

Annual Report

GUOTAI JUNAN INVESTMENT FUNDS OFC

(an open-ended fund company, with variable capital and segregated liability
between sub-funds, incorporated under the laws of Hong Kong)

GUOTAI JUNAN USD MONEY MARKET FUND

GUOTAI JUNAN HKD MONEY MARKET FUND

(Sub-funds of Guotai Junan Investment Funds OFC)

31 December 2023

GUOTAI JUNAN INVESTMENT FUNDS OFC

(an open-ended fund company, with variable capital and segregated liability between sub-funds, incorporated under the laws of Hong Kong)

CONTENTS

	Pages
ADMINISTRATION AND MANAGEMENT	1
REPORT OF THE MANAGER TO THE SHAREHOLDERS	2
REPORT OF THE CUSTODIAN TO THE SHAREHOLDERS	3
INDEPENDENT AUDITOR'S REPORT	4 - 7
AUDITED FINANCIAL STATEMENTS	
Statement of profit or loss and other comprehensive income	8 - 9
Statement of financial position	10 - 11
Statement of changes in net assets attributable to shareholders	12
Statement of cash flows	13 - 14
Notes to the financial statements	15 - 35
INVESTMENT PORTFOLIO (UNAUDITED)	36 - 37
STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)	38
PERFORMANCE TABLE (UNAUDITED)	39

GUOTAI JUNAN INVESTMENT FUNDS OFC

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ADMINISTRATION AND MANAGEMENT

DIRECTORS OF THE COMPANY

CHIU Simon Siu Hung (resigned on 15 December 2023)

QI Haiying

WANG Junhong (appointed on 15 December 2023)

ADMINISTRATOR

BOCI-Prudential Trustee Limited
Suites 1501-1507&1513-1516,15/F,
1111 King's Road,
Taikoo Shing,
Hong Kong

MANAGER

Guotai Junan Assets (Asia) Limited

26/F-28/F

Low Block Grand Millennium Plaza

181 Queen's Road, Central

Hong Kong

AUDITOR

Ernst & Young

27/F, One Taikoo Place

979 King's Road, Quarry Bay

Hong Kong

DIRECTORS OF THE MANAGER

AO Qishun

CHIU Simon Siu Hung (resigned on 1 January 2024)

LAI Changhua

LEI Qiang

WANG Junhong

ZHAO Tong

CUSTODIAN

BOCI-Prudential Trustee Limited

Suites 1501-1507&1513-1516,15/F,

1111 King's Road,

Taikoo Shing,

Hong Kong

LEGAL ADVISOR OF THE MANAGER

Simmons & Simmons

Level 30, One Taikoo Place

979 King's Road

Hong Kong

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REPORT OF THE MANAGER TO THE SHAREHOLDERS

2023 was a year when the market witnessed the Federal Reserve hike four more times to bring the federal funds rate to 5.25-5.5% in an effort to curb high inflation in the US, after aggressive monetary policy tightening in 2022. As the rate hikes advanced, money market funds offered increasingly attractive returns as a low-risk, high-liquidity cash-like asset class.

Given the backdrop, there were low expectations for growth and common fears for a recession in the US at the beginning of the year. However, the US economy proved to be much more resilient than expected, evidenced by a strong labor market, among others.

Headed into 2024, that resilience has continued to manifest itself across most economic data. In particular, not only has the labor market and consumption remained robust, but the disinflation trend that the Fed was expecting also slowed down. Federal Reserve Chair Jerome Powell said on Apr 16th that "if higher inflation does persist, we can maintain the current level of restriction for as long as needed". If the market had anticipated 2024 to be the year of multiple rate cuts, that hope has diminished. We expect the strength in the US economy to linger. Hence, we believe there would be at most one to two rate cuts this year and the first one would only start in the later half of the year. Overall, we think rates would stay high for longer and our money market funds would continue to deliver relatively attractive returns in 2024.



Guotai Junan Assets (Asia) Limited
29 April 2024

GUOTAI JUNAN INVESTMENT FUNDS OFC

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REPORT OF THE CUSTODIAN TO THE SHAREHOLDERS

We hereby confirm that, in our opinion, Guotai Junan Assets (Asia) Limited, the Manager of Guotai Junan Investment Funds OFC (the "Company") has, in all material respects, managed the Company, in accordance with the provisions of the OFC's Instrument of Incorporation.

For the periods ended 31 December 2023 then ended:



BOCI-Prudential Trustee Limited
(the "Custodian")
29 April 2024



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

安永會計師事務所
香港鰂魚涌英皇道979號
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Independent Auditor's Report

To the shareholders of Guotai Junan Investment Funds OFC

(an open-ended fund company, with variable capital and segregated liability between sub-funds, incorporated under the laws of Hong Kong)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Guotai Junan Investment Funds OFC (the "Company") for the period from 3 March 2023 (date of incorporation) to 31 December 2023 and its sub-funds, namely Guotai Junan USD Money Market Fund and Guotai Junan HKD Money Market Fund (each a separate sub-fund of the Company and referred to as "Sub-Funds") for the period from 27 April 2023 (date of launch) to 31 December 2023 set out on pages 8 to 35, which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, the statement of changes in net assets attributable to shareholders and statement of cash flows for the periods then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company and each of the Sub-Funds as at 31 December 2023, and of each of their financial performance and each of their cash flows for the periods then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board ("IAASB"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Sub-Funds in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The manager and directors of the Company and the Sub-Funds are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report (continued)

To the shareholders of Guotai Junan Investment Funds OFC

(an open-ended fund company, with variable capital and segregated liability between sub-funds, incorporated under the laws of Hong Kong)

Responsibilities of Manager and Directors for the Financial Statements

The manager and the directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs issued by IASB, and for such internal control as the manager and the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the manager and the directors are responsible for assessing the ability of the Company and the Sub-Funds to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the manager and the directors either intend to liquidate the Company and the Sub-Funds or to cease operations, or have no realistic alternative but to do so.

In addition, the manager and the directors are required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Instrument of Incorporation of the Company and the Sub-Funds, Part 7 of the Securities and Futures (Open-ended Fund Companies) Rules ("OFC Rules"), Appendix E of the Code on Unit Trusts and Mutual Funds ("UT Code") and Chapter 9 of the Code on Open-Ended Fund Companies ("OFC Code") issued by the Hong Kong Securities and Futures Commission.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 153 of the OFC Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Company and the Sub-Funds have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the instrument of incorporation of the Company and the Sub-Funds, Part 7 of the OFC Rules, Appendix E of the UT Code and Chapter 9 of the OFC Code.

Independent Auditor's Report (continued)

To the shareholders of Guotai Junan Investment Funds OFC

(an open-ended fund company, with variable capital and segregated liability between sub-funds, incorporated under the laws of Hong Kong)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control of the Company and the Sub-Funds.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the manager and the directors.
- Conclude on the appropriateness of the manager's and the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company and the Sub-Funds to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Sub-Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the manager and the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

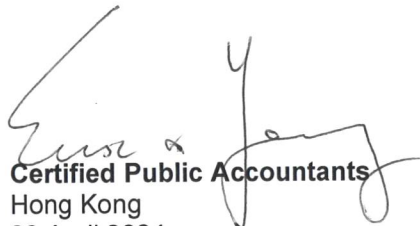
Independent Auditor's Report (continued)

To the shareholders of Guotai Junan Investment Funds OFC

(an open-ended fund company, with variable capital and segregated liability between sub-funds, incorporated under the laws of Hong Kong)

Report on matters under the relevant disclosure provisions of the instrument of incorporation of the Company and the Sub-Funds, Part 7 of the OFC Rules, Appendix E of the UT Code and Chapter 9 of the OFC Code

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the instrument of incorporation of the Company and the Sub-Funds, Part 7 of the OFC Rules, Appendix E of the UT Code and Chapter 9 of the OFC Code.



Certified Public Accountants
Hong Kong
29 April 2024

GUOTAI JUNAN INVESTMENT FUNDS OFC

(an open-ended fund company, with variable capital and segregated liability between sub-funds, incorporated under the laws of Hong Kong)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Guotai Junan Investment Funds OFC For the period from 3 March 2023 (date of incorporation) to 31 December 2023 US\$	Guotai Junan USD Money Market Fund For the period from 27 April 2023 (date of launch) to 31 December 2023 US\$	Guotai Junan HKD Money Market Fund For the period from 27 April 2023 (date of launch) to 31 December 2023 HK\$
INCOME				
Interest income		-	4,819,897	26,635,071
		-	4,819,897	26,635,071
EXPENSES				
Management fee	7(a)	-	432,232	3,154,280
Administration fee		-	60,987	396,518
Custodian fee		-	204	-
Audit fee		-	12,000	93,987
Transaction costs		-	10,338	86,400
Establishment costs		-	30,410	239,201
Other expenses		-	10,147	118,057
		-	556,318	4,088,443

The accompanying notes are an integral part of these financial statements.

GUOTAI JUNAN INVESTMENT FUNDS OFC

(an open-ended fund company, with variable capital and segregated liability between sub-funds, incorporated under the laws of Hong Kong)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

	Notes	Guotai Junan Investment Funds OFC For the period from 3 March 2023 (date of incorporation) to 31 December 2023 US\$	Guotai Junan USD Money Market Fund For the period from 27 April 2023 (date of launch) to 31 December 2023 US\$	Guotai Junan HKD Money Market Fund For the period from 27 April 2023 (date of launch) to 31 December 2023 HK\$
INVESTMENT AND EXCHANGE DIFFERENCES				
Net gain on financial assets at fair value through profit or loss	4	-	5,320	-
Net foreign exchange differences		-	(346)	(57)
		-	4,974	(57)
PROFIT BEFORE TAX		-	4,268,553	22,546,571
Income tax expense	3	-	-	-
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIODS		-	4,268,553	22,546,571

The accompanying notes are an integral part of these financial statements.

GUOTAI JUNAN INVESTMENT FUNDS OFC

(an open-ended fund company, with variable capital and segregated liability between sub-funds, incorporated under the laws of Hong Kong)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	Guotai Junan Investment Funds OFC 2023 US\$	Guotai Junan USD Money Market Fund 2023 US\$	Guotai Junan HKD Money Market Fund 2023 HK\$
ASSETS				
Financial assets at fair value through profit or loss	4	-	3,997,986	-
Other receivables		-	3,408	26,658
Interest receivables		-	1,258,276	6,880,601
Time deposits with original maturities of more than three months	5	-	147,242,418	624,062,238
Cash and cash equivalents	5	-	50,353,792	412,763,698
Total assets		-	202,855,880	1,043,733,195
LIABILITIES				
Management fee payable	7(a)	-	80,693	515,699
Administration fee payable		-	11,792	64,226
Other payables		-	4,916	39,717
Total liabilities excluding net assets attributable to shareholders		-	97,401	619,642
Net assets attributable to shareholders	6	-	202,758,479	1,043,113,553
Total liabilities		-	202,855,880	1,043,733,195

The accompanying notes are an integral part of these financial statements.

GUOTAI JUNAN INVESTMENT FUNDS OFC

(an open-ended fund company, with variable capital and segregated liability between sub-funds, incorporated under the laws of Hong Kong)

STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2023

	Notes	Guotai Junan Investment Funds OFC 2023 US\$	Guotai Junan USD Money Market Fund 2023 US\$	Guotai Junan HKD Money Market Fund 2023 HK\$
EQUITY				
Management share		-	-	-
Total equity		-	-	-
Total liabilities and equity		-	202,855,880	1,043,733,195
Net assets attributable to shareholders per share:				
Class A2 Shares	6	-	10.1456	10.1442
Class D1 Shares	6	-	10.3402	10.2750
Class S Shares	6	-	10.3822	10.3169

The accompanying notes are an integral part of these financial statements.

GUOTAI JUNAN INVESTMENT FUNDS OFC

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STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	Notes	Guotai Junan Investment Funds OFC For the period from 3 March 2023 (date of incorporation) to 31 December 2023 US\$	Guotai Junan USD Money Market Fund For the period from 27 April 2023 (date of launch) to 31 December 2023 US\$	Guotai Junan HKD Money Market Fund For the period from 27 April 2023 (date of launch) to 31 December 2023 HK\$
Net assets attributable to shareholders at the beginning of the period		-	-	-
Issue of shares		-	401,094,730	3,974,930,265
Redemption of shares		-	(202,604,804)	(2,954,363,283)
		-	198,489,926	1,020,566,982
Profit and total comprehensive income for the period		-	4,268,553	22,546,571
Net assets attributable to shareholders at the end of the period	6	-	202,758,479	1,043,113,553
Number of shares in issue at the beginning of the period		-	-	-
Issue of shares		-	39,444,688	392,796,360
Redemption of shares		-	(19,853,833)	(291,264,407)
Number of shares in issue at the end of the period	6	-	19,590,855	101,531,953

The accompanying notes are an integral part of these financial statements.

GUOTAI JUNAN INVESTMENT FUNDS OFC

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STATEMENT OF CASH FLOWS

	Guotai Junan USD Money Market Fund For the period from 27 April 2023 (date of launch) to 31 December 2023 US\$	Guotai Junan HKD Money Market Fund For the period from 27 April 2023 (date of launch) to 31 December 2023 HK\$
Note		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	4,268,553	22,546,571
Adjustments for:		
Interest income	(4,819,897)	(26,635,071)
	(551,344)	(4,088,500)
Increase in time deposits with original maturities of more than three months	(147,242,418)	(624,062,238)
Increase in financial assets at fair value through profit or loss	(3,997,986)	-
Increase in other receivables	(3,408)	(26,658)
Increase in management fee payable	80,693	515,699
Increase in administration fee payable	11,792	64,226
Increase in other payables	4,916	39,717
Cash used in operations	(151,697,755)	(627,557,754)
Interest received	3,561,621	19,754,470
Net cash flows used in operating activities	(148,136,134)	(607,803,284)

The accompanying notes are an integral part of these financial statements.

GUOTAI JUNAN INVESTMENT FUNDS OFC

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STATEMENT OF CASH FLOWS (continued)

	Note	Guotai Junan USD Money Market Fund For the period from 27 April 2023 (date of launch) to 31 December 2023 US\$	Guotai Junan HKD Money Market Fund For the period from 27 April 2023 (date of launch) to 31 December 2023 HK\$
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		401,094,730	3,974,930,265
Payments on redemption of shares		(202,604,804)	(2,954,363,283)
Net cash flows from financing activities		<u>198,489,926</u>	<u>1,020,566,982</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the period		-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u><u>50,353,792</u></u>	<u><u>412,763,698</u></u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash at bank	5	12,983,787	13,624
Time deposits with original maturity of three months or less	5	37,370,005	412,750,074
		<u><u>50,353,792</u></u>	<u><u>412,763,698</u></u>

The accompanying notes are an integral part of these financial statements.

GUOTAI JUNAN INVESTMENT FUNDS OFC

(an open-ended fund company with variable capital and segregated liability between sub-funds incorporated under the laws of Hong Kong)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

1. GENERAL INFORMATION

Guotai Junan Investment Funds OFC (the “Company”) is a public umbrella open-ended fund company with variable capital with limited liability, which was incorporated in Hong Kong under the Securities and Futures Ordinance (the “SFO”). The Company is constituted by way of its Instrument filed to the Companies Registry of Hong Kong on, and effective as of, 3 March 2023. The Company is an open-ended fund company that is a body corporate upon which Guotai Junan USD Money Market Fund and Guotai Junan HKD Money Market Fund (collectively, referred to as “Sub-Funds”) are launched and it owns no economic or legal interests in the Sub-Funds.

The Company is registered with the Securities and Futures Commission (the “SFC”) under Section 112D of the SFO. The Company and the Sub-Funds are authorised as a collective investment scheme by the SFC under Section 104 of the SFO and the Sub-Funds fall within Chapter 8.6 of the *Code on Unit Trusts and Mutual Funds* (the “UT Code”) issued by the SFC.

The manager of the Company is Guotai Junan Assets (Asia) Limited (the “Manager”) and the administrator is BOCI-Prudential Trustee Limited (the “Administrator”). The custodian is BOCI-Prudential Trustee Limited (the “Custodian”).

Guotai Junan USD Money Market Fund

Guotai Junan USD Money Market Fund (“USDMMF”) is one of the Sub-Funds of the Company, which was launched on 27 April 2023.

USDMMF currently has Class A1 Shares, Class A2 Shares, Class D1 Shares, Class D2 Shares and Class S Shares which are available to investors.

Class A2 Shares are available for subscription by selected institutional investors as the Manager determines from time to time.

Class D1 Shares and Class D2 Shares are available for subscription by selected distributors as the Manager determines from time to time.

Class S Shares are available for subscription by the following categories of investors:

- (a) current employees and representatives (i.e. non-employee account executives) of the Manager or its affiliates; and
- (b) the Manager’s clients, i.e. funds and discretionary accounts under the Manager’s management.

USDMMF’s objective is to invest in short term deposits and high quality money market investments. USDMMF seeks to achieve a return in United States Dollars (“US\$”) in line with prevailing money market rate.

Guotai Junan HKD Money Market Fund

Guotai Junan HKD Money Market Fund (“HKDMMF”) is one of the Sub-Funds of the Company, which was launched on 27 April 2023.

HKDMMF currently has Class A1 Shares, Class A2 Shares, Class D1 Shares, Class D2 Shares and Class S Shares which are available to investors.

Class A2 Shares are available for subscription by selected institutional investors as the Manager determines from time to time.

GUOTAI JUNAN INVESTMENT FUNDS OFC

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

1. GENERAL INFORMATION (continued)

Guotai Junan HKD Money Market Fund (continued)

Class D1 Shares and Class D2 Shares are available for subscription by selected distributors as the Manager determines from time to time.

Class S Shares are available for subscription by the following categories of investors:

- (a) current employees and representatives (i.e. non-employee account executives) of the Manager or its affiliates; and
- (b) the Manager's clients, i.e. funds and discretionary accounts under the Manager's management.

HKDMMF's objective is to invest in short term deposits and high quality money market investments. HKDMMF seeks to achieve a return in Hong Kong Dollars ("HK\$") in line with prevailing money market rate.

2.1. BASIS OF PREPARATION

The financial statements of the Company and the Sub-Funds have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB and the relevant disclosure provisions of the Instrument of Incorporation and the relevant disclosure provisions specified in Appendix E of the UT Code.

These financial statements have been prepared under the historical cost convention, except for financial assets classified at fair value through profit or loss that have been measured at fair value.

Guotai Junan Investment Funds OFC

These financial statements are presented in US\$ and all values are rounded to the nearest US\$ except where otherwise indicated.

Guotai Junan USD Money Market Fund

These financial statements are presented in US\$ and all values are rounded to the nearest US\$ except where otherwise indicated.

Guotai Junan HKD Money Market Fund

These financial statements are presented in HK\$ and all values are rounded to the nearest HK\$ except where otherwise indicated.

A cash flow statement has not been presented for the Company as the Company does not operate a bank or cash account or hold any cash equivalents and has had no cash transactions during the accounting period. Accordingly, in the opinion of the directors, the presentation of a cash flow statement would provide no additional useful information to the users of the financial statements.

The Company and Sub-Funds have adopted for the first time all the applicable and effective IFRSs.

GUOTAI JUNAN INVESTMENT FUNDS OFC

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.2. ISSUED BUT NOT YET EFFECTIVE STANDARDS

The Sub-Funds have not early applied any of the revised IFRSs that have been issued but are not yet effective for the accounting period ended 31 December 2023 in these financial statements. None of these IFRSs is expected to be relevant to the Sub-Funds' financial statements upon becoming effective.

2.3. MATERIAL ACCOUNTING POLICIES

Financial instruments

(i) Classification

In accordance with IFRS 9, the Company and Sub-Funds classify their financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- on initial recognition, it is a part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective as a hedging instrument).

Financial assets

The Company and Sub-Funds classify their financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- the entity's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Sub-Funds include in this category non-financing receivables including interest receivables, other receivable, time deposits and cash at banks.

GUOTAI JUNAN INVESTMENT FUNDS OFC

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.3. MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) *Classification* (continued)

Financial assets measured at fair value through profit or loss

A financial asset is measured at fair value through profit or loss if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding; or
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- (c) At initial recognition, it is irrevocably designated as measured at fair value through profit or loss when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Sub-Funds include in this category its investments in debt securities.

Financial liabilities

Financial liabilities measured at fair value through profit or loss

A financial liability is measured at fair value through profit or loss if it meets the definition of held for trading. The Sub-Funds include in this category its redeemable shares and the Sub-Funds' accounting policy regarding the redeemable shares is described below.

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Sub-Funds include in this category management fee payable, administrative fee payable, and other payables.

(ii) *Recognition*

The Company and Sub-Funds recognise a financial asset or financial liability 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 timeframe generally established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company and Sub-Funds commits to purchase or sell the asset.

(iii) *Initial measurement*

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Financial assets and liabilities (other than those classified as fair value through profit or loss) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

GUOTAI JUNAN INVESTMENT FUNDS OFC

(an open-ended fund company with variable capital and segregated liability between sub-funds incorporated under the laws of Hong Kong)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.3. MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iv) Subsequent measurement

After initial measurement, the Company and Sub-Funds measure 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 and liabilities at fair value through profit or loss in profit or loss. Interest and dividends earned or paid on these instruments are recorded separately in interest income or expense and dividend income or expense in profit or loss. Debt instruments, other than those classified as at fair value through or loss, are measured at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the debt instruments 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 in profit or loss over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the Company and Sub-Funds estimate 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.

(v) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's and Sub-Funds' statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company and Sub-Funds have 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 Portfolio has transferred substantially all the risks and rewards of the asset; or (b) the Portfolio has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company and Sub-Funds have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates, if and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company and Sub-Funds continue to recognise the transferred asset to the extent of Company's and Sub-Funds' continuing involvement. In that case, the Company and Sub-Funds also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Sub-Funds have retained. The Company and Sub-Funds derecognise a financial liability when the obligation under the liability is discharged, cancelled or expired.

GUOTAI JUNAN INVESTMENT FUNDS OFC

(an open-ended fund company with variable capital and segregated liability between sub-funds incorporated under the laws of Hong Kong)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.3. MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Company and Sub-Funds hold only interest and subscription receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses ("ECL") under IFRS 9 to all its receivables. Therefore, the Company and Sub-Funds does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Company's and Sub-Funds' approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company and Sub-Funds use the provision matrix as a practical expedient to measure ECLs on receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

Fair value measurement

The Company and Sub-Funds measure its investments in financial instruments, such as debt investments, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company and Sub-Funds.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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, without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

GUOTAI JUNAN INVESTMENT FUNDS OFC

(an open-ended fund company with variable capital and segregated liability between sub-funds incorporated under the laws of Hong Kong)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.3. MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company and Sub-Funds identify transfers between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company and Sub-Funds have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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 reporting date.

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.

Foreign currency transaction gains and losses on financial instruments classified as at fair value through profit or loss are included in profit or loss as part of the 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 as net foreign exchange differences.

Net assets attributable to shareholders

The Sub-Funds issue redeemable units, namely Class A1 Shares, Class A2 Shares, Class D1 Shares, Class D2 Shares and Class S Shares, which are redeemable at the shareholder's option and are classified as financial liabilities as they do not meet the conditions to be classified as equity. Redeemable shares are measured at the redemption amount.

GUOTAI JUNAN INVESTMENT FUNDS OFC

(an open-ended fund company with variable capital and segregated liability between sub-funds incorporated under the laws of Hong Kong)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.3. MATERIAL ACCOUNTING POLICIES (continued)

Distributions to shareholders

Distributions are at the discretion of the Manager. A distribution to the Sub-Funds' shareholders are included in profit or loss in the statement of profit or loss and other comprehensive income as the '*Finance costs*'. A proposed distribution is recognised as a liability in the year in which it is approved by the Manager of the Sub-Funds.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, 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, net of outstanding bank overdrafts when appropriate.

Interest income

Interest income is recognised in profit or loss for all interest-bearing financial instruments using the effective interest method.

Transaction costs

Transaction costs are costs incurred to acquire financial assets or financial liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognized in profit or loss as an expense.

Net gain or loss on financial assets at fair value through profit or loss

This item includes changes in the fair value of financial assets as "fair value through profit or loss" and excludes interest and dividend incomes and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the year and from reversal of prior period's unrealised gains and losses for financial instruments which were realised in the reporting period.

Realised gains and losses on disposals of financial instruments classified as "fair value through profit or loss" are calculated using the weighted average method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

GUOTAI JUNAN INVESTMENT FUNDS OFC

(an open-ended fund company with variable capital and segregated liability between sub-funds incorporated under the laws of Hong Kong)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.3. MATERIAL ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Company and Sub-Funds 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 Company and Sub-Funds;
 - (ii) has significant influence over the Company and Sub-Funds; or
 - (iii) is a member of the key management personnel of the Company and Sub-Funds or of a parent of the Company and Sub-Funds; or

- (b) the party is an entity where any of the following conditions applies
 - (i) the entity and the Company and Sub-Funds are members of the same group;
 - (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 Company and Sub-Funds 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 Company and Sub-Funds or an entity related to the Company and Sub-Funds;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (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); and
 - (viii) the entity, or any member of group of which it is a part, provides key management personnel services to the Company and Sub-Funds or to the parent of the Company and Sub-Funds.

3. INCOME TAX

Hong Kong tax

No provision for Hong Kong profits tax has been made for the Sub-Funds. The Sub-Funds are authorized by the SFC as a collective investment scheme pursuant to Section 104 of the SFO. It is exempted from Hong Kong profits tax under Section 26A(1A) of the Inland Revenue Ordinance in Hong Kong.

GUOTAI JUNAN INVESTMENT FUNDS OFC

(an open-ended fund company with variable capital and segregated liability between sub-funds incorporated under the laws of Hong Kong)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Guotai Junan USD Money Market Fund

	2023 US\$
Financial assets at fair value through profit or loss	
- Debt securities	3,997,986
	3,997,986
Gains recognised in relation to financial assets at fair value through profit or loss:	
- realised	5,320
Net gains on financial assets at fair value through profit or loss	5,320

Valuation techniques

When the fair value cannot be derived from active markets, investments are valued using inputs from observable markets. The valuation may also be obtained from independent pricing vendor or broker quotes. To the extent that significant inputs are observable, the Sub-Funds categorise these investments as Level 2.

The following table analyses within the fair value hierarchy the Sub-Funds' financial assets measured at fair value as at 31 December 2023.

Guotai Junan USD Money Market Fund

	Quoted price in active markets Level 1 US\$	Significant observable inputs Level 2 US\$	Significant unobservable inputs Level 3 US\$	Total US\$
31 December 2023				
Financial assets at fair value through profit or loss				
- Debt securities	-	3,997,986	-	3,997,986
	-	3,997,986	-	3,997,986

There are no investments classified within Level 3. During the period from 27 April 2023 (date of launch) to 31 December 2023, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets.

GUOTAI JUNAN INVESTMENT FUNDS OFC

(an open-ended fund company with variable capital and segregated liability between sub-funds incorporated under the laws of Hong Kong)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

5. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

Guotai Junan USD Money Market Fund

	2023 US\$
Cash at banks	12,983,787
Time deposits	184,612,423
Subtotal	<u>197,596,210</u>
Less: Time deposits with original maturities of more than three months	<u>(147,242,418)</u>
	<u>50,353,792</u>

Guotai Junan HKD Money Market Fund

	2023 HK\$
Cash at banks	13,624
Time deposits	1,036,812,312
Subtotal	<u>1,036,825,936</u>
Less: Time deposits with original maturities of more than three months	<u>(624,062,238)</u>
	<u>412,763,698</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of less than a year, depending on the immediate cash requirements of the Sub-Funds and earn interests at the respective time deposit rates. The carrying amounts of the cash and cash equivalents and the time deposits approximate to their fair values.

6. NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

As of 3 March 2023 (date of incorporation) and 31 December 2023, net assets attributable to shareholders per unit of management share of the Company were nil.

The tables below summarise the movement of shares of the Sub-Funds in issue for the period from 27 April 2023 (date of launch) to 31 December 2023.

Guotai Junan USD Money Market Fund

	As at 27 April 2023 (date of launch)	Issue of shares	Redemption of shares	As at 31 December 2023
Class A2 Shares	-	188,450	(178,500)	9,950
Class D1 Shares	-	34,266,699	(19,156,535)	15,110,164
Class S Shares	-	4,989,539	(518,798)	4,470,741
Total	<u>-</u>	<u>39,444,688</u>	<u>(19,853,833)</u>	<u>19,590,855</u>

GUOTAI JUNAN INVESTMENT FUNDS OFC

(an open-ended fund company with variable capital and segregated liability between sub-funds incorporated under the laws of Hong Kong)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

6. NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS (continued)

Guotai Junan HKD Money Market Fund

	As at 27 April 2023 (date of launch)	Issue of shares	Redemption of shares	As at 31 December 2023
Class A2 Shares	-	2,789,687	(641,481)	2,148,206
Class D1 Shares	-	380,370,810	(284,562,316)	95,808,494
Class S Shares	-	9,635,863	(6,060,610)	3,575,253
Total	-	<u>392,796,360</u>	<u>(291,264,407)</u>	<u>101,531,953</u>

The tables below summarise the movement in net asset value (“NAV”) of each class of shares of the Sub-Funds in issue for the period from 27 April 2023 (date of launch) to 31 December 2023.

Guotai Junan USD Money Market Fund

	As at 27 April 2023 (date of launch) US\$	Issue of shares US\$	Redemption of shares US\$	Profit and total comprehensive income for the period US\$	As at 31 December 2023 US\$
Class A2 Shares	-	1,885,000	(1,800,565)	16,514	100,949
Class D1 Shares	-	348,164,021	(195,503,809)	3,581,395	156,241,607
Class S Shares	-	51,045,709	(5,300,430)	670,644	46,415,923
Total	-	<u>401,094,730</u>	<u>(202,604,804)</u>	<u>4,268,553</u>	<u>202,758,479</u>

Guotai Junan HKD Money Market Fund

	As at 27 April 2023 (date of launch) HK\$	Issue of shares HK\$	Redemption of shares HK\$	Profit and total comprehensive income for the period HK\$	As at 31 December 2023 HK\$
Class A2 Shares	-	28,000,000	(6,500,000)	291,863	21,791,863
Class D1 Shares	-	3,849,423,591	(2,886,533,562)	21,546,207	984,436,236
Class S Shares	-	97,506,674	(61,329,721)	708,501	36,885,454
Total	-	<u>3,974,930,265</u>	<u>(2,954,363,283)</u>	<u>22,546,571</u>	<u>1,043,113,553</u>

GUOTAI JUNAN INVESTMENT FUNDS OFC

(an open-ended fund company with variable capital and segregated liability between sub-funds incorporated under the laws of Hong Kong)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

6. NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS (continued)

A reconciliation of the accounting net assets attributable to shareholders as reported in the statement of financial position to the dealing net assets attributable to shareholders as determined for the purposes of processing unit subscriptions and redemptions is provided below:

Guotai Junan USD Money Market Fund

	2023 US\$
Dealing net assets attributable to shareholders	202,782,743
Adjustment for establishment costs	<u>(24,264)</u>
Accounting net assets attributable to shareholders as reported in the financial statements	<u>202,758,479</u>

31 December 2023

	Accounting NAV per share as reported in the financial statements in class currency US\$	Dealing NAV per share in class currency US\$
Class A2 Shares	<u>10.1456</u>	<u>10.1468</u>
Class D1 Shares	<u>10.3402</u>	<u>10.3414</u>
Class S Shares	<u>10.3822</u>	<u>10.3834</u>

GUOTAI JUNAN INVESTMENT FUNDS OFC

(an open-ended fund company with variable capital and segregated liability between sub-funds incorporated under the laws of Hong Kong)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

6. NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS (continued)

Guotai Junan HKD Money Market Fund

	2023 HK\$
Dealing net assets attributable to shareholders	1,043,304,468
Adjustment for establishment costs	<u>(190,915)</u>
Net assets attributable to shareholders as reported in the financial statements	<u><u>1,043,113,553</u></u>

31 December 2023

	NAV per share as reported in the financial statements in class currency HK\$	Dealing NAV per share in class currency HK\$
Class A2 Shares	<u>10.1442</u>	<u>10.1461</u>
Class D1 Shares	<u>10.2750</u>	<u>10.2769</u>
Class S Shares	<u>10.3169</u>	<u>10.3188</u>

The shares are available for issue on each business day in Hong Kong ("Business Day") at the relevant subscription price. The subscription price on any Business Day will be the price per share of the relevant class ascertained by dividing the net asset value of such class as at the valuation point in respect of the relevant Business Day by the number of shares of that class then in issue and rounded to 4 decimal places (0.00005 and above being rounded up; and below 0.00005 being rounded down) or such other rounding as the Manager may determine. The subscription price will be calculated and quoted in US\$ for USDMMF and HK\$ for HKDMMF.

Shareholders who wish to redeem their shares in the Sub-Funds may do so on any Business Day by submitting a redemption request to the Administrator. The redemption price on any Business Day will be the price per share of the relevant class ascertained by dividing the net asset value of such class as at the valuation point in respect of the relevant Business Day by the number of shares of that class then in issue and rounded to 4 decimal places (0.00005 and above being rounded up; and below 0.00005 being rounded down) or such other rounding as the Manager may determine. The redemption price will be calculated and quoted in US\$ for USDMMF and HK\$ for HKDMMF.

GUOTAI JUNAN INVESTMENT FUNDS OFC

(an open-ended fund company with variable capital and segregated liability between sub-funds incorporated under the laws of Hong Kong)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

7. TRANSACTIONS WITH THE MANAGER AND ITS CONNECTED PERSONS

Connected persons of the Manager are those as defined in the SFC Code. All transactions entered into during the period between the Sub-Funds and the Manager and its connected persons were carried out in the normal course of business and on normal commercial terms. To the best of the Manager's knowledge, the Sub-Funds do not have any other transactions with connected persons except for what is disclosed below.

(a) Management fee

The Manager is entitled to receive a management fee from the Sub-Funds, at a rate of 0.30% per annum for Class A1 Shares, 0.10% per annum for Class A2 Shares, 0.60% per annum for Class D1 Shares and 0.40% per annum for Class D2 Shares, with respect to the net asset value of the Sub-Funds. The management fee is calculated and accrued as at each valuation day and is payable monthly in arrears.

(b) Holdings in the Sub-Funds

The Sub-Funds allow the Manager and its connected persons to subscribe for, and redeem, units in the Sub-Funds. The holdings in the Sub-Funds by the connected person of the Manager as at 31 December 2023 were as follows:

Guotai Junan USD Money Market Fund

For the period from 27 April 2023 (date of launch) to 31 December 2023

Connected Person	Share Class	Shares outstanding at 27 April 2023	Shares subscribed during the period	Shares redeemed during the period	Shares outstanding at 31 December 2023
Guotai Junan Securities (Hong Kong) Limited	Class A2 Shares	-	9,950	-	9,950
	Class D1 Shares	-	34,266,699	(19,156,535)	15,110,164
	Class S Shares	-	1,570,221	(518,798)	1,051,423
		-	35,846,870	(19,675,333)	16,171,537

Guotai Junan HKD Money Market Fund

For the period from 27 April 2023 (date of launch) to 31 December 2023

Connected Person	Share Class	Shares outstanding at 27 April 2023	Shares subscribed during the period	Shares redeemed during the period	Shares outstanding at 31 December 2023
Guotai Junan Securities (Hong Kong) Limited	Class D1 Shares	-	380,370,810	(284,562,316)	95,808,494
	Class S Shares	-	9,635,863	(6,060,610)	3,575,253
		-	390,006,673	(290,622,926)	99,383,747

GUOTAI JUNAN INVESTMENT FUNDS OFC

(an open-ended fund company with variable capital and segregated liability between sub-funds incorporated under the laws of Hong Kong)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

8. SOFT COMMISSION ARRANGEMENTS

The Manager and its connected persons may enter into soft commission arrangements with brokers under which certain goods and services used to support investment decision making will be received. The Manager and its connected persons will not make direct payment for these services but will transact an agreed amount of business with the brokers on behalf of the Sub-Funds and commission will be paid on these transactions.

The goods and services must be of demonstrable benefit to the Sub-Funds and may include research and advisory services, economic and political analysis, portfolio analysis including valuation and performance measurement, market analysis and data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publications.

For the period from 27 April 2023 (date of launch) to 31 December 2023, the Manager had not participated in any soft dollar arrangements in respect of any transactions for the accounts of the Sub-Funds.

9. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

Risk management

Risk is inherent in the Sub-Funds' activities, but it is managed through a process of ongoing identification, measurement and monitoring. The Manager is responsible for identifying and controlling risks. In perspective of risk management, the Sub-Funds' objective is to create and protect value for unitholders.

The Sub-Funds' are exposed to market risk (which includes market price risk, interest rate risk and currency risk), liquidity risk and credit and counterparty risk arising from the financial instruments they holds.

(a) Market risk

Market risk is the risk of loss arising from uncertainty concerning movements in market prices and rates, including observable variables such as interest rates, credit spreads, exchange rates, and indirectly observable variables such as volatilities and correlations. Market risk includes such factors as changes in economic environment, consumption pattern and investors' expectation, etc., which may have significant impact on the value of the investments. Market movement may therefore result in substantial fluctuation in the net asset value of redeemable units of the Sub-Funds.

The maximum risk resulting from financial instruments equals their fair value.

The Sub-Funds assume market risk in trading activities. The Sub-Funds distinguish market risk as market price risk, interest rate risk and currency risk.

(i) Market price risk

The Sub-Funds' market price risk is managed through diversification of the investment portfolio as well as investing in securities with strong fundamentals.

GUOTAI JUNAN INVESTMENT FUNDS OFC

(an open-ended fund company with variable capital and segregated liability between sub-funds incorporated under the laws of Hong Kong)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

9. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Sub-Funds mainly hold interest-bearing bank deposits. All the bank deposits carry fixed interest rates. The Manager considers the movement in interest rates will not have significant impact on the net assets attributable to shareholders of the Sub-Funds for the period from 27 April 2023 (date of launch) to 31 December 2023 and therefore no sensitivity analysis on bank deposits is presented.

USDMMF also invests in fixed rate debt securities and therefore, the exposure of its interest income to floating interest rate risk is considered to be relatively minimal.

As USDMMF has invested in debt securities whose values are driven significantly by changes in interest rates, USDMMF is subject to interest rate risk. When interest rates rise, the value of previously acquired debt securities will normally fall because new debt securities acquired will pay a higher rate of interest. In contrast, if interest rates fall, then the value of the previously acquired debt securities will normally rise. The Manager regularly assesses the economic condition, monitors changes in interest rates outlook and takes appropriate measures accordingly to control the impact of interest rate risk. In a rising interest rate environment, USDMMF will acquire debts with a shorter maturity profile to minimise the negative impact to the portfolio.

The following table demonstrates the sensitivity of the net asset attributable to shareholders of USDMMF for the period from 27 April 2023 (date of launch) to 31 December 2023 to a reasonably possible change in the interest rates, with all other variables held constant.

	Change in basis point	Sensitivity of change in fair value of investments (decrease)/increase US\$
As at 31 December 2023		
- Debt securities	+25/-25	(124,757)/124,757

(iii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Sub-Funds hold assets and liabilities, which are mainly denominated in the functional currency of the Sub-Funds. The Manager considers the Sub-Funds are not exposed to significant currency risk and therefore no sensitivity analysis is presented.

GUOTAI JUNAN INVESTMENT FUNDS OFC

(an open-ended fund company with variable capital and segregated liability between sub-funds incorporated under the laws of Hong Kong)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

9. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk

Liquidity risk is defined as the risk that the Sub-Funds will encounter difficulties in meeting their obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Sub-Funds could be required to pay their liabilities or redeem their shares earlier than expected. The Sub-Funds are exposed to daily cash redemptions of their shares. Shares are redeemable at the shareholder's option based on the Sub-Funds' net asset value per share at the time of redemption, calculated in accordance with the Sub-Funds' Explanatory Memorandum. It is the Sub-Funds' policy that the Manager monitors the Sub-Funds' liquidity position on a daily basis.

The tables below summarise the maturity profile of the Sub-Funds' financial assets and liabilities at the end of the reporting period based on contractual undiscounted cash flows in order to provide a complete view of the Sub-Funds' contractual commitments and liquidity.

Guotai Junan USD Money Market Fund

As at 31 December 2023	On demand US\$	Within 1 month US\$	1 month to 3 months US\$	More than 3 months to 1 year US\$	Others US\$	Total US\$
<u>Financial assets</u>						
Financial assets at fair value through profit or loss	3,997,986	-	-	-	-	3,997,986
Other receivables	-	3,408	-	-	-	3,408
Interest receivables	-	669,311	582,635	6,330	-	1,258,276
Time deposits with original maturities of more than three months	-	-	-	147,242,418	-	147,242,418
Cash and cash equivalents	12,983,787	31,350,544	6,019,461	-	-	50,353,792
Total financial assets	16,981,773	32,023,263	6,602,096	147,248,748	-	202,855,880
<u>Financial liabilities</u>						
Management fee payable	-	80,693	-	-	-	80,693
Administration fee payable	-	11,792	-	-	-	11,792
Other payables	-	4,916	-	-	-	4,916
Net assets attributable to shareholders*	-	-	-	-	202,758,479	202,759,479
Total financial liabilities	-	97,401	-	-	202,758,479	202,856,880

*Subject to redemption terms of the sub-fund per Explanatory Memorandum

GUOTAI JUNAN INVESTMENT FUNDS OFC

(an open-ended fund company with variable capital and segregated liability between sub-funds incorporated under the laws of Hong Kong)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

9. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

Guotai Junan HKD Money Market Fund

As at 31 December 2023	On demand HK\$	Within 1 month HK\$	1 month to 3 months HK\$	More than 3 months to 1 year HK\$	Others HK\$	Total HK\$
<u>Financial assets</u>						
Other receivables	-	26,658	-	-	-	3,408
Interest receivables	-	4,811,009	2,069,592	-	-	1,258,276
Time deposits with original maturities of more than three months	-	343,587,416	280,474,822	-	-	147,242,418
Cash and cash equivalents	13,624	304,250,074	108,500,000	-	-	50,353,792
Total financial assets	13,624	652,675,157	391,044,414	-	-	202,855,880
<u>Financial liabilities</u>						
Management fee payable	-	515,699	-	-	-	80,693
Administration fee payable	-	64,226	-	-	-	11,792
Other payables	-	39,717	-	-	-	4,916
Net assets attributable to shareholders*	-	-	-	-	1,043,113,553	1,043,113,553
Total financial liabilities	-	619,642	-	-	1,043,113,553	1,043,733,195

*Subject to redemption terms of the sub-fund per Explanatory Memorandum

(c) Credit and counterparty risk

(i) Credit risk

Credit risk is the risk of loss to the Sub-Funds that may arise on outstanding financial instruments should a counterparty default on its obligations. The Sub-Funds minimise exposure to credit risk by only dealing with creditworthy counterparties.

All transactions by the Sub-Funds in securities are settled/paid for upon delivery using an approved broker. The risk of default is considered minimal, as delivery of securities is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Manager's policy is to closely monitor the creditworthiness of the Sub-Funds' counterparties (e.g. brokers, custodian and banks) by reviewing their credit ratings, financial statements and press releases on a regular basis.

Credit risk disclosures are segmented into two sections based on whether the underlying financial instrument is subject to IFRS 9's impairment disclosures or not.

GUOTAI JUNAN INVESTMENT FUNDS OFC

(an open-ended fund company with variable capital and segregated liability between sub-funds incorporated under the laws of Hong Kong)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

9. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit and counterparty risk (continued)

(i) Credit risk (continued)

Financial assets subject to IFRS 9's impairment requirements

The Sub-Funds' financial assets are subject to the expected credit loss ("ECL") model within IFRS 9 are cash at banks, time deposits, interest receivables and other receivables.

Guotai Junan USD Money Market Fund

As at 31 December 2023, the total of cash at banks, time deposits, interest receivables, and other receivables was approximately US\$198,857,894 on which no loss allowance had been provided. There is not considered to be any concentration of credit risk within these assets. No assets are considered impaired and no amounts have been written off in the period from 27 April 2023 (date of launch) to 31 December 2023.

Guotai Junan HKD Money Market Fund

As at 31 December 2023, the total of cash at banks, time deposits, interest receivables and other receivables was approximately HK\$1,043,733,195 on which no loss allowance had been provided. There is not considered to be any concentration of credit risk within these assets. No assets are considered impaired and no amounts have been written off in the period from 27 April 2023 (date of launch) to 31 December 2023.

In calculating the loss allowance, a provision matrix has been used based on historical observed loss rates over the expected life of the receivables adjusted for forward-looking estimates. Items have been grouped by their nature into the following categories: cash at banks, time deposits, interest receivables and other receivables. All the Sub-Funds' cash at banks and time deposits are held in major financial institutions located in Hong Kong and China, which the Manager believes are of high credit quality. All the interest receivables and other receivables are not past due and there is no information indicating that there is a significant increase in credit risk since initial recognition. The Manager considers the Sub-Funds are not exposed to significant credit risk and no loss allowance has been made.

Financial assets not subject to IFRS 9's impairment requirements

Guotai Junan USD Money Market Fund

USDMMF is exposed to credit risk on debt instruments. These classes of financial assets are not subject to IFRS 9's impairment requirements as they are measured at fair value through profit or loss. Hence, no separate maximum exposure to credit risk disclosure is provided for these instruments.

Credit quality of financial assets not subject to IFRS 9's impairment requirements

Guotai Junan USD Money Market Fund

USDMMF invests only in interest-bearing debt securities with consideration of the short-term credit rating of the bonds as rated by Standard & Poor's, Moody's or Fitch. As at 31 December 2023, all the bond investments of USDMMF were rated at A-1 or above as rated by Standard & Poor's.

GUOTAI JUNAN INVESTMENT FUNDS OFC

(an open-ended fund company with variable capital and segregated liability between sub-funds incorporated under the laws of Hong Kong)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

9. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit and counterparty risk (continued)

(ii) Counterparty risk

The Sub-Funds' financial assets which are potentially subject to concentrations of counterparty risk consist principally of cash at banks, time deposits placed at banks, interest receivables from the banks and investments held by the Custodian. The Sub-Funds limit their exposure to counterparty risk by transacting with well-established banks and counterparties with high credit ratings. As such, the Manager does not consider the Sub-Funds to be exposed to significant counterparty risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial assets in the statement of financial position.

10. EVENTS AFTER THE REPORTING PERIOD

Guotai Junan USD Money Market Fund

During the period between the period end and the date of authorisation of these financial statements, the total subsequent subscriptions and redemptions of Class A2 Shares of USDMMF amounted to US\$3,278,000 and US\$300,138. The total subsequent subscriptions and redemptions of Class D1 Shares of USDMMF amounted to US\$360,026,495 and US\$323,524,789. The total subsequent subscriptions and redemptions of Class S Shares of USDMMF amounted to US\$72,799,643 and US\$50,828,186.

Guotai Junan HKD Money Market Fund

During the period between the period end and the date of authorisation of these financial statements, the total subsequent subscriptions and redemptions of Class A2 Shares of HKDMMF amounted to HK\$24,000,000 and HK\$1,500,000. The total subsequent subscriptions and redemptions of Class D1 Shares of HKDMMF amounted to HK\$1,507,650,098 and HK\$1,560,640,062. The total subsequent subscriptions and redemptions of Class S Shares of HKDMMF amounted to HK\$92,061,024 and HK\$22,250,739.

11. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors and the Manager on 29 April 2024.

GUOTAI JUNAN INVESTMENT FUNDS OFC

(an open-ended fund company with variable capital and segregated liability between sub-funds incorporated under the laws of Hong Kong)

INVESTMENT PORTFOLIO (UNAUDITED)

Guotai Junan USD Money Market Fund

As at 31 December 2023

	Holdings Units	Fair value US\$	% of net assets
<u>Unlisted debt securities</u>			
Bonds			
<i>South Korea</i>			
Agricultural Bank of China Ltd (Seoul Branch) 5.5% due 21 February 2024	2,000,000	2,000,000	1
Agricultural Bank of China Ltd (Seoul Branch) 5.96% due 8 February 2024	2,000,000	1,997,986	1
Other net assets		198,760,493	98
Total net assets		<u>202,758,479</u>	<u>100</u>
Total investments, at cost		<u>3,997,986</u>	
			Days
Portfolio weighted average maturity in days			44.93
Portfolio weighted average life in days			44.93
		Fair value US\$	% of net assets
Daily liquid assets		197,596,210	97.44
Weekly liquid assets		198,854,486	98.06

GUOTAI JUNAN INVESTMENT FUNDS OFC

(an open-ended fund company with variable capital and segregated liability between sub-funds incorporated under the laws of Hong Kong)

INVESTMENT PORTFOLIO (UNAUDITED) (continued)

Guotai Junan HKD Money Market Fund

As at 31 December 2023

	Holdings Units	Fair value HK\$	% of net assets
Other net assets		1,043,113,553	100
Total net assets		1,043,113,553	100
			Days
Portfolio weighted average maturity in days			27.65
Portfolio weighted average life in days			27.65
		Fair value HK\$	% of net assets
Daily liquid assets		1,036,825,936	99.40
Weekly liquid assets		1,043,706,537	100.06

GUOTAI JUNAN INVESTMENT FUNDS OFC

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STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)

Guotai Junan USD Money Market Fund

For the period from 27 April 2023 (date of launch) to 31 December 2023

	Holdings				
	27 April 2023 (date of launch) Units	Additions Units	Corporate Action Units	Disposals Units	As at 31 December 2023 Units
<u>Unlisted debt securities</u>					
Bonds					
<i>British Virgin Islands</i>					
Sinopec Group Overseas Development (2013) Limited 4.375% due 17 October 2023	-	700,000	-	(700,000)	-
<i>China</i>					
Guangzhou Development District Holding Group Limited 2.6% due 15 December 2023	-	2,000,000	-	(2,000,000)	-
<i>South Korea</i>					
Agricultural Bank of China Ltd (Seoul Branch) 5.5% due 21 February 2024	-	2,000,000	-	-	2,000,000
Agricultural Bank of China Ltd (Seoul Branch) 5.96% due 8 February 2024	-	2,000,000	-	-	2,000,000

GUOTAI JUNAN INVESTMENT FUNDS OFC

(an open-ended fund company with variable capital and segregated liability between sub-funds incorporated under the laws of Hong Kong)

PERFORMANCE TABLE (UNAUDITED)

Guotai Junan USD Money Market Fund

As at 31 December 2023

Net asset value attributable to shareholders

(Calculated in accordance with USDMMF's Explanatory Memorandum)

	Net asset value per share US\$	Total net asset value US\$
Class A2 Shares	10.1468	100,961
Class D1 Shares	10.3414	156,260,304
Class S Shares	10.3834	46,421,478

Highest issue price and lowest redemption price per share

	Highest issue price per share US\$	Lowest redemption price per share US\$
Class A2 Shares	10.1435	10.0000
Class D1 Shares	10.3382	10.0000
Class S Shares	10.3799	10.0000

Guotai Junan HKD Money Market Fund

As at 31 December 2023

Net asset value attributable to shareholders

(Calculated in accordance with HKDMMF's Explanatory Memorandum)

	Net asset value per share HK\$	Total net asset value HK\$
Class A2 Shares	10.1461	21,795,851
Class D1 Shares	10.2769	984,616,412
Class S Shares	10.3188	36,892,205

Highest issue price and lowest redemption price per share

	Highest issue price per share HK\$	Lowest redemption price per share HK\$
Class A2 Shares	10.1430	10.0000
Class D1 Shares	10.2741	10.0000
Class S Shares	10.3156	10.0000