

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2014

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

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**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

ADMINISTRATION AND MANAGEMENT

Manager

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

Directors of the Manager

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

Trustee and Registrar

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

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22/F Prince's Building
Central
Hong Kong

Legal Adviser

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

RQFII Custodian

Bank of Communications Co., Ltd.
188 Yin Cheng Zhong Road
Shanghai 200120
The People's Republic of China

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

REPORT OF THE MANAGER

Market Review

China bond market recorded a strong bull year in 2014, with the momentum only halted in December with the suspension of the ability for local government financing vehicle's bonds to be used as collateral in exchange repo transaction. The move is likely used to curb the systematic risk of ballooning municipal debt. Apart from that, 2014 has been one way traffic. First half of the year was driven by recovery of the oversell in 2013 with funding cost came down to a more reasonable level; while second half is more supported by weaker than expected economic data points.

In terms of yield curve movement, the 1, 3, 5, 7, 10 year tenor key rate treasury YTM's dropped by -96bps, -105bps, -95bps, -98bps and -93bps respectively, which the whole curve moved significantly downwards.

We also witnessed a general narrowing of the credit spread, especially around the high to mid investment grade bond, when investor chased yield yet worried about the credit quality down the credit curves. The spread between 5 year tenor AAA, AA+, AA, AA- corporate bonds and corresponding 5 year treasuries changed by -54bps, -52bps, -61bps and +20bps respectively.

Portfolio Review


For the 12 month period, the Fund's NAV is up 7.36% for A (Retail) class and up 7.82% for I (Institutional) class assuming reinvestment of dividend. In comparison, the China Bond Composite Full Price Index (CBCFPI) was up by 6.54%. Hence the A class recorded a 0.82% out-performance over the benchmark index whilst the I class saw a greater magnitude 1.28% outperformance.

Our outperformance was mainly due to our decision to increase our position with respect to duration.

Market Outlook and Portfolio Strategy

Economy remains weak and inflation outlook globally, including China, is further dampened by dropping commodity prices. While striving a balance between reform and economic growth, Chinese government is likely to deploy both fiscal and monetary accommodative tools to stabilize and support the economy. With real interest rate still lingering on a relatively high level, monetary loosening will continue in 2015 and remains supportive to the bond market. Yet, with FED in US ready to hike interest rate for the first time in many years, interest rate volatility will increase as well.

Sincerely yours,



ShenyinWanguo Asset Management (Asia) Limited

27 April 2015

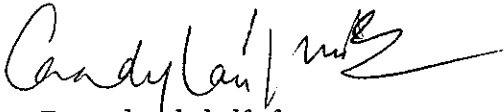
Investments are subject to investment risks, fund value may go up as well as down and past performance is not indicative of future performance. Please refer to the Explanatory Memorandum for details including the risk factors. ShenyinWanguo Asset Management (Asia) Limited is the issuer of this report.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

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

REPORT OF THE TRUSTEE

To the unitholders of SWS Strategic Investment Funds

We hereby confirm that, in our opinion, the Manager has, in all material respects, managed the SWS Strategic Investment Funds - Shenyin Wanguo RMB Mainland Investment 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 2014.

A handwritten signature in black ink, appearing to read 'Candy Lau' followed by a stylized flourish.

For and on behalf of
Bank of Communications Trustee Limited
27 April 2015

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF SHENYIN WANGUO RMB MAINLAND INVESTMENT
FUND (THE "SUB-FUND")**

Report on the Financial Statements

We have audited the financial statements of Shenyin Wanguo RMB Mainland Investment Fund (the "Sub-Fund"), a sub-fund of SWS Strategic Investment Funds (the "Trust") set out on pages 7 to 32, which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing issued by the International Accounting Standards Board. 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. We are also 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Sub-Fund'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 Sub-Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

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

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF SHENYIN WANGUO RMB MAINLAND INVESTMENT
FUND (THE "SUB-FUND") (CONTINUED)**

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 2014, and of its financial transactions and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

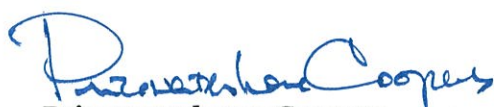
We draw attention to Note 3 to the financial statements which indicates that the Management considers that the enforcement of PRC tax on gains on debt securities and collective investment schemes, and interest income arising from debt securities is uncertain as at the date of approval of these financial statements, and that the Management has exercised significant judgment in their assessment of the potential tax charge and the relevant provision included in the financial statements of the Sub-Fund as at 31 December 2014. Our opinion is not qualified in respect of this matter.

Other Matters

This report, including the opinion, has been prepared for and only for 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.

Report on Other Legal and Regulatory Requirements

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, 27 April 2015

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

	Note	2014 RMB	2013 RMB
Assets			
Current assets			
Cash and cash equivalent	4(e)	3,915,748	6,062,229
Investments	4(e),4(g)	343,928,924	677,972,084
Interest receivable		10,645,310	13,878,873
Amounts receivable on subscription		10,483,800	-
Deposits		93,637	252,000
Prepayments		863	1,067
Total assets		<u>369,068,282</u>	<u>698,166,253</u>
Liabilities			
Current liabilities			
Amounts payable on redemption		226,149	48,450,587
Management fee payable	7(a)	263,623	552,880
Trustee fee payable	7(b)	55,041	66,856
Sub-custodian fee payable	7(c)	30,339	58,922
Tax payable	6	3,012,910	1,935,530
Other payables and accruals		220,431	194,720
Total liabilities (excluding net assets attributable to unitholders)		<u>3,808,493</u>	<u>51,259,495</u>
Net assets attributable to unitholders		<u>365,259,789</u>	<u>646,906,758</u>
Represented by:			
Net assets attributable to unitholders (calculated in accordance with the Sub-Fund's Explanatory Memorandum)	8	365,547,902	647,327,987
Adjustments for preliminary expenses recognised	8	(288,113)	(421,229)

Approved by the Trustee and the Manager on 27 April 2015.

For and on behalf of
BANK OF COMMUNICATIONS TRUSTEE LIMITED

Authorized Signatures
.....
Bank of Communications Trustee Limited
As the Trustee


.....
Shenyin Wanguo Asset Management (Asia) Limited
As the Manager

The notes on pages 11 to 32 are an integral part of these financial statements.

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014 RMB	2013 RMB
Income			
Interest income		27,470,543	37,038,691
Net gains /(losses) on investments	5	19,723,640	(22,733,171)
Net foreign exchange gain		586	2,037
Total investment income		<u>47,194,769</u>	<u>14,307,557</u>
Expenses			
Management fee	7(a)	4,187,015	5,838,285
Trustee fee	7(b)	648,008	756,485
Sub-custodian fee	7(c)	491,023	681,965
Auditor's remuneration		187,917	177,346
Other expenses		292,184	326,782
Total operating expenses		<u>5,806,147</u>	<u>7,780,863</u>
Finance Cost			
Distribution to unitholders	9	<u>(10,974,861)</u>	<u>(16,869,066)</u>
Profit / (loss) before tax		30,413,761	(10,342,372)
Taxation	6	<u>(1,084,821)</u>	<u>(794,331)</u>
Total comprehensive income / (loss)		<u>29,328,940</u>	<u>(11,136,703)</u>

The notes on pages 11 to 32 are an integral part of these financial statements.

SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Class A			Class I			Total
		Number of units	Net assets attributable to unitholders RMB	Net asset value per unit RMB	Number of units	Net assets attributable to unitholders RMB	Net asset value per unit RMB	Net assets attributable to unitholders RMB
As at 1 January 2013		1,541,394,504	156,054,193	101.242	7,063,395,769	717,537,669	101.585	873,591,862
Issuance of units		1,960,685,300	199,074,375		2,319,089,621	236,954,100		436,028,475
Redemption of units		(1,381,871,183)	(140,269,475)		(4,984,581,868)	(511,307,401)		(651,576,876)
Total comprehensive loss		-	(5,551,608)		-	(5,585,095)		(11,136,703)
As at 31 December 2013 and 1 January 2014	8	2,120,208,621	209,307,485	98.720	4,397,903,522	437,599,273	99.501	646,906,758
Issuance of units		646,646,935	65,090,309		1,744,988,853	180,070,561		245,160,870
Redemption of units		(2,284,091,666)	(231,442,510)		(3,134,647,524)	(324,694,269)		(556,136,779)
Total comprehensive income		-	7,018,727		-	22,310,213		29,328,940
As at 31 December 2014	8	482,763,890	49,974,011	103.516	3,008,244,851	315,285,778	104.807	365,259,789

The notes on pages 11 to 32 are an integral part of these financial statements.

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014**

	2014 RMB	2013 RMB
Cash flows from operating activities		
Total comprehensive income/(loss)	29,328,940	(11,136,703)
Adjustments for:		
- Interest income	(27,470,543)	(37,038,691)
- Distribution to unitholders	10,974,861	16,869,066
- Withholding tax	1,084,821	794,331
Operating income/(loss) before working capital changes	13,918,079	(30,511,997)
Net decrease in investments	334,043,160	158,616,466
Decrease in deposits	158,363	-
Decrease in prepayments	204	1,435
(Decrease)/increase in management fee payable, trustee fee payable, sub-custodian fee payable and other payables and accruals	(303,944)	206,215
Cash generated from operations	347,815,862	128,312,119
Interest received	30,704,106	31,761,086
Withholding tax paid	(7,441)	(12,209)
Net cash generated from operating activities	378,512,527	160,060,996
Cash flows from financing activities		
Proceeds from issue of units	234,677,070	438,122,515
Payments on redemption of units	(604,361,217)	(606,945,669)
Distribution paid	(10,974,861)	(16,869,066)
Net cash used in financing activities	(380,659,008)	(185,692,220)
Net decrease in cash and cash equivalents	(2,146,481)	(25,631,224)
Cash and cash equivalents at beginning of the year	6,062,229	31,693,453
Cash and cash equivalents at end of the year	3,915,748	6,062,229
Analysis of balances of cash and cash equivalents		
Bank balances	3,915,748	6,062,229

The notes on pages 11 to 32 are an integral part of these financial statements.

**SHENYIN WANGUO RMB MAINLAND INVESTMENT 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 and 24 October 2014 (the “Supplemental Deeds”) entered into between ShenyinWanguo Asset Management (Asia) Limited (the “Manager”) and Bank of Communications Trustee Limited (the “Trustee”).

ShenyinWanguo RMB Mainland Investment Fund (the “Sub-Fund”) was constituted as a separate sub-fund of the Trust on 10 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(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 2014, there were another two sub-funds, SWS Strategic Investment Funds – ShenyinWanguoChina Policy Focus Fund and ShenyinWanguo RQFII PRC Government Bond 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 medium to long-term capital appreciation by investing primarily in RMB-denominated and settled debt securities issued in the People’s Republic of China (“PRC”). These include RMB denominated and settled debt securities issued in the PRC which include, but are not limited to, government treasury, local government bond, financial bond, central bank paper, enterprise bond, listed company bond, medium term note, commercial paper and convertible bond, fixed income funds which are authorised by the China Securities Regulatory Commission (“CSRC”), RMB denominated and settled equities which are listed on the Shanghai or Shenzhen Stock Exchanges and equity funds which are authorised by the CSRC.

The Sub-Fund can invest directly in debt securities issued within PRC and China A-Shares by using the Renminbi Qualified Institutional Investors (“RQFII”) quota of ShenyinWanguo (H.K.) Holdings Limited, the holding company of the Manager.

As at 31 December 2014, 16.29% (2013: 12.86%) of Class I redeemable units of the Sub-Fund were held by a fellow subsidiary of the Manager, which is considered as a related party of 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.

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (continued)

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.

New standards and amendments to existing standards effective 1 January 2014

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2013 that would be expected to have a material impact on the Sub-Fund.

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

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

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

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(b) Investments

Classification

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

Recognition / derecognition

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

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.

Investments which are not listed on an exchange or are thinly traded are valued by using quotes from brokers.

Investments which are traded in the interbank markets (for example, unlisted debt securities) are fair valued by using the valuation provided by China Central Depository & Clearing Co., Ltd., a company jointly established by People's Bank of China and Ministry of Finance to undertake the function of centralized depository and settlement for the interbank bond market.

(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.

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(d) Income

Interest income is recognised on a time-proportionate basis using the effective interest method.

The effective interest method is a method of calculating the amortised cost of an interest bearing asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Sub-Fund estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Dividend income is recorded on the ex-dividend date with the corresponding foreign withholding taxes recorded as an expense.

(e) Expenses

Expenses are accounted for on an accruals basis.

(f) Cash and cash equivalents

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

(g) Translation of foreign currencies

Functional and presentation currency

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

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(h) 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 unitholders can redeem the units on dealing days which are generally Hong Kong and PRC business days 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 1.2% per annum while Class I units are subject to management fee at 0.75% 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 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 7 business days from the Dealing Date.

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

Distributions to unitholders

Distribution are at the discretion of the Manager of the Sub-Fund. A distribution to the Sub-Fund's unitholder is included in the statement of comprehensive income as "Finance cost". A proposed distribution is recognised as a liability in the period in which it is approved by the Manager of the 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 payments for units issued and redeemed are shown as movements in the statement of changes in net assets attributable to unitholders.

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(i) Taxation

The Sub-Fund currently incurs withholding taxes imposed by the PRC on investment income. Such income is recorded gross of withholding taxes in the statement of comprehensive income. Withholding taxes and capital gains tax are included as taxation in the statement of comprehensive income.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3 Critical accounting estimates and assumptions

The Manager makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

PRC tax provision

In preparing these financial statements, the Manager has made certain assumptions and used various estimates concerning the tax exposure which is dependent on what might happen in the future. The resulting accounting estimates may not equal the related actual results.

Under the general tax provision of PRC corporate tax law, the non-PRC residents with the gains derived from the sale of PRC securities will be subject to 10% PRC capital gain tax. In addition, the non-PRC residents with interest income derived from the debt securities will be subject to 10% withholding interest income tax. Pursuant to the PRC CIT Law, debt securities issuers in PRC are obligated to withhold the 10% interest income tax for those debt securities holders who are subject to the interest income tax in the PRC. However, interest income derived from government bonds is exempt from PRC withholding income tax ("WIT") under the PRC CIT Law.

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

NOTES TO THE FINANCIAL STATEMENTS

3 Critical accounting estimates and assumptions (Continued)

(a) Capital gains on PRC Investments

During the year ended 31 December 2014 and 2013, the Sub-Fund invests in debt securities and collective investment schemes (“PRC Investments”) in PRC through the RQFII program. The Manager considers that the enforcement of PRC tax on gains derived from the PRC Investments is uncertain as at the date of approval of these financial statements and has exercised its judgment when assessing whether the Fund may be liable for PRC taxation on its gains, the amount of potential liability and the probability of such tax being levied up to the reporting date. However, significant uncertainties exist and estimation of the Manager may substantially differ from the actual events. The Manager considers that its estimation may be impacted by any future clarification by the PRC State Administration of Taxation (“SAT”), and the applicability of double tax treaty between Hong Kong and China for Hong Kong tax residents, which may be materially different from what the Manager envisioned.

Since 10 January 2012 (date of inception) to 31 December 2013

For the period from 10 January 2012 (date of inception) to 31 December 2013, the Sub-Fund had invested into PRC Investments. The Manager estimates the accumulative gross realised gains from 10 January 2012 (date of inception) to 31 December 2013 and gross unrealised gains of the Sub-Fund as at 31 December 2013 which could be exposed to PRC capital gain tax at the rate of 10% to be RMB 5,044,878 and RMB 800 respectively, and the Manager has made tax provision accordingly. The capital gain tax provision in relation to PRC Investments of the Sub-Fund included in the financial statements of RMB 504,568 represents 0.08% of the net assets attributable to unitholders of the Sub-Fund in the statement of financial position as at 31 December 2013.

For the financial year ended 31 December 2014

Notice issued on 14 November 2014

On 14 November 2014, the Ministry of Finance of the PRC (the “MoF”), the State Administration of Taxation of the PRC (the “SAT”) and the China Securities Regulatory Commission (the “CSRC”) jointly issued the “Notice on temporary exemption of Corporate Income Tax on capital gains derived from the transfer of equity investment assets such as PRC domestic stocks by QFII and RQFII” (the “Notice”).

According to the Notice, amongst other things:

- (i) QFIIs and RQFIIs, which do not have an establishment or place of business in the PRC or have an establishment or place in the PRC but the income so derived in the PRC is not effectively connected with such establishment, will be temporarily exempt from corporate income tax on gains derived from the transfer of PRC equity investment assets (including China A-Shares) effective from 17 November 2014;
- (ii) PRC corporate income tax will be imposed on gains by QFIIs and RQFIIs from transfer of equity investment assets (including China A-Shares) realised prior to 17 November 2014 in accordance with laws.

As a result of the issue of the Notice, the Manager has decided that the Sub-Funds shall continue to make tax provision for the gross realised gains derived from trading of RMB denominated bonds and collective investment schemes since date of inception to year ended 31 December 2014.

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
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NOTES TO THE FINANCIAL STATEMENTS

3 Critical accounting estimates and assumptions (Continued)

(a) Capital gains on PRC Investments (Continued)

For the financial year ended 31 December 2014 (continued)

The Manager estimates that the accumulated gross realised gain of the Sub-Fund for the year ended 31 December 2014 and gross unrealised gain of the Sub-Fund as at 31 December 2014 which could be exposed to PRC capital gains tax at the rate of 10% to be approximately RMB 12,794,038 and RMB 4,874,460 respectively, and the Manager had made tax provision accordingly. The capital gains tax provision in relation to PRC Investments of the Sub-Fund included in the financial statements of RMB 1,766,850 represents 0.48% of the net assets attributable to unitholders of the Sub-Fund in the statement of financial position as at 31 December 2014.

The Manager considers that the capital gains tax provision amount for gross realised capital gains derived by the Sub-Fund from trading of PRC Investments may differ significantly from the amounts that may have to be ultimately borne by the Sub-Fund. In the event a capital gains tax is levied at an amount that is different from what was provided by the Sub-Fund, the Sub-Fund may incur a liability that is different from the existing tax provision, which could be significantly impact the net assets attributable to unitholders of redeemable units and consequently, the price per unit of the Sub-Fund based on the calculation of the net assets attributable to unitholders of redeemable units when distributing to the unitholders of redeemable units at such relevant time. When the SAT issues clarifications on the enforcement of withholding tax on such gains, this might ultimately result in either an increase or a decrease in the amount provided.

Events subsequent to 31 December 2014

On 1 April 2015, The Third Branch of Shanghai Municipal Office, SAT and The Third Branch of Shanghai Municipal Bureau of Local Taxation jointly issued the Notice on Tax Issues to notify that the QFII/RQFII shall declare and handle the tax-related issues concerning the gains from transfer of equity investment assets, realised prior to 17 November 2014 to the Authority before 30 September 2015 in accordance with the relevant PRC tax law and the Notice. Those QFII/RQFII's eligible for treaty relief under an applicable tax treaty should follow the requirement of Circular 124 for tax treaty application.

The Manager is in the process of engaging a tax advisor to file their tax return and required documents by 30 September 2015.

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
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NOTES TO THE FINANCIAL STATEMENTS

3 Critical accounting estimates and assumptions (Continued)

(b) Interest income on debt securities in PRC

The Manager considers that the enforcement of PRC withholding tax on interest income arising from debt securities is uncertain as at the date of approval of these financial statements. The Manager has exercised significant judgment in their assessment of the PRC withholding tax expense and the related tax provision.

For the debt securities disposed of during the year, the Management has not made provision on the accrued interest income as at the time of the disposal as they consider that:

- (i) the issuer of debt securities are required to withhold 10% interest income tax at the coupon payment date before distributing the interest income to the bond holders; and
- (ii) the Manager has sold the debt securities before the coupon payment dates or the maturity dates of the debt securities.

The Manager estimates that for the year ended 31 December 2014, the Sub-Fund's accumulated interest income derived from RMB denominated corporate bonds of RMB 32,458,309 (2013: RMB 28,030,268) could be exposed to 10% PRC withholding tax of approximately RMB 3,245,831 (2013: RMB 2,803,027).

4 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, subjecting 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 fluctuation 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 RMB MAINLAND INVESTMENT FUND
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NOTES TO THE FINANCIAL STATEMENTS

4 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 (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The following table discloses the investments of the Sub-Fund by product type:

	2014 RMB	2013 RMB
Debt securities	310,359,940	617,319,770
Collective investment schemes	33,568,984	60,652,314
	<u>343,928,924</u>	<u>677,972,084</u>

The following table discloses the non-derivative financial assets at fair value through profit or loss of the Sub-Fund by industrial sectors:

	2014		2013	
	RMB	% of net asset value	RMB	% of net asset value
Basic Materials	29,600,310	8.10%	66,324,330	10.25%
Consumer, Cyclical	-	-	38,353,450	5.93%
Consumer, Non-cyclical	9,934,630	2.72%	49,017,920	7.58%
Industrial	39,687,300	10.87%	145,167,640	22.44%
Financial	134,385,774	36.79%	175,825,274	27.18%
Energy	-	-	57,380,010	8.87%
Utilities	49,367,840	13.52%	88,171,080	13.63%
Diversified	50,516,840	13.83%	57,732,380	8.92%
Technology	30,436,230	8.33%	-	-
	<u>343,928,924</u>	<u>94.16%</u>	<u>677,972,084</u>	<u>104.80%</u>

The Sub-Fund's market price risk is managed through diversification of the investment portfolio ratios by exposures to different industries.

There is no exposure to individual investments/issuers representing over 10% of the Sub-Fund's net asset value at the reporting date.

As the Sub-Fund mainly invests in debt securities, the sensitivity analysis of market price risk is disclosed in the interest rate sensitivity analysis in note 4(c) below.

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
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NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(c) Interest rate risk

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

The majority of interest rate exposure arises on investments in debt securities in the PRC and denominated in RMB. All of the Sub-Fund's investments in debt securities carry fixed interest rates and mature within 1 to 10 years.

The tables below summarise the Sub-Fund's exposure to interest rate risks at the reporting date. Included in the table are the Sub-Fund's interest bearing assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates.

	Maturity up to 1 year RMB	Maturity 1 – 5 years RMB	Maturity over 5 years RMB	Total RMB
As at 31 December 2014				
Investment				
- Debt securities	29,938,390	238,964,810	41,456,740	310,359,940
Cash and cash equivalents	3,915,748	-	-	3,915,748
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2013				
Investment				
- Debt securities	128,960,560	345,727,500	142,631,710	617,319,770
Cash and cash equivalents	6,062,229	-	-	6,062,229
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The majority of the Sub-Fund's interest rate exposure on debt instruments are RMB denominated. Interest rate exposures are expressed in terms of rate of weighted modified duration. The Manager monitors the interest rate risks by quantifying market exposure in duration terms. Beta adjusted weighted modified duration is the modified duration multiplied by the allocation of net asset value and a sensitivity factor (beta).

At 31 December 2014, should interest rates have lowered/risen by 100 basis points with all other variables remaining constant, the increase/decrease in net assets attributable to unitholders for the year would amount to approximately RMB 8,649,547 (2013: RMB 17,750,534/18,436,909).

(d) 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 RMB, 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.

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NOTES TO THE FINANCIAL STATEMENTS

4 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 main concentration to which the Sub-Fund is exposed arises from the Sub-Fund's investment in debt securities. The Sub-Fund does not have explicit restrictions on the minimum credit ratings of securities it may hold. The Manager will actively manage the portfolio of the Sub-Fund. In case of credit rating downgrading, the Manager will adjust the positions in the portfolio using its credit analysis and rating systems that are designed to manage credit risks.

The table below summarises the credit rating of the Sub-Fund's debt portfolio as at 31 December 2014 and 2013:

Credit rating of debt securities Rating	2014 % of net asset value	2013 % of net asset value
China Chengxin		
AAA	-	14.65
AA+	-	4.45
AA	5.57	6.02
A-1	2.74	9.20
China Lianhe		
AAA	5.52	1.53
AA+	5.42	5.90
AA	-	4.50
Dagong Global Credit Rating		
AAA	8.33	2.90
AA+	10.78	11.73
AA	18.99	10.46
Shanghai Brilliance Credit Rating		
AA+	13.65	7.40
AA	5.51	5.96
AA-	2.74	3.07
A-1	-	3.06
PengYuan Credit Rating Co., Ltd.		
AA+	5.72	-
Non-rating	-	4.60
	84.97	95.43

The Manager has assessed the credit quality of the RMB denominated bonds based on the nature of the issuers and the historical information about the issuers' default rates.

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NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(e) Credit risk (Continued)

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 exposure 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, custodians, and banks) by reviewing their credit rating and financial statements on a regular basis.

All transactions in securities are settled/paid for upon delivery using approved and reputable 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 broker. The trade will fail if either party fails to meet its obligation.

The Sub-Fund's financial assets which are potentially subject to concentration of credit risk consist principally of banks deposits and financial assets held with the custodian. The table below summarises the Sub-Fund's assets placed with the bank and the custodian as at 31 December 2014 and 2013:

	RMB	Credit rating	Source of credit rating
As at 31 December 2014			
<u>Bank balances</u>			
Bank of Communications Co., Ltd., Hong Kong Branch*	3,145,687	A2	Moody's
Bank of Communications Co.,Ltd.	770,061	A2	Moody's
<u>Investments</u>			
Bank of Communications Co.,Ltd.	310,359,940	A2	Moody's
As at 31 December 2013			
<u>Bank balances</u>			
Bank of Communications Co., Ltd., Hong Kong Branch*	2,373,954	A3	Moody's
Bank of Communications Co.,Ltd.	3,688,275	A3	Moody's
<u>Investments</u>			
Bank of Communications Co.,Ltd.	617,319,770	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.

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

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NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(f) Liquidity risk

Liquidity risk is defined as the risk that the Sub-Fund will encounter difficulty in meeting obligation associated with financial liabilities that are settled by delivering cash or another financial assets. 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 reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 3 months RMB	Less than 1 year RMB	Total RMB
As at 31 December 2014			
Amounts payable on redemption	226,149	-	226,149
Management fee payable	263,623	-	263,623
Trustee fee payable	55,041	-	55,041
Sub-custodian fee payable	30,339	-	30,339
Other payable and accruals	220,431	-	220,431
Tax payable	-	3,012,910	3,012,910
Net assets attributable to unitholders	365,259,789	-	365,259,789
	<u>366,055,372</u>	<u>3,012,910</u>	<u>369,068,282</u>
As at 31 December 2013			
Amounts payable on redemption	48,450,587	-	48,450,587
Management fee payable	552,880	-	552,880
Trustee fee payable	66,856	-	66,856
Sub-custodian fee payable	58,922	-	58,922
Other payable and accruals	194,720	-	194,720
Tax payable	-	1,935,530	1,935,530
Net assets attributable to unitholders	646,906,758	-	646,906,758
	<u>696,230,723</u>	<u>1,935,530</u>	<u>698,166,253</u>

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
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NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(f) Liquidity risk (continued)

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-Fund redeemed on any dealing day to 10% of the total number of units in issue. As at 31 December 2014, there were 4 (2013: 3) unitholders holding more than 10% of the Sub-Fund's units.

The following table illustrates the expected liquidity of assets held:

	On demand RMB	Less than 3 months RMB	Less than 1 year RMB	Total RMB
As at 31 December 2014				
Total assets	3,915,748	354,412,724	10,738,947	369,067,419
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2013				
Total assets	6,062,229	677,972,084	14,130,873	698,165,186
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(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.

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
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NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(g) Fair value estimation (Continued)

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).

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

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

The following table analyses within the fair value hierarchy the Sub-Fund's financial assets measured at fair value at 31 December 2014 and 2013:

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
As at 31 December 2014				
Investments				
- listed and quoted debt securities	-	310,359,940	-	310,359,940
- collective investment schemes	-	33,568,984	-	33,568,984
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2013				
Investments				
- listed and quoted debt securities	-	617,319,770	-	617,319,770
- collective investment schemes	-	60,652,314	-	60,652,314
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
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NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(g) Fair value estimation (Continued)

The debt securities are valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves. Adjustments are made to the valuations when necessary to recognise differences in the instrument terms. To the extent that the significant inputs are observable, the Sub-Fund categorises these investments as Level 2.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As of 31 December 2014, the Sub-Fund did not hold any investments classified in level 3 (2013: Nil).

During the year ended 31 December 2014 and 2013, there were no transfers between levels.

The carrying amount of interest receivable, cash and cash equivalents, amounts receivable on contributions, deposits, prepayments, amounts payable on redemptions, management fee payable, trustee fee payable, sub-custodian fee payable, withholding tax payable, other payables and accruals and net assets attributable to unitholders approximated their fair values and are presented in the statement of financial position. There are no financial assets and financial liabilities not carried at fair value but for which the fair value is disclosed.

(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.

5 Net changes in fair value on investments

	2014 RMB	2013 RMB
Change in unrealised gains of investments	22,782,350	(18,801,661)
Net realised loss on sale of investments	(3,058,710)	(3,931,510)
	<u>19,723,640</u>	<u>(22,733,171)</u>

**SHENYIN WANGUO RMB MAINLAND INVESTMENT 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

For the year ended 31 December 2014 and 2013, the Sub-Funds had invested in RMB denominated debt securities and collective investment schemes in PRC. Refer to Note 3 for details.

The amount of taxation charged to the statement of comprehensive income represents:

	2014 RMB	2013 RMB
Withholding tax on interest income	(177,461)	579,194
Capital gains tax on gross realised gains and unrealised gains of investment	1,262,282	215,137
	<u>1,084,821</u>	<u>794,331</u>

The movement in capital gains tax payable during the year is as follows:

	2014 RMB	2013 RMB
At beginning of the year	504,568	292,138
Capital gains tax charged	1,262,282	212,430
At end of the year	<u>1,766,850</u>	<u>504,568</u>

The movement in withholding tax payable on interest income during the year is as follows:

	2014 RMB	2013 RMB
At beginning of the year	1,430,962	861,270
Withholding tax charged	(177,461)	579,194
Tax paid	(7,441)	(9,502)
At end of the year	<u>1,246,060</u>	<u>1,430,962</u>

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NOTES TO THE FINANCIAL STATEMENTS

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 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, 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 1.2% per annum for Class A and 0.75% 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 RMB4,187,015 (2013: RMB5,838,285). As at 31 December 2014, the management fee of RMB263,623 (2013: RMB552,880) 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 of the net asset value of the Sub-Fund calculated and 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 RMB648,008 (2013: RMB756,485). As at 31 December 2014, the trustee fee of RMB55,041 (2013: RMB66,856) was payable to the Trustee.

(c) Custodian fee

The RQFII Custodian acts as a custodian to the Sub-Fund. The custodian fee comprises of sub-custodian fees charged by the RQFII Custodian, at a rate of 0.10% per annum of the net asset value of the RQFII custodian account of the Sub-Fund.

The sub-custodian fee for the year was RMB491,023 (2013: RMB681,965). As at 31 December 2014, the sub-custodian fee RMB30,339 (2013: RMB58,922) was payable to RQFII Custodian.

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

NOTES TO THE FINANCIAL STATEMENTS

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

(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, Shenyin Wanguo Trading (H.K.) Limited, are as follows:

	2014 Units	2013 Units
At the beginning of the year	879,908.151	1,732,942.059
Subscription	13,444.967	202,126.610
Redemption	(325,719.392)	(1,055,160.518)
	<u>567,633.726</u>	<u>879,908.151</u>
At the end of the year	<u>567,633.726</u>	<u>879,908.151</u>

(e) Investment transactions with connected persons of the Manager

	Aggregate value of purchase and sales of securities RMB	Total commission paid RMB	% of Sub-Fund's total transactions during the year %	Average commission rate %
2014				
Shenyin Wanguo Securities Co. Ltd.	-	-	-	-
2013				
Shenyin Wanguo Securities Co. Ltd.	25,327,044	2,533	1.02%	0.01%

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

The Sub-Fund's bank deposits and investments were held by Bank of Communications Co., Ltd., HK Branch under the same group of Trustee and Bank of Communications Co., Ltd, the ultimate holding company of the Trustee. Further details of the balances held are described in Note 4(e) to the financial statements. During the year, interest income received on these bank balances amounted to RMB105,922 (2013: RMB104,401).

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

NOTES TO THE FINANCIAL STATEMENTS

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:

	2014 RMB	2013 RMB
Published net assets attributable to unitholders	365,547,902	647,327,987
Adjustment to preliminary expenses (a)	(288,113)	(421,229)
	<hr/>	<hr/>
Net assets attributable to unitholders (calculated in accordance with IFRSs)	<u>365,259,789</u>	<u>646,906,758</u>

Note:

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

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

9 Distribution to unitholders

	Number of units	2014 RMB
<u>For class A and class I</u>		
Interim dividend on 25 March 2014 at RMB0.60 per unit	6,654,731.578	3,992,839
Interim dividend on 25 June 2014 at RMB0.60 per unit	4,021,504.745	2,412,903
Interim dividend on 25 September 2014 at RMB0.60 per unit	4,221,522.827	2,532,913
Final dividend as of 22 December 2014 at RMB0.60 per unit	3,393,676.429	2,036,206
		<hr/>
		<u>10,974,861</u>
		<hr/>
	Number of units	2013 RMB
<u>For class A and class I</u>		
Interim dividend on 25 March 2013 at RMB0.60 per unit	8,447,275.879	5,068,365
Interim dividend on 25 June 2013 at RMB0.70 per unit	6,569,540.187	4,598,678
Interim dividend on 26 September 2013 at RMB0.60 per unit	5,010,919.226	3,006,552
Final dividend as of 19 December 2013 at RMB0.60 per unit	6,992,451.809	4,195,471
		<hr/>
		<u>16,869,066</u>
		<hr/>

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

NOTES TO THE FINANCIAL STATEMENTS

10 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.

11 Approval of financial statements

The financial statements of the Sub-Fund were approved by the Trustee and the Manager on 27 April 2015.

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**INVESTMENT PORTFOLIO (UNAUDITED)
AS AT 31 DECEMBER 2014**

Investments	Holdings	Fair value RMB	% of net asset value
Debt securities			
Listed interbank bonds			
China			
Beijing Heating Group 4.90% 06/04/2018	20,000,000	19,633,000	5.37
China Electronics Corporation 5.40% 06/13/2019	30,000,000	30,436,230	8.33
Huadian Fuxin Energy 5.20% 05/08/2015	10,000,000	10,000,820	2.73
Huarun Dadong Dockyard 7.65% 03/19/2015	10,000,000	10,002,940	2.74
Huludao Investment Group 7.05% 10/18/2020	20,000,000	20,590,780	5.63
Jx Water Conservancy Investment 5.40% 01/22/2018	20,000,000	19,734,020	5.40
Liaoning Yaodu Development 7.35% 12/12/2019	10,000,000	10,189,120	2.79
Nanhai Holding Investment 5.40% 01/17/2018	30,000,000	30,098,700	8.23
Nanjing Yurun Food 5.49% 10/18/2015	10,000,000	9,934,630	2.72
Quanxing Mining Group 6.70% 03/21/2019	10,000,000	10,163,030	2.78
Sanya Phoenix International Airport 6.06% 12/05/2017	20,000,000	19,495,240	5.33
Shanghai Zhangjiang High-Tech 5.00% 10/17/2017	20,000,000	19,758,120	5.40
Sinolight Corporation 5.17% 10/30/2019	20,000,000	19,810,020	5.42
Wenzhou Public Utilities Investment 6.54% 10/14/2018	10,000,000	10,192,890	2.79
Wuhan Chedu Construction Investment 7.18% 02/27/2021	20,000,000	20,865,960	5.71
Xiwang Group 6.60% 01/10/2018	10,000,000	9,840,860	2.69
Zhejiang Hengyi Group 6.01% 01/25/2018	20,000,000	19,437,280	5.32
Zhuhai Gree Group 5.51% 01/19/2017	20,000,000	20,176,300	5.52
		<u>310,359,940</u>	<u>84.90</u>
		-----	-----
Unlisted unit trust¹			
China			
110016 E Fund Money Market Fund - B	10,006,965.43	10,006,965	2.74
202301 China Southern Cash Income Fund - A	7,000,000.00	7,000,000	1.91
202302 China Southern Cash Income Fund - B	16,562,018.61	16,562,019	4.53
		<u>33,568,984</u>	<u>9.18</u>
		-----	-----
Total investment portfolio, at fair value		343,928,924	94.08
Other net assets		21,618,978	5.92
		<u>365,547,902</u>	<u>100.00</u>
		=====	=====
Total investment at cost		<u>339,800,004</u>	
		=====	

¹ Not authorised in Hong Kong and not available to Hong Kong Residents

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**STATEMENT OF MOVEMENT IN PORTFOLIO HOLDINGS (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Holdings as at 31.12.2014	Holdings as at 31.12.2013
People's Republic of China		
Listed interbank bonds	84.90	95.36
Unlisted unit trust ¹	9.18	9.37
	<hr/>	<hr/>
Total investment portfolio	94.08	104.73
Other net assets	5.92	(4.73)
	<hr/>	<hr/>
Net assets	100	100
	<hr/> <hr/>	<hr/> <hr/>

¹ Not authorised in Hong Kong and not available to Hong Kong Residents

**SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**PERFORMANCE TABLE (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2014**

Net asset value

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

	Net asset value per unit RMB	Total net asset value RMB
As at 31 December 2014		
CLASS A	103.598	50,013,854
CLASS I	104.889	315,534,048
As at 31 December 2013		
CLASS A	98.784	209,444,502
CLASS I	99.566	437,883,485
As at 31 December 2012 ¹		
CLASS A	101.306	156,153,690
CLASS I	101.649	717,993,613

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 RMB	Lowest redemption price per unit RMB
Year ended 31 December 2014		
CLASS A	105.691	98.758
CLASS I	106.942	99.547
Year ended 31 December 2013		
CLASS A	103.433	98.697
CLASS I	103.980	99.468
Period from 10 January 2012 (date of establishment) To 31 December 2012		
CLASS A	102.187	100.000
CLASS I	102.278	100.000