



REPORTS AND AUDITED FINANCIAL STATEMENTS

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

For the period from 10 January 2012 (date of establishment) to
31 December 2012

Ernst & Young

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND

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SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND

REPORT OF THE MANAGER

Market review

Bond market has generated positive return for the ten months ending in December since the launch of the Fund in March, but not without ups and downs.

The bond market remained relatively calm and directionless during March and April. Weak data points continued to surface from the Chinese economy while investors remained more risk adverse preferring the relatively safer harbor of bonds over equities. Flipside, lingering fears of obstinate inflation, continue to weigh on the bond market. Externally, US economy, showed some signs of economic stability. The equilibrium was broken in May while weaker than expected economic data emerged, showing the economy was still on a downward course. The renewed pessimism coupled with fast declining inflation triggered a rally in the bond market. This is furthered fuelled by subsequent reserve requirement ratios (RRR) cut in mid May, and ensuing two interest rate cuts in June and July.

While market continued to expect more actions from PBOC to support economic recovery, bond market reversed in the third quarter while PBOC used continuous open market operation (i.e. reverse repo) to provide liquidity to the market instead of the widely anticipated RRR and/or interest rate cut. The disappointment, combined with refueled worries on inflation, weighed on the bond market and the market gave back most of its gain from the second quarter. With relatively loosen liquidity environment and lower expectation for strong economic rebound, Bond market traded range bound in the last quarter.

The 1, 3, 5, 7, 10 year tenor key rate treasury YTM's changed by -4bps, 4bps, 2bps, 3bps and 4bps respectively, showing little change in yield.

We also witnessed a general narrowing of the credit spread, especially lower down in the credit curve, with investor chasing for yields. The spread between 5 year tenor AAA, AA+, AA, AA- corporate bonds and corresponding 5 year treasuries changed by 23bps, -7bps, -10bps and -119bps respectively.

Portfolio review

Since the Fund's inception in March to the end of December, the Fund's NAV is up 2.81% for A (Retail) class and up 3.16% for I (Institutional) class. In comparison, the Chinabond Composite Full Price Index (CBCFPI) edged up slightly by 0.27%. Aside, the Shanghai Exchange Composite Index was down by 6.56% in the comparative period as well.

We attribute our out-performance to three main contributions. Firstly, our portfolio has more credit bonds than the market average; as such we benefited from the higher coupon of the credit bonds.

Secondly, we were astute being early movers and we caught the credit spread narrowing trend, hence picked up substantial capital gain which boosted our NAV.

Thirdly, we did an important strategic decision to stay away from the equity market, avoided the subsequent carnage there and remain being fully invested in the bond market instead. This is well evident with the Shanghai Exchange Composite Index witnessed great volatility and capital destruction, being down 6.56%.

In terms of Fund's asset allocation, our portfolio is 87.8% invested in Bonds, and we have 12.2% in Cash & cash equivalents. We have reduced our sovereign bonds weight to zero and all of our bonds exposures are in corporate/enterprise bonds.

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND

REPORT OF THE MANAGER (continued)

Portfolio review (continued)

Our corporate/enterprise bonds are well diversified across the full investment grade credit spectrum: AAA (12.7%), AA+ (19.9%), AA (32.8%), AA- (22.5%). During the past year, we made a gradual reduction in our sovereign bonds position and stepped up our exposure to credit bonds, especially those bonds with lower credit rating. In doing so we were able to have higher yield-to-maturity (YTM) as well as benefitting from the ensuing credit spread narrowing.

At the end of December, the Fund has an average duration of 1.97 years with an average yield-to maturity of 5.21%. The Fund is adequately diversified in 57 names and our top 10 holdings have an aggregate weight of 31.2%.

Our consistent performance has seen our Fund being positioned well amongst and highly ranked amongst our RQFII fund peers. The Fund aims for a quarterly dividend payout and was successful to distribute its consecutive quarterly dividend of 1.00 RMB, 0.20 RMB and 0.30 RMB in the second, third and last quarter respectively. We hope to maintain our progressive dividend policy, both in terms of frequency of dividend payout as well as a generous dividend payout ratio, for the best interest of our clients.

Market Outlook

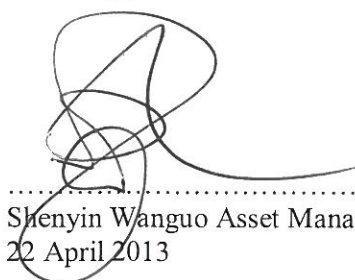
We see many good investment opportunities in China's bond market in 2013.

First, the ever fast growing credit bond market will allow diverse issuers to come to the bond market with various credit qualities. This provides opportunities to capture extra and higher return via detailed and down to earth credit analysis, which was neglected in the past in the Chinese market.

Second, since the economy is in the process of moderate recovery, credit environment will likely improve in the coming year, with the health of many corporate surprising on the upside. This will in turn further narrow the credit spread of quality companies and create better investment opportunities in credit bonds in which we are strategically overweight.

Third, with loosening market liquidity and still asset allocation pressure, bond market will likely continue to rally in the first quarter of 2013.

Sincerely yours,



.....
Shenyin Wanguo Asset Management (Asia) Limited
22 April 2013

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 RMB MAINLAND INVESTMENT 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 RMB Mainland Investment Fund in accordance with the provisions of the Trust Deed dated 6 January 2012 and its supplemental deed for the period ended 31 December 2012.



Bank of Communications Trustee Limited
22 April 2013

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND

ADMINISTRATION AND MANAGEMENT

MANAGER

Shenyin Wanguo Asset Management (Asia)
Limited
28/F Citibank Tower
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3 Garden Road
Central
Hong Kong

TRUSTEE AND REGISTRAR

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LEGAL ADVISERS

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

AUDITORS

Ernst & Young
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

DIRECTORS OF THE MANAGER

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

RQFII CUSTODIAN

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

**Independent auditors' report
To the Trustee and Manager of
SWS Strategic Investment Funds - Shenyin Wanguo RMB Mainland Investment 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 RMB Mainland Investment Fund (a sub-fund of SWS Strategic Investments Funds (the “Trust”) and referred to as the “Sub-Fund”) set out on pages 7 to 32, which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in net assets attributable to holders of redeemable units, statement of cash flows and statement of distribution for the period from 10 January 2012 (date of establishment) to 31 December 2012, 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 Manager and the Trustee 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 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 (the “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' judgement, 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 RMB Mainland Investment 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 2012, and of its financial performance and cash flows for the period from 10 January 2012 (date of establishment) to 31 December 2012 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
22 April 2013

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND

STATEMENT OF COMPREHENSIVE INCOME

For the period from 10 January 2012 (date of establishment) to 31 December 2012

	Notes	Period from 10 January 2012 (date of establishment) to 31 December 2012 RMB
INCOME		
Interest income		10,448,085
Net realised gains on financial assets at fair value through profit or loss	8	1,335,549
Net change in unrealised gains on financial assets at fair value through profit or loss	8	148,231
Exchange gain		<u>8,051</u>
		<u>11,939,916</u>
EXPENSES		
Management fee	5	1,774,196
Trustee fee	5	461,284
Sub-custodian fee	5	199,798
Auditors' remuneration		175,302
Commission expenses		97,612
Handling and transaction fees		1,996
Set up fee		661,622
Other general expenses		<u>86,885</u>
		<u>3,458,695</u>
Operating profit		8,481,221
FINANCE COST		
Distribution to unitholders	7	<u>(4,067,664)</u>
Profit before tax		4,413,557
Withholding tax on bank interest	6	(5,398)
Withholding tax on capital gains and accrued interest	6	<u>(1,151,451)</u>
INCREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS DURING THE PERIOD		<u><u>3,256,708</u></u>

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

SWS STRATEGIC INVESTMENT FUNDS
 - SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 RMB
ASSETS		
Cash and cash equivalents	10	31,693,453
Financial assets at fair value through profit or loss	8	836,588,550
Accounts receivable on contributions		2,094,040
Interest receivable		8,601,268
Deposits		252,000
Prepayments		<u>2,502</u>
TOTAL ASSETS		<u>879,231,813</u>
LIABILITIES		
Accounts payable on redemptions		3,819,380
Management fee payable	5	352,360
Trustee fee payable	5	55,429
Sub-custodian fee payable	5	43,159
Commission expenses payable		33,013
Audit fee payable		175,302
Withholding tax payable	6	1,153,408
Other payables		<u>7,900</u>
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE HOLDERS OF REDEEMABLE UNITS		<u>5,639,951</u>
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		<u>873,591,862</u>
TOTAL LIABILITIES		<u>879,231,813</u>
Represented by:		
Net asset attributable to holders of redeemable units (calculated in accordance with Sub-Fund's explanatory memorandum)	12	874,147,303
Adjustment for preliminary expenses recognised	12	<u>(555,441)</u>
Net assets attributable to holders of redeemable units (calculated in accordance with IFRSs)		<u>873,591,862</u>
NUMBER OF UNITS IN ISSUE		
Class A	11	1,541,394.504
Class I	11	<u>7,063,395.769</u>
		<u>8,604,790.273</u>
NET ASSET VALUE PER UNIT (calculated in accordance with IFRSs)		
Class A	12	101.242
Class I	12	<u>101.585</u>

Trustee

Manager

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

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND

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

For the period from 10 January 2012 (date of establishment) to 31 December 2012

	Class A		Class I		TOTAL
	Number of units Units	Net assets attributable holders of redeemable units RMB	Number of units Units	Net assets attributable holders of redeemable units RMB	
As at 10 January 2012 (Date of establishment)	-	-	-	-	-
Issuance of redeemable units during the period	1,668,412.723	168,244,366	8,773,707.588	888,729,770	1,056,974,136
Redemption of redeemable units during the period	(127,018.219)	(12,852,807)	(1,710,311.819)	(173,786,175)	(186,638,982)
Increase in net assets attributable to holders of redeemable units during the period	-	662,634	-	2,594,074	3,256,708
As at 31 December 2012	1,541,394.504	156,054,193	7,063,395.769	717,537,669	873,591,862

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

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND

STATEMENT OF CASH FLOWS

For the period from 10 January 2012 (date of establishment) to 31 December 2012

	Notes	Period from 10 January 2012 (date of establishment) to 31 December 2012 RMB
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets attributable to holders of redeemable units during the period		3,256,708
Adjustments for:		
Interest income		(10,448,085)
Withholding tax		1,156,849
Distribution to unitholders		4,067,664
Net change in unrealised gains on financial assets at fair value through profit or loss		(148,231)
Net realised gains on financial assets at fair value through profit or loss		(1,335,549)
Purchase of financial assets at fair value through profit or loss		(1,414,330,181)
Proceeds from sale of financial assets at fair value through profit or loss		579,225,411
		<u>(838,555,414)</u>
Increase in deposits		(252,000)
Increase in prepayments		(2,502)
Increase in management fee payable		352,360
Increase in trustee fee payable		55,429
Increase in commission expenses payable		33,013
Increase in audit fee payable		175,302
Increase in sub-custodian fee payable		43,159
Increase in other payables		7,900
Net cash used in operations		(838,142,753)
Withholding tax paid		(3,441)
Interest received		1,846,817
Net cash used in operating activities		<u>(836,299,377)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issue of units		1,054,880,096
Payments on redemption of units		(182,819,602)
Distributions during the period		(4,067,664)
Net cash flow from financing activities		<u>867,992,830</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		31,693,453
Cash and cash equivalents at beginning of period		<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>31,693,453</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash at bank	10	<u>31,693,453</u>

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

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND

STATEMENT OF DISTRIBUTION

For the period from 10 January 2012 (date of establishment) to 31 December 2012

	Note	RMB
At 10 January 2012 (date of establishment)		-
Operation profit after tax before distribution		7,324,372
Less: Unrealised gains on financial assets at fair value through profit or loss		<u>(148,231)</u>
Undistributed income before distribution		7,176,141
Interim distribution distributed on 12 July 2012 (RMB1 per unit)	7	(2,075,952)
Interim distribution distributed on 15 October 2012 (RMB0.20 per unit)	7	(423,643)
Final distribution distributed as of 21 December 2012 (RMB0.30 per unit)	7	(1,568,069)
Transfer to capital		<u>(3,108,477)</u>
Undistributed Income at 31 December 2012		<u><u>-</u></u>

The amount available for distribution is the total net amount receivable by the Sub-Fund in respect of the relevant period ("Net Distributable Income") minus any expenses chargeable against income, subject to adjustments made in accordance with the Trust Deed. Net Distributable Income would include amount receivable by way of interests (i.e. dividend income and interest income net of fees and expenses), or other receipts as determined by the Manager to be in the nature of income. Unrealised capital gain or loss does not form part of Net Distributable Income and therefore would not impact on the amount available for distribution.

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2012

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 entered into between Shenyin Wanguo Asset Management (Asia) Limited (the "Manager") and Bank of Communications Trustee Limited (the "Trustee").

Shenyin Wanguo 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 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 can be issued. As at 31 December 2012, another sub-fund, SWS Strategic Investment Funds – Shenyin Wanguo China Policy Focus 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 provide 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 Shenyin Wanguo (H.K.) Holdings Limited, the holding company of the Manager. The RQFII quota value is RMB900 million.

As at 31 December 2012, 20.14% of the 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.

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2012

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") and the relevant disclosure requirements specified in the SFC code.

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

The Sub-Fund has adopted for the first time all the applicable and effective IFRSs.

The Sub-Fund had elected to early adopt IFRS 13 *Fair Value Measurement* which was issued in May 2011 and is effective for annual period beginning on or after 1 January 2013. The standard is early adopted by the Sub-Fund from 10 January 2012 (date of establishment). IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Sub-Fund is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. The standard states that if an asset or a liability measured at fair value has a bid price and an ask price (eg an input from a dealer market), the price within the bid-ask price spread that is most representative of fair value in the circumstance shall be used to measure fair value regardless of where the input is categorised within the fair value hierarchy. The standard allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within the bid-ask price spread.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below. The Sub-Fund intends to adopt these standards, if applicable, when they become effective.

IAS 1 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 (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Sub-Fund's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and the Sub-Fund expects to adopt the amendments from 1 January 2013.

IAS 32 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2.2 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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 would 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 will not impact the Sub-Fund's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

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 standard was initially effective for annual periods beginning on or after 1 January 2013, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Sub-Fund's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Sub-Fund will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

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. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

The amendments to IFRS 10 issued in October 2012 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 *Disclosure of Interest in Other Entities* and IAS 27 (2011). The amendments to IFRS 12 also set out the disclosure requirements for investment entities.

Consequential amendments were made to IAS 27 and IAS 28 as a result of the issuance of IFRS 10, IFRS 11 *Joint Arrangements* and IFRS 12. The Sub-Fund expects to adopt IFRS 10, IFRS 11, IFRS 12, IAS 27 (2011), IAS 28 (2011), and the subsequent amendments to these standards issued in June and October 2012 from 1 January 2013. Based on preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Sub-Fund.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2.2 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Annual Improvements May 2012

These improvements will not have an impact on the Sub-Fund, but include:

IFRS 1 First-time Adoption of International Financial Reporting Standards

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*.

These improvements are effective for annual periods beginning on or after 1 January 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 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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(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.

(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, 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.

NOTES TO FINANCIAL STATEMENTS

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(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.

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 is based on their quoted market price or binding dealer price 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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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 RMB, 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 RMB. Therefore, the RMB is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

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 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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 during the Hong Kong and PRC business days of each calendar month 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.

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.

Distributions to unitholders

Distributions 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 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 equity.

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.

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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.

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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 determined 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. The Sub-Fund establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it invests. The amounts of such provisions are based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective investment's domicile.

5. FEES

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 period was RMB1,774,196. As at 31 December 2012, the management fee of RMB352,360 was payable to the Manager.

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5. FEES (continued)

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 and a minimum monthly fee of USD4,000 for each class of Units calculated and accrued on each dealing day and is paid monthly in arrears.

The trustee fee for the period was RMB461,284. As at 31 December 2012, the trustee fee of RMB55,429 was payable to the Trustee.

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 Sub-Fund

The sub-custodian fee for the period was RMB199,798. As at 31 December 2012, the sub-custodian fee RMB43,159 was payable to RQFII custodian.

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

Under PRC laws and regulations, foreign investors (such as the Sub-Fund) may be subject to a 10% withholding tax on income (such as dividend/interest and capital gains) imposed on the PRC.

Capital gains Tax

Specific rules governing taxes on Renminbi qualified foreign institutional investors' ("RQFII") capital gains derived from trading of PRC securities have yet to be announced. In the absence of such specific rules, the PRC income tax treatment should be governed by the general tax provisions of the Corporate Income Tax Law, which stipulates a 10% tax on a withholding basis for capital gains derived on disposal of PRC securities. Therefore, in light of the potential liability, the Sub-Fund has elected to withhold a 10% tax provision on capital gains realised on disposal of PRC securities.

Distribution Tax

A ten per cent (10%) PRC withholding tax has been levied on dividend and interest payments from PRC companies to foreign investors. As such, the RQFII will pass on this tax liability to the Sub-Fund in the form of a distribution Tax and therefore, the Sub-Fund is subject to a distribution tax of ten per cent (10%). There is no assurance that the rate of the distribution tax will not be changed by the PRC tax authorities in the future.

For the current period, the PRC capital gains tax and distribution tax amounted to RMB1,151,451, of which RMB1,153,408 was payable at the reporting date.

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7. DISTRIBUTION

	Number of shares	2012 RMB
Interim dividend on 12 July 2012 at RMB1 per unit	2,075,951.848	2,075,952
Interim dividend on 15 October 2012 at RMB0.20 per unit	2,118,214.149	423,643
Final dividend as of 21 December 2012 at RMB0.30 per unit	5,226,896.047	<u>1,568,069</u>
		<u>4,067,664</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 RMB
<u>Financial assets at fair value through profit or loss</u>	
Held for trading	
- listed and quoted debt securities	756,588,550
- unlisted unit trust	<u>80,000,000</u>
	<u>836,588,550</u>
Net gains on financial assets at fair value through profit or loss:	
- realised	1,335,549
- unrealised	<u>148,231</u>
Net gains	<u>1,483,780</u>

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 2012, the Sub-Fund's financial assets at fair value through profit or loss was RMB836,588,550. All of them were classified as Level 2 fair value measurements.

During the period ended 31 December 2012, there were no transfers between Level 1 and Level 2 of fair value measurements, and no transfers into and out of Level 3.

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10. CASH AND CASH EQUIVALENTS

At 31 December 2012, cash and cash equivalents are solely comprised of cash at a bank. The cash at bank of the Sub-Fund is being held in interest bearing account with Bank of Communication Co., Ltd., HK Branch under the same group of Trustee and Bank of Communication Co., Ltd, the ultimate holding company of the Trustee.

11. NUMBER OF UNITS IN ISSUE

The following is the issuance/(redemption) of units of the Sub-Fund:

	2012
Units outstanding at 10 January 2012 (date of establishment)	-
Units issued	10,442,120.311
Units redeemed	<u>(1,837,330.038)</u>
Units outstanding at the end of the period	<u>8,604,790.273</u>

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:

	RMB
Published net assets attributable to holders of redeemable units	874,147,303
Adjustment to preliminary expense (a)	<u>(555,441)</u>
Net assets attributable to holders of redeemable units (calculated in accordance with IFRSs)	<u>873,591,862</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.

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

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.

	2012	
	Calculated in accordance with IFRSs RMB	Calculated in accordance with Sub-Fund's explanatory memorandum RMB
Net asset value		
Class A	156,054,193	156,153,690
Class I	717,537,669	717,993,613
	RMB	RMB
Net asset value per unit		
Class A	101.242	101.306
Class I	101.585	101.649

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.

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NOTES TO FINANCIAL STATEMENTS

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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:

2012

<u>Financial assets</u>	Held for trading RMB	Loans and receivables RMB	Total RMB
Cash and cash equivalents	-	31,693,453	31,693,453
Financial assets at fair value through profit or loss	836,588,550	-	836,588,550
Account receivable on contribution	-	2,094,040	2,094,040
Interest receivable	-	8,601,268	8,601,268
	<u>836,588,550</u>	<u>42,388,761</u>	<u>878,977,311</u>
 <u>Financial liabilities</u>			 At amortised cost RMB
Account payable on redemption			3,819,380
Management fee payable			352,360
Trustee fee payable			55,429
Commission expenses payable			33,013
Audit fee payable			175,302
Sub-custodian fee payable			43,159
Other payables			7,900
			<u>4,486,543</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.

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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.

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:

- Interest rate risk
- Foreign exchange risk

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.

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 7 years.

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

Interest rate risk (continued)

The sensitivity of both the net assets attributable to shareholders and the change in net assets attributable to shareholders from operations is the effect of the assumed changes in interest rates on:

- The net interest income for one year, based on the floating rate financial assets held at the end of the reporting period
- Changes in fair value of investments for the period, based on revaluing fixed rate financial assets at the end of the reporting period.

The table below analyses the Sub-Fund's change in interest income and fair value of investments if there has been a change in interest rate basis points. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be significant.

	Financial assets at fair value through profit or loss RMB	Change in basis points	Sensitivity of changes in fair value of investments Increase/(decrease) %	Sensitivity of changes in fair value of investments Increase/(decrease) RMB equivalent
As at 31 December 2012	836,588,550	+100/-100	2.06%/(1.87)	17,233,724/ (15,644,206)

The following table analyses the Sub-Fund's interest rate risk exposure. The Sub-Fund's assets and liabilities are included at fair value and categorised by the earlier of contractual re-pricing or maturity dates.

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.

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.

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

Liquidity risk (continued)

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 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 RMB	Trading instrument* RMB	Less than 1 month RMB	Less than 1 year RMB	Total RMB
<u>Financial assets</u>					
Cash at banks	31,693,453	-	-	-	31,693,453
Financial assets at fair value through profit or loss	-	836,588,550	-	-	836,588,550
Account receivable on contribution	-	-	2,094,040	-	2,094,040
Interest receivable	-	-	-	8,601,268	8,601,268
Total financial assets	<u>31,693,453</u>	<u>836,588,550</u>	<u>2,094,040</u>	<u>8,601,268</u>	<u>878,977,311</u>

* *Trading instruments represents the Sub-Fund's investments in debt securities which are held for trading.*

	On demand RMB	Less than 1 month RMB	Less than 1 year RMB	Total RMB
<u>Financial liabilities</u>				
Account payable on redemption	-	3,819,380	-	3,819,380
Management fee payable	-	352,360	-	352,360
Trustee fee payable	-	55,429	-	55,429
Commission expenses payable	-	33,013	-	33,013
Audit fee payable	-	175,302	-	175,302
Sub-custodian fee payable	-	43,159	-	43,159
Other payables	-	7,900	-	7,900
Net assets attributable to holders of redeemable units	-	873,591,862	-	873,591,862
Total financial liabilities	<u>-</u>	<u>878,078,405</u>	<u>-</u>	<u>878,078,405</u>

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14. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (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 honour 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 and 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 2012

	RMB	Credit rating	Source of credit rating
<u>Bank balance</u>			
Bank of Communications Co., Ltd., Hong Kong Branch*	5,222,105	A3	Moody's
Bank of Communications Co., Ltd.,	26,723,348	A3	Moody's
<u>Investment</u>			
Bank of Communications Co., Ltd.	836,588,550	A3	Moody's

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

SWS STRATEGIC INVESTMENT FUNDS
 - SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2012

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 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 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.

Units held by a fellow subsidiary of the Manager, are detailed as follows:

2012

	Units outstanding at 10 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	(1,282,436.370)	1,732,942.059

(b) 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 period RMB	Average commission rate %
<u>2012</u> Shenyin Wanguo Securities Co. Ltd.	206,123,284	19,612	10.46%	0.01%

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

The Sub-Fund's bank deposits and investments were held by Bank of Communication Co., Ltd., HK Branch under the same group of Trustee and Bank of Communication Co., Ltd, the ultimate holding company of the Trustee. Further details of the balances held are described in Note 10 to the financial statements. During the period, interest income received on these bank balances amounted to RMB170,470.

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

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2012

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

Subsequent to the period ended and up to the date of this report, 182,599.992 Class A redeemable units and 960,579.549 Class I redeemable units were issued and 359,994.923 Class A redeemable units and 3,010,610.681 Class I redeemable units were redeemed.

18. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Trustee and the Manager on 22 April 2013.

SWS STRATEGIC INVESTMENT FUNDS
 - SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND

STATEMENTS OF MOVEMENT IN PORTFOLIO HOLDINGS

For the period from 10 January 2012 (date of establishment) to 31 December 2012

	Holdings as at <u>31.12.2012</u>	Holdings as at <u>10.01.2012</u>
<u>People's Republic of China</u>		
Listed exchange bonds	2.81%	Nil
Listed interbank bonds	83.74%	Nil
Unlisted unit trust ¹	9.15%	Nil
Total investment portfolio	<u>95.70%</u>	<u>Nil</u>
Other net assets	4.30%	Nil
Net assets	<u><u>100%</u></u>	<u><u>Nil</u></u>

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

SWS STRATEGIC INVESTMENT FUNDS
 - SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND

PERFORMANCE TABLE

31 December 2012

Net asset value

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

	Net asset value per unit RMB	Total net asset value RMB
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 Sub-Fund's explanatory memorandum)

	Highest issue price per unit RMB	Lowest redemption price per unit RMB
Period from 10 January 2012 (date of establishment) to 31 December 2012		
CLASS A	102.187	100.000
CLASS I	102.278	100.000

SWS STRATEGIC INVESTMENT FUNDS
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INVESTMENT PORTFOLIO

31 December 2012

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (UNAUDITED)

	Holdings	Fair value RMB	% of NAV
<i>Listed exchange bonds</i>			
<i>People's Republic of China</i>			
China Railway Group Ltd 4.48% 1/27/2015	1,200,000	1,194,000	0.14%
Daqin Railway Co Ltd 4.88% 12/10/2015	10,000,000	10,009,000	1.15%
Jiangsu Zongyi Co Ltd 7.5% 8/31/2016	1,000,000	1,008,000	0.12%
Jilin Sino-Microelectronics Co Ltd 8% 4/10/2019	1,000,000	1,015,200	0.12%
Milord Real Estate Development Group Co Ltd 8% 11/3/2014	1,000,000	1,017,900	0.12%
Shanghai International Port Group Co Ltd 4.69% 3/30/2016	3,000,000	3,005,400	0.34%
Xinhu Zhongbao Co Ltd 9% 7/2/2016	2,000,000	2,131,800	0.24%
Yongcheng Coal & Electricity Holding Group Co Ltd 5.28% 3/30/2015	5,000,000	5,032,500	0.58%
		24,413,800	2.81%
<i>Listed interbank bonds</i>			
<i>People's Republic of China</i>			
Beijing Automotive Group Co Ltd 5.16% 11/16/2019	20,000,000	19,914,840	2.28%
Black Peony Group Co Ltd 5.49% 10/29/2015	10,000,000	10,054,080	1.15%
China Cable Network Co Ltd 5.21% 12/17/2013	10,000,000	10,031,810	1.15%
China Water Investment Co Ltd 5.41% 10/25/2017	20,000,000	20,073,400	2.30%
China Coal Energy Co Ltd 5.12% 9/19/2019	30,000,000	29,975,430	3.43%
China Hi-Tech Group Corp 5.78% 10/31/2019	20,000,000	19,996,860	2.29%
China Railway 21st Bureau Group Co Ltd 5.21% 12/17/2013	10,000,000	10,022,580	1.15%
China Southern Power Grid Co Ltd 4.42% 11/26/2015	20,000,000	19,939,960	2.28%
Chinatex Corp 4.39% 7/12/2015	10,000,000	9,855,310	1.13%
Chongqing Lifan Holdings Ltd 7.8% 4/25/2015	10,000,000	10,262,020	1.17%
CSR Group 4.54% 9/17/2015	10,000,000	9,961,060	1.14%
Dandong Port Group Co Ltd 5.17% 12/28/2013	10,000,000	10,016,120	1.15%
Fujian Electronics & Information Group Co Ltd 5.27% 12/13/2013	10,000,000	10,003,230	1.14%
Guangdong Baolihua New Energy Stock Co Ltd 6.27% 3/14/2016	10,000,000	10,217,230	1.17%
Guangmeishan Railway Co Ltd 4.93% 12/27/2013	20,000,000	20,043,660	2.29%
Guangzhou Automobile Group Co Ltd 3.58% 4/13/2014	10,000,000	9,888,110	1.13%
Guilin Economic Construction Investment Co 6.9% 5/9/2018	10,000,000	10,131,860	1.16%
Guangxi Yuchai Machinery Group Co Ltd 5.54% 12/28/2015	30,000,000	30,076,530	3.44%
Guangzhou Electric Equipment Group Co Ltd 5.6% 9/21/2015	10,000,000	10,081,820	1.15%

SWS STRATEGIC INVESTMENT FUNDS
- SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND

INVESTMENT PORTFOLIO (continued)

31 December 2012

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (UNAUDITED) (continued)

	Holdings	Fair value RMB	% of NAV
<i>Listed interbank bonds (continued)</i>			
<i>People's Republic of China</i>			
Hengli Group Co Ltd 5.8% 12/24/2013	10,000,000	10,000,520	1.14%
Shenzhen Huaqiang Holdings Ltd 6.31% 2/24/2015	10,000,000	10,161,530	1.16%
Huarun Dadong Dockyard Co Ltd 7.65% 3/19/2015	10,000,000	10,319,240	1.18%
Hangzhou Boiler Group Co Ltd 5.21% 12/12/2013	10,000,000	10,006,630	1.14%
Nanjing Jiangning District Tap Water General Co 5.24% 12/20/2013	20,000,000	19,999,980	2.29%
Jiangsu Fasten Group Ltd 7.3% 5/11/2015	10,000,000	10,174,060	1.16%
Jiangsu Hongtu High Technology Co Ltd 5.64% 12/25/2013	10,000,000	9,999,570	1.14%
Jining Water Supply Group Co 5.27% 12/6/2013	30,000,000	30,011,130	3.43%
Jiangsu Guotai International Group Co Ltd 5.21% 12/18/2013	20,000,000	20,036,140	2.29%
Lianyungang Port Group Co Ltd 5.07% 11/21/2013	20,000,000	20,033,420	2.29%
Shanghai Lingang Economic Development Group Co Ltd 6.06% 11/28/2017	10,000,000	9,997,130	1.14%
Liaoning Yaodu Development Co Ltd 7.35% 12/12/2019	10,000,000	10,035,970	1.15%
Municipal Road & Bridge Construction Holding Group Co Ltd 6.55% 11/18/2014	10,000,000	10,223,720	1.17%
Nanjing Yurun Foods Co Ltd 5.49% 10/18/2015	10,000,000	10,008,440	1.14%
Ningbo Fubang Holdings Group Co Ltd 6% 12/25/2013	10,000,000	10,023,730	1.15%
Potevio Co Ltd 4.6% 9/6/2013	10,000,000	9,988,930	1.14%
Shandong Quanxing Mining Industry Group Co Ltd 6.7% 3/21/2019	10,000,000	10,174,470	1.16%
Sanya Phoenix International Airport Co Ltd 5.17% 12/28/2013	10,000,000	10,010,440	1.15%
Shandong Landbridge Group Co Ltd 5.8% 12/12/2013	10,000,000	10,005,730	1.14%
Chinacoal Group Shanxi G-ocean Energy Co Ltd 5.53% 12/26/2017	30,000,000	30,150,150	3.45%
Inner Mongolia Taixi Coal Group Co Ltd 5.7% 9/27/2013	20,000,000	20,043,680	2.29%
Tianrui Group Cement Co Ltd 5.8% 5/10/2015	10,000,000	10,058,920	1.15%
Tianjin Building Materials Group Holding Co Ltd 5.3% 9/21/2013	10,000,000	10,008,060	1.14%
Elion Resources Group Co Ltd 5.27% 12/28/2013	50,000,000	50,011,250	5.73%
Yingkou Port Group Co Ltd 4.83% 11/2/2013	20,000,000	19,992,000	2.29%
Inner Mongolia Yitai Coal Co Ltd 5.53% 12/25/2017	20,000,000	20,160,400	2.31%
Zhejiang Provincial Railway Investment Group Co Ltd 3.99% 7/27/2013	10,000,000	9,948,640	1.14%
Zhoushan Port Co Ltd 6.2% 10/23/2015	10,000,000	10,042,100	1.15%
Zhoushan Transportation Investment Co Ltd 6.4% 12/5/2017	10,000,000	9,991,400	1.14%
Zhejiang Tiansheng Holdings Co Ltd 6% 11/19/2013	20,000,000	20,011,460	2.29%
		732,174,750	83.74%

SWS STRATEGIC INVESTMENT FUNDS
 - SHENYIN WANGUO RMB MAINLAND INVESTMENT FUND

INVESTMENT PORTFOLIO (continued)

31 December 2012

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (UNAUDITED) (continued)

	Holdings	Fair value RMB	% of NAV
<i>Unlisted unit trust</i>			
<i>People's Republic of China</i>			
E Fund Money Market Fund - B	80,000,000	<u>80,000,000</u>	<u>9.15%</u>
Total investment portfolio		80,000,000	9.15%
Other net assets		<u>836,588,550</u>	<u>95.70%</u>
		<u>37,558,753</u>	<u>4.30%</u>
Net assets value as at 31 December 2012 (in accordance with Sub-Fund's explanatory memorandum)		<u>874,147,303</u>	<u>100.00%</u>
TOTAL INVESTMENT, AT COST		836,440,319	

