

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 2022

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

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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 (Resigned on 08 September 2022)
QI Haiying
LAI Changhua (Resigned on 15 March 2022)
CHIU Simon Siu Hung
NG Chi To Graham (Resigned on 08 September 2022)
AO Qishun (Appointed on 08 September 2022)
ZHAO Tong (Appointed on 08 September 2022)

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
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For the year ended 31 December 2022

INVESTMENT MANAGER'S REVIEW

MARKET REVIEW

2022 was an unprecedented and unpredictable year for both the real economy and the Greater China equity market. Counting from 2021, we have experienced the most severe bear market since 2008 in terms of duration (more than one and half year) and peak-to-trough drawdown -- a 53% decline for the Hang Seng Index from February 2021 to October 2022. The reasons behind are multifold. Fortunately, an epic turnaround emerged in the last two months of 2022, the HSI rebounded by 35% from its bottom in October. In our view, the core reasons behind the drastic share price volatility are: 1) the shift in Chinese government's priority towards economic growth after the 20th Party Congress (as indicated by a few major policy changes like the zero-COVID policy) and 2) the peaking US inflation, leading to lower yield and a weaker US dollar. Both have contributed to the strong performance of the offshore Chinese equities from November to December.

Negatively affected by surging inflation and pandemic-related disruptions, the US GDP growth slowed to 2.1% in 2022. The annual inflation rate accelerated all the way to 9.1% in June, and decelerated in the second half of the year to 6.5% in December. In order to curb inflation, the Fed raised a total of 425bps step by step in 2022, with the year-end target range of 4.25% to 4.5%. While acknowledging some inflation signals were moderating, policymakers expected the federal funds rate to reach a median of 5.1%, indicating more rate hikes would come. Consequently, the 10-yr US Treasury yield surged from 1.52% in the beginning of the year to 3.88% by the end of December, triggering rounds of selloffs, particularly for long-duration growth stocks. On the geopolitical front, the ongoing Russia-Ukraine war was still complicated, which disrupted energy supply chain and fueled the inflationary pressure globally. COVID wise, the US has been dominated by various kinds of Omicron subvariants throughout the year. XBB.1.5 appeared to be the next dominant variant by the year-end, and some early studies showed XBB.1.5 was more transmissible with higher immune-escape capability. Overall, after a decade-long bull market, 2022 was a bearish year for the US equity market. The S&P 500, the Dow, and the Nasdaq Composite slumped by 19.4%, 8.8%, 33.1% respectively.

A-share suffered huge volatilities in 2022 on the back of COVID lockdown, depreciating CNY to USD, geopolitical tension, regulatory uncertainties, and the weakened property sector. Economically, China experienced one of the worst downturns in recent years, as exemplified by weak PMI, sluggish property sales, and disappointing consumption data. The main culprits were the strict Zero-COVID policy and property market crackdown. In July, a number of homebuyers from different provinces announced to stop mortgage repayment on unfinished residential projects, stoking fears that the crisis would cause domino effects from the property sector to the broader financial system. In August, provinces including Chongqing and Sichuan were struggling with crop losses and electricity rationing caused by extreme hot weather. In September, several cities like Chengdu and Shenzhen resumed social-distancing measures amid rising new COVID cases. In October, the nationwide lockdown was initiated, affecting economic activities severely. Fortunately, the hope of reopening came true as the Chinese government began to pivot immediately after the 20th Party Congress when realizing the negative impact of these restrictions on economy. In November, the State Council released a number of measures to optimize pandemic prevention and control, including lower quarantine requirements for close contacts and inbound travelers, step up vaccination for the elder group, boost medical resources etc. Meanwhile, more practical supports were announced to facilitate property developers, from the PBoC to state-owned banks, and from bond issuance to equity financing. Although the authority has stopped counting COVID cases, the peak of COVID infection in major cities of China should have already passed as evidenced by the public transit utilization rate. As a result, Chinese equities rebounded in the last two month of 2022. Throughout the year, the CSI300 Index and the ChiNext Index retreated by 21.6% and 29.4%, respectively.

Similarly, given higher sensitivity to geopolitical tension and depreciating USDCNY, Hong Kong equity market experienced a disastrous selloff in 2022. Hong Kong local economy has been suffered from the aftermath of Omicron outbreak, with full-year GDP shrank by 3.5% YoY. During 2H22, HK government handed out the Phase II consumption vouchers to stimulate consumption. HK Chief Executive John Lee put forward policies and measures on developing the economy and improving people's livelihood in his first policy address. Towards the year-end, HK government was working to resume quarantine-free travel with mainland China as early as January 2023, and quotas would be set in the first stage of the plan. Together with the reopening optimism, the improved sentiment led to a rebound in November and December. Overall, the total returns of HSI and HSCEI recovered some of their previous losses and sunk by 12.5% and 15.6% in 2022, respectively.

GUOTAI JUNAN INVESTMENT FUND
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For the year ended 31 December 2022

INVESTMENT MANAGER'S REVIEW (continued)

OUTLOOK & INVESTMENT STRATEGY

Going forward, we think high inflation and softened demand will continue to weigh on the US economy. The outlook remains quite challenging, with a soft or hard landing largely depends on policy supports and sustained external disruption. The high interest rate environment will continue to hurt long-duration growth names as they usually have no current earnings and their valuations are calculated by discounting their future cash flows. Therefore, we believe the US equity market will remain volatile coupled with the hawkish Fed stance.

For China, given the property sector and other related sectors account for over a third of China's GDP, we think the Chinese government may introduce more policies to stabilize the market, although it may take longer time for investors to regain confidence. Favorable changes in policy stance have been observed in other industries. For instance, the official has mentioned that platform Internet companies will be supported in different occasions. Firstly, the cybersecurity check for three listed companies in US (Didi Global, Full Truck Alliance, and Boss Zhipin) has been completed, and these companies can start to acquire users in Appstore again. Secondly, China has reached a deal with the PCAOB (Public Company Accounting Oversight Board of US) to allow US auditors to review audit papers of Chinese ADRs and conduct on-site inspection in Hong Kong, which significantly lower the delisting risk of Chinese ADRs and remove the overhang of potential passive selloff from US funds. Additionally, Ant Group restructuring has been completed, and its potential IPO serves as a key sign of real policy pivot. All these factors will contribute to a re-rating and a sea change of the sector's long-term trend.

For Hong Kong, although HK local economy will still be affected by external turbulence and weak internal demand, the quarantine exemption and other supportive measures should bring some hope of recovery. We have been patient and prudent to catch up opportunities from irrational selloffs. In long-term, we expect the fundamental of the Hong Kong bourse to continue improving. A growing number of new economy names will be listed in Hong Kong, with a bunch 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, we believe the shift of policy stance after the 20th Party Congress reflects a reprioritization on economic growth. The faster-than-expected reopening progress will provide a favorable ground for economic growth in 2023. In a full-year perspective, the Greater China equity market may continue to improve given the Chinese economy is on a bumpy journey towards recovery. Inevitably the road to recovery will be bumpier as many positives should have already been priced in the fourth quarter's rebound. We expect a mild recovery with more supportive policies to stimulate domestic consumption, improve people's wellbeing (income expectations), and warm up the frozen property market. Meanwhile, external environment will be closely monitored given the tightening liquidity environment in the US, global recession concerns, varying Omicron subvariants, and escalating geopolitical tension (Russia-Ukraine, Sino-US). We are cautiously optimistic with the long-term development of Chinese economy.

Furthermore, there will be more structural opportunities for long term investments given the worst (such as lockdowns and regulatory headwinds) should be behind us. Companies with improving fundamentals and are more shareholder-friendly will outperform as time goes by. It takes time for both the real economy and investors' confidence to restore. We therefore will consistently evaluate and capture the attractive opportunities in order to secure long-term capital gain. Last but not least, we will remain prudent and nimble, position ourselves in a proper way to optimize the risk-reward.

GUOTAI JUNAN INVESTMENT FUND
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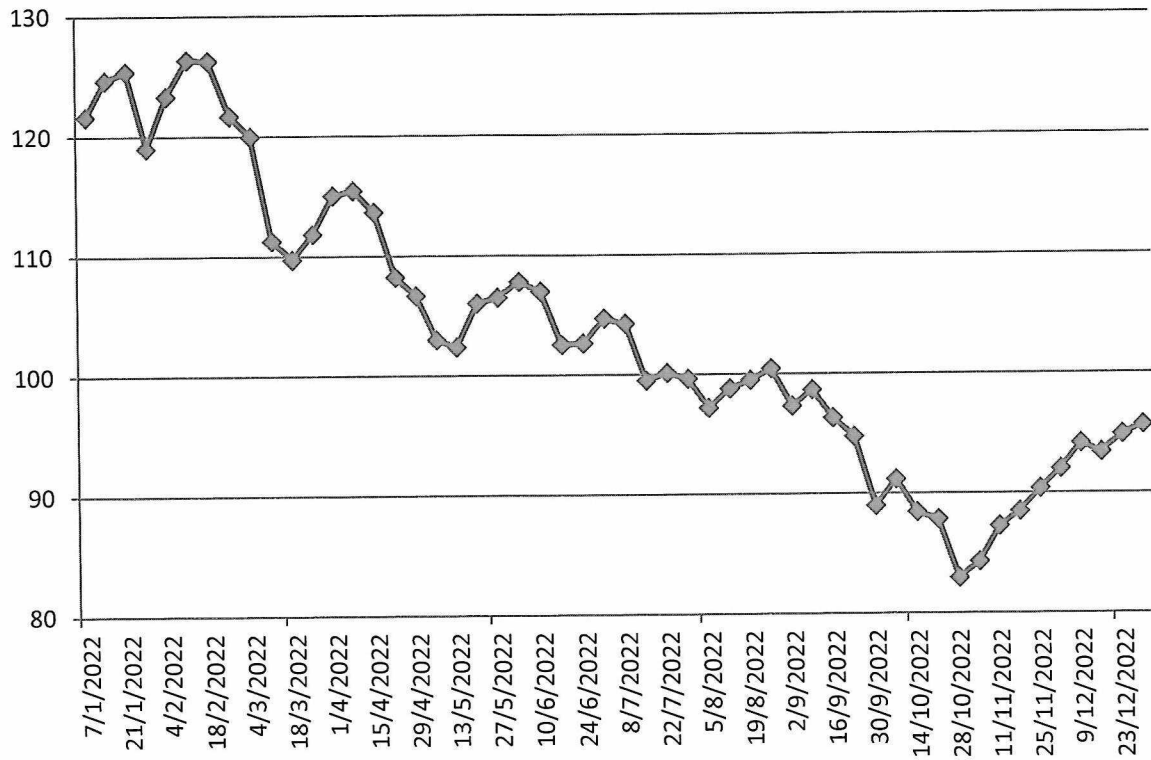
For the year ended 31 December 2022

INVESTMENT MANAGER'S REVIEW (continued)

SUB-FUND'S PERFORMANCE

GUOTAI JUNAN GREATER CHINA GROWTH FUND

NAV PER UNIT (HKD)



GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

For the year ended 31 December 2022

INVESTMENT MANAGER'S REVIEW (continued)

SUB-FUND'S PERFORMANCE (continued)

Performance table

Index / Fund's Name	Jan - Dec 2022 Rate of Return (%) *	Since Inception Rate of Return (%)
Hang Seng China-Affiliated Total Return Index	1.3%	5.1%
Taiwan Taix Total Return Index	-18.7%	186.2%
Hang Seng China Enterprises Total Return Index	-15.6%	-32.3%
Hang Seng Total Return Index	-12.5%	20.6%
MSCI Golden Dragon Total Return Index	-19.0%	52.3%
Guotai Junan Greater China Growth Fund	-19.5%	-1.4%
MSCI China Daily Total Return Index	-20.6%	10.0%

* Ranked by the total returns of indices or the Fund for Jan - Dec 2022.

The total return of the Guotai Junan Greater China Growth Fund ("GJGC" hereafter) decreased by 19.5% in 2022, and recorded a loss of 1.4% since inception i.e. 19 Nov 2007.

In 2022, GJGC underperformed the total returns of the Hang Seng Index ("HSI") and Hang Seng China Enterprises Index ("HSCEI") by 6.9% and 3.9% respectively.

As of the end of 2022, GJGC's portfolio was well diversified. Among all exposure, energy, communication services, and real estate were the top weighed sectors, which made up of 30.7%, 25.2% and 11.7% of the NAV respectively.

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 Guotai Junan Assets (Asia) Limited

GUOTAI JUNAN INVESTMENT FUND
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For the year ended 31 December 2022

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 2022.



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



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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 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2022 and of its financial performance and its cash flows for the year then ended 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 ("HKSAs") 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.

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 judgment 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)

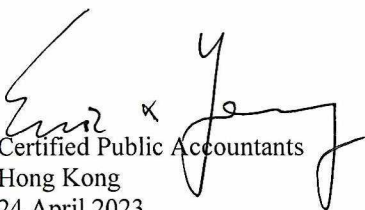
Auditor's responsibilities for the audit of the financial statements (continued)

- 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
24 April 2023

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

Year ended 31 December 2022

	Notes	2022 HK\$	2021 HK\$
INCOME			
Dividend income		12,831,008	7,560,590
Interest income	3	<u>11,388</u>	<u>210</u>
		<u>12,842,396</u>	<u>7,560,800</u>
EXPENSES			
Trustee fees	3	468,000	468,000
Bank charges		46,392	44,760
Valuation fees		133,747	133,849
Auditor's remuneration		145,100	145,020
Brokerage and handling fees	3	2,521,780	2,172,951
Management fees	3	2,724,445	2,786,664
Transaction fees		208,732	171,201
Registrar fees	3	43,900	45,460
Legal and professional fees		34,200	-
Insurance fees		35,987	-
Miscellaneous expenses		<u>141,093</u>	<u>217,221</u>
		<u>6,503,376</u>	<u>6,185,126</u>
Gain before investment loss and exchange differences		<u>6,339,020</u>	<u>1,375,674</u>
Investment loss and exchange differences			
Net change in unrealised gain/(loss) on investments		8,465,497	(30,687,061)
Net realised (loss)/gain on investments		(64,472,894)	12,105,789
Foreign exchange differences		<u>(8,304)</u>	<u>30,245</u>
Investment loss and exchange differences		<u>(56,015,701)</u>	<u>(18,551,027)</u>
Loss before tax		(49,676,681)	(17,175,353)
Withholding tax	4	<u>(910,657)</u>	<u>(607,487)</u>
Loss for the year		(50,587,338)	(17,782,840)
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>(50,587,338)</u>	<u>(17,782,840)</u>

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 HK\$	2021 HK\$
Assets			
Financial assets at fair value through profit or loss	5	95,318,460	160,727,330
Due from brokers		993,022	-
Interest receivables		47	1
Cash and bank balances	6	<u>1,701,708</u>	<u>31,116,415</u>
Total assets		<u>98,013,237</u>	<u>191,843,746</u>
Liabilities			
Other payables and accruals		390,504	567,802
Due to brokers		<u>944,689</u>	<u>-</u>
Total liabilities		<u>1,335,193</u>	<u>567,802</u>
Equity			
Net assets attributable to unitholders		<u>96,678,044</u>	<u>191,275,944</u>
Total liabilities and equity		<u>98,013,237</u>	<u>191,843,746</u>
Number of units in issue	8	1,010,850.34	1,610,078.55
Net asset value per unit	8	95.64	118.80



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Guotai Junan Assets (Asia) Limited



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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 2022

	HK\$
At 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 and 1 January 2022	191,275,944
Redemption of units	(108,673,496)
Subscription of units	64,662,934
Total comprehensive income for the year	<u>(50,587,338)</u>
At 31 December 2022	<u>96,678,044</u>

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	2022 HK\$	2021 HK\$
Cash flows from operating activities		
Loss before tax	(49,676,681)	(17,175,353)
Adjustments for:		
Net change in unrealised (gain)/loss on investments	(8,465,497)	30,687,061
Net realised loss/(gain) on investments	64,472,894	(12,105,789)
Interest income	(11,388)	(210)
Dividend income	<u>(12,831,008)</u>	<u>(7,560,590)</u>
	(6,511,680)	(6,154,881)
Payments on purchases of financial assets and liabilities at fair value through profit or loss	(606,677,731)	(615,699,363)
Proceeds from disposals of financial assets and liabilities at fair value through profit or loss	616,079,204	525,567,562
(Increase)/decrease in amounts due from brokers	(993,022)	641,014
(Decrease)/increase in other payables and accruals	(177,298)	142,951
Increase in amounts due to brokers	944,689	-
Interest received	11,342	209
Dividend received	12,831,008	7,566,007
Withholding tax paid	<u>(910,657)</u>	<u>(607,487)</u>
Net cash flows from/(used in) operating activities	<u>14,595,855</u>	<u>(88,543,988)</u>
Cash flows from financing activities		
Proceeds from issuance of units	64,662,934	121,666,911
Payments on redemption of units	<u>(108,673,496)</u>	<u>(7,488,840)</u>
Net cash flows (used in)/from financing activities	<u>(44,010,562)</u>	<u>114,178,071</u>
Net (decrease)/increase in cash and cash equivalents	<u>(29,414,707)</u>	<u>25,634,083</u>
Cash and cash equivalents at beginning of the year	<u>31,116,415</u>	<u>5,482,332</u>
Cash and cash equivalents at end of the year	<u><u>1,701,708</u></u>	<u><u>31,116,415</u></u>
Analysis of balances of cash and cash equivalents		
Bank balances	<u><u>1,701,708</u></u>	<u><u>31,116,415</u></u>

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

STATEMENT OF DISTRIBUTION

Year ended 31 December 2022

	HK\$
Undistributed income at 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 and 1 January 2022	-
Total comprehensive loss for the year	(50,587,338)
Less: Net change in unrealised gain on investments	<u>(8,465,497)</u>
Undistributed loss before distribution	(59,052,835)
Transfer to capital	<u>59,052,835</u>
Undistributed income at 31 December 2022	<u><u>-</u></u>

GUOTAI JUNAN INVESTMENT FUND
- GUOTAI JUNAN GREATER CHINA GROWTH FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

The accounting principles adopted in the current year are consistent with those of the prior year; except that the Sub-Fund has adopted the following new revised accounting standard:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The nature and the impact of the new standards and amendments are described below:

Amendments to HKFRS 3 Reference to the Conceptual Framework

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC) 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC) 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments did not have any significant impact on the Sub-Fund's financial statements.

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Annual Improvements to HKFRSs 2018-2020

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Sub-Fund are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments did not have any significant impact on the Sub-Fund's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Sub Fund has not early applied the following new or amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates

¹ Effective for annual periods beginning on or after 1 January 2024

The application of all new and amendments to HKFRSs will have no material impact on the financial statements in the foreseeable future.

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments(continued)

(i) **Classification (continued)**

Financial assets (continued)

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 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.

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 due to brokers and 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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(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.

(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:

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

- (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.

(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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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".

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 unit holders.

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(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.

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.

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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 2022 and 2021 are as below:

	2022	2021
Units of the Sub-Fund	<u>584,955</u>	<u>952,823</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 2022, management fee of HK\$137,552 (2021: HK\$246,281) 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 2022, HK\$39,000 (2021: 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 2022 and 2021, the Sub-Fund had the following transactions with the Trustee:

	2022	2021
	HK\$	HK\$
Registrar fee and registrar transaction fee	43,900	45,460
Trustee fee	468,000	468,000
Scrip fees	22,692	34,335
Valuation fee	133,747	133,849
Sub-Custodian fee	46,392	44,760
SFC Reporting fee	3,913	10,886
Taxation service charges	5,845	83,554
Sub-Custodian Transaction fee	208,732	171,201
Preparation of Interim Financial Statement	46,983	23,284
Out of pocket expense	200	3,356

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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 2022, a registrar fee of HK\$4,177 (2021: HK\$3,787), 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 0.13% effective 15 May 2015. During the year ended 31 December 2022, included in the brokerage and handling fees in the statement of profit or loss and other comprehensive income was HK\$134,452 (2021: HK\$188,163), 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 2022 and 2021.

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 2022 and 2021.

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

During the years ended 31 December 2022 and 2021, the Sub-Fund earned interest income on bank deposits amounted to HK\$11,388 (2021: HK\$210) from The Hongkong and Shanghai Banking Corporation Limited, the holding company of the Trustee as stated in the statement of profit or loss and other comprehensive income.

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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
2022	103,341,972	8%	134,452	0.13%
2021	125,442,010	11%	188,163	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% (2021: H share - 10% and ADR share - 21%) in such jurisdictions for the Sub-Fund.

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

	2022 HK\$	2021 HK\$
Financial assets at FVPL:		
Listed equity securities, at cost	87,219,341	161,093,709
Unrealised gain/(loss)	<u>8,099,119</u>	<u>(366,379)</u>
Total financial assets at FVPL	<u>95,318,460</u>	<u>160,727,330</u>

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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 2021, 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 2022 and 2021.

Financial assets at FVPL:

	2022 HK\$	2021 HK\$
Quoted prices in active markets (Level 1)	95,318,460	160,727,330
Significant observable inputs (Level 2)	-	-
Significant unobservable inputs (Level 3)	-	-
	<u>95,318,460</u>	<u>160,727,330</u>
At the end of year	<u>95,318,460</u>	<u>160,727,330</u>

As at 31 December 2022 and 2021, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

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

Level 3 reconciliation

For the years ended 31 December 2022 and 2021, 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 2022 and 2021, the delisted equity has 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 2022 and 2021. 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 2022 (2021: Nil).

8. CAPITAL

As at 31 December 2022 and 2021, 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 2022 and 2021.

	2022 HK\$	2021 HK\$
Net Assets	<u>96,678,044</u>	<u>191,275,944</u>

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NOTES TO FINANCIAL STATEMENTS

31 December 2022

8. CAPITAL (continued)

Movement in the number of redeemable participating units issued for the years ended 31 December 2022 and 2021:

	2022	2021
Number of redeemable participating units:		
At beginning of the year	1,610,078.55	750,636.30
Issued during the year	520,392.56	913,600.58
Redeemed during the year	<u>(1,119,620.77)</u>	<u>(54,158.33)</u>
At the end of year	<u>1,010,850.34</u>	<u>1,610,078.55</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.

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NOTES TO FINANCIAL STATEMENTS

31 December 2022

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.

		2022 HK\$	2021 HK\$
HSI	+/-5%	+/-4,743,000	+/-7,773,000
HSCEI	+/-5%	<u>+/-4,357,000</u>	<u>+/-7,145,000</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
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NOTES TO FINANCIAL STATEMENTS

31 December 2022

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 2022 for the Sub-Fund is the same as their carrying amounts of HK\$1,335,193 (2021: HK\$567,802), as they are repayable less than three months (2021: 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.

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NOTES TO FINANCIAL STATEMENTS

31 December 2022

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 and cash and bank balances. At 31 December 2022, the total of interest receivables, due from brokers and cash and bank balance was HK\$2,694,777 on which no loss allowance had been provided (2021: HK\$31,116,416 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 2022, and prior to the date of approval of the financial statements stated below, 20 of the redeemable participating units were issued for total subscription of HK\$1,987 and 33,163 of the redeemable participating units were redeemed for total redemption of HK\$3,502,672.

12. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Manager and the Trustee on 24 April 2023.

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UNAUDITED STATEMENTS OF MOVEMENTS IN INVESTMENT PORTFOLIO

31 December 2022

Holdings Summary

	% of Net Assets	
	31 December 2022	31 December 2021
Equity		
- Cayman Islands	1.45	-
- China	82.38	-
- Hong Kong	14.76	84.01
	<hr/>	<hr/>
	98.59	84.01
	<hr/> <hr/>	<hr/> <hr/>

GUOTAI JUNAN INVESTMENT FUND
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UNAUDITED INVESTMENT PORTFOLIO

31 December 2022

Listed Investment Equities	Holdings	Market Value (HKD)	% of Net Assets
CAYMAN ISLANDS			
TOPSPORTS INTERNATIONAL HOLDINGS LTD	227,000	1,405,130	1.45
CHINA			
CHINA ANIMAL HEALTHCARE LTD ¹	316,000	-	-
CHINA MENGNIU DIARY CO. LTD.	13,000	460,200	0.48
CHINA MOBILE LTD.	150,000	7,762,500	8.03
CHINA OILFIELD SERVICES LTD	180,000	1,708,200	1.77
CHINA PACIFIC INSURANCE (GROUP) CO., LTD.	100,000	1,738,000	1.80
CHINA PETROLEUM & CHEMICAL CORPORATION	2,280,000	8,595,600	8.89
CHINA POWER INTERNATIONAL DEVELOPMENT LTD	580,000	1,914,000	1.98
CHINA RESOURCES BEER (HOLDINGS) CO., LTD.	48,000	2,618,400	2.71
CHINA RESOURCES POWER	180,000	2,872,800	2.97
CHINA TELECOM CORPORATION LTD.	2,540,000	7,797,800	8.06
CHINA UNICOM HONG KONG LIMITED	1,780,000	8,597,400	8.89
CNOOC LTD	820,000	8,183,600	8.46
CSPC PHARMACEUTICAL GROUP LTD.	240,000	1,968,000	2.03
HAIER SMART HOME CO., LTD.	105,000	2,793,000	2.89
JINXIN FERTILITY GROUP LTD.	220,000	1,586,200	1.64
NONGFU SPRING CO LTD.	28,000	1,234,800	1.28
PETROCHINA CO. LTD.	2,320,000	8,282,400	8.57
TRAVELSKY TECHNOLOGY LTD.	160,000	2,640,000	2.73
WUXI BIOLOGICS (CAYMAN) INC.	39,000	2,334,150	2.41
YUM CHINA HOLDINGS INC.	1,100	482,900	0.50
ZIJIN MINING GROUP CO. LTD.	400,000	4,232,000	4.38
ZTE CORPORATION	107,400	1,847,280	1.91
HONG KONG			
AIA GROUP LTD	20,000	1,736,000	1.80
CK ASSET HOLDINGS LTD.	80,000	3,844,000	3.98
SWIRE PACIFIC LTD.	600,000	6,372,000	6.59
TECHTRONIC INDUSTRIES CO. LTD.	21,000	1,829,100	1.89
VINDA INTERNATIONAL HOLDINGS LTD	21,000	483,000	0.50
TOTAL INVESTMENTS, AT FAIR VALUE		95,318,460	98.59
TOTAL INVESTMENTS, AT COST		87,219,341	

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

GUOTAI JUNAN INVESTMENT FUND
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UNAUDITED PERFORMANCE RECORD

31 December 2022

Net asset value

	HK\$
31 December 2022	96,678,044
31 December 2021	191,275,944
31 December 2020	94,880,713

Net asset value per unit

	HK\$
31 December 2022	95.64
31 December 2021	118.80
31 December 2020	126.40

GUOTAI JUNAN INVESTMENT FUND
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UNAUDITED PERFORMANCE RECORD (continued)

31 December 2022

Published net asset value

Highest and lowest published net asset value per unit

HK\$

Financial year ended 31 December 2022

Highest published net asset value per unit	127.38
Lowest published net asset value per unit	80.70

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

GUOTAI JUNAN INVESTMENT FUND
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UNAUDITED INFORMATION ON EXPOSURE ARISING FROM FINANCIAL DERIVATIVE INSTRUMENTS

As at 31 December 2022 and 2021, there were no financial derivative instruments held by the Sub-Fund.

For the years ended 2022 and 2021, there were no financial derivative instruments held by the Sub-Fund.