



國泰君安國際
GUOTAI JUNAN INTERNATIONAL
ASSET MANAGEMENT

Guotai Junan Investment Funds

Guotai Junan Greater China Growth Fund

Guotai Junan Equity Income Fund

INTERIM REPORT (Unaudited)

For the period ended 30 June 2012

Guotai Junan Assets (Asia) Limited

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INVESTMENT MANAGER'S REVIEW

FOR THE PERIOD ENDED 30 JUNE 2012 (UNAUDITED)

MARKET REVIEW

In the first half of 2012, we saw a mild rebound for the global equity markets. Most of the major equity indices managed to record gains despite of the weak economic fundamentals. U.S. stock market continued to outperform for relatively lower systemic risk compared to the deteriorating situation in the euro zone. During the period under review, the Dow Jones increased by 5.4% to 12,880. The S&P 500 increased by 8.3% to 1,362 and the NASDAQ soared by 12.7% to 2,935.

China's latest macro figures remain sluggish, indicating that the pace of economic slowdown might be more severe than what investors widely expecting a bottoming out scenario to appear in near term. GDP growth declined from 8.1% in first quarter to 7.6% in the second quarter. The exports growth and trade surplus shrank sharply. As a result, the China and Hong Kong markets dropped significantly in the second quarter and wiped off part of the gain recorded in the first quarter. The stock trading volume of China and Hong Kong have significantly dropped. Some initial public offerings were delayed or cancelled due to the poor investment sentiment. In the first half year, CSI 300 index increased by 4.9% to close at 2,462.

After the central government lowered the GDP growth target of the year to 7.5%, we believe there will be no gigantic stimulus package. The economy needs a very long time to digest the potential side effects of pushing up growth by excessive investment and prolonging the loosened monetary policy. Amid of the upcoming leadership transaction in the second half of the year, the central government tends to make use of monetary policies conservatively, and roll out favorable policies to industries which are important to the economy transformation i.e. from exports focus to domestic consumption driven. On the monetary side, the People's Bank of China reduces the reserves requirement ratio of 50 basis points for three times since November last year, while interest rate was cut twice in July. For small and medium enterprises, which account for about 80% of the country's employment market, financing has become more accessible with higher liquidity in the system. We can see the strong determination from the administration to prevent further economic slowdown.



INVESTMENT MANAGER'S REVIEW (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2012 (UNAUDITED)

MARKET OUTLOOK

Looking forward, we believe external environment remains tough. Financial crisis in the euro zone remains the major hangover. The European Central Bank, International Monetary Fund and the euro zone countries have realized the situation in Greece, Spain and Italy are getting worse as their economy are too fragile to withstand the impacts coming along the austerity measures, while their debt refinancing cost remains high. We believe the systemic risk of the euro zone will be heightened in the rest of the year, particularly during the peak season when Spain and Italy have to refinance their huge amount of sovereign debt in the third quarter of 2012, while the progress of Greece to implement the austerity measures remains disappointing. We expect the moment for the euro zone leaders to come up with another round of bailout will be more difficult compare to last time. This may bring more volatility to the equity market.

In the U.S., Fed Chairman Ben S. Bernanke described the U.S. economic outlook as “muddy”, which reminded us the growth momentum on U.S. economy remains weak. Although from the robust corporate earnings of second quarter, the drag on the overall U.S. economy by the euro zone do not reach an alarming level yet.

Back to China, exports is still in a down trend and the consumption is yet to pick out. We believe the central government had been aware the potential impacts of economy slowdown. Therefore it might gradually increase government spending on infrastructure in a prudent manner, and provide a relatively loosen monetary environment for company to raise loan with a lower interest rate. These measures will prevent the situation of economic hard landing to appear in the rest of the year. However, the external demand remains weak and curbing the high property price remains on the central government's agenda.

We believe the equity market will remain volatile in the second half of the year without a solid global economic recovery story in place.

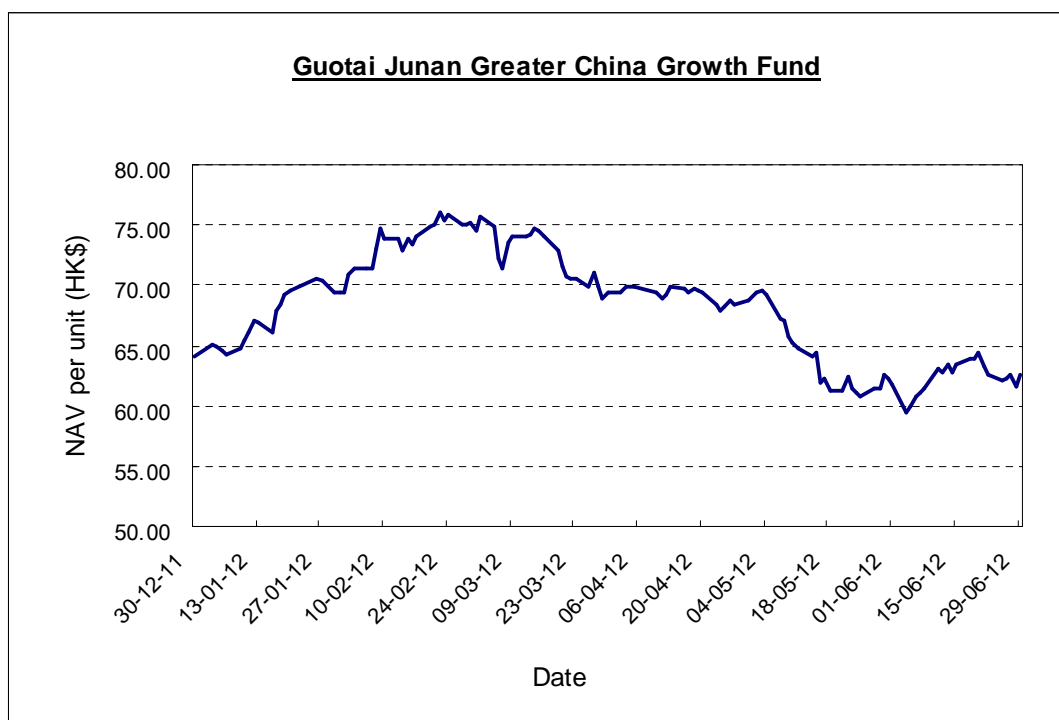


INVESTMENT MANAGER'S REVIEW (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2012 (UNAUDITED)
SUB-FUNDS' PERFORMANCE

A. Guotai Junan Greater China Growth Fund

Index / Fund's Name	1st Half 2012 Total Return (%)*	Since Inception Total Return (%)
Shenzhen SE B Shares Index	12.8	-2.0
Shanghai SE B Shares Index	10.1	-26.2
Hang Seng Index	8.2	-17.2
Hang Seng China-Affiliated Index	4.6	-27.1
MSCI Golden Dragon Index	4.3	-19.3
MSCI China Index	4.0	-28.9
Taiwan TaieX Index	3.3	-1.6
Hang Seng China Enterprises Index	-0.3	-33.9
Guotai Junan Greater China Growth Fund	-2.1	-37.3

* Ranked by the total returns of indices or the Fund for the 1st half 2012.



INVESTMENT MANAGER'S REVIEW (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2012 (UNAUDITED)

SUB-FUNDS' PERFORMANCE (CONTINUED)

The net asset value ("NAV") per unit of the Guotai Junan Greater China Growth Fund ("GJGC") dropped by 2.1% in the first half of 2012, and recorded a decrease of 37.3% since inception i.e. 19 Nov 2007.

In the first half of 2012, GJGC underperformed the total returns of the Hang Seng Index and Hang Seng China Enterprises Index by 10.3% and 1.8% respectively. According to the performance difference of the Hang Seng Index and Hang Seng China Enterprises Index, the performance of H-Share stocks was lacklustre which may be due to a deepening concern on the economic growth prospect of China. On the other hand, in the same period, the Hang Seng Composite Small Cap Index has recorded a negative total return of 3.0%. Mid-to-small caps stocks were under pressure. We believe this may be resulted from the flight to liquidity in a relatively volatile market.

During the period under review, as GJGC has significant exposure on both H-share stocks and mid-to-small cap stocks, the above explained the performance divergence between GJGC and the indices listed above.

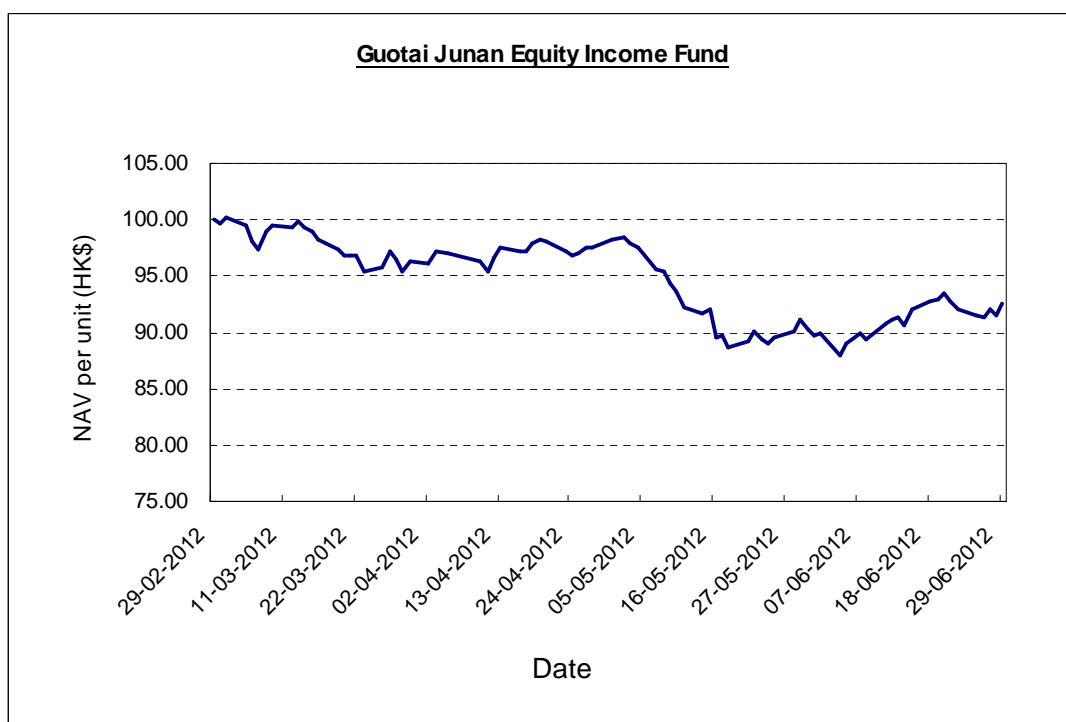
As of the period end, the portfolio of GJGC was well diversified. Amongst all exposure, financials, consumer discretionary and materials were the top weighed sectors, which made up of 33.5%, 26.8% and 7.9% of the NAV respectively.

B. Guotai Junan Equity Income Fund

Index / Fund's Name	Since Inception Total Return (%)*
Shanghai SE B Shares Index	-2.0
Shenzhen SE B Shares Index	-3.9
Guotai Junan Equity Income Fund	-7.5
Hang Seng Index	-8.0
Hang Seng China-Affiliated Index	-8.6
Taiwan Taiex Index	-10.1
MSCI Golden Dragon Index	-10.7
MSCI China Index	-11.8
Hang Seng China Enterprises Index	-16.2

* Ranked by the total returns of indices or fund for the period from 1 Mar 2012 to 30 Jun 2012.





The NAV per unit of the Guotai Junan Equity Income Fund (“GJEI”) dropped by 7.5% since inception i.e. 29 Feb 2012.

Since the fund’s inception to 30 Jun 2012, GJEI outperformed the total returns of the Hang Seng Index and Hang Seng China Enterprises Index by 0.5% and 8.7% respectively. We believe the reason for GJEI to achieve a return that was in line with the total return of Hang Seng Index and outperformed the Hang Seng China Enterprises could be attributed to a significant exposure on non H-share stocks. H-share stocks in general have suffered bigger losses as a result of the deepening concern on the economic growth prospect of China which faces weak exports and challenges under the economic transformation.

As of the period end, the portfolio of GJEI was well diversified. Amongst all exposure, financials, consumer discretionary and industrials were the top weighed sectors, which made up of 35.1%, 14.4% and 13.0% of the NAV respectively.

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO
FOR THE PERIOD ENDED 30 JUNE 2012 (UNAUDITED)
GUOTAI JUNAN GREATER CHINA GROWTH FUND

	% of net assets	
	31 December 2012	30 June 2012
Equity		
- United States	1.03	0.56
- Hong Kong and China	81.96	90.75
	<u>82.99</u>	<u>91.31</u>

GUOTAI JUNAN EQUITY INCOME FUND

	% of net assets	
	1 March 2012	30 June 2012
Equity		
- Hong Kong and China	-	85.11
	<u>-</u>	<u>85.11</u>



INVESTMENT PORTFOLIO

AS AT 30 JUNE 2012 (UNAUDITED)

GUOTAI JUNAN GREATER CHINA GROWTH FUND

Listed Investment Equities	Holdings	Market Value HK\$ (Bid Price)	% of Net Assets
Hong Kong Market			
HSBC Holdings PLC	10,000	685,000	0.69
Poly Hong Kong Investments Ltd	430,000	1,784,500	1.81
China Everbright Ltd	150,000	1,635,000	1.66
Geely Automobile Holdings Ltd	795,000	2,146,500	2.17
Shirble Department Stores Holdings	400,000	284,000	0.29
China Petroleum & Chemical Corporation	500,000	3,435,000	3.48
Chigo Holding Ltd	2,516,000	493,136	0.50
Sihuan Pharmaceutical Holdings	1,000,000	2,810,000	2.84
Hua Han Bio-Pharmaceutical Holdings	1,268,800	1,738,256	1.76
Sany Heavy Equipment International	280,000	1,156,400	1.17
China All Access Holdings Ltd	3,310,000	5,362,200	5.43
Shougang Fushan Resources Group	966,000	1,912,680	1.94
China Shanshui Cement Group Ltd	500,000	2,610,000	2.64
Global Bio-Chem Technology Group	1,000,000	1,110,000	1.12
Tiangong International Co Ltd	400,000	608,000	0.62
Maoye International Holdings Ltd	616,000	862,400	0.87
VST Holdings Ltd	1,196,000	1,590,680	1.61
Silver base Group Holdings Ltd	710,000	2,208,100	2.24
Hisense Kelon Electrical Holdings	217,000	299,460	0.30
China Construction Bank Corp	800,000	4,224,000	4.28
China Taiping Insurance Holdings	220,000	2,758,800	2.79
Lianhua Supermarket Holdings	155,000	1,142,350	1.16
Lenovo Group Ltd	10,000	65,300	0.07
Sinopec Yizheng Chemical Fibre	200,000	316,000	0.32
Dongfang Electric Corp Ltd	100,000	1,566,000	1.59
China Resources Land Ltd	100,000	1,576,000	1.60
Baofeng Modern International	726,000	711,480	0.72
Haier Electronics Group Co Ltd	579,000	5,326,800	5.39



INVESTMENT PORTFOLIO (CONTINUED)

AS AT 30 JUNE 2012 (UNAUDITED)

GUOTAI JUNAN GREATER CHINA GROWTH FUND (CONTINUED)

Listed Investment Equities	Holdings	Market Value	% of Net Assets
		HK\$ (Bid Price)	
Tang Palace China Holdings Ltd	70,000	103,600	0.10
World Wide Touch Technology	900,000	142,200	0.14
Magic Holdings International Ltd	557,509	1,499,699	1.52
Tong Ren Tang Technologies Co	30,000	376,800	0.38
Boshiwa International Holding	690,000	1,152,300	1.17
Intime Department Store Group	312,500	2,365,625	2.39
Belle International Holdings Ltd	200,000	2,628,000	2.66
Sunac China Holdings Ltd	396,000	1,279,080	1.29
China Titans Energy Technology	476,000	238,000	0.24
Ping An Insurance Group Co	85,000	5,236,000	5.30
PICC Property & Casualty Co Ltd	540,000	4,676,400	4.73
AviChina Industry & Technology	200,000	510,000	0.52
China Power International	500,000	1,010,000	1.02
China Pacific Insurance Group	150,000	3,727,500	3.77
China Life Insurance Co Ltd	230,000	4,577,000	4.63
China Oilfield Services Ltd	50,000	552,000	0.56
Zijin Mining Group Co Ltd	800,000	2,072,000	2.10
Vinda International Holdings Ltd	110,000	1,258,400	1.27
Ju Teng International Holdings	100,000	218,000	0.22
Hengdeli Holdings Ltd	1,744,000	4,255,360	4.31
Xiao Nan Guo Restaurants	320,000	480,000	0.49
Bosideng International Holding	440,000	866,800	0.88
US Market			
Concord Medical Services Holdings	25,300	553,545	0.56
TOTAL INVESTMENT		90,196,351	91.31
TOTAL INVESTMENT, AT COST		109,840,468	



INVESTMENT PORTFOLIO (CONTINUED)

AS AT 30 JUNE 2012 (UNAUDITED)

GUOTAI JUNAN EQUITY INCOME FUND

Listed Investment Equities	Holdings	Market Value	% of Net Assets
		HK\$ (Bid Price)	
CLP Holdings Ltd	16,000	1,051,200	1.89
Power Assets Holdings Ltd	19,000	1,102,950	1.99
Hang Seng Bank Ltd	20,900	2,207,040	3.98
Hopewell Holdings Ltd	35,000	770,000	1.39
Jiangsu Expressway Co Ltd	100,000	719,000	1.30
VTech Holdings Ltd	17,500	1,610,875	2.90
Texwinca Holdings Ltd	170,000	1,246,100	2.25
Yuexiu Real Estate Investment	273,000	1,007,370	1.82
Television Broadcasts Ltd	22,000	1,177,000	2.12
China Communications Services	214,000	787,306	1.42
Zhejiang Expressway Co Ltd	126,000	642,600	1.16
Shenzhen Investment Ltd	890,000	1,619,800	2.92
NWS Holdings Ltd	133,701	1,500,125	2.70
Central China Real Estate Ltd	836,000	1,630,200	2.94
PetroChina Co Ltd	406,000	4,035,640	7.27
China Construction Bank Corp	456,000	2,407,680	4.34
China Mobile Ltd	33,500	2,839,125	5.12
Cheung Kong Infrastructure	24,000	1,118,400	2.02
Yuexiu Transport Infrastructure	234,000	886,860	1.60
Road King Infrastructure Ltd	325,000	1,612,000	2.91
Qingling Motors Co Ltd	1,160,000	2,134,400	3.85
Pacific Textile Holdings Ltd	175,000	827,750	1.49
Industrial & Commercial Bank	391,000	1,673,480	3.02
Haitian International Holdings	139,000	1,056,400	1.90
BOC Hong Kong Holdings Ltd	115,500	2,720,025	4.90
Champion REIT	398,000	1,269,620	2.29
Beijing Capital Land Ltd	1,080,000	2,462,400	4.44
Bank of China Ltd	841,000	2,472,540	4.46
Bosideng International Holding	1,330,000	2,620,100	4.72



INVESTMENT PORTFOLIO (CONTINUED)

AS AT 30 JUNE 2012 (UNAUDITED)

GUOTAI JUNAN EQUITY INCOME FUND (CONTINUED)

	Holdings	Market Value HK\$ (Bid Price)	% of Net Assets
TOTAL INVESTMENT		<u>47,207,986</u>	<u>85.11</u>
TOTAL INVESTMENT, AT COST		<u>50,667,854</u>	



STATEMENT OF ASSETS AND LIABILITIES
FOR THE PERIOD ENDED 30 JUNE 2012
GUOTAI JUNAN GREATER CHINA GROWTH FUND

	30 June 2012	31 December 2011
	HK\$	HK\$
Assets		
Financial assets at fair value through profit or loss	90,196,351	50,919,745
Due from brokers	2,999,346	450,381
Dividend receivable	641,268	39,876
Prepayments	99,293	0
Cash and bank balances	5,685,472	10,305,996
Total assets	<u>99,621,730</u>	<u>61,715,998</u>
Liabilities		
Accounts payable and accruals	347,828	362,381
Due to brokers	484,838	0
Total liabilities	<u>832,666</u>	<u>362,381</u>
Equity		
Units in issue	128,836,219	85,889,458
Accumulated loss	(30,047,155)	(24,535,841)
Total equity	<u>98,789,064</u>	<u>61,353,617</u>
Total liabilities and equity	<u>99,621,730</u>	<u>61,715,998</u>
Number of units in issue	<u>1,580,611.85</u>	<u>962,382.48</u>
Net asset value per unit	<u>62.50</u>	<u>63.75</u>



STATEMENT OF ASSETS AND LIABILITIES (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2012
GUOTAI JUNAN EQUITY INCOME FUND

	30 June 2012
	HK\$
Assets	
Financial assets at fair value through profit or loss	47,207,986
Due from brokers	4,347,254
Dividend receivable	775,965
Unamortised preliminary expenses	1,331,507
Cash and bank balances	3,146,294
Total assets	<u>56,809,006</u>
Liabilities	
Accounts payable and accruals	1,326,988
Total liabilities	<u>1,326,988</u>
Equity	
Units in issue	60,190,000
Accumulated loss	(4,707,982)
Total equity	<u>55,482,018</u>
Total liabilities and equity	<u>56,809,006</u>
Number of units in issue	<u>601,955.74</u>
Net asset value per unit	<u>92.17</u>



DISTRIBUTION DISCLOSURE

RECORD OF DISTRIBUTION FROM 1 JANUARY 2012

GUOTAI JUNAN GREATER CHINA GROWTH FUND

There had been no distribution since 19 November 2007, the sub-fund's inception day, and in the reported period from 1 January 2012 to 30 June 2012.

GUOTAI JUNAN EQUITY INCOME FUND

There had been no distribution for the period from 29 February 2012, the sub-fund's inception date to 30 June 2012.

