

Guotai Junan Greater China Growth Fund

Portfolio Summary

Upfront Disclosure

The Fund may invest in listed companies that derive a significant portion of their revenues from goods produced or sold, investments made or services performed in the Greater China region, which includes the People's Republic of China, the Hong Kong & Macau Special Administrative Region and Taiwan. The Fund may invest in the Greater China securities markets, which are emerging markets. As such, the Fund may involve a higher degree of risk and are usually more sensitive to price movements. The value of the Fund can be volatile and could go down substantially within a short period of time. The investment decision is yours. You should not invest unless the intermediary who sells this Fund to you has advised you that this Fund is suitable for you and has explained why, including how investing in it would be consistent with your investment objectives.

Investment Objective

To achieve medium- to long-term capital appreciation by investing in listed companies which are domiciled in or have operating incomes from the Greater China region (Mainland China, Hong Kong, Macau and Taiwan).

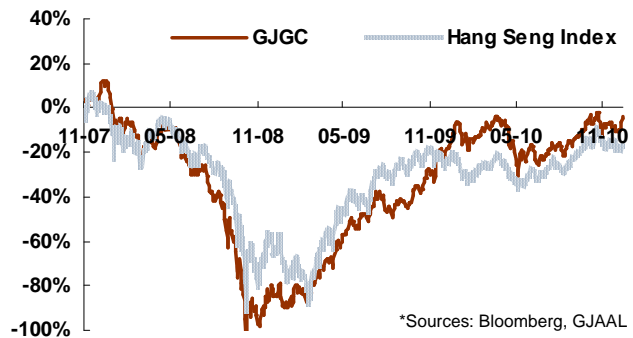
Fund Facts

Management:	Guotai Junan Assets (Asia) Limited
Inception Date:	2007-11-19
Domicile:	Cayman Islands
Base Currency:	HKD
Bloomberg Ticker:	GJGCHGR HK
Redemption Day:	Every Trading Day
Custodian:	HSBC Trustee (Cayman) Limited
Auditor:	Ernst & Young
Minimum amount for HK immigration investment:	HKD 10 million
NAV in total (as of DEC 31):	HKD 84.2 million
NAV per Unit (as of DEC 31):	HKD 96.09

Fee Structure

Minimum Subscription:	HK\$ 10,000
Subscription Fee:	Up to 5%
Management Fee:	1.5% p.a.
Redemption Fee:	
Less than 6 Months	1%
6 months or more but less than 12 Months	0.75%
12 months or more but less than 18 Months	0.50%
18 months or more but less than 24 Months	0.25%
24 Months or more	Waived

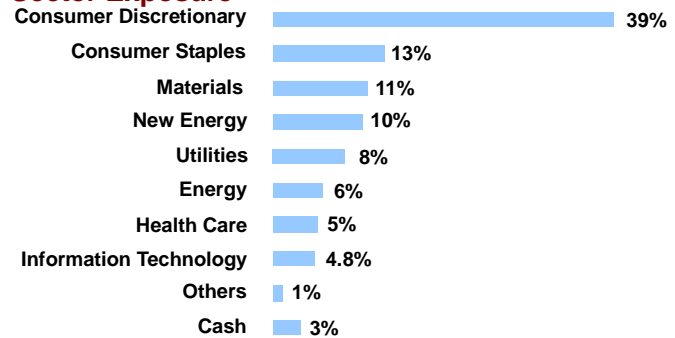
Fund Performance Since Inception



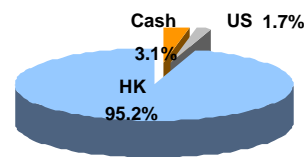
Performance Update

	Total Return	Hang Seng Index
1 Month	2.9%	0.1%
3 Months	8.6%	3.0%
6 Months	21.2%	14.4%
YTD Return	12.1%	5.3%
1 Year	12.1%	5.3%
Since Launch		
Annualized Return	-1.3%	-6.1%
Annualized Volatility	32.7%	36.6%

Sector Exposure



Geographic Exposure



Monthly Performance Summary

2008	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Since Launch
Performance (%)	-21.0	4.9	-9.0	5.2	1.1	-14.5	-0.7	-10.8	-19.9	-27.7	1.7	6.2	-62.0	-57.0
Hang Seng Index (%)	-15.7	3.7	-6.1	12.7	-4.7	-9.9	2.8	-6.5	-15.3	-22.5	-0.6	3.6	-48.3	-47.6
Information Ratio	-3.1	1.0	-2.2	-11.5	8.0	-5.8	-5.0	-4.8	-3.6	-2.6	1.7	1.8		
2009	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Since Launch
Performance (%)	-0.1	-0.1	9.7	7.5	14.9	5.6	10.1	-9.4	5.5	6.8	7.0	16.2	99.4	-14.3
Hang Seng Index (%)	-7.7	-3.5	6.0	14.3	17.1	1.1	11.9	-4.1	6.2	3.8	0.3	0.2	52.0	-20.3
Information Ratio	6.3	3.3	2.2	-4.2	-1.7	3.0	-1.8	-7.2	-0.8	2.8	6.6	9.2		
2010	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Since Launch
Performance (%)	0.3	2.3	5.4	-0.7	-10.3	-3.9	4.1	-1.9	9.3	5.1	0.4	2.9	12.1	-3.9
Hang Seng Index (%)	-8.0	2.4	3.1	-0.6	-6.4	1.8	4.5	-2.3	8.9	3.3	-0.4	0.1	5.3	-16.1
Information Ratio*	4.5	-0.2	3.3	-0.1	-2.1	-5.3	-0.6	0.5	0.6	2.5	0.7	2.9		

Notes: Information ratio is defined as expected active return divided by tracking error, where active return is the difference between the return of the fund and the return of Hang Seng Index, and tracking error is the standard deviation of the active return.

Top Ten Security Holdings

#	Name	Industry	%
1	Chigo Holdings Ltd	Consumer Discretionary	12.1%
2	Thunder Sky battery Limited	New Energy	7.5%
3	Bosideng	Consumer Discretionary	7.4%
4	Haier Electronics	Consumer Discretionary	6.2%
5	Biostime International Holdings	Consumer Staples	6.0%
6	Yanzhou Coal	Energy	5.7%
7	China Gas Holding	Utilities	4.6%
8	Intime Departmental Store	Consumer Discretionary	4.3%
9	Dah Chong Hong Holdings Ltd	Consumer Discretionary	3.8%
10	Bawang Group	Consumer Staples	3.8%

*Industry Classification is based on Global Industry Classification Standard (GICS).

Investment Team

Chief Investment Officer: Mr. Yuan Junping

Contact information:

Ms. Kathy Yuen

Phone: (852) – 2509 7746

Fax: (852) – 2509 7784

Ms. Ming Liang

Email: mingliang@gtjas.com

Fund Information Resources

Bloomberg Ticker: GJGCHGR HK EQUITY

Web URL:

http://www.gtia.com.hk/english/gtia_invest/zcqlij/gcaf.aspx

Economic Review

The year of 2010 was a year of ambivalence and doubt. During the year, the doubt of double-dip recession in US, the escalating fiscal problems in the European zone and the looming inflation pressure in the faster-growing countries were the major topics dominated the economic news headlines. The world economy recovery was solid, as the IMF (International Monetary Fund) forecasted in its latest *World Economic Outlook* that the world GDP growth in 2010 would be 4.76%, and the GDP growth in 2011 would be 4.22%. The US government continued to engineer the country's recovery by rolling out the QE II plan and by prolonging the tax reduction program. Retail sales and employment both showed improvement by the end of the year, and the housing market also stabilized. A majority of investors sees 2011 as the year when a sustainable economic recovery takes root, and both companies and consumers will spend more.

China had another fast-growing year in 2010. Export and import both expanded, and the foreign reserve continued to accumulate. The World Bank estimated the year-end balance will reach 2.8 trillion USD. Fixed asset investment (FAI) was still a key driver for the GDP growth as the YTD (Jan-Nov) FAI growth was high as 24.9%. Thanks to the government's continuing efforts to restructuring the economy, consumption became the major engine for the country's growth. The retail sales growth YTD (Jan-Nov) reached historical high at 18.7% YOY. In year 2010, the total new Yuan loan reached 7.95 trillion, and the M2 growth remained at high as 19.7%. Excessive liquidity pushed up prices of all assets, and inflation pressure led the government started to tighten the credit. The PBOC officially announced to shift the monetary policy to "stable" from the previous "relatively loose". In the whole year, the PBOC raised RRR by six times and hiked the interest rate twice to curb the high inflation and rising home prices. The government issued series of control policies to cool down the property bubble. As the coming year 2011 is the first year for the country's "the Twelfth Five-year" Plan, most investors expect the FAI will remain strong, and the government will continue to encourage the development of "new energy" and "environmental-friendly" industries.

Market Review

The US market reached year-high by the end of 2010. The investors steadily regained confidence in equities, and the index of market fluctuation, VIX (Volatility Index), has come down to the level before the recession. Most of the blue chips in US market are in healthy shape, and the companies have ample cash on their balance sheets. The US dollar softened in the mid of the year, which led the gold price to hike over 1,400. Prices for all major commodities also increased thanks to the excessive liquidity and stringent supply. The oil price also rebounded to 90, mainly because of the increasing demand from developing countries. Bond market stopped rally, and funds were observed to flow out from it. For December, the Dow increased 5.2% to 11,578, the S&P 500 rallied 6.5% to 1,258 and the Nasdaq gained 6.2% to 2,653. The Dow, S&P and NASDAQ increased 11%, 13% and 17% respectively in the whole year 2010.

In contrast to the superb growth of China's economic growth, the mainland stock market reported rather disappointing performance in the whole year 2010. The CSI 300 retreated 12.5% in response to the government's tightening credit policy. The ever-enlarging market cap by historical high number of IPOs in the domestic market also diluted the market valuation. CNY appreciated by 3.43% in the whole year. Rising labor cost also cast doubt on the domestic companies' profitability in the future. Hong Kong market was influenced by both the outside markets as well as the domestic market. As the funds continued to flow into Hong Kong in speculation of the CNY appreciation, the Hong Kong equities reported better performance than the domestic market. For December, the Hang Seng Index increased 0.1% at 23,035, and the HSCEI decreased 1% to 12,692. The HSI realized 5.3% gain in year 2010, while the HSCEI decreased 0.8% in the same period.

Fund Performance Review

The fund's NAV increased 12.1% in 2010. The Hang Seng index increased 5.3% in the same period. The fund also outperformed Hang Seng Index by 5.6% in the recent three months. We have strictly followed the investment strategy set at the beginning of 2010 and have allocated more than half of the fund to consumption related sectors.

In general, our investment strategy was proved to be appropriate to capture the major theme of the Hong Kong market. Consumption related stocks reported better results in year 2010. The best performers in the funds are home appliance names, such as Chigo Holdings (00449 HK, +132.1%), Haier Electronics (01169 HK, +90.7%) and Hisense Kelon Electrical (00921 HK, +65.4%). Other consumer discretionary names such as Intime Departmental Store (01833 HK, +75.8%), Bosideng (03998 HK, +50.4%) and Boshiwa International (01698 HK, +19.5%) also reported decent gains.

We also tried to spot equities with solid balance sheet but were temporarily mis-priced by the market due to rumor. For example, we loaded Xinao Gas (02688 HK) at the dip during it was struck by the bribery rumor. The stock has rose 54.4% since we bought it.

Brief Trading Summary

The broad market was basically unchanged during the last trading month of 2010 and the trading volume was light. We shifted the holdings of the fund to better prepare for the coming year. We decided to take profits on stocks such as Lumena Resources (00067 HK), Chigo Holdings (00449 HK) and Ports (00589 HK). In the meanwhile, we loaded in some newly IPOs such as Biostime International (01112 HK), HL Technology (01087 HK) and WWTT (01282 HK). Given the year-end is normally the peak season of retailing, we also loaded some jewelry distributors, such as Chow Sang Sang (00116 HK) and LuK Fook Holdings (00590 HK).

In December, the leading factors of the fund are Chigo Holdings (00449 HK), Haier Electronics (01169 HK) and Hisense Kelon Electrical (00921 HK), which gained 78.3%, 24.5% and 22% respectively. Ju Teng International (03336 HK) also provided decent return as it has increased 21.2% since we bought it. The biggest lagging factor is Thunder Sky battery (00729 HK) which slumped 15% in one month.

Investment Strategy

PBOC raised interest rate by another 25 bps at 2010 year end, as November CPI climbed to 5.1%. Together with previous tightening measures, the rate hike absorbed liquidity further and money supply was relatively tight in the year end. China's PMI data tamed a little but still remained at healthy level. US jobless data and PMI reading show economy recovery on track and that will push up energy prices. Investors' confidence will also be boosted accordingly. As the new year begins, Chinese banks will get new loan quotas and money shortage among banks will be eased somewhat. Property developers will also have a relatively loose financing environment.

Investment opportunities are likely to exist in following areas for the next month:

- 1) Telecom equipment. Rising 3G applications and broad network upgrade will increase demand for telecom equipment and related companies will benefit.
- 2) Coking coal. Coking coal was not impacted by NDRC's price cap as thermal coal and major producers were raising prices. The flood in Queensland will help to push up the global coal prices higher in the near term.
- 3) Property. Tightening measures on property sector will take a breath after previous measures. Rising land auctions and house trades in recent weeks are likely to trigger a rebound given the cheap valuation of property stocks.

Brief of Top 5 holdings (as of December 31, 2010)

Company	Ticker	Market Cap (MN HKD)	10 PE (E)*	Industry	Comments
Chigo Holdings Ltd	00449 HK	6,056	11.9	Consumer Discretionary	Chigo manufactures and sells highly-efficient air conditioning products domestically and abroad. As the China central government decided to prolong the cash-reimbursement program for energy-efficient home appliances, Chigo will enjoy another year of fast growth. We found Chigo's valuation is attractive compared to its domestic home appliance peers.
Thunder Sky battery Limited	00729 HK	5,090	N.A.	New Energy	The company got restructuring and switched its major business into manufacturing Fe-Li motive batteries and components for electric vehicles. As the China central government has issued supportive policies on automobiles powered by electric batteries by the end of this May, the company will benefit from the policies.
Bosideng	03998 HK	25,571	15.4	Consumer Discretionary	Bosideng is one of the most famous down apparel products manufactures in China with more than one third of the domestic market share. The company recently advanced into man's clothing business, which will mitigate its sales seasonality. As the company announced exciting 2011 spring / summer orders growth for man's clothing at 47% increase, we believe the company will outperform its peers in the coming financial year.
Haier Electronics	01169 HK	18,619	22.9	Consumer Discretionary	Haier Electronics is one of the most famous brands of home appliance in mainland China. The company is now under restructuring, and it will become a listed company for sales, logistics and post-sale services, firstly developing low-tier cities and rural markets. The company gets benefits from the country's rural subsidiary program for home appliance purchase.
Biostime Internaitonal Holdings	01112 HK	6,612	N.A.	Consumer Staples	Biostime provides pediatric nutrition and baby care products. The company usually imports the raw ingredients from France, and blends and packages the final products in China. The company enjoyed high gross margin as its brand is well-known in China. We believe Biostime's revenue will grow fast in the future 3 years as the company is trying to expand its distribution network aggressively.

* Year 2010 Estimated PE is based on market consensus forecast as derived from Bloomberg

Notes: Investment involves risks. Past performance is not indicative of future performance. Please refer to the explanatory memorandum for further details.

27F, Low Block, Grand Millennium Plaza, 181 Queen's Road, Central, Hong Kong Tel: (852) – 2509 7740 Fax: (852) – 2509 7784

www.gtja.com.hk