JF SAR Japan Fund

Audited Annual Report
30 June 2011

J.P.Morgan
Asset Management

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Investment Report

Investment Policy

The investment policy of the JF SAR Japan 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 Japan.

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

70-100%	non-cash assets in Japan 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.

Commentary by the Manager

Review

The Japanese equity market rose over the period under review with the FT Japan Index increased 13.1% in USD terms. The best performing sectors were tires, oil, machinery and construction, while electric power and gas, brokers and shipping were the worst performing sectors. Over the last twelve months the market has been extremely volatile, with the index bottoming out in November 2010 then rising by 20% followed by declines post the earthquake in March 2011. More recently the market has remained weak due to risks of a slowdown in the global economy.

The period under review was characterized by high volatility in both the equity market and the domestic economy. The stock market rose 20% over a four month period from the beginning of November and then fell dramatically post the 11 March 2011 earthquake and subsequent tsunami. Although the affected region accounts for 6% of GDP, the impact on economic activity and market sentiment has been much greater. The automobile sector was particularly damaged as disruptions to supply chains severely impacted production levels, resulting in lower domestic production than after the Lehman crisis. The nuclear disaster following the earthquake has raised numerous questions about the sustainability of nuclear power and it is likely that Japan’s long-term energy policies will be reconsidered. At the most basic level it does not seem sensible to have twenty percent of the world’s nuclear plants in the most earthquake prone country. Counter-intuitively the Japanese Yen surged to a post-war high of Y76.25 versus the US Dollar following the quake. Shortly afterwards the G7 nations announced coordinated currency intervention for the first time in eleven years. Although the yen quickly weakened to 85, the currency regained its strength versus the US Dollar and Euro as investors weighed risks of unsustainable levels of government debt in the US and defaults in the periphery of Europe. January to March GDP declined 3.5% quarter over quarter seasonally adjusted, with the fall in capital expenditures and private consumption the weakest components of GDP. In March alone, industrial production fell 15.5% month over month, marking the largest single decline on record (the contribution from the auto sector was -45%).

However, the post-quake recovery has been much faster and stronger than anticipated. As mentioned above the auto sector was hit particularly hard and companies such as Toyota Motors initially forecasted that production would only recover to pre-quake levels by December. This has since been revised to July, and has supported more recent favorable data such as the manufactures’ projection for industrial production to rise nearly 8% in the coming months. The other positive surprise has come on the energy front. Immediately following the earthquake and nuclear disaster, as much as 26 giga-watts of power capacity was shut down and there were major risks of power shortages over the summer months as Tokyo Electric Power would not have enough capacity to meet peak demand. However, in addition to thermal power plants having been restarted faster than expected, the company has been able to add new LNG capacity. The corporate sector will adjust production schedules at peak energy times to reduce in demand.

Japanese politics has been lurching between various crises for some time. Initially some commentators thought there was a chance that the unprecedented crisis could lead to the end of petty politicking and point scoring and Japan could finally move closer to strong leadership and policies that it so desperately needs to deal with its short and long term challenges. However, what has developed has been particularly disappointing. In the aftermath of Japan’s greatest crisis since World War II, Prime Minister Naoto Kan drew criticism for his slow response to the disaster and his handling of the nuclear crisis at the Fukushima Daiichi plant. In June opposition parties filed for a no-confidence measure against Kan which he survived only after saying he would step down once the crisis was fully resolved. The latest political upheaval has further discredited Japanese politics which rotates through leaders about once a year. The pending leadership change also raises fresh questions about Kan’s ability to push for the key spending measures and legislation that Japan will need to fund and promote the recovery of its northeastern coastline.

The Fund outperformed the index in the period under review. The main driver of performance was good stock picking in consumer goods and industrials. Auto stocks such as Honda and Nissan performed well on the back of strong demand from emerging markets as did machinery names like NSK and commodity stocks such as Mitsui & Co. Within the domestic market, the trend in online gaming and online advertising accelerated. Companies like Rakuten have benefitted from these trends while Nintendo has lost out as demand for their handheld consoles slows. Lastly, our underweight in utilities was a major contributor as they sold off post the nuclear disaster in March. Stock picking in technology was poor mainly driven by a major loss of competitiveness by Japanese companies to Asian makers. Fujitsu, Ricoh, and Shinko Electric were all major detractors to performance over the twelve month period under review.

Market Outlook

The TOPIX index trades on a price to earnings ratio of 13 times based on forecasts for 2012 profits. This is comparable to global markets with the US S&P 500 trading on 12 times and MSCI Asia excluding Japan Index trading on 11 times. On a price to book ratio, the market remains cheaper than global averages with a ratio of 1.0 times.

Although we expect to see a recovery in the domestic economy as production normalizes over the coming quarters, there are still many structural issues that have yet been dealt with. Many companies will struggle to grow in a deflationary environment which Japan is unlikely to emerge from anytime soon. Demographics are unfavourable and the government is saddled with the biggest debt to GDP ratio in the developed world, which could rise to 230% by 2015. The outlook for companies operating in the domestic market is bleak.

China remains a key market for many of Japan's top companies. Although growth this year has been slower than expected as the country is undergoing a cyclical slowdown driven partly by tighter policy measures, we believe the long-term outlook is still attractive. The main exposures we have to China are through companies in the industrial and automotive sectors. Another positive long-term trend in China is the pickup in consumption. Some Japanese retailers and household goods companies are looking to grow their business in China to take advantage of the enormous opportunities that the market offers, especially as their home market continues to deteriorate.

The portfolio is evenly balanced between domestic and export sectors, while maintaining a focus on balance sheet strength. Overweights are concentrated in the autos and domestic services such as retailing, with underweights primarily in defensive sectors such as electric power and pharmaceuticals. Although valuations in the machinery and industrials sectors look attractive, we believe there is some risk to earnings forecasts due to the cyclical slowdown in emerging economies, therefore we remain neutral for the sector but will increase the weight when shares underperform. We are underweight the technology sector with the focus being the loss of competitiveness of Japanese companies particularly in consumer electronics. Looking two years out, we believe there is upside to corporate earnings forecasts assuming that structural growth in emerging regions continues and that developed markets do not undergo a serious recession. Profit margins have expanded much faster than expected driven by an aggressive reduction in fixed costs in 2009 coupled by the recovery in revenues. We believe medium-term earnings growth will be driven by revenue expansion as we see limited upside to already high margins in most sectors.

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.

	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	1,999,121	1,454,252	1,102,098
Capital appreciation/(depreciation)[1]	13,159,333	28,029,930	(19,909,560)
Net assets attributable to holders of redeemable units	146,809,182	131,650,728	102,327,770

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

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 16 September 1998, as amended, for the year ended 30 June 2011.

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 16 September 1998, 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

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Director Director

Independent Auditor's Report

To the Trustee of JF SAR Japan Fund (the "Fund")

Report on the financial statements

We have audited the financial statements of the Fund set out on pages 5 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 16 September 1998, 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	1,457,150	1,004,184
Amounts due from brokers	2,743,740	1,505,308
Amounts receivable on allotment	86,267	443,164
Investments [Note 4(1)(a)]	144,126,294	129,535,118
Dividend and other accounts receivable	326,390	291,212
Total assets	148,739,841	132,778,986
Liabilities		
Amounts due to brokers	1,796,827	1,037,229
Amounts payable on redemption	93,901	56,488
Other accounts payable	39,931	34,541
Total liabilities	1,930,659	1,128,258
Net assets attributable to holders of redeemable units [Note 3]	146,809,182	131,650,728
Equity	146,809,182	131,650,728

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 17 form part of these financial statements.

Statement of Comprehensive Income
For the year ended 30 June 2011

	2011	2010
	US$	US$
Income		
Net gains/(losses) on investments [Note 5]	22,888,346	(1,846,018)
Dividend income	2,582,831	1,929,832
Net foreign currency exchange gains	169,748	88,189
Interest on deposits	8	26
Other income	973	-
	25,641,906	172,029
Expenses		
Transaction costs	194,997	129,550
Trustee's fee [Note 7(g)]	107,465	112,839
Registrar's fee [Note 7(h)]	43,974	43,545
Safe custody and bank charges	17,711	19,048
Valuation fee [Note 7(e)]	16,380	16,310
Auditor's fee	11,500	11,000
Legal and professional expenses	9,567	1,362
Printing and publication expenses	641	561
Management fee [Note 7(e)]	-	5,388
Other operating expenses	1,658	915
	403,893	340,518
Profit/(loss) before taxation	25,238,013	(168,489)
Taxation [Note 6]	(180,798)	(135,088)
Increase/(decrease) in net assets attributable to holders of redeemable units and total comprehensive income/(loss)	25,057,215	(303,577)

The notes on pages 9 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 US$	2010 US$
Net assets attributable to holders of redeemable units at the beginning of the year	131,650,728	102,327,770
Reversal of fair value adjustment of units of the Fund	-	(161,224)
Allotment of redeemable units [Note 3]	39,928,799	57,416,126
Redemption of redeemable units [Note 3]	(49,827,560)	(27,628,367)
Net (redemption)/allotment	(9,898,761)	29,787,759
	121,751,967	131,954,305
Increase/(decrease) in net assets attributable to holders of redeemable units and total comprehensive income/(loss)	25,057,215	(303,577)
Net assets attributable to holders of redeemable units at the end of the year	146,809,182	131,650,728

The notes on pages 9 to 17 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	(157,643,760)	(143,033,743)
Proceeds from disposal of investments	165,473,501	107,278,261
Dividend received	2,534,941	1,871,105
Interest received	8	26
Management fee paid	-	(7,214)
Registrar's fee paid	(43,798)	(43,941)
Trustee's fee paid	(107,626)	(111,820)
Tax paid	(180,798)	(135,088)
Transaction costs paid	(190,760)	(130,931)
Others	49,454	(4,623)
Net cash inflow/(outflow) from operating activities	9,891,162	(34,317,968)
Financing activities		
Receipts on allotment of redeemable units	40,285,696	61,190,035
Payments on redemption of redeemable units	(49,790,147)	(27,639,228)
Net cash (outflow)/inflow from financing activities	(9,504,451)	33,550,807
Increase/(decrease) in cash and cash equivalents	386,711	(767,161)
Cash and cash equivalents at the beginning of the year	1,004,184	1,731,089
Exchange gains on cash and cash equivalents	66,255	40,256
Cash and cash equivalents at the end of the year	1,457,150	1,004,184

Analysis of balances of cash and cash equivalents:

Cash at banks	1,457,150	1,004,184

The notes on pages 9 to 17 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

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 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)

	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	-	8,603,299.159	150,409.144	6,726,155.522
Total allotments	-	2,326,080.088	13,062.793	3,467,416.407
Total redemptions	-	(2,976,034.187)	(163,471.937)	(1,590,272.770)
At the end of the year	-	7,953,345.060	0.000	8,603,299.159
	US$	US$	US$	US$
Net assets attributable to holders of redeemable units	-	146,809,182	-	131,650,728
Net assets attributable to holders of redeemable units (per unit)	-	18.46	-	15.30

As at 30 June 2011, the Fund had US$146,809,182 (2010: US$131,650,728) of puttable financial instruments, represented by the net assets attributable to the holders of redeemable units (or "net asset value", "net assets" or "NAV"), classified as equity.

The Fund's policies for managing its obligations for the holders of redeemable units of the Fund are included in Note 4(II) capital risk management.

Units of the Fund are redeemable at the option of the holders of redeemable units. Based on historical levels of activity, the Fund on average has outflows relating to the redemption of units of US$212,938 (2010: US$109,636) on each dealing day.

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				
- Automobiles & Parts	22,374,903	15.2	15,735,032	12.0
- Banks	13,627,684	9.3	11,481,457	8.7
- Industrial Engineering	13,046,351	8.9	7,538,461	5.7
- Electronic & Electrical Equipment	12,803,661	8.7	7,387,599	5.6
- Technology Hardware & Equipment	10,482,334	7.1	9,210,185	7.0
- Support Services	10,305,717	7.0	5,858,468	4.5
- Real Estate Investment & Services	8,049,988	5.5	2,286,563	1.7
- General Retailers	7,680,346	5.2	5,325,844	4.1
- Financial Services	5,390,461	3.7	6,612,518	5.0
- Travel & Leisure	2,904,210	2.0	6,637,197	5.0
- Others	37,460,639	25.6	51,461,794	39.1
Total Listed/Quoted Investments	144,126,294	98.2	129,535,118	98.4

	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	146,809,182	FTSE World Japan - Total	0.99	+13.1	19,039,683
As at 30 June 2010	131,650,728	FTSE World Japan - Total	0.98	+0.4	516,071

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	1,457,150	1,004,184
Total interest sensitivity gap	1,457,150	1,004,184

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			
Hong Kong Dollar	3,183	+0.1	3
Japanese Yen	145,968,372	+9.6	14,012,964
	145,971,555		14,012,967
2010			
Hong Kong Dollar	1,032	-0.5	(5)
Japanese Yen	130,577,906	+9.0	11,752,012
	130,578,938		11,752,007

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	2010
	US$	US$
Cash at banks	1,457,150	1,004,184
Amounts due from brokers	2,743,740	1,505,308
Amounts receivable on allotment	86,267	443,164
Dividend and other accounts receivable	326,390	291,212
	4,613,547	3,243,868

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	2010 Exposure to counterparties
	US$	US$
Bank balances under the safekeeping of the custodian S&P(AA)/Moody's(Aa)/FITCH(AA)	1,457,150	1,004,184

(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	2010 Less than 1 month
	US$	US$
Amounts due to brokers	1,796,827	1,037,229
Amounts payable on redemption	93,901	56,488
Other accounts payable	39,931	34,541
Total financial liabilities	1,930,659	1,128,258

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	144,126,294	-	-	144,126,294
Total financial assets at fair value through profit and loss	144,126,294	-	-	144,126,294
2010				
Assets				
Equities	129,535,118	-	-	129,535,118
Total financial assets at fair value through profit and loss	129,535,118	-	-	129,535,118

5 Net gains/(losses) on investments

	2011 US$	2010 US$
Change in unrealized gains/losses in value of investments	17,631,309	(7,392,834)
Realized gains on sale of investments	5,257,037	5,546,816
	22,888,346	(1,846,018)

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 %
<u>2011</u>					
J.P. Morgan Securities (Asia Pacific) Limited	18,454,253	5.68	9,227	5.21	0.05
<u>2010</u>					
J.P. Morgan Securities (Asia Pacific) Limited	14,096,764	5.68	7,048	6.11	0.05

Note: Total commission paid by the Fund during the year amounted to US$177,247 (2010: US$115,290).

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

	2011 US$	2010 US$
Cash at banks	1,457,150	1,004,184
Amounts receivable	-	617,730
Amounts payable	(474,161)	(278,495)

(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 of the Fund.

8 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.

9 Distribution

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

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

	Holding	Fair value US$	% of net assets
Listed/Quoted Investments (98.2%)			
Equities (98.2%)			
Japan (98.2%)			
Automobiles & Parts (15.2%)			
Aisin Seiki	58,900	2,253,603	1.5
Honda Motor	159,100	6,077,556	4.1
Keihin Corp	18,400	384,814	0.3
Nissan Motor	221,800	2,312,476	1.6
NSK Ltd	250,000	2,467,187	1.7
Stanley Electric	59,700	1,036,397	0.7
Sumitomo Electric Industries	73,700	1,063,156	0.7
Sumitomo Rubber Industries	32,500	390,354	0.3
Suzuki Motor	9,900	221,022	0.1
Toyota Motor	144,400	5,882,565	4.0
Yamaha Motor	15,700	285,773	0.2
Banks (9.3%)			
Chiba Bank	317,000	1,970,456	1.3
Mitsubishi UFJ Financial Group	1,188,300	5,738,446	3.9
Sumitomo Mitsui Financial Grp	157,200	4,798,142	3.3
Sumitomo Mitsui Trust Hldgs	325,550	1,120,640	0.8
Beverages (1.2%)			
Asahi Breweries	85,300	1,704,733	1.2
Chemicals (1.3%)			
Kansai Paint Co	59,000	533,309	0.4
Nitto Denko	27,000	1,354,012	0.9
Construction & Materials (3.3%)			
Asahi Glass	96,000	1,112,630	0.8
Chudenko Corp	19,800	230,706	0.1
JS Group	68,500	1,747,276	1.2
Nippon Sheet Glass	581,000	1,791,345	1.2
Electronic & Electrical Equipment (8.7%)			
Hitachi Ltd	464,000	2,711,838	1.8
Kyocera Corp	27,500	2,775,198	1.9
Murata Mfg	16,700	1,102,167	0.7
NGK Insulators	180,000	3,323,180	2.3
Omron Corp	74,100	2,036,924	1.4
U-Shin Ltd	103,600	854,354	0.6
Financial Services (3.7%)			
Kenedix Inc	6,757	1,168,001	0.8
Orix Corp	38,000	3,660,723	2.5
SBI Hldgs	6,114	561,737	0.4
Fixed Line Telecommunications (2.8%)			
Nippon Telegraph & Telephone	85,000	4,067,916	2.8
Food & Drug Retailers (2.5%)			
FamilyMart Co	59,800	2,180,671	1.5
Lawson Inc	27,600	1,438,782	1.0
Food Producers (0.4%)			
Calbee Inc	16,700	593,681	0.4

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

	Holding	Fair value US$	% of net assets
Gas, Water & Multiutilities (1.2%)			
Tokyo Gas	400,000	1,797,920	1.2
General Retailers (5.2%)			
DeNA Co	19,500	834,231	0.6
Fast Retailing	2,800	449,331	0.3
Gree Inc	60,900	1,318,143	0.9
K'S Holdings	8,400	360,921	0.2
Marui Group Co	122,800	922,977	0.6
Nitori Co	25,850	2,442,242	1.7
Rakuten Inc	1,316	1,352,501	0.9
Household Goods & Home Construction (1.7%)			
Sanrio Co	65,100	2,519,038	1.7
Industrial Engineering (8.9%)			
Daikin Industries	45,300	1,589,651	1.1
Fanuc Corp	9,400	1,557,355	1.1
Hitachi Construction Machinery	12,800	284,022	0.2
Isuzu Motors	514,000	2,405,795	1.6
Komatsu Ltd	56,200	1,736,243	1.2
Kubota Corp	137,000	1,201,040	0.8
Mitsubishi Electric	222,000	2,550,966	1.7
Sumitomo Heavy Industries	149,000	1,027,650	0.7
THK Co	27,500	693,629	0.5
Industrial Metals & Mining (2.2%)			
Hitachi Metals	74,000	1,034,497	0.7
Sumitomo Metal Industries	146,000	325,409	0.2
Tokyo Steel Mfg	109,900	1,148,534	0.8
Yamato Kogyo	21,700	667,982	0.5
Leisure Goods (1.6%)			
Konami Corp	39,200	920,297	0.6
Sony Corp	52,300	1,370,317	1.0
Mobile Telecommunications (1.6%)			
NTT DoCoMo	764	1,350,906	0.9
Softbank Corp	26,500	992,602	0.7
Nonlife Insurance (0.9%)			
Tokio Marine Hldgs	47,900	1,329,172	0.9
Oil & Gas Producers (1.3%)			
Idemitsu Kosan Co	2,700	285,847	0.2
JX Hldgs	255,400	1,701,402	1.1
Personal Goods (1.1%)			
Unicharm Corp	37,000	1,603,517	1.1
Pharmaceuticals & Biotechnology (1.5%)			
Astellas Pharma	56,200	2,164,215	1.5
Real Estate Investment & Services (5.5%)			
Mitsubishi Estate	203,000	3,531,637	2.4
Mitsui Fudosan	178,000	3,034,993	2.1
Sumitomo Realty & Development	67,000	1,483,358	1.0

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

	Holding	Fair value US$	% of net assets
Software & Computer Services (0.6%)			
Cyber Agent	240	833,581	0.6
Square Enix Hldgs	4,200	74,941	0.0
Support Services (7.0%)			
Itochu Corp	69,500	715,998	0.5
Marubeni Corp	84,000	553,343	0.4
Mitsubishi Corp	145,300	3,596,517	2.4
Mitsui & Co	176,100	3,011,319	2.0
Sumitomo Corp	180,100	2,428,540	1.7
Technology Hardware & Equipment (7.1%)			
Canon Inc	116,500	5,488,886	3.7
FUJIFILM Hldgs	58,700	1,816,386	1.2
Ricoh Co	140,000	1,539,376	1.1
Tokyo Electron	30,300	1,637,686	1.1
Tobacco (0.4%)			
Japan Tobacco	153	585,401	0.4
Travel & Leisure (2.0%)			
East Japan Railway	13,000	738,856	0.5
Oriental Land	20,700	1,745,505	1.2
Sankyo Co	8,200	419,849	0.3
Total Listed/Quoted Investments		144,126,294	98.2
Other net assets		2,682,888	1.8
Net assets attributable to holders of redeemable units at 30 June 2011		146,809,182	100.0
Total investments, at cost		137,031,533	

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

	% holdings of net assets	
	2011	2010
Listed/Quoted Investments		
Equities		
Japan		
Automobiles & Parts	15.2	12.0
Banks	9.3	8.7
Industrial Engineering	8.9	5.7
Electronic & Electrical Equipment	8.7	5.6
Technology Hardware & Equipment	7.1	7.0
Support Services	7.0	4.5
Real Estate Investment & Services	5.5	1.7
General Retailers	5.2	4.1
Financial Services	3.7	5.0
Construction & Materials	3.3	1.7
Fixed Line Telecommunications	2.8	3.3
Food & Drug Retailers	2.5	0.9
Industrial Metals & Mining	2.2	3.8
Travel & Leisure	2.0	5.0
Household Goods & Home Construction	1.7	0.9
Mobile Telecommunications	1.6	3.7
Leisure Goods	1.6	4.1
Pharmaceuticals & Biotechnology	1.5	1.3
Oil & Gas Producers	1.3	0.8
Chemicals	1.3	3.4
Gas, Water & Multiutilities	1.2	1.5
Beverages	1.2	1.4
Personal Goods	1.1	3.0
Nonlife Insurance	0.9	1.8
Software & Computer Services	0.6	4.4
Food Producers	0.4	0.9
Tobacco	0.4	1.0
Industrial Transportation	-	0.9
Electricity	-	0.2
General Industrials	-	0.1
Total Listed/Quoted Investments	98.2	98.4
Other net assets	1.8	1.6
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	146,809,182	17.11	18.46
30/6/10	131,650,728	14.32	15.30
30/6/09	102,327,770	14.09	14.90

*There are currently no units in issue in this class and is presented for reference only.

Fund Expense Ratio

	Class A	Class B
30/6/11	-	0.16% *
	US$	US$
Transaction cost for the period from 1 July 2010 to 30 June 2011	-	194,997

*** 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	+19.5%	18.39	14.24
30/6/10	+1.6%	16.32	13.42
30/6/09	-29.4%	19.75	10.66
30/6/08	-18.6%	25.32	19.20
30/6/07	+0.1%	26.11	21.67
30/6/06	+27.5%	28.50	19.07
30/6/05	0.0%	20.62	17.10
30/6/04	+52.7%[1]	19.89	13.00
30/6/03	-8.4%	14.07	10.29
30/6/02	-7.7%	14.91	11.26
Class B unit			
30/6/11	+20.7%	20.83	15.22
30/6/10	+2.7%	18.28	14.20
30/6/09	-28.7%	21.79	11.24
30/6/08	-17.7%	27.65	20.02
30/6/07	+1.1%	28.40	22.25
30/6/06	+28.8%	30.75	19.39
30/6/05	+1.0%	21.99	17.23
30/6/04	+54.1%[1]	21.03	12.96
30/6/03	-8.6%	14.78	10.26
30/6/02	-7.7%	15.69	11.24

[1] Certain changes were made to the categorization of Class A and Class B effective 1 August 2003. To accommodate the above change, there were switches between Class A and Class B units on 31 July 2003. The data as at 30 June 2004 shown above had already reflected such switch.

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

Management and Administration

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Sub-Manager
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as at 13 October 2011
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Edwin Tsun Kay Chan
Roger Anthony Hepper
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