



國泰君安國際
GUOTAI JUNAN INTERNATIONAL
ASSET MANAGEMENT

Guotai Junan Investment Funds

Guotai Junan Greater China Growth Fund

INTERIM REPORT (Unaudited)
For the six months ended 30 June 2023

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

QI Haiying (Resigned on 31 May 2023)
WANG Junhong (Appointed on 31 May 2023)
LEI Qiang (Appointed on 31 May 2023)
CHIU Simon Siu Hung
AO Qishun
ZHAO Tong

Trustee and Registrar

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

Auditor

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

Legal Adviser

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

INVESTMENT MANAGER'S REVIEW

FOR THE PERIOD ENDED 30 JUNE 2023 (UNAUDITED)

MARKET REVIEW

Stock markets in US, China and Hong Kong performed quite differently from the original consensus at the beginning of the year. In US, economic growth was very resilient even under rate hikes and the macro indicators kept beating the estimates. In China, the offline-related recovery was impressive in 1Q, but the growth momentum faded notably into 2Q. Material downshift took place for full-year forecasts. Suppressed by both the macro concerns and foreign capital selloffs, Hong Kong equity market consolidated the most among the three markets.

The US economy was resilient in the first half of the year -- much better than the widespread concerns that it may soon slide into a recession at the beginning of the year. The growth of headline inflation slipped nicely thanks to falling energy prices, although Core Consumer Price Index (CPI) remained high. The Fed was committed to the 2% long-term CPI goal, and raised the federal funds rate by 25 basis points (bps) in February, March and May respectively. The market well contemplated the rate hikes and a milder-than-expected slowing down of business activities. The only setback was the collapse of the Silicon Valley Bank, which temporarily dampened sentiment of the US equity market.

Another major highlight was the US labor market. The unemployment rate indicated consistently tight working force, and wage growth, as measured by average hourly earnings for workers, kept climbing. The household spending was thus supported amid volatile consumer confidence. The systematic risks of small and mid-sized US banks were mitigated after the regulators came to rescue, and structural growth of AI sector brought another round of booming. In 1H23, the S&P 500, the Dow, and the Nasdaq Composite rallied by 15.9%, 3.8%, and 31.7% respectively.

China's post-reopening recovery is very choppy. After a strong 1Q, April and May Golden Week appeared to be the peak of revenge spending and further decelerated afterwards due to the disappointing May macro data. The market optimism quickly faded away, swinging from one extreme to another. Coming into June, investors were eagerly waiting for some supportive policies; however, most were largely disappointed. Given the resilient US economy and the interest rates differential between US and China, the yuan depreciated against the US dollar in the first half. Accordingly, some USD-denominated investors decided to leave China given the depreciating currency and sluggish Chinese economy. In 1H23, the CSI300 Index retreated by 0.8% and the ChiNext Index dropped by 5.6%, even lower than last October when there was a capitulation.

A major challenge faced by the Chinese economy is fundamentally weak domestic demand. Retail sales growth slowed to 3.1% YoY in June, marking the slowest growth since last December. The unemployment rate remained high at 5.2% while the youth unemployment rate kept hitting new records. Concerns on job security restrain consumers' willingness to spend. The wealth effect of soft property and stock markets escalated the problem.

Historically, export is a meaningful growth driver. This, however, did not happen in 1H23. On top of the destocking cycle after the COVID supply chain disruptions, intensifying geopolitical tension between China and the US also negatively impacted the situation. US intended to impose further restrictions on chip exports to China, and China fought back with export controls on gallium and germanium. As a result, China export shrank by 12.4% YoY in June, comparing to only a 3.2% decline for 1H23.

INVESTMENT MANAGER'S REVIEW (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2023 (UNAUDITED)

MARKET REVIEW (CONTINUED)

The general housing market in China remained sluggish due to lack of demands and concerns over declining property prices. Property sales further lost momentum for the last two months. Despite the low-base caused by COVID outbreak, property sales in 1H23 only recorded a mild 1.1% increase. The developers suffered from insufficient payment collection and unfavorable risk appetite, and became more reluctant to invest. All real estate investment indicators, including housing starts, completed real estate development investment, and funds available to developers, remained in deep negative territory. According to the World Bank's estimation, the property industry accounted for 13% of China's GDP, and property-related industries contributed roughly 30% of GDP in total. China GDP printed 4.5% and 6.3% YoY growth in 1Q and 2Q23, respectively. Without meaningful improvement in the housing market, it is possible that GDP growth for the second half of 2023 may disappoint investors again.

In response to mitigate near-term headwinds, the Chinese government has rolled out a series of stabilization measures: 10bps LPR cut, 10bps policy rate cut by PBOC, tax cuts and exemptions, housing policy relaxation, as well as new energy vehicle and home appliance consumption promotions. If these measures fail to support the economy, policymakers may introduce more tools to meet the 5% YoY GDP growth target.

Hong Kong economy gained visible improvement thanks to the strong inbound tourism and domestic recovery from COVID. Real GDP growth in 1Q23 resumed to 2.7% YoY after declining for four consecutive quarters. The visitors' arrival soared to 2.8 million in May, returning to approximately 48% of 2019's level. According to certain high-end shopping mall operators, the recovery was even higher (between 80%-100%) for luxury retailers. The main reason was that inbound tourists fell into the right category: they had high willingness and capability to spend after delayed demand satisfaction during the pandemics. The domestic demand was boosted by an improving labor market and continuous disbursement of consumption vouchers, which was partially offset by the outbound travelling of local residents. Hong Kong government has also extended talent attraction schemes to ensure the long-term growth of domestic economy. However, a number of foreign investors were pulling out of Hong Kong, due to rising geopolitical risks and concerns over the Chinese economy. As a result, the liquidity of H-share market further deteriorated and valuations were dragged lower. Along with the absence of visible economic drivers, the total returns of HSI and HSCEI fell by 2.7% and 3.0% in 1H23.

INVESTMENT MANAGER'S REVIEW (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2023 (UNAUDITED)

MARKET OUTLOOK & INVESTMENT STRATEGY

We expect the US economy to cool off in the second half of the year and become more challenging next year. The ongoing Russia and Ukraine will renew the fears over global food supplies again, as Russia just decided to terminate the grain export deal. El Nino effect will also affect the agricultural productivity in South East Asia. Higher food price will prevent the US CPI declining meaningfully. As the Fed is very determined to curb inflation, more rate hikes may take place. The cumulative impact of past rate hikes will gradually weigh on the economy. It remains to be seen whether the lagged effects of the tightening cycle will eventually lead to more weaknesses than anticipated, and probably a recession.

Meanwhile, we expect the consumer trends to turn around after peaked. It could be an early sign that consumer borrowing grew at the slowest pace since the pandemic in May, with the first decline in non-revolving credit. This will be accompanied by MoM decelerating retail sales, as well as a mixed bag of employment data. Moreover, the tailwind of excess saving and government subsidy from the pandemic period will be drawn down and gradually finished.

The concerns will be partially eased by resilient GDP and the fact that the destocking cycle is approaching an end. Additionally, with clearer investment plans and accessible applications rolling out, the rising AI giants will help support the index. However, the debate over whether a soft landing is achievable will get louder, and we expect larger divergence in investors' opinions towards the US economy in 2H, which will result in higher volatility and less attractive risk-reward.

For China, we assume the policymakers will release more supporting measures, around the July Politburo meeting in particular. The options in the toolbox include further LPR and RRR cut, more liquidity support for developers or relaxation in mortgage policies, and industry-specific consumption stimulus, etc. We expect policy continuity and stability, and therefore stimulus like special treasury bonds is less likely. We believe the government will take all measures to restore the confidence of consumers and entrepreneurs amid various headwinds. Chinese authorities recently fined Ant Group, which probably mark the end of regulatory overhaul. Chinese Premier Li Qiang also presided over a meeting with representatives from the leading platform operators. We view these as positive signals to unlock the potentials of private entrepreneurs. The private sector, defined as "a new force to promote Chinese-style modernization", should be granted access to lower market-entry barriers, easier financing, and strong government support.

In terms of Sino-US relationship, the resumption of conversation is a positive starting point. After the visits of US Treasury Secretary Janet Yellen and Secretary of State Antony Blinken, we expect US and China to restart high-level talks and probably revive corporation in certain areas. China has also advanced in collaboration with other countries, particularly One Belt One Road partners. Furthermore, global business leaders, including Bill Gates, Elon Musk and Bernard Arnault, all flocked to China, signaling the worldwide importance of US-China collaboration.

Facing the challenges of deflation and decoupling, China will find its own way out. We do not think China will fall into the 'lost decades' as Japan did. Moreover, the differences between high and low tier cities in China are so huge that we find it irrelevant to benchmark Chinese consumption patterns to one single stage of Japan economy. This is a result of wide geographic presence, large population and wealth inequality in China. China is still undergoing fundamental changes and structural growth in different areas, indicating plenty of investment opportunities.

For Hong Kong, we admit that it is difficult to identify clear economic drivers. The recovery takes time, and EPS growth will become more convincing if the macro conditions turn more positive. However, the valuation of Hong Kong equity market is too cheap to ignore. We believe the downside is limited, considering the market is trading at around 2 standard deviation below its mean forward P/E. Additionally, Hong Kong listed companies are improving investors' returns through higher dividend payouts and stock repurchases on top of a number of privatization attempts.

To conclude, the macro conditions are admittedly becoming more challenging. We find it increasingly important to manage the downside risks and pursue structural growth ideas. Considering the soft economic environment, we prefer companies with strong balance sheets, stable cash flows, and high competitive barriers. We believe those market share winners will leverage on the macro pressure to consolidate the market, and provide long-term rewarding growth to investors.

INVESTMENT MANAGER'S REVIEW (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2023 (UNAUDITED)
SUB-FUNDS' PERFORMANCE

A. Guotai Junan Greater China Growth Fund

Performance table

Index / Fund's Name	Jan - Jun 2023 Rate of Return (%)*	Since Inception Rate of Return (%)
Hang Seng China-Affiliated Total Return Index	4.2%	9.5%
Taiwan Taiex Total Return Index	21.8%	248.5%
Hang Seng China Enterprises Total Return Index	-3.0%	-34.3%
Hang Seng Total Return Index	-2.7%	17.3%
MSCI Golden Dragon Total Return Index	2.3%	55.7%
Guotai Junan Greater China Growth Fund	-1.8%	-6.1%
MSCI China Daily Total Return Index	-4.3%	5.2%

* Ranked by the total returns of indices or the Fund for Jan - Jun 2023.

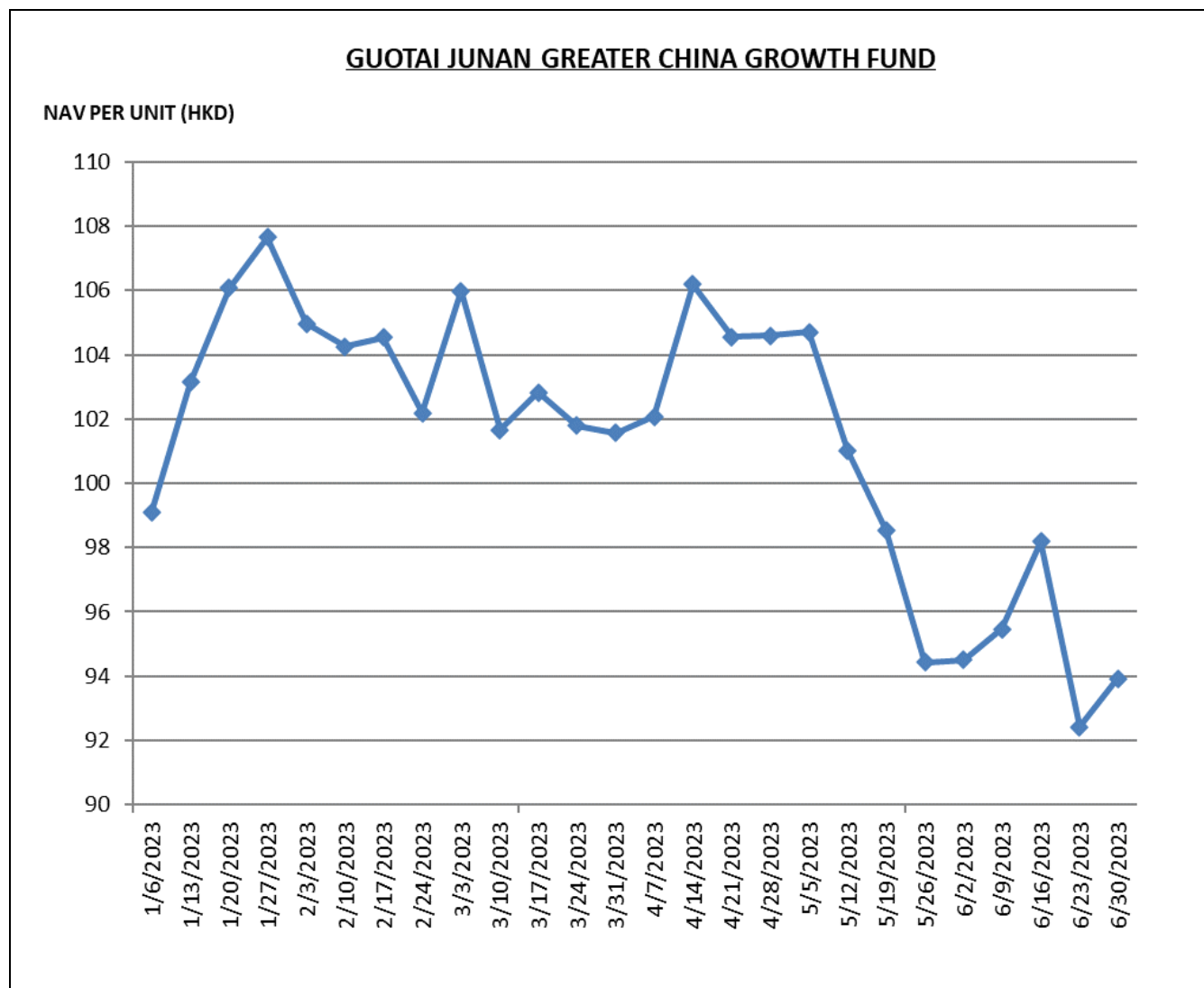
The total return of the Guotai Junan Greater China Growth Fund ("GJGC" hereafter) decreased by 1.8% in the first half of 2023, and recorded a loss of 6.1% since inception i.e. 19 Nov 2007.

In the first half of 2023, GJGC outperformed the total returns of the Hang Seng Index ("HSI") and Hang Seng China Enterprises Index ("HSCEI") by 0.9% and 1.2% respectively.

As of the end of 1H23, GJGC's portfolio was well diversified. Among all exposure, consumer discretionary, utilities, and financials were the top weighed sectors, which made up of 24.6%, 21.3% and 9.7% of the NAV respectively.

INVESTMENT MANAGER’S REVIEW (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2023 (UNAUDITED)
SUB-FUNDS’ PERFORMANCE (CONTINUED)

A. Guotai Junan Greater China Growth Fund



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)
GUOTAI JUNAN GREATER CHINA GROWTH FUND

	1st January 2023 to 30th June 2023 HK\$	1st January 2022 to 30th June 2022 HK\$
Income		
Dividend income	2,109,754	6,918,410
Interest income	15,343	92
Total income	2,125,097	6,918,502
Expenses		
Trustee fee ^{Note 1}	234,000	234,000
Sub Custody and bank charges ^{Note 1}	13,220	27,221
Auditor's remuneration	74,525	74,525
Valuation fee ^{Note 1}	65,844	65,736
Brokerage and handling fees	763,182	1,699,864
Management fee	742,852	1,567,799
Transaction fees ^{Note 1}	112,118	120,053
Registrar fee ^{Note 1}	23,735	21,590
Miscellaneous expenses ^{Note 1}	82,601	66,996
Total expenses	2,112,077	3,877,784
Gain before investment loss and exchange differences	13,020	3,040,718
Investment loss and exchange differences		
Net change in unrealised (loss)/gain on investments	(11,597,074)	4,277,129
Net realised gain/(loss) on investments	10,299,326	(37,883,067)
Foreign exchange differences	1,023	(3,876)
Investment loss and exchange differences	(1,296,725)	(33,609,814)
Loss before tax	(1,283,705)	(30,569,096)
Withholding tax	(77,353)	(454,593)
Loss for the period	(1,361,058)	(31,023,689)
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income for the period	(1,361,058)	(31,023,689)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)
GUOTAI JUNAN GREATER CHINA GROWTH FUND

Note 1 During the period ended 30 June 2023 and 2022, below respective amounts paid to the Trustee or its Connected Persons were as follows:

	1st January 2023 to 30th June 2023	1st January 2022 to 30th June 2022
	HK\$	HK\$
Registrar fee	23,735	21,590
Valuation fee	65,844	65,736
Sub Custody and bank charges	13,220	27,221
Miscellaneous expenses	54,250	36,605
Transaction fees	112,118	120,053
Trustee fee	234,000	234,000

STATEMENT OF FINANCIAL POSITION
FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)
GUOTAI JUNAN GREATER CHINA GROWTH FUND

	30 June 2023	31 December 2022
	HK\$	HK\$
Assets		
Financial assets at fair value through profit or loss	90,349,860	95,318,460
Dividend receivables	865,644	-
Due from brokers	4,665,878	993,022
Interest receivables	22	47
Cash and bank balances	1,081,864	1,701,708
	<u> </u>	<u> </u>
Total assets	96,963,268	98,013,237
	<u> </u>	<u> </u>
Liabilities		
Amounts due to shareholder	468	-
Other payables and accruals	338,959	390,504
Due to brokers	4,757,865	944,689
	<u> </u>	<u> </u>
Total liabilities	5,097,292	1,335,193
	<u> </u>	<u> </u>
Equity		
Net assets attributable to unitholders	91,865,976	96,678,044
	<u> </u>	<u> </u>
Total liabilities and equity	96,963,268	98,013,237
	<u> </u>	<u> </u>
	Units	Units
	<u> </u>	<u> </u>
Number of units in issue	978,181.28	1,010,850.34
	<u> </u>	<u> </u>
	HK\$	HK\$
	<u> </u>	<u> </u>
Net asset value per unit	93.92	95.64
	<u> </u>	<u> </u>

Note: The semi-annual report of the sub-fund has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)
GUOTAI JUNAN GREATER CHINA GROWTH FUND

	1st January 2022 to 30th June 2022 HK\$
At 1 January 2022	191,275,944
Subscription of units	64,593,869
Redemption of units	(30,985,070)
Total comprehensive income for the period	<u>(31,023,689)</u>
At 30 June 2022	<u><u>193,861,054</u></u>
	1st January 2023 to 30th June 2023 HK\$
At 1 January 2023	96,678,044
Subscription of units	66,354
Redemption of units	(3,517,364)
Total comprehensive income for the period	<u>(1,361,058)</u>
At 30 June 2023	<u><u>91,865,976</u></u>

STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)
GUOTAI JUNAN GREATER CHINA GROWTH FUND

Number of units in issue	Units
Units outstanding at 1 January 2022	1,610,078.550
Units subscribed	519,589.170
Units redeemed	(277,779.810)
	<hr/>
Units outstanding at 30 June 2022	<u>1,851,887.910</u>
Number of units in issue	Units
Units outstanding at 1 January 2023	1,010,850.340
Units subscribed	638.790
Units redeemed	(33,307.850)
	<hr/>
Units outstanding at 30 June 2023	<u>978,181.280</u>

STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)
GUOTAI JUNAN GREATER CHINA GROWTH FUND

	1st January 2023 to 30th June 2023 HK\$	1st January 2022 to 30th June 2022 HK\$
Cash flows from operating activities		
Loss before tax	(1,283,705)	(30,569,096)
Adjustments for:		
Net change in unrealised loss/(gain) on investments	11,597,074	(4,277,129)
Net realised (gain)/loss on investments	(10,299,326)	37,883,067
Interest income	(15,343)	(92)
Dividend income	(2,109,754)	(6,918,410)
	<u>(2,111,054)</u>	<u>(3,881,660)</u>
Payments on purchase of financial assets and liabilities at fair value through profit or loss	(191,114,601)	(418,799,499)
Proceeds from disposals of financial assets and liabilities at fair value through profit or loss	194,785,453	386,104,591
Increase in amounts due from brokers	(3,672,856)	(1,632,969)
Increase in amounts due to brokers	3,813,176	921,764
Increase in amounts due from shareholder	-	(64,351)
Increase in amounts due to shareholder	468	-
Decrease in other payables and accruals	(51,545)	(80,718)
Interest received	15,368	85
Dividend received	1,244,110	3,433,840
Withholding tax paid	(77,353)	(454,593)
	<u>2,831,166</u>	<u>(34,453,510)</u>
Net cash flows from/(used in) operating activities		

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)
GUOTAI JUNAN GREATER CHINA GROWTH FUND

	1st January 2023 to 30th June 2023	1st January 2022 to 30th June 2022
	HK\$	HK\$
Cash flows from financing activities		
Proceeds from issuance of units	66,354	64,593,869
Payments on redemption of units	(3,517,364)	(30,985,070)
Net cash flows (used in)/from financing activities	<u>(3,451,010)</u>	<u>33,608,799</u>
Net decrease in cash and cash equivalents	(619,844)	(844,711)
Cash and cash equivalents at beginning of the period	<u>1,701,708</u>	<u>31,116,415</u>
Cash and cash equivalents at end of the period	<u>1,081,864</u>	<u>30,271,704</u>
Analysis on balance of cash and cash equivalents		
Bank balance	<u>1,081,864</u>	<u>30,271,704</u>

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO
FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)
GUOTAI JUNAN GREATER CHINA GROWTH FUND

	% of Net Assets 30 June 2023	% of Net Assets 31 Dec 2022
Equity		
- Cayman Islands	8.88	1.45
- China	67.54	82.38
- Hong Kong	21.93	14.76
	<hr/>	<hr/>
	98.35	98.59
	<hr/> <hr/>	<hr/> <hr/>

INVESTMENT PORTFOLIO
AS AT 30 JUNE 2023 (UNAUDITED)
GUOTAI JUNAN GREATER CHINA GROWTH FUND

Investment Portfolio as at 30 JUNE 2023

Listed Investment Equities	Holdings	Market Value (HKD)	% of Net Assets
CAYMAN ISLANDS			
ALIBABA GROUP HOLDING LTD.	72,000	5,846,400	6.36
TOPSPORTS INTERNATIONAL HOLDINGS LTD.	340,000	2,308,600	2.52
CHINA			
BAIDU INC.	40,000	5,312,000	5.78
CHINA ANIMAL HEALTHCARE LTD. ¹	316,000	-	-
CHINA BLUECHEMICAL LTD.	1,500,000	2,640,000	2.87
CHINA DATANG CORP RENEWABLE POWER CO LTD.	880,000	2,305,600	2.51
CHINA LIFE INSURANCE CO LTD.	480,000	6,268,800	6.82
CHINA LONGYUAN POWER GROUP CORPORATION	350,000	2,824,500	3.07
CHINA OILFIELD SERVICES LTD.	410,000	3,316,900	3.61
CHINA POWER INTERNATIONAL DEVELOPMENT LTD.	1,560,000	4,492,800	4.89
CHINA RESOURCES BEER (HOLDINGS) CO., LTD.	48,000	2,476,800	2.70
CHINA RESOURCES POWER	310,000	5,487,000	5.97
GENSCRIPT BIOTECH CORP	138,000	2,428,800	2.65
JOYY INC.	12,800	3,080,690	3.35
KINGDEE INTERNATIONAL SOFTWARE GROUP CO LTD.	180,000	1,886,400	2.05
KUNLUN ENERGY CO LTD.	720,000	4,435,200	4.83
LENOVO GROUP LTD.	420,000	3,431,400	3.74
MEITUAN	30,000	3,669,000	4.00
SHANGHAI MICROPORT MEDBOT GROUP CO LTD.	68,000	1,652,400	1.80
TRIP.COM GROUP LTD.	9,800	2,671,480	2.91
YADEA GROUP HOLDINGS LTD.	82,000	1,461,240	1.59
YUM CHINA HOLDINGS INC.	5,000	2,208,000	2.40

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

INVESTMENT PORTFOLIO (CONTINUED)
AS AT 30 JUNE 2023 (UNAUDITED)
GUOTAI JUNAN GREATER CHINA GROWTH FUND

Investment Portfolio as at 30 JUNE 2023

Listed Investment Equities	Holdings	Market Value (HKD)	% of Net Assets
HONG KONG			
ASMPT LTD.	24,000	1,851,600	2.02
CITIC LTD.	330,000	3,085,500	3.36
HONG KONG EXCHANGES AND CLEARING LTD.	9,000	2,656,800	2.89
NEW HORIZON HEALTH LTD.	73,000	1,996,550	2.17
SANDS CHINA LTD.	164,000	4,378,800	4.77
SWIRE PACIFIC LTD.	300,000	2,961,000	3.22
WHARF HOLDINGS LTD.	100,000	1,862,000	2.03
VARITRONIX INTERNATIONAL LTD.	120,000	1,353,600	1.47
TOTAL INVESTMENT, AT FAIR VALUE		90,349,860	98.35
TOTAL INVESTMENT, AT COST		93,957,796	

DISTRIBUTION DISCLOSURE

RECORD OF DISTRIBUTION FROM 1 JANUARY 2023

GUOTAI JUNAN GREATER CHINA GROWTH FUND

No distribution has been declared for the reported period from 1 January 2023 to 30 June 2023.