JF SAR Japan 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 US$	30.6.2011 US$
Assets		
Cash at banks	1,205,052	1,457,150
Amounts due from brokers	-	2,743,740
Amounts receivable on allotment	346,734	86,267
Investments	130,817,301	144,126,294
Dividend and other accounts receivable	391,618	326,390
Total assets	132,760,705	148,739,841
Liabilities		
Amounts due to brokers	93,184	1,796,827
Amounts payable on redemption	59,413	93,901
Other accounts payable	17,346	39,931
Total liabilities	169,943	1,930,659
Net assets attributable to holders of redeemable units [Note 3]	132,590,762	146,809,182
Equity	132,590,762	146,809,182

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 US$	1.7.2010 to 31.12.2010 US$
Income		
Net (losses)/gains on investments [Note 4]	(13,827,920)	23,288,426
Dividend income	1,507,000	1,154,738
Interest on deposits	-	8
Net foreign currency exchange (losses)/gains	(15,508)	157,104
Other income	-	973
	(12,336,428)	24,601,249
Expenses		
Transaction costs	70,918	96,605
Trustee's fee	55,187	52,075
Registrar's fee	12,209	11,659
Valuation fee	8,260	8,470
Auditor's fee	5,750	5,766
Safe custody and bank charges	4,621	8,032
Printing and publication expenses	432	328
Legal and professional expenses	338	1,030
Other operating expenses	894	864
	158,609	184,829
(Loss)/profit before taxation	(12,495,037)	24,416,420
Taxation	(105,490)	(80,832)
(Decrease)/increase in net assets attributable to holders of redeemable units and total comprehensive (loss)/income	(12,600,527)	24,335,588

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 US$	1.7.2010 to 31.12.2010 US$
Net assets attributable to holders of redeemable units at the beginning of the period	146,809,182	131,650,728
Allotment of redeemable units	10,545,463	16,059,592
Redemption of redeemable units	(12,163,356)	(35,360,290)
Net redemption	(1,617,893)	(19,300,698)
	145,191,289	112,350,030
(Decrease)/increase in net assets attributable to holders of redeemable units and total comprehensive (loss)/income	(12,600,527)	24,335,588
Net assets attributable to holders of redeemable units at the end of the period	132,590,762	136,685,618

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 US$	1.7.2010 to 31.12.2010 US$
Operating activities		
Purchase of investments	(57,371,860)	(77,592,616)
Proceeds from disposal of investments	57,816,404	95,110,188
Dividend received	1,520,914	1,164,506
Interest received	-	8
Registrar's fee paid	(22,185)	(21,459)
Trustee's fee paid	(55,932)	(52,860)
Transaction costs paid	(76,694)	(97,482)
Tax paid	(105,490)	(80,832)
Others	(54,200)	84,892
Net cash inflow from operating activities	1,650,957	18,514,345
Financing activities		
Receipts on allotment of redeemable units	10,284,996	16,397,187
Payments on redemption of redeemable units	(12,197,844)	(35,287,309)
Net cash outflow from financing activities	(1,912,848)	(18,890,122)
Decrease in cash and cash equivalents	(261,891)	(375,777)
Cash and cash equivalents at the beginning of the period	1,457,150	1,004,184
Exchange gains on cash and cash equivalents	9,793	42,545
Cash and cash equivalents at the end of the period	1,205,052	670,952
Analysis of balances of cash and cash equivalents:		
Cash at banks	1,205,052	670,952

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

Notes to the Financial Statements

1 The Fund

JF SAR Japan 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 United States dollar terms through a portfolio consisting primarily of securities of companies based or operating principally in Japan.

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.

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) 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 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.

3 Number of units in issue and net assets attributable to holders of redeemable units (per unit)

	31.12.2011 Units	30.6.2011 Units
Number of units in issue		
Class B	7,848,397.834	7,953,345.060
	US$	US$
Net assets attributable to holders of redeemable units		
Class B	132,590,762	146,809,182
Net assets attributable to holders of redeemable units (per unit)		
Class B	16.89	18.46

4 Net (losses)/gains on investments

	1.7.2011 to 31.12.2011 US$	1.7.2010 to 31.12.2010 US$
Change in unrealized gains/losses in value of investments	(11,670,876)	22,498,422
Realized (losses)/gains on sale of investments	(2,157,044)	790,004
	(13,827,920)	23,288,426

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 US$	% of net assets
Listed/Quoted Investments (98.7%)			
Equities (98.7%)			
Japan (98.7%)			
Automobiles & Parts (12.5%)			
Aisin Seiki	33,600	955,071	0.7
Daihatsu Motor	129,000	2,303,691	1.8
FCC Co	33,600	681,258	0.5
Honda Motor	149,000	4,535,456	3.4
Keihin Corp	42,500	703,178	0.5
Nissan Motor	280,800	2,518,222	1.9
NSK Ltd	195,000	1,264,687	1.0
Sumitomo Electric Industries	73,700	799,838	0.6
Sumitomo Rubber Industries	32,500	389,459	0.3
Suzuki Motor	116,000	2,397,193	1.8
Banks (9.7%)			
Bank Of Yokohama	188,000	886,977	0.7
Chiba Bank	269,000	1,727,138	1.3
Mitsubishi UFJ Financial Group	1,068,900	4,515,109	3.4
Sumitomo Mitsui Financial Grp	171,100	4,763,402	3.6
Sumitomo Mitsui Trust Hldgs	325,550	952,024	0.7
Beverages (0.7%)			
Asahi Group Hldgs	44,100	967,518	0.7
Chemicals (1.8%)			
Kansai Paint Co	122,000	1,086,171	0.8
Nitto Denko	35,800	1,281,430	1.0
Construction & Materials (1.5%)			
JS Group	104,200	1,992,178	1.5
Electronic & Electrical Equipment (7.6%)			
Hitachi Ltd	243,000	1,272,797	1.0
Keyence Corp	5,100	1,230,257	0.9
Kyocera Corp	11,500	923,707	0.7
Murata Mfg	43,900	2,253,769	1.7
NGK Insulators	208,000	2,465,506	1.9
Omron Corp	74,100	1,481,230	1.1
U-Shin Ltd	52,500	422,375	0.3
Financial Services (3.0%)			
Orix Corp	42,730	3,532,139	2.7
Start Today Co	18,900	440,198	0.3
Fixed Line Telecommunications (3.7%)			
Nippon Telegraph & Telephone	95,500	4,871,815	3.7
Food & Drug Retailers (4.0%)			
FamilyMart Co	59,800	2,417,182	1.8
Lawson Inc	41,500	2,586,334	2.0
Sugi Hldgs	11,000	320,821	0.2
Food Producers (0.7%)			
Calbee Inc	8,300	405,615	0.3
Toyo Suisan Kaisha	24,000	579,880	0.4

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

	Holding	Fair value US$	% of net assets
Gas, Water & Multiutilities (1.4%)			
Tokyo Gas	400,000	1,835,196	1.4
General Industrials (0.3%)			
Toshiba Corp	87,000	353,925	0.3
General Retailers (7.4%)			
DeNA Co	4,400	131,874	0.1
Fast Retailing	8,100	1,471,770	1.1
Gree Inc	60,400	2,081,107	1.6
Kakaku.com Inc	30,000	1,099,948	0.8
K'S Holdings	9,300	367,455	0.3
Nitori Co	13,550	1,268,001	0.9
Rakuten Inc	3,179	3,408,728	2.6
Health Care Equipment & Services (0.5%)			
Sysmex Corp	21,100	687,793	0.5
Household Goods & Home Construction (3.0%)			
Makita Corp	42,900	1,386,137	1.0
Rinnai Corp	5,400	385,313	0.3
Sanrio Co	44,200	2,269,171	1.7
Industrial Engineering (6.2%)			
Daikin Industries	24,700	676,409	0.5
Fanuc Corp	13,500	2,063,426	1.6
Isuzu Motors	157,000	724,396	0.5
JGC Corp	25,000	600,468	0.5
Komatsu Ltd	56,200	1,311,869	1.0
Mitsubishi Electric	199,000	1,903,613	1.4
THK Co	47,100	928,043	0.7
Industrial Metals & Mining (0.9%)			
Hitachi Metals	45,000	488,368	0.4
Tokyo Steel Mfg	33,300	270,070	0.2
Yamato Kogyo	13,600	389,758	0.3
Leisure Goods (2.3%)			
Konami Corp	93,200	2,792,124	2.1
Namco Bandai Hldgs	22,400	318,212	0.2
Mobile Telecommunications (3.7%)			
NTT DoCoMo	1,883	3,458,122	2.6
Softbank Corp	47,700	1,402,358	1.1
Oil & Gas Producers (0.2%)			
JX Hldgs	52,700	318,501	0.2
Personal Goods (1.8%)			
Unicharm Corp	48,000	2,361,321	1.8
Pharmaceuticals & Biotechnology (1.1%)			
Astellas Pharma	36,700	1,488,225	1.1
Real Estate Investment & Services (3.3%)			
Mitsubishi Estate	119,000	1,774,019	1.3
Mitsui Fudosan	178,000	2,593,423	2.0

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

	Holding	Fair value US$	% of net assets
Software & Computer Services (4.4%)			
Capcom Co	65,400	1,542,774	1.2
Cyber Agent	324	1,052,347	0.8
Digital Garage	374	1,082,043	0.8
Itochu Techno-Solutions	14,700	658,195	0.5
Square Enix Hldgs	76,600	1,500,341	1.1
Support Services (7.5%)			
Itochu Corp	53,600	544,778	0.4
Marubeni Corp	162,000	985,391	0.7
Mitsubishi Corp	133,100	2,688,295	2.0
Mitsui & Co	185,300	2,878,002	2.2
Sumitomo Corp	212,800	2,873,657	2.2
Technology Hardware & Equipment (5.8%)			
Anritsu Corp	38,000	417,832	0.3
Canon Inc	116,500	5,148,166	3.9
Tokyo Electron	41,100	2,088,654	1.6
Tobacco (1.7%)			
Japan Tobacco	466	2,189,485	1.7
Travel & Leisure (2.0%)			
East Japan Railway	9,600	610,762	0.5
Oriental Land	19,200	2,023,811	1.5
Total Listed/Quoted Investments		130,817,301	98.7
Other net assets		1,773,461	1.3
Net assets attributable to holders of redeemable units at 31 December 2011		132,590,762	100.0
Total investments, at cost		135,393,416	

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		
Equities		
Japan		
Automobiles & Parts	12.5	15.2
Banks	9.7	9.3
Electronic & Electrical Equipment	7.6	8.7
Support Services	7.5	7.0
General Retailers	7.4	5.2
Industrial Engineering	6.2	8.9
Technology Hardware & Equipment	5.8	7.1
Software & Computer Services	4.4	0.6
Food & Drug Retailers	4.0	2.5
Fixed Line Telecommunications	3.7	2.8
Mobile Telecommunications	3.7	1.6
Real Estate Investment & Services	3.3	5.5
Household Goods & Home Construction	3.0	1.7
Financial Services	3.0	3.7
Leisure Goods	2.3	1.6
Travel & Leisure	2.0	2.0
Chemicals	1.8	1.3
Personal Goods	1.8	1.1
Tobacco	1.7	0.4
Construction & Materials	1.5	3.3
Gas, Water & Multiutilities	1.4	1.2
Pharmaceuticals & Biotechnology	1.1	1.5
Industrial Metals & Mining	0.9	2.2
Food Producers	0.7	0.4
Beverages	0.7	1.2
Health Care Equipment & Services	0.5	-
General Industrials	0.3	-
Oil & Gas Producers	0.2	1.3
Nonlife Insurance	-	0.9
Total Listed/Quoted Investments	98.7	98.2
Other net assets	1.3	1.8
Net assets attributable to holders of redeemable units	100.0	100.0

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