



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 2011

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
YUAN Jun Ping

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

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Suite 6401
62 Forum Lane
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P.O. Box 510
Grand Cayman KY1-1106
Cayman Islands
British West Indies

Legal Adviser

Sidley Austin
39th Floor
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
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Cayman Islands

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

REPORT OF THE MANAGER

31 December 2011

Markets Review

The global equity markets were generally weak in year 2011 as sluggish economic growth and continuing sovereign debt concerns made investors risk averse. Developed markets relatively outperformed as funds flew back for safety. The Asian markets, especially Hong Kong and China domestic A-share market, suffered from slowing down economy and capital outflow and declined most sharply.

US equities managed to end the 1-year review period at the positive territory as investors preferred to hold USD-dominated assets amid the Euro-zone debt crisis. USD got appreciation by 1.5% and US treasury bonds yield decreased to historical-low level despite Standard & Poor's (S&P) astonishing downgrade of the US long term AAA credit rating. The US Federal Reserve (Fed), acknowledging significant downside risks to the economic outlook, launched "Operation Twist" to drive down long term interest rates and support the economy. The Fed further committed to keep US interest rate at the historical low level till 2H 2014, in order to boost the investors' confidence. Encouragingly, the period ended with incremental signs of improvement in the labor and housing markets, as the US unemployment rate declined for consecutive months and housing prices stabilized. US blue chips continued to perform well in 2011. The Dow Jones increased 5.5% to 12,418. The S&P 500 remained flat at 1,258 and the NASDAQ dropped 1.8% to 2,605.

The major theme of China's economy for 2011 was "soft-landing". In the first half of 2011, the central government was busy at "anti-inflation" as the Consumer Price Index (CPI) in the mid-term reached two-year-high 6.4%. In order to mop up the excessive liquidity, People's Bank of China (PBOC) has hiked the RRR for 6 times and raised interest rate for 3 times altogether in the 1H 2011. By the end of last year, the CPI growth went back to 4.1%, and inflation no longer was a major concern to China's policy-maker. Instead, domestic economy signaled declining trend in the second half of 2011 due to sluggish export and tight money supply. Domestic consumption was not as strong as expected either, as the central government continued to tightly control the property sector, by firmly restricting housing purchase and aggressively expanding housing supply in the same time. China's slowing down was controllable as the central government has actively fine-tune policies by issuing more fiscal stimulus programs, even though the monetary policy remained pretty tight. China's full-year Gross Domestic Product (GDP) growth was reported decently at 9.2%, and the full-year Fixed Asset Investments (FAI) growth was 23.8%, down 1.8% from the first half of 2011. Both the domestic and Hong Kong markets performed disappointingly in last year.

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

REPORT OF THE MANAGER

31 December 2011

Performance (continued)

The domestic CSI300 index was slashed by 25% to close at 2,346. In Hong Kong Market, the Hang Seng Index decreased by 20% to 18,434, and HSCEI dropped by 22% to 9,936.

RELATED MARKETS PERFORMANCE

Index Name	1 Year % Change*	Since Inception % Change
Hang Seng China-Affiliated Index Total Return (HSCCI)	-9.7%	-30.3%
CSI 300 Index Total Return	-17.4%	-23.5%
Hang Seng China Ent Index Total Return (HSCEI)	-17.4%	-22.7%
Taiwen TAIEX Index Total Return	-18.0%	-4.7%
MSCI China Total Return	-18.3%	-31.6%
Hang Seng Index Total Return (HSI)	-19.7%	-33.7%
MSCI Golden Dragon Index Total Return	-24.0%	-50.6%
Shanghai SE B Shares Index Total Return	-28.0%	-32.9%
Shenzhen SE B Shares Index Total Return	-29.7%	-13.1%
GJGC	-33.4%	-36.0%

* Descendent ranked according to the 2011 % Change.

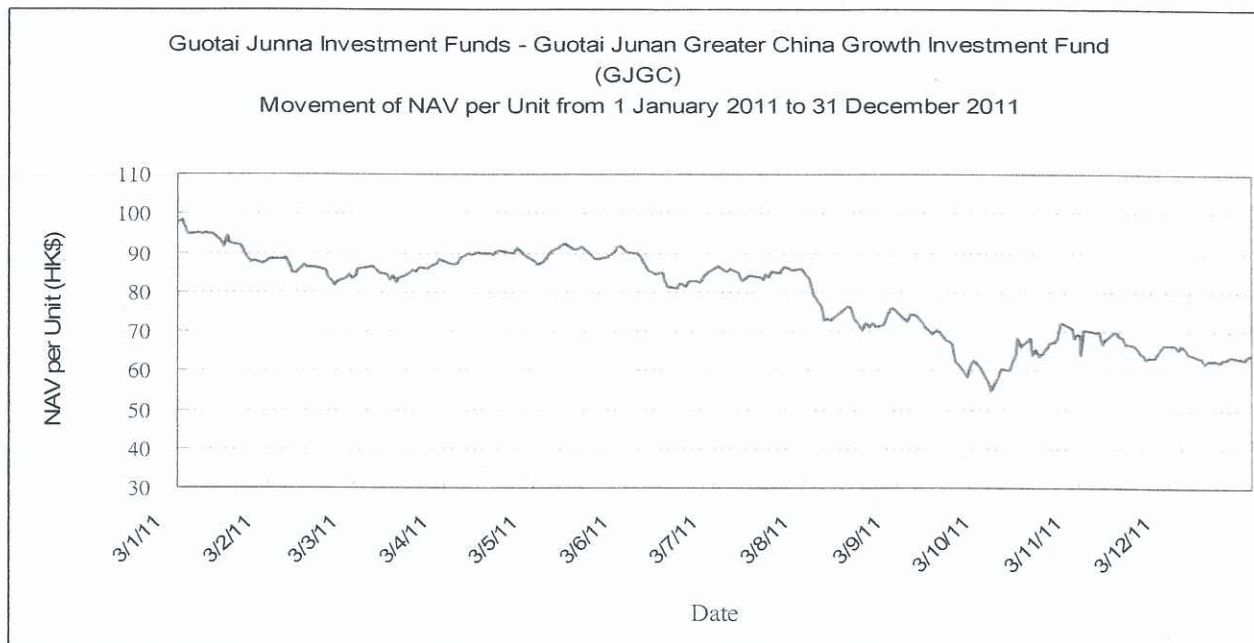
There was a sharp increase in market volatility over the past year, which led to risk off trades. As a result, cyclical sectors, the earnings of which are typically impacted by the economic cycle, generally underperformed, whilst defensive areas with comparatively more stable earnings profiles outperformed the broader market. As cyclical sectors all together weighed 50.2% of GJGC's portfolio, the fund reported disappointing 1-year return, which decreased by 33.4% in 2011. The fund underperformed Hang Seng Total Return Index by 13.7% in the same period.

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

REPORT OF THE MANAGER

31 December 2011

Performance (continued)



The holdings of the portfolio were relatively diversified in the captioned period. Consumer discretionary remained the largest sector with weighing of 23.4% of Net Asset Value (NAV). Cyclical sectors comprised a big trunk of the portfolio, with materials, financials and new energy each weighing of 15.8%, 7.9% and 6.5% respectively. Information Technology weighed 12.8% as China All Access (00633 HK) was the top 1 single holding of the fund weighing of 9.3%.

REPORT OF THE MANAGER

31 December 2011

Markets Outlook

As we have stated in our previous communication at the beginning of this year, we expect much uncertainty in the global economy and remain cautious view on the equity market's performance. Therefore, we avoided frequently trading and preferred undervalued stocks with sound fundamentals. As we are an investment house with the investment philosophy sticking to the bottom-up approach, we always endeavor to conduct thorough fundamental research to support our investment decisions for our managed funds.

In the beginning of 2012, we observed encouraging progress in Euro-zone to finally resolve the debt crisis. US economy continued delivering recovery signals, as both the consumer confidence and the manufactory index improved. The global market sentiment is recovering as well.

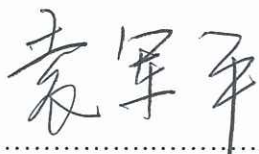
In domestic China, we will see the power transition in the leading party this year, and we expect no dramatic monetary easing in short-term as the major task for the central government is *stabilization*. But we do expect more policy fine-tunes underway to bolster the economy growth. The PBOC has cut RRR by 50 bps for the first time in the previous three months. Meanwhile, China's export might not be that sluggish as expected if the global economy will slowly recover this year. We turn relatively optimistic on domestic A-share market / Hong Kong market performance for 2012.

31 December 2011

Investment Strategy

We recommend the following specific sectors that investment opportunities may probably exist in:

- 1) Healthcare. Demand for healthcare services and drugs are still strong, and we expect the volumes will increase even though the movement of prices is uncertain. Sentiment on this sector is recovering as the valuation of this sector has fallen to the historical low level, which may offer a good entering point.
- 2) Selected industrial manufacturers. We expect the government will consistently support the high-end manufacturing with advanced technology and the agriculture machinery if the central government determines to roll out more aggressive fiscal expanding policies. Also the valuation of the sector remained undemanding.
- 3) Financial Services. This sector will benefit most if the central government taking more loosening monetary polices. The profitability of insurance companies will also be dramatically improved in more amiable macro environment.



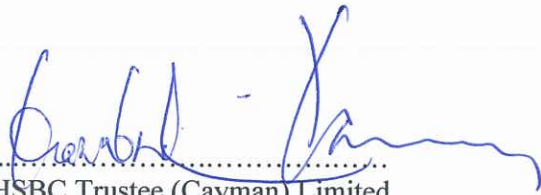
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Guotai Junan Assets (Asia) Limited

05 APR 2012

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 2011.



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HSBC Trustee (Cayman) Limited

05 APR 2012

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 10 to 29, which comprise the statement of assets and liabilities as at 31 December 2011, and the statement of comprehensive income, distribution statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Manager and the Trustee of the Trust are responsible for the preparation of financial statements that give a true and fair view 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 relevant financial statements disclosure provisions specified in Appendix E 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, 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 of financial statements that give a true and fair view 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 the Sub-Fund as at 31 December 2011, 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.

5 April 2012

GUOTAI JUNAN INVESTMENT FUNDS – GUOTAI JUNAN GREATER CHINA GROWTH FUND

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Notes	2011 HK\$	2010 HK\$
Income			
Dividend income		1,011,184	1,291,765
Total income		<u>1,011,184</u>	<u>1,291,765</u>
Expenses			
Administration and custodian fee	3	412,000	412,000
Bank charges		45,551	35,127
Valuation fee		95,756	96,725
Audit fee		243,000	292,000
Brokerage and handling expenses	3	463,241	1,086,928
Management fee	3	1,116,863	1,174,275
Transaction fees		42,436	99,821
Registrar fee	3	39,000	39,000
Tax advisory fee		20,276	20,253
Miscellaneous expenses		152,229	60,163
Total expenses		<u>2,630,352</u>	<u>3,316,292</u>
Loss before investment (loss)/gain and exchange differences		(1,619,168)	(2,024,527)
Investment (loss)/gain and exchange differences			
Net unrealised gain on investments		(31,258,107)	6,292,766
Net realised gain on investments		2,410,717	4,961,171
Foreign exchange differences, net		220,426	2,475
		<u>(28,626,964)</u>	<u>11,256,412</u>
(Loss)/income for the year before tax		(30,246,132)	9,231,885
Withholding tax	4	(28,607)	(4,225)
Total comprehensive (loss)/income for the year after tax		<u><u>(30,274,739)</u></u>	<u><u>9,227,660</u></u>

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND
DISTRIBUTION STATEMENT

Year ended 31 December 2011

	2011 HK\$	2010 HK\$
At beginning of year	(16,734,062)	(25,961,722)
Total comprehensive (loss)/income for the year	(30,274,739)	9,227,660
Distributions	<u>-</u>	<u>-</u>
Undistributed loss carried forward	<u>(47,008,801)</u>	<u>(16,734,062)</u>

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

STATEMENT OF ASSETS AND LIABILITIES

31 December 2011

	Notes	2011 HK\$	2010 HK\$
Assets			
Financial assets at fair value through profit or loss	5	50,919,745	80,979,182
Due from brokers		450,381	3,311,625
Dividend receivable		39,876	21,000
Cash and bank balances	6	10,305,996	2,583,530
Total assets		<u>61,715,998</u>	<u>86,895,337</u>
Liabilities			
Accounts payable and accruals		362,381	490,241
Due to brokers		-	2,469,895
Total liabilities		<u>362,381</u>	<u>2,960,136</u>
Equity			
Units in issue		85,889,458	79,815,136
(Accumulated loss)/retained profit		(24,535,841)	4,120,065
Total equity		<u>61,353,617</u>	<u>83,935,201</u>
Total liabilities and equity		<u>61,715,998</u>	<u>86,895,337</u>
Number of units in issue	7	<u>962,382.48</u>	<u>876,550.58</u>
Net asset value per unit	8	<u>63.75</u>	<u>95.76</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 2011

	Units in issue HK\$	Retained profit/ (accumulated loss) HK\$	Total equity HK\$
At 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	<u>-</u>	<u>9,227,660</u>	<u>9,227,660</u>
At 31 December 2010 and 1 January 2011	79,815,136	4,120,065	83,935,201
Subscription of units	16,977,044	-	16,977,044
Redemption of units	(10,902,722)	1,618,833	(9,283,889)
Total comprehensive loss for the year	<u>-</u>	<u>(30,274,739)</u>	<u>(30,274,739)</u>
At 31 December 2011	<u><u>85,889,458</u></u>	<u><u>(24,535,841)</u></u>	<u><u>61,353,617</u></u>

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	2011 HK\$	2010 HK\$
Cash flows from operating activities		
(Loss)/profit for the financial year	(30,274,739)	9,227,660
Adjustments for:		
Net unrealised loss/(gain) on disposal of investments	31,258,107	(6,292,766)
Net realised gain on investments	(2,410,717)	(4,961,171)
	<u>(1,427,349)</u>	<u>(2,026,277)</u>
Purchase of financial assets at fair value through profit or loss	(63,127,263)	(171,006,312)
Proceeds from disposals of financial assets at fair value through profit or loss	64,339,310	144,486,575
(Decrease)/Increase in amounts due from brokers	2,861,244	(1,107,488)
Increase in Dividends Receivable	(18,876)	(21,000)
Decrease in accounts payable and accruals	(127,860)	(3,733)
(Decrease)/increase in amounts due to brokers	(2,469,895)	1,134,798
	<u>29,311</u>	<u>(28,543,437)</u>
Cash flows from financing activities		
Proceeds from issue of units	16,977,044	39,876,397
Payments on redemption of units	(9,283,889)	(16,787,625)
	<u>7,693,155</u>	<u>23,088,772</u>
Net increase/(decrease) in cash and cash equivalents	7,722,466	(5,454,665)
Cash and cash equivalents at the beginning of the year	<u>2,583,530</u>	<u>8,038,195</u>
Cash and cash equivalents at the end of the year	<u><u>10,305,996</u></u>	<u><u>2,583,530</u></u>
Analysis on balances of cash and cash equivalents		
Bank balances	<u><u>10,305,996</u></u>	<u><u>2,583,530</u></u>
 Supplementary Cash Flow Information:		
Cash received in Dividend Income	992,308	1,270,765

31 December 2011

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") 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 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 of 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 2011

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 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i>
HK(IFRIC) - Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>

Improvements to HKFRSs 2010 Amendments to a number of HKFRSs issued in May 2010

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> ¹
HKFRS 9	<i>Financial Instruments</i> ²

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

² Effective for annual periods beginning on or after 1 January 2015

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 2011

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

Also in November 2010, 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 2015.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(ii) Recognition

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

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

(iv) 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 net gain or loss on financial assets at fair value through profit or loss. Interest earned and dividend revenue elements of such instruments are recorded separately in statement of comprehensive income.

(v) 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 expired.

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

NOTES TO FINANCIAL STATEMENTS

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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

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

Cash and cash equivalents

Cash and cash equivalents in the statement of 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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translations (continued)

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 as part of net gain or loss on financial assets at fair value through profit or loss. Foreign exchange differences on other financial instruments are included in profit or loss in the statement of comprehensive income as net foreign exchange gains (losses).

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.

Share Capital

Classification of redeemable shares

Redeemable shares are classified as equity instruments when:

- The redeemable shares 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 shares are in the class of instruments that is subordinate to all other classes of instruments.
- All redeemable shares in the class of instruments that is subordinate to all other classes of instruments have identical features.
- The redeemable shares 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 shares 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 shares 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 shareholders.

The Sub-Fund continuously assesses the classification of the redeemable shares. If the redeemable shares 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 shares subsequently have all the features and meet the conditions to be classified as equity, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share Capital (continued)

Classification of redeemable shares (continued)

The issuance, acquisition and cancellation of redeemable shares are accounted for as equity transactions. Upon issuance of shares, 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 (treasury shares) are deducted from equity and accounted for at amounts equal to the consideration paid, including any directly attributable incremental costs. The Sub-Fund's policy is not to keep shares in treasury, but rather to cancel them once repurchased. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issuance or cancellation of the Sub-Fund's own equity instruments.

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Sub-Fund;
 - (ii) has significant influence over the Sub-Fund; or
 - (iii) is a member of the key management personnel of the Sub-Fund or of a parent of the Sub-Fund;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Sub-Fund are members of the same Sub-Fund;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Sub-Fund are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Sub-Fund or an entity related to the Sub-Fund;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (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).

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

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 2011, the directors of the Manager and the affiliate of the Manager, Guotai Junan Investments (Hong Kong) Limited, together held 115,460.32 (2010: 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 2011 was of HK\$1,116,863 (2010: HK\$1,174,275). As at 31 December 2011, a management fee of HK\$78,299 (2010: HK\$102,469) was payable to the Manager.

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 2011 was HK\$412,000 (2010: HK\$412,000). As at 31 December 2011, a trustee fee of HK\$34,991 (2010: HK\$34,991) was payable to the Trustee.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

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

Registrar fee

The Trustee is also entitled to receive a fee for services in its capacity as Registrar 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 2011 was HK\$39,000 (2010: HK\$39,000). As at 31 December 2011, a registrar fee of HK\$3,312 (2010: HK\$3,312) was payable to the Registrar.

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 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 the brokerage and handling fee to GJS of HK\$450,381 (2010: HK\$213,912) and no amounts in relation to the brokerage and handling fee were payable by the Sub-Fund as at 31 December 2011.

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 2011 of HK\$10,305,996 (2010: HK\$2,583,530) and interest income earned during the year on these bank balances was Nil (2010: Nil).

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% (2010: 10%) in such jurisdictions. The withholding tax attributable to the Sub-Fund in 2011 was HK\$28,607 (2010: HK\$4,225).

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2011

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011 HK\$	2010 HK\$
Listed equity securities, at cost	73,371,834	72,173,164
Unrealised (loss)/gains	(22,452,089)	8,806,018
Total financial assets at fair value through profit or loss	<u>50,919,745</u>	<u>80,979,182</u>

A detailed portfolio listing as at 31 December 2011 is set out on pages 30 and 31.

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 2011, 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.

6. CASH AND BANK BALANCES

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

7. CAPITAL

As at 31 December 2011, 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.

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2011

7. CAPITAL (continued)

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 2011 and the number of units in issue as at that date respectively.

	2011 HK\$	2010 HK\$
Net assets	<u>61,353,617</u>	<u>83,935,201</u>

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

	2011 HK\$	2010 HK\$
At beginning of the year	876,550.58	602,796.52
Issued during the year	208,353.27	456,407.33
Redeemed during the year	(122,521.37)	(182,653.27)
At the end of the year	<u>962,382.48</u>	<u>876,550.58</u>

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

	2011 HK\$	2010 HK\$
Net asset value used for calculating published net asset value per redeemable units	61,599,721	84,220,324
Adjustment to fair value of financial assets at fair value through profit or loss*	(325,104)	(285,123)
Adjustment to accrued audit fees	79,000	-
Net asset value per financial statements	<u>61,353,617</u>	<u>83,935,201</u>
Number of redeemable units in issue	962,382.48	876,550.58
Published net asset value per redeemable unit	<u>64.01</u>	<u>96.08</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.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

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.

(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 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 2011.

31 December 2011

10. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

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 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 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.

At 31 December 2011 and 2010, 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\$3,448,896 and HK\$3,313,318, 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.

(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 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 2011 of HK\$362,381 (2010: HK\$2,960,136) as they are repayable less than three months.

(c) Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Sub-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 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

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2011

10. FINANCIAL MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

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.

(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 5 April 2012.

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

INVESTMENT PORTFOLIO

31 December 2011

LISTED INVESTMENTS EQUITIES	Holdings	Market Value HKD	% of Net Assets
<u>HONG KONG</u>			
361 DEGREES INTERNATIONAL	3,000	9,270.00	0.02%
AVICHINA INDUSTRY & TECH-H	200,000	648,000.00	1.06%
BAOFENG MODERN INTERNATIONAL	800,000	888,000.00	1.45%
BOSHIWA INTERNATIONAL HOLDIN	90,000	156,600.00	0.26%
CHIGO HOLDING LTD	2,516,000	470,492.00	0.77%
CHINA AGRI-INDUSTRIES HLDGS	100,000	586,000.00	0.96%
CHINA ALL ACCESS HOLDINGS	3,460,000	5,674,400.00	9.26%
CHINA HIGH SPEED TRANSMISSIO	20,000	68,000.00	0.11%
CHINA LIFE INSURANCE CO-H	140,000	2,685,200.00	4.38%
CHINA OIL AND GAS GROUP LTD	140,000	89,600.00	0.15%
CHINA OILFIELD SERVICES-H	50,000	608,000.00	0.99%
CHINA PETROLEUM & CHEMICAL-H	400,000	3,268,000.00	5.33%
CHINA RESOURCES AND TRANSPOR	9,400,000	2,726,000.00	4.45%
CHINA SHANSHUI CEMENT GROUP	300,000	1,533,000.00	2.50%
CHINA TAIPING INSURANCE HOLD	110,000	1,579,600.00	2.58%
CHINA TITANS ENERGY TECHNOLO	476,000	314,160.00	0.51%
CHINA WIRELESS TECH LTD	52,000	71,760.00	0.12%
DAH CHONG HONG	1,000	9,080.00	0.01%
DIRECTEL HOLDINGS LTD	3,000,000	375,000.00	0.61%
GLOBAL BIO-CHEM TECHNOLOGY	1,000,000	1,580,000.00	2.58%
HAIER ELECTRONICS GROUP CO	579,000	3,977,730.00	6.49%
HENGDELI HOLDINGS LTD	1,744,000	4,412,320.00	7.20%
HIDILI INDUSTRY INTL DEVELOP	250,000	572,500.00	0.93%
HISENSE KELON ELEC HLD-H	217,000	297,290.00	0.49%
HL TECHNOLOGY GROUP LTD	150,000	168,000.00	0.27%
HSBC HOLDINGS PLC	10,000	590,000.00	0.96%
HUA HAN BIO-PHARMACEUTICAL H	868,800	1,120,752.00	1.83%

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

INVESTMENT PORTFOLIO

31 December 2011

LISTED INVESTMENTS EQUITIES	Holdings	Market Value HKD	% of Net Assets
HONG KONG			
INTERNATIONAL MINING MACHIN	10,000	85,500.00	0.14%
INTIME DEPARTMENT STORE	312,500	2,468,750.00	4.02%
JU TENG INTERNATIONAL HLDGS	100,000	88,000.00	0.14%
LENOVO GROUP LTD	10,000	51,700.00	0.08%
LIANHUA SUPERMARKET HLDGS -H	20,000	198,000.00	0.32%
MAGIC HOLDINGS INTERNATIONAL	275,509	809,996.46	1.32%
MAOYE INTERNATIONAL HLDGS	316,000	499,280.00	0.81%
PEAK SPORT PRODUCTS LTD	5,000	10,250.00	0.01%
PETROCHINA CO LTD-H	300,000	2,901,000.00	4.73%
SHANDONG CHENMING PAPER-H	200,000	756,000.00	1.23%
SHIRBLE DEPARTMENT STORES	200,000	160,000.00	0.26%
SHOUGANG CONCORD CENTURY HLI	10,000	3,200.00	0.01%
SHOUGANG FUSHAN RESOURCES GR	150,000	390,000.00	0.63%
SIHUAN PHARMACEUTICAL HLDGS	100,000	274,000.00	0.44%
SINOPEC YIZHENG CHEMICAL-H	200,000	354,000.00	0.58%
SINOPOLY BATTERY LTD	10,160,000	3,606,800.00	5.87%
TANG PALACE CHINA HOLDINGS	70,000	103,600.00	0.16%
TIANNENG POWER INTL LTD	4,000	14,000.00	0.02%
TONG REN TANG TECHNOLOGIES-H	30,000	253,500.00	0.41%
VINDA INTERNATIONAL HOLDINGS	110,000	1,092,300.00	1.78%
VST HOLDINGS LTD	1,196,000	1,160,120.00	1.89%
WORLD WIDE TOUCH TECHNOLOGY	1,400,000	263,200.00	0.42%
XTEP INTERNATIONAL HOLDINGS	1,000	2,460.00	0.00%
YASHILI INTERNATIONAL HOLDIN	220,000	257,400.00	0.41%
ZIJIN MINING GROUP CO LTD-H	3,000	8,730.00	0.01%
US			
CONCORD MEDICAL - SPON ADR	25,300	629,204.93	1.03%
TOTAL INVESTMENTS		50,919,745.39	82.99%
TOTAL INVESTMENTS, AT COST		73,371,834.25	

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

STATEMENTS OF MOVEMENTS IN INVESTMENT PORTFOLIO

31 December 2011

Listed Instruments	Holdings			Bonus/Split	Holdings
Equities	1/1/2011	Additions	Disposals	Factor Adjusted	12/31/2011
<u>Consumer Discretionary</u>					
AVICHINA INDUSTRY & TECH-H	-	200,000			200,000
LUK FOOK HOLDINGS INTL LTD	20,000		20,000		
CHINA ZHENG TONG AUTO SERVICE	80,000		80,000		
CHOW SANG SANG HLDG	20,000		20,000		
TIANNENG POWER INTL LTD	294,000		290,000		4,000
XTEP INTERNATIONAL HOLDINGS	1,000				1,000
361 DEGREES INTERNATIONAL	3,000				3,000
TANG PALACE CHINA HOLDINGS	-	70,000			70,000
PEAK SPORT PRODUCTS LTD	5,000				5,000
ZHONGSHENG GROUP HOLDINGS	30,000		30,000		
SHIRBLE DEPARTMENT STORES	-	200,000			200,000
MAOYE INTERNATIONAL HLDGS	-	316,000			316,000
DAH CHONG HONG	388,000		387,000		1,000
BOSHIWA INTERNATIONAL HOLDIN	50,000	40,000			90,000
BAOFENG MODERN INTERNATIONAL	-	800,000			800,000
HISENSE KELON ELEC HLD-H	217,000				217,000
INTIME DEPARTMENT STORE	316,000		3,500		312,500
BOSIDENG INTL HLDGS LTD	2,000,000		2,000,000		
HAIER ELECTRONICS GROUP CO	579,000				579,000
HENGDELI HOLDINGS LTD	-	1,744,000			1,744,000
CHIGO HOLDING LTD	10,116,000		7,600,000		2,516,000
<u>Consumer Staples</u>					
BIOSTIME INTERNATIONAL HOLDI	460,000		460,000		
VINDA INTERNATIONAL HOLDINGS	110,000				110,000
LIANHUA SUPERMARKET HLDGS -H	-	20,000			20,000
CHINA YURUN FOOD GROUP LTD	-	80,000	80,000		
CHINA AGRI-INDUSTRIES HLDGS	100,000				100,000
MAGIC HOLDINGS INTERNATIONAL	100,000	129,000		46,509	275,509
YASHILI INTERNATIONAL HOLDIN	220,000				220,000
GLOBAL BIO-CHEM TECHNOLOGY	-	1,000,000			1,000,000
BAWANG INTERNATIONAL GROUP	1,114,000		1,114,000		

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

STATEMENTS OF MOVEMENTS IN INVESTMENT PORTFOLIO

31 December 2011

Listed Instruments	Holdings			Bonus/Split	Holdings
Equities	1/1/2011	Additions	Disposals	Factor Adjusted	31/12/2011
<u>Energy</u>					
CHINA PETROLEUM & CHEMICAL-H	-	400,000			400,000
CHINA OILFIELD SERVICES-H	-	50,000			50,000
PETROCHINA CO LTD-H	-	300,000			300,000
YANZHOU COAL MINING CO-H	200,000		200,000		
<u>Financials</u>					
HSBC HOLDINGS PLC	-	10,000			10,000
CHINA LIFE INSURANCE CO-H	-	140,000			140,000
CHINA TAIPING INSURANCE HOLD	10,000	100,000			110,000
SINOPOLY BATTERY LTD	6,160,000	4,000,000			10,160,000
<u>Health Care</u>					
TONG REN TANG TECHNOLOGIES-H	-	30,000			30,000
SIHUAN PHARMACEUTICAL HLDGS	100,000				100,000
CONCORD MEDICAL - SPON ADR	25,300				25,300
HUA HAN BIO-PHARMACEUTICAL H	840,000		116,000	144,800	868,800
<u>Industrials</u>					
HL TECHNOLOGY GROUP LTD	450,000		300,000		150,000
INTERNATIONAL MINING MACHIN	100,000		90,000		10,000
CHINA HIGH SPEED TRANSMISSIO	20,000				20,000
CHINA TITANS ENERGY TECHNOLO	876,000		400,000		476,000
<u>Information Technology</u>					
LENOVO GROUP LTD	10,000				10,000
CHINA WIRELESS TECH LTD	52,000				52,000
JU TENG INTERNATIONAL HLDGS	100,000				100,000
WORLD WIDE TOUCH TECHNOLOGY	700,000	700,000			1,400,000
VST HOLDINGS LTD	500,000	696,000			1,196,000
CHINA ALL ACCESS HOLDINGS	-	3,460,000			3,460,000

GUOTAI JUNAN INVESTMENT FUNDS - GUOTAI JUNAN GREATER CHINA GROWTH FUND

STATEMENTS OF MOVEMENTS IN INVESTMENT PORTFOLIO

31 December 2011

Listed Instruments	Holdings			Bonus/Split	Holdings
Equities	1/1/2011	Additions	Disposals	Factor Adjusted	31/12/2011
<u>Materials</u>					
CHINA LUMENA NEW MATERIALS	838,000		838,000		
CHINA NATIONAL BUILDING MA-H	-	200,000	200,000		
CHINA SHANSHUI CEMENT GROUP	-	300,000			300,000
CHINA RESOURCES AND TRANSPOR	-	9,400,000			9,400,000
SHOUGANG CONCORD CENTURY HLD	1,000,000		990,000		10,000
SINOPEC YIZHENG CHEMICAL-H	-	200,000			200,000
ZIJIN MINING GROUP CO LTD-H	100,000		98,000	1,000	3,000
CHINA PRECIOUS METAL RESOURC	1,448,000		1,448,000		
SHANDONG CHENMING PAPER-H	-	200,000			200,000
SHOUGANG FUSHAN RESOURCES GR	150,000				150,000
HIDILI INDUSTRY INTL DEVELOP	250,000				250,000
<u>Telecommunication Services</u>					
CHINA UNICOM HONG KONG LTD	-	400,000	400,000		
CHINA TELECOM CORP LTD-H	-	1,000,000	1,000,000		
DIRECTEL HOLDINGS LTD	3,000,000				3,000,000
<u>Utilities</u>					
ENN ENERGY HOLDINGS LTD	96,000		96,000		
CHINA GAS HOLDINGS LTD	1,150,000		1,150,000		
CHINA OIL AND GAS GROUP LTD	780,000		640,000		140,000

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

31 December 2011

Net asset value

	HK\$
31 December 2011	<u>61,353,617</u>
31 December 2010	<u>83,935,201</u>
31 December 2009	<u>51,618,769</u>

Net asset value per unit

	HK\$
31 December 2011	<u>63.75</u>
31 December 2010	<u>95.76</u>
31 December 2009	<u>85.63</u>

Highest and lowest net asset value per unit

	Highest HK\$	Lowest HK\$
Financial year ended 31 December 2011	<u>98.26</u>	<u>54.84</u>
Financial year ended 31 December 2010	<u>98.18</u>	<u>73.18</u>
Financial year ended 31 December 2009	<u>85.68</u>	<u>40.61</u>

