



Annual Report

GUOTAI JUNAN INVESTMENT FUNDS

A unit trust constituted by a Trust Deed dated
29 August 2007 under the laws of the Cayman Islands

31 December 2012

Ernst & Young

GUOTAI JUNAN INVESTMENT FUNDS

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GUOTAI JUNAN INVESTMENT FUNDS

ADMINISTRATION AND MANAGEMENT

Investment Manager

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

Directors of the Manager

YIM Fung
YUAN Junping

Trustee and Registrar

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

Service Provider to Trustee and Registrar

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

Auditors

Ernst & Young Ltd.
Suite 6401
62 Forum Lane
Camana Bay
P.O. Box 510
Grand Cayman KY1-1106
Cayman Islands
British West Indies

Legal Adviser

Sidley Austin
39th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Cayman Island Legal Advisers to the Manager

Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

INVESTMENT MANAGER'S REVIEW

FOR THE PERIOD ENDED 31 DECEMBER 2012

GUOTAI JUNAN GREATER CHINA GROWTH FUND GUOTAI JUNAN EQUITY INCOME FUND

MARKET REVIEW

In the year of 2012, global equities markets generally posted positive gains despite the weak economic fundamentals. We believe one of the key reasons is the monetary easing policies led by the United States, the eurozone and Japan have created excessive liquidity which aimed to stimulate the stalling economy, was partially flowed into the equities market on investors' expectation on economic recovery. The interest rate of the United States stays at very low level. Investors started to embrace risks with low cost credit, equities as a risky asset generally recorded a positive performance. During the period, the Dow Jones increased by 7.3% to 13,104. The S&P 500 increased by 13.4% to 1,426 and the NASDAQ soared by 15.9% to 3,020. Meanwhile, the domestic A-share markets have been among the worst performing markets globally, CSI 300 index only up by 7.6% to close at 2,523.

2012 was a year of economic and party leadership transition in China. Hard-landing did not happen and the economy had bottomed out from the trough in the third quarter of 2012. Mild recovery started from the last quarter of year 2012. GDP grew by 7.8% for the year, was higher than the target set by China's central government. CPI was well managed at around 2.6%, which offered ample room to maintain a relatively loose monetary policy. The People's Bank of China lowered interest rates twice by 0.25%, and reduced required reserved ratio also twice by 0.5% in the whole year, and couples of qualified companies were allowed to issue corporate bonds to meet their financing needs. Money supply was abundant, indicated by the M2 growth of 13.9% for the year.

On the fiscal policy front, the central government has approved approximately RMB1 trillion infrastructure projects spanning across the country, ranging from railways, roads, subways and waterways. Meanwhile, local governments of different levels, had also announced project plans that amount to RMB11 trillion. But unlike the RMB4 trillion stimulus package launched during the subprime crisis, these projects were intended to yield long-term benefits for the country. Various measures launched aimed for a sustainable growth and help the country's transition into a consumption-driven society that escapes the middle-income trap.

Without surprise, the once-in-a-decade leadership change in China, Xi Jinping and Li Keqiang became new party leaders. We see this unsurprising transition a positive step for future development. The new line-up lends much weight to the country's economic and social reform. Given their previous on-the-ground experience and long, 10-year tenure, both leaders will likely pursue long-term reform policies to drive sustainable growth.

INVESTMENT MANAGER'S REVIEW (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2012

GUOTAI JUNAN GREATER CHINA GROWTH FUND GUOTAI JUNAN EQUITY INCOME FUND

MARKET OUTLOOK

Looking forward, we believe the economy in China will maintain a healthy growth momentum on a stable outlook of the fixed asset investment and consumption. Exports should also improve despite the persistent weakness in the eurozone, as we see the growth momentum of the ASEAN region remains strong and the United States economy is picking up, the demand of China products in 2013 should improve.

We consider political uncertainties in the eurozone countries the key risk for global economy to maintain stability. Some countries are struggling internally, as activists' parties advocating the departure of eurozone may gain enough supporters' votes to become the ruling parties. If the austerity promises are unfulfilled due to the leadership change, the European Central Bank and European Union will face a tough situation.

In the United States., the stance of Fed Chairman Ben S. Bernanke remains firm on early withdrawal of liquidity from the market is impractical and ending the quantitative easing too early would hurt the pace for economic recovery. His speech crushed the speculation on reversing the monetary operations by 2013. On the other side, Democrats and Republicans still have a long way to compromise on the fiscal budget, thus we only have a low visibility on the government budget so far. This may put Obama administration a tough situation and unable to execute their original plan to help the domestic economy.

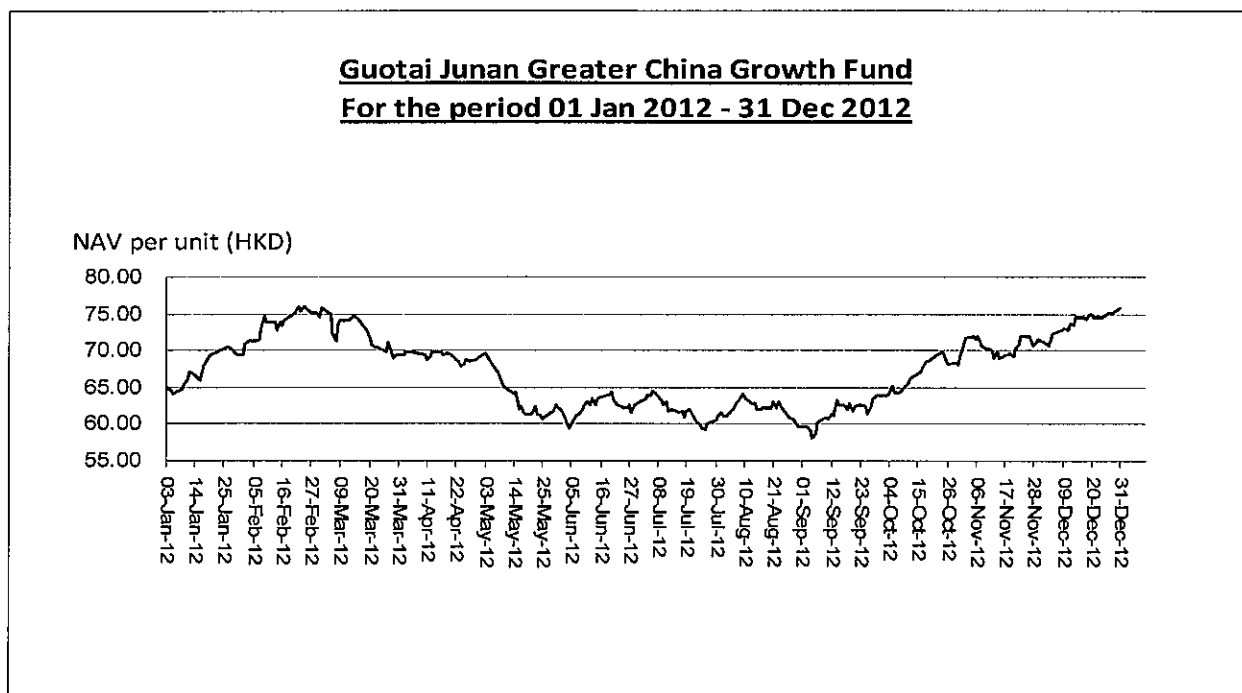
Back to China, after the transition of leadership, the economic development roadmap is getting clearer. Growth pattern is transforming from fixed assets investment driven to a more sustainable one. We believe related themes including green energy and healthcare will be benefited. On the other hand, as transportation infrastructures and social housing are the key components to achieve urbanization, fixed assets investments will remain stable.

INVESTMENT MANAGER'S REVIEW (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2012

SUB-FUNDS' PERFORMANCE

A. Guotai Junan Greater China Growth Fund



Index / Fund's Name	2012	Since Inception
	Total Return (%)*	Total Return (%)
Shenzhen SE B Shares Index	29.2	12.2
Hang Seng Index	27.5	-2.5
Hang Seng China-Affiliated Index	26.0	-12.3
MSCI China Index	22.9	-16.0
MSCI Golden Dragon Index	21.0	-6.4
Hang Seng China Enterprises Index	19.8	-20.6
Guotai Junan Greater China Growth Fund	18.4	-24.2
Shanghai SE B Shares Index	16.3	-21.9
Taiwan Taix Index	12.8	7.4

* Ranked by the total returns of indices or the Fund for year 2012.

The published net asset value ("NAV") per unit of the Guotai Junan Greater China Growth Fund ("GJGC" hereafter) increased by 18.4% in year 2012, and recorded a decrease of 24.2% since inception i.e. 19 Nov 2007.

In year 2012, GJGC underperformed the total returns of the Hang Seng Index ("HSI") and Hang Seng China Enterprises Index ("HSCEI") by 9.1% and 1.4% respectively. In GJGC, H-Share stocks and mid-to-small cap stocks are overweighed in the portfolio, which had underperformance the HSI.

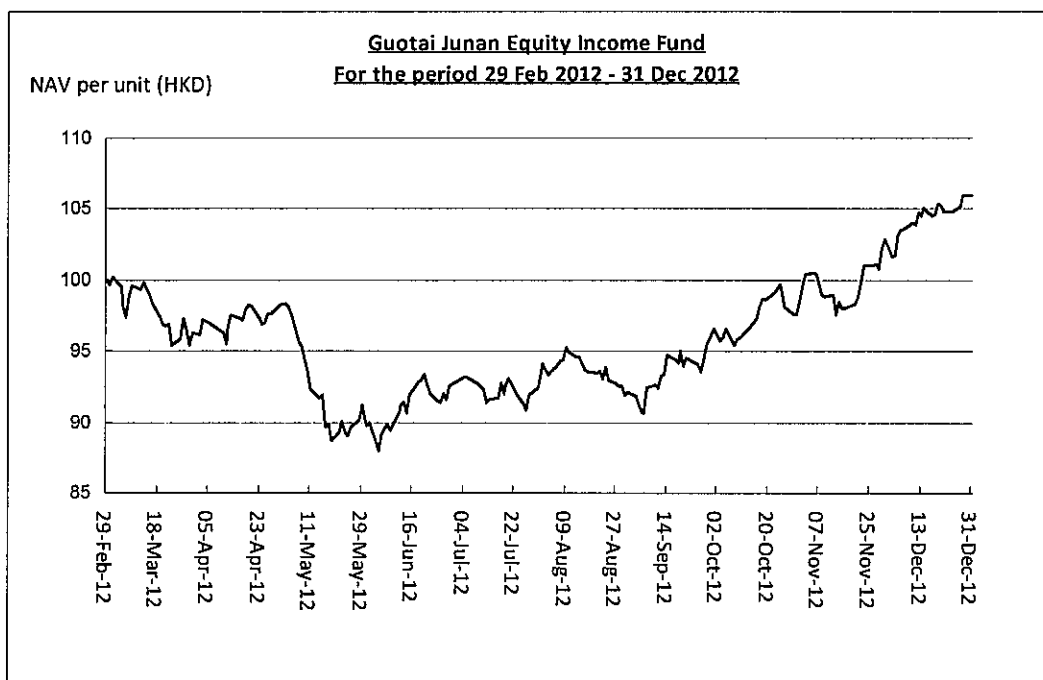
As of the end of 2012, the portfolio was well diversified. Amongst all exposure, financials, consumer discretionary and information technology were the top weighed sectors, which made up of 30.8%, 11.7% and 9.9% of the NAV respectively.

INVESTMENT MANAGER'S REVIEW (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2012

SUB-FUNDS' PERFORMANCE (CONTINUED)

B. Guotai Junan Equity Income Fund



Index / Fund's Name	Since Inception Total Return (%)*
Shenzhen SE B Shares Index	10.1
Hang Seng China-Affiliated Index	10.0
Hang Seng Index	8.4
Guotai Junan Equity Income Fund	6.0
MSCI China Index	4.2
MSCI Golden Dragon Index	3.6
Shanghai SE B Shares Index	3.6
Dow Jones Hong Kong Select Dividend 30 Index	2.7
Hang Seng China Enterprises Index	0.6
Taiwan Taix Index	-1.8

* Ranked by the total returns of indices or fund for the period from 1 Mar 2012 to 31 Dec 2012.

INVESTMENT MANAGER'S REVIEW (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2012

SUB-FUNDS' PERFORMANCE (CONTINUED)

B. Guotai Junan Equity Income Fund (continued)

The net asset value ("NAV") per unit of the Guotai Junan Equity Income Fund ("GJEI" hereafter) increased by 6.0% since inception i.e. 29 Feb 2012.

Since the fund's inception to 31 Dec 2012, GJEI outperformed the total returns of the Dow Jones Hong Kong Select Dividend 30 Index ("DJHKSD") and Hong Kong Seng China Enterprises Index ("HSCEI") by 3.3% and 5.4% respectively, but underperformed the Hang Seng Index ("HSI") by 2.4%. We believe the key reason for GJEI to underperform the HSI was due to peculiar high expenses incurred including the fund set up cost. The outperformance versus the HSCEI could be attributable to a lower exposure on H-share stocks. Compared to the DJHKSD, we believe the outperformance should primarily due to stock selection.

As of the period end, the portfolio was well diversified. Amongst all exposure, financials, consumer discretionary and industrials were the top weighed sectors, which made up of 28.9%, 13.9% and 10.7% of the NAV respectively.

INVESTMENT MANAGER'S REVIEW (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2012

GUOTAI JUNAN GREATER CHINA GROWTH FUND GUOTAI JUNAN EQUITY INCOME FUND

INVESTMENT STRATEGY

Hong Kong equity market retreated after the Chinese New Year on more profit taking activities, increasing concern to the financial situation on the eurozone countries also depressed investors' sentiment. But we remain positive on the equity market from mid-to-long term prospective despite the short-term correction. Specifically, we recommend the following sectors that investment opportunities may probably exist in:

- 1) *Oil and gas services.* China's national oil companies will continue expanding the capacity on oil and gas exploration and production, and started to explore new energy sources such as tight gas, shale gas and coal bed methane. Further increase of demand on oil and gas services will help the sector to experience a high growth phrase in the next few years.
- 2) *Clean energy.* China government's attitude on and environmental protection is very affirmative. We expect more supportive policies on new energy e.g. wind, solar to roll out. By driving up domestic demand, resolving the bottleneck of electricity curtailment and segregating domestic and foreign demand, some specific enterprises in these sectors may probably able to get out from the tough operating environment.
- 3) *Social housing construction.* Despite the tightening control policy on property, we believe the housing demand in China will remain strong as urbanization is taking place. Social housing construction becoming a more important part in the housing structure. This will be beneficial to those construction companies with strong capital capability.



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Guotai Junan Assets (Asia) Limited

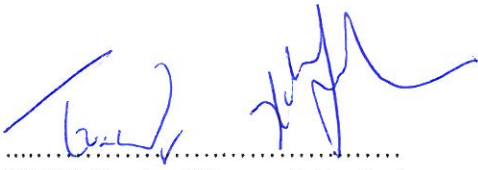
15 April 2013

REPORT OF THE TRUSTEE

FOR THE PERIOD ENDED 31 DECEMBER 2012

**GUOTAI JUNAN GREATER CHINA GROWTH FUND
GUOTAI JUNAN EQUITY INCOME FUND**

We hereby confirm that, in our opinion, the Manager of the Trust has, in all material respects, managed the Trust in accordance with the provisions of the Trust Deed dated 29 August 2007, for the year ended 31 December 2012.



.....
HSBC Trustee (Cayman) Limited

15 April 2013

Independent Auditors' Report

To the Manager and the Trustee of
Guotai Junan Equity Income Fund and
Guotai Junan Greater China Growth Fund
(collectively, the sub-funds of Guotai Junan Investment Funds)
(A unit trust constituted by a Trust Deed dated 29 August 2007 under the Laws of the Cayman Islands)

We have audited the financial statements of Guotai Junan Equity Income Fund and Guotai Junan Greater China Growth Fund (sub-funds of Guotai Junan Investments Funds (the "Trust") and referred to collectively and individually as the "Sub-Funds") set out on pages 11 to 35, which comprise the statement of financial position as at 31 December 2012 and the statement of comprehensive income, statement of changes in equity, distribution statement and statement of cash flows for the year then ended for Guotai Junan Greater China Growth Fund, and the statement of financial position as at 31 December 2012 and the statement of comprehensive income, statement of changes in equity, distribution statement and statement of cash flows for the period from 29 February 2012 (date of inception) to 31 December 2012 for Guotai Junan Equity Income Fund, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Manager and the Trustee of the Sub-Funds are responsible for the preparation of the financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and are responsible for ensuring that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the constitutive documents of the Sub-Funds of the Trust (the "Constitutive Documents") and the disclosure requirements specified in Appendix E of the Code on Unit Trusts and Mutual Funds of the Securities and Futures Commission of Hong Kong (the "SFC Code"), and for such internal control as the Manager and the Trustee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, and whether the financial statements are in accordance with disclosure requirements specified in Appendix E of the SFC Code.

Independent Auditors' Report (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager and the Trustee, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of each of the Sub-Funds as at 31 December 2012, and each of their profits and cash flows for the year then ended for Guotai Junan China Growth Fund, and for the period from 29 February 2012 (date of inception) to 31 December 2012 for Guotai Junan Equity Income Fund in accordance with Hong Kong Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Constitutive Documents and the disclosure requirements specified in Appendix E of the SFC Code.

Ernst + Young Ltd.

15 April 2013

GUOTAI JUNAN INVESTMENT FUNDS
 -Guotai Junan Greater China Growth Fund
 -Guotai Junan Equity Income Fund

STATEMENT OF COMPREHENSIVE INCOME

31 December 2012

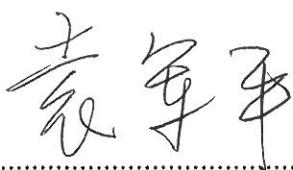
		Guotai Junan Greater China Growth Fund	Guotai Junan Equity Income Fund
		Year ended 31 December 2012 HK\$	Year ended (date of inception) 31 December 2011 HK\$
	Notes		For the period from 29 February 2012 to 31 December 2012 HK\$
Income			
Dividend income		2,449,326	1,011,184
Total income		<u>2,449,326</u>	<u>3,169,516</u>
Expenses			
Trustee fee	3	412,000	412,000
Bank charges		53,128	45,551
Legal and professional fee		316,135	-
Valuation fee		95,801	95,756
Audit fee		243,000	243,000
Brokerage and handling fees	3	719,892	463,241
Management fee	3	1,424,304	1,116,863
Transaction fees		81,830	42,436
Registrar fee	3	39,000	39,000
Preliminary expenses		-	-
Miscellaneous expenses		96,400	172,505
Total expenses		<u>3,481,490</u>	<u>2,630,352</u>
Loss before investment gain/(loss) and exchange differences		(1,032,164)	(1,619,168)
Investment gain/(loss) and exchange differences			
Net unrealised gain/(loss) on investments		22,820,301	(31,258,107)
Net realised (loss)/gain on investments		(8,433,725)	2,410,717
Foreign exchange differences, net		295,000	220,426
		<u>14,681,576</u>	<u>(28,626,964)</u>
Profit/(loss) before tax		13,649,412	(30,246,132)
Withholding tax	4	(95,314)	(28,607)
Profit for the year		13,554,098	(30,274,739)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>13,554,098</u>	<u>(30,274,739)</u>

GUOTAI JUNAN INVESTMENT FUNDS
 -Guotai Junan Greater China Growth Fund
 -Guotai Junan Equity Income Fund

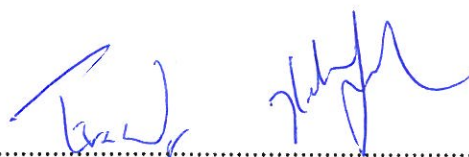
STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	Guotai Junan Greater China Growth Fund 2012 HK\$	2011 HK\$	Guotai Junan Equity Income Fund 2012 HK\$
Assets				
Financial assets at fair value through profit or loss	5	106,936,532	50,919,745	42,974,617
Due from brokers	6	2,000,000	450,381	-
Dividend receivable		20,071	39,876	163,480
Cash and bank balances	7	15,922,655	10,305,996	21,226,907
Total assets		<u>124,879,258</u>	<u>61,715,998</u>	<u>64,365,004</u>
Liabilities				
Accounts payable and accruals		425,258	362,381	345,562
Distributions payable	8	-	-	1,820,963
Total liabilities		<u>425,258</u>	<u>362,381</u>	<u>2,166,525</u>
Equity				
Net assets attributable to unitholders		<u>124,454,000</u>	<u>61,353,617</u>	<u>62,198,479</u>
Total liabilities and equity		<u>124,879,258</u>	<u>61,715,998</u>	<u>64,365,004</u>
Number of units in issue	9	<u>1,660,504.43</u>	<u>962,382.48</u>	<u>606,987.70</u>
Net asset value per unit	10	<u>74.95</u>	<u>63.75</u>	<u>102.47</u>



Guotai Junan Assets (Asia) Limited



HSBC Trustee (Cayman) Limited

GUOTAI JUNAN INVESTMENT FUNDS
 -Guotai Junan Greater China Growth Fund
 -Guotai Junan Equity Income Fund

STATEMENT OF CHANGES IN EQUITY

Guotai Junan Greater China Growth Fund

	Total equity HK\$
At 1 January 2011	83,935,201
Subscription of units	16,977,044
Redemption of units	(9,283,889)
Total comprehensive income for the year	<u>(30,274,739)</u>
At 31 December 2011 and 1 January 2012	61,353,617
Subscription of units	60,678,329
Redemption of units	(11,132,044)
Total comprehensive income for the year	<u>13,554,098</u>
At 31 December 2012	<u><u>124,454,000</u></u>

Guotai Junan Equity Income Fund

	Total equity HK\$
At 29 February 2012 (date of inception)	-
Subscription of units	60,717,350
Total comprehensive income for the period	3,302,092
Distributions to unitholders (note 8)	<u>(1,820,963)</u>
At 31 December 2012	<u><u>62,198,479</u></u>

GUOTAI JUNAN INVESTMENT FUNDS
-Guotai Junan Greater China Growth Fund
-Guotai Junan Equity Income Fund

DISTRIBUTION STATEMENT

Guotai Junan Greater China Growth Fund

	HK\$
Undistributed loss at 1 January 2011	(16,734,062)
Total comprehensive income for the year	<u>(30,274,739)</u>
Undistributed loss at 31 December 2011 and 1 January 2012	(47,008,801)
Total comprehensive income for the year	13,554,098
Transfer to capital	<u>33,454,703</u>
Undistributed loss at 31 December 2012	<u><u>-</u></u>

Guotai Junan Equity Income Fund

	HK\$
Undistributed income at 29 February 2012 (date of inception)	-
Total comprehensive income for the period	3,302,092
Distributions to unitholders (note 8)	(1,820,963)
Transfer to capital	<u>(1,481,129)</u>
Undistributed income at 31 December 2012	<u><u>-</u></u>

GUOTAI JUNAN INVESTMENT FUNDS
 -Guotai Junan Greater China Growth Fund
 -Guotai Junan Equity Income Fund

STATEMENT OF CASH FLOWS

	Year ended 31 December 2012 HK\$	Guotai Junan Greater China Growth Fund Year ended 31 December 2011 HK\$	Guotai Junan Equity Income Fund For the period from 29 February 2012 (date of inception) to 31 December 2012 HK\$
Cash flows from operating activities			
Profit/(loss) for the year/period	13,554,098	(30,274,739)	3,302,092
Adjustments for:			
Net unrealised (gain)/loss on disposal of investments	(22,820,301)	31,258,107	(1,384,008)
Net realised loss/(gain) on investments	8,433,725	(2,410,717)	(2,753,492)
	(832,478)	(1,427,349)	(835,408)
Purchase of financial assets at fair value through profit or loss	(144,662,318)	(63,127,263)	(127,249,781)
Proceeds from disposals of financial assets at fair value through profit or loss	103,032,107	64,339,310	88,412,664
(Increase)/decrease in amounts due from brokers	(1,549,619)	2,861,244	-
Decrease/(increase) in dividends receivable	19,805	(18,876)	(163,480)
Increase/(decrease) in accounts payable and accruals	62,877	(127,860)	345,562
Decrease in amounts due to brokers	-	(2,469,895)	-
Net cash flows from/(used in) operating activities	<u>(43,929,626)</u>	<u>29,311</u>	<u>(39,490,443)</u>
Cash flows from financing activities			
Proceeds from issue of units	60,678,329	16,977,044	60,717,350
Payments on redemption of units	(11,132,044)	(9,283,889)	-
Net cash flows from financing activities	<u>49,546,285</u>	<u>7,693,155</u>	<u>60,717,350</u>
Net increase in cash and cash equivalents	5,616,659	7,722,466	21,226,907
Cash and cash equivalents at beginning of the year/period	<u>10,305,996</u>	<u>2,583,530</u>	<u>-</u>
Cash and cash equivalents at end of the year/period	<u><u>15,922,655</u></u>	<u><u>10,305,996</u></u>	<u><u>21,226,907</u></u>
Analysis of balances of cash and cash equivalents			
Bank balances	<u><u>15,922,655</u></u>	<u><u>10,305,996</u></u>	<u><u>21,226,907</u></u>
Supplementary cash flow information:			
Cash received in dividend income	<u>2,469,131</u>	<u>992,308</u>	<u>3,006,036</u>

GUOTAI JUNAN INVESTMENT FUNDS
-Guotai Junan Greater China Growth Fund
-Guotai Junan Equity Income Fund

NOTES TO FINANCIAL STATEMENTS

31 December 2012

1. THE TRUST AND THE SUB-FUNDS

Guotai Junan Investment Funds (the "Trust"), is a unit trust established under the Laws of Cayman Islands and governed by a Trust Deed dated 29 August 2007 (the "Trust Deed") between Guotai Junan Assets (Asia) Limited (the "Manager") and HSBC Trustee (Cayman) Limited (the "Trustee"). The Trust will continue for a period of 100 years from the date of the Trust Deed or until it is terminated by the Manager or the Trustee. The Trust is a regulated mutual fund under the Cayman Islands Mutual Funds Law and is registered with Cayman Islands Monetary Authority. The Trust currently consists of two sub-funds which are Guotai Junan Greater China Growth Fund, Guotai Junan Equity Income Fund (collectively the "Sub-Funds") which has been authorised by the Hong Kong Securities and Future Commission (the "SFC").

The Sub-Funds are established as separate and distinct trusts pursuant their respective supplemental trust deed to the Trust Deed. Accordingly, the assets of each Sub-Fund should be effectively segregated from each other and none of them may be used to discharge the liabilities of or claims against any other Sub-Fund.

Authorisation by the SFC does not imply official approval or recommendation.

The investment objectives of the sub-funds are as follows:

- Guotai Junan Greater China Growth Fund ("GJGC")

The investment objective of the Sub-Fund seeks to provide investors with medium to long term capital appreciation through investment in securities listed in Greater China, which includes People's Republic of China (PRC), the Special Administrative Regions of Hong Kong and Macau and Taiwan. The Sub-Fund invests its assets in Hong Kong listed stocks including "H" shares and "Red Chips", Shanghai and Shenzhen listed "B" shares, Taiwan listed shares, although the Manager may in its absolute discretion determine to invest on behalf of the Sub-Fund in investments listed on other stock exchanges. Depending upon market conditions, the Manager may invest in securities not falling within the above descriptions such as bonds and financial derivatives.

- Guotai Junan Equity Income Fund ("GJEI")

The Guotai Junan Equity Income Fund seeks to provide capital appreciation to investors by investing in high yielding equity securities of companies established in Greater China or which derive a majority of their revenue from business related to Greater China, whether in the form of direct investment in, or trade with, Greater China. This includes companies incorporated and/or listed outside Greater China. The Sub-Fund will not invest in or have any exposure to Shanghai and Shenzhen listed "A" shares.

GUOTAI JUNAN INVESTMENT FUNDS
-Guotai Junan Greater China Growth Fund
-Guotai Junan Equity Income Fund

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2.1 BASIS OF PREPARATION

The financial statements of the Sub-Funds of the Trust have been prepared on the basis of the relevant disclosure provisions of the Trust Deed, the relevant disclosure provisions as set out in Appendix E to the Hong Kong Code on Unit Trusts and Mutual Funds established by the SFC (the "Code") and Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. They have been prepared under the historical cost convention, except for investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$").

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Sub-Funds have not early applied any of the new and revised HKFRSs that have been issued but are not yet effective in the financial statements. Among the new and revised HKFRSs, the following are expected to be relevant to the Sub-Funds' financial statements upon them becoming effective:

HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i> ²
HKFRS 9	<i>Financial Instruments</i> ⁴
HKFRS 13	<i>Fair Value Measurement</i> ²
HKAS 1 Amendments	<i>Amendments to HKAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i> ¹
HKAS 32 Amendments	<i>Amendments to HKAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> ³
Annual Improvements 2009-2011 Cycle	<i>Amendments to a number of HKFRSs issued in June 2012</i> ²

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

Further information about those changes that are expected to affect the Sub-Funds is as follows:

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Sub-Funds expect to adopt the amendments from 1 January 2013.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

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

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Sub-Funds expect to adopt HKFRS 9 from 1 January 2015. The Sub-Funds will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Sub-Funds are required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Sub-Funds expect to adopt HKFRS 13 prospectively from 1 January 2013.

The HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Sub-Funds expect to adopt the amendments from 1 January 2013.

GUOTAI JUNAN INVESTMENT FUNDS

-Guotai Junan Greater China Growth Fund

-Guotai Junan Equity Income Fund

NOTES TO FINANCIAL STATEMENTS

31 December 2012

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

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to setoff" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Sub-Funds upon adoption on 1 January 2014.

The Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012 sets out amendments to a number of HKFRSs. The Sub-Fund expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Sub-Fund. Those amendments that are expected to have a significant impact on the Sub-Funds' policies are as follows:

(a) **HKAS 1 Presentation of Financial Statements:** Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

Financial instruments

(i) Classification

The Sub-Funds classify its financial assets and financial liabilities into the categories above in accordance with HKAS 39.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) **Classification** (continued)

The category of financial assets and liabilities at fair value through the profit or loss is subdivided into:

Financial assets and liabilities held for trading: financial assets are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. This category includes equities securities. These assets are acquired principally for the purpose of generating a profit from short-term fluctuations in price. All derivatives and liabilities from short sales of financial instruments are classified as held for trading.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Sub-Funds include in this category amounts relating to short-term receivables.

Other financial liabilities

This category includes all financial liabilities, other than those classified as fair value through profit or loss. The Sub-Funds include in this category amounts relating to short-term payables.

(ii) **Recognition**

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

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

(iii) **Initial measurement**

Financial assets 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.

Loans and receivables and financial liabilities (other than those classified as held for trading) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

(iv) **Subsequent measurement**

After initial measurement, the Sub-Funds measure financial instruments which are classified as fair value through profit or loss at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net unrealised gain/loss on investments. Net realised gain/loss 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iv) **Subsequent measurement**

Interest earned and dividend revenue elements of such instruments are recorded separately in statement of comprehensive income.

(v) **Derecognition**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

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

When the Sub-Funds have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Sub-Funds' continuing involvement in the asset.

The Sub-Funds derecognise a financial liability when the obligation under the liability is discharged, cancelled or expired.

Loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as fair value through profit or loss, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Sub-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.

GUOTAI JUNAN INVESTMENT FUNDS
-Guotai Junan Greater China Growth Fund
-Guotai Junan Equity Income Fund

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

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

Impairment of financial assets

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

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

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

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand, demand deposits, short term deposits in banks with original maturities of three months or less and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents (continued)

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Interest revenue and expense

Interest revenue and expense are recognised in the statement of comprehensive income for all interest-bearing financial instruments using the effective interest method.

Dividend revenue

Dividend revenue is recognised when the Sub-Funds' right to receive the payment is established. Dividend revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the statement of comprehensive income.

Foreign currency translations

Transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of each reporting period.

Non-monetary items 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 fair value through profit or loss are included in the statement of comprehensive income as part of net unrealised gain or loss on investments. Foreign exchange differences on other financial instruments are included in profit or loss in the statement of comprehensive income as foreign exchange differences, net.

Redeemable units

Classification of redeemable units

Redeemable units are classified as equity instruments when:

- The redeemable units entitle the holder to a pro rata share of the Sub-Funds' net assets in the event of the Sub-Funds' liquidation.
- The redeemable units are in the class of instruments that is subordinate to all other classes of instruments.
- All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features.
- The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Sub-Funds' net assets.
- The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Sub-Funds over the life of the instrument.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Redeemable units (continued)

Classification of redeemable units (continued)

In addition to the redeemable units having all the above features, the Sub-Funds must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Sub-Funds.
- The effect of substantially restricting or fixing the residual return to the redeemable unitholders.

The Sub-Funds continuously assess the classification of the redeemable units. If the redeemable units cease to have all the features or meet all the conditions set out to be classified as equity, the Sub-Funds will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity. If the redeemable units subsequently have all the features and meet the conditions to be classified as equity, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

The issuance, acquisition and cancellation of redeemable units are accounted for as equity transactions. Upon issuance of units, the consideration received is included in equity. Transaction costs incurred by the Sub-Funds in issuing or acquiring its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. Own equity instruments that are reacquired are deducted from equity and accounted for at amounts equal to the consideration paid, including any directly attributable incremental costs. The Sub-Funds' policy is not to keep shares in treasury, but rather to cancel them once repurchased. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issuance or cancellation of the Sub-Funds' own equity instruments.

Related parties

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

GUOTAI JUNAN INVESTMENT FUNDS
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NOTES TO FINANCIAL STATEMENTS

31 December 2012

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Sub-Funds are members of the same Sub-Funds;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Sub-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 Sub-Funds or an entity related to the Sub-Funds;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Income taxes

The Sub-Funds are exempt from all forms of taxation in Hong Kong and Cayman Islands, including income, capital gains and withholding taxes. However, in some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. The Sub-Funds present the withholding tax separately from the gross investment income in the statement of comprehensive income. For the purpose of the statement of cash flows, cash inflows from investments are presented net of withholding taxes, when applicable.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Sub-Funds' financial statements requires management to make judgments, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Fair value of financial instruments

When the fair value of financial instruments recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and discount rates. For GJGC, the fair value of the investments, using the fair value measurements under fair value hierarchy of Level 3, was HK\$201,600 (2011: nil) as at 31 December 2012. No such investments were held by GJEIF as at 31 December 2012. Further details are included in note 5 to the financial statements.

GUOTAI JUNAN INVESTMENT FUNDS

-Guotai Junan Greater China Growth Fund
-Guotai Junan Equity Income Fund

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Functional currency

The primary objective of the Sub-Funds is to generate returns in HK\$, its capital-rising currency. The liquidity of the Sub-Funds are managed on a day-to-day basis in HK\$ in order to handle the issue, acquisition and resale of the Sub-Funds' redeemable units. The Sub-Funds' performance is evaluated in HK\$. Therefore, the management considers the HK\$ as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

3. TRANSACTIONS WITH THE MANAGER AND ITS CONNECTED PERSONS

The following is a summary of transactions entered into during the year between the Sub-Funds and the Manager and its connected persons. Connected persons of the Manager are those as defined in the Code. All such transactions were entered into in the ordinary course of business and on normal commercial terms.

Manager's and its affiliates' holdings in the Sub-Funds

The directors of the Manager may transact in the units of the Sub-Funds as principal provided that prior written notice is obtained from the Trustee.

Details of units of the Sub-Funds held by the Manager's affiliates are as below:

	Guotai Junan Greater China Growth Fund		Guotai Junan Equity Income Fund
	2012	2011	2012
Units of the Sub-Funds	-	115,460.32	399,600.00

Management fee

The Manager is entitled to receive a management fee at 1.5% per annum of the net asset value of the Sub-Funds. The management fee is calculated and accrued as at each valuation day and payable monthly in arrears. The management fee for the year/period ended 31 December 2012 was HK\$1,424,304 (2011: HK\$1,116,863) for GJGC and HK\$724,188 for GJEI. As at 31 December 2012, a management fee of HK\$148,300 (2011: HK\$78,299) for GJGC, and HK\$80,027 for GJEI payable to the Manager.

Trustee fee

For GJGC, the Trustee is entitled to receive from the Sub-Fund, an annual fee at a sliding scale with a maximum rate of 0.14% per annum of the net asset value of the Sub-Fund as at the relevant valuation point subject to a minimum annual fee of HK\$412,000 in relation to the Sub-Fund. This fee is calculated and accrued on each valuation day and be paid monthly in arrears.

GUOTAI JUNAN INVESTMENT FUNDS
-Guotai Junan Greater China Growth Fund
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NOTES TO FINANCIAL STATEMENTS

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

Trustee fee (continued)

The trustee fee for the year ended 31 December 2012 was HK\$412,000 (2011: HK\$412,000) for GJGC. As at 31 December 2012, a trustee fee of HK\$34,897 (2011: HK\$34,991) for GJGC was payable to the Trustee. For GJEI, the Trustee is entitled to receive from the Sub-Fund, an annual fee at a sliding scale with a maximum rate of 0.14% per annum of the net asset value of the Sub-Fund as at the relevant valuation point subject to a minimum annual fee of HK\$420,000 in relation to the Sub-Fund. This fee will be calculated and accrued on each valuation day and be paid monthly in arrears.

The trustee fee for the period ended 31 December 2012 was HK\$350,000 (representing minimum annual fee charged on a pro rata basis during the period) for GJEI. As at 31 December 2012, a trustee fee of HK\$35,000 for GJEI was payable to the Trustee.

For both GJGC and GJEI, the Trustee is also entitled to receive transaction, processing and valuation fees and be paid or reimbursed with other applicable fees as agreed with the Manager.

Registrar fee

The Trustee is also entitled to receive a fee for services in its capacity as Registrar which is fixed at HK\$39,000 per annum initially for GJGC and GJEI. Such fee may vary depending on the number of holders of redeemable units in the Sub-Funds and is calculated and paid quarterly in arrears to the Trustee. There is no maximum amount applicable to the Registrar Fees.

The registrar fee for the year/period ended 31 December 2012 was HK\$39,000 (2011: HK\$39,000) for GJGC, and was HK\$33,696 for GJEI. As at 31 December 2012, a registrar fee of HK\$3,303 (2011: HK\$3,312) for GJGC, and HK\$3,512 for GJEI was payable to the Registrar.

Further, the Trustee may appoint sub-custodians to safe-keep the assets of the Sub-Funds outside the PRC. All sub-custodian fees will be charged to the Sub-Funds and are calculated and paid monthly in arrears, in addition, to, any fees and expenses payable to the Trustee. The sub-custodian is entitled to recover all out-of-pocket expenses incurred in the performance of its duties in connection with the relevant Sub-Funds.

Brokerage and handling fees

Guotai Junan Securities (Hong Kong) Limited ("GJS"), the fellow subsidiary of the Manager, charged the Sub-Funds a brokerage and handling fee at a fixed rate of 1% for each initial public offering subscription and 0.25% for each listed securities transaction. During the year/period ended 31 December 2012, included in the brokerage and handling fees of the statement of comprehensive income, HK\$201,704 (2011: HK\$450,381) for GJGC, and HK\$178,647 for GJEI were charged by GJS. No amounts in relation to the brokerage and handling fee were payable by the Sub-Funds to GJS as at 31 December 2012.

GUOTAI JUNAN INVESTMENT FUNDS

-Guotai Junan Greater China Growth Fund

-Guotai Junan Equity Income Fund

NOTES TO FINANCIAL STATEMENTS

31 December 2012

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

Bank balances

Bank balances are maintained with the Hongkong and Shanghai Banking Corporation Limited ("HSBC"), Hong Kong Branch, an affiliate of the Trustee. All of the bank balances deposited with affiliates of the Trustee at 31 December 2012.

4. TAX

The Sub-Funds of the Trust are exempt from Hong Kong profits tax on income arising from its authorised activities under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

The Trust has obtained an undertaking from the Governor-in-Council of the Cayman Islands on 18 September 2007 that, in accordance with Section 81 of the Trust Law (2001 Revision) of the Cayman Islands, for a period of 50 years from the date of creation of the Trust, no laws of the Cayman Islands thereafter enacted imposing any tax or duty to be levied on income or on capital assets, gains or appreciation or any tax in the nature of estate duty or inheritance tax shall apply to any property comprised in or any income arising under the Trust, or the Sub-Funds or the Trustee or the holders of redeemable units in respect of any property or income.

Dividend income is subject to withholding tax in certain jurisdictions and is the only item subject to taxation at an average applicable withholding tax rate of 10% (2011: 10%) in such jurisdictions for both Sub-Funds. The withholding tax attributable to GJGC and GJEI in 2012 were HK\$95,314 (2011: HK\$28,607) and HK\$102,947, respectively.

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Guotai Junan Greater China Growth Fund		Guotai Junan Equity Income Fund
	2012	2011	2012
	HK\$	HK\$	HK\$
Financial assets held for trading:			
Listed equity securities, at cost	106,568,320	73,371,834	41,590,609
Unrealised gains/(loss)	<u>368,212</u>	<u>(22,452,089)</u>	<u>1,384,008</u>
Total financial assets at fair value through profit or loss	<u>106,936,532</u>	<u>50,919,745</u>	<u>42,974,617</u>

Detailed portfolio listings as at 31 December 2012 are set out on pages 29 to 31 for the Sub-Funds.

GUOTAI JUNAN INVESTMENT FUNDS

-Guotai Junan Greater China Growth Fund

-Guotai Junan Equity Income Fund

NOTES TO FINANCIAL STATEMENTS

31 December 2012

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The financial instruments of the Sub-Funds recognised at fair value, analysed between those whose value is based on:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Guotai Junan Greater China Growth Fund		Guotai Junan Equity Income Fund
	2012	2011	2012
	HK\$	HK\$	HK\$
Level 1	106,734,932	50,919,745	42,974,617
Level 2	-	-	-
Level 3	<u>201,600</u>	<u>-</u>	<u>-</u>
At 31 December	<u>106,936,532</u>	<u>50,919,745</u>	<u>42,974,617</u>

The movements in fair value measurements in Level 3 during the year are as follows:

	Guotai Junan Greater China Growth Fund		Guotai Junan Equity Income Fund
	2012	2011	2012
	HK\$	HK\$	HK\$
Financial assets held for trading:			
At beginning of the year/period	-	-	-
Transfers into	1,584,100	-	-
Total losses recognised in profit or loss	<u>(1,382,500)</u>	<u>-</u>	<u>-</u>
At 31 December	<u>201,600</u>	<u>-</u>	<u>-</u>

During the year ended 31 December 2012, two listed equity securities held by GJGC were suspended from trading, and therefore, the investments in those equity securities with aggregate carrying amounts of HK\$1,584,100 on the dates of transfers were reclassified from Level 1 to Level 3.

GUOTAI JUNAN INVESTMENT FUNDS

-Guotai Junan Greater China Growth Fund

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NOTES TO FINANCIAL STATEMENTS

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6. DUE FROM BROKERS

	Guotai Junan Greater China Growth Fund		Guotai Junan Equity Income Fund
	2012 HK\$	2011 HK\$	2012 HK\$
Cash deposits held with brokers	2,000,000	-	-
Receivables for securities sold but not yet settled	-	450,381	-
	<u>2,000,000</u>	<u>450,381</u>	<u>-</u>

7. CASH AND BANK BALANCES

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

8. DISTRIBUTIONS

On 31 December 2012, the Manager declared on behalf of GJEI to distribute final distribution of HK\$1,820,963 at HK\$3 each unit, in respect of 606,987.70 units issued on that date. The final distribution was paid on 14 January 2013.

No distribution was declared or paid for GJGC during the year ended 31 December 2012.

9. CAPITAL

As at 31 December 2012, both Sub-Funds only have one single class of units in issue, being redeemable participating units. The redeemable participating units do not carry any voting rights. They carry the right to receive distributions and the rights to participate in the surplus assets of the Sub-Funds after the payment of all creditors upon liquidation of the Sub-Funds.

Redeemable participating units can be issued and redeemed on each valuation day, i.e. every business day of the calendar year. The holders of redeemable participating unit may redeem the redeemable participating units on any valuation day by no later than the dealing deadline, i.e. no later than the business hours of the business day of the calendar year. Redemption requests received after such time will be deemed to have been received on the next business day.

GUOTAI JUNAN INVESTMENT FUNDS

-Guotai Junan Greater China Growth Fund

-Guotai Junan Equity Income Fund

NOTES TO FINANCIAL STATEMENTS

31 December 2012

9. CAPITAL (continued)

The calculation of the net asset value per unit of the Sub-Funds is based on the net asset of the Sub-Funds as at 31 December 2012 and the number of units in issue as at that date.

	Guotai Junan Greater China Growth Fund		Guotai Junan Equity Income Fund
	2012	2011	2012
	HK\$	HK\$	HK\$
Net assets	<u>124,454,000</u>	<u>61,353,617</u>	<u>62,198,479</u>

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

	Guotai Junan Greater China Growth Fund		Guotai Junan Equity Income Fund
	2012	2011	2012
At beginning of the year/period	962,382.48	876,550.58	-
Issued during the year/period	867,505.44	208,353.27	606,987.70
Redeemed during the year/period	<u>(169,383.49)</u>	<u>(122,521.37)</u>	<u>-</u>
At 31 December	<u>1,660,504.43</u>	<u>962,382.48</u>	<u>606,987.70</u>

GUOTAI JUNAN INVESTMENT FUNDS
 -Guotai Junan Greater China Growth Fund
 -Guotai Junan Equity Income Fund

NOTES TO FINANCIAL STATEMENTS

31 December 2012

10. RECONCILIATION BETWEEN NET ASSET VALUE PER STATEMENT OF FINANCIAL POSITION AND PUBLISHED NET ASSET VALUE

	Guotai Junan Greater China Growth Fund		Guotai Junan Equity Income Fund
	2012	2011	2012
	HK\$	HK\$	HK\$
Net asset value used for calculating published net asset value per redeemable unit	125,888,703	61,599,721	64,335,189
Adjustment to fair value of financial assets at fair value through profit or loss (a)	(336,403)	(325,104)	(83,851)
Adjustment to preliminary expenses (b)	-	-	(274,896)
Adjustment to distribution payable to unitholders (c)	-	-	(1,820,963)
Write-down fair value of suspended listed equities	(1,152,300)	-	-
Over-accrual of audit fees	54,000	79,000	43,000
Net asset value per financial statements	<u>124,454,000</u>	<u>61,353,617</u>	<u>62,198,479</u>
Number of redeemable units in issue	1,660,504.43	962,382.48	606,987.70
Published net asset value per redeemable unit	<u>75.81</u>	<u>64.01</u>	<u>105.99</u>

Notes:

- The published net asset value per redeemable participating unit issued is calculated using last traded price at the close of business on the reporting date in determining the fair value of investment securities, in accordance with the offering memorandum, instead of using last bid price for financial assets at fair value through profit or loss, as required under HKFRSs.
- The explanatory memorandum provides for the amortisation of preliminary expense over the first 12 months of operation of GJEI, instead of those amounts being expensed as incurred during the current period, as required under HKFRSs.
- The final distribution to unitholders in 2012 was declared on 31 December 2012, which was not included in the net asset value published as at 31 December 2012.

11. SOFT COMMISSION ARRANGEMENTS

Neither the Manager nor any of its connected persons has entered into any soft commission arrangements with brokers or dealers in respect of the transactions for the account of the Sub-Funds of the Trust.

GUOTAI JUNAN INVESTMENT FUNDS

-Guotai Junan Greater China Growth Fund

-Guotai Junan Equity Income Fund

NOTES TO FINANCIAL STATEMENTS

31 December 2012

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Sub-Funds are subject to various risks as the Sub-Funds invested in a number of financial instruments including listed equity securities during the year.

The investment objective, strategy and restrictions apply to any investment at the time that investment is made. The Manager will be responsible for ensuring compliance at all times with the investment policies. Where any policy is breached, the Manager will ensure that immediate corrective action will be taken, except where the breach is due to appreciation or depreciation in the value of investments.

The Manager will also be managing the assets of the Sub-Funds and will minimise risk by applying a combination of bottom-up and top-down approaches including macroeconomic, industrial and company specific analysis so as to develop a high quality investment portfolio. Further, the Sub-Funds invest substantially all of its assets in Hong Kong listed "H" shares, "Red Chips", Shanghai and Shenzhen listed "B" shares and are broadly diversified with numerous exchange traded investments.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

The Sub-Funds are exposed to market risk on its investments. The Sub-Funds minimise its exposure to market risk by diversifying its listed investments broadly and monitoring its investments constantly on a real time basis by a team of fund managers.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Sub-Funds are exposed to interest rate risk as all of its cash and bank balances are placed in interest bearing accounts.

The Manager is responsible for monitoring and managing the interest rate exposure of the Sub-Funds. The Sub-Funds' financial assets are predominately equity securities, which are interest free while the interest rate risks of the Sub-Funds are mainly attributable to interest bearing bank deposits. Accordingly, the Manager considers that Sub-Funds' exposure to interest rate risk were minimal.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Such risk exposures arise from trading in securities in currencies other than the Sub-Funds' functional currencies. Fluctuations in exchange rates between the HK\$ and United State dollars ("US\$") may affect its financial condition and results of operations, whereas the Manager considers the US\$/HK\$ exposure is minimal as HK\$ is pegged to US\$. Also the Sub-Funds do not expose to significant currency risk as majority of its operations and transactions are in HK\$ and denominated in HK\$.

GUOTAI JUNAN INVESTMENT FUNDS

-Guotai Junan Greater China Growth Fund

-Guotai Junan Equity Income Fund

NOTES TO FINANCIAL STATEMENTS

31 December 2012

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

Equity price risk

Equity price risk is the risk of unfavorable changes in the fair values of equities as a result of changes in the level of equity indices and the value of individual shares. The trading equity price risk exposure arises from the Sub-Funds' investment portfolio.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in Hang Seng Index ("HSI"), with all other variables held constant, of the Sub-Funds' profit and net assets attributable to holders of redeemable units.

		Guotai Junan Greater China Growth Fund	Guotai Junan Equity Income Fund
		2012	2011
		HK\$	HK\$
HSI	+/-5%	<u>5,400,000</u>	<u>3,448,000</u>
			<u>2,150,000</u>

This analysis is based on the assumption that all the equity instruments move according to the historical correlation with the HSI and with all other variables held constant. In practice, the actual results may differ and the difference could be material.

(b) Liquidity risk

Liquidity risk is the risk that the Sub-Funds will encounter difficulty in meeting obligation associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value.

As described in note 9 to the financial statements, the Sub-Funds are subject to cash redemptions of its redeemable units on every business day during the calendar year. The Sub-Funds consider that its exposure to liquidity risk is minimal as all of its investments are listed and actively traded.

The contractual undiscounted cash flows of the financial liabilities of GJGC and GJEI are same as their carrying amounts as at 31 December 2012 of HK\$425,258 (2011: HK\$362,381) and HK\$2,166,525, respectively, as they are repayable less than three months.

GUOTAI JUNAN INVESTMENT FUNDS

-Guotai Junan Greater China Growth Fund

-Guotai Junan Equity Income Fund

NOTES TO FINANCIAL STATEMENTS

31 December 2012

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Sub-Funds by failing to discharge an obligation. The Sub-Funds minimise exposure to credit risk by only dealing with counterparties with high credit ratings.

The Sub-Funds are mainly exposed to credit risk on its investments placed with the brokers and amounts due from brokers. The Sub-Funds monitor its risk by monitoring the credit quality of brokers on a regular basis. If the credit quality or the financial position of brokers deteriorates significantly the Manager will deal with other providers. In addition, substantially all of the bank deposits of the Sub-Funds are held by the reputable financial institutions located in Hong Kong.

The Sub-Funds' maximum exposure to credit risk in the event of counterparties failing to perform their obligations as of the end of the reporting period in relation to each class of recognised financial assets approximates to the carrying amount of those assets as indicated in the statement of financial position. The Sub-Funds adopt the method of deliver-against-payment in the settlement of all its transactions. This arrangement is effectively avoid the counterparty risk from brokers.

(d) Capital management

The primary objective of the Sub-Funds' capital management is to safeguard the Sub-Funds' ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise holders of redeemable units' value.

The Sub-Funds manage its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristic of the financial assets. To maintain or adjust the capital structure, the Sub-Funds may adjust the investments held.

The Sub-Funds define capital as the net assets attributable to holders of redeemable units. The Manager believes it has mitigated the risks to capital by following the investment guideline.

13. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised by the Manager and the Trustee on 15 April 2013.

GUOTAI JUNAN INVESTMENT FUNDS
 -Guotai Junan Greater China Growth Fund
 -Guotai Junan Equity Income Fund

STATEMENTS OF MOVEMENTS IN INVESTMENT PORTFOLIO

A. GUOTAI JUNAN GREATER CHINA GROWTH FUND

	% of Net Assets	
	31 December 2012	31 December 2011
Equity		
- United States	0.65	1.03
- Hong Kong	85.27	81.96
	<u>85.92</u>	<u>82.99</u>

B. GUOTAI JUNAN EQUITY INCOME FUND

	% of Net Assets	
	31 December 2012	29 February 2012 (date of inception)
Equity		
- Hong Kong	69.09	-
	<u>69.09</u>	<u>-</u>

GUOTAI JUNAN INVESTMENT FUNDS

-Guotai Junan Greater China Growth Fund

-Guotai Junan Equity Income Fund

INVESTMENT PORTFOLIO

31 December 2012

GUOTAI JUNAN GREATER CHINA GROWTH FUND

Listed Investment Equities	Holdings	Market Value (Bid Price) HKD	% of NAV
<u>HONG KONG</u>			
AJISEN CHINA HOLDINGS LTD	60,000	442,800	0.36
AVICHINA INDUSTRY & TECHNOLOGY	200,000	680,000	0.55
BOSHIWA INTERNATIONAL HOLDINGS LTD ¹	690,000	-	-
CHIGO HOLDING LTD	2,516,000	485,588	0.39
CHINA AGRI-INDUSTRIES HOLDINGS LTD	476,000	2,065,840	1.66
CHINA ALL ACCESS	4,454,000	8,017,200	6.44
CHINA CONSTRUCTION BANK CORPORATION	800,000	4,976,000	4.00
CHINA EVERBRIGHT INTERNATIONAL LTD	500,000	1,960,000	1.57
CHINA EVERBRIGHT LTD	150,000	2,229,000	1.79
CHINA LIFE INSURANCE CO LTD	230,000	5,830,500	4.68
CHINA LILANG LTD	8,000	36,720	0.03
CHINA OILFIELD SERVICES LTD	50,000	795,000	0.64
CHINA PACIFIC INSURANCE GROUP CO LTD	150,000	4,297,500	3.45
CHINA PETROLEUM & CHEMICAL CORPORATION	500,000	4,390,000	3.53
CHINA POWER INTERNATIONAL DEVELOPMENT LTD	500,000	1,220,000	0.98
CHINA SHANSHUI CEMENT GROUP LTD	200,000	1,132,000	0.91
CHINA TAIPING INSURANCE HOLDINGS CO LTD	220,000	3,454,000	2.78
CHINA TITANS ENERGY TECHNOLOGY	476,000	242,760	0.19
CHINA YURUN FOOD GROUP LTD	130,000	731,900	0.59
CHINA ZHENG TONG AUTO SERVICES	458,500	2,462,145	1.98
FUTURE LAND DEVELOPMENT HOLDINGS LTD	3,100,000	4,588,000	3.69
GEELY AUTOMOBILE HOLDINGS LTD	95,000	347,700	0.28
GLOBAL BIO-CHEM TECHNOLOGY GROUP CO LTD	1,000,000	870,000	0.70
HAIER ELECTRONICS GROUP CO LTD	279,000	3,158,280	2.54
HENGAN INTERNATIONAL GROUP CO LTD	50,000	3,490,000	2.80
HIDILI INDUSTRY INTERNATIONAL DEVELOPMENT LTD	1,719,000	3,489,570	2.80
HISENSE KELON ELECTRICAL HOLDINGS CO LTD	217,000	716,100	0.58
HSBC HOLDINGS PLC	10,000	811,500	0.65
HUA HAN BIO-PHARMACEUTICAL HOLDINGS LTD	1,268,800	2,943,616	2.37
HUADIAN POWER INTERNATIONAL CORPORATION LTD	900,000	2,439,000	1.96

GUOTAI JUNAN INVESTMENT FUNDS
 -Guotai Junan Greater China Growth Fund
 -Guotai Junan Equity Income Fund

INVESTMENT PORTFOLIO (CONTINUED)

31 December 2012

GUOTAI JUNAN GREATER CHINA GROWTH FUND

Listed Investment Equities	Holdings	Market Value (Bid Price) HKD	% of NAV
<u>HONG KONG</u>			
INTIME DEPARTMENT STORE GROUP	212,500	1,933,750	1.55
JU TENG INTERNATIONAL HOLDINGS	100,000	366,000	0.29
LENOVO GROUP LTD	10,000	70,100	0.06
LIANHUA SUPERMARKET HOLDINGS CO LTD	155,000	1,145,450	0.92
MAGIC HOLDINGS INTERNATIONAL LTD	557,509	1,968,007	1.58
MAOYE INTERNATIONAL HOLDINGS LTD	1,979,000	3,107,030	2.50
NEW CHINA LIFE INSURANCE CO LTD	150,000	4,410,000	3.54
PICC PROPERTY & CASUALTY CO LTD	240,000	2,606,400	2.09
PING AN INSURANCE GROUP CO OF CHINA LTD	85,000	5,512,250	4.43
SANY HEAVY EQUIPMENT INTERNATIONAL HOLDINGS CO LTD	280,000	1,134,000	0.91
SHANGHAI ELECTRIC GROUP CO LTD	1,000,000	3,310,000	2.66
SHIRBLE DEPARTMENT STORES HOLDINGS CHINA LTD ²	400,000	201,600	0.16
SINOPEC YIZHENG CHEMICAL FIBRE	200,000	382,000	0.31
TANG PALACE CHINA HOLDINGS LTD	70,000	114,800	0.09
TIANGONG INTERNATIONAL CO LTD	400,000	740,000	0.59
TONG REN TANG TECHNOLOGIES CO LTD	30,000	504,000	0.40
UNITED LABORATORIES INTERNATIONAL HOLDINGS LTD	648,000	2,397,600	1.93
VINDA INTERNATIONAL HOLDINGS LTD	110,000	1,166,000	0.94
VST HOLDINGS LTD	1,196,000	1,949,480	1.57
XIAO NAN GUO RESTAURANTS HOLDINGS LTD	320,000	422,400	0.34
ZIJIN MINING GROUP CO LTD	800,000	2,424,000	1.95
ZTE CORP	150,000	1,959,000	1.57
<u>UNITED STATES</u>			
CONCORD MEDICAL SERVICES HOLDINGS	25,300	809,946	0.65
TOTAL INVESTMENT		106,936,532	85.92
TOTAL INVESTMENT, AT COST		106,568,320	

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

² Trading for these securities was suspended on 29 March 2012 but resumed on 30 January 2013.

GUOTAI JUNAN INVESTMENT FUNDS
 -Guotai Junan Greater China Growth Fund
 -Guotai Junan Equity Income Fund

INVESTMENT PORTFOLIO

31 December 2012

GUOTAI JUNAN EQUITY INCOME FUND

Listed Investment Equities	Holdings	Market Value (Bid Price) HKD	% of NAV
<u>HONG KONG</u>			
BANK OF CHINA LTD	1,045,000	3,626,150	5.83
BOSIDENG INTERNATIONAL HOLDINGS LTD	726,000	1,655,280	2.66
CENTRAL CHINA REAL ESTATE LTD	378,000	1,028,160	1.65
CHAMPION REIT	480,000	1,766,400	2.84
CHEUNG KONG INFRASTRUCTURE HOLDINGS LTD	57,000	2,701,800	4.34
CHINA COMMUNICATIONS SERVICES CORPORATION LTD	570,000	2,553,600	4.11
CHINA MERCHANTS HOLDINGS INTERNATIONAL CO LTD	68,000	1,686,400	2.71
CHINA MOBILE LTD	15,500	1,398,875	2.25
CHINA PETROLEUM & CHEMICAL CORPORATION	292,000	2,563,760	4.12
CITIC SECURITIES CO LTD	96,000	1,875,840	3.02
CLP HOLDINGS LTD	30,000	1,944,000	3.12
GUANGZHOU R&F PROPERTIES CO LTD	1,200	15,480	0.02
HANG SENG BANK LTD	28,000	3,320,800	5.34
HOPEWELL HOLDINGS LTD	4,000	132,400	0.21
HSBC HOLDINGS PLC	1,200	97,380	0.16
INDUSTRIAL & COMMERCIAL BANK OF CHINA LTD	434,000	2,387,000	3.84
NWS HOLDINGS LTD	136,508	1,771,874	2.85
PACIFIC TEXTILE HOLDINGS LTD	105,000	728,700	1.17
QINGLING MOTORS CO LTD	1,350,000	2,511,000	4.04
ROAD KING INFRASTRUCTURE LTD	45,000	304,650	0.49
SHENZHEN INVESTMENT LTD	20,681	64,938	0.10
TEXWINCA HOLDINGS LTD	384,000	2,791,680	4.49
VTECH HOLDINGS LTD	23,000	1,995,250	3.21
YUEXIU REAL ESTATE INVESTMENT TRUST	784,000	2,885,120	4.64
YUEXIU TRANSPORT INFRASTRUCTURE LTD	314,000	1,168,080	1.88
TOTAL INVESTMENT		42,974,617	69.09
TOTAL INVESTMENT, AT COST		41,590,609	

GUOTAI JUNAN INVESTMENT FUNDS
 -Guotai Junan Greater China Growth Fund
 -Guotai Junan Equity Income Fund

PERFORMANCE RECORD

31 December 2012

Net asset value

	Guotai Junan Greater China Growth Fund HK\$	Guotai Junan Equity Income Fund HK\$
31 December 2012	<u>124,454,000</u>	<u>62,198,479</u>
31 December 2011	<u>61,353,617</u>	<u>-</u>
31 December 2010	<u>83,935,201</u>	<u>-</u>

Net asset value per unit

	Guotai Junan Greater China Growth Fund HK\$	Guotai Junan Equity Income Fund HK\$
31 December 2012	<u>74.95</u>	<u>102.47</u>
31 December 2011	<u>63.75</u>	<u>-</u>
31 December 2010	<u>95.76</u>	<u>-</u>

Highest and lowest net asset value per unit

	Guotai Junan Greater China Growth Fund Highest HK\$	Guotai Junan Equity Income Fund Lowest HK\$
<u>Financial year ended 31 December 2012</u>		
Highest net asset value per unit	76.01	105.99
Lowest net asset value per unit	<u>58.64</u>	<u>88.04</u>
<u>Financial year ended 31 December 2011</u>		
Highest net asset value per unit	98.26	-
Lowest net asset value per unit	<u>54.84</u>	<u>-</u>
<u>Financial year ended 31 December 2010</u>		
Highest net asset value per unit	98.18	-
Lowest net asset value per unit	<u>73.18</u>	<u>-</u>

