

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

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2018**

**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:**

2018 is a tough year for almost all global capital markets, especially for China. Index of developed and emerging markets all corrected significantly during the year. RMB reversed the appreciation trend in 2017 and depreciated significantly during 2018, and US dollar appreciated notable due to strong economy performance compared with other economies. Volatilities of global capital markets were also high compared with those in 2017.

Global economies recovery cycle entered late stage, and also disrupted by US President Donald Trump's protectionism policies, and China was mostly impacted due to intensified US-China trade war. US economy was notable stronger than other part of the world thanks to tax cut effect, and US Fed continued to raised rates by four times during the year. As a result, RMB depreciated significantly during the year, with onshore RMB/USD increased 5.72% to 6.88 as end of 2018. And China economy momentum turned weak since 2H18, as PMI dropped to below 50 territory in December 2018, and PPI index also dropped to below 1% in December 2018. Full year GDP growth decelerated to 6.6% in 2018 from 6.9% in 2017.

Although US economy was stronger compared with other parts of the world thanks to US tax reform, concerns of the sustainability of US economy performance had been increasing since late 2018, and US Fed rates hike expectation also subsided for 2019, due to worries about global economy slowdown, and trade war also brought more uncertainties for global economy.

**Portfolio Review:**

SYWG China Policy Fund (referred to as "CPF") was down 22.32% for A (Retail) class and down 21.93% for I (Institutional) class in 2018. While the same time, HSCEI was down 13.53%. Market was very volatile especially from 2H18, and we had reduced our net exposure at the end of 2018 to avoid further NAV fluctuation.

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

**Market Outlook and Portfolio Strategy:**

We believe Hong Kong and China markets have factored in large part of negative impacts from US-China trade war and global economy slowdown, and Hong Kong and China markets valuations have dropped to relatively low level. We believe China economy will continue to slowdown in 1H19, but domestic monetary policies will play a more supportive role as economy data turn worse, and domestic policies bottom has emerged for the stock markets. We will closely monitor the development of US-China trade conflicts, and adjust our portfolios accordingly. We believed any signs of easing trade war tensions will be positive for Hong Kong and China markets. While the pace of US Fed rates hike and slowdown of global economies may post uncertainties on market sentiment in 2019.

We remained low equity position in near term to avoid market volatilities, but will keep an eye on domestic policies as well as external events, and will increased our net equity exposure once more positive factors have emerged and market bottom has been confirmed. 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

26 April 2019

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  
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**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 2018.

A handwritten signature in black ink, consisting of stylized Chinese characters, likely representing the Trustee.

For and on behalf of  
Bank of Communications Trustee Limited  
26 April 2019

## ***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 2018;
- 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 2018, 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

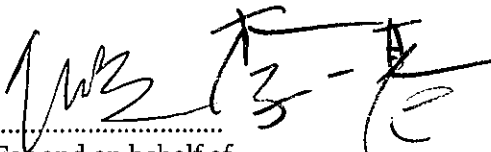
Hong Kong, 26 April 2019

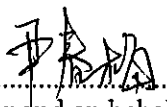
**SHENYIN WANGUO CHINA POLICY FOCUS FUND**  
**(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

	Note	2018 HK\$	2017 HK\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalent	3(e)	123,019	1,041,687
Financial assets at fair value through profit or loss	3(e), 3(g)	9,472,216	22,329,748
Amounts due from brokers	5	507,968	-
Dividend receivable		72	7,104
Prepayments		506	8,030
<b>Total assets</b>		<u>10,103,781</u>	<u>23,386,569</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Financial liabilities at fair value through profit or loss	3(e), 3(g)	43,300	-
Amounts due to brokers	5	-	305,056
Management fee payable	7(a)	8,948	28,744
Trustee fee payable	7(b)	31,799	31,799
Other payables and accruals		184,826	185,962
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<u>268,873</u>	<u>551,561</u>
<b>Net assets attributable to unitholders</b>		<u>9,834,908</u>	<u>22,835,008</u>
Represented by:			
Net assets attributable to unitholders (calculated in accordance with the Sub-Fund's Explanatory Memorandum)	8	<u>9,834,908</u>	<u>22,835,008</u>

Approved by the Trustee and the Manager on 26 April 2019.

  
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

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 2018**

	Note	2018 HK\$	2017 HK\$
<b>Income</b>			
Dividend income		833,219	964,023
Interest income		361	355
Net (losses)/gain on investments at fair value through profit or loss	4	(5,505,532)	10,933,640
Net exchange losses		(13,598)	(4,352)
<b>Total investment (loss)/ income</b>		<u>(4,685,550)</u>	<u>11,893,666</u>
<b>Expenses</b>			
Management fee	7(a)	331,526	350,007
Trustee fee	7(b)	374,399	374,399
Sub-custodian fee	7(c)	156,918	110,330
Auditor's remuneration		192,400	180,200
Handling and transaction fees		568,673	779,032
Bank charges		16,060	8,590
Legal and professional fees		7,523	105,540
Other expenses		18,790	24,964
<b>Total operating expenses</b>		<u>1,666,289</u>	<u>1,933,062</u>
<b>(Loss)/gain before tax</b>		<u>(6,351,839)</u>	<u>9,960,604</u>
Taxation	6	(59,259)	(31,820)
<b>Total comprehensive (loss)/income</b>		<u>(6,411,098)</u>	<u>9,928,784</u>

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

**SHENYIN WANGUO CHINA POLICY FOCUS FUND  
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**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	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\$
<b>As at 1 January 2017</b>		153,240,724	1,260,864	8.227	1,894,900,186	15,966,604	8.426
Issuance of units							
Redemption of units		366,333,913	4,000,000		4,380,620,111	42,000,000	
Total comprehensive income		(92,825,537)	(954,778)		(4,743,406,038)	(49,366,466)	
		-	557,641		-	9,371,143	
<b>As at 31 December 2017 and 1 January 2018</b>	8	426,749,100	4,863,727	11.397	1,532,114,259	17,971,281	11.729
Issuance of units							
Redemption of units		159,444,937	1,939,000		3,734,183,623	43,700,000	
Total comprehensive loss		(478,624,119)	(5,492,584)		(4,296,297,882)	(46,735,418)	
		-	(357,798)		-	(6,053,300)	
<b>As at 31 December 2018</b>	8	107,569,918	953,345	8.853	970,000,000	8,882,563	9.157

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 2018**

	2018 HK\$	2017 HK\$
<b>Cash flows from operating activities</b>		
Total comprehensive (loss)/gain	(6,411,098)	9,928,784
Adjustments for:		
Dividend income	(833,219)	(964,023)
Interest income	(361)	(355)
Withholding tax	59,259	31,820
Operating (loss)/income before working capital changes	(7,185,419)	8,996,226
Net decrease/(increase) in investments	12,900,832	(7,439,358)
(Increase)/decrease in amounts due from brokers	(507,968)	724,107
Decrease/(increase) in prepayments	7,524	(6,883)
(Decrease)/increase in amounts due to brokers	(305,056)	20,441
Decrease in management fee payable, trustee fee payable and other payables and accruals	(20,932)	(2,251)
Cash generated from operations	4,888,981	2,292,282
Dividend received	840,251	956,919
Interest received	361	355
Withholding tax paid	(59,259)	(31,820)
<b>Net cash generated from operating activities</b>	<b>5,670,334</b>	<b>3,217,736</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of units	45,639,000	46,000,000
Payments on redemption of units	(52,228,002)	(50,321,244)
<b>Net cash used in from financing activities</b>	<b>(6,589,002)</b>	<b>(4,321,244)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(918,668)</b>	<b>(1,103,508)</b>
Cash and cash equivalents at beginning of the year	1,041,687	2,145,195
<b>Cash and cash equivalents at end of the year</b>	<b>123,019</b>	<b>1,041,687</b>
<b>Analysis of balances of cash and cash equivalents</b>		
Bank balances	123,019	1,041,687

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 2018, 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  
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**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 2018

IFRS 9 'Financial Instruments' addresses the classification, measurement and derecognition of financial assets and liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018.

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest ("SPPI"). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss ("ECL") impairment model.

IFRS 9 has been applied retrospectively by the Sub-Funds and did not result in a change to the classification or measurement of financial instruments as outlined in note 2(b). The Sub-Fund's investment portfolios continue to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2018 that have a material effect on the financial statements of 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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Sub-Fund.

**SHENYIN WANGUO CHINA POLICY FOCUS FUND  
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**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**

Classification

The Sub-Fund classifies its investments based on both the Sub-Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Sub-Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Sub-Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Sub-Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Sub-Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

Investments in financial assets previously designated at fair value through profit or loss

The Sub-Fund holds equity securities of HK\$9,472,216 (2017: HK\$22,329,748) and derivatives designated as financial liabilities of HK\$43,300 (2017: Nil) which had previously been designated at fair value through profit or loss. On adoption of IFRS 9 these securities are mandatorily classified as fair value through profit or loss.

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.

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) 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.



**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)**

**(e) 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.

**(f) Expenses**

Expenses are accounted for on an accruals basis.

**(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.

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 losses".

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.

**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)**

Net assets attributable to unitholders (Continued)

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.

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.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

**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.

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

**3 Financial risk management (Continued)**

**(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.

As at 31 December 2018 and 2017, the Sub-Fund invested in listed equities and index futures. The net exposures of listed equity to industry sectors at 31 December 2018 and 2017 were as follows:

	2018 % of net asset value	2017 % of net asset value
Communications	6.34	2.24
Consumer Discretionary	10.16	27.38
Consumer Staples	-	9.65
Energy	11.43	6.24
Financials	41.45	21.70
Health Care	1.97	8.36
Industrials	5.44	2.61
Materials	2.90	6.77
Technology	8.94	11.51
Utilities	7.24	1.33
Total	<u>95.87</u>	<u>97.79</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 2018, if the underlying securities had increased/decreased by 5% (2017: 5%), the Sub-Fund's pre-tax profits for the year would have resulted in an increase/decrease of HK\$509,469 (2017: HK\$1,115,720).

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 2018, the Sub-Fund had bank balances of HK\$123,019 (2017: HK\$1,041,687) 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  
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**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 2018</b>			
<u>Investments</u>			
Citibank, N.A.	9,472,216	A1	Moody's
Shenwan Hongyuan Futures (H.K.) Limited	(43,300)	Not rated	Not rated
<u>Bank balances</u>			
Citibank, N.A.	100,074	A1	Moody's
Bank of Communications Co.,Ltd., Hong Kong Branch*	22,945	A2	Moody's
<u>Balance with broker</u>			
Shenwan Hongyuan Futures (H.K.) Limited	507,968	Not rated	Not rated
<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

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.

**SHENYIN WANGUO CHINA POLICY FOCUS FUND  
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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 2018</b>			
Management fee payable	-	8,948	8,948
Trustee fee payable	-	31,799	31,799
Other payables and accruals	-	184,826	184,826
Net assets attributable to unitholders	-	9,834,908	9,834,908
	-	10,060,481	10,060,481
<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

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 2018, there were 3 (2017: 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 2018</b>			
Total assets	123,019	9,980,256	10,103,275
<b>As at 31 December 2017</b>			
Total assets	1,041,687	22,336,852	23,378,539

**(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 and financial liabilities measured at fair value at 31 December 2018 and 2017:

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
<b>As at 31 December 2018</b>				
Investments				
Financial Assets				
- Equity securities	8,493,515	-	-	8,493,515
- American depositary receipts	978,701	-	-	978,701
<b>Total</b>	<b>9,472,216</b>	<b>-</b>	<b>-</b>	<b>9,472,216</b>
Financial Liabilities				
- Index futures	(43,300)	-	-	(43,300)
<b>Total</b>	<b>(43,300)</b>	<b>-</b>	<b>-</b>	<b>(43,300)</b>
<b>As at 31 December 2017</b>				
Investments				
Financial Assets				
- Equity securities	19,579,360	-	-	19,579,360
- American depositary receipts	2,750,388	-	-	2,750,388
<b>Total</b>	<b>22,329,748</b>	<b>-</b>	<b>-</b>	<b>22,329,748</b>

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

During the year ended 31 December 2018 and 31 December 2017, 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**  
**(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**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 investments at fair value through profit or loss**

	2018 HK\$	2017 HK\$
Change in unrealised (losses)/gains of investments at fair value through profit or loss	(3,982,392)	3,324,684
Net realised (losses)/gains on sale of investments at fair value through profit or loss	(1,523,140)	7,608,956
	<u>(5,505,532)</u>	<u>10,933,640</u>

**5 Amounts due from/to brokers**

	2018 HK\$	2017 HK\$
Amounts due from brokers:		
Margin account held by broker <sup>1</sup>	<u>507,968</u>	<u>-</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.

	2018 HK\$	2017 HK\$
Amounts due to broker:		
Payables for securities purchased	<u>-</u>	<u>305,056</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 10 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\$331,526 (2017: HK\$350,007). As at 31 December 2018, the management fee of HK\$8,948 (2017: HK\$28,744) 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.

The trustee fee charged for the year was HK\$374,399 (2017: HK\$374,399). As at 31 December 2018, the trustee fee of HK\$31,799 (2017: HK\$31,799) was payable to the Trustee.

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

**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\$156,918 (2017: HK\$110,330).

**(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:

	2018 Units	2017 Units
At the beginning of the year	532,114.259	511,494.148
Subscription	3,734,183.623	4,380,620.111
Redemption	(4,266,297.882)	(4,360,000.000)
At the end of the year	-	532,114.259

**(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>2018</b>				
Shenwan Hongyuan Securities (H.K.) Limited	147,103,302	161,501	17.57	0.11
Shenwan Hongyuan Futures (H.K.) Limited	568,505,000	38,232	67.89	0.01
<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

**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 3(e) to the financial statements. During the year, interest income on these bank balances was HK\$102 (2017: HK\$43).

**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:

	2018 HK\$	2017 HK\$
Published net assets attributable to unitholders	9,834,908	22,835,008
Net assets attributable to unitholders (calculated in accordance with IFRSs)	<u>9,834,908</u>	<u>22,835,008</u>

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 26 April 2019.

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

**INVESTMENT PORTFOLIO (UNAUDITED)**  
**AS AT 31 DECEMBER 2018**

<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>			
Agricultural Bank Of China Limited	138,000	473,340	4.81
AIA Group Limited	4,200	273,000	2.78
Anhui Conch Cement Company Limited	7,500	285,000	2.90
Bank Of China Limited	203,000	686,140	6.98
China CITIC Bank International Limited	58,000	276,080	2.81
China Construction Bank Corporation	106,000	684,760	6.96
China Gas Holdings Limited	11,200	312,480	3.18
China International Capital Corporation Limited	10,000	147,000	1.50
China Mobile Limited	6,000	452,100	4.60
China Petroleum And Chemical Corporation	62,000	346,580	3.52
China Railway Group Limited	37,000	263,810	2.68
China Resources Pharmaceutical Group Limited	19,000	194,180	1.97
China Railway Construction Corporation Limited	25,000	271,500	2.76
CNOOC Limited	32,000	387,200	3.94
ENN Energy Holdings Limited	2,700	187,515	1.91
Guangdong Investment Limited	14,000	211,960	2.15
Hong Kong Exchanges and Clearing Limited	800	181,280	1.84
Industrial and Commercial Bank Of China Limited	114,000	637,260	6.48
Petrochina Company Limited	80,000	390,400	3.97
Ping An Insurance Group	11,000	760,650	7.73
Sands China Limited	5,600	192,080	1.95
Tencent Holdings Limited	2,800	879,200	8.94
		<hr/> 8,493,515	<hr/> 86.36
<b>American Depositary Receipts</b>			
<b>United States</b>			
Alibaba Group Holding Limited	752	807,286	8.21
Baidu Inc	138	171,415	1.74
		<hr/> 978,701	<hr/> 9.95

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

**INVESTMENT PORTFOLIO (UNAUDITED) (Continued)**  
**AS AT 31 DECEMBER 2018**

<b>Investments</b>	<b>Holdings</b>	<b>Fair value HK\$</b>	<b>% of net asset value</b>
<b>Index Future Hong Kong</b>			
HHI FUT Jan 2019	(5)	(13,000)	(0.13)
FUT HSI Jan 2019	(2)	(30,300)	(0.31)
		<u>(43,300)</u>	<u>(0.44)</u>
Total investment portfolio, at fair value		9,428,916	95.87
Other net assets		<u>405,992</u>	<u>4.13</u>
Net assets value as at 31 December 2018 (calculated in accordance with the Sub-Fund's explanatory memorandum)		<u>9,834,908</u>	<u>100.00</u>
Total investment at cost		<u>10,209,697</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 2018**

	<b>% holdings of net assets as at 31 December 2018</b>	<b>% holdings of net assets as at 31 December 2017</b>
<u>Industry Sector</u>		
Communications	6.34	2.24
Consumer Discretionary	10.16	27.38
Consumer Staples	-	9.65
Energy	11.43	6.24
Financials	41.45	21.70
Health Care	1.97	8.36
Industrials	5.44	2.61
Materials	2.90	6.77
Technology	8.94	11.51
Utilities	7.24	1.33
Total equity investment portfolio	95.87	97.79
Other net assets	4.13	2.21
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 2018**

**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 2018		
CLASS A	8.853	952,345
CLASS I	9.157	8,882,563
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 2018		
CLASS A	12.617	8.820
CLASS I	12.990	9.121
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

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

**PERFORMANCE TABLE (UNAUDITED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**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 2014		
CLASS A	12.545	10.079
CLASS I	12.664	10.185
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