220,493 (2016: HK\$655,596) and US\$51,532 (2016: US\$36,074), respectively, as they are repayable less than three months.

(c) Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Sub-Funds by failing to discharge an obligation. The Sub-Funds minimise exposure to credit risk by only dealing with counterparties with high credit ratings.

GJGC and GJEI are mainly exposed to credit risk on its investments placed with the brokers and amounts due from brokers. The Manager monitors the credit risk by monitoring the credit quality of brokers on a regular basis. If the credit quality or the financial position of brokers deteriorates significantly the Manager will deal with other providers. In addition, substantially all of the bank deposits of the Sub-Funds are held by the reputable financial institutions located in Hong Kong. As at 29 August 2017 (date of termination), GJAB did not hold any investment and was not exposed to credit risk on investments.

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NOTES TO FINANCIAL STATEMENTS

11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

As at 31 December 2016, the credit rating of GJAB's debt securities is analysed below.

	2016 US\$
Credit rating:	
Fitch's	
A+	297,129
A	1,177,816
BBB	395,948
BBB-	1,903,031
BB+	898,097
BB	736,560
BB-	1,067,963
B+	609,360
B	261,620
Moody's	
Aa3	599,382
Baa2	247,675
Baa3	456,678
Ba2	1,780,756
Ba3	-
B1	209,530
Caa2	-
Standard and Poor's	
BB+	201,306
BB	195,372
BB-	251,892
Unrated	<u>2,142,775</u>
	<u>13,432,890</u>

The Sub-Funds' maximum exposure to credit risk in the event of counterparties failing to perform their obligations as of the end of the reporting period in relation to each class of recognised financial assets approximates to the carrying amount of those assets as indicated in the statement of financial position. The Sub-Funds adopt the method of deliver-against-payment in the settlement of all its transactions. This arrangement is effectively avoid the counterparty risk from brokers.

(d) Capital management

The primary objective of the Sub-Funds' capital management is to safeguard the Sub-Funds' ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise holders of redeemable units' value.

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NOTES TO FINANCIAL STATEMENTS

11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Capital management (continued)

The Sub-Funds manage its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristic of the financial assets. To maintain or adjust the capital structure, the Sub-Funds may adjust the investments held.

The Sub-Funds define capital as the net assets attributable to holders of redeemable units. The Manager believes it has mitigated the risks to capital by following the investment guideline.

12. EVENTS AFTER THE REPORTING PERIOD

2017 final distribution of GJEI amounting to HK\$13,854,656 was paid on 8 January 2018.

13. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised by the Manager and the Trustee on

27 APR 2018

GUOTAI JUNAN INVESTMENT FUNDS
 -Guotai Junan Greater China Growth Fund
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GUOTAI JUNAN INVESTMENT FUNDS
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UNAUDITED STATEMENTS OF MOVEMENTS IN INVESTMENT PORTFOLIO

A. GUOTAI JUNAN GREATER CHINA GROWTH FUND

	% of Net Assets	
	31 December 2017	31 December 2016
Equity		
- Hong Kong	86.80	88.43
- United States	11.63	-
	<u>98.43</u>	<u>88.43</u>

B. GUOTAI JUNAN EQUITY INCOME FUND

	% of Net Assets	
	31 December 2017	31 December 2016
Equity		
- Hong Kong	89.21	81.18
- United States	3.07	-
	<u>92.28</u>	<u>81.18</u>

GUOTAI JUNAN INVESTMENT FUNDS
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GUOTAI JUNAN INVESTMENT FUNDS
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UNAUDITED STATEMENTS OF MOVEMENTS IN INVESTMENT PORTFOLIO (continued)

C. GUOTAI JUNAN ASIAN HIGH YIELD BOND FUND

	% of Net Assets	
	29 August 2017	31 December 2016
Debt Securities		
- Australia	-	1.46
- Cayman Islands	-	3.33
- China	-	39.16
- France	-	-
- Hong Kong	-	7.20
- India	-	14.54
- Indonesia	-	11.21
- Netherlands	-	5.03
- Singapore	-	2.09
- Sri Lanka	-	4.29
- Sweden	-	-
- United States	-	1.42
- Virgin Islands (British)	-	4.83
	<hr/>	<hr/>
	-	94.56
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GUOTAI JUNAN INVESTMENT FUNDS
 -Guotai Junan Greater China Growth Fund
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 YEAR ENDED 31 December 2017

GUOTAI JUNAN INVESTMENT FUNDS
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UNAUDITED INVESTMENT PORTFOLIO

GUOTAI JUNAN GREATER CHINA GROWTH FUND

Investment Portfolio as at 31 Dec 2017

Listed Investment Equities	Holdings	Market Value (HKD)	% of Net Assets
HONG KONG			
AGILE GROUP HOLDINGS LTD	100,000	1,186,000	1.57
ANTON OILFIELD SERVICES GROUP	1,000,000	860,000	1.14
BOC AVIATION LTD	20,000	833,000	1.10
BOSHIWA INTERNATIONAL HOLDINGS ¹	690,000	-	-
BYD CO. LTD	500	34,050	0.05
CHINA ANIMAL HEALTHCARE LTD ²	400,000	-	-
CHINA CONSTRUCTION BANK CORPORATION	200,000	1,440,000	1.91
CHINA EVERBRIGHT INTERNATIONAL	150,000	1,674,000	2.22
CHINA LITERATURE LTD	16	1,333	-
CHINA MAPLE LEAF EDUCATIONAL	100,000	916,000	1.21
CHINA MENGNIU DAIRY CO. LTD	30,000	697,500	0.92
CHINA MERCHANTS BANK CO. LTD	100,000	3,110,000	4.12
CHINA MOLYBDENUM CO LTD	600,000	3,012,000	3.99
CHINA NATIONAL BUILDING MATERIAL	100,000	699,000	0.93
CHINA ORIENTAL GROUP CO LTD	200,000	1,166,000	1.55
CHINA TAIPING INSURANCE HOLDINGS	98,086	2,873,920	3.81
CHINA VANKE CO LTD	30,000	936,000	1.24

¹ Trading for these securities was suspended since 15 March 2012. The security was written-down to nil.

² Trading for these securities was suspended since 20 June 2017. The security was written-down to nil

GUOTAI JUNAN GREATER CHINA GROWTH FUND (continued)**GUOTAI JUNAN INVESTMENT FUNDS**

-Guotai Junan Greater China Growth Fund

-Guotai Junan Equity Income Fund

YEAR ENDED 31 December 2017

GUOTAI JUNAN INVESTMENT FUNDS

-Guotai Junan Asian High Yield Bond Fund (In Liquidation)

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UNAUDITED INVESTMENT PORTFOLIO (continued)**Investment Portfolio as at 31 Dec 2017**

Listed Investment Equities	Holdings	Market Value (HKD)	% of Net Assets
HONG KONG			
CHINA RESOURCES PHARMACEUTICAL GROUP	80,000	809,600	1.07
CHINASOFT INTERNATIONAL LTD	200,000	1,038,000	1.38
CRRC CORPORATION LTD-H	100,000	836,000	1.11
CSPC PHARMACEUTICAL GROUP LTD	120,000	1,893,600	2.51
GALAXY ENTERTAINMENT GROUP LTD	30,000	1,881,000	2.49
GEELY AUTOMOBILE HOLDINGS LTD	250,000	6,775,000	8.98
HONG KONG EXCHANGES AND CLEARING	20,000	4,796,000	6.36
HSBC HOLDINGS PLC	30,000	2,398,500	3.18
MAANSHAN IRON & STEEL CO LTD	300,000	1,107,000	1.47
MICROPORT SCIENTIFIC CORPORATION	45,000	339,750	0.45
PING AN INSURANCE (GROUP) CO	90,000	7,321,500	9.70
SEMICONDUCTOR MANUFACTURING	25,000	338,000	0.45
SINO BIOPHARMACEUTICAL LTD	70,000	970,200	1.29
SINOPEC SHANGHAI PETROCHEMICAL	600,000	2,670,000	3.54
SUNNY OPTICAL TECHNOLOGY (GROUP)	20,000	1,998,000	2.65
TENCENT HOLDINGS LTD	18,000	7,308,000	9.69
UNIVERSAL MEDICAL FINANCIAL & TECHNICAL ADVISORY SERVICES CO LTD	100,000	751,000	1.00
WEICHAI POWER CO. LTD	100,000	856,000	1.13
WH GROUP LTD	100,000	882,000	1.17
YANGTZE OPTICAL FIBRE AND CABLE JOINT STOCK LTD	30,000	1,077,000	1.43

GUOTAI JUNAN GREATER CHINA GROWTH FUND (continued)**GUOTAI JUNAN INVESTMENT FUNDS**

-Guotai Junan Greater China Growth Fund

-Guotai Junan Equity Income Fund

YEAR ENDED 31 December 2017

GUOTAI JUNAN INVESTMENT FUNDS

-Guotai Junan Asian High Yield Bond Fund (In Liquidation)

FOR THE PERIOD FROM 1 January 2017 to 29 August 2017 (date of termination)

UNAUDITED INVESTMENT PORTFOLIO (continued)

Investment Portfolio as at 31 Dec 2017

Listed Investment Equities	Holdings	Market Value (HKD)	% of Net Assets
UNITED STATES			
58.COM INC	1,400	783,283	1.04
ALIBABA GROUP HOLDING LTD	1,400	1,887,124	2.50
BAIDU INC	1,000	1,830,901	2.43
NEW ORIENTAL EDUCATION & TECHNOLOGY	3,500	2,571,908	3.41
WEIBO CORP	1,000	808,783	1.07
YY INC	1,000	883,830	1.17
TOTAL INVESTMENT		<u>74,250,782</u>	<u>98.43</u>
TOTAL INVESTMENT, AT COST		<u>59,324,202</u>	

GUOTAI JUNAN INVESTMENT FUNDS
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GUOTAI JUNAN INVESTMENT FUNDS
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UNAUDITED INVESTMENT PORTFOLIO (continued)

GUOTAI JUNAN EQUITY INCOME FUND

Investment Portfolio as at 31 December 2017

	Holdings	Market Value (HKD)	% of Net Assets
HONG KONG			
AGILE GROUP HOLDINGS LTD	780,000	9,250,800	2.54
AIA GROUP LTD	100,000	6,665,000	1.83
ALUMINUM CORPORATION OF CHINA	1,000,000	5,590,000	1.53
BOC HONG KONG HOLDINGS LTD	700,000	27,720,000	7.60
CHAMPION REAL ESTATE INVESTMENT	1,300,000	7,449,000	2.04
CHINA CONSTRUCTION BANK CORPORATION	2,500,000	18,000,000	4.94
CHINA EVERGRANDE GROUP	50,000	1,347,500	0.37
CHINA HARMONY NEW ENERGY	400,000	2,280,000	0.63
CHINA LILANG LTD	300,000	1,893,000	0.52
CHINA LITERATURE LTD	40	3,334	-
CHINA MERCHANTS BANK CO. LTD	500,000	15,550,000	4.26
CHINA MOLYBDENUM CO LTD	1,500,000	7,530,000	2.06
CHINA ORIENTAL GROUP CO LTD	200,000	1,166,000	0.32
CHINA RESOURCES CEMENT HOLDING	1,000,000	5,140,000	1.41
CHINA SHENHUA ENERGY CO. LTD	300,000	6,075,000	1.67
CHINA YUHUA EDUCATION CORP LTD	500,000	1,960,000	0.54
CHINA RESOURCES PHARMACEUTICAL GROUP	330,000	3,339,600	0.92
CLP HOLDINGS LTD	30,000	2,398,500	0.66
CRRC CORPORATION LTD-H	500,000	4,180,000	1.15
CHINA PHARMACEUTICAL GROUP LTD	632,000	9,972,960	2.73
FAR EAST HORIZON LTD	200,000	1,334,000	0.37
GALAXY ENTERTAINMENT GROUP LTD	100,000	6,270,000	1.72
GEELY AUTOMOBILE HOLDINGS LTD	400,000	10,840,000	2.97
GUANGZHOU AUTOMOBILE GROUP CO	200,000	3,704,000	1.02

GUOTAI JUNAN INVESTMENT FUNDS
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UNAUDITED INVESTMENT PORTFOLIO (continued)

GUOTAI JUNAN EQUITY INCOME FUND (continued)

Investment Portfolio as at 31 December 2017

	Holdings	Market Value (HKD)	% of Net Assets
HONG KONG			
GUANGZHOU R&F PROPERTIES CO LTD	200,000	3,524,000	0.97
HONG KONG EXCHANGES AND CLEARING	20,000	4,796,000	1.37
HSBC HOLDINGS PLC	300,000	23,985,000	6.58
INDUSTRIAL AND COMMERCIAL BANK	2,000,000	12,580,000	3.45
JIANGSU EXPRESSWAY CO LTD	800,000	9,520,000	2.61
KINGBOARD LAMINATES HOLDINGS LTD	100,000	1,218,000	0.33
LINK REIT	200,000	14,490,000	3.97
LUYE PHARMA GROUP LTD	65,000	401,050	0.11
NWS HOLDINGS LTD	308,048	4,343,477	1.19
NEXTEER AUTOMOTIVE GROUP LTD	34,000	633,080	0.17
PING AN INSURANCE (GROUP) CO	250,000	20,337,500	5.58
RED STAR MACALLINE GROUP CORPORATION	200,000	2,532,000	0.69
SANDS CHINA LTD	300,000	12,105,000	3.32
SEMICONDUCTOR MANUFACTURING INC	10,000	135,200	0.04
SHANDONG CHENMING PAPER HOLDING	150,000	2,112,000	0.58
SINO BIOPHARMACEUTICAL LTD.	300,000	4,158,000	1.14
SINOPEC SHANGHAI PETROCHEMICAL	1,200,000	5,340,000	1.46
SSY GROUP	122,000	586,820	0.16
SUN HUNG KAI PROPERTIES LTD	50,000	6,520,000	1.79

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GUOTAI JUNAN INVESTMENT FUNDS
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UNAUDITED INVESTMENT PORTFOLIO (continued)

GUOTAI JUNAN EQUITY INCOME FUND (continued)

Investment Portfolio as at 31 December 2017

	Holdings	Market Value (HKD)	% of Net Assets
HONG KONG			
SUNNY OPTICAL TECHNOLOGY (GROUP)	50,000	4,995,000	1.37
TENCENT HOLDINGS LTD	25,000	10,150,000	2.78
WH GROUP LTD	400,000	3,528,000	0.97
XINYI GLASS HOLDINGS CO LTD	310,000	3,155,800	0.87
YUEXIU TRANSPORT INFRASTRUCTURE LTD	298,000	1,710,520	0.47
YUZHOU PROPERTIES CO	1,000,000	4,170,000	1.14
ZHEJIANG EXPRESSWAY CO LTD	1,000,000	8,590,000	2.36
UNITED STATES			
ALIBABA GROUP HOLDING LTD	2,000	2,695,891	0.74
BAIDU INC	2,000	3,661,803	1.00
JD.COM INC	15,000	4,856,920	1.33
TOTAL INVESTMENT		336,489,755	92.28
TOTAL INVESTMENT, AT COST		283,700,147	

GUOTAI JUNAN INVESTMENT FUNDS
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GUOTAI JUNAN INVESTMENT FUNDS
 -Guotai Junan Asian High Yield Bond Fund (In Liquidation)
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UNAUDITED PERFORMANCE RECORD

Net asset value

	Guotai Junan Greater China Growth Fund HK\$	Guotai Junan Equity Income Fund HK\$	Guotai Junan Asian High Yield Bond Fund US\$
31 December 2017 / 29 August 2017*	<u>75,443,036</u>	<u>364,739,763</u>	<u>-</u>
31 December 2016	<u>82,806,608</u>	<u>275,798,430</u>	<u>14,205,007</u>
31 December 2015	<u>103,947,419</u>	<u>45,712,960</u>	<u>6,239,138</u>
31 December 2014	<u>132,153,312</u>	<u>66,666,382</u>	<u>6,176,446</u>
31 December 2013	<u>138,142,660</u>	<u>62,237,377</u>	<u>-</u>

Net asset value per unit

	Guotai Junan Greater China Growth Fund HK\$	Guotai Junan Equity Income Fund HK\$	Guotai Junan Asian High Yield Bond Fund US\$
31 December 2017 / 29 August 2017*	<u>93.25</u>	<u>127.42</u>	<u>-</u>
31 December 2016	<u>73.12</u>	<u>96.41</u>	<u>102.46</u>
31 December 2015	<u>80.09</u>	<u>102.02</u>	<u>96.73</u>
31 December 2014	<u>86.08</u>	<u>110.18</u>	<u>95.76</u>
31 December 2013	<u>84.95</u>	<u>102.86</u>	<u>-</u>

*Only applicable to Guotai Junan Asian High Yield Bond Fund as the date of termination is 29 August 2017 (date of termination).

GUOTAI JUNAN INVESTMENT FUNDS
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GUOTAI JUNAN INVESTMENT FUNDS
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UNAUDITED PERFORMANCE RECORD (continued)

Published net asset value

Highest and lowest published net asset value per unit

	Guotai Junan Greater China Growth Fund HK\$	Guotai Junan Equity Income Fund HK\$	Guotai Junan Asian High Yield Bond Fund US\$
<u>Financial year ended 31 December 2017/ period from 1 January 2016 to 29 August 2017 (date of termination)*</u>			
Highest published net asset value per unit	97.69	129.96	-
Lowest published net asset value per unit	<u>72.89</u>	<u>96.97</u>	<u>-</u>
<u>Financial year ended 31 December 2016</u>			
Highest published net asset value per unit	80.57	106.96	103.79
Lowest published net asset value per unit	<u>66.31</u>	<u>87.52</u>	<u>95.26</u>
<u>Financial year ended 31 December 2015</u>			
Highest published net asset value per unit	115.09	143.22	99.26
Lowest published net asset value per unit	<u>67.32</u>	<u>98.15</u>	<u>92.67</u>
<u>Financial year ended 31 December 2014</u>			
Highest published net asset value per unit	89.67	115.00	101.40
Lowest published net asset value per unit	<u>72.93</u>	<u>94.37</u>	<u>95.76</u>
<u>Financial year ended 31 December 2013</u>			
Highest published net asset value per unit	84.92	110.43	-
Lowest published net asset value per unit	<u>67.61</u>	<u>95.85</u>	<u>-</u>
<u>Financial year ended 31 December 2012</u>			
Highest published net asset value per unit	76.01	105.99	-
Lowest published net asset value per unit	<u>58.64</u>	<u>88.04</u>	<u>-</u>
<u>Financial year ended 31 December 2011</u>			
Highest published net asset value per unit	98.26	-	-
Lowest published net asset value per unit	<u>54.84</u>	<u>-</u>	<u>-</u>
<u>Financial year ended 31 December 2010</u>			
Highest published net asset value per unit	98.18	-	-
Lowest published net asset value per unit	<u>73.18</u>	<u>-</u>	<u>-</u>

*Only applicable to Guotai Junan Asian High Yield Bond Fund

