JF SAR Greater China Fund

Audited Annual Report
30 June 2011

J.P.Morgan
Asset Management

Contents **Page**

Investment Report	1 - 2
Report of the Trustee to the Unitholders	3
Independent Auditor's Report to the Trustee	4
Statement of Financial Position	5
Statement of Comprehensive Income	6
Statement of Changes in Net Assets Attributable to Holders of Redeemable Units	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 18
Investment Portfolio - Unaudited	19 - 20
Statement of Movements in Portfolio Holdings - Unaudited	21
Performance Record - Unaudited	22 - 23
Management and Administration	24

This report does not constitute an offer of any units in the fund forming the subject matter of this document (the "Fund"). Subscriptions are only valid if made on the basis of the current explanatory memorandum (or equivalent), supplemented by the most recent financial report.

Investment Report

Investment Policy

The investment policy of the JF SAR Greater China Fund (the "Fund") is to provide investors with long-term capital growth in United States dollar terms through a portfolio consisting primarily of securities of companies based or operating principally in the People's Republic of China, Hong Kong, Macau or Taiwan ("Greater China Region") and the majority of these companies will be listed on a stock exchange in Hong Kong or Taiwan.

The proposed allocation of the assets held under the Fund is as follows:

70-100%	non-cash assets in Greater China equities
0-30%	non-cash assets in other equities
0-30%	non-cash assets in bonds*

* For cash management purpose only.

During this financial period, there has been no change in the Fund's investment policy.

With effect from 1 July 2011, the investment policy of the Fund is to provide investors with long-term capital growth in Hong Kong dollar terms through a portfolio consisting primarily of securities of companies based or operating principally in the People's Republic of China, Hong Kong, Macau or Taiwan ("Greater China Region") and the majority of these companies will be listed on a stock exchange in Hong Kong or Taiwan.

Commentary by the Manager

Review

Greater China markets faced high volatility during the review period on the back of domestic tightening issues as well as unpredictable external factors. Markets first had a muted summer in 2010 after the Europe debt sovereign crisis broke out in May. Later in September, markets started to rally as developed market economic indicators stabilized and markets attempted to price in another round of quantitative easing by the US. The rally went on until January 2011 when liquidity started to flow out from emerging markets to developed markets. That said, the Japan earthquake in March marked the bottom and markets staged a strong rebound. Unfortunately, the rebound only lasted till April when Chinese tightening concerns and Europe debt problems caught headline again and since then markets continued consolidating and retested the March low.

Given its resilient corporate fundamentals, Greater China markets managed to post a 18.5% gain (MSCI Golden Dragon Price Index) during the review period though underperformed the broader Asia Pacific ex Japan stock markets. Taiwan (MSCI Taiwan was up 30.7%) was the best performer, followed by Hong Kong (MSCI Hong Kong was up 22.7%) while China (MSCI China was up 9.9%) underperformed.

In China, inflation and property prices remained the two key overhangs. After numerous rounds of tightening targeting the property market, property prices in China finally started to cool off and there were less talks of further tightening. However, inflation continued to be elevated with June CPI at 6.4% and the Chinese government continued its tightening or normalization process with altogether 9 RRR hikes (from 17% to 21.5%) and 4 interest rate hikes (1-year lending rate from 5.31% to 6.31%) over the last 12 months. On a sector basis, IT, energy and materials outperformed while healthcare underperformed the most.

In Taiwan, the long awaited ECFA and MOU were signed in 2H 2010 and there have been ongoing talks of allowing more Chinese tourists to go to Taiwan. Domestic economy was robust with 1Q GDP at 6.6% while May CPI was subdued at 1.7%. On the technology front, demand for smartphones or tablets remain sound, however, technology stocks did not see major earning upgrades and the earthquake in Japan also raised concern over supply disruption. On a sector basis, consumption and materials outperformed while technology lagged.

In Hong Kong, despite the fact that the government had announced measures to curb the property market, it continued to trend higher mainly attributable to increased liquidity inflow from China. Domestic economy also remained prosperous with retail sales value growth particularly impressive at 27.8% in May thanks to the increased spending of Chinese tourists. As for the stock market, there were a number of international brand names coming to Hong Kong for a listing, including Prada, Samsonite and Glencore. Overall, telecommunications led the market while utilities underperformed.

The Fund posted a return of +24.6% (class A) versus the benchmark of +21.8% during the past twelve months. Stock selection was the primary contributor while our asset allocation call of overweighting China at the expense of Taiwan and Hong Kong detracted. In China, our overweight in selective commodity plays (eg. China National Building Materials, Yanzhou Coal) contributed the most. In Hong Kong, our overweight in selective conglomerates and Macau gaming stocks helped. In Taiwan, our stock selection in the domestic business sectors also added value.

Outlook

While optimistic growth forecasts for the developed world need to be revised downwards due to the ongoing indebtedness of the public sector, we consider the probability of either a recession or financial crisis to be low. China's monetary and fiscal tightening is at its maximum right now as CPI inflation peaks on the mainland, so as a result, we believe we have seen the worst in terms of economic and stock market performance. We are beginning to increase positions in cyclical China by reducing outperformers in Taiwan. The core strategies in the Fund remain unchanged.

Commentary by the Trustee

Investments made by the Fund during the year are in accordance with the investment policy as described in the Explanatory Memorandum. During the year, there has been no change in the statement of investment policy that will materially affect the risk attached to the investment of the Fund. The trustee would like to highlight that during the year there were a few investment-related breaches which were passive in nature. The breaches are summarized in the Report of the Trustee.

	2011 US$	2010 US$	2009 US$
Increase in net assets attributable to holders of redeemable units and total comprehensive income before net gains/(losses) on investments and net foreign currency exchange gains/(losses)	1,231,409	500,988	798,257
Capital appreciation[1]	26,047,905	21,338,266	6,702,114
Net assets attributable to holders of redeemable units (after fair value adjustment)	94,103,033	66,823,719	44,984,465

[[1] Capital appreciation represents the aggregate of net allotment/(redemption) and net gains/(losses) on investments and net foreign currency exchange gains/(losses)]

Report of the Trustee to the Unitholders

We hereby confirm that, in our opinion, the Manager of the Fund has, in all material respects, managed the Fund in accordance with the provisions of the Trust Deed dated 12 July 2007, as amended, for the year ended 30 June 2011.

We hereby report that, during the year, we became aware of a few investment-related breaches which were passive in nature. The investment-related breaches had limited impact on unitholders' interests and they were rectified as soon as practicable. Apart from this, we have not become aware of any failures by the Custodian, the Manager and their delegates to comply with the obligations imposed on them.

We are not aware of any events of a significant nature relating to the Fund that occurred during the year which have not been reported to the Mandatory Provident Fund Schemes Authority (the "MPFA").

We hereby confirm that provisions of the Trust Deed dated 12 July 2007, as amended, the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong, the Mandatory Provident Fund Schemes Ordinance, the Mandatory Provident Fund Schemes (General) Regulation, the Code on MPF Investment Funds and other relevant guidelines issued by the MPFA have been complied with in all material respects during the year.

There are no material changes (including changes of the Custodian, the Manager and delegates of the Manager) which have not been reported to the MPFA during the year.

We declare that we have, during the year, supervised, and exercised proper control over, all persons appointed or engaged for the purposes of the Fund.

For and on behalf of
Royal Bank of Canada Trust Company (Asia) Limited, Trustee

--- ---

Director Director

Independent Auditor's Report

To the Trustee of JF SAR Greater China Fund (the "Fund")

Report on the financial statements

We have audited the financial statements of the Fund set out on pages 5 to 18, which comprise the Statement of Financial Position as at 30 June 2011, and the Statement of Comprehensive Income, Statement of Changes in Net Assets Attributable to Holders of Redeemable Units and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

The Trustee and the Manager (the "Management") of the Fund are responsible for the preparation of 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 Trust Deed dated 12 July 2007, as amended (the "Trust Deed"), and the relevant financial statements disclosure provisions specified in Appendix E of the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the "SFC Code"), the Hong Kong Mandatory Provident Fund Schemes Ordinance (the ”Ordinance”), the Hong Kong Mandatory Provident Fund Schemes (General) Regulation (the ”General Regulation”), the code on MPF Investment Funds (the “MPF Code”), and Guideline II.5 issued by the Mandatory Provident Fund Schemes Authority (the “MPF Guideline”), and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 management, 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 financial position of the Fund as at 30 June 2011, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

Report on other legal and regulatory disclosure requirements

We report that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed and the relevant financial statements disclosure provisions specified in the SFC Code, the Ordinance, the General Regulation, the MPF Code and the MPF Guideline.

PricewaterhouseCoopers
Hong Kong,

13 October 2011

Statement of Financial Position
As at 30 June 2011

	2011 US$	2010 US$
Assets		
Cash at banks	816,986	1,479,006
Amounts due from brokers	521,853	50,141
Amounts receivable on allotment	372,208	253,125
Investments [Notes 3, 4(I)(a)]	91,925,182	65,545,539
Dividend and other accounts receivable	543,028	223,779
Total assets	94,179,257	67,551,590
Liabilities		
Amounts due to brokers	208,187	767,781
Amounts payable on redemption	-	228
Other accounts payable	73,548	51,735
Liabilities (excluding net assets attributable to holders of redeemable units)	281,735	819,744
Net assets attributable to holders of redeemable units (before fair value adjustment) [Note 3]	93,897,522	66,731,846
Fair value adjustment of units of the Fund [Note 3]	205,511	91,873
Net assets attributable to holders of redeemable units (after fair value adjustment) [Note 3]	94,103,033	66,823,719

Approved by the Trustee and the Manager on 13 October 2011

Signed By:

For and on behalf of Royal Bank of Canada Trust Company (Asia) Limited, Trustee

Director Director

For and on behalf of JF Asset Management Limited, Manager

Director Director

The notes on pages 9 to 18 form part of these financial statements.

Statement of Comprehensive Income
For the year ended 30 June 2011

	2011 US$	2010 US$
Income		
Net gains on investments [Note 5]	16,248,844	5,219,252
Dividend income	2,437,964	1,424,321
Interest on deposits	30	90
Net foreign currency exchange (losses)/gains	(10,346)	1,967
Other income	9,105	2,751
	18,685,597	6,648,381
Expenses		
Transaction costs	459,041	377,332
Management fee [Note 7(e)]	415,738	260,332
Trustee's fee [Note 7(g)]	70,238	58,909
Safe custody and bank charges	38,712	32,074
Legal and professional expenses	20,948	880
Valuation fee [Note 7(e)]	17,430	17,430
Registrar's fee [Note 7(h)]	15,630	14,362
Auditor's fee	10,100	9,700
Printing and publication expenses	1,120	570
Other operating expenses	915	1,630
	1,049,872	773,219
Net operating profit	17,635,725	5,875,162
Finance costs		
Interest paid	(7)	(7)
Profit before taxation	17,635,718	5,875,155
Taxation [Note 6]	(279,449)	(147,056)
	17,356,269	5,728,099
Change in cumulative difference arising from the fair value adjustment of units of the Fund	113,638	(5,892)
Increase in net assets attributable to holders of redeemable units and total comprehensive income	17,469,907	5,722,207

The notes on pages 9 to 18 form part of these financial statements.

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units
For the year ended 30 June 2011

	2011 US$	2010 US$
Net assets attributable to holders of redeemable units at the beginning of the year	66,823,719	44,984,465
Allotment of redeemable units [Note 3]	30,452,456	30,344,220
Redemption of redeemable units [Note 3]	(20,643,049)	(14,227,173)
Net allotment	9,809,407	16,117,047
	76,633,126	61,101,512
Increase in net assets attributable to holders of redeemable units and total comprehensive income	17,469,907	5,722,207
Net assets attributable to holders of redeemable units at the end of the year	94,103,033	66,823,719

The notes on pages 9 to 18 form part of these financial statements.

Statement of Cash Flows
For the year ended 30 June 2011

	2011 US$	2010 US$
Operating activities		
Purchase of investments	(75,664,050)	(63,591,515)
Proceeds from disposal of investments	64,506,491	47,115,790
Dividend received	2,119,285	1,353,262
Interest received	30	90
Registrar's fee paid	(15,693)	(14,043)
Trustee's fee paid	(68,808)	(58,110)
Tax paid	(279,449)	(151,399)
Management fee paid	(407,797)	(243,067)
Transaction costs paid	(460,442)	(382,448)
Others	(112,164)	(61,042)
Net cash outflow from operating activities	(10,382,597)	(16,032,482)
Financing activities		
Interest paid	(7)	(7)
Receipts on allotment of redeemable units	30,333,373	30,344,491
Payments on redemption of redeemable units	(20,643,277)	(14,279,938)
Net cash inflow from financing activities	9,690,089	16,064,546
(Decrease)/increase in cash and cash equivalents	(692,508)	32,064
Cash and cash equivalents at the beginning of the year	1,479,006	1,444,824
Exchange gains on cash and cash equivalents	30,488	2,118
Cash and cash equivalents at the end of the year	816,986	1,479,006
Analysis of balances of cash and cash equivalents:		
Cash at banks	816,986	1,479,006

The notes on pages 9 to 18 form part of these financial statements.

Notes to the Financial Statements

1 The Fund

JF SAR Greater China Fund (the "Fund") was established under a Trust Deed dated 12 July 2007, as amended, and is governed by the laws of Hong Kong. The Fund is authorized by the Securities and Futures Commission of Hong Kong ("SFC").

The investment policy of the Fund is to provide investors with long-term capital growth in United States dollar terms through a portfolio consisting primarily of securities of companies based or operating principally in the People's Republic of China, Hong Kong, Macau or Taiwan ("Greater China Region") and the majority of these companies will be listed on a stock exchange in Hong Kong or Taiwan.

With effect from 1 July 2011, the investment policy of the Fund is to provide investors with long-term capital growth in Hong Kong dollar terms through a portfolio consisting primarily of securities of companies based or operating principally in the People's Republic of China, Hong Kong, Macau or Taiwan ("Greater China Region") and the majority of these companies will be listed on a stock exchange In Hong Kong or Taiwan.

The Fund has been approved under section 6 of the Mandatory Provident Fund Schemes (General) Regulation (the "General Regulation") as an Approved Pooled Investment Fund since 9 July 2007. The Fund is also required to comply with the Schedule of Conditions for Approval of Pooled Investment Funds issued by the Mandatory Provident Fund Schemes Authority (the "MPFA") to the Fund dated 9 July 2007.

The Fund is established with different classes of units to cater for different categories of investors. Currently, the Fund offers two classes of units. The two classes of units are:

Class A - Available to collective investment schemes, pension plans, segregated portfolios or other types of investment vehicles to which units of Class B are not made available.

Class B - Available to any schemes registered under the General Regulation for investment purpose only and collective investment schemes which are authorized by the SFC, pension plans, segregated portfolios or other types of investment vehicles where the Manager or its associated party acts as the manager or the investment manager of such scheme, plan, portfolio or vehicle and a management fee or investment management fee is being charged by them.

All unitholders' rights with regard to the convening, voting or otherwise acting at any meeting of unitholders are the same.

2 Summary of principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation of financial statements

The financial statements of the Fund have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) held at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires the Manager and the Trustee (the "Management") to exercise their judgment in the process of applying the Fund's accounting policies.

New standards and amendments to standards that are not yet effective and have not been early adopted by the Fund

HKFRS 9, "Financial Instruments" issued in November 2009. This standard is the first step in the process to replace Hong Kong Accounting Standard ("HKAS") 39, "Financial Instruments: Recognition and Measurement". HKFRS 9 introduces new requirements for classifying and measuring financial assets. In the fourth quarter of 2010, the Hong Kong Institute of Certified Public Accountants ("HKICPA") has released additions to HKFRS 9 dealing with financial liabilities. The additions, which are part of the HKICPA's plan to replace HKAS 39, retain most of the HKAS 39's requirements for financial liabilities. The main change is that in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to the entity's own credit risk is recorded in other comprehensive income. The standard is not applicable until 1 January 2013 but is available for early adoption. The Management is currently assessing the impact on the Fund's financial statements.

HKFRS 13, "Fair Value Measurement" issued in June 2011. This standard introduces guidance for defining and measuring fair value. It also requires for additional disclosures about fair value measurements so as to enhance the comparability of information reported in the financial statements. The standard is not applicable until 1 January 2013 but is available for early adoption. The Management is currently assessing the impact on the Fund's financial statements.

(b) Investments

Classification

The Fund classifies its investments as financial assets or financial liabilities at fair value through profit or loss. These financial assets or financial liabilities are held-for-trading as they are acquired or incurred principally for the purpose of selling or repurchasing in the near term or short-term profit taking.

Recognition, derecognition and measurement

Purchases and sales of investments are accounted for on the trade date basis. Investments are initially recognized at fair value and are subsequently re-measured at fair value. Realized and unrealized gains and losses on investments are recognized in the Statement of Comprehensive Income. Investments are derecognized when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Fair value estimation

Investments that are listed or traded on an exchange and investments with prices quoted in over-the-counter markets or by market makers, are fair valued based on quoted "bid" prices on long investments and quoted "ask" prices on investments sold short.

Debt securities are fair valued based on quoted prices inclusive of accrued interest.

Investments in collective investment schemes are stated at fair value based on the net asset value per unit of the respective funds as determined by the administrators of the relevant funds or stated at "bid" prices if the collective investment schemes are listed or traded on an exchange.

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(d) Income and expense

Dividend income is recognized on the ex-dividend date with the corresponding foreign withholding tax recorded as an expense and is accounted for in the Statement of Comprehensive Income.

Interest income on investments is accounted for as part of net gains/losses on investments in the Statement of Comprehensive Income.

Interest income on cash at banks and short term deposits is accounted for in the Statement of Comprehensive Income on an effective interest basis.

Expenses are accounted for in the Statement of Comprehensive Income on an accrual basis.

(e) Foreign currency translation

Functional and presentation currency

The Fund has adopted United States dollar as its functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of assets and liabilities denominated in foreign currencies at year end exchange rates are recognized in the Statement of Comprehensive Income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the Statement of Comprehensive Income within "Net foreign currency exchange gains/losses". Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the Statement of Comprehensive Income within "Net gains/losses on investments".

(f) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise cash at banks and bank deposits with maturity of three months or less from the date of placing the deposits, net of certain short term bank loans which the Fund usually undertakes as overnight bank borrowings.

(g) Amounts due from/to brokers

Amounts due from/to brokers represent receivables for investments sold and payables for investments purchased that have been contracted for but not yet settled by the end of the year.

(h) Proceeds and payments on allotment and redemption of units

The net asset value per unit is computed for each dealing day. The price at which units are allotted or redeemed is calculated by reference to the net asset value per unit as at the close of business on the relevant dealing day in accordance with the provisions of the Fund's Trust Deed dated 12 July 2007, as amended, which may be different from the accounting policies stated in the financial statements.

Units of the Fund are redeemable at the option of the holders of redeemable units and are classified as a financial liability in the Statement of Financial Position which represents the net assets attributable to holders of redeemable units (or "net asset value", "net assets" or "NAV") and is carried at the redemption amount that would be payable at the Statement of Financial Position date if the holders of redeemable units exercised the right to redeem units of the Fund.

3 Net assets attributable to holders of redeemable units and number of units in issue

Fair value adjustment of units of the Fund

As stated in Note 2(h), units of the Fund are redeemable at the option of the holders of redeemable units and are classified as a financial liability in the Statement of Financial Position which represents the net assets attributable to the holders of redeemable units and is carried at the redemption amount that would be payable at the Statement of Financial Position date, if the holders of redeemable units exercised the right to redeem units of the Fund. The redemption amount is determined based on the net assets attributable to holders of redeemable units calculated in accordance with the provisions of the Fund's Trust Deed dated 12 July 2007, as amended ("Trust Deed NAV").

	2011 US$	2010 US$
Net assets attributable to holders of redeemable units (before fair value adjustment)	93,897,522	66,731,846
Fair value adjustment of units of the Fund:		
Difference between bid/ask prices and last traded prices basis in valuing investments as at 30 June [Note 3(a)]	205,511	91,873
Net assets attributable to holders of redeemable units (after fair value adjustment)	94,103,033	66,823,719

Note:

(a) Listed investments and investments with prices quoted in over-the-counter markets or by market makers are stated at the last traded prices for the purpose of the Trust Deed NAV. As stated in Note 2(b), the accounting policy of the Fund for the purpose of compliance with HKAS 39, "Financial Instruments: Recognition and Measurement" and for reporting purposes is to value its investments at fair value based on the relevant bid/ask market prices on the Statement of Financial Position date.

Number of units in issue

	2011		2010	
	Class A Units	Class B Units	Class A Units	Class B Units
Number of units in issue:				
At the beginning of the year	3,563,291.752	3,820,040.557	1,337,912.921	4,213,437.918
Total allotments	1,585,335.329	1,250,985.638	2,358,151.267	1,040,945.412
Total redemptions	(1,439,124.541)	(488,818.132)	(132,772.436)	(1,434,342.773)
At the end of the year	3,709,502.540	4,582,208.063	3,563,291.752	3,820,040.557
	US$	US$	US$	US$
Net assets attributable to holders of redeemable units (after fair value adjustment)	41,189,748	52,913,285	31,763,360	35,060,359
Net assets attributable to holders of redeemable units (per unit)	11.10	11.55	8.91	9.18

4 Financial risk management

(I) Financial risk factors

The Fund's activities expose it to a variety of financial risks: market risk (including market price risk, interest rate risk and currency risk), credit risk and liquidity risk.

(a) Market risk

(i) Market price risk

The Fund's investments are subject to the market price risk inherent in all investments i.e. the value of holdings may fall as well as rise. The Fund's market risk is managed through (i) deliberate stocks selection, and (ii) diversification of the investment portfolio in accordance with specific investment restrictions and guidelines.

The Manager monitors the Fund's market price sensitivity primarily through the Beta of the Fund on a regular basis. Beta measures the statistical relationship between the return of the Fund and the relevant benchmark index chosen by the Manager.

As at 30 June, the fair value of investments and its estimated market sensitivity were as follows:

	2011		2010	
Listed/Quoted Investments	Fair value of investments US$	% of net assets	Fair value of investments US$	% of net assets
Assets				
Equities				
- Hong Kong	62,611,411	66.5	46,617,455	69.8
- Taiwan	27,621,221	29.4	17,754,905	26.6
- Others	1,692,550	1.8	754,028	1.1
	91,925,182	97.7	65,126,388	97.5
Collective Investment Schemes	-	-	419,151	0.6
Total Listed/Quoted Investments	91,925,182	97.7	65,545,539	98.1

	Net asset value US$	Relevant benchmark index for the Fund (Note*)	Beta (Note**)	% of reasonable possible change of the relevant benchmark index (Note***)	Estimated impact on net asset value (Note****) US$
As at 30 June 2011	94,103,033	MSCI Golden Dragon (NDR)	0.96	+21.7%	19,603,544
As at 30 June 2010	66,823,719	MSCI Golden Dragon (NDR)	0.99	+13.5%	8,930,990

If the relevant benchmark index return was to move in the opposite direction, this would result in an opposite movement in the net asset value of the Fund by the same amount.

Note:

* Relevant benchmark index for the Fund represents the relevant market index used by the Manager in monitoring the market price risk of the Fund.

** Beta measures the statistical relationship between the return of the Fund and the respective benchmark index over the maximum of past 36 months, or the number of months since portfolio inception. For funds launched within a period of less than 12 months, weekly returns of the Fund are used for calculating the Beta.

*** % of reasonable possible change is based on the actual historical change in the benchmark index in the past 12 months and does not include remote or "worst case" scenarios or "stress tests" nor represent the Manager's forecast of the Fund's future returns. In order to better reflect on the period over which reasonable possible change may take effect, the Manager assessed and revised the calculation of % of reasonable possible change from using the actual historical change in the benchmark index from in the past 3 months to 12 months. For funds launched within a period of less than 12 months, actual historical change in the benchmark index since the commencement of operations will be used to calculate the % of reasonable possible change.

**** Estimated impact on net asset value of the Fund is calculated by applying the relevant Beta against the net asset value of the Fund multiplied by the % of reasonable possible change of the relevant benchmark index, assuming that all other variables are held constant.

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or future cash flow will fluctuate due to changes in market interest rates.

The table below summarizes the Fund's financial assets and liabilities as at 30 June which expose it to the risk associated with the effects of fluctuations in the prevailing levels of market interest rates, categorized by remaining maturity dates.

	2011 Less than 1 month US$	2010 Less than 1 month US$
Cash at banks	816,986	1,479,006
Total interest sensitivity gap	816,986	1,479,006

Any cash and cash equivalents are placed/borrowed at short term market interest rates and the Manager considers that the Fund is not subject to significant amount of risk due to the stable and low fluctuation in the prevailing levels of market interest rates.

(iii) Currency risk

The Fund holds assets and liabilities denominated in a number of currencies. HKFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not currency risk. The Manager monitors the exposure on all foreign currency denominated assets and liabilities including both monetary and non-monetary assets and liabilities.

The table below summarizes the Fund's exposure to currency risk as at 30 June together with the percentage of reasonable possible change in foreign currencies and the estimated impact on net asset value.

Net currency exposures (Note*)	US$ equivalent	% of reasonable possible change against US$ (Note**)	Estimated impact on net asset value US$
2011			
Chinese Yuan	433,870	+4.9	21,260
Hong Kong Dollar	63,386,793	+0.1	63,387
Taiwan Dollar	27,887,059	+11.9	3,318,560
	91,707,722		3,403,207
2010			
Hong Kong Dollar	46,654,640	-0.5	(233,273)
Taiwan Dollar	17,739,919	+2.1	372,538
	64,394,559		139,265

If the foreign currency fluctuations were to move in the opposite direction, this would result in an opposite movement in the net asset value of the Fund by the same amount, assuming that all other variables are held constant.

Note:

* Net currency exposures on assets and liabilities include both monetary and non-monetary assets and liabilities.

** % of reasonable possible change is based on the actual historical change in the respective currencies against the functional currency of the Fund in the past 12 months and does not include remote or "worst case" scenarios or "stress tests" nor represent the Manager's forecast of the Fund's future returns. In order to better reflect on the period over which reasonable possible change may take effect, the Manager assessed and revised the calculation of % of reasonable possible change from using the actual historical change in the respective currencies against the functional currency of the Fund from in the past 3 months to 12 months.

(b) Credit risk

Credit risk is the risk that a counterparty will not be able to pay amounts in full when due.

As at 30 June, the Fund's maximum exposure to credit risk before any credit enhancements was as follows:

	2011 US$	2010 US$
Cash at banks	816,986	1,479,006
Amounts due from brokers	521,853	50,141
Amounts receivable on allotment	372,208	253,125
Dividend and other accounts receivable	543,028	223,779
	2,254,075	2,006,051

All transactions in listed investments are settled on a delivery versus payment basis using approved brokers. The risk of default is considered minimal, as delivery of investments sold is only made when the Fund's custodian bank has received payment. For a purchase, payment is made once the investments have been received by the Fund's custodian bank. The trade will fail if either party fails to meet the obligation.

The table below summarizes the credit rating of the ultimate holding company of the custodian.

	2011 Exposure to counterparties US$	2010 Exposure to counterparties US$
Bank balances under the safekeeping of the custodian S&P(AA)/Moody's(Aa)/FITCH(AA)	816,986	1,479,006

(c) Liquidity risk

The Fund is exposed to daily redemption of units, the majority of its assets in investments are traded in an active market which can be readily disposed of. The Manager may also limit the total number of units redeemed on any dealing day to 10% or more of the current units in issue of any one class on any dealing day.

The table below summarizes the Fund's financial liabilities into relevant maturity groupings based on the remaining period as at 30 June to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	2011 Less than 1 month US$	2010 Less than 1 month US$
Amounts due to brokers	208,187	767,781
Amounts payable on redemption	-	228
Other accounts payable	73,548	51,735
Net assets attributable to holders of redeemable units	94,103,033	66,823,719
Total financial liabilities	94,384,768	67,643,463

The Manager manages the Fund's liquidity risk by investing predominantly in investments that the Manager expects to be able to liquidate within 1 month to meet the total financial liabilities and making short term bank borrowing.

(II) Capital risk management

The capital of the Fund is represented by the net assets attributable to holders of redeemable units which is subject to subscriptions and redemptions of redeemable units. The Fund's objective for capital management is to provide returns and long-term capital growth for unitholders.

In order to maintain the capital structure, the Management perform the following:

- Monitor subscriptions and redemptions activities relative to the liquid assets.
- To protect the interest of unitholders and in exceptional circumstances, the Manager may also limit the total number of units redeemed on any dealing day to 10% or more of the current units in issue of any one class on any dealing day.
- Monitor fund investment guidelines and restrictions, in accordance with the constitutional documents, to maintain sufficient liquidity through diversification.

(III) Fair value estimation

As at 30 June 2011 and 2010, the Management consider that the carrying values of assets and liabilities were reasonable approximations of their fair value.

HKFRS 7 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The table below summarizes the Fund's investments within the fair value hierarchy measured at fair value as at 30 June:

Listed/Quoted Investments	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
2011				
Assets				
Equities	91,925,182	-	-	91,925,182
Total financial assets at fair value through profit and loss	91,925,182	-	-	91,925,182
2010				
Assets				
Equities	63,911,637	1,214,751	-	65,126,388
Collective Investment Schemes	419,151	-	-	419,151
Total financial assets at fair value through profit and loss	64,330,788	1,214,751	-	65,545,539

5 Net gains on investments

	2011 US$	2010 US$
Change in unrealized gains/losses in value of investments	9,707,263	1,805,706
Realized gains on sale of investments	6,541,581	3,413,546
	16,248,844	5,219,252

6 Taxation

No provision for Hong Kong profits tax has been made as the Fund was authorized as a collective investment scheme under Section 104 of the Securities and Futures Ordinance and is therefore exempt from profits tax under Section 26A(1A) of the Inland Revenue Ordinance.

Overseas withholding tax was charged on certain dividend income received during the year.

7 Transactions with the Trustee, the Manager and their Associates/ Connected Persons

The following is a summary of transactions entered into during the year between the Fund and the Trustee, the Manager and their Associates/Connected Persons. Associates and Connected Persons of the Trustee and the Manager are those as defined in the Mandatory Provident Fund Schemes Ordinance and the Code on Unit Trusts and Mutual Funds established by the SFC respectively. All such transactions were entered into in the ordinary course of business and on normal commercial terms.

(a) Investment transactions with Associates/Connected Persons of the Trustee and the Manager are set out below:

Name of company	Aggregate value of purchases and sales of investments US$	% of the Fund's total aggregate value of transactions	Commission paid US$	% of the Fund's total commission paid in the year (Note)	Average commission rate %
2011					
J.P. Morgan Securities (Asia Pacific) Limited	1,626,003	1.17	1,334	0.54	0.08
JPMorgan Funds (Asia) Limited	521,853	0.37	-	-	-
2010					
J.P. Morgan Securities (Asia Pacific) Limited	973,225	0.88	1,989	1.21	0.20
JPMorgan Funds (Asia) Limited	497,557	0.45	-	-	-

Note: Total commission paid by the Fund during the year amounted to US$247,396 (2010: US$164,965).

(b) Balances with the Trustee, the Manager and their Associates/ Connected Persons as at year end:

	2011 US$	2010 US$
Cash at banks	816,987	1,479,006
Amounts payable	(63,448)	(42,036)

As at 30 June 2011, the Fund's investment balance of Nil (2010: US$419,151) represents the investments in the collective investment schemes issued and managed by the Manager or its Connected Person.

(c) The Fund may utilize the brokerage, custodian, agency and banking services of the Trustee, the Manager and their Associates/Connected Persons.

(d) For the year ended 30 June 2011, there was no income accruing to the Manager relating to allotments and redemptions in the Fund (2010: nil).

(e) Management fee for Class A of 1% per annum and Class B of 0% per annum of the net asset value of the Fund is paid to JF Asset Management Limited. Management fee is accrued based on the net asset value attributable to each class of units on each dealing day and is payable monthly in arrears.

The Manager also receives a valuation fee of US$40 per valuation if the Fund's net asset value is larger than US$10 million but smaller than US$20 million, or US$70 per valuation if the Fund's net asset value is larger than US$20 million.

(f) The Fund allows the Manager and its Connected Persons to subscribe for, and redeem, units of the Fund. All such transactions are entered into in the ordinary course of business and are on normal commercial terms.

(g) Trustee's fee for Class A of 0.08% (before 1 July 2010: 0.085%) per annum and Class B of 0.08% (before 1 July 2010: 0.085%) per annum of the net asset value of the Fund is paid to the Trustee. Trustee's fee is accrued based on the net asset value attributable to each class of units on each dealing day and is payable monthly in arrears.

(h) JPMorgan Funds (Asia) Limited, the registrar agent and also a subsidiary of the Manager, receives a fee which will vary depending on the number of unitholders in the Fund and the number of transactions which occur. The range agreed with the Trustee is between 0.015% and 0.5% per annum of the Fund's net asset value. The fee is payable quarterly in arrears.

(i) The retirement schemes of the employees of the Manager and its Connected Persons may subscribe to the Class B units of the Fund.

8 Borrowings

The following is a summary of unsecured cash borrowing entered into during the year.

Borrowing period	Borrowing amount US$	Purpose
2011		
28 February 2011 to 1 March 2011	250,000	Settlement of redemptions
1 March 2011 to 2 March 2011	20,006	Settlement of redemptions
2010		
9 April 2010 to 13 April 2010	65,000	Settlement of redemptions

9 Soft commission arrangements

The Manager has entered into soft commission arrangements with brokers under which certain goods and services used to support investment decision making are received by the Manager. The Manager does not make direct payment for these services but transacts an agreed amount of business with the brokers on behalf of the Fund. Commission is paid from the Fund on these transactions.

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

10 Distribution

No distribution was made during the year (2010: nil).

11 Events after year end date

With effect from 1 July 2011, the base currency of the Fund was changed from United States dollars to Hong Kong dollars.

Investment Portfolio
As at 30 June 2011 *(Unaudited)*

	Holding	Fair value US$	% of net assets
Listed/Quoted Investments (97.7%)			
Equities (97.7%)			
China (1.8%)			
China Merchants Property Dev 'B'	256,944	421,017	0.4
China Vanke 'B'	945,900	1,271,533	1.4
Hong Kong (66.5%)			
Agile Property Hldgs	740,000	1,145,009	1.2
Agricultural Bank of China 'H'	3,551,000	1,866,485	2.0
AIA Group	502,400	1,740,039	1.8
Aluminum Corp of China 'H'	1,052,000	885,539	0.9
Asia Cement China Hldgs	542,000	424,893	0.4
Bank of China 'H'	4,819,800	2,347,572	2.5
Beijing Jingkelong Co 'H'	203,000	260,884	0.3
BOC Hong Kong (Hldgs)	417,000	1,208,463	1.3
Cheung Kong (Hldgs)	188,000	2,742,233	2.9
China CITIC Bank 'H'	1,501,000	933,634	1.0
China Citic Bk 'H' Rts (13-20/7/11)	300,200	32,021	0.0
China Commun Construction 'H'	1,089,000	929,280	1.0
China Construction Bank 'H'	4,684,510	3,883,063	4.1
China Life Insurance 'H'	93,000	317,320	0.3
China Mobile	156,500	1,447,091	1.5
China National Bldg Material 'H'	928,000	1,817,538	1.9
China Oilfield Services 'H'	618,000	1,124,611	1.2
China Petroleum & Chemical 'H'	1,532,000	1,535,692	1.6
China Resources Gas Group	730,000	1,015,081	1.1
China Resources Land	524,000	942,779	1.0
China Shineway Pharmaceutical	223,000	441,343	0.5
China Taiping Insurance Hldgs	93,800	210,956	0.2
China Telecom 'H'	1,158,000	748,561	0.8
China Yurun Food Group	338,000	951,287	1.0
CNOOC Ltd	1,686,000	3,934,812	4.2
Cosco Pacific	518,000	905,356	1.0
Greatview Aseptic Packaging	709,000	428,247	0.5
Hang Lung Properties	469,000	1,922,712	2.0
Hengdeli Hldgs	1,332,000	703,553	0.7
Hidili Industry Intl Development	877,000	755,136	0.8
Hutchison Whampoa	87,000	939,181	1.0
Ind & Comm Bank of China 'H'	2,322,950	1,761,337	1.9
Intime Department Store (Group)	680,000	1,153,542	1.2
Intl Mining Machinery	835,500	802,080	0.8
Jardine Matheson Hldgs (CDP)	23,611	1,345,827	1.4
Kerry Properties	184,000	882,018	0.9
Lianhua Supermarket 'H'	185,000	420,819	0.4
Lianhua Supermarket 'H' Await Cert	148,000	336,655	0.4
Maoye Intl Hldgs	1,682,000	834,380	0.9
Parkson Retail Group	570,000	830,689	0.9
PICC Property & Casualty 'H'	294,000	498,737	0.5
Ping An Insurance (Group) 'H'	224,500	2,312,440	2.5
Poly Hong Kong Investment	570,000	374,323	0.4
Power Assets Hldgs	156,000	1,175,827	1.2
Sands China	548,400	1,469,448	1.6
Sany Heavy Equipment Intl	400,000	455,968	0.5
Sihuan Pharmaceutical Hldgs	764,000	360,338	0.4
Springland Intl Hldgs	853,000	709,258	0.8
Tencent Hldgs	96,100	2,596,012	2.8
Want Want China Hldgs	947,000	912,771	1.0
Wharf (Hldgs)	264,600	1,837,960	2.0

Investment Portfolio (Continued)
As at 30 June 2011 *(Unaudited)*

	Holding	Fair value US$	% of net assets
Hong Kong (Continued)			
Wing Hang Bank	68,258	744,752	0.8
Yanzhou Coal Mining 'H'	388,000	1,470,972	1.6
Zijin Mining Group 'H'	1,044,000	523,258	0.6
Zijin Mining Group 'H' Await Cert	522,000	261,629	0.3
Taiwan (29.4%)			
Advanced Semiconductor Eng	1,436,576	1,570,438	1.7
Asia Cement Corp	268,000	381,611	0.4
Asustek Computer	119,000	1,178,669	1.3
Catcher Technology	79,000	496,440	0.5
Cheng Uei Precision	199,000	518,917	0.5
China Life Insurance	891,328	1,179,190	1.3
China Petrochemical Development	407,000	464,054	0.5
E Sun Financial Hldg	1,060,000	750,988	0.8
Eva Airways	414,000	421,589	0.4
Formosa Chemicals & Fibre	529,000	1,961,408	2.1
Formosa Plastics	356,000	1,276,585	1.4
Foxconn Technology	223,000	919,996	1.0
Fubon Financial Hldg	1,031,850	1,582,432	1.7
Hon Hai Precision Ind	429,214	1,468,893	1.6
HTC Corp	17,000	571,727	0.6
Huaku Development	206,552	614,115	0.7
Huaku Development Await Cert	6,184	18,386	0.0
Kinsus Interconnect Technology	131,000	533,605	0.6
Largan Precision	21,460	687,354	0.7
Mega Financial Hldg	1,237,000	1,078,798	1.1
Polaris Securities	736,000	538,096	0.6
Powertech Technology	208,000	695,180	0.7
President Chain Store	153,000	881,560	0.9
Prince Housing & Development	277,000	282,560	0.3
Taishin Financial Hldgs	1,731,290	1,024,664	1.1
Taiwan Cement	701,428	1,042,734	1.1
Taiwan Semiconductor Mfg	1,472,197	3,690,294	3.9
TPK Hldgs Co	34,000	1,034,554	1.1
Unimicron Technology	426,000	756,384	0.8
Total Listed/Quoted Investments		91,925,182	97.7
Other net assets		2,177,851	2.3
Net assets attributable to holders of redeemable units at 30 June 2011		94,103,033	100.0
Total investments, at cost		77,155,316	

Statement of Movements in Portfolio Holdings
For the year ended 30 June 2011 *(Unaudited)*

	% holdings of net assets	
	2011	2010
Listed/Quoted Investments		
Equities		
Hong Kong	66.5	69.8
Taiwan	29.4	26.6
China	1.8	1.1
Collective Investment Schemes		
China	-	0.6
Total Listed/Quoted Investments	97.7	98.1
Other net assets	2.3	1.9
Net assets attributable to holders of redeemable units at 30 June	100.0	100.0

Performance Record - Unaudited

Net Asset Values

At financial period ended	Net asset value of the Fund US$	Net asset value per Class A unit US$	Net asset value per Class B unit US$
30/6/11	94,103,033	11.10	11.55
30/6/10	66,823,719	8.91	9.18
30/6/09	44,984,465	7.99	8.14

Fund Expense Ratio

	Class A	Class B
30/6/11	1.20% *	0.20% *
	US$	US$
Transaction cost for the period from 1 July 2010 to 30 June 2011	217,493	241,548

* Basis of calculation and assumptions used by the Manager

1. The **Fund Expense Ratio** (FER) for the Fund has been calculated to two decimal places.

   FER = Total Expenses/Average Net Asset Value

2. **Total Expenses** represent the total expenses as set out in the Statement of Comprehensive Income of the Fund for the year ended 30 June 2011 but excluding transaction costs in arriving at total expenses.

3. **Average Net Asset Value** is the sum of the net asset value (NAV) of the Fund at each of the pricing points divided by the number of pricing points. The NAV at each pricing point is directly extracted from the accounting and valuation system used by JF Asset Management Limited and is unaudited.

4. Pricing points represent relevant valuation dates for the Fund which are currently performed on a daily basis by the Manager.

Performance Record - Unaudited (Continued)

Net annualized investment returns, highest offer and lowest bid prices

Financial period ended	Net annualized investment return (Note)	Highest offer US$	Lowest bid US$
Class A unit			
30/6/11	+24.6%	11.66	8.80
30/6/10	+11.5%	10.00	7.69
30/6/09	-12.0%	9.31	4.65
30/6/08 (since inception)	-9.2%[1]	14.18	8.87
Class B unit			
30/6/11	+25.8%	12.76	9.06
30/6/10	+12.8%	10.82	7.84
30/6/09	-11.1%	9.90	4.71
30/6/08 (since inception)	-8.4%[1]	14.96	8.88

[1] Return less than 1 year is shown without being annualized.

Note: Net annualized investment return is calculated by the percentage change in unit prices.

Management and Administration

Manager
JF Asset Management Limited
21/F, Chater House
8 Connaught Road Central
Hong Kong

Administrator
JPMorgan Funds (Asia) Limited
21/F, Chater House
8 Connaught Road Central
Hong Kong

Directors of the Manager
as at 13 October 2011
Clive Stuart Brown
Eddie Chung Shun Fong
Edwin Tsun Kay Chan
Roger Anthony Hepper
Ken Wai Ming Tam
Lily Suet Lai Lau
Piers Aidan Litherland
Terry San Kong Pan

Trustee and Registrar
Royal Bank of Canada Trust Company
(Asia) Limited
1702A, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Auditor
PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
1 Des Voeux Road Central
Hong Kong

www.jpmorganam.com.hk