

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

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2018

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

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**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

Zhu Minjie
Chen Xiaosheng
Guo Chun
Qiu Yizhou
Xia Mingrui

Trustee and Registrar

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Auditor

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Legal Adviser

Deacons
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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
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Causeway Bay
Hong Kong

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REPORT OF THE MANAGER

Market Review:

2018 has been the worst in a decade. The CSI 300 index ended the trading year at 3010.65 — that was approximately 25.3 percent lower than its final close of 2017. All 10 sectors of the index were down significantly in the year, with information technology being the worst performer as it fell 34 percent. Even the best performing sector, utilities, dropped 11 percent.

The primary reason was due to the US-China trade dispute and concerns over China's moderating economic growth. Unexpected trade policy headwinds 2018 was one of the most volatile calendar years since 2008, as unexpected trade policy headwinds and China's efforts to deleverage its economy formed a dismal combination that sent shockwaves across markets.

Portfolio Review:

The fund's NAV dropped 35% in 2018.

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
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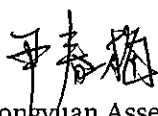
REPORT OF THE MANAGER (CONTINUED)

Market Outlook and Portfolio Strategy:

The macro uncertainty in 2018 is likely to spill over into the first half of 2019. The continued slowdown of economic growth together with the uncertain trade policy outlook shall continue to create a volatile market backdrop. Chinese government has pledged to take counter-cyclical measures to stabilize growth, with various monetary easing and fiscal support. While the temporary truce between President Trump and President Xi announced after the G20 meeting late last year has eased near-term trade tensions, non-tariff actions could be used more widely in the U.S.-China conflict. Given the mounting macro headwinds, we expect further policy supports including one more central bank reserve ratio cut and further corporate tax reduction. We also expect China GDP grow at a stable rate of around 6-6.5 percent. There are two main reasons for this. First, barring a severe correction in the housing markets of major cities, growth in domestic consumption will probably be close to the double digits. Second, even if there is a shortfall in exports due to trade tensions, this can easily be made up through a measured dose of fiscal stimulus, thus allowing domestic investment to make up for the shortfall in the external sector. The government has stepped up its efforts on the fiscal front already and in 2019 China will probably have a moderate current account deficit.

We shouldn't be too bearish, however, as China embarks on a more accommodative policy approach, while US monetary policies are expected to be less hawkish. Investor sentiment has already fallen to fairly gloomy levels. At the end of 2018, CSI 300 Index traded at 9.4x 2019 forward PE, which is the lowest level in the past four years, suggesting attractive valuation. The combination of low valuations and positive policy stance helps to paint a more constructive 2019 outlook for the equity market.

Sincerely yours,



Shenwan Hongyuan Asset Management (Asia) Limited

26 April 2019

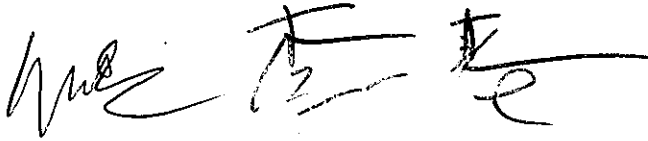
Investments are subject to investment risks, fund value may go up as well as down and past performance is not indicative of future performance. Please refer to the Explanatory Memorandum for details including the risk factors. Shenwan Hongyuan Asset Management (Asia) Limited is the issuer of this report.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

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
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REPORT OF THE TRUSTEE

To the unitholders of SWS Strategic Investment Funds

We hereby confirm that, in our opinion, the Manager has, in all material respects, managed the SWS Strategic Investment Funds - Shenyin Wanguo 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 year ended 31 December 2018.

A handwritten signature in black ink, consisting of several fluid, connected strokes, positioned above the printed text of the trustee's name and date.

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

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 26, which comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year ended 31 December 2018;
- the statement of changes in net assets attributable to unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2018, and of its financial transactions and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

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 Shenying 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)

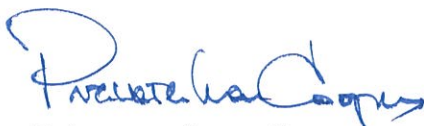
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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, 26 April 2019

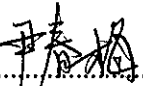
**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

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

	Note	2018 RMB	2017 RMB
Assets			
Current assets			
Cash and cash equivalent	3(e)	1,226,811	3,955,221
Financial assets at fair value through profit or loss	3(e), 3(g)	31,772,466	47,935,290
Interest receivable		61	269
Prepayments		-	1,812
Deposits		10,740	11,632
Total assets		<u>33,010,078</u>	<u>51,904,224</u>
Liabilities			
Current liabilities			
Management fee payable	6(a)	43,773	65,884
Performance fee payable	6(b)	9,314	868,020
Trustee fee payable	6(c)	28,112	14,056
Sub - custodian fee payable	6(d)	2,626	3,953
Other payables and accruals		251,131	165,380
Total liabilities (excluding net assets attributable to unitholders)		<u>334,956</u>	<u>1,117,293</u>
Net assets attributable to unitholders		<u>32,675,122</u>	<u>50,786,931</u>
Represented by:			
Net assets attributable to unitholders (calculated in accordance with the Sub-Fund's Explanatory Memorandum)	7	32,921,916	51,135,049
Adjustments for preliminary expenses recognised	7	<u>(246,794)</u>	<u>(348,118)</u>

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


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


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

The notes on pages 12 to 26 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 YEAR ENDED 31 DECEMBER 2018**

	Note	Year ended 31 December 2018 RMB	Year ended 31 December 2017 RMB
Income			
Dividend income		1,059,227	871,515
Interest income		3,281	4,763
Net (losses)/gains on financial assets at fair value through profit or loss	4	(15,780,663)	8,743,085
Net exchange losses		(51,884)	(308,698)
Total net (loss)/income		<u>(14,770,039)</u>	<u>9,310,665</u>
Expenses			
Management fee	6(a)	674,405	612,849
Performance fee	6(b)	10,663	868,020
Trustee fee	6(c)	330,997	165,499
Sub-custodian fee	6(d)	40,110	35,703
Auditor's remuneration		186,821	74,455
Commission and brokerage fee		66,317	147,740
Legal and professional fee		22,863	185,677
Other expenses		25,513	40,977
Total operating expenses		<u>1,357,689</u>	<u>2,130,920</u>
(Loss)/profit before tax		<u>(16,127,728)</u>	<u>7,179,745</u>
Taxation	5	(106,821)	(88,347)
Total comprehensive (loss)/income		<u>(16,234,549)</u>	<u>7,091,398</u>

The notes on pages 12 to 26 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 YEAR ENDED 31 DECEMBER 2018**

	Note	Class A HKD units		
		Number of units	Net assets attributable to unitholders RMB	Net asset value per unit RMB
As at 31 December 2017		105,441.813	7,438,103	70.542
Issuance of units		494,576.222	38,596,709	
Redemption of units		(28,417.000)	(2,339,279)	
Total comprehensive income		-	7,091,398	
As at 31 December 2017 and 1 January 2018	7	571,601.035	50,786,931	88.850
Issuance of units		124,610.116	9,656,521	
Redemption of units		(154,393.675)	(11,533,781)	
Total comprehensive loss		-	(16,234,549)	
As at 31 December 2018	7	541,817.476	32,675,122	60.306

The notes on pages 12 to 26 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 YEAR ENDED 31 DECEMBER 2018**

	Year ended 31 December 2018 RMB	Year ended 31 December 2017 RMB
Cash flows from operating activities		
Total comprehensive (loss)/income	(16,234,549)	7,091,398
Adjustments for:		
Dividend income	(1,059,227)	(871,515)
Interest income	(3,281)	(4,763)
Withholding tax	106,821	88,347
Operating (loss)/income before working capital changes	(17,190,236)	6,303,467
Net decrease/(increase) in financial assets at fair value through profit or loss	16,162,824	(40,538,621)
Decrease/(increase) in deposits	892	(9,493)
Decrease/(increase) in prepayments	1,812	(1,812)
Increase in amounts due to brokers	-	(327)
(Decrease)/increase in management fee payable, performance fee payable, trustee fee payable, sub – custodian fee payable and other payables and accruals	(782,337)	401,821
Cash used in operations	(1,807,045)	(33,844,965)
Dividend received	1,059,227	871,515
Interest received	3,489	4,517
Withholding tax paid	(106,821)	(88,347)
Net cash used in operating activities	(851,150)	(33,057,280)
Cash flows from financing activities		
Proceeds from issue of units	9,656,521	38,596,709
Payments on redemption of units	(11,533,781)	(2,339,279)
Net cash (used in)/generated from financing activities	(1,877,260)	36,257,430
Net (decrease)/increase in cash and cash equivalents	(2,728,410)	3,200,150
Cash and cash equivalents at beginning of the year	3,955,221	755,071
Cash and cash equivalents at end of the year	1,226,811	3,955,221
Analysis of balances of cash and cash equivalents		
Bank balances	1,226,811	3,955,221

The notes on pages 12 to 26 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(1) of the Securities and Futures Ordinance and is required to comply with the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the “SFC Code”).

A separate sub-fund can be created and established to which assets and liabilities attributable to the relevant sub-fund applied. A separate class of units relating exclusively to each sub-fund will be issued. As at 31 December 2018, there were another two sub-funds, SWS Strategic Investment Funds – Shenyin Wanguo RMB Mainland Investment 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.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

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

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

**SHENYIN WANGUO 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 2018

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

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

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

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

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

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

**SHENYIN WANGUO 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) Financial assets and financial liabilities at fair value through profit or loss

Classification

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

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

The Sub-Fund holds equity securities of RMB31,772,466 (2017: RMB47,935,290) which had previously been designated at fair value through profit or loss. On adoption of IFRS 9 these securities are mandatorily classified as fair value through profit or loss.

Recognition/derecognition

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

Measurement

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

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

Fair value estimation

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

(c) Offsetting financial instruments

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

**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)

(d) Cash and cash equivalents

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

(e) Income

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

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

(f) Expenses

Expenses are accounted for on an accruals basis.

(g) Translation of foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Sub-Fund operates (the "functional currency"). The performance of the Sub-Fund is measured and reported to the unitholders in 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 losses".

**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 (Continued)

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 (losses)/gains on financial assets at fair value through profit or loss".

(h) Redeemable units

Net assets attributable to unitholders

The Sub-Fund issues redeemable units, namely Class A 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 HKD Units are subject to management fee at 1.5% per annum.

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

Redemption of units are processed on each business day (Dealing Date) and redemption proceeds are usually settled within 5 business days from the Dealing Date.

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.

**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)

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.

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.

**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)

As at 31 December 2018 and 2017, the Sub-Fund invested only in listed equities. The net exposures to industry sectors at 31 December 2018 and 2017 was as follows:

	2018 % of net asset value	2017 % of net asset value
Consumer Discretionary	24.26	9.07
Consumer Staples	7.77	-
Energy	11.48	13.17
Financials	7.68	6.54
Health Care	16.80	15.97
Industrials	12.90	18.04
Materials	15.62	15.06
Technology	-	15.89
	<hr/>	<hr/>
Total	96.51	93.74
	<hr/> <hr/>	<hr/> <hr/>

The Sub-Fund's net assets attributable to unitholders is impacted by the increases/decreases of the underlying securities to which the Sub-Fund is exposed. As at 31 December 2018, if the underlying securities had increased/decreased by 5% (2017: 5%), the Sub-Fund's pre-tax profits for the year would have resulted in an increase/decrease of RMB1,560,225 (2017: RMB2,347,385).

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

(c) Interest rate risk

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

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

As at 31 December 2018, the Sub-Fund had bank balances of RMB1,226,811 (2017: RMB3,955,221) 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 2018			
<u>Investments</u>			
Bank of Communications Co.,Ltd.	31,772,466	A2	Moody's
<u>Bank balances</u>			
Bank of Communications Co.,Ltd., Hong Kong Branch*	541,209	A2	Moody's
Bank of Communications Co.,Ltd.	685,602	A2	Moody's
As at 31 December 2017			
<u>Investments</u>			
Bank of Communications Co.,Ltd.	47,935,290	A3	Moody's
<u>Bank balances</u>			
Bank of Communications Co.,Ltd., Hong Kong Branch*	755,446	A3	Moody's
Bank of Communications Co.,Ltd.	3,199,775	A3	Moody's

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

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

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

**SHENYIN WANGUO 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

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

The Manager monitors the Sub-Fund's liquidity position on a daily basis. The Manager may limit the aggregate number of units relating to the Sub-Fund redeemed on any dealing day to 10% of the total value of the units in issue of the Sub-Fund. In this event, the limitation will apply pro rata so that all unitholders wishing to redeem units on that dealing day will redeem the same proportion by value of those units, and units not redeemed are carried forward for redemption, subject to the same limitation, on the next dealing day.

The table below analyses the Sub-Fund's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

	On demand RMB	Less than 3 month RMB	Total RMB
As at 31 December 2018			
Management fee payable	-	43,773	43,773
Performance fee payable	-	9,314	9,314
Trustee fee payable	-	28,112	28,112
Sub-custodian fee payable	-	2,626	2,626
Other payables and accruals	-	251,131	251,131
Net assets attributable to unitholders	-	32,675,122	32,675,122
	-	<u>33,010,078</u>	<u>33,010,078</u>
As at 31 December 2017			
Management fee payable	-	65,884	65,884
Performance fee payable	-	868,020	868,020
Trustee fee payable	-	14,056	14,056
Sub-custodian fee payable	-	3,953	3,953
Other payables and accruals	-	165,380	165,380
Net assets attributable to unitholders	-	50,786,931	50,786,931
	-	<u>51,904,224</u>	<u>51,904,224</u>

Units are redeemed on demand at the unitholder's option. With a view to protecting the interest of unitholders, the Manager is entitled, with the approval of the Trustee, to limit the number of units of the Sub-Funds redeemed on any dealing day to 10% of the total number of units in issue. As at 31 December 2018, there were 1 (2017: 2) unitholders holding more than 10% of the Sub-Fund's units.

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
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NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(f) Liquidity risk (Continued)

The following table illustrates the expected liquidity of assets held:

	On demand RMB	Less than 1 month RMB	Less than 1 year RMB	Total RMB
As at 31 December 2018				
Total assets	1,226,811	31,772,466	10,801	33,010,078
As at 31 December 2017				
Total assets	3,955,221	47,935,290	11,901	51,902,412

(g) Fair value estimation

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

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

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

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

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

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

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

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

The following table analyses within the fair value hierarchy the Sub-Fund's financial assets measured at fair value at 31 December 2018 and 2017:

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
As at 31 December 2018				
Investments				
- Equity securities	31,772,466	-	-	31,772,466
	<u>31,772,466</u>	<u>-</u>	<u>-</u>	<u>31,772,466</u>
As at 31 December 2017				
Investments				
- Equity securities	47,935,290	-	-	47,935,290
	<u>47,935,290</u>	<u>-</u>	<u>-</u>	<u>47,935,290</u>

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 year ended 31 December 2018 and 31 December 2017, there were no transfers between levels.

Other financial assets and liabilities are carried at amortised cost, their carrying values are a reasonable approximation of fair values and are presented in the statement of financial position.

(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.

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

NOTES TO THE FINANCIAL STATEMENTS

4 Net changes in fair value on financial assets at fair value through profit or loss

	Year ended 31 December 2018 RMB	Year ended 31 December 2017 RMB
Change in unrealised (losses)/gains of financial assets at fair value through profit or loss	(16,695,866)	6,074,826
Net realised gains on sale of financial assets at fair value through profit or loss	915,203	2,668,259
	<u>(15,780,663)</u>	<u>8,743,085</u>

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 year ended 31 December 2018 as these gains are exempt from Corporate Income Tax pursuant to Caishui 2016 No. 79 ("Circular 79").

Furthermore, according to the notice Caishui [2016] No.36 ("Circular 36"), Value-Added Tax ("VAT") at 6% shall be levied on the difference between the selling and buying prices of those marketable securities starting from 1 May 2016. The gains derived by QFIIs/RQFIIs and through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect from trading of marketable securities (including A-shares and other PRC listed securities) are exempted from VAT in the PRC under Circular 36 and other prevailing VAT regulations. Dividend income or profit distributions on equity investment derived from the PRC are not included in the taxable scope of VAT under Circular 36. In addition, deposit interest income and interest received from government bonds and local government bonds are also exempt from VAT. However, the prevailing VAT regulations do not specifically exempt VAT on interest received by QFIIs/RQFIIs. Hence, gains derived by QFIIs/RQFIIs and interest income on non-government bonds (including corporate bonds) technically should be subject to 6% VAT. In addition, if VAT is applicable, local surtaxes including Urban Maintenance and Construction Tax (currently at the rate ranging from 1% to 7%), Education Surcharge (currently at the rate of 3%) and Local Education Surcharge (currently at the rate of 2%) are imposed based on the VAT liabilities (the "VAT related taxes").

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.

**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)

(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 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 year was RMB674,405 (2017: RMB612,849). As at 31 December 2018, the management fee of RMB43,773 (2017: RMB65,884) was payable to the Manager.

(b) Performance fee

The Manager is entitled to receive a performance fee payable annually in arrears after the end of the relevant performance period.

The first performance period in respect of a class is from the first Valuation Day of the relevant class following the close of the relevant initial offer period to the last Valuation Day of 2016 of the Sub-Fund. Thereafter each performance period will correspond to the Accounting Period of the Sub-Fund and will commence on the first Valuation Day of the relevant class and end on the last Valuation Day of the relevant class, in respect of the relevant Accounting Period.

As at each Valuation Day, the performance fee accrual in respect of each Unit is 20% of the difference between the Net Asset Value per Unit of the class (net of all other fees and expenses, including the management fee and trustee fee, but prior to the deduction of any performance fee accrual for that Valuation Day) and the High Water Mark multiplied by the average number of Units for the relevant Class over the period from the start of the performance period to the relevant Valuation Day (excluding Units created or redeemed on that relevant Dealing Day), provided that the Net Asset Value per Unit is above the High Water Mark on such Valuation Day.

At the end of a performance period, the positive balance (if any) of the performance fee accrual will become payable to the Manager and the performance fee accrual per Unit of the relevant Class of the Sub-Fund will be reset to zero. The Net Asset Value per Unit of the relevant Class of the Sub-Fund at the end of such performance period will be set as the High Water Mark for the next performance period.

Performance fee is accrued on a daily basis when the Net Asset Value per Unit of the relevant Class of the Sub-Fund is above the High Water Mark. An adjustment in accrual balance of performance fee will be made on each Valuation Day. If the Net Asset Value per Unit on a day is lower than or equal to the High Water Mark, all provision previously accrued will be reversed for the benefit of the Sub-Fund.

The performance fee charged for the year was RMB10,663 (2017: RMB868,020). As at 31 December 2018, the performance fee of RMB9,314 (2017: RMB868,020) was payable to the Manager.

(c) 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 HKD Units of the net asset value of the Sub-Fund and subject to a minimum monthly fee of US\$4,000 for each class of units calculated and accrued on each dealing day and are paid monthly in arrears. For the year ended 31 December 2017, the minimum monthly trustee fee for each class of units were temporarily reduced from US\$4,000 for each class of units to US\$2,000 for each class of units.

**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) Trustee fee (Continued)

The trustee fee for the year was RMB330,997 (2017: RMB165,499). As at 31 December 2018, the trustee fee of RMB28,112 (2017: RMB14,056) was payable to the Trustee.

(d) 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 year was RMB40,110 (2017: RMB35,703). As at 31 December 2018, the sub-custodian fee RMB2,626 (2017: RMB3,953) was payable to RQFII Custodian.

(e) 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:

	2018 Units	2017 Units
At the beginning of the year/period	100,000.000	100,000.000
Subscription	12,020,675	-
Redemption	(112,020.675)	-
	<hr/>	<hr/>
At the end of the year/period	-	100,000.000
	<hr/> <hr/>	<hr/> <hr/>

(f) Investment transactions with connected persons of the Manager

	Aggregate value of purchase and sales of securities RMB	Total commission paid RMB	% of Sub-Fund's total transactions during the year/period %	Average commission rate %
2018				
Shenwan & Hongyuan Securities Co., Ltd.	47,616,459	38,093	100	0.08
2017				
Shenwan & Hongyuan Securities Co., Ltd.	117,835,147	94,268	100	0.08

**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)

(g) 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 year, interest income on these bank balances was amounted to RMB3,281 (2017: RMB4,516).

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:

	2018 RMB	2017 RMB
Published net assets attributable to unitholders	32,921,916	51,135,049
Adjustment to preliminary expenses (a)	(246,794)	(348,118)
Net assets attributable to unitholders (calculated in accordance with IFRSs)	<u>32,675,122</u>	<u>50,786,931</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 26 April 2019.

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

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

Investments	Holdings	Fair value RMB	% of net asset value
Listed Equity securities			
China			
Anhui Conch Cement Company Limited	45,000	1,317,600	4.00
China Merchants Energy Shipping Company Limited	270,000	996,300	3.03
China Molybdenum Company Limited	350,000	1,316,000	4.00
China Shenhua Energy Company Limited	80,000	1,436,800	4.36
COSCO Shipping Energy Transportation Company Limited	200,000	888,000	2.70
COSCO Shipping Holdings Company Limited	300,000	1,212,000	3.68
COSCO Shipping Specialized Carriers Company Limited	200,000	650,000	1.97
Great Wall Motor Company Limited	110,000	616,000	1.87
Gree Electric Appliances Inc of Zhuhai	35,000	1,249,150	3.79
Henan Shuanghui Investment & Development Company Limited	60,000	1,415,400	4.30
Inner Mongolia Yili Industrial Group Company Limited.	50,000	1,144,000	3.47
Jiangsu Hengrui Medicine Company Limited	39,000	2,057,250	6.26
Midea Group Company Limited	33,000	1,216,380	3.69
Ningbo Marine Company Limited	155,000	500,650	1.52
Ping An Insurance Group Company of China Limited	45,000	2,524,500	7.68
Qingdao Haier Company Limited	75,600	1,047,060	3.18
SAIC Motor Corporation Limited	75,300	2,008,251	6.10
Shandong Hualu Hengsheng Chemical Company Limited	80,000	965,600	2.93
Shanghai Pharmaceuticals Holding Company Limited	100,000	1,700,000	5.16
Shanxi Lu'an Environmental Energy Development Company Limited	220,000	1,465,200	4.45
Tongkun Group Company Limited	84,000	819,840	2.49
Wanhua Chemical Group Company Limited	17,000	475,830	1.45
Wuxi Little Swan Company Limited	23,783	1,028,615	3.12
Yanzhou Coal Mining Company Limited	100,000	878,000	2.67
Yunnan Baiyao Group Company Limited	24,000	1,775,040	5.39
Zhejiang Xinan Chemical Industrial Group Company Limited	100,000	1,069,000	3.25
Total investment portfolio, at fair value		31,772,466	96.51
Other net assets		1,149,450	3.49
Net assets value as at 31 December 2018 (calculated in accordance with the Sub-Fund's explanatory memorandum)		32,921,916	100.00
Total investment at cost		42,875,452	

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

**STATEMENT OF MOVEMENT IN PORTFOLIO HOLDINGS (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

<u>Industry Sector</u>	% holdings of net assets as at 31 December 2018	% holdings of net assets as at 31 December 2017
Consumer Discretionary	24.26	9.07
Consumer Staples	7.77	-
Energy	11.48	13.17
Financials	7.68	6.54
Health Care	16.80	15.97
Industrials	12.90	18.04
Materials	15.62	15.06
Technology	-	15.89
	<hr/>	<hr/>
Total investment portfolio	96.51	93.74
Other net assets	3.49	6.26
	<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 YEAR ENDED 31 DECEMBER 2018**

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 2018 CLASS A HKD UNITS	HKD 69.122	HKD 37,453,829
As at 31 December 2017 CLASS A HKD UNITS	HKD 107.188	HKD 61,268,930
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
Year ended 31 December 2018 CLASS A HKD UNITS	HKD 112.602	HKD 69.106
Year ended 31 December 2017 CLASS A HKD UNITS	HKD 107.688	HKD 82.732
Period from 8 June 2016 (date of inception) to 31 December 2016 CLASS A HKD UNITS	HKD 101.298	HKD 82.827