



國泰君安國際
GUOTAI JUNAN INTERNATIONAL
ASSET MANAGEMENT

Guotai Junan Investment Funds

Guotai Junan Greater China Growth Fund
Guotai Junan Equity Income Fund

INTERIM REPORT (Unaudited)
For the six months ended 30 June 2018

Guotai Junan Assets (Asia) Limited

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DIRECTORY OF PARTIES

Investment Manager

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

Directors of the Manager

YIM Fung
QI Haiying
CHIU Simon Siu Hung

Trustee and Registrar

HSBC Trustee (Cayman) Limited
(Retired on 18 November 2016)
P.O. Box 484 ,HSBC House
68 West Bay Road Grand Cayman, KY1-1106 ,Cayman Islands

HSBC Institutional Trust Services (Asia) Limited
(Appointed on 18 November 2016)
1 Queen's Road Central, Hong Kong

Auditors

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central. Hong Kong

Legal Adviser

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



INVESTMENT MANAGER'S REVIEW

FOR THE PERIOD ENDED 30 JUNE 2018 (UNAUDITED)

MARKET REVIEW

After a remarkably calm period in 2017, global equity markets volatility made a comeback in the first half of 2018, although global economic growth still solid, inflation modest, and corporate earnings growth robust, the anxiety over rising bond yields and trade policies cast doubts and fears on the equity markets.

The year began with enthusiasm for global stock markets, strong corporate earnings and positive economic data helped many indices hit multiple new all-time highs in the first few weeks of 2018, but sentiment shifted quickly, anxiety over rising bond yields was a key driver for an equity market correction in all major markets. The US job market kept strong and pushing unemployment rate to the lowest level since the financial crisis, inflation was kept at an acceptable level and the FED hiked the interest rate twice in the first half and market expects two more times in the second half. S&P 500 still managed increased by 1.7% for the first half of 2018.

For Hong Kong market, Hang Seng Index declined 3.2% in the first half of 2018, underperforming most major equity market indexes globally. After making historical high in late January, the worries of trade conflicts between US and China sent the market lower with an increased volatility. Although the annual results in March showed a significant improvement in corporate earnings among listed companies in 2017, companies are cautious about the outlook in the second half since the lingering concern on trade policies. And as the central government keeps on the deleveraging policy, with the newly proposed asset management rules, onshore financial markets are also under tremendous stress due to tighter liquidity control, CSI 300 index declined 12.9% in first half of 2018, and also caused the capital outflow from the stock connect programs, southbound keeps net selling in recent months.



INVESTMENT MANAGER'S REVIEW (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2018 (UNAUDITED)

MARKET OUTLOOK

We expect that divergence in economic conditions and monetary policies still to be the overarching theme for global economy in the rest of 2018. The U.S. economy continues its recovery with the strong job market readings, unemployment rate in U.S. dropped below 4% level, though inflations are not picking up as the FED expected yet. While the other major economies are facing slower economic growth than previously expected, with capital flowing back to the US, the rising USD put pressure on emerging markets currencies and capital outflows present the biggest risk on emerging equity markets. And there are a series of political events that may derail the global economy recovery, particularly the trade dispute between US and China and a potential trade war or currency war between the two largest economies. The FED is expected to hike the interest rate two more times in the second half of 2018, meanwhile, other major central banks like European Central Bank and Bank of Japan are still implementing more accommodative monetary policies to stimulate their economies. If there is a coordinated unwinding of the existing extremely accommodative monetary policies, it would push the bond yield back up quickly, and we suspect there might be more market turmoil down the road for equity investors. With market volatility returning back up to a much higher level from the historical lows set in last year and staying there for a while longer than we would like.

And for the greater China markets, domestic A shares market is among the worst performed equity markets in the first half of 2018, deleveraging and lack of liquidity pressured the market with extreme negative sentiment. However we expect the central government would release more favorable policies to revive the industrial sectors with the supply side reform such as de-capacity and de-inventory. And we also expect the new economy such as Internet related service sectors would keep benefitting from the technology upgrades and consumption upgrades.

For Hong Kong market, after the roller coaster run in the first half, now Hong Kong market is trading at an attractive valuation level, we expect that a large part of the negativities have already been factored in.



INVESTMENT MANAGER'S REVIEW (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2018 (UNAUDITED)
INVESTMENT STRATEGY

We are conservatively optimistic on companies with good earning visibility and trading at reasonable valuation levels, meanwhile we would remain cautious when the volatility is at an elevated level, stay defensive until good entry level presents itself. We believe corporate earnings growth is the most important driver of the market performance, sector selection would still be as critical as ever, we believe sectors with strong cash flows, sectors benefit from the technology upgrades and sectors benefit from consumption upgrades would outperform the general market, and we would position ourselves accordingly.



INVESTMENT MANAGER'S REVIEW (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2018 (UNAUDITED)
SUB-FUNDS' PERFORMANCE

A. Guotai Junan Greater China Growth Fund

Performance table

Index / Fund's Name	Jan - Jun 2018 Rate of Return (%)*	Since Inception Rate of Return (%)
Guotai Junan Greater China Growth Fund	3.2%	-0.7%
Taiwan Taiex Total Return Index	2.8%	84.6%
Hang Seng China-Affiliated Total Return Index	0.7%	-6.6%
MSCI Golden Dragon Total Return Index	-0.9%	49.8%
MSCI China Daily Total Return Index	-1.4%	29.3%
Hang Seng Total Return Index	-1.6%	45.9%
Hang Seng China Enterprises Total Return Index	-3.9%	-8.5%

* Ranked by the total returns of indices or the Fund for Jan - Jun 2018.

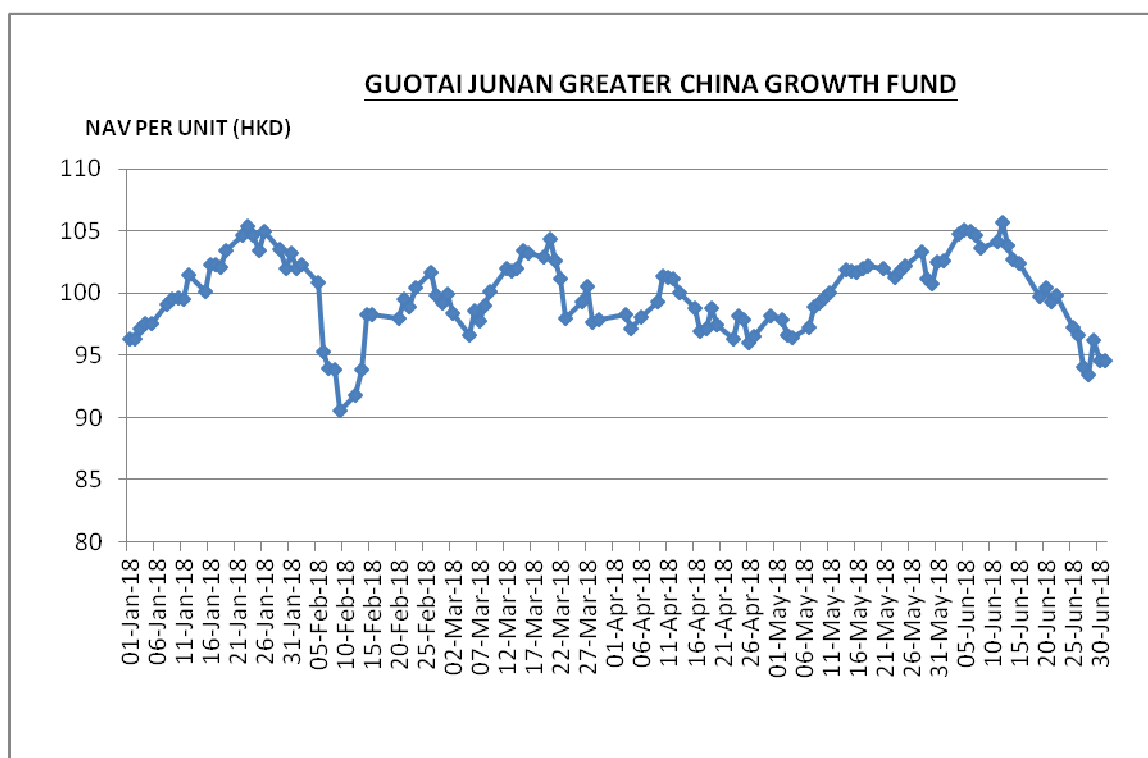
The total return of the Guotai Junan Greater China Growth Fund ("GJGC" hereafter) increased by 3.2% in the first half of year 2018, and recorded a loss of 0.7% since inception i.e. 19 Nov 2007.

In the 1st half of year 2018, GJGC outperformed the total returns of the Hang Seng Index ("HSI") and Hang Seng China Enterprises Index ("HSCEI") by 4.8% and 7.1% respectively. GJGC's portfolio had overweighted China-related health care and financial stocks, which have outperformed the Hang Seng Index constituents.

As of the end of 1H 2018, GJGC's portfolio was well diversified. Amongst all exposure, health care, financials and information technology were the top weighed sectors, which made up of 20.9%, 20.7% and 12.4% of the NAV respectively.

INVESTMENT MANAGER’S REVIEW (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2018 (UNAUDITED)
SUB-FUNDS’ PERFORMANCE (CONTINUED)

A. Guotai Junan Greater China Growth Fund



INVESTMENT MANAGER'S REVIEW (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2018 (UNAUDITED)
SUB-FUNDS' PERFORMANCE (CONTINUED)

B. Guotai Junan Equity Income Fund

Performance table

Index / Fund's Name	Jan - Jun 2018 Rate of Return (%) [*]	Since Inception Rate of Return (%)
Taiwan Taiex Total Return Index	2.8%	66.8%
Guotai Junan Equity Income Fund	0.8%	50.9%
Hang Seng China-Affiliated Total Return Index	0.7%	26.3%
MSCI Golden Dragon Total Return Index	-0.9%	70.9%
MSCI China Daily Total Return Index	-1.4%	67.9%
Hang Seng Total Return Index	-1.6%	69.6%
Dow Jones Hong Kong Select Dividend 30 Total Return Index	-2.1%	23.1%
Hang Seng China Enterprises Total Return Index	-3.9%	20.5%

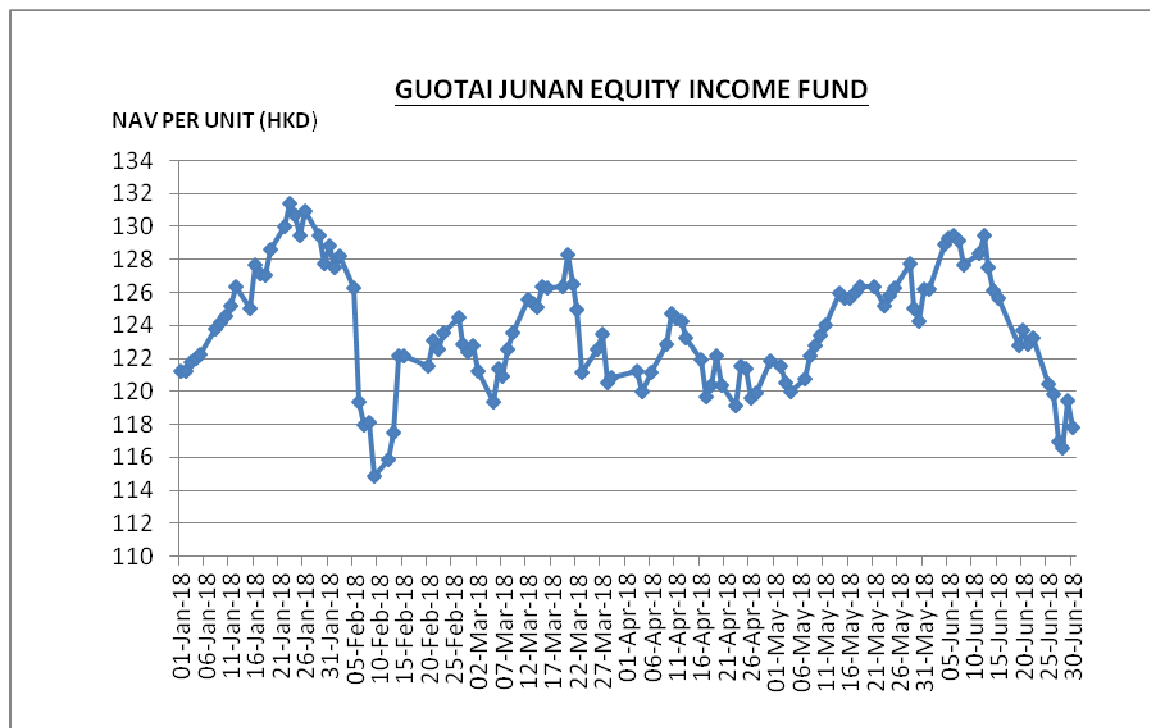
* Ranked by the total returns of indices or the Fund for Jan - Jun 2018.

The NAV of the Guotai Junan Equity Income Fund (“GJEI”) had a total return of 0.8% in first half 2018, and recorded a total return of 50.9% since its inception on 29 Feb 2012. GJEI outperformed the total return of the Hang Seng Index (“HSI”), the Dow Jones Hong Kong Select Dividend 30 Index (“DJHKSD”) and the Hang Seng China Enterprises Index (“HSCEI”) by 2.4%, 2.9% and 4.7% respectively. We believe the GJEI’s strategy of investing in companies with brighter prospect, reasonable valuation, good cash flows and willingness to share profits with shareholders through high dividends, is still sound, and the overweight to China related sectors especially Chinese health care contributed to the outperformance to HSI.

As of 30 June 2018, the portfolio of GJEI tilted more exposure to financials, which provided higher dividend yields. Financials and health care are the top weighted sectors representing 28.1% and 14.2% of the fund’s NAV respectively.

INVESTMENT MANAGER’S REVIEW (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2018 (UNAUDITED)
SUB-FUNDS’ PERFORMANCE (CONTINUED)

B. Guotai Juan Equity Income Fund



STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO
FOR THE SIX MONTHS ENDED 30 JUNE 2018 (UNAUDITED)

GUOTAI JUNAN GREATER CHINA GROWTH FUND

	% of net assets	
	30 June 2018	31 December 2017
Equity		
- Hong Kong	79.45	86.80
- United States	3.68	11.63
	<u>83.13</u>	<u>98.43</u>

GUOTAI JUNAN EQUITY INCOME FUND

	% of net assets	
	30 June 2018	31 December 2017
Equity		
- Hong Kong	85.34	89.21
- United States	5.24	3.07
	<u>90.58</u>	<u>92.28</u>

INVESTMENT PORTFOLIO
AS AT 30 JUNE 2018 (UNAUDITED)
GUOTAI JUNAN GREATER CHINA GROWTH FUND

Investment Portfolio as at 30 JUNE 2018

Listed Investment Equities	Holdings	Market Value (HKD)	% of Net Assets
HONG KONG			
AGILE PROPERTY HOLDINGS LTD	100,000	1,336,000	2.17
AIA GROUP LTD	30,000	2,058,000	3.34
ANTA SPORTS PRODUCTS LTD	20,000	831,000	1.35
BOC HONG KONG HOLDINGS LTD	20,000	739,000	1.20
BOSHIWA INTERNATIONAL HOLDING ¹	690,000	-	-
CHINA ANIMAL HEALTHCARE LTD ²	400,000	-	-
CHINA AOYUAN PROPERTY GROUP LTD	100,000	575,000	0.93
CHINA CONSTRUCTION BANK CORPORATION	200,000	1,450,000	2.36
CHINA GAS HOLDINGS LTD	30,000	946,500	1.54
CHINA LITERATURE LTD	16	1,179	-
CHINA MAPLE LEAF EDUCATIONAL	100,000	1,414,000	2.30
CHINA MENGNIU DAIRY CO. LTD.	30,000	798,000	1.30
CHINA MERCHANTS BANK CO. LTD	70,000	2,026,500	3.29
CHINA RESOURCES CEMENT HOLDING	200,000	1,590,000	2.58
CHINA TAIPING INSURANCE HOLDING	78,086	1,917,011	3.11
CHINA YUHUA EDUCATION CORP LTD	200,000	1,116,000	1.81
CHINASOFT INTERNATIONAL LTD	200,000	1,224,000	1.99
CHINA PHARMACEUTICAL GROUP LTD	250,000	5,925,000	9.63
LI NING CO. LTD.	100,000	865,000	1.41
LONKING HOLDINGS LTD	500,000	1,805,000	2.93

¹ Trading for these securities was suspended since 15 March 2012. The security was written-down to nil.

² Trading for these securities was suspended since 30 March 2015. The security was written-down to nil

INVESTMENT PORTFOLIO (CONTINUED)

AS AT 30 JUNE 2018 (UNAUDITED)

GUOTAI JUNAN GREATER CHINA GROWTH FUND (CONTINUED)

Investment Portfolio as at 30 JUN 2018

Listed Investment Equities	Holdings	Market Value (HKD)	% of Net Assets
HONG KONG			
MAANSHAN IRON & STEEL CO LTD	10,000	34,900	0.06
PING AN INSURANCE (GROUP) CO.	30,000	2,166,000	3.52
SINO BIOPHARMACEUTICAL LTD.	150,000	1,806,000	2.93
SINOPEC SHANGHAI PETROCHEMICAL	480,000	2,294,400	3.73
SSY GROUP	200,000	1,742,000	2.83
SUNNY OPTICAL TECHNOLOGY (GROUP)	1,000	146,000	0.24
TENCENT HOLDINGS LTD.	10,000	3,938,000	6.40
WEICHAI POWER CO. LTD.	90,000	973,800	1.58
WISDOM EDUCATION INTERNATIONAL	500,000	3,425,000	5.56
WUXI BIOLOGICS CAYMAN INC	39,000	3,406,650	5.53
UNITED STATES			
ALIBABA GROUP HOLDING LTD	1,000	1,456,086	2.37
IQIYI INC	1,000	253,498	0.41
YY INC	700	551,960	0.90
TOTAL INVESTMENT		51,171,484	83.13
TOTAL INVESTMENT, AT COST		43,157,355	



INVESTMENT PORTFOLIO
AS AT 30 JUNE 2018(UNAUDITED)

GUOTAI JUNAN EQUITY INCOME FUND

Investment Portfolio as at 30 JUN 2018

Listed Investment Equities	Holdings	Market Value (HKD)	% of Net Assets
HONG KONG			
AGILE PROPERTY HOLDINGS LTD	500,000	6,680,000	1.80
AIA GROUP LTD	250,000	17,150,000	4.62
A-LIVING SERVICES CO LTD	100,370	1,443,321	0.39
ANTA SPORTS PRODUCTS LTD	150,000	6,232,500	1.68
BOC HONG KONG HOLDINGS LTD	800,000	29,560,000	7.96
CHAMPION REAL ESTATE INVESTMENT	1,000,000	5,210,000	1.40
CHINA CONSTRUCTION BANK CORPORATION	2,000,000	14,500,000	3.91
CHINA EVERGRANDE GROUP	50,000	1,000,000	0.27
CHINA GAS HOLDINGS LTD	100,000	3,155,000	0.85
CHINA LILANG LTD.	200,000	2,252,000	0.61
CHINA LITERATURE LTD	40,040	2,950,948	0.79
CHINA MAPLE LEAF EDUCATIONAL	250,000	3,535,000	0.95
CHINA MENGNIU DAIRY CO. LTD.	150,000	3,990,000	1.07
CHINA MERCHANTS BANK CO. LTD	400,000	11,580,000	3.12
CHINA NATIONAL BUILDING MATERIAL	100,000	777,000	0.21
CHINA NEW HIGHER EDUCATION GROUP	900,000	6,525,000	1.76
CHINA PETROLEUM & CHEMICAL CORPORATION	500,000	3,505,000	0.94
CHINA RESOURCES CEMENT HOLDING	1,400,000	11,130,000	3.00
CHINA YUHUA EDUCATION CORP LTD	1,000,000	5,580,000	1.50
CLP HOLDINGS LTD	150,000	12,675,000	3.41



INVESTMENT PORTFOLIO (CONTINUED)
AS AT 30 JUNE 2018(UNAUDITED)

GUOTAI JUNAN EQUITY INCOME FUND (CONTINUED)

Investment Portfolio as at 30 JUN 2018

Listed Investment Equities	Holdings	Market Value (HKD)	% of Net Assets
HONG KONG			
CNOOC LTD	600,000	8,124,000	2.19
COUNTRY GARDEN HOLDINGS CO. LTD	200,000	2,760,000	0.74
COUNTRY GARDEN SERVICES HOLDING	434,483	4,370,899	1.18
CSPC PHARMACEUTICAL GROUP LTD	1,000,000	23,700,000	6.38
FAR EAST HORIZON LTD.	200,000	1,522,000	0.41
GEELY AUTOMOBILE HOLDINGS LTD	150,000	3,052,500	0.82
HONG KONG EXCHANGES AND CLEARING	20,000	4,720,000	1.27
HSBC HOLDINGS PLC	200,000	14,720,000	3.96
HUA HONG SEMICONDUCTOR LTD	30,000	808,500	0.22
INDUSTRIAL AND COMMERCIAL BANK	600,000	3,522,000	0.95
JNBY DESIGN LTD	50,000	899,000	0.24
KINGBOARD LAMINATES HOLDINGS LTD	50,000	484,500	0.13
KINGDEE INTERNATIONAL SOFTWARE	500,000	4,015,000	1.08
LI NING CO. LTD.	400,000	3,460,000	0.93
LINK REIT	150,000	10,747,500	2.89
LONKING HOLDINGS LTD	2,000,000	7,220,000	1.94
NEW HOLDINGS LTD	208,048	2,825,292	0.76
PETROCHINA CO LTD	500,000	2,985,000	0.80
PING AN INSURANCE (GROUP) CO.	100,000	7,220,000	1.94

INVESTMENT PORTFOLIO (CONTINUED)
AS AT 30 JUNE 2018(UNAUDITED)

GUOTAI JUNAN EQUITY INCOME FUND (CONTINUED)

Investment Portfolio as at 30 JUN 2018

Listed Investment Equities	Holdings	Market Value (HKD)	% of Net Assets
HONG KONG			
SEMICONDUCTOR MANUFACTURING INC	10,000	102,000	0.03
SHANDONG CHENMING PAPER HOLDING	100,000	650,000	0.18
SINO BIOPHARMACEUTICAL LTD.	950,000	11,438,000	3.08
SINOPEC SHANGHAI PETROCHEMICAL	800,000	3,824,000	1.03
SSY GROUP	1,000,000	8,710,000	2.35
SUN HUNG KAI PROPERTIES LTD	30,000	3,552,000	0.96
TENCENT HOLDINGS LTD.	20,000	7,876,000	2.12
WEICHAJ POWER CO. LTD.	340,000	3,678,800	0.99
WISDOM EDUCATION INTERNATIONAL	1,000,000	6,850,000	1.84
WUXI BIOLOGICS CAYMAN INC	100,000	8,735,000	2.35
YUEXIU TRANSPORT INFRASTRUTURE LTD	298,000	1,704,560	0.46
YUZHOU PROPERTIES CO	711,000	3,277,710	0.88
UNITED STATES			
AUTOHOME INC	4,000	3,170,693	0.85
ALIBABA GROUP HOLDING LTD	4,188	6,098,087	1.64
NEW ORIENTAL EDUCATION & TECHNOLOGY	6,500	4,828,950	1.30
IQIYI INC	5,100	1,292,842	0.35
MICRON TECHNOLOGY INC	3,000	1,234,687	0.33
NVIDIA CORP	1,528	2,840,935	0.77
TOTAL INVESTMENT		336,451,223	90.57
TOTAL INVESTMENT, AT COST		304,998,388	

STATEMENT OF ASSETS AND LIABILITIES
FOR THE SIX MONTHS ENDED 30 JUNE 2018

GUOTAI JUNAN GREATER CHINA GROWTH FUND

	30 June	31 December
	2018	2017
	HK\$	HK\$
Assets		
Financial assets at fair value through profit or loss	51,171,484	74,250,782
Dividend receivables	364,233	0
Due from brokers	709,034	0
Interest receivables	64	6
Cash and bank balances	12,401,046	2,314,005
Total assets	64,645,861	76,564,793
Liabilities		
Other payables and accruals	236,861	423,713
Due to brokers	2,856,222	698,044
Total liabilities	3,093,083	1,121,757
Equity		
Net assets attributable to unitholders	61,552,778	75,443,036
Total liabilities and equity	64,645,861	76,564,793
	Units	Units
Number of units in issue	639,474.42	809,075.14
	HK\$	HK\$
Net asset value per unit	96.26	93.25

STATEMENT OF ASSETS AND LIABILITIES
FOR THE SIX MONTHS ENDED 30 JUNE 2018

GUOTAI JUNAN EQUITY INCOME FUND

	30 June	31 December
	2018	2017
	HK\$	HK\$
Assets		
Financial assets at fair value through profit or loss	336,451,223	336,489,755
Dividend receivables	1,953,613	98,613
Due from brokers	12,631,188	25,727,092
Interest receivables	75	32
Cash and bank balances	44,869,720	34,644,764
Total assets	395,905,819	396,960,256
Liabilities		
Other payables and accruals	665,528	786,254
Due to brokers	23,928,286	31,434,239
Total liabilities	24,593,814	32,220,493
Equity		
Net assets attributable to unitholders	371,312,005	364,739,763
Total liabilities and equity	395,905,819	396,960,256
	Units	Units
Number of units in issue	3,001,921.28	2,862,532.33
	HK\$	HK\$
Net asset value per unit	123.69	127.42



DISTRIBUTION DISCLOSURE

RECORD OF DISTRIBUTION FROM 1 JANUARY 2018

GUOTAI JUNAN GREATER CHINA GROWTH FUND

No distribution has been declared for the reported period from 1 January 2018 to 30 June 2018

GUOTAI JUNAN EQUITY INCOME FUND

On 29 June 2018, the Manager declared on behalf of Guotai Junan Equity Income Fund to distribute the interim dividend for 2018 at HKD\$ 4.28 per unit which was paid on 10 July 2018

