

**SHENYIN WANGUO CHINA POLICY FOCUS FUND  
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2017**

**SHENYIN WANGUO CHINA POLICY FOCUS FUND  
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

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**SHENYIN WANGUO CHINA POLICY FOCUS FUND  
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**ADMINISTRATION AND MANAGEMENT**

**Manager**

Shenwan Hongyuan Asset Management (Asia) Limited  
Level 19,  
28 Hennessy Road  
Hong Kong

**Directors of the Manager**

Zhu Minjie  
Chen Xiaosheng  
Guo Chun  
Qiu Yizhou  
Xia Mingrui

**Trustee and Registrar**

Bank of Communications Trustee Limited  
1/F, Far East Consortium Building  
121 Des Voeux Road Central  
Hong Kong

**Auditor**

PricewaterhouseCoopers  
21/F Edinburgh Tower  
15 Queen's Road Central  
Hong Kong

**Legal Adviser**

Deacons  
5/F, Alexandra House  
18 Chater Road, Central  
Hong Kong

**SHENYIN WANGUO CHINA POLICY FOCUS FUND  
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**REPORT OF THE MANAGER**

**Market Review:**

2017 is a splendid year for almost all global capital markets, especially for emerging markets. Index of China and ASEAN markets rallied during the year and almost closed to all time high. RMB reversed the depreciation trend in the past few years and appreciated significantly during 2017, and US dollar depreciated notable despite US Fed continued to hike rates. Volatilities of global capital markets were also low in 2017.

Global economies recovery was well on track during the year, and central banks of major economies also continued to exit from monetary easing policies. RMB appreciated significantly during the year, with onshore RMB/USD declined 6.25% to 6.50 as end of 2017, and China 10 year treasury yield also increased notably to 3.94%. China economy continued to recover, as PMI kept at expansion territory in 2017, and PPI index also touched new high in recent years, which was stronger than market expected and led to a full year GDP growth of 6.9%, accelerated from 2016 and better than government's growth target.

US economy also remained on healthy improving track during the year, and Fed raised rates three times in 2017. US tax reform also triggered higher growth and inflation expectations, which have lift market sentiment and faster Fed rates hike pace expectation, though worries about trade war had added to some uncertainties for global economy.

**Portfolio Review:**

SYWG China Policy Fund (referred to as "CPF") was up 38.35% for A (Retail) class and up 39.04% for I (Institutional) class in 2017. While the same time, HSCEI was up by 24.64%. The outperform mainly thanks to our relatively high equity position during market rally, and we have leveraged our sector allocation and cherry picking skills, and over-weighted companies whose solid earning is deliverable, with multiple re-rating potential, to achieve better than market performance.

**SHENYIN WANGUO CHINA POLICY FOCUS FUND  
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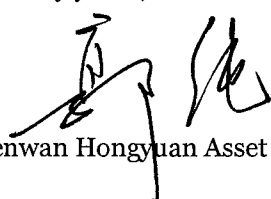
**REPORT OF THE MANAGER (CONTINUED)**

**Market Outlook and Portfolio Strategy:**

We continue to be constructive on market performance in near term, though volatility should increase this year, especially for US market which has been expensive, while Hong Kong and China markets valuations are still reasonable. Near term global economies still on healthy recovery track and RMB are still stable. While the pace of US Fed rates hike and the sustainability of global economies recovery may post uncertainties on market sentiment in 2018, and the rise of protectionism for many countries especially US may be a risk factor for global economies and capital markets.

We remained high equity position in near term, but will keep an eye on market volatilities and will do some hedging if necessary to protect from market turbulence. For the stock position, we prefer quality value and growth stocks in current market environment. We will focus more on in-depth research on stock picking, trying to find those investment opportunities with solid performance in medium to long term.

Sincerely yours,



Shenwan Hongyuan Asset Management (Asia) Limited

24 April 2018


Investments are subject to investment risks, fund value may go up as well as down and past performance is not indicative of future performance. Please refer to the Explanatory Memorandum for details including the risk factors. Shenwan Hongyuan Asset Management (Asia) Limited is the issuer of this report. This document has not been reviewed by the Securities and Futures Commission.

**SHENYIN WANGUO CHINA POLICY FOCUS FUND  
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**REPORT OF THE TRUSTEE**

**To the unitholders of SWS Strategic Investment Funds**

We hereby confirm that, in our opinion, the Manager has, in all material respects, managed the SWS Strategic Investment Funds - Shenyin Wanguo China Policy Focus Fund in accordance with the provisions of the Trust Deed dated 6 January 2012 and all its supplemental deeds for the year ended 31 December 2017.

  
For and on behalf of  
Bank of Communications Trustee Limited  
24 April 2018

## ***Independent Auditor's Report***

To the Unitholders of Shenyin Wanguo China Policy Focus Fund (The "Sub-Fund")

### **Report on the Audit of the Financial Statements**

#### **Opinion**

##### *What we have audited*

The financial statements of Shenyin Wanguo China Policy Fund (the "Sub-Fund") set out on pages 8 to 25, which comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

##### *Our opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2017, and of its financial transactions and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

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#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) issued by the IASB. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### *Independence*

We are independent of the Sub-Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "ISEBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the ISEBA Code.

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#### **Other Information**

The Trustee and the Manager (the "Management") of the Sub-Fund are responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

## ***Independent Auditor's Report***

To the Unitholders of Shenyin Wanguo China Policy Focus Fund (The "Sub-Fund") (Continued)

### **Report on the Audit of the Financial Statements (Continued)**

#### **Other Information (Continued)**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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#### **Responsibilities of the Management for the Financial Statements**

The Management of the Sub-Fund is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs issued by the IASB, 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.

In preparing the financial statements, the Management of the Sub-Fund is responsible for assessing the Sub-Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

In addition, the Management of the Sub-Fund is required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 6 January 2012 ("Trust Deed") and Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (the "SFC Code").

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#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Sub-Fund have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the SFC Code.



## ***Independent Auditor's Report***

To the Unitholders of Shenyin Wanguo China Policy Focus Fund (The "Sub-Fund") (Continued)

### **Report on the Audit of the Financial Statements (Continued)**

#### **Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

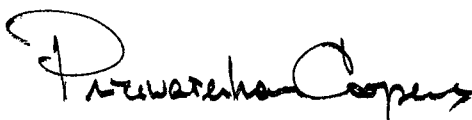
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Sub-Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sub-Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Sub-Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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#### **Report on Matters under the Relevant Disclosure Provisions of the Trust Deed and the SFC Code**

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the SFC Code.



**PricewaterhouseCoopers**  
Certified Public Accountants

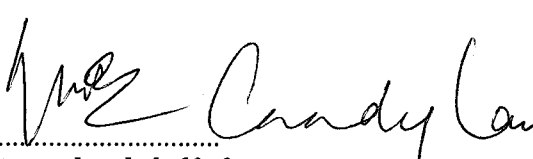
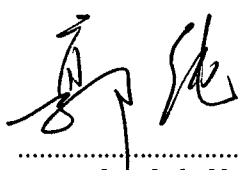
Hong Kong, 24 April 2018

**SHENYIN WANGUO CHINA POLICY FOCUS FUND  
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2017**

	Note	2017 HK\$	2016 HK\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalent	3(e)	1,041,687	2,145,195
Financial assets at fair value through profit or loss	3(e), 3(g)	22,329,748	14,890,390
Amounts due from brokers	5	-	724,107
Dividend receivable		7,104	-
Prepayments		8,030	1,147
<b>Total assets</b>		<b>23,386,569</b>	<b>17,760,839</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Amounts due to brokers	5	305,056	284,615
Management fee payable	7(a)	28,744	28,446
Trustee fee payable	7(b)	31,799	31,712
Other payables and accruals		185,962	188,598
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>551,561</b>	<b>533,371</b>
<b>Net assets attributable to unitholders</b>		<b>22,835,008</b>	<b>17,227,468</b>
Represented by:			
Net assets attributable to unitholders (calculated in accordance with the Sub-Fund's Explanatory Memorandum)	8	22,835,008	17,248,494
Adjustments for preliminary expenses recognised	8	-	(21,026)

Approved by the Trustee and the Manager on 24 April 2018.

 ..... For and on behalf of Bank of Communications Trustee Limited As the Trustee	 ..... For and on behalf of Shenwan Hongyuan Asset Management (Asia) Limited As the Manager
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The notes on pages 12 to 25 are an integral part of these financial statements.

**SHENYIN WANGUO CHINA POLICY FOCUS FUND**  
**(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 HK\$	2016 HK\$
<b>Income</b>			
Dividend income		964,023	504,811
Interest income		355	33
Net gains/(losses) on financial assets at fair value through profit or loss	4	10,933,640	(1,002,708)
Net exchange losses		(4,352)	-
<b>Total investment income/ (loss)</b>		<u>11,893,666</u>	<u>(497,864)</u>
<b>Expenses</b>			
Management fee	7(a)	350,007	257,685
Trustee fee	7(b)	374,399	467,488
Sub-custodian fee	7(c)	110,330	34,435
Auditor's remuneration		180,200	210,201
Handling and transaction fees		779,032	247,576
Bank charges		8,590	5,655
Legal and professional fees		105,540	11,730
Other expenses		24,964	18,888
<b>Total operating expenses</b>		<u>1,933,062</u>	<u>1,253,658</u>
<b>Profit/(loss) before tax</b>		<u>9,960,604</u>	<u>(1,751,522)</u>
Taxation	6	(31,820)	(39,902)
<b>Total comprehensive income/(loss)</b>		<u><u>9,928,784</u></u>	<u><u>(1,791,424)</u></u>

The notes on pages 12 to 25 are an integral part of these financial statements.

**SHENYIN WANGUO CHINA POLICY FOCUS FUND  
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	Class A			Class I			Total
		Number of units	Net assets attributable to unitholders HK\$	Net asset value per unit HK\$	Number of units	Net assets attributable to unitholders HK\$	Net asset value per unit HK\$	Net assets attributable to unitholders HK\$
<b>As at 1 January 2016</b>		153,240,724	1,421,417	9.275	1,434,919,266	13,564,542	9.453	14,985,959
Issuance of units		-	-		2,951,598,668	25,000,893		25,000,893
Redemption of units		-	-		(2,491,617,748)	(20,967,960)		(20,967,960)
Total comprehensive loss		-	(160,553)		-	(1,630,871)		(1,791,424)
<b>As at 31 December 2016 and 1 January 2017</b>	8	153,240,724	1,260,864	8.227	1,894,900,186	15,966,604	8.426	17,227,468
Issuance of units		366,333,913	4,000,000		4,380,620,111	42,000,000		46,000,000
Redemption of units		(92,825,537)	(954,778)		(4,743,406,038)	(49,366,466)		(50,321,244)
Total comprehensive income		-	557,641		-	9,371,143		9,928,784
<b>As at 31 December 2017</b>	8	426,749,100	4,863,727	11.397	1,532,114,259	17,971,281	11.729	22,835,008

The notes on pages 12 to 25 are an integral part of these financial statements.

**SHENYIN WANGUO CHINA POLICY FOCUS FUND**  
**(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 HK\$	2016 HK\$
<b>Cash flows from operating activities</b>		
Total comprehensive income/(loss)	9,928,784	(1,791,424)
Adjustments for:		
Dividend income	(964,023)	(504,811)
Interest income	(355)	(33)
Withholding tax	31,820	39,902
Operating income/(loss) before working capital changes	8,996,226	(2,256,366)
Net (increase)/decrease in financial assets at fair value through profit or loss	(7,439,358)	1,900
Decrease/(increase) in amounts due from brokers	724,107	(724,107)
(Increase)/decrease in prepayments	(6,883)	187
Increase in amounts due to brokers	20,441	284,615
(Decrease)/increase in management fee payable, trustee fee payable and other payables and accruals	(2,251)	3,163
Cash generated from/(used in) operations	2,292,282	(2,690,608)
Dividend received	956,919	504,811
Interest received	355	33
Withholding tax paid	(31,820)	(39,902)
<b>Net cash generated from/(used in) operating activities</b>	<b>3,217,736</b>	<b>(2,225,666)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of units	46,000,000	25,000,893
Payments on redemption of units	(50,321,244)	(20,967,960)
<b>Net cash (used in)/generated from financing activities</b>	<b>(4,321,244)</b>	<b>4,032,933</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,103,508)</b>	<b>1,807,267</b>
Cash and cash equivalents at beginning of the year	2,145,195	337,928
<b>Cash and cash equivalents at end of the year</b>	<b>1,041,687</b>	<b>2,145,195</b>
<b>Analysis of balances of cash and cash equivalents</b>		
Bank balances	1,041,687	2,145,195

The notes on pages 12 to 25 are an integral part of these financial statements.

**SHENYIN WANGUO CHINA POLICY FOCUS FUND  
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**NOTES TO THE FINANCIAL STATEMENTS**

**1 General information**

SWS Strategic Investment Funds (the “Trust”) was constituted as an umbrella unit trust established under the laws of Hong Kong pursuant to a trust deed dated 6 January 2012 (the “Trust Deed”) and supplemental deed dated 6 January 2012, 10 January 2012, 26 September 2014, 24 October 2014, 26 February 2015 and 19 June 2015 (the “Supplemental Deed”) entered into between Shenwan Hongyuan Asset Management (Asia) Limited (the “Manager”) and Bank of Communications Trustee Limited (the “Trustee”).

Shenyin Wanguo China Policy Focus Fund (the “Sub-Fund”) was constituted as a separate sub-fund of the Trust on 6 January 2012. The Sub-Fund is an open-ended unit trust and is authorised by Securities and Futures Commission of Hong Kong under Section 104(I) of the Securities and Futures Ordinance and is required to comply with the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the “SFC Code”).

A separate sub-fund can be created and established to which assets and liabilities attributable to the relevant sub-fund applied. A separate class of units relating exclusively to each sub-fund will be issued. As at 31 December 2017, there were another two sub-funds, SWS Strategic Investment Funds – Shenyin Wanguo RMB Mainland Investment Fund and Shenyin Wanguo RQFII A Share Strategy Fund. The assets and liabilities of each sub-fund of the Trust are separate and distinct from the assets and liabilities of the sub-fund of the Trust.

The investment objectives of the Sub-Fund is to achieve long-term capital appreciation by investing primarily in securities issued by companies operating in sectors and industries that in the Manager’s view, are likely to benefit from the macroeconomic policies of the People’s Republic of China’s (“PRC”) government. These include, but are not limited to, China B-Shares, shares of PRC enterprises which are listed in Hong Kong, China Red Chips, IPO Stocks, ADRs, and GDRs listed on international stock exchanges, rights issues and warrants, subject to the investment restrictions applicable to the Sub-Fund.

**2 Summary of significant 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**

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standard Board (“IASB”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Trustee and Manager to exercise their judgment in the process of applying the Sub-Fund’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

**SHENYIN WANGUO CHINA POLICY FOCUS FUND  
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**NOTES TO THE FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**(a) Basis of preparation (Continued)**

New standards and amendments to existing standards effective 1 January 2017

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2017 that would be expected to have a material impact on the Sub-Fund.

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

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The new standard is effective for accounting periods beginning on or after 1 January 2018. The standard is not expected to have a significant impact on the Sub-Fund's position or performance as it is expected that the Sub-Fund will continue to classify its financial assets and liabilities at fair value through profit or loss.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Sub-Fund.

**(b) Financial assets and financial liabilities at fair value through profit or loss**

Classification

The Sub-Fund classifies its investments as financial assets at fair value through profit or loss. These financial assets are designated by the Management at fair value through profit or loss at inception. Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Sub-Fund's documented investment strategies. The Sub-Fund's policies require the Management to evaluate the information about these financial assets on a fair value basis together with other related financial information.

Recognition/derecognition

Purchases and sales of investments are accounted for on the trade date basis. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Sub-Fund has transferred substantially all risks and rewards of ownership.

**SHENYIN WANGUO CHINA POLICY FOCUS FUND  
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**NOTES TO THE FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**(b) Financial assets and financial liabilities at fair value through profit or loss (Continued)**

Measurement

Investments are initially recognised at fair value. Transaction costs are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all investments are measured at fair value. Realised and unrealised gains and losses on investments are recognised in the statement of comprehensive income in the period in which they arise.

Fair value estimation

The Sub-Fund adopted IFRS 13 “Fair value measurement” for fair value estimation of financial assets at fair value through profit or loss. The fair value of investments that are listed or traded on an exchange is based on quoted market prices at close of trading on the reporting date.

**(c) Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**(d) Income**

Dividend income on equity securities is recorded on the ex-dividend date. Dividend income on equity securities where no ex-dividend date is quoted is accounted for when the Sub-Fund’s right to receive payment is established.

Interest income is recognised on a time proportionate basis using the effective interest method. Other income is recognised on an accruals basis.

**(e) Expenses**

Expenses are accounted for on an accruals basis.

**(f) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, demand deposits, other short-term highly liquid investments with original maturities of three months or less.

**(g) Translation of foreign currencies**

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Sub-Fund operates (the “functional currency”). The performance of the Sub-Fund is measured and reported to the unitholders in Hong Kong dollar. The Manager considers the Hong Kong dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Hong Kong dollar, which is the Sub-Fund’s functional and presentation currency.



**SHENYIN WANGUO CHINA POLICY FOCUS FUND  
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**NOTES TO THE FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**(g) Translation of foreign currencies (Continued)**

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the reporting date.

Foreign exchange gains and losses arising from translation are included 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 exchange loss".

Foreign exchange gains and losses relating to the financial assets and financial liabilities carried at fair value through profit or loss are presented in the statement of comprehensive income within "Net gains/(losses) on financial assets at fair value through profit or loss".

**(h) Redeemable units**

Net assets attributable to unitholders

The Sub-Fund issues redeemable units, namely Class A units and Class I units, which are redeemable at the unitholder's option and are classified as financial liabilities.

The holder of redeemable units can redeem the units on each Hong Kong business day but excluding 24 and 31 of December and Lunar New Year's Eve of each year or such other day or days determined by the Manager and Trustee may agree from time to time for cash equal to a proportionate share of the Sub-Fund's net assets attributable to unitholders of the relevant class. Class A units are subject to management fee at 1.5% per annum while Class I units are subject to management fee at 1.0% per annum.

Redeemable units are issued and redeemed at the holder's option at prices based on the Sub-Fund's net assets attributable to unitholders per unit at the time of issue or redemption. The Sub-Fund's net assets attributable to unitholders of redeemable unit is calculated by dividing the net assets attributable to unitholders by number of units in issue.

Redemption of units are processed on each business day (Dealing Date) and redemption proceeds are usually settled within 5 business days from the Dealing Date.

The Manager maintains the right to limit redemption up to 10% of total number of units in issue on dealing day prorated by investors' redemptions on the same dealing day. Any units not redeemed which would have otherwise been redeemed will be carried forward for redemption, subject to the same limitation on the next succeeding dealing day(s) until initial redemption request has been satisfied in full.

Distributions to unitholders

The Manager does not intend to make distribution in respect of the Sub-Fund and any income earned by the Sub-Fund will be reinvested in that Sub-Fund and reflected in the value of units of the relevant classes of that Sub-Fund.

**SHENYIN WANGUO CHINA POLICY FOCUS FUND  
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**NOTES TO THE FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**(h) Redeemable units (Continued)**

Proceeds and payments on issue and redemption of units

The net asset value of the Sub-Fund is computed daily. Prices for issues and redemption are based on the latest available valuation. Proceeds and payment for units issued and redeemed are shown as movements in the statement of changes in net assets attributable to unitholders.

**(i) Amount due from/to brokers**

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for but not yet delivered on the reporting date.

Amounts due to brokers includes payables for securities purchased (in a regular way transaction) that have been contracted for but not yet delivered on the reporting date.

**3 Financial risk management**

**(a) Strategy in using financial instruments**

The Sub-Fund's objective in managing risk is the creation and protection of unitholder value. Risk is inherent in the Sub-Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to relevant controls. The process of risk management is critical to the Sub-Fund's continuing profitability.

The investments in the Sub-Fund are subject to normal market fluctuations and other risks inherent in trading in securities and derivatives. There can be no assurance that any appreciation in value will occur. The value of investments may fluctuate and therefore the value of the units can fall as well as rise.

**(b) Market price risk**

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

All securities investments present a risk of loss of capital. The Sub-Fund's market price risk is managed through diversification of the investment portfolio. The Sub-Fund's overall market positions are monitored on a regular basis by the Manager.

**SHENYIN WANGUO CHINA POLICY FOCUS FUND  
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**NOTES TO THE FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**(b) Market price risk (Continued)**

As at 31 December 2017 and 2016, the Sub-Fund invested only in listed equities. The net exposures to industry sectors at 31 December 2017 and 2016 were as follows:

	2017 % of net asset value	2016 % of net asset value
Basic Materials	5.35	4.49
Communications	18.32	16.85
Consumer, Cyclical	18.57	4.18
Consumer, Non-cyclical	19.44	3.65
Energy	6.24	7.79
Financial	21.70	29.79
Industrial	4.23	9.77
Technology	2.62	8.59
Utilities	1.32	1.22
Total	<u>97.79</u>	<u>86.33</u>

The Sub-Fund's net assets attributable to unitholders is impacted by the increases/(decreases) of the underlying securities to which the Sub-Fund is exposed. As at 31 December 2017, if the underlying securities had increased/decreased by 5% (2016: 5%), the Sub-Fund's pre-tax profits for the year would have resulted in an increase/decrease of HK\$1,115,720 (2016: HK\$816,666).

The Manager has used their view of what would be a "reasonable possible shift" in each key market to estimate the change for use in the market sensitivity analysis.

**(c) Interest rate risk**

Interest rate risk arise from the possibility that changes in interest rates will affect future cash flows on the fair values of financial instrument.

The majority of the Sub-Fund's financial assets and liabilities are non-interest bearing. As a result, the Sub-Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

As at 31 December 2017, the Sub-Fund had bank balances of HK\$1,041,687 (2016: HK\$2,145,195) and is therefore exposed to minimal interest rate risk on these bank balances.

**(d) Foreign exchange risk**

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Sub-Fund mainly invests in securities and other investments that are denominated in Hong Kong Dollar and United States Dollar. As United States Dollar is linked currency of Hong Kong Dollar, the functional currency of the Sub-Fund, the Manager considers that the Sub-Fund is not exposed to significant currency risk and therefore no sensitivity analysis is presented.

**SHENYIN WANGUO CHINA POLICY FOCUS FUND  
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**NOTES TO THE FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**(e) Credit risk**

Credit risk is the risk that an issuer or counterparty to a financial instrument will cause a financial loss for the Sub-Fund by failing to discharge an obligation.

The Sub-Fund's financial assets which are potentially subject to concentrations of credit risk consist principally of investments and bank balances. The Sub-Fund limits its exposure to credit risk by transacting the majority of its investments and contractual commitment activities with brokers, banks and regulated exchanges with high credit ratings and that the Sub-Fund considers to be well established.

All transactions in listed securities are settled/paid for upon delivery using approved and reputable custodian or brokers. The risk of default is considered minimal as delivery of securities sold is only made once the custodian has received payment. Payment is made on a purchase once the securities have been received by the custodian. The trade will fail if either party fails to meet its obligation.

The table below summarises the net exposure to the Sub-Fund's counterparties together with their credit ratings.

	HK\$	Credit rating	Source of credit rating
<b>As at 31 December 2017</b>			
<u>Investments</u>			
Citibank, N.A.	22,329,748	A1	Moody's
<u>Bank balances</u>			
Citibank, N.A.	784,044	A1	Moody's
Bank of Communications Co., Ltd., Hong Kong Branch*	257,643	A3	Moody's
<b>As at 31 December 2016</b>			
<u>Investments</u>			
Citibank, N.A.	14,890,390	A1	Moody's
<u>Bank balances</u>			
Citibank, N.A.	1,607,165	A1	Moody's
Bank of Communications Co., Ltd., Hong Kong Branch*	538,030	A2	Moody's
<u>Balance with broker</u>			
Shenwan Hongyuan Futures (H.K.) Limited	304,629	Not rated	Not rated

The maximum exposure to credit risk at year end is the carrying amount of the financial assets as shown on the statement of financial position.

None of the assets is impaired nor past due but not impaired.

\*Credit rating of its ultimate holding company, Bank of Communications Co., Ltd., is used.

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**NOTES TO THE FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**(f) Liquidity risk**

Liquidity risk is defined as the risk that the Sub-Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Sub-Fund could be required to pay its liabilities or redeem its units earlier than expected. The Sub-Fund is exposed to cash redemptions of its redeemable units on a regular basis. Units are redeemable at the holder's option based on the Sub-Fund's net asset value per unit at the time of redemption calculated in accordance with the Sub-Fund's Trust Deed.

The Manager monitors the Sub-Fund's liquidity position on a daily basis. The Manager may limit the aggregate number of units relating to the Sub-Fund redeemed on any dealing day to 10% of the total value of the units in issue of the Sub-Fund. In this event, the limitation will apply pro rata so that all unitholders wishing to redeem units on that dealing day will redeem the same proportion by value of those units, and units not redeemed are carried forward for redemption, subject to the same limitation, on the next dealing day.

The table below analyses the Sub-Fund's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

	On demand HK\$	Less than 1 month HK\$	Total HK\$
<b>As at 31 December 2017</b>			
Amounts due to brokers	-	305,056	305,056
Management fee payable	-	28,744	28,744
Trustee fee payable	-	31,799	31,799
Other payables and accruals	-	185,962	185,962
Net assets attributable to unitholders	-	22,835,008	22,835,008
	-	23,386,569	23,386,569
<b>As at 31 December 2016</b>			
Amounts due to brokers	-	284,615	284,615
Management fee payable	-	28,446	28,446
Trustee fee payable	-	31,712	31,712
Other payables and accruals	-	188,598	188,598
Net assets attributable to unitholders	-	17,227,468	17,227,468
	-	17,760,839	17,760,839

Units are redeemed on demand at the unitholder's option. With a view to protecting the interest of unitholders, the Manager is entitled, with the approval of the Trustee, to limit the number of units of the Sub-Funds redeemed on any dealing day to 10% of the total number of units in issue. As at 31 December 2017, there were 3 (2016: 3) unitholders holding more than 10% of the Sub-Fund's units.

**SHENYIN WANGUO CHINA POLICY FOCUS FUND  
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**NOTES TO THE FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**(f) Liquidity risk (Continued)**

The following table illustrates the expected liquidity of assets held:

	On demand HK\$	Less than 1 month HK\$	Total HK\$
<b>As at 31 December 2017</b>			
Total assets	1,041,687	22,336,852	23,378,539
<b>As at 31 December 2016</b>			
Total assets	2,145,195	15,614,497	17,759,692

**(g) Fair value estimation**

The fair value of financial assets and liabilities traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the year end date. The Sub-Fund utilises the last traded market price as its fair valuation inputs for both financial assets and financial liabilities.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Sub-Fund for similar financial instruments.

The Sub-Fund classifies 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).

**SHENYIN WANGUO CHINA POLICY FOCUS FUND  
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**NOTES TO THE FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**(g) Fair value estimation (Continued)**

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Sub-Fund. The Sub-Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Sub-Fund's financial assets measured at fair value at 31 December 2017 and 2016:

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
<b>As at 31 December 2017</b>				
Investments				
- Equity securities	19,579,360	-	-	19,579,360
- American depositary receipts	2,750,388	-	-	2,750,388
Total	<u>22,329,748</u>	<u></u>	<u></u>	<u>22,329,748</u>
<b>As at 31 December 2016</b>				
Investments				
- Equity securities	<u>14,890,390</u>	<u>-</u>	<u>-</u>	<u>14,890,390</u>

Investments, whose values are based on quoted market prices in active markets, and therefore classified within level 1, include actively listed equity securities and American depositary receipts. The Sub-Fund does not adjust the quoted price for these instruments.

During the year ended 31 December 2017 and 31 December 2016, there were no transfers between levels.

Other financial assets and liabilities are carried at amortised cost, their carrying values are a reasonable approximation of fair values and are presented in the statement of financial position.

**SHENYIN WANGUO CHINA POLICY FOCUS FUND  
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**NOTES TO THE FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**(h) Capital risk management**

The Sub-Fund's objectives for managing capital are:

- (i) To invest the capital in investments for achieving its investment objectives;
- (ii) To achieve consistent returns while safeguarding capital by investing in diversified portfolio, by participating in derivatives and other capital markets and by using various investment strategies and hedging techniques; and
- (iii) To maintain sufficient liquidity to meet the expenses of the Sub-Fund and redemption requests as they arise.

**4 Net changes in fair value on financial assets at fair value through profit or loss**

	2017 HK\$	2016 HK\$
Change in unrealised gains of financial assets at fair value through profit or loss	3,324,684	538,909
Net realised gains/(losses) on sale of financial assets at fair value through profit or loss	7,608,956	(1,541,617)
	<u>10,933,640</u>	<u>(1,002,708)</u>

**5 Amounts due from/to brokers**

	2017 HK\$	2016 HK\$
Amounts due from brokers:		
Receivables for securities sold	-	419,478
Margin account held by broker <sup>1</sup>	-	304,629
	<u>-</u>	<u>724,107</u>

<sup>1</sup> Margin account held by broker represents holding by Shenwan Hongyuan Futures (H.K.) Limited, a fellow subsidiary of the Manager and does not bear any interest.

	2017 HK\$	2016 HK\$
Amounts due to broker:		
Payables for securities purchased	<u>305,056</u>	<u>284,615</u>



**SHENYIN WANGUO CHINA POLICY FOCUS FUND  
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**NOTES TO THE FINANCIAL STATEMENTS**

**6 Taxation**

**(a) Hong Kong**

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

**(b) PRC**

Under current PRC tax law and regulations, the Sub-Fund is not directly subject to PRC corporate income tax, unless it is considered to have established a permanent establishment in the PRC or being regarded as a tax resident enterprise in the PRC.

The Sub-Fund is subject to PRC withholding tax of 10% on dividends and interests paid by PRC corporations, which are listed on the Hong Kong Stock Exchange.

**7 Transactions with the Trustee, Manager and connected persons**

Connected Persons of the Manager are those as defined in the Code on Unit Trusts and Mutual Funds established by the Securities & Futures Commission of Hong Kong (the "SFC Code"). All transactions entered into during the year between the Sub-Fund and the Trustee, the Manager and their Connected Persons were carried out in the normal course of business and on normal commercial terms. To the best of the Manager's knowledge, the Sub-Fund does not have any other transactions with Connected Persons except for those disclosed below.

**(a) Management fee**

The Manager is entitled to receive a management fee from the Sub-Fund, at a rate of 1.5% per annum for Class A and 1% per annum for Class I with respect to the units of the net asset value of the Sub-Fund calculated and accrued on each dealing day and are paid monthly in arrears.

The management fee charged for the year was HK\$350,007 (2016: HK\$257,685). As at 31 December 2017, the management fee of HK\$28,744 (2016: HK\$28,446) was payable to the Manager.

**(b) Trustee fee**

The Trustee is entitled to receive a trustee fee from the Sub-Fund, at a rate of 0.11% per annum for both Class A and Class I of the net asset value of the Sub-Fund and subject to a minimum monthly fee for each class of units calculated and accrued on each dealing day and are paid monthly in arrears. With effect from 1 April 2016, the minimum monthly trustee fee for each class of units are reduced from USD4,000 for each class of units to USD2,000 for each class of units.

The trustee fee charged for the year was HK\$374,399 (2016: HK\$467,488). As at 31 December 2017, the trustee fee of HK\$31,799 (2016: HK\$31,712) was payable to the Trustee.

**SHENYIN WANGUO CHINA POLICY FOCUS FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**7 Transactions with the Trustee, Manager and connected persons (Continued)**

**(c) Sub-custodian fee**

The Trustee is entitled to receive a custodian fee from the Sub-Fund. The custodian fee comprises of sub-custodian fees charged by the overseas sub-custodian, at a rate of approximately 0.015% per annum for Hong Kong Market and 0.0085% per annum for US Market of the net asset value of the overseas sub-custodian account of the Sub-Fund, subject to prevailing fee rate of the sub-custodian.

The sub-custodian fee for the year was HK\$110,330 (2016: HK\$34,435).

**(d) Holding in the Sub-Fund**

The Sub-Fund allows the Manager, its connected persons and other funds managed by the Manager to subscribe for, and redeem, units in the Sub-Fund. The holdings in the Sub-Fund by the Manager and its connected person at the reporting date were as follows.

Details of Class I units held by a fellow subsidiary of the Manager, Shenwan Hongyuan Strategic Investments (H.K.) Limited, are as follows:

	2017 Units	2016 Units
At the beginning of the year	511,494.148	-
Subscription	4,380,620.111	2,951,494.148
Redemption	(4,360,000.000)	(2,440,000.000)
At the end of the year	<u>532,114.259</u>	<u>511,494.148</u>

**(e) Investment transactions with connected persons of the Manager**

	Aggregate value of purchase and sales of securities HK\$	Total commission paid HK\$	% of Sub-Fund's total transactions during the year %	Average commission rate %
<b>2017</b>				
Shenwan Hongyuan Securities (H.K.) Limited	1,956,219	6,815	1.08	0.35
Shenwan Hongyuan Futures (H.K.) Limited	34,932,000	2,238	19.33	0.01
<b>2016</b>				
Shenwan Hongyuan Securities (H.K.) Limited	4,044,194	6,068	5.33	0.15
Shenwan Hongyuan Futures (H.K.) Limited	2,202,250	121	2.90	0.01

**SHENYIN WANGUO CHINA POLICY FOCUS FUND  
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**NOTES TO THE FINANCIAL STATEMENTS**

**7 Transactions with the Trustee, Manager and connected persons (Continued)**

**(f) Bank deposits held by the Trustee's affiliates**

The Sub-Fund's maintained a bank account with, Bank of Communications Co., Ltd., Hong Kong Branch, a bank under the same group as the Trustee. Further details of the balances held are described in Note 4(e) to the financial statements. During the year, interest income on these bank balances was HK\$43 (2016: HK\$21).

**8 Net assets attributable to unitholders**

A reconciliation of the net assets attributable to unitholders as reported in the statement of financial position to the net assets attributable to unitholders as determined for the purposes of processing unit subscriptions and redemptions is provided below:

	2017 HK\$	2016 HK\$
Published net assets attributable to unitholders	22,835,008	17,248,494
Adjustment to preliminary expenses (a)	-	(21,026)
Net assets attributable to unitholders (calculated in accordance with IFRSs)	<u>22,835,008</u>	<u>17,227,468</u>

Note:

- (a) The explanatory memorandum provides for the amortisation of preliminary expense over the first 5 years of operation of the Sub-Fund, instead of those amounts being expensed as incurred during the current period, as required under IFRSs.

The Sub-Fund's net asset value per unit is calculated by dividing the Sub-Fund's net assets with the total number of outstanding units.

**9 Soft commission arrangements**

The Manager and its connected persons may enter into soft commission arrangements with brokers under which certain goods and services used to support investment decision making will be received. The Manager and its connected persons will not make direct payment for these services but will transact an agreed amount of business with the brokers on behalf of the Sub-Fund and commission will be paid on these transactions.

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

Since the inception of the Sub-Fund, the Manager had not participated in any soft dollar arrangements in respect of any transactions for the accounts of the Sub-Fund.

**10 Approval of financial statements**

The financial statements of the Sub-Fund were approved by the Trustee and the Manager on 24 April 2018.

**SHENYIN WANGUO CHINA POLICY FOCUS FUND  
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**INVESTMENT PORTFOLIO (UNAUDITED)  
AS AT 31 DECEMBER 2017**

<b>Investments</b>	<b>Holdings</b>	<b>Fair value HK\$</b>	<b>% of net asset value</b>
<b>Listed Equity securities</b>			
<b>Hong Kong</b>			
AIA Group Limited	5,800	386,570	1.69
Bank of China Limited	87,000	334,080	1.46
Beijing Enterprises Holdings Limited	6,500	301,600	1.32
China Eastern Airlines Corporation Limited	38,000	215,460	0.94
China Maple Leaf Educational Systems Limited	36,000	329,760	1.44
China Medical System Holdings Limited	15,000	273,300	1.20
China Mengniu Dairy Company Limited	22,000	511,500	2.24
China Pacific Insurance (Group) Company Limited	13,200	495,660	2.17
China Petroleum And Chemical Corporation	60,000	343,800	1.51
China Resources Pharmaceutical Group Limited	25,000	253,000	1.11
China Shenhua Energy Company Limited	15,000	303,750	1.33
China Southern Airlines Company Limited	26,000	209,820	0.92
China Vanke Company Limited	13,400	418,080	1.83
China Yuhua Education Corporation Limited	64,000	250,880	1.10
CIFI Holdings Group Company Limited	66,000	310,860	1.36
CNOOC Limited	36,000	403,920	1.77
Country Garden Holdings Company Limited	23,000	342,700	1.50
CSPC Pharmaceutical Group Limited	22,000	347,160	1.52
Fosun International Limited	21,000	363,720	1.59
Galaxy Entertainment Group Limited	5,000	313,500	1.37
Geely Automobile Holdings Limited	37,000	1,002,700	4.39
Guangzhou Automobile Group Company Limited	20,000	370,400	1.62
Haitian International Holdings Limited	12,000	282,000	1.24
HengAn International Group Company Limited	4,000	347,000	1.52
Industrial & Commercial Bank Of China Limited	70,000	440,300	1.93
Kingboard Chemical Holdings Limited	15,500	654,875	2.87
Kingboard Laminates Holdings Limited	46,500	566,370	2.48
Logan Property Holdings Company Limited	46,000	371,680	1.63
Nexteer Automotive Group Limited	33,000	614,460	2.69
Ping An Insurance Group Company of China Limited	14,500	1,179,575	5.17
Shanghai Pharmaceuticals Holdings Company Limited	11,200	236,880	1.04
Shenzhen International Holdings Limited	21,000	312,480	1.37
Shenzhou International Group Holdings Limited	8,000	595,200	2.61
Sinopec Kantons Holdings Limited	74,000	373,700	1.64
Sinopharm Group Company Limited	14,800	500,240	2.19
SSY Group Limited	62,000	298,220	1.31
Techtronic Industries Company Limited	7,000	356,650	1.56
Tencent Holdings Limited	5,000	2,030,000	8.89
Tsingtao Brewery Company Limited	8,000	322,400	1.41
WH Group Limited	41,000	361,620	1.58
Wynn Macau Limited	13,600	336,600	1.47
Xiabuxiabu Catering Management China Holdings Company Limited	22,000	346,280	1.52

**SHENYIN WANGUO CHINA POLICY FOCUS FUND  
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**INVESTMENT PORTFOLIO (UNAUDITED) (Continued)  
AS AT 31 DECEMBER 2017**

<b>Investments (continued)</b>	<b>Holdings</b>	<b>Fair value HK\$</b>	<b>% of net asset value</b>
<b>Listed Equity securities (continued)</b>			
<b>Hong Kong (continued)</b>			
Xinyi Glass Holdings Limited	32,000	325,760	1.43
Yuzhou Properties Company Limited	75,000	312,750	1.37
Zhou Hei Ya International Holdings Company Limited	40,500	332,100	1.45
		<u>19,579,360</u>	<u>85.75</u>
<b>American Depositary Receipts</b>			
<b>United States</b>			
Alibaba Group Holding Limited	1,217	1,640,607	7.18
Baidu Inc	279	510,871	2.24
NetEase Inc	222	598,910	2.62
		<u>2,750,388</u>	<u>12.04</u>
Total investment portfolio, at fair value		22,329,748	97.79
Other net assets		<u>505,260</u>	<u>2.21</u>
Net assets value as at 31 December 2017 (calculated in accordance with the Sub-Fund's explanatory memorandum)		<u>22,835,008</u>	<u>100.00</u>
Total investment at cost		<u>18,866,059</u>	

**SHENYIN WANGUO CHINA POLICY FOCUS FUND**  
**(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**STATEMENT OF MOVEMENT IN PORTFOLIO HOLDINGS (UNAUDITED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	<b>% holdings of net assets as at 31 December 2017</b>	<b>% holdings of net assets as at 31 December 2016</b>
<u>Industry Sector</u>		
Basic Materials	5.35	4.49
Communications	18.32	16.85
Consumer, Cyclical	18.57	4.18
Consumer, Non-cyclical	19.44	3.65
Energy	6.24	7.79
Financial	21.70	29.79
Industrial	4.23	9.77
Technology	2.62	8.59
Utilities	1.32	1.22
Total investment portfolio	97.79	86.33
Other net assets	2.21	13.67
Net assets	100.00	100.00

**SHENYIN WANGUO CHINA POLICY FOCUS FUND  
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**PERFORMANCE TABLE (UNAUDITED)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**Net asset value**

(calculated in accordance with the Sub-Fund's explanatory memorandum)

	Net asset value per unit HK\$	Total net asset value HK\$
As at 31 December 2017		
CLASS A	11.397	4,863,727
CLASS I	11.729	17,971,281
As at 31 December 2016		
CLASS A	8.238	1,262,437
CLASS I	8.436	15,986,057
As at 31 December 2015		
CLASS A	9.371	1,436,032
CLASS I	9.548	13,701,399

**Highest issue price and lowest redemption price per unit**

(calculated in accordance with the Sub-Fund's explanatory memorandum)

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$
Year ended 31 December 2017		
CLASS A	11.665	8.250
CLASS I	11.999	8.449
Year ended 31 December 2016		
CLASS A	9.117	7.069
CLASS I	9.322	7.207
Year ended 31 December 2015		
CLASS A	15.318	8.913
CLASS I	15.561	9.068
Year ended 31 December 2014		
CLASS A	12.545	10.079
CLASS I	12.664	10.185

**SHENYIN WANGUO CHINA POLICY FOCUS FUND**  
**(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**PERFORMANCE TABLE (UNAUDITED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**Highest issue price and lowest redemption price per unit (Continued)**  
 (calculated in accordance with the Sub-Fund's explanatory memorandum)

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$
Year ended 31 December 2013		
CLASS A	12.176	9.471
CLASS I	12.279	9.530
Period from 6 January 2012 (date of inception) to 31 December 2012		
CLASS A	10.904	9.054
CLASS I	10.945	9.074