JF SAR HK$ Bond Fund

Unaudited Semi-Annual Report
31 December 2011

J.P.Morgan
Asset Management

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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.

Statement of Financial Position
As at 31 December 2011 *(Unaudited)*

	31.12.2011 HK$	30.6.2011 HK$
Assets		
Cash at banks	34,595,635	30,347,423
Amounts due from brokers	8,214,917	-
Amounts receivable on allotment	1,053,156	719,417
Investments [Note 3]	877,999,726	798,830,199
Total assets	921,863,434	829,897,039
Liabilities		
Amounts payable on redemption	673,684	1,857,861
Other accounts payable	134,974	253,879
Liabilities (excluding net assets attributable to holders of redeemable units)	808,658	2,111,740
Net assets attributable to holders of redeemable units (before fair value adjustment) [Note 3]	921,054,776	827,785,299
Fair value adjustment of units of the Fund [Note 3]	962,350	835,250
Net assets attributable to holders of redeemable units (after fair value adjustment) [Note 3]	922,017,126	828,620,549

The notes on pages 5 to 7 form part of these financial statements.

Statement of Comprehensive Income
For the period ended 31 December 2011 *(Unaudited)*

	1.7.2011 to 31.12.2011 HK$	1.7.2010 to 31.12.2010 HK$
Income		
Net gains/(losses) on investments [Note 4]	11,646,871	(8,209,223)
Interest on deposits	219	-
Net foreign currency exchange losses	(437)	(938)
	11,646,653	(8,210,161)
Expenses		
Trustee's fee	349,628	268,583
Registrar's fee	82,456	75,668
Valuation fee	68,071	69,590
Safe custody and bank charges	45,539	49,920
Auditor's fee	42,019	42,396
Management fee	30,647	14,816
Printing and publication expenses	3,470	2,823
Transaction costs	3,154	2,386
Legal and professional expenses	2,126	1,289
Other operating expenses	6,741	2,554
	633,851	530,025
Net operating profit/(loss)	11,012,802	(8,740,186)
Change in cumulative difference arising from the fair value adjustment of units of the Fund	127,100	783,375
Increase/(decrease) in net assets attributable to holders of redeemable units and total comprehensive income/(loss)	11,139,902	(7,956,811)

The notes on pages 5 to 7 form part of these financial statements.

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units
For the period ended 31 December 2011 *(Unaudited)*

	1.7.2011 to 31.12.2011 HK$	1.7.2010 to 31.12.2010 HK$
Net assets attributable to holders of redeemable units at the beginning of the period	828,620,549	574,680,442
Allotment of redeemable units	204,361,555	324,717,570
Redemption of redeemable units	(122,104,880)	(113,413,744)
Net allotment	82,256,675	211,303,826
	910,877,224	785,984,268
Increase/(decrease) in net assets attributable to holders of redeemable units and total comprehensive income/(loss)	11,139,902	(7,956,811)
Net assets attributable to holders of redeemable units at the end of the period	922,017,126	778,027,457

The notes on pages 5 to 7 form part of these financial statements.

Statement of Cash Flows
For the period ended 31 December 2011 *(Unaudited)*

	1.7.2011 to 31.12.2011 HK$	1.7.2010 to 31.12.2010 HK$
Operating activities		
Purchase of investments	(171,720,411)	(296,157,383)
Proceeds from disposal of investments	95,982,838	76,536,483
Interest received	219	-
Transaction costs paid	(2,456)	(12,017)
Management fee paid	(28,492)	(10,867)
Registrar's fee paid	(149,725)	(138,619)
Trustee's fee paid	(342,968)	(256,312)
Others	(229,552)	(216,343)
Net cash outflow from operating activities	(76,490,547)	(220,255,058)
Financing activities		
Receipts on allotment of redeemable units	204,027,816	325,093,326
Payments on redemption of redeemable units	(123,289,057)	(113,006,803)
Net cash inflow from financing activities	80,738,759	212,086,523
Increase/(decrease) in cash and cash equivalents	4,248,212	(8,168,535)
Cash and cash equivalents at the beginning of the period	30,347,423	33,923,918
Cash and cash equivalents at the end of the period	34,595,635	25,755,383
Analysis of balances of cash and cash equivalents:		
Cash at banks	34,595,635	25,755,383

The notes on pages 5 to 7 form part of these financial statements.

Notes to the Financial Statements

1 The Fund

JF SAR HK$ Bond Fund (the "Fund") was established under a Trust Deed dated 16 September 1998, 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 Hong Kong dollar terms through a portfolio consisting primarily of Hong Kong dollar denominated bonds.

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 31 October 2000. 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 31 October 2000.

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

(a) Accounting policies of interim financial statements

The accounting policies and methods of computation used in the preparation of these unaudited condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2011.

(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.

(c) Foreign currency translation

Functional and presentation currency

The Fund has adopted Hong Kong 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 period/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".

(d) 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 16 September 1998, 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" or "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(d), 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 16 September 1998, as amended ("Trust Deed NAV").

	31.12.2011 HK$	30.6.2011 HK$
Net assets attributable to holders of redeemable units (before fair value adjustment)	921,054,776	827,785,299
Fair value adjustment of units of the Fund:		
Difference between bid/ask prices and last traded prices basis in valuing investments as at the end of the period [Note 3(a)]	962,350	835,250
Net assets attributable to holders of redeemable units (after fair value adjustment)	922,017,126	828,620,549

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 Hong Kong Accounting Standard 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

	31.12.2011 Units	30.6.2011 Units
Number of units in issue		
Class A	509,787.530	320,688.138
Class B	44,523,854.769	40,721,515.233

	HK$	HK$
Net assets attributable to holders of redeemable units (after fair value adjustment)		
Class A	9,794,505	6,098,452
Class B	912,222,621	822,522,097
	922,017,126	828,620,549
Net assets attributable to holders of redeemable units (per unit)		
Class A	19.21	19.02
Class B	20.49	20.20

4 Net gains/(losses) on investments

	1.7.2011 to 31.12.2011 HK$	1.7.2010 to 31.12.2010 HK$
Change in unrealized gains/losses in value of investments	(2,966,264)	(16,206,458)
Realized gains on sale of investments	14,613,135	7,997,235
	11,646,871	(8,209,223)

5 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.

6 Distribution

No distribution was made during the period (31 December 2010: nil).

Investment Portfolio
As at 31 December 2011 *(Unaudited)*

	Holding	Fair value HK$	% of net assets
Listed/Quoted Investments (95.2%)			
(I) Convertibles (2.8%)			
Hong Kong Dollar (2.8%)			
China Petro & Chem CB 0% 24/04/14	HKD4,000,000	4,587,760	0.5
Gainlead Intl EB(Kerry Ppt)0% 02/12	HKD2,000,000	2,324,400	0.2
Sherson Ltd EB (New World)0% 4/6/14	HKD7,500,000	8,175,000	0.9
Wharf Fin (2014) CB 2.3% 07/06/14	HKD12,000,000	11,270,523	1.2
		26,357,683	2.8
(II) Debt Securities (92.4%)			
Hong Kong Dollar (92.4%)			
ANZ Banking Grp 3.08% 19/11/14	HKD4,000,000	4,142,839	0.5
ANZ Banking Grp 4.5% 10/02/20	HKD5,000,000	5,614,792	0.6
ANZ Banking Grp 5.24% 05/07/17	HKD3,000,000	3,398,070	0.4
ANZ Banking/Melbou 2.73% 13/08/12	HKD4,000,000	4,080,222	0.4
Bank Ned Gemeenten 3.02% 24/02/14	HKD8,000,000	8,501,216	0.9
Bank Of America 4.24% 28/09/20	HKD5,000,000	5,093,428	0.6
Bank Of Nova Scotia 3.62% 21/5/13	HKD8,000,000	8,427,561	0.9
Bank Of Scotland 5.45% 13/08/12	HKD4,000,000	4,155,859	0.5
BMW Finance 2.02% 20/10/14	HKD8,000,000	8,040,080	0.9
BNP Paribas 2.65% 21/02/12	HKD10,000,000	10,032,567	1.1
BNP Paribas 2.95% 09/08/17	HKD4,000,000	3,821,957	0.4
BNZ Intl Fund 2.075% 27/11/12	HKD3,000,000	3,025,539	0.3
Citigroup Inc 5.7% 17/08/17	HKD5,000,000	5,627,626	0.6
CLP Power HK Fin 3.6% 13/09/30	HKD10,000,000	10,034,407	1.1
CLP Power HK Fin 3.97% 23/03/26	HKD10,000,000	10,534,077	1.1
CLP Power HK Fin 4.15% 23/06/15	HKD2,500,000	2,676,783	0.3
CLP Power HK Fin 4.38% 11/01/17	HKD7,000,000	7,696,080	0.8
CLP Power HK Fin 4.93% 13/01/14	HKD4,000,000	4,311,522	0.5
Deutsche Bank Ldn 3.03% 09/03/15	HKD5,000,000	5,248,040	0.6
Dexia Credit Local 4.44% 27/06/13	HKD5,000,000	4,814,495	0.5
Eurofima 4.18% 08/06/15	HKD6,000,000	6,584,991	0.7
Export-Import Bk Korea 3.4% 7/3/16	HKD10,000,000	10,517,952	1.1
Export-Import Bk Korea 3.45% 09/21	HKD7,000,000	6,928,404	0.8
Export-Import Bk Korea 4.05%24/6/20	HKD10,000,000	10,577,332	1.1
Export-Import Bk Korea 4.25%15/6/12	HKD5,000,000	5,171,438	0.6
France Telecom 2.95% 04/02/15	HKD16,000,000	16,685,953	1.8
General Elec Cap 4.3% 03/08/15	HKD6,000,000	6,311,164	0.7
General Elec Cap 4.69% 06/02/12	HKD5,000,000	5,219,571	0.6
HK Airport Auth 5.1% 13/04/16	HKD2,000,000	2,334,876	0.3
HK Exchange Fund 1.18% 21/09/15	HKD19,000,000	19,409,067	2.1
HK Exchange Fund 1.61% 10/12/18	HKD10,000,000	10,258,822	1.1
HK Exchange Fund 2.07% 26/08/26	HKD25,000,000	27,011,479	2.9
HK Exchange Fund 2.31% 21/06/21	HKD25,000,000	26,991,486	2.9
HK Exchange Fund 3.56% 25/06/18	HKD20,000,000	22,993,803	2.5
HK Exchange Fund 4.85% 27/06/17	HKD13,500,000	16,269,275	1.8
HK Govt Bd 2.93% 13/1/20-10GB2001	HKD40,000,000	45,059,496	4.9
HK Land Try Serv 4.1875% 23/10/19	HKD7,500,000	8,182,996	0.9
HK Mortgage 1.85% 11/08/16-RegS	HKD10,000,000	9,980,479	1.1
HK Mortgage 2% 11/01/16	HKD10,000,000	10,129,032	1.1
HK Mortgage 4.55% 31/10/12	HKD6,000,000	6,221,213	0.7
HK Mortgage 4.82% 08/10/14	HKD8,000,000	8,799,044	1.0
HK Mortgage 5.2% 16/07/18	HKD4,000,000	4,720,837	0.5
HKCG Finance 3.9% 03/06/19	HKD7,000,000	7,485,698	0.8
HKSAR Govt 5.125% 23/07/19	HKD2,000,000	2,549,052	0.3

Investment Portfolio (Continued)
As at 31 December 2011 *(Unaudited)*

	Holding	Fair value HK$	% of net assets
Hong Kong Dollar (Continued)			
Hongkong Land Notes 3.95% 8/6/20	HKD7,000,000	7,490,640	0.8
Hongkong Land Notes 4.11% 13/9/30	HKD5,000,000	5,055,868	0.5
HSBC Finance 5.3% 21/10/13	HKD8,000,000	8,528,240	0.9
ICBC Asia 2.92% 06/04/16	HKD10,000,000	10,364,400	1.1
Kookmin Bank 4% 22/04/13	HKD10,000,000	10,509,573	1.1
Korea Dev Bank 3.25% 20/07/15	HKD8,000,000	8,289,614	0.9
Korea Finance 3.4% 15/03/16	HKD8,000,000	8,278,988	0.9
Korea Natl Oil 2.53% 25/02/14	HKD5,000,000	5,131,388	0.6
Korea Water Res 4.45% 11/08/14	HKD8,000,000	8,490,754	0.9
Kowloon-Canton Rail 3.5% 29/04/19	HKD12,000,000	12,779,675	1.4
Kowloon-Canton Rail 3.64% 24/07/19	HKD3,000,000	3,253,968	0.4
Kowloon-Canton Rail 3.88% 15/06/21	HKD3,000,000	3,264,741	0.4
Kowloon-Canton Rail 4.13% 15/05/24	HKD2,500,000	2,819,420	0.3
Kowloon-Canton Rail 4.65% 10/06/13	HKD5,000,000	5,354,969	0.6
Kowloon-Canton Rail 4.8% 06/06/13	HKD1,300,000	1,365,337	0.1
Link Finance Cayman 3.2% 06/09/21	HKD8,000,000	7,828,716	0.8
Link Finance Cayman 3.73% 23/01/17	HKD5,000,000	5,322,156	0.6
Link Finance Cayman 4.1% 24/12/19	HKD6,000,000	6,357,176	0.7
Link Finance Cayman 4.75% 20/05/19	HKD15,000,000	16,645,284	1.8
Macquarie Bank 2.75% 02/11/15	HKD7,000,000	6,899,414	0.7
Manitoba (Province Of) 3% 30/04/14	HKD7,000,000	7,308,601	0.8
MTR Corp 4.28% 06/07/20	HKD9,000,000	10,065,205	1.1
MTR Corp 4.5% 03/06/13	HKD1,000,000	1,069,330	0.1
MTR Corp 4.6% 03/06/13	HKD1,000,000	1,071,294	0.1
MTR Corp 4.95% 21/10/19	HKD2,000,000	2,321,069	0.3
National Aust Bk 2.6% 09/12/15	HKD10,000,000	10,077,184	1.1
National Bk Abu Dhabi 3.4% 09/17	HKD5,000,000	5,163,362	0.6
Natl Grid Gas 4.02% 04/11/19	HKD8,000,000	8,806,704	1.0
Neder Waterschapsbk 2.51% 24/2/12	HKD10,000,000	10,223,178	1.1
PSA Intl Pte 3.8% 26/05/20	HKD4,000,000	4,425,816	0.5
Quebec Province 4.3% 02/02/12	HKD7,000,000	7,063,059	0.8
Rabobank Nederland 3% 02/09/14	HKD12,000,000	12,579,935	1.4
Region Ile de France 3.95% 17/11/14	HKD10,000,000	10,581,463	1.1
Royal Bk Of Canada 4.18% 27/06/13 *	HKD16,000,000	16,691,329	1.8
Shinhan Bank 4.01% 09/11/20	HKD10,000,000	10,341,227	1.1
SNCF 2.59% 16/10/14	HKD7,000,000	7,272,327	0.8
SPI Elect & Gas 4.125% 16/03/20	HKD5,000,000	5,568,141	0.6
Standard Chart Bk 3.22% 17/03/14	HKD7,000,000	7,364,095	0.8
Sun Hung Kai Prop 3.45% 27/09/21	HKD10,000,000	9,635,281	1.0
Sun Hung Kai Prop 3.92% 22/06/26	HKD15,000,000	14,714,982	1.6
Sun Hung Kai Prop 3.94% 16/01/13	HKD7,000,000	7,210,867	0.8
Sun Hung Kai Prop 4.67% 09/02/16	HKD7,000,000	7,632,458	0.8
Sun Hung Kai Prop 5.15% 13/08/18	HKD5,000,000	5,601,912	0.6
Swedish Export Credit 3% 28/10/16	HKD14,000,000	14,867,895	1.6
Swire Pacific MTN 3.9% 05/11/30	HKD18,000,000	18,714,541	2.0
Swire Pacific MTN 4.2% 18/12/18	HKD2,000,000	2,130,372	0.2
Swire Pacific MTN 4.93% 28/03/13	HKD15,000,000	15,621,902	1.7
Telstra Corp 4.02% 10/07/20	HKD13,000,000	13,951,486	1.5
Toyota Motor Fin 4.635% 11/03/16	HKD6,000,000	6,852,948	0.7
UBS AG Jersey 3% 05/02/14	HKD5,000,000	5,131,933	0.6
UBS AG Jersey 3% 23/12/15	HKD5,000,000	5,047,549	0.5
UBS AG Jersey 3.59% 09/08/17	HKD7,000,000	7,226,952	0.8
Westpac Banking 2.845% 19/01/16	HKD8,000,000	8,317,976	0.9
Westpac Banking 4.55% 22/01/20	HKD10,000,000	11,288,729	1.2
		851,642,043	92.4

Investment Portfolio (Continued)
As at 31 December 2011 *(Unaudited)*

	Holding	Fair value HK$	% of net assets
Total Listed/Quoted Investments		877,999,726	95.2
Other net assets		44,017,400	4.8
Net assets attributable to holders of redeemable units at 31 December 2011		922,017,126	100.0
Total investments, at cost		854,713,479	

* Issued by an Associate of the Trustee

Statement of Movements in Portfolio Holdings
For the period ended 31 December 2011 *(Unaudited)*

	% holdings of net assets	
	31.12.2011	30.6.2011
Listed/Quoted Investments		
Convertibles		
Hong Kong Dollar	2.8	5.3
Debt Securities		
Hong Kong Dollar	92.4	91.1
Total Listed/Quoted Investments	95.2	96.4
Other net assets	4.8	3.6
Net assets attributable to holders of redeemable units	100.0	100.0

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