



Annual Report

GUOTAI JUNAN INVESTMENT FUNDS –
GUOTAI JUNAN GREATER CHINA GROWTH FUND
A unit trust constituted by a Trust Deed dated
29 August 2007 under the laws of the Cayman Islands

31 December 2010

Ernst & Young

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

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GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

MANAGEMENT AND ADMINISTRATION

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
CHEUNG Lai Yan, Charles (resigned on 8th March 2011)
YUAN Jun Ping (appointed on 7th March 2011)

Trustee and Registrar

HSBC Trustee (Cayman) Limited
P.O.Box 484
HSBC House,
68 West Bay Road
Grand Cayman KY1-1106
Cayman Islands

Service Provider to Trustee and Registrar

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

Auditors

Ernst & Young Ltd.
62 Forum Lane
Camana Bay
P.O. Box 510
Grand Cayman KY1-1106
Cayman Islands

Legal Adviser

Sidley Austin
39th Floors
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Cayman Island Legal Advisers to the Manager

Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O.Box 2681
Grand Cayman KY1-1111
Cayman Islands

REPORT OF THE MANAGER

31 December 2010

Markets 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 2010, and the housing market also stabilised. 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 FAI growth in the whole year 2011 was high as 24.5%. 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 reached historical high at 18.4% 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 polices 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.

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. 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. The HSI realised 5.3% gain in year 2010, while the HSCEI decreased 0.8% in the same period.

31 December 2010

Markets Review (continued)

Table 1

Market Performance in 2010	% change
Shenzhen SE B Shares Index	+31.8
Shanghai SE B Shares Index	+20.6
Guotai Junan Greater China Growth Fund	+12.1
MSCI AC Golden Dragon (Net)* (NDLEACGD)	+10.4
Taiwan TAIEX Index (TWSE)	+9.6
Hang Seng Index (HSI)	+5.3
Hang Seng China-Affiliated Corporations Index (HSCCI)	+2.7
MSCI Emerging Markets China (MSELTCF)	+2.6
Hang Seng China Enterprises Index (HSCEI)	-0.8
CSI 300 Index	-12.5

* MSCI AC Golden Dragon (Net) is a total return index with dividends income (after deduction of withholding tax) reinvested.

Markets Outlook

In year 2011, we will see the polarisation of world economy. On one hand, the developed world will still be busy on repairing their balance sheets. As they need to control the expanding fiscal deficits, the developed world has to tolerate lower GDP growth. Economic growth and the employment will be the fundamental factors in the developed world. On the other hand, the major theme in the developing world will be anti-inflation and restructuring the economy. Most of the developing countries in Asia Pacific experienced high-single-digit inflation in this year, and the situation will continue in 2011. Imported inflation was the major reason for the smaller economies.

China also suffered from increasing inflation pressure, and excessive liquidity is one of the major reasons for inflation. Chinese government issued more than 14 trillion new Yuan loans during 2008 – 2009 to deal with the world recession, which led to the price appreciation of all kinds of assets. In year 2011, the key topics on China economy will be inflation and economy restructuring. We expect that the CPI will be around 4% in year 2011. The PBOC will carry out tightening monetary policy. Interest hike and RRR hike will be the regular way for China’s central bank to fight against the inflation. As it is the first year of China’s “Twelfth Five-year” plan in year 2011, we expect that FAI will remain strong at around 22% growth rate. It is pertinent for China to develop its inner market and to stimulate the domestic consumption, which will be the future key driver for its sustainable growth. Given that the macro-economy will remain stable growth, we expect that the Chinese stock markets (Hong Kong market included) will keep the upward-trend with increasing volatility. We believe investment opportunities are likely to exist in the new economy sectors, and the valuation of certain stock sectors will be determined by the features of these sectors during China’s economic restructuring.

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

REPORT OF THE MANAGER

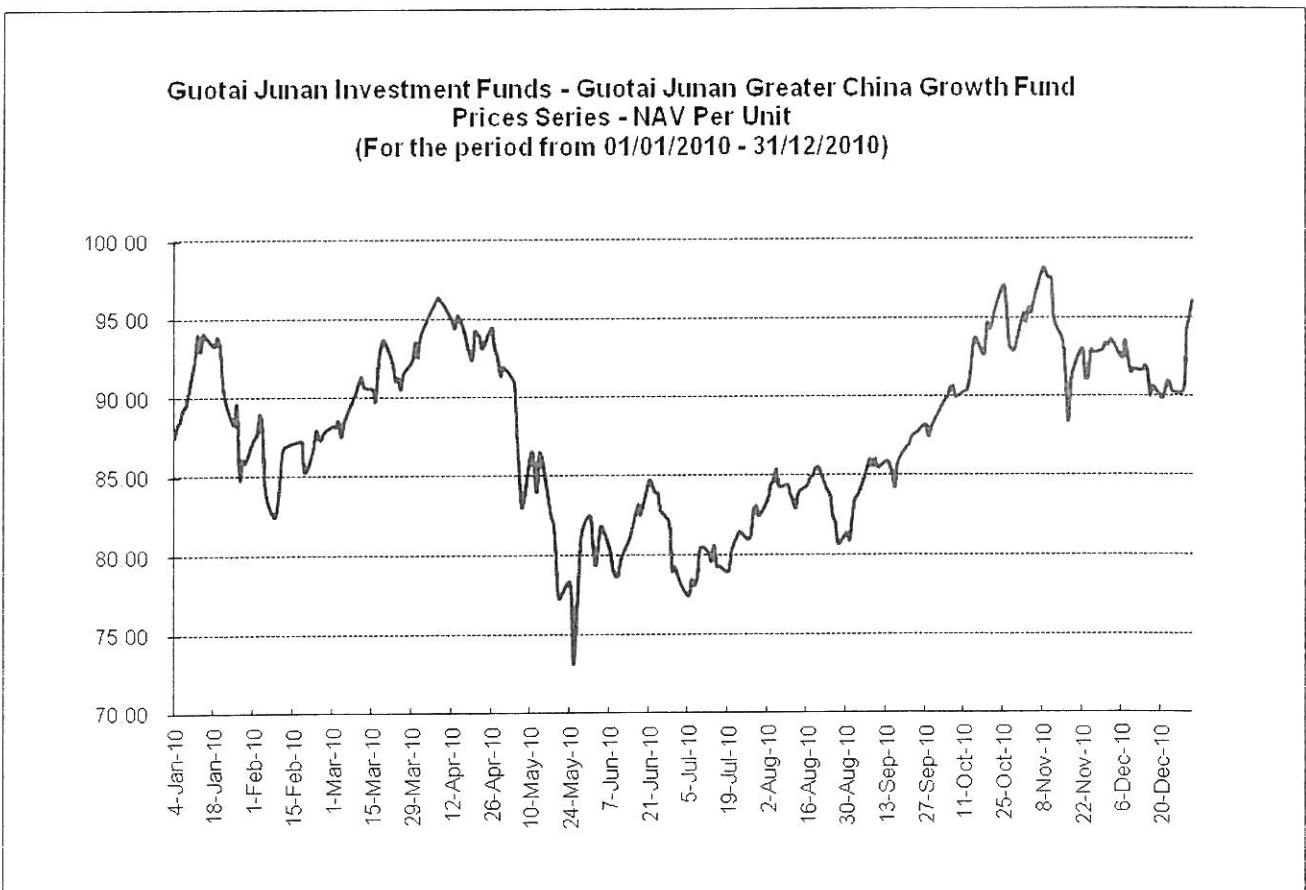
31 December 2010

Performance

The sub-fund's NAV increased 12.1% in 2010. The Hang Seng index increased 5.3% in the same period. The sub-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 sub-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 sub-fund 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 when it was struck by the market rumor. The stock has rose 54.4% since we bought it.



REPORT OF THE MANAGER

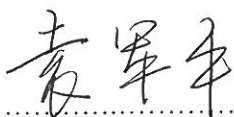
31 December 2010

Investment Strategy

The Manager intends to make investments primarily through a portfolio consisting of listed securities of companies that derive or are expected to derive a significant portion of their revenues from goods produced or sold, investments made or services performed in Greater China, which includes the People's Republic of China (PRC), the Special Administrative Regions of Hong Kong and Macau and Taiwan. The Manager believes that the value of these companies would increase through benefiting from the economic growth of the Greater China region.

In the concept to invest for growth, the sub-fund will continue evaluating the major themes of China Economy in year 2011, namely, inflation, economy restructuring and change of growth scope. We will endeavor to find new investment opportunities in the new economy sectors. Specifically, the sectors include:

- 1) Sectors benefit from the government's support: new energy, new materials, energy-saving cars, environmental protection, advanced equipment manufacturing, bio-technology and Information Technology.
- 2) Consumption related sectors: pharmaceutical, retailing distributions and consumer electronics.
- 3) Sectors benefit from the RMB appreciation: raw materials and mining.
- 4) Sectors which are less influenced by the government's tightening policies: Telecoms.



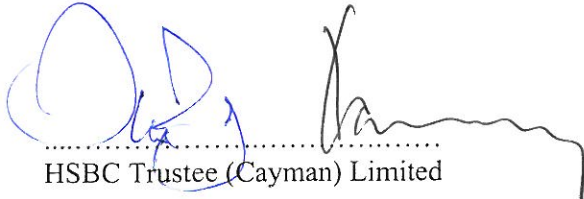
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Guotai Junan Assets (Asia) Limited

25 February 2011

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

REPORT OF THE TRUSTEE

We hereby confirm that, in our opinion, the Manager of the Trust has, in all material respects, managed the Trust in accordance with the provisions of the Trust Deed dated 29 August 2007, for the year ended 31 December 2010.



.....
HSBC Trustee (Cayman) Limited

25 February 2011

Independent Auditors' Report

The Trustee
Guotai Junan Investment Funds (the "Trust")

We have audited the accompanying financial statements of Guotai Junan Greater China Growth Fund (the "Sub-Fund") of the Trust on pages 9 to 27, which comprise the statement of assets and liabilities as at 31 December 2010, and the statement of comprehensive income, distribution statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Manager and the Trustee of the Trust are responsible for the preparation and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the relevant disclosure provisions of the constitutive documents of the Sub-Fund of the Trust (the "Constitutive Documents") and the disclosure requirements of the Code on Unit Trusts and Mutual Funds of the Securities and Futures Commission of Hong Kong (the "SFC Code"), and for such internal control as the Manager and the Trustee determine is necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with the disclosure requirements of Appendix E of the SFC Code, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Independent Auditors' Report (continued)

Auditors' Responsibility (continued)

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Sub-Fund as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Constitutive Documents and the disclosure requirements of the SFC Code.

Ernst & Young Ltd.

25 February 2011

GUOTAI JUNAN INVESTMENT FUNDS – GUOTAI JUNAN GREATER CHINA GROWTH FUND

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Notes	2010 HK\$	2009 HK\$
Income			
Dividend income		1,291,765	393,794
Interest income		-	255
Total income		<u>1,291,765</u>	<u>394,049</u>
Expenses			
Administration and custodian fee	3	412,000	412,000
Valuation fee		96,725	96,509
Audit fee		292,000	304,000
Brokerage and handling expenses	3	1,086,928	1,228,480
Management fee	3	1,174,275	682,633
Transaction fees		99,821	256,346
Registrar fee	3	39,000	39,000
Tax advisory fee		20,253	40,328
Miscellaneous expenses		95,290	95,690
Total expenses		<u>3,316,292</u>	<u>3,154,986</u>
Loss before investment gain/(loss) and exchange differences		(2,024,527)	(2,760,937)
Investment gain/(loss) and exchange differences			
Net unrealised gain/(loss) on investments		6,292,766	42,132,143
Net realised gain/(loss) on investments		4,961,171	(6,816,317)
Foreign exchange differences, net		2,475	(43,225)
		<u>11,256,412</u>	<u>35,272,601</u>
Income for the year before tax		9,231,885	32,511,664
Withholding tax	4	(4,225)	(24,764)
Total comprehensive income for the year after tax		<u><u>9,227,660</u></u>	<u><u>32,486,900</u></u>

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

DISTRIBUTION STATEMENT

Year ended 31 December 2010

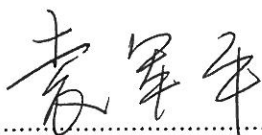
	2010 HK\$	2009 HK\$
At beginning of year	(25,961,722)	(58,448,622)
Total comprehensive income for the year	9,227,660	32,486,900
Distributions	<u>-</u>	<u>-</u>
Undistributed loss carried forward	<u><u>(16,734,062)</u></u>	<u><u>(25,961,722)</u></u>

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

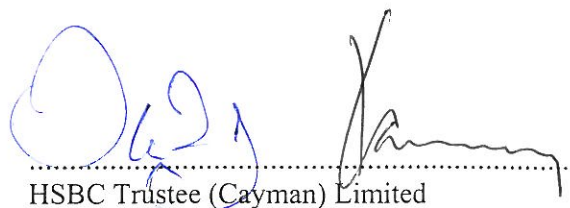
STATEMENT OF ASSETS AND LIABILITIES

31 December 2010

	Notes	2010 HK\$	2009 HK\$
Assets			
Financial assets at fair value through profit or loss	5	80,979,182	43,205,508
Due from brokers		3,311,625	2,204,137
Dividend receivable		21,000	-
Cash and bank balances	6	2,583,530	8,038,195
Total assets		<u>86,895,337</u>	<u>53,447,840</u>
Liabilities			
Accounts payable and accruals		490,241	493,974
Due to brokers		2,469,895	1,335,097
Total liabilities		<u>2,960,136</u>	<u>1,829,071</u>
Equity			
Units in issue		79,815,136	58,233,815
Retained profit/(accumulated loss)		4,120,065	(6,615,046)
Total equity		<u>83,935,201</u>	<u>51,618,769</u>
Total liabilities and equity		<u>86,895,337</u>	<u>53,447,840</u>
Number of units in issue	7	<u>876,550.58</u>	<u>602,796.52</u>
Net asset value per unit	7	<u>95.76</u>	<u>85.63</u>



Guotai Junan Assets (Asia) Limited



HSBC Trustee (Cayman) Limited

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Units in issue HK\$	Retained profit/ (accumulated loss) HK\$	Total equity HK\$
At 1 January 2009	96,831,432	(52,950,306)	43,881,126
Subscription of units	115,992	-	115,992
Redemption of units	(38,713,609)	13,848,360	(24,865,249)
Total comprehensive income for the year	-	32,486,900	32,486,900
At 31 December 2009 and 1 January 2010	58,233,815	(6,615,046)	51,618,769
Subscription of units	39,876,397	-	39,876,397
Redemption of units	(18,295,076)	1,507,451	(16,787,625)
Total comprehensive income for the year	-	9,227,660	9,227,660
At 31 December 2010	79,815,136	4,120,065	83,935,201

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	2010 HK\$	2009 HK\$
Cash flows from operating activities		
Profit for the financial year	9,227,660	32,486,900
Adjustments for:		
Dividend income	(1,291,765)	(393,794)
Interest income	-	(255)
Net unrealised gain on disposal of investments	(6,292,766)	(42,132,143)
Net realised (gain)/loss on investments	(4,961,171)	6,816,317
	<u>(3,318,042)</u>	<u>(3,222,975)</u>
Purchase of financial assets at fair value through profit or loss	(171,006,312)	(151,072,743)
Proceeds from disposals of financial assets at fair value through profit or loss	144,486,575	177,024,225
Increase in amounts due from brokers	(1,107,488)	(572,071)
Increase/(decrease) in accounts payable and accruals	(3,733)	56,632
Increase in amounts due to brokers	1,134,798	1,335,097
	<u>(29,814,202)</u>	<u>23,548,165</u>
Interest received	-	255
(a) Dividend received	1,270,765	393,794
	<u>(28,543,437)</u>	<u>23,942,214</u>
Net cash inflow/(outflow) from operating activities		
Cash flows from financing activities		
Proceeds from issue of units	39,876,397	115,992
Payments on redemption of units	(16,787,625)	(24,865,249)
	<u>23,088,772</u>	<u>(24,749,257)</u>
Net cash inflow/(outflow) from financing activities		
Net decrease in cash and cash equivalents	<u>(5,454,665)</u>	<u>(807,043)</u>
Cash and cash equivalents at the beginning of the year	<u>8,038,195</u>	<u>8,845,238</u>
Cash and cash equivalents at the end of the year	<u><u>2,583,530</u></u>	<u><u>8,038,195</u></u>
Analysis on balances of cash and cash equivalents		
Bank balances	<u><u>2,583,530</u></u>	<u><u>8,038,195</u></u>

31 December 2010

1. THE TRUST

Guotai Junan Investment Funds (the "Trust"), is a unit trust established under the Laws of Cayman Islands and governed by a Trust Deed dated 29 August 2007 (the "Trust Deed") between Guotai Junan Assets (Asia) Limited (the "Manager") and HSBC Trustee (Cayman) 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 is a regulated mutual fund under the Cayman Islands Mutual Funds Law and is registered with Cayman Islands Monetary Authority. The Trust currently consists of one sub-fund which is Guotai Junan Greater China Growth Fund (the "Sub-Fund") 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 seeks to provide investors with medium to long term capital appreciation through investment in PRC-related securities listed overseas. The Sub-Fund invests its assets in Hong Kong listed "H" shares, "Red Chips", Shanghai and Shenzhen listed "B" shares, although the Manager may in its absolute discretion determine to invest on behalf of the Sub-Fund in investments listed on other stock exchanges. The Manager may also invest in Shanghai and Shenzhen listed "A" shares through institutions which have obtained Qualified Foreign Institutional Investor status in the Mainland China. Depending upon market conditions, the Manager may invest in securities not falling within the above descriptions such as bonds and financial derivatives.

2.1 BASIS OF PREPARATION

The financial statements for the Sub-Fund of the Trust 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 "Code") and Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. They have been prepared under the historical cost convention, except for investments which have measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$").

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Sub-Fund has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>

Improvements to HKFRSs 2009 Amendments to a number of HKFRSs issued in May 2009

The adoption of the above new and revised HKFRSs has had no significant financial effect on these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Sub-Fund has not early applied any of the new and revised HKFRSs that have been issued but are not yet effective in the financial statements. Among the new and revised HKFRSs, the following are expected to be relevant to the Sub-Fund's financial statements upon them becoming effective:

HKFRS 7 Amendments	<i>Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets</i> ²
HKFRS 9	<i>Financial Instruments</i> ³
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i> ¹
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ²

¹ Effective for annual periods beginning on or after 1 February 2010

² Effective for annual periods beginning on or after 1 July 2011

³ Effective for annual periods beginning on or after 1 January 2013

Further information about those changes that are expected to affect the Sub-Fund is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

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

Also, HKICPA issued additions to HKFRS 9 to address financial liabilities (the “Additions”) and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option (“FVO”). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income (“OCI”). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability’s credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Sub-Fund expects to adopt HKFRS 9 from 1 January 2013.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

Financial instruments

(i) *Classification*

The Sub-Fund classifies its financial assets and financial liabilities into the categories above in accordance with HKAS 39.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include equity securities. These assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price. Derivative financial instruments entered into by the Sub-Fund do not meet the hedge accounting criteria as defined by HKAS 39. Consequently, hedge accounting is not applied by the Sub-Fund.

Loans and receivables

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

Other financial liabilities

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

31 December 2010

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, and only when, it becomes a party to the contractual provisions of the instrument.

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

(iii) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired; or
- The Sub-Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and
- Either (a) the Sub-Fund has transferred substantially all the risks and rewards of the asset, or (b) the Sub-Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Sub-Fund has transferred its rights to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all 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.

The Sub-Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

(iv) Initial measurement

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of assets and liabilities 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 at fair value through profit or loss) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

(v) Subsequent measurement

After initial measurement, the Sub-Fund measures financial instruments which are classified as at fair value through profit or loss at fair value. Subsequent changes in the fair value of those financial instruments are recorded in statement of comprehensive income. Interest earned and dividend revenue elements of such instruments are recorded separately in statement of comprehensive income.

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(v) *Subsequent measurement* (continued)

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 at 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.

Determination of fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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.

Impairment of financial assets

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

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents in the statement of assets and liabilities 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 revenue and expense

Interest revenue and expense are recognised in the statement of comprehensive income for all interest-bearing financial instruments using the effective interest method.

Dividend revenue

Dividend revenue 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 comprehensive income.

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 end of each reporting period.

Foreign currency transaction gains and losses on financial instruments classified as at fair value through profit or loss are included in the statement of comprehensive income. Exchange differences on other financial instruments are included in the statement of comprehensive income.

Due to and due from brokers

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for but not yet delivered on the reporting date. Refer to the accounting policy for 'financial liabilities, other than those classified as at fair value through profit or loss' for recognition and measurement.

Amounts due from brokers include receivables for securities sold (in a regular way transaction) that have been contracted for but not yet delivered on the reporting date. Refer to accounting policy for 'loans and receivables' for recognition and measurement.

Related parties

A party is considered to be related to the Sub-Fund if the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Sub-Fund; (ii) has an interest in the Sub-Fund that gives it significant influence over the Sub-Fund; or (iii) has joint control over the Sub-Fund.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

The Sub-Fund is exempt from all forms of taxation in Hong Kong and Cayman Islands, 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 the statement of comprehensive income. For the purpose of the statement of cash flows, cash inflows from investments are presented net of withholding taxes, when applicable.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Functional currency

The primary objective of the Sub-Fund is to generate returns in HK\$, its capital-rising currency. The liquidity of the Sub-Fund is managed on a day-to-day basis in HK\$ in order to handle the issue, acquisition and resale of the Sub-Fund's redeemable units. The Sub-Fund's performance is evaluated in HK\$. Therefore, the management considers the HK\$ as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

3. TRANSACTIONS WITH THE MANAGER AND ITS CONNECTED PERSONS

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

The directors of the Manager may transact in the units of the Sub-Fund as principal provided that prior written notice is obtained from the Trustee. As at 31 December 2010, the directors of the Manager and the affiliate of the Manager, Guotai Junan Investments (Hong Kong) Limited, together held 115,460.32 (2009: 115,460.32) units in the Sub-Fund.

Management fee

The Manager is entitled to receive a management fee at 1.5% per annum of the net asset value of the Sub-Fund. The management fee is calculated and accrued as at each valuation day and payable monthly in arrears. The management fee for the year ended 31 December 2010 was of HK\$1,174,275 (2009: HK\$682,633). As at 31 December 2010, a management fee of HK\$102,469 (2009: HK\$63,055) was payable to the Manager.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

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

Trustee fees

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 annual fee of HK\$412,000 in relation to the Sub-Fund. This fee is calculated and accrued on each valuation day and be paid monthly in arrears.

In addition, the Trustee received a one time establishment fee of HK\$31,200 in respect of the Sub-Fund in the prior period, payable upon the close of the initial offer period. The Trustee is also entitled to receive transaction, processing and valuation fees and be paid or reimbursed with other applicable fees as agreed with the Manager.

The trustee fee for the year ended 31 December 2010 was HK\$412,000 (2009: HK\$412,000). As at 31 December 2010, a trustee fee of HK\$34,991 (2009: HK\$34,991) was payable to the Trustee.

Registrar fee

The Trustee is also entitled to receive a fee for services in its capacity as Registrar which will be fixed at HK\$39,000 per annum initially; such fee may vary depending on the number of holders of redeemable units in the Sub-Fund and is calculated and paid quarterly in arrears to the Trustee. There is no maximum amount applicable to the Registrar Fees.

The registrar fee for the year ended 31 December 2010 was HK\$39,000 (2009: HK\$39,000). As at 31 December 2010, a registrar fee of HK\$3,312 (2009: HK\$3,446) was payable to the Registrar.

Further, the Trustee may appoint sub-custodians to safe-keep the assets of the Sub-Fund. 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 fee

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 0.25% for each listed securities transaction. During the year, the Sub-Fund incurred in the brokerage and handling fee to GJS of HK\$213,912 (2009: HK\$234,941) and no amounts in relation to the brokerage and handling fee were payable by the Sub-Fund as at 31 December 2010.

Bank balances and interest income

Bank balances are maintained with the Hongkong and Shanghai Banking Corporation Limited (“HSBC”), Hong Kong Branch, an affiliate of the Trustee. Bank balances deposited with affiliates of the Trustee at 31 December 2010 of HK\$2,583,530 (2009: HK\$8,038,195) and interest income earned during the year on these bank balances was Nil (2009: HK\$255).

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2010

4. TAX

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

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

Dividend income is subject to withholding tax in certain jurisdictions and is the only item subject to taxation at an average applicable withholding tax rate of 10% (2009: 10%) in such jurisdictions. The withholding tax attributable to the Sub-Fund in 2010 was HK\$4,225 (2009: HK\$24,764).

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010 HK\$	2009 HK\$
Listed equity securities, at cost	72,173,164	40,692,256
Unrealised gains	8,806,018	2,513,252
Total financial assets at fair value through profit or loss	<u>80,979,182</u>	<u>43,205,508</u>

A detailed portfolio listing as at 31 December 2010 is set out on pages 28 and 29.

The financial instruments of the Sub-Fund recognised at fair value, analysed between those whose value is based on:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

As at 31 December 2010, all of the Sub-Fund's investment holdings were classified as Level 1 under the three-level valuation hierarchy. Quoted prices are available in active markets for all of the Sub-Fund's investment holdings.

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2010

6. CASH AND BANK BALANCES

The cash at bank, HSBC, was held in interest bearing accounts as at the reporting date.

7. CAPITAL

As at 31 December 2010, 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 asset of the Sub-Fund as at 31 December 2010 and the number of units in issue as at that date respectively.

	2010 HK\$	2009 HK\$
Net assets	<u>83,935,201</u>	<u>51,618,769</u>

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

	2010	2009
At beginning of the year	602,796.52	1,029,824.58
Issued during the year	456,407.33	1,602.96
Redeemed during the year	(182,653.27)	(428,631.02)
At the end of the year	<u>876,550.58</u>	<u>602,796.52</u>
Net asset value per redeemable unit	<u>95.76</u>	<u>85.63</u>

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2010

8. RECONCILIATION BETWEEN NET ASSET VALUE PER STATEMENT OF ASSETS AND LIABILITIES AND PUBLISHED NET ASSET VALUE

	2010 HK\$	2009 HK\$
Net asset value used for calculating published net asset value per redeemable units	84,220,324	51,648,012
Adjustment to fair value of financial assets at fair value through profit or loss*	(285,123)	(29,243)
Net asset value per financial statements	<u>83,935,201</u>	<u>51,618,769</u>
Number of redeemable units in issue	876,550.58	602,796.52
Published net asset value per redeemable unit	<u>96.08</u>	<u>85.68</u>

* The published net asset value per redeemable participating unit issued is calculated using last traded price at the close of business on the reporting date in determining the fair value of investment securities, in accordance with the offering memorandum, instead of using last bid price for financial assets at fair value through profit or loss, as required under HKFRSs.

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 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. Further, 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.

31 December 2010

10. FINANCIAL MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk

Market risk (including equity price risk, foreign currency risk and interest rate risk) is the risk that the value of financial assets will fluctuate as a result of changes in market prices, foreign currency and interest rates whether those changes are caused by factors specific to the individual assets or factors affecting all assets in the market.

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.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The trading equity price risk exposure arises from the Sub-Fund's investment portfolio.

At 31 December 2010 and 2009, if Hang Seng Index ("HSI") had increased or decreased by 5% with all other variables held constant, this would have increased or decreased respectively in net assets attributable to holders of redeemable units for the year by approximately HK\$3,313,318 and HK\$2,409,901, respectively. This analysis is based on the assumption that all the equity instruments move according to the historical correlation with the HSI and with all other variables held constant. In practice, the actual results may differ and the difference could be material.

Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or liabilities 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 currency. Fluctuations in exchange rates between the HK\$ and United State 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 foreign currency risk as majority of its operations and transactions are in HK\$ and denominated in HK\$.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or future cash flows will fluctuate due to changes in market interest rates. The Sub-Fund is exposed to interest rate risk as all 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. Due to the current balance sheet structure of the Sub-Fund, emphasis is placed on managing the interest rate risk of cash and bank balances. In terms of sensitivity to movements in interest rates, the Sub-Fund did not experience a substantial loss on the finance cost affected by the interest rate movements as the Sub-Fund's financial instruments were predominantly equity securities and cash at bank, which are either interest-free or at minimal interest rate bearing at 31 December 2010.

31 December 2010

10. FINANCIAL MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Sub-Fund will encounter difficulty in raising funds to meet commitments associated with financial assets and liabilities. 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 7 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 all of its investments are listed and actively traded.

The contractual undiscounted cash flows of the Sub-Fund's financial liabilities are same as their carrying values as at 31 December 2010 of HK\$2,960,136 (2009: HK\$1,829,071) as they are repayable less than three months.

(c) Credit risk

Credit risk relates to the extent to which failures by counterparties to discharge their obligations could reduce the amount of future cash flows from financial assets on hand as at the balance sheet date. 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 Sub-Fund monitors its 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 cash and bank balances of the Sub-Fund are held by the reputable financial institutions 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 avoid the counterparty risk from brokers.

31 December 2010

10. FINANCIAL MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Capital management

The primary objective of the Sub-Fund 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. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised by the Manager and the Trustee on 25 February 2011.

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

INVESTMENT PORTFOLIO

31 DECEMBER 2010

Listed Investments

Equities	Holdings	Market Value HK\$	% of Net Assets
<u>Hong Kong</u>			
China Lumena New Materials Corp	838,000	2,354,780	2.81%
Shougang Concord Century Holdings Ltd	1,000,000	900,000	1.07%
Chow Sang Sang Holdings International Ltd	20,000	379,200	0.45%
China Gas Holdings Ltd	1,150,000	3,898,500	4.63%
Chigo Holding Ltd	10,116,000	10,014,840	11.93%
Sihuan Pharmaceutical Holdings Group Ltd	100,000	568,000	0.68%
Hua Han Bio-Pharmaceutical Holdings Ltd	840,000	2,200,800	2.62%
Luk Fook Holdings International Ltd	20,000	540,000	0.64%
China Oil and Gas Group Ltd	780,000	686,400	0.82%
China Agri-Industries Holdings Ltd	100,000	876,000	1.04%
Fushan International Energy Group Ltd	150,000	795,000	0.95%
China High Speed Transmission Equipment Group Co Ltd	20,000	241,600	0.29%
Thunder Sky Battery Ltd	6,160,000	6,283,200	7.49%
Tianneng Power International Ltd	294,000	946,680	1.13%
VST Holdings Ltd	500,000	1,135,000	1.35%
Zhongsheng Group Holdings Ltd	30,000	507,000	0.60%
Hisense Kelon Electrical Holdings Co Ltd	217,000	1,115,380	1.33%
China Taiping Insurance Holdings Co Ltd	10,000	238,500	0.28%
Lenovo Group Ltd	10,000	49,800	0.06%
HL Technology Group Ltd	450,000	972,000	1.16%
Biostime International Holdings Ltd	460,000	5,060,000	6.02%
Haier Electronics Group Co Ltd	579,000	5,234,160	6.23%
Yanzhou Coal Mining Co Ltd	200,000	4,720,000	5.62%
China Precious Metal Resources	1,448,000	2,490,560	2.97%
Yashili International Holdings	220,000	651,200	0.78%
World Wide Touch Technology Holdings Ltd	700,000	665,000	0.79%

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

INVESTMENT PORTFOLIO

31 DECEMBER 2010

Listed Investments

Equities	Holdings	Market Value HK\$	% of Net Assets
<u>Hong Kong</u>			
BaWang International Group Hol	1,114,000	3,152,620	3.76%
361 Degrees International Ltd	3,000	16,770	0.02%
XTEP International Holdings	1,000	5,410	0.01%
Hidili Industry International Development Ltd	250,000	1,642,500	1.96%
Magic Holdings International L	100,591	620,646	0.74%
International Mining Machinery	100,000	629,000	0.75%
Boshiwa International Holding	50,000	300,500	0.36%
China ZhengTong Auto Services	80,000	585,600	0.70%
Dah Chong Hong Holdings Ltd	388,000	3,193,240	3.80%
Intime Department Store Group	316,000	3,602,400	4.28%
Peak Sport Products Co Ltd	5,000	25,500	0.03%
China Titans Energy Technology	876,000	981,120	1.17%
China Wireless Technologies Lt	52,000	251,680	0.30%
ENN Energy Holdings Ltd	96,000	2,232,000	2.66%
Zijin Mining Group Co Ltd	100,000	709,000	0.84%
Vinda International Holdings L	110,000	940,500	1.12%
Ju Teng International Holdings Ltd	100,000	376,000	0.45%
Bosideng International Holding	2,000,000	6,200,000	7.39%
Directel Holdings Ltd	3,000,000	540,000	0.64%
Concord Medical Services Holdings Ltd	25,300	1,451,095	1.73%
TOTAL INVESTMENT		80,979,182	
TOTAL INVESTMENT, AT COST		72,173,164	

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

STATEMENTS OF MOVEMENTS IN INVESTMENT PORTFOLIO

31 DECEMBER 2010

Listed Investments	Holdings			Bonus/Splits	
	01/01/2010	Additions	Disposals	Factor Adj	31/12/2010
Equities					
<u>Consumer Discretionary</u>					
Chow Sang Sang Holdings International Ltd	-	20,000	-	-	20,000
Chigo Holding Ltd	-	1,096,000	(1,644,000)	10,664,000	10,116,000
GOME Electrical Appliances Holdings Ltd	720,000		(720,000)	-	-
Ports Design Ltd	-	100,000	(100,000)	-	-
Luk Fook Holdings International Ltd	-	20,000	-	-	20,000
Xinhua Winshare Publishing and Media Co Ltd	(241,000)	241,000	-	-	-
Tianneng Power International Ltd	-	500,000	(206,000)	-	294,000
Zhongsheng Group Holdings Ltd	-	30,000	-	-	30,000
Hisense Kelon Electrical Holdings Co Ltd	-	961,000	(744,000)	-	217,000
TCL Multimedia Technology Holdings Ltd	-	300,000	(300,000)	-	-
Brilliance China Automotive Holdings Ltd	-	2,000,000	(2,000,000)	-	-
Haier Electronics Group Co Ltd	-	742,000	(163,000)	-	579,000
361 Degrees International Ltd	-	556,000	(553,000)	-	3,000
XTEP International Holdings	-	381,000	(380,000)	-	1,000
Boshiwa International Holding	-	50,000	-	-	50,000
China ZhengTong Auto Services	-	80,000	-	-	80,000
Dah Chong Hong Holdings Ltd	-	388,000	-	-	388,000
Intime Department Store Group	-	461,000	(145,000)	-	316,000
Peak Sport Products Co Ltd	-	695,000	(690,000)	-	5,000
Shanghai Jin Jiang Internation	-	618,000	(618,000)	-	-
Pou Sheng International (Holdings) Ltd	-	220,000	(220,000)	-	-
Bosideng International Holding	-	2,000,000	-	-	2,000,000

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

STATEMENTS OF MOVEMENTS IN INVESTMENT PORTFOLIO

31 DECEMBER 2010

Listed Investments	Holdings		Bonus/Splits		
	01/01/2010	Additions	Disposals	Factor Adj	31/12/2010
Equities					
<u>Consumer Staples</u>					
China Agri-Industries Holdings Ltd	-	100,000	-	-	100,000
Biostime International Holdings Ltd	-	460,000	-	-	460,000
China Precious Metal Resources	-	2,400,000	(952,000)	-	1,448,000
Yashili International Holdings	-	220,000	-	-	220,000
BaWang International Group Holdings	-	1,514,000	(400,000)	-	1,114,000
Magic Holdings International Ltd	-	100,000	-	-	100,000
China Mengniu Dairy Co Ltd	-	40,000	(40,000)	-	-
Vinda International Holdings Ltd	-	110,000	-	-	110,000
<u>Energy</u>					
Kunlun Energy Co Ltd	-	550,000	(550,000)	-	-
Yanzhou Coal Mining Co Ltd	-	200,000	-	-	200,000
<u>Financials</u>					
Poly Hong Kong Investments Ltd	220,000	-	(220,000)	-	-
Shenzhen Investment Ltd	478,000	-	(478,000)	-	-
Thunder Sky Battery Ltd	10,500,000	7,000,000	(11,340,000)	-	6,160,000
China Taiping Insurance Holdings Co Ltd	-	100,000	(90,000)	-	10,000
SRE Group	1,806,000	-	(1,806,000)	-	-
Renhe Commercial Holdings Co Ltd	-	1,000,000	(1,000,000)	-	-
Ping An Insurance Group Co of	-	100,000	(100,000)	-	-
PICC Property and Casualty Co. Ltd	200,000	-	(200,000)	-	-

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

STATEMENTS OF MOVEMENTS IN INVESTMENT PORTFOLIO

31 DECEMBER 2010

Listed Investments	01/01/2010	Holdings		Bonus/Splits	
		Additions	Disposals	Factor Adj	31/12/2010
Equities					
Financials					
China Life Insurance Co Ltd	-	10,000	(10,000)	-	-
Agile Property Holdings Ltd	-	110,000	(110,000)	-	-
Bank of China Ltd	-	150,000	(150,000)	-	-
Health Care					
Sihuan Pharmaceutical Holdings Group Ltd	-	100,000	-	-	100,000
Hua Han Bio-Pharmaceutical Holdings Ltd	-	-	700,000	140,000	840,000
Lijun International Pharmaceut	-	520,000	(520,000)	-	-
Concord Medical Services Holdings Ltd	27,400	-	(2,100)	-	25,300
Industrials					
Minmetals Land	2,036,000	-	(2,036,000)	-	-
China High Speed Transmission Equipment Group Co Ltd	-	20,000	-	-	20,000
Tianjin Development Hldgs	170,000	-	(170,000)	-	-
HL Technology Group Ltd	-	450,000	-	-	450,000
Metallurgical Corporation of China Ltd	-	250,000	(250,000)	-	-
International Mining Machinery	-	100,000	-	-	100,000
China COSCO Holdings Co Ltd	(120,000)	120,000	-	-	-
China Titans Energy Technology	-	876,000	-	-	876,000
Dalian Port Co. Ltd	522,000	-	(522,000)	-	-

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

STATEMENTS OF MOVEMENTS IN INVESTMENT PORTFOLIO

31 DECEMBER 2010

Listed Investments	Holdings		Bonus/Splits		
	01/01/2010	Additions	Disposals	Factor Adj	31/12/2010
Equities					
<u>Information Technology</u>					
China All Access Holdings Ltd	1,690,000	-	(1,690,000)	-	-
VST Holdings Ltd	-	1,000,000	(500,000)	-	500,000
Lenovo Group Ltd	160,000	840,000	(990,000)	-	10,000
World Wide Touch Technology Holdings Ltd	-	700,000	-	-	700,000
SIM Technology Group Ltd	308,500	-	(308,500)	-	-
China Wireless Technologies Lt	-	500,000	(448,000)	-	52,000
Ju Teng International Holdings Ltd	-	100,000	-	-	100,000
Shanda Games Ltd	36,668	-	(36,668)	-	-
<u>Materials</u>					
China Lumena New Materials Corp	-	2,978,000	(2,140,000)	-	838,000
Shougang Concord Century Holdings Ltd	-	1,000,000	-	-	1,000,000
Maanshan Iron & Steel	248,000	-	(248,000)	-	-
Fushan International Energy Group Ltd	-	1,050,000	(900,000)	-	150,000
Ko Yo Ecological Agrotech Group Ltd	-	15,300,000	(15,300,000)	-	-
TCC International Holdings Ltd	-	380,000	(380,000)	-	-
Hidili Industry International Development Ltd	-	250,000	-	-	250,000
Shandong Chenming Paper Holdings Ltd	250,000	-	(250,000)	-	-
Zijin Mining Group Co Ltd	-	100,000	-	-	100,000

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

STATEMENTS OF MOVEMENTS IN INVESTMENT PORTFOLIO

31 DECEMBER 2010

Listed Investments	01/01/2010	Holdings		Bonus/Splits		31/12/2010
		Additions	Disposals	Factor	Adj	
Equities						
<u>Telecommunication Services</u>						
China Telecom Corp Ltd	(550,000)	550,000	-	-	-	-
China Mobile Ltd	-	100,000	(100,000)	-	-	-
Directel Holdings Ltd	-	3,000,000	-	-	-	3,000,000
<u>Utilities</u>						
China Gas Holdings Ltd	-	1,800,000	(650,000)	-	-	1,150,000
China Oil and Gas Group Ltd	-	3,800,000	(3,020,000)	-	-	780,000
ENN Energy Holdings Ltd	-	96,000	-	-	-	96,000
GCL-Poly Energy Holdings Ltd	771,000	-	(771,000)	-	-	-
<u>Warrants</u>						
SG-CLIFE@EC1007 (20211)	-	17,000,000	(17,000,000)	-	-	-
SGCLIFE@EC1008B	-	20,000,000	(20,000,000)	-	-	-
SGCLIFE@EC1009B	-	16,000,000	(16,000,000)	-	-	-
CS-CMOB@EC1008B	-	12,000,000	(12,000,000)	-	-	-

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND
PERFORMANCE RECORD

31 December 2010

Net asset value

HK\$

31 December 2010	<u><u>83,935,201</u></u>
31 December 2009	<u><u>51,618,769</u></u>
31 December 2008	<u><u>43,881,126</u></u>

Net asset value per unit

HK\$

31 December 2010	<u><u>95.76</u></u>
31 December 2009	<u><u>85.63</u></u>
31 December 2008	<u><u>42.61</u></u>

Highest and lowest net asset value per unit

	Highest HK\$	Lowest HK\$
Financial year ended 31 December 2010	<u><u>98.18</u></u>	<u><u>73.18</u></u>
Financial year ended 31 December 2009	<u><u>85.68</u></u>	<u><u>40.61</u></u>
Financial year ended 31 December 2008 (since establishment)	<u><u>113.18</u></u>	<u><u>33.52</u></u>

