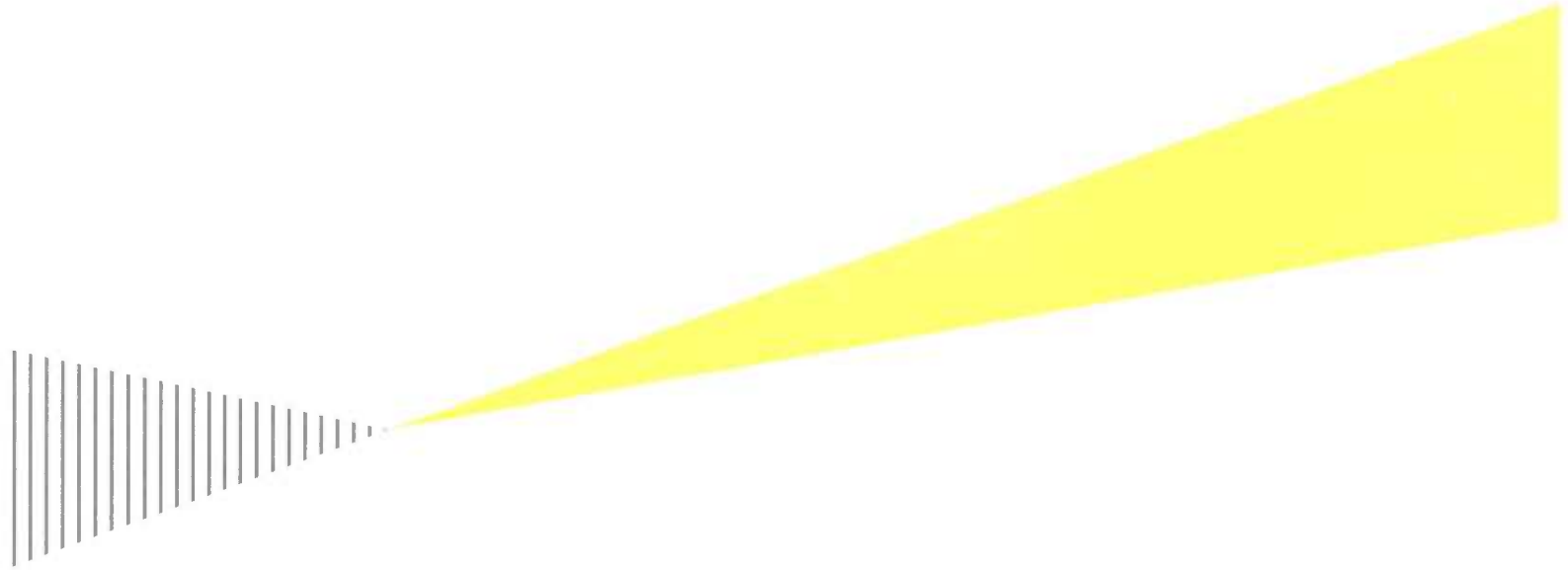


REPORTS AND AUDITED FINANCIAL STATEMENTS

SWS STRATEGIC INVESTMENT FUNDS
– SHENYIN WANGUO CHINA POLICY FOCUS FUND
(A sub-fund of an open-ended umbrella unit trust established under
the laws of Hong Kong)

31 December 2013



SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO CHINA POLICY FOCUS FUND

CONTENTS

	Pages
REPORT OF THE MANAGER	1 - 2
REPORT OF THE TRUSTEE	3
ADMINISTRATION AND MANAGEMENT	4
INDEPENDENT AUDITORS' REPORT	5 - 6
AUDITED FINANCIAL STATEMENTS	
Statement of comprehensive income	7
Statement of financial position	8 - 9
Statement of changes in net assets attributable to holders of redeemable units	10 - 11
Statement of cash flows	12
Notes to financial statements	13 - 35
STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS	36
PERFORMANCE TABLE	37
INVESTMENT PORTFOLIO	38

REPORT OF THE MANAGER

Market Review

The equities markets' performances diverged between developed markets and emerging markets in 2013. The US and European markets continue to break new highs on positive economic data readings, while most of the emerging markets recorded moderate loss over the year. Fear of QE tapering led strong money outflow since June from the emerging markets. The US job market was still lacklustre, with monthly non-farm payroll gained hover around 200,000 jobs during 2013. At the mean time, US unemployment rate also declined from 7.9% at beginning of 2013 to 6.7% at the end of 2013. Since US unemployment rate was one of the key macro readings on the US Fed watch list, the Fed decided to taper QE from Sep/2013.

In China, the domestic economy continued to decelerate as evident from its GDP: 7.9% (2012) to 7.7% (2013). This is consistent with its PMI which persistently hovered barely above 50. CPI were reined within the government targeted level (which is 3.5%), stood at 2.5% for both 2012 and 2013.

However, unlike last year, the rapidly slowing GDP, PMI and benign inflation did not intrigue the People's Bank of China ("PBOC") to loose its monetary policies. In 2013, PBOC maintained its reserve required ratio ("RRR") at 20.0%, the benchmark 1 year deposit rate at 3.0% and the 1 year lending rate at 6.0%.

In terms of market action for 2013, three particular industries and themes stood out: Internet, Environmental and Pharmaceutical sectors. At the end of the spectrum of market under-performers, suffering the brunt of market doldrums is basic materials and energy. The market is expecting GDP slow down will mainly be dragged by FAI topping out, as the government has limited room to borrow and invest in infrastructures.

Portfolio Review

SYWG China Policy Focus Fund (referred to as "CPF") was up by 10.4% in 2013. In that comparative period, HSI climbed 2.9% whilst the HSCEI retreated by 5.4%. Hence the CPF outperformed HSI and HSCEI by a wide margin of 7.5% and 15.6%.

CPF's out-performance is largely attributed to our accurate bottom-up research and cherry picking skills. We avoided the market carnage by avoiding the lame duck sectors and embraced the sectors that benefited the most from the "new economy".

Market Outlook and Portfolio Strategy

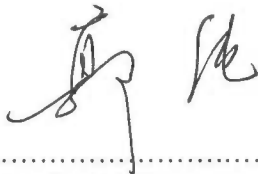
We believe the Chinese government will continue to struggle with the balance among supporting a reasonable growth, reining asset bubble (especially property prices), and structural reform. Thus, all the monetary policies are likely to remain status quo until the economy is expected to sink below their bottom-line, which at this stage is 7.2% annual GDP growth, or if the CPI is expected to surge above 3.5%. Despite we have confidence that China will muddle through the reform, we believe the process will be painful. And during the process, market volatility will increase as many sectors' short term earning will be impacted.

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO CHINA POLICY FOCUS FUND

REPORT OF THE MANAGER (continued)

We do not envisage another large fiscal stimulus package like the previous 4-trillion boost in 2009. However, we are convinced that government can and will stimulate the economy via directional easing, which is to provide favorable policies and subsidies to certain sectors that the government believes to coincide with a higher quality of economy growth. These sectors include clean energy, hospital construction, and technology research. As investor sentiment is fickle and fragile, we would prefer to invest in these sectors with higher earnings visibility, avoid those with poor earnings visibility or corporate governance.

Sincerely yours,



.....
Shenyin Wanguo Asset Management (Asia) Limited
29 April 2014

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. Shenyin Wanguo Asset Management (Asia) Limited is the issuer of this report. This document has not been reviewed by the Securities and Futures Commission.

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO CHINA POLICY FOCUS FUND

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 its supplemental deed for the year ended 31 December 2013.

For and on behalf of
BANK OF COMMUNICATIONS TRUSTEE LIMITED



Authorized Signatures

.....
Bank of Communications Trustee Limited
29 April 2014

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO CHINA POLICY FOCUS FUND

ADMINISTRATION AND MANAGEMENT

MANAGER

Shenyin Wanguo Asset Management (Asia)
Limited
Level 19,
28 Hennessy Road,
Hong Kong

TRUSTEE AND REGISTRAR

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

DIRECTORS OF THE MANAGER

Chu Xiaoming
Lu Wenqing
Lee Man Chun Tony
Guo Chun
Bai Youge
Fu Xingyi

AUDITORS

Ernst & Young
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

LEGAL ADVISERS

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



Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

Independent auditors' report

To the Trustee and Manager of

SWS Strategic Investment Funds – Shenyin Wanguo China Policy Focus Fund

(A sub-fund of an open-ended umbrella unit trust established under the laws of Hong Kong)

We have audited the financial statements of SWS Strategic Investment Funds – Shenyin Wanguo China Policy Focus Fund (a sub-fund of SWS Strategic Investment Funds (the "Trust") and referred to as the "Sub-Fund") set out on pages 7 to 35, which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, the statement of changes in net assets attributable to holders of redeemable units, the statement of cash flows and the statement of distribution for the year ended 31 December 2013, and a summary of significant accounting policies and other explanatory information.

Trustee's and Manager's responsibility for the financial statements

The Trustee and the Manager of the Sub-Fund are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the Trustee and the Manager determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In addition, the Trustee and the Manager also have a responsibility to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed of the Sub-Fund dated 6 January 2012 ("Trust Deed") and the disclosure requirements specified in Appendix E to the Code on Unit Trusts and Mutual Funds of the Securities and Futures Commission of Hong Kong (the "SFC Code"),

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement and whether the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed and the disclosure requirements specified in Appendix E to the SFC Code.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustee and the Manager, as well as evaluating the overall presentation of the financial statements.

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

Independent auditors' report (continued)

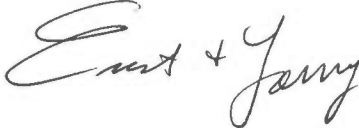
**To the Trustee and Manager of
SWS Strategic Investment Funds - Shenyin Wanguo China Policy Focus Fund**
(A sub-fund of an open-ended umbrella unit trust established under the laws of Hong Kong)

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 2013, and of its financial position and cash flows for the year ended 31 December 2013 in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed and the disclosure requirements specified in Appendix E to the SFC Code.



Certified Public Accountants
Hong Kong
29 April 2014

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO CHINA POLICY FOCUS FUND

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	Year ended 31 December 2013 HK\$	Period from 6 January 2012 (date of establishment) to 31 December 2012 HK\$
INCOME			
Dividend income		985,772	894,454
Interest income		118	1,006
Net realised gains on financial assets at fair value through profit or loss	8	7,127,663	1,563,886
Net change in unrealised gains on financial assets at fair value through profit or loss	8	<u>935,594</u>	<u>6,064,974</u>
		<u>9,049,147</u>	<u>8,524,320</u>
EXPENSES			
Management fee	5	596,902	380,090
Trustee fee	5	748,801	562,623
Auditors' remuneration		167,999	116,556
Bank Charges		7,470	1,155
Publishing charges		19,055	13,984
Commission expenses		8,713	9,537
Set up fee		-	647,387
Handling and transaction fees		633,828	631,767
Other expenses		<u>41,662</u>	<u>-</u>
		<u>2,224,430</u>	<u>2,363,099</u>
PROFIT BEFORE TAX		6,824,717	6,161,221
Withholding tax expenses	6	<u>(54,276)</u>	<u>(55,270)</u>
INCREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS DURING THE YEAR/PERIOD		<u><u>6,770,441</u></u>	<u><u>6,105,951</u></u>

The accompanying notes are an integral part of these financial statements.

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO CHINA POLICY FOCUS FUND

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 HK\$	2012 HK\$
ASSETS			
Cash and cash equivalents	10	1,444,044	7,192,457
Financial assets at fair value through profit or loss	8	27,373,100	48,770,200
Amounts due from broker	11	467,500	1,694,613
Prepayments		<u>1,334</u>	<u>3,077</u>
TOTAL ASSETS		<u>29,285,978</u>	<u>57,660,347</u>
LIABILITIES			
Amounts payable on redemption		500,000	-
Management fee payable	5	39,035	37,174
Trustee fee payable	5	65,648	63,423
Audit fee payable		63,999	116,556
Publishing fee payable		<u>1,632</u>	<u>-</u>
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		<u>670,314</u>	<u>217,153</u>
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		<u>28,615,664</u>	<u>57,443,194</u>
TOTAL LIABILITIES		<u>29,285,978</u>	<u>57,660,347</u>
Represented by:			
Net asset attributable to holders of redeemable units (calculated in accordance with the Sub-Fund's explanatory memorandum)	12	29,027,316	57,986,284
Adjustment for preliminary expenses recognised	12	<u>(411,652)</u>	<u>(543,090)</u>
Net assets attributable to holders of redeemable units (calculated in accordance with IFRSs)		<u>28,615,664</u>	<u>57,443,194</u>

SWS STRATEGIC INVESTMENT FUNDS
 - SHENYIN WANGUO CHINA POLICY FOCUS FUND

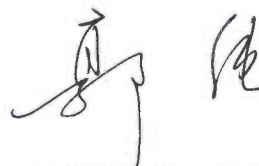
STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2013

	Notes	2013 HK\$	2012 HK\$
NUMBER OF UNITS IN ISSUE			
Class A		474,388.253	142,002.000
Class I		<u>1,905,426.440</u>	<u>5,133,674.068</u>
		<u>2,379,814.693</u>	<u>5,275,676.068</u>
NET ASSET VALUE PER UNIT (calculated in accordance with IFRSs)			
Class A	12	<u>11.939</u>	<u>10.848</u>
Class I	12	<u>12.045</u>	<u>10.889</u>

For and on behalf of
 BANK OF COMMUNICATIONS TRUSTEE LIMITED


 Authorized Signatures



.....
 Trustee

.....
 Manager

The accompanying notes are an integral part of these financial statements.

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO CHINA POLICY FOCUS FUND

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the year ended 31 December 2013

	Class A		Class I		TOTAL
	Number of units	Net assets attributable to holders of redeemable units HK\$	Number of units	Net assets attributable to holders of redeemable units HK\$	
As at 1 January 2013	142,002,000	1,540,465	5,133,674,068	55,902,729	57,443,194
Issuance of units during the year	343,386,253	3,751,424	-	-	3,751,424
Redemption of units during the year	(11,000,000)	(112,332)	(3,228,247,628)	(39,237,063)	(39,349,395)
Increase in net assets attributable to holders of redeemable units from operations for the year	-	484,172	-	6,286,269	6,770,441
As at 31 December 2013	474,388,253	5,663,729	1,905,426,440	22,951,935	28,615,664
					12.045

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO CHINA POLICY FOCUS FUND

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (continued)

For the period from 6 January 2012 (date of establishment) to 31 December 2012

	Class A		Class I		TOTAL
	Number of units	Net assets attributable to holders of redeemable units HK\$	Number of units	Net assets attributable to holders of redeemable units HK\$	
As at 6 January 2012 (date of establishment)	-	-	-	-	-
Issuance of units during the period	639,002,000	6,390,000	5,514,699,025	54,000,000	60,390,000
Redemption of units during the period	(497,000,000)	(5,052,757)	(381,024,957)	(4,000,000)	(9,052,757)
Increase in net assets attributable to holders of redeemable units from operations for the period	-	203,222	-	5,902,729	6,105,951
As at 31 December 2012	142,002,000	1,540,465	5,133,674,068	55,902,729	57,443,194

The accompanying notes are an integral part of these financial statements.

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO CHINA POLICY FOCUS FUND

STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Notes	Year ended 31 December 2013 HK\$	Period from 6 January 2012 (date of establishment) to 31 December 2012 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		6,824,717	6,161,221
Adjustments for:			
Dividend income		(985,772)	(894,454)
Interest income		(118)	(1,006)
Net change in unrealised gains on financial assets at fair value through profit or loss		(935,594)	(6,064,974)
Net realised gain on financial assets at fair value through profit or loss		(7,127,663)	(1,563,886)
Purchase of financial assets at fair value through profit or loss		(146,979,167)	(172,592,271)
Proceeds from sale of financial assets at fair value through profit or loss		176,439,524	131,450,931
		<u>27,235,927</u>	<u>(43,504,439)</u>
Decrease/(Increase) in amounts due from broker		1,227,113	(1,694,613)
Decrease/(Increase) in prepayments		1,743	(3,077)
Increase in management fee payable		1,861	37,174
Increase in trustee fee payable		2,225	63,423
(Decrease)/ Increase in audit fee payable		(52,557)	116,556
Increase in publishing fee payable		1,632	-
Net cash used in operations		<u>28,417,944</u>	<u>(44,984,976)</u>
Dividend received		985,772	894,454
Interest received		118	1,006
Withholding tax paid		(54,276)	(55,270)
Net cash used in operating activities		<u>29,349,558</u>	<u>(44,144,786)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds on issue of units		3,751,424	60,390,000
Payments on redemption of units		(38,849,395)	(9,052,757)
Net cash flow from financing activities		<u>(35,097,971)</u>	<u>51,337,243</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		<u>(5,748,413)</u>	<u>7,192,457</u>
Cash and cash equivalents at beginning of year/period		<u>7,192,457</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		<u><u>1,444,044</u></u>	<u><u>7,192,457</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash at bank	10	<u><u>1,444,044</u></u>	<u><u>7,192,457</u></u>

The accompanying notes are an integral part of these financial statements

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO CHINA POLICY FOCUS FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2013

1. THE SUB-FUND

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 and 10 January 2012 (the "Supplemental Deed") entered into between Shenyin Wanguo 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 the Securities and Futures Commission of Hong Kong under Section 104(1) 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 2013, another sub-fund, SWS Strategic Investment Funds – Shenyin Wanguo RMB Mainland Investment Fund, existed. 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 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.

As at 31 December 2013, there was no redeemable units of the Sub-Fund that were held by the any company related to the Manager (2012: 57.16% held by a fellow subsidiary of the Manager).

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board ("IASB").

The financial statements have been prepared on a historical basis, except for financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value. The financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest dollars, except when otherwise indicated.

The Sub-Fund presents its statement of financial position in order of liquidity. As at 31 December 2013, all the assets and liabilities of the Sub-Fund are expected to be recovered or settled within 12 months.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRSs effective as of 1 January 2013:

IAS 1 Presentation of Financial Statements

Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will not be reclassified. The amendment has not impacted the Sub-Fund's accounts as the Sub-Fund has no other comprehensive income.

IAS 1 Clarification of the requirement for comparative information (Amendment)

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies, makes retrospective restatements or makes reclassifications, and that change has material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

IFRS 10 Consolidated Financial statements and Investment Entities Amendments

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 *Consolidation - Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. These amendments has not impact the Sub-Fund's financial position or performance.

IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments resulted in additional disclosure in the notes to the financial statements and has not impact the Sub-Fund's financial position or performance.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Sub-Fund's financial statements are listed below. The Sub-Fund intends to adopt applicable standards when they become effective.

IFRS 9 Financial Instruments - Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The mandatory effective date of IFRS 9 was removed by IASB in November 2013 but the IFRS 9 is available for application now. A new mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial instruments. The Sub-Fund will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendment to IFRS 10, IFRS 12 and IAS 27 (2011) – Investment Entities

Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (2011). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. These amendments are not expected to impact the Sub-Fund's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

These amendments clarify the meaning of currently has a legally enforceable right to set-off. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Sub-Fund's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

Amendments under the Annual Improvements to IFRSs 2010-2012 and 2011-2013 Cycles

The *Annual Improvements to IFRSs 2010-2012 and 2011-2013 Cycles* issued in December 2013 set out amendments to a number of IFRSs and shall be applied for a financial period beginning on or after 1 July 2014, except where otherwise indicated. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant impact on the Sub-Fund.

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO CHINA POLICY FOCUS FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

(a) Classification

The Sub-Fund classifies its financial assets and financial liabilities into the following categories in accordance with IAS 39.

Financial assets held for trading

A financial asset or financial liability is classified as held for trading if it is: (i) acquired or incurred principally for the purpose of selling or repurchasing in the near term; or (ii) part of a portfolio of identifiable financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or a derivative (except for a derivative that is a designated and effective hedging instrument). The Sub-Fund does not apply hedge accounting.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Sub-Fund includes in this category amounts relating to amounts due from brokers and other short-term receivables.

Other financial liabilities

This category includes all financial liabilities, other than those classified as held for trading. The Sub-Fund includes in this category amounts relating to an amount due to a broker and short-term payables.

(b) Recognition

The Sub-Fund recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e., the date that the Sub-Fund commits to purchase or sell the asset.

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO CHINA POLICY FOCUS FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Initial measurement

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Loans and receivables and financial liabilities (other than those classified as held for trading) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

(d) Subsequent measurement

After initial measurement, the Sub-Fund measures financial instruments which are classified as at fair value through profit or loss at fair value. Subsequent changes in the fair value of those financial instruments are recorded in "Net change in unrealised gains/(losses) on financial assets at fair value through profit or loss". Dividend income elements of such instruments are recorded separately in dividend income.

Loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as held for trading, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

(e) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired; or
- The Sub-Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Sub-Fund has transferred substantially all the risks and rewards of the asset, or (b) the Sub-Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Sub-Fund has transferred its rights to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Sub-Fund's continuing involvement in the asset. The Sub-Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

Realised gains and losses on investments are calculated on the first in first out basis and are dealt with in profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value for financial instruments traded in active markets at the reporting date are based on their quoted market price or binding dealer price quotations for an identical asset or liability, without any deduction for transaction costs. An active market is a market in which transactions for the asset or liabilities takes place with sufficient frequency and volume to provide pricing information on an ongoing basis

Impairment of financial assets

The Sub-Fund assesses at each reporting date whether a financial asset or group of financial assets classified as loans and receivables is impaired. Evidence of impairment may include indications that the debtor, or a group of debtors, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and, where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

Impaired debts, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Sub-Fund. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a previous write-off is later recovered, the recovery is credited to profit or loss.

Interest revenue on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Offsetting financial instruments

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

Functional and presentation currency

The Sub-Fund's functional and presentation currency is the HK\$, which is the currency of the primary economic environment in which it operates. The Sub-Fund's performance is evaluated and its liquidity is managed in HK\$. Therefore, the HK\$ is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO CHINA POLICY FOCUS FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translations

Transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Foreign currency transaction gains and losses on financial instruments classified as at fair value through profit or loss are included in profit or loss in the statement of comprehensive income as part of the net gain or loss on financial assets and financial liabilities at fair value through profit or loss. Exchange differences on other financial instruments are included in profit or loss in the statement of comprehensive income as net exchange gains/ (losses).

Balances with 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.

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

Net assets attributable to holders of redeemable units

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 24th and 31st of December and the 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 holders of redeemable units of the relevant classes. 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 holders of redeemable units per unit at the time of issue or redemption. The Sub-Fund's net assets attributable to holders of redeemable units per unit is calculated by dividing the net assets attributable to holders by the number of units in issue.

Redemption of units are on each business day (Dealing Date) and redemption proceeds are usually settled within 7 business day from the Dealing Date.

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO CHINA POLICY FOCUS FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 redemptions are based on the latest available valuation. Proceeds and payments for units issued and redeemed are shown as movements in the statement of changes in net assets attributable to holders of redeemable units.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise demand deposits, short-term deposits in banks and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash at bank, excluding amounts which have been pledged as collateral.

Interest income

Interest income is recognised in profit or loss for all interest-bearing financial instruments using the effective interest method.

Dividend income

Dividend income is recognised when the Sub-Fund's right to receive the payment is established. Dividend income is presented net of any non-recoverable withholding taxes.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Sub-Fund if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Sub-Fund;
 - (ii) has significant influence over the Sub-Fund; or
 - (iii) is a member of the key management personnel of the Sub-Fund or of a parent of the Sub-Fund;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Sub-Fund are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Sub-Fund are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Sub-Fund or an entity related to the Sub-Fund;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management of the entity.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Sub-Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Sub-Fund's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Going concern

The Sub-Fund's management has made an assessment of the Sub-Fund's ability to continue as a going concern and is satisfied that the Sub-Fund has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Sub-Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Sub-Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Sub-Fund. Such changes are reflected in the assumptions when they occur.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is measured using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and model inputs such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the statement of financial position and the level where the instruments are disclosed in the fair value hierarchy.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and changes in tax laws on foreign withholding tax. Given the wide range of international investments, differences arising between the actual investment income and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense already recorded.

5. FEES

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 for the year was HK\$596,902 (2012: HK\$380,090). As at 31 December 2013, the management fee of HK\$39,035 (2012: HK\$37,174) was payable to the Manager.

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 of USD4,000 for each class of units calculated and accrued on each dealing day and are paid monthly in arrears.

The trustee fee for the year was HK\$748,801 (2012: HK\$562,623). As at 31 December 2013, the trustee fee of HK\$65,648 (2012: HK\$63,423) was payable to the Trustee.

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO CHINA POLICY FOCUS FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2013

6. TAXATION

Hong Kong

The Sub-Fund is exempted from Hong Kong profits tax on profits arising from authorised activities under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

People's Republic of China ("PRC") tax

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. DISTRIBUTION

According to the distribution policy as stated in the Sub-Fund's explanatory memorandum, no distribution will be paid out of income and/or capital of the Sub-Fund.

8. FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013 HK\$	2012 HK\$
<u>Financial assets at fair value through profit or loss</u>		
Held for trading		
- listed equity securities	27,373,100	46,568,700
- listed exchange traded funds ("ETF")	-	2,201,500
	<u>27,373,100</u>	<u>48,770,200</u>
Net gains on financial assets and financial liabilities at fair value through profit or loss:		
- realised	7,127,663	1,563,886
- unrealised	935,594	6,064,974
Net gains	<u>8,063,257</u>	<u>7,628,860</u>

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO CHINA POLICY FOCUS FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2013

9. FAIR VALUE OF FINANCIAL HIERARCHY

The following shows financial instruments measured at fair value, analysed between those whose fair value is based on:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 - Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 December 2013, the Sub-Fund's financial assets at fair value through profit or loss was HK\$27,373,100 (2012: HK\$48,770,200). All of them were classified as Level 1 fair value measurements.

During the year ended 31 December 2013, there were no transfers between Level 1 and Level 2 of fair value measurements, and no transfers into and out of Level 3 of fair value measurements.

When fair values of listed equity securities and listed ETF at the reporting date are based on quoted market prices or binding dealer price quotations, without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy.

10. CASH AND CASH EQUIVALENTS

At 31 December 2013, cash and cash equivalents are solely comprised of cash at a bank. The cash at bank are interest bearing and are placed with the following banks:

	2013 HK\$	2012 HK\$
Bank of Communications Co., Ltd., Hong Kong Branch	518,454	143,004
Citibank N.A., Hong Kong Branch	<u>925,590</u>	<u>7,049,453</u>
	<u>1,444,044</u>	<u>7,192,457</u>

Bank of Communications Co., Ltd., Hong Kong Branch is a bank under the same group of companies as the Trustee.

SWS STRATEGIC INVESTMENT FUNDS
 - SHENYIN WANGUO CHINA POLICY FOCUS FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2013

11. BALANCES WITH BROKERS

	2013 HK\$	2012 HK\$
Amount due from a broker		
- margin account held by broker	<u>467,500</u>	<u>1,694,613</u>

Amount due from a broker represents margin account held by Shenyin Wanguo Futures (H.K.) Limited, a fellow subsidiary of the Manager and does not bear any interest.

12. NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

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

	2013 HK\$	2012 HK\$
Published net assets attributable to holders of redeemable units	29,027,316	57,986,284
Adjustment to preliminary expense (a)	<u>(411,652)</u>	<u>(543,090)</u>
Net assets attributable to holders of redeemable units (calculated in accordance with IFRSs)	<u>28,615,664</u>	<u>57,443,194</u>

Notes:

- (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.

SWS STRATEGIC INVESTMENT FUNDS
 - SHENYIN WANGUO CHINA POLICY FOCUS FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2013

12. NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (continued)

	2013		2012	
	Calculated in accordance with IFRSs HK\$	Calculated in accordance with Sub-Fund's explanatory memorandum HK\$	Calculated in accordance with IFRSs HK\$	Calculated in accordance with Sub-Fund's explanatory memorandum HK\$
Net asset value				
Class A	5,663,729	5,745,787	1,540,465	1,555,083
Class I	22,951,935	23,281,529	55,902,729	56,431,201
	HK\$	HK\$	HK\$	HK\$
Net asset value per unit				
Class A	11.939	12.111	10.848	10.951
Class I	12.045	12.218	10.889	10.992

Capital management

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

- a) To invest the capital in investments for achieving its investment objectives;
- b) 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
- c) To maintain sufficient liquidity to meet the expenses of the Sub-Fund and redemption requests as they arise.

SWS STRATEGIC INVESTMENT FUNDS
 - SHENYIN WANGUO CHINA POLICY FOCUS FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2013

13. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2013

<u>Financial assets</u>	Held for trading HK\$	Loans and receivables HK\$	Total HK\$
Financial assets at fair value through profit or loss	27,373,100	-	27,373,100
Amounts due from brokers	-	467,500	467,500
Cash and cash equivalents	-	1,444,044	1,444,044
	<u>27,373,100</u>	<u>1,911,544</u>	<u>29,284,644</u>
 <u>Financial liabilities</u>			At amortised cost HK\$
Management fee payable			39,035
Trustee fee payable			65,648
Audit fee payable			63,999
Publishing fee payable			1,632
Amounts payable on redemption			500,000
			<u>670,314</u>

SWS STRATEGIC INVESTMENT FUNDS
 - SHENYIN WANGUO CHINA POLICY FOCUS FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2013

13. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2012

<u>Financial assets</u>	Held for trading HK\$	Loans and receivables HK\$	Total HK\$
Financial assets at fair value through profit or loss	48,770,200	-	48,770,200
Amounts due from brokers	-	1,694,613	1,694,613
Cash and cash equivalents	-	7,192,457	7,192,457
	<u>48,770,200</u>	<u>8,887,070</u>	<u>57,657,270</u>
 <u>Financial liabilities</u>			At amortised cost HK\$
Management fee payable			37,174
Trustee fee payable			63,423
Audit fee payable			<u>116,556</u>
			<u>217,153</u>

14. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

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.

SWS STRATEGIC INVESTMENT FUNDS
 - SHENYIN WANGUO CHINA POLICY FOCUS FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2013

14. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

The performance of the Sub-Fund could be affected by a number of risk factors, including the following:

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as equity prices, interest rates, and foreign exchange rates. The maximum risk resulting from the equity securities equals their fair value. The use of derivatives in the Sub-Fund may also expose the Sub-Fund significantly to the fluctuations in the market.

Market movement may therefore result in substantial fluctuation in the net asset value per unit of the Sub-Fund.

The Sub-Fund assumes market risk in trading activities as follows:

- Equity price risk
- Interest rate risk
- Foreign exchange risk

Equity price risk

The Sub-Fund's market price risk is managed through diversification of the investment portfolio as well as investing in securities with strong fundamentals. The table below summarises the overall market exposures of the Sub-Fund by market and the impact of increases/ decreases from the Sub-Fund's financial assets at fair value through profit or loss on the Sub-Fund's net asset value as at 31 December 2013. The analysis is based on the assumption that the underlying investments in debt securities increased/decreased by a reasonable possible shift, with all other variables held constant. The Manager has used its view of what would be a "reasonable possible shift" in each key market to estimate the change in the sensitivity analysis below. However, this does not represent a prediction of the future movement in the corresponding key markets.

	Carrying value of financial assets at fair value through profit or loss HK\$	% of net assets %	Reasonable possible shift in underlying securities % +/-	Estimated possible change in net asset value HK\$ +/-
As at 31 December 2013				
Held for trading				
- listed equity securities	27,373,100	96%	5%	1,300,219
As at 31 December 2012				
Held for trading				
- listed equity securities	46,568,700	81%	5%	2,212,013
- listed ETF	2,201,500	4%	5%	104,571

NOTES TO FINANCIAL STATEMENTS

31 December 2013

14. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

As at 31 December 2013, the Sub-Fund's exposure to interest rate risk is considered to be minimal as only the Sub-Fund's cash at bank bears interest. Interest income from cash at bank is considered as immaterial.

Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Sub-Fund mainly invests in securities and other investments that are denominated in HK\$, the functional currency of the Sub-Fund. Accordingly, the Manager considers that the Sub-Fund is not exposed to significant currency risk and therefore no sensitivity analysis is presented.

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.

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO CHINA POLICY FOCUS FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2013

14. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign exchange risk (continued)

Liquidity risk

The table below analyses the Sub-Fund's financial assets and 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\$
At 31 December 2013			
Financial assets at fair value through profit or loss	-	27,373,100	27,373,100
Amounts due from brokers	-	467,500	467,500
Cash and cash equivalents	1,444,044	-	1,444,044
Total financial assets	<u>1,444,044</u>	<u>27,840,600</u>	<u>29,284,644</u>
Management fee payable	-	39,035	39,035
Trustee fee payable	-	65,648	65,648
Audit fee payable	-	63,999	63,999
Publishing fee payable	-	1,632	1,632
Amounts payable on redemption	-	500,000	500,000
Net assets attributable to holders of redeemable units	-	28,615,664	28,615,664
Total financial liabilities	<u>-</u>	<u>29,285,978</u>	<u>29,285,978</u>
	On demand HK\$	Less than 1 month HK\$	Total HK\$
At 31 December 2012			
Financial assets at fair value through profit or loss	-	48,770,200	48,770,200
Amounts due from brokers	-	1,694,613	1,694,613
Cash and cash equivalents	7,192,457	-	7,192,457
Total financial assets	<u>7,192,457</u>	<u>50,464,813</u>	<u>57,657,270</u>
Management fee payable	-	37,174	37,174
Trustee fee payable	-	63,423	63,423
Audit fee payable	-	116,556	116,556
Net assets attributable to holders of redeemable units	-	57,443,194	57,443,194
Total financial liabilities	<u>-</u>	<u>57,660,347</u>	<u>57,660,347</u>

SWS STRATEGIC INVESTMENT FUNDS
 - SHENYIN WANGUO CHINA POLICY FOCUS FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2013

14. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign exchange risk (continued)

Credit risk

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

The Sub-Fund is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honor its contractual obligations. These credit exposures exist within financing relationships, derivatives and other transactions.

It is the Sub-Fund's policy to enter into financial instruments with reputable counterparties.

The Manager closely monitors the creditworthiness of the Sub-Fund's counterparties (e.g. brokers, custodian and banks) by reviewing their credit ratings and financial statements on a regular basis.

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

The Sub-Fund's financial assets which are potentially subject to concentrations of credit risk consist principally of bank deposits, amounts due from the brokers and assets held with the custodian. The table below summarises the Sub-Fund's assets placed with the bank, the broker and the custodian:

As at 31 December 2013

	HK\$	Credit rating	Source of credit rating
<u>Bank</u>			
Bank of Communications Co., Ltd., Hong Kong Branch*	518,454	A3	Moody's
<u>Bank and custodian</u>			
Citibank, N.A.	925,590	A2	Moody's
<u>Broker</u>			
Shenyin Wanguo Futures (H.K.) Limited	467,500	Not rated	Not rated

* It is one of the branches of Bank of Communications Co., Ltd.

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO CHINA POLICY FOCUS FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2013

14. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign exchange risk (continued)

Credit risk

As at 31 December 2012

	HK\$	Credit rating	Source of credit rating
<u>Bank</u>			
Bank of Communications Co., Ltd., Hong Kong Branch*	143,004	A3	Moody's
<u>Bank and custodian</u>			
Citibank, N.A.	55,819,653	A3	Moody's
<u>Broker</u>			
Shenyin Wanguo Futures (H.K.) Limited	1,694,613	Not rated	Not rated

* It is one of the branches of Bank of Communications Co., Ltd.

15. TRANSACTIONS WITH MANAGER AND ITS CONNECTED PERSONS

Connected persons are those as defined in the SFC Code and are related parties of the Manager and the Sub-Fund. All transactions entered into during the year/period between the Sub-Fund and the Manager and its connected persons were carried out in the normal course of business and on normal commercial terms. To the best of the Manager's knowledge, in addition to the transactions detailed in note 5, the Sub-Fund had the following transactions with connected persons during the year/period:

(a) Holdings 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 persons at the reporting date were as follows.

Details of Class I units held by a fellow subsidiary of the Manager, are as follows:

2013

	Units outstanding at 1 January 2013	Units subscribed during the year	Units redeemed during the year	Units outstanding at 31 December 2013
Shenyin Wanguo Trading (H.K.) Limited	3,015,378.429	-	3,015,378.429	-

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO CHINA POLICY FOCUS FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2013

15. TRANSACTIONS WITH MANAGER AND ITS CONNECTED PERSONS (continued)

(a) Holdings in the Sub-Fund (continued)

2012

	Units outstanding at 6 January 2012 (date of establishment)	Units subscribed during the period	Units redeemed during the period	Units outstanding at 31 December 2012
Shenyin Wanguo Trading (H.K.) Limited	-	3,015,378.429	-	3,015,378.429

(b) Investment transactions with connected persons of the Manager for the year/period ended:

2013

	Aggregate value of purchases and sales of securities HK\$	Total commission paid HK\$	% of Sub-Fund's total transactions during the year %	Average Commission Rate %
Shenyin Wanguo Futures (HK) Limited	85,292,700	8,688	26.39	0.01
Shenyin Wanguo Securities (HK) Limited	86,104,168	150,705	26.64	0.18

2012

	Aggregate value of purchases and sales of securities HK\$	Total commission paid HK\$	% of Sub-Fund's total transactions during the period %	Average Commission Rate %
Shenyin Wanguo Futures (HK) Limited	81,450,450	9,537	26.78	0.01
Shenyin Wanguo Securities (HK) Limited	159,890,987	239,777	52.57	0.15

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO CHINA POLICY FOCUS FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2013

15. TRANSACTIONS WITH MANAGER AND ITS CONNECTED PERSONS (continued)

(c) 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 10 to the financial statements. During the year, interest income on these bank balances was HK\$76 (2012: HK\$293).

All transactions entered into during the year between the Sub-Fund and the Manager and its connected persons were carried out in the normal course of business and on normal commercial terms.

16. 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.

17. EVENTS AFTER THE REPORTING PERIOD

During the period between the end of the reporting period and the date of authorisation of these financial statements, the Sub-Fund had redeemed 97,573.115 units of Class A redeemable units.

18. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Trustee and the Manager on 29 April 2014.

SWS STRATEGIC INVESTMENT FUNDS
 - SHENYIN WANGUO CHINA POLICY FOCUS FUND

STATEMENTS OF MOVEMENT IN PORTFOLIO HOLDINGS

For the year ended 31 December 2013

<u>Industry Sector</u>	Holdings as at <u>31.12.2013</u>	Holdings as at <u>31.12.2012</u>
Basic Materials	2.98%	9.96%
Communications	11.69%	6.09%
Consumer, Cyclical	15.70%	10.86%
Consumer, Non-Cyclical	8.03%	2.38%
Energy	6.58%	5.76%
Financial	29.16%	31.42%
Funds	-	3.80%
Industrial	10.75%	10.57%
Technology	9.41%	3.27%
Total investment portfolio	<u>94.30%</u>	<u>84.11%</u>
Other net assets	5.70%	15.89%
Net assets	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO CHINA POLICY FOCUS FUND

PERFORMANCE TABLE

31 December 2013

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 2013		
CLASS A	12.111	5,745,787
CLASS I	12.218	23,281,529
As at 31 December 2012 ¹		
CLASS A	10.951	1,555,083
CLASS I	10.992	56,431,201

¹ Year of establishment

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 2013		
CLASS A	12.176	9.471
CLASS I	12.279	9.530
Period from 6 January 2012 (date of establishment) To 31 December 2012		
CLASS A	10.904	9.054
CLASS I	10.945	9.074

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO CHINA POLICY FOCUS FUND

INVESTMENT PORTFOLIO (UNAUDITED)

31 December 2013

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Holding unit	Fair value HK\$	% of NAV
<i>Listed Equity Securities</i>			
<i>Hong Kong</i>			
Angang Steel Company Limited	150,000	864,000	2.98%
China Construction Bank Corporation	200,000	1,170,000	4.03%
China Minsheng Banking Corporation Limited	100,000	861,000	2.97%
China Overseas Land & Investment Limited	40,000	872,000	3.00%
China Pacific Insurance Group Company Limited	50,000	1,520,000	5.24%
China Petroleum & Chemical Corporation	150,000	949,500	3.27%
China Resources Land Limited	40,000	768,800	2.65%
China State Construction International Holdings Limited	60,000	834,000	2.87%
CITIC Securities Company Limited	60,000	1,269,000	4.37%
CT Environmental Group Limited	150,000	582,000	2.01%
Dawnrays Pharmaceutical Holdings Limited	100,000	493,000	1.70%
EVA Precision Industrial Holdings Limited	800,000	872,000	3.00%
GCL-Poly Energy Holdings Limited	400,000	960,000	3.31%
Goldpac Group Limited	245,000	1,837,500	6.33%
Haier Electronics Group Company Limited	80,000	1,800,000	6.20%
Haitong Securities Company Limited	90,000	1,215,000	4.19%
Hisense Kelon Electrical Holdings Company Limited	180,000	2,113,200	7.28%
Industrial & Commercial Bank of China Limited	150,000	786,000	2.71%
Intime Retail Group Company Limited	80,000	645,600	2.22%
Kingsoft Corporation Limited	80,000	1,788,000	6.16%
Lenovo Group Limited	100,000	943,000	3.25%
Pacific Basin Shipping Limited	150,000	832,500	2.87%
Tencent Holdings Limited	5,000	2,473,000	8.51%
ZTE Corporation	60,000	924,000	3.18%
Total investment portfolio, at fair value		27,373,100	94.30%
Other net assets		1,654,216	5.70%
Net assets value as at 31 December 2013 (calculated in accordance with the Sub-Fund's explanatory memorandum)		<u>29,027,316</u>	<u>100.00%</u>
Total investment at cost		<u>20,446,556</u>	