

JF Provident Hong Kong Fund

Audited Annual Report
30 June 2011

Contents	Page
Statement of Responsibilities of the Manager and the Trustee	1
Report of the Trustee to the Unitholders	2
Independent Auditor's Report to the Unitholders	3
Statement of Financial Position	4
Statement of Comprehensive Income	5
Statement of Changes in Net Assets Attributable to Holders of Redeemable Units	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 17
Investment Portfolio - Unaudited	18
Statement of Movements in Portfolio Holdings - Unaudited	19
Supplementary Information - Investment Portfolio of JF SAR Hong Kong Fund - Unaudited	20 - 22
Performance Record - Unaudited	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.

Statement of Responsibilities of the Manager and the Trustee**Manager's responsibilities**

The Manager of the Fund is required by the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong and the Trust Deed to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Fund at the end of that period and of the transactions for the period then ended. In preparing these financial statements the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are prudent and reasonable; and
- prepare the financial statements on the basis that the Fund will continue in operation unless it is inappropriate to presume this.

The Manager is also required to manage the Fund in accordance with the Trust Deed and take reasonable steps for the prevention and detection of fraud and other irregularities.

Trustee's responsibilities

The Trustee of the Fund is required to:

- ensure that the Fund is managed by the Manager in accordance with the Trust Deed and that the investment and borrowing powers are complied with;
- satisfy itself that sufficient accounting and other records have been maintained;
- safeguard the property of the Fund and rights attaching thereto; and
- report to the unitholders for each annual accounting period on the conduct of the Manager in the management of the Fund.

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 20 September 2006 for the year ended 30 June 2011.

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

Independent Auditor's Report

To the Unitholders of JF Provident Hong Kong Fund (the "Fund")

Report on the financial statements

We have audited the accompanying financial statements of the Fund set out on pages 4 to 17, 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 20 September 2006, 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"), 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. 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.

PricewaterhouseCoopers
Cayman Islands,
13 October 2011

Statement of Financial Position
As at 30 June 2011

	2011 HK\$	2010 HK\$
Assets		
Cash at banks	962,204	342,291
Amounts receivable on allotment	2,287,101	361,810
Investments [Note 4(l)(a)]	100,722,978	70,466,573
	<u>103,972,283</u>	<u>71,170,674</u>
	-----	-----
Liabilities		
Amounts payable on redemption	130,603	-
Other accounts payable	178,668	139,618
	<u>309,271</u>	<u>139,618</u>
	-----	-----
Liabilities (excluding net assets attributable to holders of redeemable units)	<u>309,271</u>	<u>139,618</u>
	-----	-----
Net assets attributable to holders of redeemable units [Note 3]	<u><u>103,663,012</u></u>	<u><u>71,031,056</u></u>

Approved by the Trustee and the Manager on 13 October 2011

Signed By:

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

For and on behalf of JPMorgan Funds (Asia) Limited, Manager

Statement of Comprehensive Income
For the year ended 30 June 2011

	2011 HK\$	2010 HK\$
Income		
Net gains on investments [Note 5]	11,123,713	5,944,843
Net foreign currency exchange (losses)/gains	(89)	389
	<u>11,123,624</u>	<u>5,945,232</u>
	-----	-----
Expenses		
Management fee [Note 7(f)]	925,598	616,783
Administration fee [Note 7(g)]	131,804	82,669
Auditor's fee	76,314	72,850
Legal and professional expenses	14,298	514
Printing and publication expenses	8,286	4,496
Transaction costs	4,775	5,586
Trustee's fee [Note 8]	922	628
Safe custody and bank charges	857	1,246
Other operating expenses	40,102	39,880
	<u>1,202,956</u>	<u>824,652</u>
	-----	-----
Net operating profit	9,920,668	5,120,580
Finance costs		
Interest paid	-	(1)
	<u>9,920,668</u>	<u>5,120,579</u>
	=====	=====
Increase in net assets attributable to holders of redeemable units and total comprehensive income	9,920,668	5,120,579

The notes on pages 8 to 17 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 HK\$	2010 HK\$
Net assets attributable to holders of redeemable units at the beginning of the year	71,031,056	46,632,235
	-----	-----
Allotment of redeemable units [Note 3]	50,629,378	36,178,323
Redemption of redeemable units [Note 3]	(27,918,090)	(16,900,081)
Net allotment	<u>22,711,288</u>	<u>19,278,242</u>
	-----	-----
	93,742,344	65,910,477
Increase in net assets attributable to holders of redeemable units and total comprehensive income	<u>9,920,668</u>	<u>5,120,579</u>
	-----	-----
Net assets attributable to holders of redeemable units at the end of the year	<u><u>103,663,012</u></u>	<u><u>71,031,056</u></u>

The notes on pages 8 to 17 form part of these financial statements.

Statement of Cash Flows
For the year ended 30 June 2011

	2011 HK\$	2010 HK\$
Operating activities		
Purchase of investments	(27,554,162)	(22,518,856)
Proceeds from disposal of investments	8,421,470	4,725,137
Trustee's fee paid	(872)	(534)
Transaction costs paid	(4,511)	(6,050)
Administration fee paid	(127,845)	(80,116)
Management fee paid	(900,718)	(599,688)
Others	(130,045)	(105,889)
Net cash outflow from operating activities	<u>(20,296,683)</u>	<u>(18,585,996)</u>
	-----	-----
Financing activities		
Interest paid	-	(1)
Receipts on allotment of redeemable units	48,704,087	35,926,412
Payments on redemption of redeemable units	(27,787,487)	(17,314,584)
Net cash inflow from financing activities	<u>20,916,600</u>	<u>18,611,827</u>
	-----	-----
Increase in cash and cash equivalents	619,917	25,831
Cash and cash equivalents at the beginning of the year	342,291	316,436
Exchange (losses)/gains on cash and cash equivalents	(4)	24
Cash and cash equivalents at the end of the year	<u><u>962,204</u></u>	<u><u>342,291</u></u>
	-----	-----
Analysis of balances of cash and cash equivalents:		
Cash at banks	<u><u>962,204</u></u>	<u><u>342,291</u></u>

The notes on pages 8 to 17 form part of these financial statements.

Notes to the Financial Statements

1 The Fund

JF Provident Hong Kong Fund (the "Fund") was established under a Trust Deed dated 20 September 2006 and is governed by the laws of the Cayman Islands. The Fund is authorized by the Securities and Futures Commission of Hong Kong ("SFC").

The Fund is a feeder fund investing solely in the units of JF SAR Hong Kong Fund (the "Master Fund"), a collective investment scheme managed by JF Asset Management Limited, a Connected Person of the Manager. The primary investment objective of the Fund is to maximize its long-term capital appreciation in Hong Kong dollar terms.

The investment objective of the Master Fund is to provide investors with long-term capital growth in Hong Kong dollar terms through a portfolio consisting primarily of securities of companies either listed, based, or operating principally in Hong Kong.

The Fund offers two classes of units, administration units and investment units. 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 Standards ("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 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.

(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

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 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 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 20 September 2006, 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 Number of units in issue and net assets attributable to holders of redeemable units (per unit)

	2011		2010	
	Investment Units	Administration Units	Investment Units	Administration Units
Number of units in issue:				
At the beginning of the year	464,846.114	149,195.363	346,177.955	104,138.828
Total allotments	230,998.952	148,175.622	198,767.746	111,965.620
Total redemptions	(105,839.913)	(106,444.805)	(80,099.587)	(66,909.085)
At the end of the year	<u>590,005.153</u>	<u>190,926.180</u>	<u>464,846.114</u>	<u>149,195.363</u>
	HK\$	HK\$	HK\$	HK\$
Net assets attributable to holders of redeemable units				
	<u>78,858,905</u>	<u>24,804,107</u>	<u>54,063,499</u>	<u>16,967,557</u>
Net assets attributable to holders of redeemable units (per unit)				
	<u>133.66</u>	<u>129.91</u>	<u>116.30</u>	<u>113.73</u>

Holders of investment units are only entitled to investment management services from the Manager. Holders of administration units are also entitled to other administrative services provided by the Manager upon payment of the administration fee, which is deducted from the share of net assets of the respective units.

4 Financial risk management**(l) Financial risk factors**

The Fund solely invests in a collective investment scheme - JF SAR Hong Kong Fund which is managed by the Fund's Investment Manager. The Master Fund invests in the equity markets of Hong Kong. The Fund's activities therefore expose it to the same financial risks to which the Master Fund is exposed to, i.e. market risk (including market price risk, interest rate risk and currency risk), credit risk and liquidity risk.

As at 30 June 2011, the Fund owned 3.33% (2010: 2.95%) of the Master Fund's net assets attributable to the holders of redeemable units.

(a) Market risk**(i) Market price risk**

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

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

	2011		2010	
	Fair value of investments HK\$	% of net assets	Fair value of investments HK\$	% of net assets
Listed/Quoted Investments				
<u>Assets</u>				
<u>Equities</u>				
- Banks	880,762,184	29.1	672,936,485	28.2
- Real Estate Investment & Services	502,707,156	16.6	316,993,838	13.3
- Oil & Gas Producers	251,729,600	8.3	208,642,680	8.7
- Life Insurance	184,690,830	6.1	189,380,190	7.9
- Mobile Telecommunications	94,830,100	3.1	161,278,550	6.7
- Others	1,068,195,934	35.4	794,856,037	33.3
Total Listed/Quoted Investments	2,982,915,804	98.6	2,344,087,780	98.1
	Net asset value HK\$	Relevant benchmark index for the Master Fund (Note*)	Beta (Note**) % of reasonable possible change of the relevant benchmark index (Note***)	Estimated impact on net asset value (Note****) HK\$
As at 30 June 2011	3,026,772,978	FTSE MPF Hong Kong (Total Net)	0.96 +17.2	499,780,754
As at 30 June 2010	2,388,788,554	FTSE MPF Hong Kong (Total Net) [Before 1 September 2009, 90% FTSE World Hong Kong - Total + 10% HSBC - Price]	0.99 +14.9	352,370,200

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 Master Fund by the same amount.

Note:

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

** Beta measures the statistical relationship between the return of the Master 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 Master 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 Master Fund Manager's forecast of the Master Fund's future returns. In order to better reflect on the period over which reasonable possible change may take effect, the Master Fund 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 Master Fund is calculated by applying the relevant Beta against the net asset value of the Master 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 Fund

The Fund is a feeder fund investing substantially all of its assets in the Master Fund and thus its investment is not directly exposed to interest rate risk. The Fund's bank deposits are exposed to interest rate risk which is considered to be minimal as these interest bearing assets are short term in nature, changes in their fair values in the event of a change in interest rate will not be material.

The Master Fund

The table below summarizes the Master 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 HK\$	2010 Less than 1 month HK\$
Cash at banks	34,157,665	45,883,122
Total interest sensitivity gap	<u>34,157,665</u>	<u>45,883,122</u>

Any cash and cash equivalents are placed/borrowed at short term market interest rates and the Manager of the Master Fund considers that the Master 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

The Fund invests substantially all of its assets in the Master Fund in Hong Kong dollar denomination. 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 Investment Manager monitors the exposure on all foreign currency denominated assets and liabilities including both monetary and non-monetary assets and liabilities.

The Fund's other assets and liabilities are mainly denominated in United States dollar and Hong Kong dollar and are therefore not exposed to significant currency risk as the Hong Kong dollar is currently pegged to United States dollar.

The Master Fund

The Master Fund holds assets and liabilities denominated in Hong Kong dollar and United States dollar. 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 of the Master Fund 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 Master 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*)	HK\$ equivalent	% of reasonable possible change against HK\$ (Note**)	Estimated impact on net asset value HK\$
<u>2011</u>			
United States Dollar	(329,190)	-0.1	329
<u>2010</u>			
United States Dollar	(166,753)	+0.5	(834)

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 Master 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 Master Fund in the past 12 months and does not include remote or "worst case" scenarios or "stress tests" nor represent the Master Fund Manager's forecast of the Master Fund's future returns. In order to better reflect on the period over which reasonable possible change may take effect, the Master Fund 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.

The Fund

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

	2011 HK\$	2010 HK\$
Cash at banks	962,204	342,291
Amount receivable on allotment	2,287,101	361,810
	<u>3,249,305</u>	<u>704,101</u>

The table below summarizes the credit rating of the financial assets placed with banks as at 30 June.

	2011 Exposure to counterparties HK\$	2010 Exposure to counterparties HK\$
Bank balances S&P(AA)/Moody's(Aa)/FITCH(AA)	<u>962,204</u>	<u>342,291</u>

The Master Fund

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

	2011 HK\$	2010 HK\$
Cash at banks	34,157,665	45,883,122
Amounts due from brokers	-	1,385,127
Amounts receivable on allotment	1,017,045	1,095,490
Dividend receivable	22,400,274	14,335,827
	<u>57,574,984</u>	<u>62,699,566</u>

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 Master Fund's custodian bank has received payment. For a purchase, payment is made once the investments have been received by the Master 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 HK\$	2010 Exposure to counterparties HK\$
Bank balances under the safekeeping of the custodian S&P(AA)/Moody's(Aa)/FITCH(AA)	<u>34,157,665</u>	<u>45,883,122</u>

(c) Liquidity risk

The Fund is exposed to daily redemption of units. As at 30 June 2011 and 2010, the Fund invests solely in collective investment scheme - JF SAR Hong Kong Fund which allows daily redemption. At 30 June 2011, 1 unitholder (2010: 1 unitholder) owned 13.02% (2010: 11.42%) of the units of the Fund. The Manager may also limit the total number of units redeemed on any dealing day to 10% or more of the units in issue on any dealing day.

The table below summarizes the Fund's and the Master 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.

The Fund

	2011 Less than 1 month HK\$	2010 Less than 1 month HK\$
Amounts payable on redemption	130,603	-
Other accounts payable	178,668	139,618
Net assets attributable to holders of redeemable units	<u>103,663,012</u>	<u>71,031,056</u>
Total financial liabilities	<u>103,972,283</u>	<u>71,170,674</u>

The Master Fund

	2011 Less than 1 month HK\$	2010 Less than 1 month HK\$
Amounts due to brokers	16,847,720	19,224,371
Amounts payable on redemption	1,601,054	1,479,328
Other accounts payable	756,604	568,856
Net assets attributable to holders of redeemable units (Note*)	3,026,772,978	2,388,788,554
Total financial liabilities	<u>3,045,978,356</u>	<u>2,410,061,109</u>

Note:

- * The Manager of the Master Fund may 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 Investment Manager manages the Fund's liquidity risk by investing predominantly in investments that the Investment 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 units in issue 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 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
<u>2011</u>				
<u>Assets</u>				
Collective Investment Schemes	100,722,978	-	-	100,722,978
Total financial assets at fair value through profit and loss	100,722,978	-	-	100,722,978
<u>2010</u>				
<u>Assets</u>				
Collective Investment Schemes	70,466,573	-	-	70,466,573
Total financial assets at fair value through profit and loss	70,466,573	-	-	70,466,573

5 Net gains on investments

	2011 HK\$	2010 HK\$
Change in unrealized gains/losses in value of investments	9,748,925	5,687,907
Realized gains on sale of investments	1,374,788	256,936
	11,123,713	5,944,843

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.

Under current laws of the Cayman Islands, there are no income, capital gains or other taxes payable by the Fund. As a result, no provision for income taxes has been made in the financial statements.

7 Transactions with the Trustee and its affiliates and the Manager and its Connected Persons

The following is a summary of transactions entered into during the year between the Fund and the Trustee and its affiliates and the Manager and its Connected Persons. Connected Persons of the Manager are those as defined in the Code on Unit Trusts and Mutual Funds established by the SFC. All such transactions were entered into in the ordinary course of business and were on normal commercial terms.

- (a) As stated in Note 1, the Fund is a feeder fund investing solely in the units of JF SAR Hong Kong Fund which is issued and managed by the Fund's Investment Manager.

(b) Investment transactions with the Manager and its Connected Persons are set out below:

Name of company	Aggregate value of purchases and sales of investments HK\$	Commission paid HK\$	% of the Fund's total commission paid in the year	Average commission rate %
<u>2011</u>				
JPMorgan Funds (Asia) Limited	35,975,633	-	-	-
<u>2010</u>				
JPMorgan Funds (Asia) Limited	27,045,481	-	-	-

(c) Balances with the Manager and its Connected Persons as at year end:

	2011 HK\$	2010 HK\$
Cash at banks	962,204	324,868
Amounts payable	(95,681)	(66,422)

As at 30 June 2011, the Fund's investment balance of HK\$100,722,978 (2010: HK\$70,466,573) represents the investments in the collective investment scheme issued and managed by a Connected Person of the Manager.

- (d) The Fund may utilize the brokerage, custodian, agency and banking services of the Trustee and its affiliates and the Manager and its Connected Persons.
- (e) 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).
- (f) Management fee of 1% per annum of the net asset value of the Fund is paid to JPMorgan Funds (Asia) Limited. Management fee is accrued on each dealing day and is payable monthly in arrears.
- The manager of the JF SAR Funds has not charged a management fee in respect of the Class B units of the JF SAR Funds.
- (g) Administration fee of 0.6% per annum of the net asset value attributable to administration units of the Fund is paid to JPMorgan Funds (Asia) Limited. Administration fee is calculated daily and is payable monthly in arrears.
- (h) 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.

8 Trustee's fee

Trustee's fee of 0.1% per annum of the net asset value of the Fund is paid to the Trustee. The trustee's fee of 0.1% per annum of the asset value of JF SAR Funds is waived since a trustee's fee of 0.08% (before 1 July 2010: 0.085%) per annum of the net asset value of JF SAR Funds is paid to the trustee of JF SAR Funds, a Connected Person of the Trustee. Trustee's fee is calculated daily and is payable quarterly in arrears.

9 Soft commission arrangements

During the year, the Investment Manager and its associates did not enter into any soft commission arrangements in connection with directing transactions of the Fund through a broker or dealer (2010: nil).

10 Distribution

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

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

	Place of establishment	Holding	Fair value HK\$	% of net assets
Listed/Quoted Investments (97.2%)				
Collective Investment Schemes (97.2%)				
Hong Kong (97.2%)				
JF SAR Hong Kong Fund 'B'	Hong Kong	2,004,437	100,722,978	97.2
			<hr/>	<hr/>
Total Listed/Quoted Investments			100,722,978	97.2
Other net assets			2,940,034	2.8
			<hr/>	<hr/>
Net assets attributable to holders of redeemable units at 30 June 2011			103,663,012	100.0
			<hr/> <hr/>	<hr/> <hr/>
Total investments, at cost			85,909,322	
			<hr/> <hr/>	

* Issued and managed by a Connected Person of the Manager (refer to Note 7 for the definition of Connected Persons)

Note: Collective Investment Scheme listed above is quoted investment.

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

	% holdings of net assets	
	2011	2010
Listed/Quoted Investments		
Collective Investment Schemes		
Hong Kong	97.2	99.2
Total Listed/Quoted Investments	<u>97.2</u>	<u>99.2</u>
Other net assets	<u>2.8</u>	<u>0.8</u>
Net assets attributable to holders of redeemable units at 30 June	<u><u>100.0</u></u>	<u><u>100.0</u></u>

Supplementary Information
Investment Portfolio of JF SAR Hong Kong Fund
As at 30 June 2011 (Unaudited)

	Holding	Fair value HK\$	% of net assets
Listed/Quoted Investments (98.6%)			
Equities (98.6%)			
Hong Kong (98.6%)			
Banks (29.1%)			
Agricultural Bank of China 'H'	6,981,000	28,552,290	0.9
Bank of China 'H'	20,922,000	79,294,380	2.6
BOC Hong Kong (Hldgs)	2,975,000	67,086,250	2.2
China Construction Bank 'H'	36,126,520	233,016,053	7.7
Chong Hing Bank	623,000	10,865,120	0.4
Dah Sing Banking Group	689,440	7,487,318	0.2
Dah Sing Financial Hldgs	584,950	23,193,268	0.8
HSBC Hldgs (HK Listing)	3,637,817	280,111,908	9.3
Ind & Comm Bank of China 'H'	20,831,765	122,907,414	4.1
Wing Hang Bank	332,723	28,248,183	0.9
Construction & Materials (4.1%)			
Asia Cement China Hldgs	821,000	5,008,100	0.2
BBMG Corp 'H'	1,944,000	22,550,400	0.7
China National Bldg Material 'H'	3,982,000	60,685,680	2.0
NWS Hldgs	3,465,809	35,767,149	1.2
Electricity (1.2%)			
Cheung Kong Infrastructure Hldgs	864,000	34,819,200	1.2
Financial Services (1.4%)			
Guotai Junan Intl Hldgs	3,480,000	11,310,000	0.4
Hong Kong Exchanges & Clearing	151,500	24,709,650	0.8
Public Financial Hldgs	1,334,000	6,403,200	0.2
Fixed Line Telecommunications (0.9%)			
China Telecom 'H'	5,630,000	28,318,900	0.9
Food & Drug Retailers (1.4%)			
Beijing Jingkelong Co 'H'	1,055,000	10,550,000	0.4
Lianhua Supermarket 'H'	970,000	17,169,000	0.6
Lianhua Supermarket 'H' Await Cert	744,800	13,182,960	0.4
Food Producers (1.1%)			
China Yurun Food Group	1,451,000	31,776,900	1.1
Gas, Water & Multiutilities (1.0%)			
China Resources Gas Group	2,692,000	29,127,440	1.0
General Industrials (4.2%)			
Beijing Enterprises Hldgs	306,500	12,367,275	0.4
Hutchison Whampoa	1,383,500	116,214,000	3.8
General Retailers (4.9%)			
Dah Chong Hong Hldgs	1,764,000	16,352,280	0.5
Hengdeli Hldgs	4,464,000	18,347,040	0.6
I.T Ltd	278,000	2,101,680	0.1
Intime Department Store (Group)	3,034,000	40,048,800	1.3
Maoye Intl Hldgs	3,634,000	14,027,240	0.5
Parkson Retail Group	3,516,500	39,877,110	1.3
Springland Intl Hldgs	2,705,000	17,501,350	0.6

Supplementary Information (Continued)
Investment Portfolio of JF SAR Hong Kong Fund (Continued)
As at 30 June 2011 (Unaudited)

	Holding	Fair value HK\$	% of net assets
Health Care Equipment & Services (0.8%)			
Microport Scientific	2,318,000	11,613,180	0.4
Real Nutraceutical Group	2,621,000	13,340,890	0.4
Household Goods & Home Construction (0.8%)			
Techtronic Industries	2,516,500	23,353,120	0.8
Industrial Metals & Mining (0.8%)			
Aluminum Corp of China 'H'	3,670,000	24,038,500	0.8
Industrial Transportation (1.6%)			
Cosco Pacific	2,406,000	32,721,600	1.1
Orient Overseas (Intl)	299,500	14,975,000	0.5
Life Insurance (6.1%)			
AIA Group	1,912,400	51,539,180	1.7
China Life Insurance 'H'	1,468,000	38,975,400	1.3
Ping An Insurance (Group) 'H'	1,175,000	94,176,250	3.1
Media (0.2%)			
ERA Mining Machinery	12,548,000	6,901,400	0.2
Mining (4.3%)			
China Shenhua Energy 'H'	603,500	22,389,850	0.7
China Vanadium Titano-Magnetite	6,609,000	19,628,730	0.7
Hidili Industry Intl Development	3,800,000	25,460,000	0.9
Yanzhou Coal Mining 'H'	1,150,000	33,925,000	1.1
Zijin Mining Group 'H'	4,770,000	18,603,000	0.6
Zijin Mining Group 'H' Await Cert	2,385,000	9,301,500	0.3
Mobile Telecommunications (3.1%)			
China Mobile	1,318,000	94,830,100	3.1
Oil & Gas Producers (8.3%)			
China Petroleum & Chemical 'H'	8,828,000	68,858,400	2.3
CNOOC Ltd	10,070,000	182,871,200	6.0
Pharmaceuticals & Biotechnology (0.8%)			
China Shineway Pharmaceutical	893,000	13,752,200	0.5
Sihuan Pharmaceutical Hldgs	2,795,000	10,257,650	0.3
Real Estate Investment & Services (16.6%)			
Agile Property Hldgs	2,905,000	34,976,200	1.2
Cheung Kong (Hldgs)	969,000	109,981,500	3.6
China Overseas Land & Investment	1,307,040	21,696,864	0.7
China Resources Land	4,176,000	58,464,000	1.9
Glorious Property Hldgs	3,202,000	7,716,820	0.3
Hang Lung Properties	1,834,000	58,504,600	1.9
Kerry Properties	965,000	35,994,500	1.2
Midland Hldgs	2,088,000	9,458,640	0.3
Poly Hong Kong Investment	3,599,000	18,390,890	0.6
Sino Land	1,576,671	19,645,321	0.7
Sun Hung Kai Properties	506,876	57,429,051	1.9
Wharf (Hldgs)	1,303,400	70,448,770	2.3
Software & Computer Services (3.1%)			
Tencent Hldgs	446,700	93,896,340	3.1

Supplementary Information (Continued)
Investment Portfolio of JF SAR Hong Kong Fund (Continued)
As at 30 June 2011 (Unaudited)

	Holding	Fair value HK\$	% of net assets
Support Services (0.4%)			
Greatview Aseptic Packaging	2,538,000	11,928,600	0.4
Travel & Leisure (2.4%)			
Sands China	2,695,600	56,203,260	1.8
Shun Tak Hldgs	3,756,000	17,690,760	0.6
		<hr/>	<hr/>
Total Listed/Quoted Investments		2,982,915,804	98.6
		<hr/>	<hr/>
Other net assets (1.4%)			
Cash at banks		34,157,665	1.1
Accounts receivable			
Amounts receivable on allotment		1,017,045	0.0
Amounts due from brokers		-	0.0
Dividend receivable		22,400,274	0.7
Accounts payable			
Amounts payable on redemption		(1,601,054)	(0.0)
Amounts due to brokers		(16,847,720)	(0.6)
Other accounts payable		(756,604)	(0.0)
Fair value adjustment of units of the Fund		5,487,568	0.2
		<hr/>	<hr/>
Total other net assets		43,857,174	1.4
		<hr/>	<hr/>
Net assets attributable to holders of redeemable units at 30 June 2011		3,026,772,978	100.0
		<hr/> <hr/>	<hr/> <hr/>
Total investments, at cost		2,600,589,578	
		<hr/> <hr/>	

Performance Record - Unaudited

Net Asset Values

At financial period ended	Net asset value of the Fund HK\$	Net asset value per investment unit HK\$	Net asset value per administration unit HK\$
30/6/11	103,663,012	133.66	129.91
30/6/10	71,031,056	116.30	113.73
30/6/09	46,632,235	103.95	102.25

Highest Offer/Lowest Bid Prices

<u>Financial period ended</u>	<u>Highest offer</u> HK\$	<u>Lowest bid</u> HK\$
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Investment unit

30/6/11	150.05	114.34
30/6/10	128.21	98.17
30/6/09	121.82	63.71
30/6/08	173.05	112.86
30/6/07 (since inception)	120.64	99.36

Administration unit

30/6/11	146.41	111.80
30/6/10	125.84	96.55
30/6/09	120.50	62.93
30/6/08	171.95	111.89
30/6/07 (since inception)	120.13	99.34

Management and Administration

Manager and Service Provider

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

Investment Manager

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

Directors of the Manager

as at 13 October 2011
Ann Kui Ching Kao
Edwin Tsun Kay Chan
Elsie Pui Shan Leung
Ken Wai Ming Tam
Leo Ka Kui Cheung
Lily Suet Lai Lau
Marco Ka Nam Tang
Terry San Kong Pan

Administrator/Trustee and Registrar

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