

Annual Report

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

(A sub-fund of Guotai Junan Investment Fund, an umbrella unit trust
established under the laws of Hong Kong)

For the year ended 31 December 2021

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

CONTENTS

| | Pages |
|--|---------|
| ADMINISTRATION AND MANAGEMENT | 1 |
| INVESTMENT MANAGER'S REVIEW | |
| - MARKET REVIEW | 2-3 |
| - MARKET OUTLOOK & INVESTMENT STRATEGY | 3-4 |
| - SUB-FUND'S PERFORMANCE | 4-5 |
| REPORT OF THE TRUSTEE | 6 |
| INDEPENDENT AUDITOR'S REPORT | 7 - 9 |
| AUDITED FINANCIAL STATEMENTS | |
| Statement of profit or loss and other comprehensive income | 10 |
| Statement of financial position | 11 |
| Statement of changes in equity | 12 |
| Statement of cash flows | 13 |
| Statement of distribution | 14 |
| Notes to financial statements | 15 - 31 |
| UNAUDITED STATEMENTS OF MOVEMENTS IN INVESTMENT PORTFOLIO | 32 |
| UNAUDITED INVESTMENT PORTFOLIO | 33 |
| UNAUDITED PERFORMANCE RECORD | 34-35 |
| UNAUDITED INFORMATION ON EXPOSURE ARISING FROM FINANCIAL DERIVATIVE INSTRUMENTS | 36 |

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

ADMINISTRATION AND MANAGEMENT

Investment Manager

Guotai Junan Assets (Asia) Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Directors of the Manager

YIM Fung
QI Haiying
LI Guangjie (Resigned on 16 December 2021)
LAI Changhua
CHIU Simon Siu Hung
NG Chi To Graham (Appointed on 10 November 2020)

Trustee and Registrar

HSBC Institutional Trust Services (Asia) Limited
1 Queen's Road Central
Hong Kong

Auditor

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

Legal Adviser

Deacons
5th Floor, Alexandra House
18 Chater Road Central
Hong Kong

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

For the year ended 31 December 2021

INVESTMENT MANAGER'S REVIEW

MARKET REVIEW

Following a bumpy 2020, 2021 is a choppy year which is rife with twists and turns. From Delta to Omicron, variants of the COVID-19 still tortured economies and threatened millions of lives. Inflation, regulation, and reopening were the major themes for the real economy and the equity market.

US recorded a year of economic recovery with hiccups brought by the COVID-19 variants. The US GDP was up 5.7% in 2021, the strongest growth rate since 1984. The US unemployment rate dropped to 3.9% in December, the lowest since February 2020. The Fed maintained an accommodative stance by reiterating the inflation was transitory in the first half of 2021. However, the widespread of Delta and Omicron led the Fed's stance began to waver. Despite growing vaccination rates, the characteristics of high infectivity and immune evasion enabled Omicron to conquer the globe quickly and became the dominating variant. The outbreaks disrupted economic activities and intensified the supply-demand imbalance, inducing surging inflationary pressures which raised investors' concern on faster tapering and rate hikes. Overall, 2021 was a bullish year for the US equity market with major indices hitting record highs. The S&P 500, the Dow, and the Nasdaq Composite rallied 26.9%, 18.7%, 21.4%, respectively.

A-share market suffered huge volatilities on the back of economic slowdown, regulatory tightening, and the ripple effect of Evergrande. Thanks to wide vaccination and strict quarantine measures, China was less affected by the pandemic compared to others. Strong economic data suggested a smooth recovery in the first half of 2021, whereas the growth slowed in the second half due to the disruption of sporadic COVID-19 outbreaks and power shortage in some areas. New sets of regulation were introduced in many industries, including after-school tutoring, Internet, media, healthcare, fintech, property, and carbon emissions. For instance, information securities and social responsibilities are the key points of regulatory guidance for Internet giants. Meanwhile, Beijing was shifting governance priorities from only pursuing growth to balancing growth, equality, and sustainability. President Xi stressed to promote common prosperity amid the high-quality development to narrow China's widening wealth gap by a mix of policy initiatives, market forces, and philanthropy. Throughout the year, the CSI300 Index dropped by -5.2%, while the ChiNext Index outperformed and rallied by 12%.

For China property, policy tightening on the financing channels of private property developers led to serious and broad-based solvency issues, triggering rounds of selloffs in related sectors. A number of investors were discussing whether Evergrande was China's Lehman Moment. Considering the ripple effect and the property-driven economic growth, the PBOC then asked banks to maintain steady and orderly supply of mortgage and property developer loans to prevent and defuse systematic financial risks. Towards the year end, policymakers issued a notice to encourage banking financial institutions to provide financial support and services for mergers and acquisitions of key real estate enterprises to dissolve risks, alleviating some worries on the sector.

HK local economy recovered moderately as the pandemic was largely under control. Full year GDP growth rebounded to 6.4% in 2021 after two years contraction. The unemployment rate continued sliding to 3.9% in the fourth quarter, the lowest jobless rate since February 2020. Retail sales rose 3.4% YoY in December, the eleventh straight month of rising. However, the recovery was unstable and uneven, and the highly uncertain investing environment has led to a surge in equity risk premium for the offshore China equity market, particularly in the second half of 2021. Investors' concern was focusing on regulatory uncertainties, the ripple effect of property developers' solvency issues, and faster-than-expected tapering. Many investors became quite risk averse and trimmed their exposure accordingly. As a result, the HSI and the HSCEI, two of the most underperforming market indices in 2021, slumped by 14.1% and 23.3%, respectively.

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

For the year ended 31 December 2021

INVESTMENT MANAGER'S REVIEW (continued)

MARKET REVIEW (continued)

In addition, the fundamental of Hong Kong bourse continued to improve. More and more new economy names were listed in Hong Kong, with a number of secondary listings of Chinese ADRs due to nonfundamental reasons. The total turnover value for the Hong Kong market reached HK\$41.1 trillion in 2021, representing a 28.3% growth YoY.

OUTLOOK & INVESTMENT STRATEGY

For the US, the low interest rate environment and the money pouring into the equity market fueled the bull in 2021. In other words, the vast majority of the rally was driven by multiple expansion instead of earnings growth. Therefore, the stretched valuation will be very sensitive and vulnerable if the interest rate goes up, especially for those long-duration growth names as they usually have no current earnings and their valuations are supported by discounted future cashflow estimates. Looking forward, the soaring inflation indicates quicker tapering and rate hikes are probably on the way, and the Fed may have to aggressively tighten monetary policy beginning in March to combat persisting inflation pressures. Therefore, in short term, we believe the equity market will be volatile given the hawkish Fed stance. Key events to watch are inflation, the FOMC meetings, and nonfarm payrolls.

Pandemic wise, the number of new daily cases in the US skyrocketed to historical highs. Though the highly contagious Omicron variant generally produced milder symptoms than previous strains, officials said the pandemic was not over, and many healthcare systems were still struggling to take care of patients. On the positive side, the FDA has issued an emergency use authorization (EUA) for Pfizer's and Merck's oral pills for the treatment of mild-to-moderate COVID-19 in adults and pediatric patients, which offered a glimmer of hope to the reopening of the economy. The pace of US economic recovery will mainly depend on policy supports and the effectiveness of remedies against COVID-19 variants.

In the politburo meeting and the Central Economic Work Conference, policymakers stated China's economic growth was under enormous pressure, and they promised to support the economy by counter-cyclical measures. Later, the PBOC announced to cut reserve requirement ratio by 0.5% for the second time in 2021 to boost economic growth amid growing headwinds. Looking ahead, ensuring stability is the top priority for 2022 economic work. To counteract an internal slowdown and external challenges, we expect more supporting policies to help SMEs, boost infrastructure, and facilitate certain sectors with huge potential in long run, such as new energy and semiconductor. We are cautiously optimistic with the long-term development of Greater China, although the COVID-19 variants still arouse concerns on the pace of recovery. In short term, we think certain cyclical (energy, materials, financials) names will outperform on the back of inflation expectation and sector rotations. Key events to watch are rate cuts (RRR, MLF, LPR) and the 2022 two sessions in Beijing.

In our perspective, HK local economy still faces some uncertainties (say the outbreak of Omicron variant). For Hong Kong equity market, we think it will show some resilience under this challenging environment given its underperformance in 2021, and we have been looking for opportunities in certain names with solid long-term prospects and more reasonable valuation after the selloff. Meanwhile, we will keep flexible cash level to catch up opportunities from market fluctuations.

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

For the year ended 31 December 2021

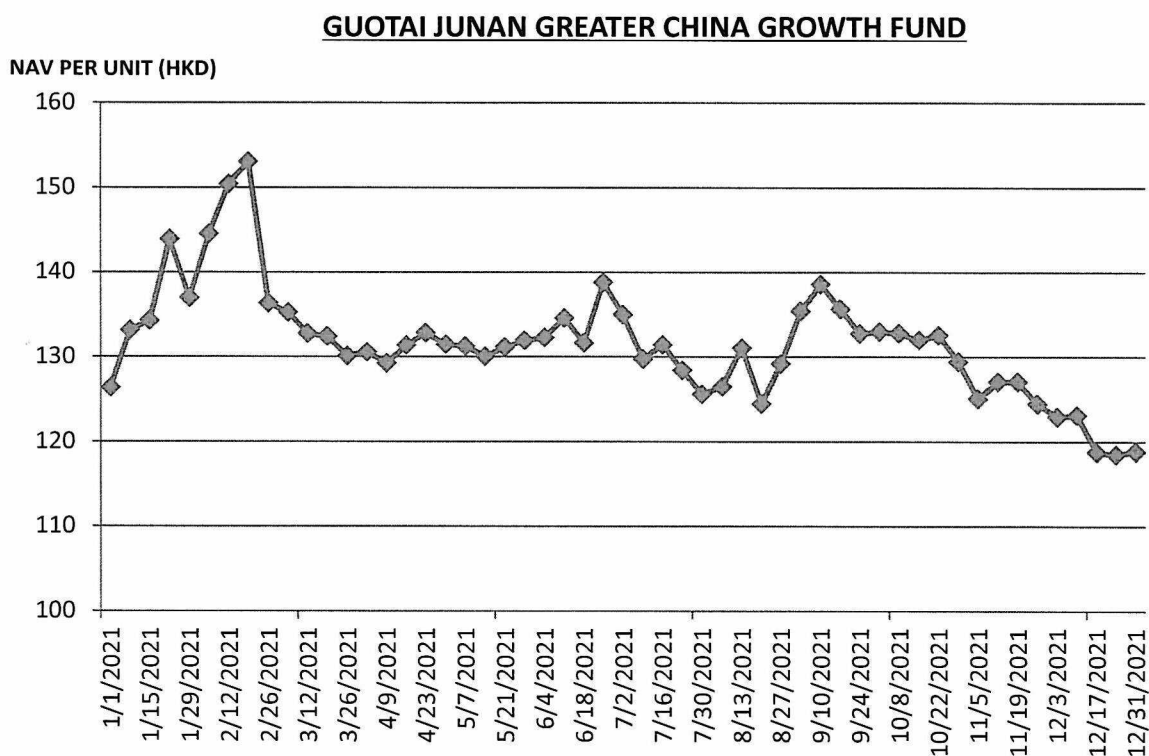
INVESTMENT MANAGER'S REVIEW (continued)

OUTLOOK & INVESTMENT STRATEGY (continued)

As we mentioned previously, the increase in turnover value is critical for Hong Kong bourse since liquidity has been a drawback in the past. As more new economy names enter HK in the coming years, the overall attractiveness of listed firms will further improve. Moreover, considering the ongoing nonfundamental reasons, we expect a growing number of secondary listings of Chinese ADRs. A more diversified Hong Kong bourse with better liquidity condition can cater for the needs of different types of investors in the future.

To conclude, although the WHO forecasts the pandemic will end in 2022, there's still a long way to go. We prefer companies with strong execution power and large total addressable market relative to the current penetration rate. We think those with powerful execution can certainly grab more market from weaker players when the competition intensifies, and we believe the fundamental will act as the major driver of price direction in long-run. Last but not least, we will position ourselves between value and growth to attain the optimal risk-reward.

SUB-FUND'S PERFORMANCE



GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

For the year ended 31 December 2021

INVESTMENT MANAGER'S REVIEW (continued)

SUB-FUND'S PERFORMANCE (continued)

Performance table

| Index / Fund's Name | Jan - Dec 2021 | Since Inception |
|--|----------------------|--------------------|
| | Rate of Return (%) * | Rate of Return (%) |
| Hang Seng China-Affiliated Total Return Index | 8.7% | 3.7% |
| Taiwan Taix Total Return Index | 23.3% | 241.5% |
| Hang Seng China Enterprises Total Return Index | -21.2% | -19.7% |
| Hang Seng Total Return Index | -11.8% | 37.9% |
| MSCI Golden Dragon Total Return Index | -9.6% | 87.9% |
| Guotai Junan Greater China Growth Fund | -6.0% | 22.5% |
| MSCI China Daily Total Return Index | -21.6% | 38.5% |

* Ranked by the total returns of indices for the Fund for Jan - Dec 2021.

The total return of the Guotai Junan Greater China Growth Fund ("GJGC" hereafter) decreased by 6% in 2021, and recorded a profit of 22.5% since inception i.e. 19 Nov 2007.

In 2021, GJGC outperformed the total returns of the Hang Seng Index ("HSI") and Hang Seng China Enterprises Index ("HSCEI") by 5.8% and 15.2% respectively.

As of the end of 2021, GJGC's portfolio was well diversified. Among all exposure, energy, utilities, and communication services were the top weighed sectors, which made up of 21.4%, 14.2% and 11.8% of the NAV respectively.



.....
Guotai Junan Assets (Asia) Limited

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

For the year ended 31 December 2021

REPORT OF THE TRUSTEE

We hereby confirm that, in our opinion, the Manager of the Sub-Fund has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 29 August 2007 as amended and supplemented from time to time (the "Trust Deed"), for the year ended 31 December 2021.



.....
HSBC Institutional Trust Services (Asia) Limited



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

Independent auditor's report

To the Manager and the Trustee of
Guotai Junan Greater China Growth Fund,
(A sub-fund of Guotai Junan Investment Fund, an umbrella unit trust established under the laws of Hong Kong)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Guotai Junan Greater China Growth Fund (the "Sub-Fund") set out on pages 10 to 31, which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, the statements of changes in equity, the statement of cash flows and the statement of distribution for the year then ended, 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 the Sub-Fund as at 31 December 2021 and of its financial performance and its cash flows for the year then ended are 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-Fund 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.

Information other than the financial statements and auditor's report thereon

The Manager and the Trustee of the Sub-Fund 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-Fund 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-Fund 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-Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager and the Trustee either intend to liquidate the Sub-Fund or to cease operations, or have no realistic alternative but to do so.

In addition, the Manager and the Trustee of the Sub-Fund is 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, as amended and supplemented from time to time (the "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 HKSAAs 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 HKSAAs, we exercise professional judgement and maintain professional skepticism 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-Fund's 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)

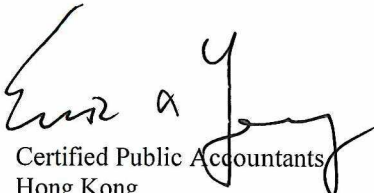
Auditor's responsibilities for the audit of the financial statements (continued)

- 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-Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Sub-Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager 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
25 April 2022

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

| | Notes | 2021 HK\$ | 2020 HK\$ |
|---|-------|---------------------|--------------------|
| INCOME | | | |
| Dividend income | | 7,560,590 | 613,172 |
| Interest income | | 210 | 111 |
| | | <u>7,560,800</u> | <u>613,283</u> |
| EXPENSES | | | |
| Trustee fees | 3 | 468,000 | 468,000 |
| Bank charges | | 44,760 | 18,706 |
| Valuation fees | | 133,849 | 134,107 |
| Auditor's remuneration | | 145,020 | 146,020 |
| Brokerage and handling fees | 3 | 2,172,951 | 390,318 |
| Management fees | 3 | 2,786,664 | 1,163,547 |
| Transaction fees | | 171,201 | 102,914 |
| Registrar fees | 3 | 45,460 | 44,290 |
| Legal and professional fees | | - | 42,240 |
| Miscellaneous expenses | | 217,221 | 167,147 |
| | | <u>6,185,126</u> | <u>2,677,289</u> |
| Gain/(loss) before investment (loss)/gain and exchange differences | | <u>1,375,674</u> | <u>(2,064,006)</u> |
| Investment (loss)/gain and exchange differences | | | |
| Net change in unrealised (loss)/gain on investments | | (30,687,061) | 22,380,258 |
| Net realised gain on investments | | 12,105,789 | 7,800,527 |
| Foreign exchange differences | | 30,245 | (2,486) |
| | | <u>(18,551,027)</u> | <u>30,178,299</u> |
| Investment (loss)/gain and exchange differences | | <u>(18,551,027)</u> | <u>30,178,299</u> |
| (Loss)/profit before tax | | (17,175,353) | 28,114,293 |
| Withholding tax | 4 | (607,487) | (26,538) |
| (Loss)/profit for the year | | (17,782,840) | 28,087,755 |
| Other comprehensive income for the year, net of tax | | - | - |
| Total comprehensive income for the year | | <u>(17,782,840)</u> | <u>28,087,755</u> |

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

STATEMENT OF FINANCIAL POSITION

31 December 2021

| | Notes | 2021 HK\$ | 2020 HK\$ |
|---|-------|--------------------|-------------------|
| Assets | | | |
| Financial assets at fair value through profit or loss | 5 | 160,727,330 | 89,176,801 |
| Dividend receivables | | - | 5,417 |
| Due from brokers | | - | 641,014 |
| Interest receivables | | 1 | - |
| Cash and bank balances | 6 | <u>31,116,415</u> | <u>5,482,332</u> |
| Total assets | | <u>191,843,746</u> | <u>95,305,564</u> |
| Liabilities | | | |
| Other payables and accruals | | <u>567,802</u> | <u>424,851</u> |
| Total liabilities | | <u>567,802</u> | <u>424,851</u> |
| Equity | | | |
| Net assets attributable to unitholders | | <u>191,275,944</u> | <u>94,880,713</u> |
| Total liabilities and equity | | <u>191,843,746</u> | <u>95,305,564</u> |
| Number of units in issue | 8 | 1,610,078.55 | 750,636.30 |
| Net asset value per unit | 8 | 118.80 | 126.40 |



Guotai Junan Assets (Asia) Limited



HSBC Institutional Trust Services (Asia) Limited

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

| | HK\$ |
|---|---------------------------|
| At 1 January 2020 | 73,363,103 |
| Redemption of units | (14,133,115) |
| Subscription of units | 7,562,970 |
| Total comprehensive income for the year | <u>28,087,755</u> |
| At 31 December 2020 and 1 January 2021 | 94,880,713 |
| Redemption of units | (7,488,840) |
| Subscription of units | 121,666,911 |
| Total comprehensive income for the year | <u>(17,782,840)</u> |
| At 31 December 2021 | <u><u>191,275,944</u></u> |

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

STATEMENT OF CASH FLOWS

Year ended 31 December 2021

| | 2021 HK\$ | 2020 HK\$ |
|---|--------------------------|-------------------------|
| Cash flows from operating activities | | |
| (Loss) profit before tax | (17,175,353) | 28,114,293 |
| Adjustments for: | | |
| Net change in unrealised loss/(gain) on investments | 30,687,061 | (22,380,258) |
| Net realised gain on investments | (12,105,789) | (7,800,527) |
| Interest income | (210) | (111) |
| Dividend income | (7,560,590) | (613,173) |
| | <u>(6,154,881)</u> | <u>(2,679,775)</u> |
| Payments on purchases of financial assets and liabilities at fair value through profit or loss | (615,699,363) | (113,088,557) |
| Proceeds from disposals of financial assets and liabilities at fair value through profit or loss | 525,567,562 | 120,194,033 |
| Decrease in amounts due from brokers | 641,014 | 1,364,636 |
| Increase/(decrease) in other payables and accruals | 142,951 | (307,607) |
| Interest received | 209 | 119 |
| Dividend received | 7,566,007 | 610,277 |
| Withholding tax paid | (607,487) | (26,538) |
| Net cash flows (used in)/from operating activities | <u>(88,543,988)</u> | <u>6,066,588</u> |
| Cash flows from financing activities | | |
| Proceeds from issuance of units | 121,666,911 | 7,562,970 |
| Payments on redemption of units | (7,488,840) | (14,133,115) |
| Net cash flows generated from/(used in) financing activities | <u>114,178,071</u> | <u>(6,570,145)</u> |
| Net increase/(decrease) in cash and cash equivalents | 25,634,083 | (503,557) |
| Cash and cash equivalents at beginning of the year | <u>5,482,332</u> | <u>5,985,889</u> |
| Cash and cash equivalents at end of the year | <u><u>31,116,415</u></u> | <u><u>5,482,332</u></u> |
| Analysis of balances of cash and cash equivalents | | |
| Bank balances | <u><u>31,116,415</u></u> | <u><u>5,482,332</u></u> |

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

STATEMENT OF DISTRIBUTION

Year ended 31 December 2021

| | HK\$ |
|---|---------------------|
| Undistributed income at 1 January 2020 | - |
| Total comprehensive income for the year | 28,087,755 |
| Less: Net change in unrealised gain on investments | <u>(22,380,258)</u> |
| Undistributed gain before distribution | 5,707,497 |
| Transfer to capital | <u>(5,707,497)</u> |
| Undistributed income at 31 December 2020 and 1 January 2021 | - |
| Total comprehensive loss for the year | (17,782,840) |
| Less: Net change in unrealised loss on investments | <u>30,687,061</u> |
| Undistributed gain before distribution | 12,904,221 |
| Transfer to capital | <u>(12,904,221)</u> |
| Undistributed income at 31 December 2021 | <u><u>-</u></u> |

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2021

1. THE TRUST AND THE SUB-FUND

Guotai Junan Investment Fund (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, as amended and supplemented from time to time (the "Trust Deed") 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 one sub-fund which is Guotai Junan Greater China Growth Fund (the "Sub-Fund") which has been authorised by the Hong Kong Securities and Future Commission (the "SFC"). Authorisation by the SFC does not imply official approval or recommendation.

The investment objective of the Sub-Fund is to provide investors with medium to long term capital appreciation over time.

2.1 BASIS OF PREPARATION

These financial statements of the Sub-Fund 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 ("HKASs") 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 financial assets and financial liabilities classified at fair value through profit or loss ("FVPL") that have been measured at fair value. The financial statements are presented in Hong Kong Dollars ("HK\$") and all values are rounded to the nearest dollar, except where otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

There are no standards and interpretations that are effective for annual periods beginning on or after 1 January 2021 which, in the opinion of the Board will clearly impact the Sub-Fund and applied by the Sub-Fund for the first-time. The Sub-Fund also has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

There are no standards and interpretations that are issued but not yet effect up to date of issuance of the Sub-Fund's financial statements which, in the opinion of the Manager, will clearly impact the Sub-Fund.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

(i) Classification

In accordance with HKFRS 9, the Sub-Fund classifies their financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying classification, a financial asset or financial liability is considered to be held for trading if:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- (b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial assets

The Sub-Fund classifies their financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The Sub-Fund's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Sub-Fund includes in this category short-term non-financing receivables including cash and cash equivalents, interest receivables, dividend receivables and due from brokers.

Financial assets measured at FVPL

A financial asset is measured at FVPL if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely collections of principal and interest ("SPPI") on the principal amount outstanding; or
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- (c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Sub-Fund includes in this category:

- Instruments held for trading. This includes investments that are held under a business model to manage them on a fair value basis for investment income and fair value gains.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) **Classification** (continued)

Financial liabilities

The Sub-Fund classifies their financial liabilities as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The Sub-Fund's business model for managing the financial liabilities
- The contractual cash flow characteristics of the financial liabilities

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at FVPL. The Sub-Fund includes in this category other payables and accruals.

Financial liabilities measured at FVPL

A financial liability is measured at FVPL if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are SPPI on the principal amount outstanding; or
- (b) It is not held within a business model whose objective is either to pay contractual cash flows, or to both pay contractual cash flows and purchase; or
- (c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Sub-Fund includes in this category:

- Instruments held for trading. This category includes future contracts derivative contracts in an asset position which are acquired principally for the purpose of generating a profit from short-term fluctuations in price.

(ii) **Recognition**

The Sub-Fund recognises a financial asset or a financial liability 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 market place (regular way trades) are recognised on the trade date, i.e., the date that the Sub-Fund commits to purchase or sell the asset.

(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-Fund recognise the difference in profit or loss, unless specified otherwise.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iv) **Subsequent measurement**

After initial measurement, the Sub-Fund measures 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 change in unrealised gain/(loss) on investments. Net realised gain/(loss) on investments is 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-Fund estimates 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-Fund has 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-Fund has transferred substantially all the risks and rewards of the asset; or
- (b) the Sub-Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Sub-Fund has 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-Fund's 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-Fund has retained. The Sub-Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

Fair value measurement

The Sub-Fund measures 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-Fund.

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

Impairment of financial assets

The Sub-Fund holds only short-term receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, have chosen to apply an approach similar to the simplified approach for expected credit losses ("ECL") under HKFRS 9 to all its short-term receivables. Therefore, the Sub-Fund does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date.

The Sub-Fund's approach to ECLs reflect a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Sub-Fund uses the provision matrix as a practical expedient to measure ECLs on short-term receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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-Fund's right to receive the payment is established. Dividend revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the statement of 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.

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. 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 FVPL or loss are included in profit or loss in the statement of profit or loss as part of "net unrealised gain or loss on investments".

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-Fund's net assets in the event of the Sub-Fund's 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-Fund's 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-Fund over the life of the instrument.

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Redeemable units (continued)

In addition to the redeemable units having all the above features, the Sub-Fund 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-Fund.
- The effect of substantially restricting or fixing the residual return to the redeemable unitholders.

The Sub-Fund 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-Fund 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-Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

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-Fund 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-Fund's 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-Fund's own equity instruments.

Related parties

A party is considered to be related to the Sub-Fund 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-Fund;
 - (ii) has significant influence over the Sub-Fund; or
 - (iii) is a member of the key management personnel of the Sub-Fund or of a parent of the Sub-Fund;or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Sub-Fund are members of the same Sub-Fund;
 - (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-Fund 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-Fund or an entity related to the Sub-Fund;
 - (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-Fund or to the parent of the Sub-Fund.

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

The Sub-Fund is 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-Fund presents 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 gross of withholding taxes, when applicable.

Distribution to unitholders

The Sub-Fund 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 the statement of profit or loss.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Sub-Fund's accounting policies, management has not made any significant judgements which have the significant effect on the amounts recognised in the financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

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.

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2021

3. TRANSACTIONS WITH THE MANAGER, TRUSTEE AND THEIR CONNECTED PERSONS

The following is a summary of transactions entered into during the year between the Sub-Fund and its connected persons. Connected persons of the Sub-Fund 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-Fund

The Manager may transact in the units of the Sub-Fund as principal provided that prior written notice is obtained from the Trustee. Details of units of the Sub-Fund held by the Manager's affiliates as at 31 December 2021 and 2020 are as below:

| | 2021 | 2020 |
|-----------------------|----------------|----------------|
| Units of the Sub-Fund | <u>952,823</u> | <u>133,192</u> |

Management fee

The Manager is entitled to receive a management fee at 1.5% of the net asset value of the Sub-Fund, respectively, per annum. The management fee is calculated and accrued as at each valuation day and payable monthly in arrears. As at 31 December 2021, management fee of HK\$246,281 (2020: HK\$114,302) was 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

The Trustee is entitled to receive from the Sub-Fund, an annual fee at a sliding scale with a maximum rate of 0.14% per annum of the net asset value of the Sub-Fund as at the relevant valuation point subject to a minimum monthly fee of HK\$39,000. This fee is calculated and accrued on each valuation day and paid monthly in arrears. As at 31 December 2021, HK\$39,000 (2020: HK\$39,000) 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.

During the years ended 31 December 2021 and 2020, the Sub-Fund had the following transactions with the Trustee:

| | 2021 | 2020 |
|---|---------|---------|
| | HK\$ | HK\$ |
| Registrar fee and registrar transaction fee | 45,460 | 44,290 |
| Trustee Fee | 468,000 | 468,000 |
| Scrip Fees | 34,335 | 2,424 |
| Handling fee | - | 5,704 |
| Valuation Fee | 133,849 | 134,107 |
| Sub-Custodian Fee | 44,760 | 18,706 |
| SFC Reporting fee | 10,886 | 11,646 |
| Taxation service charges | 83,554 | 83,382 |
| Sub-Custodian Transaction Fee | 171,201 | 97,211 |
| Preparation of Interim Financial Statement | 23,284 | - |
| Out of pocket expense | 3,356 | 386 |

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2021

3. TRANSACTIONS WITH THE MANAGER, TRUSTEE AND THEIR 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 wherein HK\$780 per annum per investor thereafter for the Sub-Fund. Such fee may vary depending on the number of holders of redeemable units in the Sub-Fund 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 2021, a registrar fee of HK\$3,787 (2020: HK\$3,388), was 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-Fund outside the PRC. All sub-custodian fees will be charged to the Sub-Fund 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-Fund.

Brokerage and handling fees

Guotai Junan Securities (Hong Kong) Limited ("GJS"), the fellow subsidiary of the Manager, charged the Sub-Fund 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 2021, included in the brokerage and handling fees in the statement of profit or loss and other comprehensive income was HK\$188,163 (2020: HK\$30,571), charged by GJS. No balances in relation to the brokerage and handling fee were payable by the Sub-Fund to GJS as at 31 December 2021 and 2020.

Guotai Junan Futures (Hong Kong) Limited ("GJF"), the fellow subsidiary of the Manager, charged the Sub-Fund a commission fee, exchange fee and transaction levy for each future transaction at a predetermined rate. During the year ended 31 December 2021, total fees of HK\$ Nil (2020: HK\$1,886), were paid by the Sub-Fund to GJF.

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 affiliate of the Trustee as at 31 December 2021 and 2020.

Interest income earned from bank balances with a connected person of the Manager and Trustee

During the years ended 31 December 2021 and 2020, the Sub-Fund earned interest income on bank deposits amounted to HK\$210 (2020: HK\$111) from The Hongkong and Shanghai Banking Corporation Limited, the holding company of the Trustee as stated in the statement of comprehensive income.

Investment transactions with a connected person of the Manager

During the year ended 31 December 2020, certain future commodities arranged with the connected person of the Manager, Guotai Junan Futures (Hong Kong) Limited. Realised losses of HK\$362,750 were incurred and included in "Net realised gain on investments" of the financial statement during the year 2020. No additional transaction was incurred for 2021.

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2021

3. TRANSACTIONS WITH THE MANAGER, TRUSTEE AND THEIR CONNECTED PERSONS (continued)

Investment transactions with a connected person of the Manager (continued)

| | Aggregate value of purchases and sales of securities HK\$ | % of the Sub- Fund's total value of transactions during the year | Total brokerage commission paid HK\$ | Average rate of commission |
|------|--|---|--|----------------------------------|
| 2021 | 125,442,010 | 11% | 188,163 | 0.15% |
| 2020 | 20,380,718 | 17% | 30,571 | 0.15% |

4. TAX

No provision for Hong Kong profits tax has been made for the Sub-Fund. The Sub-Fund is authorised by the SFC as a collective investment scheme pursuant to Section 104 of the SFC to offering to the retail public in Hong Kong. It is exempted from Hong Kong profits tax under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

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 for H share of 10% (2020: 10%) and ADR of 21% (2020: 21%) in such jurisdictions for the Sub-Fund.

5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2021 HK\$ | 2020 HK\$ |
|-----------------------------------|--------------------|-------------------|
| Financial assets at FVPL: | | |
| Listed equity securities, at cost | 161,093,709 | 58,856,119 |
| Unrealised (loss)/gain | <u>(366,379)</u> | <u>30,320,682</u> |
| Total financial assets at FVPL | <u>160,727,330</u> | <u>89,176,801</u> |

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2021

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

Valuation techniques

Listed investment in equity securities and derivatives

When fair values of publicly traded equity securities and derivatives 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.

Unlisted investment in equity securities

The Sub-Fund held one investment which was suspended from trading since 27 March 2015 and was classified as Level 3 and valued at last trade price before suspension less a liquidating discount as determined by the Manager. As at 31 December 2020, 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 successive years. The fair value of this listed equity has been written down to nil and was delisted in January 2020.

The following table analyses within the fair value hierarchy the Sub-Fund's financial assets and financial liabilities measured at FVPL at 31 December 2021 and 2020.

Financial assets at FVPL:

| | 2021 HK\$ | 2020 HK\$ |
|---|--------------------|-------------------|
| Quoted prices in active markets (Level 1) | 160,727,330 | 89,176,801 |
| Significant observable inputs (Level 2) | - | - |
| Significant unobservable inputs (Level 3) | - | - |
| | <hr/> | <hr/> |
| At the end of year | <u>160,727,330</u> | <u>89,176,801</u> |

As at 31 December 2021 and 2020, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2021

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

Level 3 reconciliation

For the year ended 31 December 2021 and 2020, there was no movement in the fair value of financial instruments categorised within Level 3.

Sensitivity analysis to significant changes in unobservable inputs – Level 3

As at 31 December 2021 and 2020, the delisted equity have been written down to nil.

6. CASH AND BANK BALANCES

The cash at bank was held with HSBC in interest bearing accounts as at 31 December 2021 and 2020. The bank balances are deposited with creditworthy banks with no recent history of default.

7. DISTRIBUTIONS

No distribution has been declared on behalf of the Sub-Fund during the year ended 31 December 2021 (2020: Nil).

8. CAPITAL

As at 31 December 2021 and 2020, the 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-Fund after the payment of all creditors upon liquidation of the Sub-Fund.

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.

The calculation of the net asset value per unit of the Sub-Fund is based on the net assets of the Sub-Fund and the number of units in issue as at 31 December 2021 and 2020.

| | 2021 HK\$ | 2020 HK\$ |
|------------|--------------------|-------------------|
| Net Assets | <u>191,275,944</u> | <u>94,880,713</u> |

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2021

8. CAPITAL (continued)

Movement in the number of redeemable participating units issued for the year ended 31 December 2021 and 2020:

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Number of redeemable participating units: | | |
| At beginning of the year | 750,636.30 | 825,747.65 |
| Issued during the year | 913,600.58 | 69,722.44 |
| Redeemed during the year | <u>(54,158.33)</u> | <u>(144,833.79)</u> |
| At the end of year | <u>1,610,078.55</u> | <u>750,636.30</u> |

9. 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-Fund of the Trust.

10. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Sub-Fund is subject to various risks as the Sub-Fund invested in a number of financial instruments including listed equity securities and derivatives 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 Sub-Fund 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. The Sub-Fund invests 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.

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2021

10. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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-Fund is exposed to market risk on its investments. The Sub-Fund minimises 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-Fund is 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-Fund. Financial assets of the Sub-Fund are predominately equity securities, which are interest free while the interest rate risks of the Sub-Fund are mainly attributable to interest bearing bank deposits. Accordingly, the Manager considers that exposures of the Sub-Fund to interest rate risk were minimal.

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-Fund's functional currencies. Fluctuations in exchange rates between the HK\$ and United States Dollars ("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, the Sub-Fund does not expose to significant currency risk as majority of its operations and transactions are in HK\$ and denominated in HK\$.

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-Fund's investment portfolio.

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

| | | 2021 HK\$ | 2020 HK\$ |
|-------|-------|---------------------|---------------------|
| HSI | +/-5% | +/-7,773,000 | +/-4,971,000 |
| HSCEI | +/-5% | <u>+/-7,145,000</u> | <u>+/-4,727,000</u> |

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

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2021

10. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Sub-Fund 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-Fund is subject to cash redemptions of its redeemable units on every business day during the calendar year. The Sub-Fund considers 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 2021 for the Sub-Fund is the same as their carrying amounts of HK\$567,802 (2020: HK\$424,851), as they are repayable less than three months (2020: 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-Fund by failing to discharge an obligation. The Sub-Fund minimises exposure to credit risk by only dealing with counterparties with high credit ratings.

The Sub-Fund is 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-Fund are held by the reputable financial institution located in Hong Kong.

The Sub-Fund's 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-Fund adopts the method of deliver-against-payment in the settlement of all its transactions. This arrangement is effectively avoiding the counterparty risk from brokers.

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2021

10. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

Credit risk disclosures are segmented into two sections based on whether the underlying financial investment is subject to HKFRS 9's impairment disclosure or not.

Financial assets subject to HKFRS 9's impairment requirements

The Sub-Fund's financial assets subject to the ECL model within HKFRS 9 are interest receivables, due from brokers, dividend receivables and cash and bank balances. At 31 December 2021, the total of interest receivables, dividend receivables, due from brokers and cash and bank balance was HK\$31,116,416 on which no loss allowance had been provided (2020: HK\$6,128,763 on which no loss allowance had been provided). There is not considered to be any concentration of credit risk within these assets. No assets are considered impaired and no amounts have been written off in the period.

In calculating the loss allowance, a provision matrix has been used based on historical observed loss rates over the expected life of the receivables adjusted for forward-looking estimates. Items have been grouped by their nature into the following categories: cash at bank and dividend receivables. All the Sub-Fund's cash at bank is held in major financial institution located in Hong Kong, which the Manager believes is of high credit quality. The Manager considers the Sub-Fund is not exposed to significant credit risk and no loss allowance has been made.

Financial assets not subject to HKFRS 9's impairment requirements

The Sub-Fund is exposed to credit risk on financial assets at fair value through profit or loss. These classes of financial assets are not subject to HKFRS 9's impairment requirements as they are measured at FVPL. The carrying value of these assets, under HKFRS 9 represents the Sub-Fund's maximum exposure to credit risk on financial instruments not subject to the HKFRS 9 impairment requirements on the respective reporting dates.

(d) Capital management

The primary objective of the Sub-Fund's capital management is to safeguard the Sub-Fund's 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.

The Sub-Fund manages 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-Fund may adjust the investments held.

The Sub-Fund defines 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.

11. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2021, and prior to the date of approval of the financial statements stated below, 517,234 of redeemable participating units were issued on 7 February 2022 for total subscription of HK\$64,333,578 from Guotai Junan Financial Products Limited.

12. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Manager and the Trustee on 25 April 2022.

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

UNAUDITED STATEMENTS OF MOVEMENTS IN INVESTMENT PORTFOLIO

31 December 2021

Holdings Summary

| | % of Net Assets | |
|-----------------|------------------|------------------|
| | 31 December 2021 | 31 December 2020 |
| Equity | | |
| - Hong Kong | 84.01 | 86.68 |
| - United States | - | 7.29 |
| | <hr/> | <hr/> |
| | 84.01 | 93.97 |

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

UNAUDITED INVESTMENT PORTFOLIO

31 December 2021

| Listed Investment Equities | Holdings | Market Value (HKD) | % of Net Assets |
|--|-----------------|---------------------------|------------------------|
| HONG KONG | | | |
| AVICHINA INDUSTRY & TECHNOLOGY CO. LTD. | 1,600,000 | 8,624,000 | 4.51 |
| CHINA ANIMAL HEALTHCARE LTD ¹ | 316,000 | - | 0 |
| CHINA BLUECHEMICAL LTD. | 2,600,000 | 5,642,000 | 2.95 |
| CHINA DATONG CORPORATION RENEWABLE POWER CO., LTD. | 960,000 | 3,446,400 | 1.80 |
| CHINA EDUCATION GROUP HOLDINGS LTD. | 209,000 | 2,645,940 | 1.38 |
| CHINA MENGNIU DIARY CO. LTD. | 118,000 | 5,215,600 | 2.73 |
| CHINA MERCHANTS BANK CO., LTD. | 128,000 | 7,750,400 | 4.05 |
| CHINA MOBILE LTD. | 160,000 | 7,488,000 | 3.91 |
| CHINA PACIFIC INSURANCE (GROUP) CO., LTD. | 180,000 | 3,807,000 | 1.99 |
| CHINA PETROLEUM & CHEMICAL CORPORATION | 3,200,000 | 11,616,000 | 6.07 |
| CHINA RESOURCES BEER (HOLDINGS) CO., LTD. | 60,000 | 3,831,000 | 2.00 |
| CHINA TELECOM CORPORATION LTD. | 3,580,000 | 9,308,000 | 4.87 |
| CK INFRASTRUCTURE HOLDINGS LTD. | 130,000 | 6,454,500 | 3.37 |
| CNOOC LTD | 1,380,000 | 11,081,400 | 5.79 |
| CSPC PHARMACEUTICAL GROUP LTD. | 630,000 | 5,336,100 | 2.79 |
| GUANGDONG INVESTMENT LTD. | 1,000,000 | 9,910,000 | 5.18 |
| HAIER SMART HOME CO., LTD. | 211,000 | 6,952,450 | 3.63 |
| KUNLUN ENERGY CO. LTD. | 1,000,000 | 7,310,000 | 3.82 |
| MEITUAN | 8,000 | 1,803,200 | 0.94 |
| PACIFIC BASIN SHIPPING LTD. | 1,670,000 | 4,776,200 | 2.50 |
| PCCW LTD | 1,000,000 | 3,950,000 | 2.07 |
| PETROCHINA CO. LTD. | 4,000,000 | 13,880,000 | 7.26 |
| SINOPEC KANTONS HOLDINGS LTD. | 1,400,000 | 4,284,000 | 2.24 |
| TECHTRONIC INDUSTRIES CO. LTD. | 48,000 | 7,449,600 | 3.89 |
| TENCENT HOLDINGS LTD. | 4,000 | 1,827,200 | 0.96 |
| WUXI BIOLOGICS (CAYMAN) INC. | 54,000 | 4,997,700 | 2.61 |
| ZHOU HEI YA INTERNATIONAL HOLDINGS CO. LTD. | 228,000 | 1,340,640 | 0.70 |
| TOTAL INVESTMENTS, AT FAIR VALUE | | 160,727,330 | 84.01 |
| TOTAL INVESTMENTS, AT COST | | 161,203,689 | |

¹Trading for these securities was suspended since 30 March 2015. The security was written-down to nil.

GUOTAI JUNAN INVESTMENT FUND
-GUOTAI JUNAN GREATER CHINA GROWTH FUND

UNAUDITED PERFORMANCE RECORD

31 December 2021

Net asset value

| | HK\$ |
|------------------|-------------|
| 31 December 2021 | 191,275,944 |
| 31 December 2020 | 94,880,713 |
| 31 December 2019 | 73,363,103 |

Net asset value per unit

| | HK\$ |
|------------------|--------|
| 31 December 2021 | 118.80 |
| 31 December 2020 | 126.40 |
| 31 December 2019 | 88.84 |

GUOTAI JUNAN INVESTMENT FUND
-GUOTAI JUNAN GREATER CHINA GROWTH FUND

UNAUDITED PERFORMANCE RECORD (continued)

31 December 2021

Published net asset value

Highest and lowest published net asset value per unit

HK\$

Financial year ended 31 December 2021

Highest published net asset value per unit 154.66

Lowest published net asset value per unit 116.28

Financial year ended 31 December 2020

Highest published net asset value per unit 126.40

Lowest published net asset value per unit 71.46

Financial year ended 31 December 2019

Highest published net asset value per unit 90.25

Lowest published net asset value per unit 76.13

Financial year ended 31 December 2018

Highest published net asset value per unit 105.66

Lowest published net asset value per unit 77.52

Financial year ended 31 December 2017

Highest published net asset value per unit 97.69

Lowest published net asset value per unit 72.89

Financial year ended 31 December 2016

Highest published net asset value per unit 80.57

Lowest published net asset value per unit 66.31

Financial year ended 31 December 2015

Highest published net asset value per unit 115.09

Lowest published net asset value per unit 67.32

Financial year ended 31 December 2014

Highest published net asset value per unit 89.67

Lowest published net asset value per unit 72.93

Financial year ended 31 December 2013

Highest published net asset value per unit 84.92

Lowest published net asset value per unit 67.61

Financial year ended 31 December 2012

Highest published net asset value per unit 76.01

Lowest published net asset value per unit 58.64

GUOTAI JUNAN INVESTMENT FUND
-GUOTAI JUNAN GREATER CHINA GROWTH FUND

UNAUDITED INFORMATION ON EXPOSURE ARISING FROM FINANCIAL DERIVATIVE INSTRUMENTS

As at 31 December 2021, there were no financial derivative instruments held by the Sub-Fund.

| Gross exposure | Lowest | Highest | Average |
|-------------------------------------|---------|---------|---------|
| For the year ended 31 December 2021 | | | |
| HSI | 0.00% | 0.00% | 0.00% |
| HSCEI | 0.00% | 0.00% | 0.00% |
| For the year ended 31 December 2020 | | | |
| HSI | 0.00% | 9.56% | 1.77% |
| HSCEI | 0.00% | 0.74% | 0.01% |
| Net derivative exposure | Lowest | Highest | Average |
| For the year ended 31 December 2021 | | | |
| HSI | 0.00% | 0.00% | 0.00% |
| HSCEI | 0.00% | 0.00% | 0.00% |
| For the year ended 31 December 2020 | | | |
| HSI | -13.25% | 0.00% | -1.77% |
| HSCEI | -1.53% | 0.00% | -0.01% |