

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

REPORTS AND FINANCIAL STATEMENTS

FOR THE PERIOD FROM 8 JUNE 2016 (DATE OF INCEPTION)

TO 31 DECEMBER 2016

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

Contents	Pages
Administration and Management	1
Report of the Manager	2 – 3
Report of the Trustee	4
Independent auditor’s report	5 – 7
Statement of financial position	8
Statement of comprehensive income	9
Statement of changes in net assets attributable to unitholders	10
Statement of cash flows	11
Notes to the financial statements	12 – 24
Investment portfolio (Unaudited)	25
Statement of movement in portfolio holdings (Unaudited)	26
Performance table (Unaudited)	27

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

ADMINISTRATION AND MANAGEMENT

Manager

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

Directors of the Manager

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
21/F Edinburgh Tower
15 Queen's Road 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

Investment Adviser

Noble Apex Advisors Limited
Suite 1901, 19/F Sino Plaza
255 Gloucester Road
Causeway Bay
Hong Kong

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

REPORT OF THE MANAGER

Market Review:

2016 is a volatile year for almost all global capital markets especially for emerging markets, and A share underperformed its global peers during the year. A share plunged significantly at the beginning of the year, but then trended up in the following quarters, though saw some correction again at the end of 2016. Market concerned about RMB depreciation and US Fed rates hike pace during the year, and Brexit result and Donald Trump elected as US's new president also added to volatilities for the global capital markets. For A share, government's tightening measures on financial regulations also dampened market sentiment and led to market underperform during the year.

Central banks of major economies, like ECB and BOJ, has gradually withhold from monetary loosening policies toward year end of 2016, due to some signs of global economies recovery, and US Fed also decided to raised rates again in December 2016. RMB depreciated significantly during the year, with onshore RMB/USD dropped 7% to 6.94 as end of 2016. But China economy also saw recovery since 2Q16, as PMI rebounded to expansion territory since March 2016, and PPI index also rebounded to positive territory since 4Q16, which was stronger than market expected and led to a full year GDP growth of 6.7% for 2016, achieving government's growth target.

US economy remained on improving track during the year, though only raised Fed rate once in December, due to various concerns including external uncertainties. While the elected of Donald Trump as US's new president had triggered higher growth and inflation expectations, which have lift market sentiment and faster Fed rates hike pace expectation. Domestically, the economy recovery has been supported by a strong property market, while Chinese government also started to impose cooling measures to prevent overheating on the property market toward year end.

Portfolio Review:

SHENYIN WANGUO RQFII A SHARE STRATEGY FUND was launched in June. The main position of the fund was cash at the beginning, and we gradually built up equity position in 2H16. The fund's NAV was down by 16.7% during the year, mainly due to RMB depreciation, low equity position during market rebound, and high initiate expense ratio. While we have leveraged our sector allocation and cherry picking skills, and over-weighted companies whose solid earning is deliverable, with multiple re-rating potential, to catch up with the market rebound.

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

REPORT OF THE MANAGER (Continued)

Market Outlook and Portfolio Strategy:

We remain constructive on market performance in near term, though visibility especially for 2H17 is still low. Near term China economy still on healthy recovery track, and RMB also see sign of stabilization. While PBoC's tightening stand on monetary policies and the sustainability of economy recovery will still post uncertainties on A share market sentiment in 2017, and the rise of protectionism for many countries especially US may be a risk factor for global economies and capital markets.

We remained high equity position in near term. For the stock position, we prefer quality equities and dividend growers in current market environment. We will focus more on in-depth research on stock picking, trying to find those investment opportunities with solid performance in medium to long term.

Sincerely yours,



Shenwan Hongyuan Asset Management (Asia) Limited

27 April 2017

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

**SHENYIN WANGUO RQFII A SHARE STRATEGY 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 RQFII A Share Strategy Fund in accordance with the provisions of the Trust Deed dated 6 January 2012 and all its supplemental deeds for the period from 8 June 2016 (date of inception) to 31 December 2016.

We have not become aware of any failures by the Manager to comply with obligations imposed on it with respect to the Sub-Fund during the period ended 31 December 2016, except to the extent that two non-compliance issues have been identified. We have exercised reasonable diligence to ensure the Manager remedied the non-compliance issues.



For and on behalf of
Bank of Communications Trustee Limited
27 April 2017

Independent Auditor's Report

To the Unitholders of Shenyin Wanguo RQFII A Share Strategy Fund (The "Sub-Fund")

Report on the Audit of the Financial Statements

Opinion

What we have audited

The financial statements of Shenyin Wanguo RQFII A Share Strategy Fund (the "Sub-Fund") set out on pages 8 to 24, which comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the period from 8 June 2016 (date of inception) to 31 December 2016;
- the statement of changes in net assets attributable to unitholders for the period then ended;
- the statement of cash flows for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2016, and of its financial transactions and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

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

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

Independence

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

Other Information

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

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

Independent Auditor's Report

To the Unitholders of Shenyin Wanguo RQFII A Share Strategy Fund (The "Sub-Fund")
(Continued)

Report on the Audit of the Financial Statements (Continued)

Other Information (Continued)

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

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

Responsibilities of the Management for the Financial Statements

The Management of the Sub-Fund is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs issued by the IASB, and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

In addition, the Management of the Sub-Fund is required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 19 June 2015 ("Trust Deed") and Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (the "SFC Code").

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Sub-Fund have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the SFC Code.

Independent Auditor's Report

To the Unitholders of Shenyin Wanguo RQFII A Share Strategy Fund (The "Sub-Fund")
(Continued)

Report on the Audit of the Financial Statements (Continued)

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

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

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

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

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

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



PricewaterhouseCoopers
Certified Public Accountants

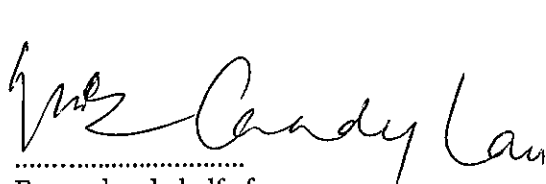
Hong Kong, 27 April 2017

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	Note	2016 RMB
Assets		
Current assets		
Cash and cash equivalent	3(e)	755,071
Investments	3(e), 3(g)	7,396,669
Interest receivable		23
Deposits		2,139
Total assets		<u>8,153,902</u>
Liabilities		
Current liabilities		
Amounts due to brokers		327
Management fee payable	6(a)	10,144
Trustee fee payable	6(b)	14,018
Sub - Custodian fee payable	6(c)	609
Other payables and accruals		690,701
Total liabilities (excluding net assets attributable to unitholders)		<u>715,799</u>
Net assets attributable to unitholders		<u><u>7,438,103</u></u>
Represented by:		
Net assets attributable to unitholders (calculated in accordance with the Sub-Fund's Explanatory Memorandum)	7	7,887,545
Adjustments for preliminary expenses recognised	7	<u>(449,442)</u>

Approved by the Trustee and the Manager on 27 April 2017.



For and on behalf of
Bank of Communications Trustee Limited
As the Trustee



For and on behalf of
Shenwan Hongyuan Asset Management (Asia) Limited
As the Manager

The notes on pages 12 to 24 are an integral part of these financial statements.

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 8 JUNE 2016 (DATE OF INCEPTION) TO 31 DECEMBER 2016**

	Note	Period from 8 June 2016 (date of inception) to 31 December 2016 RMB
Income		
Dividend income		13,650
Interest income		3,539
Net loss on investments	4	(582,399)
Net exchange gain		49,430
Total investment loss		<u>(515,780)</u>
Expenses		
Trustee fee	6(b)	164,049
Management fee	6(a)	70,011
Sub-custodian fee	6(c)	3,764
Auditor's remuneration		179,179
Commission and brokerage fee		19,168
Legal and professional fee		3,809
Preliminary expenses		506,905
Other expenses		9,440
Total operating expenses		<u>956,325</u>
Loss before tax		<u>(1,472,105)</u>
Taxation	5	(1,702)
Total comprehensive loss		<u><u>(1,473,807)</u></u>

The notes on pages 12 to 24 are an integral part of these financial statements.

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE PERIOD FROM 8 JUNE 2016 (DATE OF INCEPTION) TO 31 DECEMBER 2016**

	Note	Class A HKD units		
		<i>Number of units</i>	<i>Net assets attributable to unitholders RMB</i>	<i>Net asset value per unit RMB</i>
As at 8 June 2016 (date of inception)		-	-	-
Issuance of units		105,441.813	8,911,910	
Redemption of units		-	-	
Total comprehensive loss		-	(1,473,807)	
As at 31 December 2016	7	<u>105,441.813</u>	<u>7,438,103</u>	70.542

The notes on pages 12 to 24 are an integral part of these financial statements.

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 8 JUNE 2016 (DATE OF INCEPTION) TO 31 DECEMBER 2016**

	Period from 8 June 2016 (date of inception) to 31 December 2016 RMB
Cash flows from operating activities	
Total comprehensive loss	(1,473,807)
Adjustments for:	
Dividend income	(13,650)
Interest income	(3,539)
Withholding tax	1,702
Operating loss before working capital changes	(1,489,294)
Net increase in investments	(7,396,669)
Increase in deposits	(2,139)
Increase in amounts due to brokers	327
Increase in management fee payable, trustee fee payable, sub – custodian fee payable and other payables and accruals	715,472
Cash used in operations	(8,172,303)
Dividend received	13,650
Interest received	3,516
Withholding tax paid	(1,702)
Net cash used in operating activities	(8,156,839)
Cash flows from financing activities	
Proceeds from issue of units	8,911,910
Payments on redemption of units	-
Net cash generated from financing activities	8,911,910
Net increase in cash and cash equivalents	755,071
Cash and cash equivalents at beginning of the period	-
Cash and cash equivalents at end of the period	755,071
Analysis of balances of cash and cash equivalents	
Bank balances	755,071

The notes on pages 12 to 24 are an integral part of these financial statements.

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

NOTES TO THE FINANCIAL STATEMENTS

1 General information

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

Shenyin Wanguo RQFII A Share Strategy Fund (the “Sub-Fund”) was constituted as a separate sub-fund of the Trust on 19 June 2015. The Sub-Fund is an open-ended unit trust and is authorised by Securities and Futures Commission of Hong Kong under Section 104(I) of the Securities and Futures Ordinance and is required to comply with the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the “SFC Code”).

A separate sub-fund can be created and established to which assets and liabilities attributable to the relevant sub-fund applied. A separate class of units relating exclusively to each sub-fund will be issued. As at 31 December 2016, there were another three sub-funds, SWS Strategic Investment Funds – Shenyin Wanguo RMB Mainland Investment Fund, Shenyin Wanguo RQFII PRC Government Bond Fund and Shenyin Wanguo China Policy Focus Fund. The assets and liabilities of each sub-fund of the Trust are separate and distinct from the assets and liabilities of the sub-fund of the Trust.

The investment objectives of the Sub-Fund is to achieve long-term capital appreciation by investing in stocks issued by companies established and operating in the PRC and listed on stock exchanges in Shanghai and Shenzhen through the RQFII quota of the RQFII Holder which is the holding company of the Manager.

As at 31 December 2016, there were 100,000 Class A HKD units of the Sub-Fund that were held by Shenwan Hongyuan Strategic Investment (H.K.) Limited, 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 period presented, unless otherwise stated.

(a) Basis of preparation

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

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

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

New standards and amendments to existing standards effective 1 January 2016

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2016 that would be expected to have a material impact on the Sub-Fund.

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

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

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

(b) 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.

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(b) Investments (Continued)

Recognition / derecognition

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

Measurement

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

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

Fair value estimation

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

(c) Offsetting financial instruments

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

(d) Income

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

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

(e) Expenses

Expenses are accounted for on an accruals basis.

(f) Cash and cash equivalents

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

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(g) Translation of foreign currencies

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 Renminbi (the “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 “Net exchange gain”.

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 loss on investments”.

(h) Redeemable units

Net assets attributable to unitholders

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

The holder of redeemable units can redeem the units on dealing days which are generally each 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 RMB Units and Class A HKD Units are subject to management fee at 1.5% per annum while Class I RMB Units and Class I HKD Units are subject to management fee at 1.0% per annum.

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

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

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(h) Redeemable units (Continued)

Net assets attributable to unitholders (Continued)

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

Distributions to unitholders

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

Proceeds and payments on issue and redemption of units

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

(i) Amount due from/to brokers

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

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

3 Financial risk management

(a) Strategy in using financial instruments

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

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

(b) Market price risk

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

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(b) Market price risk (Continued)

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

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

	2016 % of net asset value
Communications	2.67
Consumer, Cyclical	20.97
Consumer, Non - cyclical	6.35
Energy	11.90
Financial	14.95
Industrial	29.71
Technology	7.23
Total	<u>93.78</u>

The Sub-Fund's net assets attributable to unitholders is impacted by the increases/(decreases) of the underlying securities to which the Sub-Fund is exposed. As at 31 December 2016, if the underlying securities had increased/decreased by the 5%, the Sub-Fund's pre-tax profits for the year would have resulted in an increase/decrease of RMB350,138 .

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

(c) Interest rate risk

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

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

As at 31 December 2016, the Sub-Fund had bank balances of RMB755,071 and is therefore exposed to minimal interest rate risk on these bank balances.

(d) Foreign exchange risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Sub-Fund mainly invests in securities and other investments that are denominated in 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.

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(e) Credit risk

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

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

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

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

	RMB	Credit rating	Source of credit rating
As at 31 December 2016			
<u>Investments</u>			
Bank of Communications Co.,Ltd.	7,396,669	A2	Moody's
<u>Bank balances</u>			
Bank of Communications Co.,Ltd., Hong Kong Branch*	676,435	A2	Moody's
Bank of Communications Co.,Ltd.	78,636	A2	Moody's

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

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

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

(f) Liquidity risk

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

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(f) 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 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	Less than 1 month RMB	Total RMB
As at 31 December 2016			
Amounts due to broker	-	327	327
Management fee payable	-	10,144	10,144
Trustee fee payable	-	14,018	14,018
Sub-custodian fee payable	-	609	609
Other payables and accruals	-	690,701	690,701
Net assets attributable to unitholders	-	7,438,103	7,438,103
	-	8,153,902	8,153,902

Units are redeemed on demand at the unitholder's option. With a view to protecting the interest of unitholders, the Manager is entitled, with the approval of the Trustee, to limit the number of units of the Sub-Funds redeemed on any dealing day to 10% of the total number of units in issue. As at 31 December 2016, there was 1 unitholder 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 1 month RMB	Less than 1 year RMB	Total RMB
As at 31 December 2016				
Total assets	755,071	7,396,669	2,162	8,153,902

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(g) Fair value estimation

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

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

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

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

The Sub-Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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.

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(g) Fair value estimation (Continued)

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

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
As at 31 December 2016				
Investments				
- Equity securities	7,396,669	-	-	7,396,669

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

During the period from 8 June 2016 (date of inception) to 31 December 2016, there were no transfers between levels.

The carrying amount of cash and cash equivalents, interest receivable, deposit, amounts due to brokers, management fee payable, trustee fee payable, sub-custodian fee 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.

4 Net changes in fair value on investments

	Period from 8 June 2016 (date of inception) to 31 December 2016 RMB
Change in unrealised losses of investments	(481,946)
Net realised losses on sale of investments	(100,453)
	<u>(582,399)</u>

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

NOTES TO THE FINANCIAL STATEMENTS

5 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

The Sub-Fund invest in A-Shares listed in the PRC and are subjected to 10% withholding tax on dividend income derived from A-Shares. Withholding tax was charged on dividend income received from A-Shares during the period.

No tax provision has been made on the realised or unrealised gains derived from China A-Shares for the period ended 31 December 2016 as these gains are exempt from Corporate Income Tax pursuant to Caishui [2016] No. 79 ("Circular 79").

6 Transactions with the Trustee, Manager and connected persons

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

(a) Management fee

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

The management fee charged for the period was RMB70,011. As at 31 December 2016, the management fee of RMB10,144 was payable to the Manager.

(b) Trustee fee

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

The trustee fee for the period was RMB164,049. As at 31 December 2016, the trustee fee of RMB 14,018 was payable to the Trustee.

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

NOTES TO THE FINANCIAL STATEMENTS

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

(c) Sub-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 0.09% per annum of the net asset value of the RQFII custodian account of the Sub-Fund.

The sub-custodian fee for the period was RMB3,764. As at 31 December 2016, the sub-custodian fee RMB609 was payable to RQFII Custodian.

(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 A HKD units held by a fellow subsidiary of the Manager, Shenwan Hongyuan Strategic Investment (H.K.) Limited, are as follows:

	2016 Units
At the beginning of the period	-
Subscription	100,000.000
Redemption	-
	<hr/>
At the end of the period	<u>100,000.000</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 period %	Average commission rate %
2016				
Shenwan & Hongyuan Securities Co., Ltd.	16,675,434	13,340	100	0.08

(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., Hong Kong 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 3(e) to the financial statements. During the period, interest income on these bank balances was amounted to RMB3,522.

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

NOTES TO THE FINANCIAL STATEMENTS

7 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:

	2016 RMB
Published net assets attributable to unitholders	7,887,545
Adjustment to preliminary expenses (a)	(449,442)
	<hr/>
Net assets attributable to unitholders (calculated in accordance with IFRSs)	<u>7,438,103</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.

8 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.

9 Approval of financial statements

The financial statements of the Sub-Fund were approved by the Trustee and the Manager on 27 April 2017.

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**INVESTMENT PORTFOLIO (UNAUDITED)
AS AT 31 DECEMBER 2016**

Investments	Holdings	Fair value RMB	% of net asset value
Listed Equity securities			
China			
China Merchants Energy Shipping Company Limited	100,000	494,000	6.26
China Merchants Securities Company Limited	19,800	323,334	4.10
China Petroleum & Chemical Corporation	100,000	541,000	6.86
COSCO Shipping Energy Transportation Company Limited	60,000	408,600	5.18
COSCO Shipping Holdings Company Limited	100,000	524,000	6.64
COSCO Shipping Specialized Carriers Company Limited	80,000	489,600	6.21
Digital China Group Company Limited	15,000	334,800	4.24
GF Securities Company Limited	30,000	505,800	6.41
Great Wall Motor Company Limited	30,000	331,800	4.21
Hisense Kelon Electrical Holdings Company Limited	50,000	510,500	6.48
Hundsun Technologies Inc	5,000	235,700	2.99
Jiangsu Zhongtian Technology Company Limited	20,000	210,600	2.67
Kweichow Moutai Company Limited	1,500	501,225	6.35
Midea Group Company Limited	16,000	450,720	5.72
New China Life Insurance Company Limited	8,000	350,240	4.44
Ningbo Marine Company Limited	80,000	427,200	5.42
PetroChina Company Limited	50,000	397,500	5.04
SAIC Motor Corporation Limited	7,000	164,150	2.08
Zhengzhou Yutong Bus Company Limited	10,000	195,900	2.48
Total investment portfolio, at fair value		7,396,669	93.78
Other net assets		490,876	6.22
Net assets value as at 31 December 2016 (calculated in accordance with the Sub-Fund's explanatory memorandum)		7,887,545	100.00
Total investment at cost		7,878,615	

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**STATEMENT OF MOVEMENT IN PORTFOLIO HOLDINGS (UNAUDITED)
FOR THE PERIOD FROM 8 JUNE 2016 (DATE OF INCEPTION) TO 31 DECEMBER 2016**

<u>Industry Sector</u>	% holdings of net assets as at 31 December 2016	% holdings of net assets as at 8 June 2016 (date of inception)
Communications	2.67	-
Consumer, Cyclical	20.97	-
Consumer, Non - cyclical	6.35	-
Energy	11.90	-
Financial	14.95	-
Industrial	29.71	-
Technology	7.23	-
	<hr/>	<hr/>
Total investment portfolio	93.78	-
Other net assets	6.22	100.00
	<hr/>	<hr/>
Net assets	100.00	100.00
	<hr/> <hr/>	<hr/> <hr/>

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**PERFORMANCE TABLE (UNAUDITED)
FOR THE PERIOD FROM 8 JUNE 2016 (DATE OF INCEPTION) TO 31 DECEMBER 2016**

Net asset value

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

	Net asset value per unit	Total net asset value
As at 31 December 2016 CLASS A HKD UNITS	HKD 83.273	HKD 8,780,525

Highest issue price and lowest redemption price per unit

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

	Highest issue price per unit	Lowest redemption price per unit
Period from 8 June 2016 (date of inception) to 31 December 2016 CLASS A HKD UNITS	HKD 101.298	HKD 82.827