

**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 2020**

**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 (resigned on 28 November 2020)  
Guo Chun  
Qiu Yizhou  
Xia Mingrui  
Shen Chong (appointed on 30 June 2020)

**Trustee and Registrar**

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

**Auditor**

PricewaterhouseCoopers  
22/F Prince's Building  
Central  
Hong Kong

**Legal Adviser**

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

**RQFII Custodian**

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

**Investment Adviser**

SWS MU Fund Management Co Ltd (Appointed on 1 October 2020)  
10&11/F, 100 South Zhongshan Road,  
Shanghai China 200010

Noble Apex Advisors Limited (Terminated on 31 August 2020)  
Suite 1901, 19/F Sino Plaza  
255 Gloucester Road  
Causeway Bay  
Hong Kong

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

**Market Review:**

2020 was volatile for A share and global equity markets at the beginning of the year, but markets continued to go up during later part of the year. The CSI 300 index ended the trading year at 5211.29, approximately 27.21% higher than its year end close of 2019. Almost all sectors saw significant gains during the year, with sectors leaders outperformed.

Global economies were seriously disrupted by COVID-19 pandemic in 2020, while China saw faster recovery compared with other countries due to more effective containment of the virus spread, and was the only major economy which still managed to deliver positive GDP growth for 2020. Thanks to global central bank's massive quantitative easing, equity markets around the world only saw temporary corrections in early 2020, then quickly rebounded and continued to go up during later part of the year. US was hit hardest by the pandemic, and US government conducted aggressive monetary easing and fiscal stimulus to avoid a collapse of economy and financial market. While China was the first major economy to gradually normalized its monetary and fiscal policies due to better containment of the virus and faster recovery of the economy. As a result, RMB appreciated during the year, and onshore RMB/USD closed at 6.54 as end of 2020. Full year China GDP growth was 2.3% in 2020.

As Biden won the US presidential election and is planning to launch another round of fiscal stimulus plan to support economy, and COVID-19 vaccines also saw positive development in late 2020, global markets sentiment continued to improve in late 2020.

**Portfolio Review:**

The fund's NAV per unit increased 24.46% in 2020.

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

**Market Outlook and Portfolio Strategy:**

As COVID-19 vaccinations are making progress, we believe global economy will continue to recover thanks to containment of the pandemic. While global equity markets' valuations are already rich, we believe market volatilities may increase if central banks around the world start to normalized policies. We will closely monitor the development of COVID-19 pandemic, the effectiveness of vaccinations, and global work resumption, and adjust our portfolios accordingly. As China is leading in policies normalization, we will continue to closely monitor the impact of market liquidity situation, and the effects of tightening domestic policies on real economy. We believe China market will further open up in the future, which will be long term positive for A share market.

Our fund strategy remained prudent in near term to avoid market volatility. For the stock position, we stick to bottom up approach and mainly focus on sector leaders with improved fundamentals and reasonable valuations. 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

29 April 2021



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 Shenyin Wanguo RQFII A Share Strategy Fund, a Sub-Fund  
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 2020.

A handwritten signature in black ink, appearing to be 'Wang Zhiyong', is written above the printed name of the Trustee.

For and on behalf of  
Bank of Communications Trustee Limited

29 April 2021

## ***Independent Auditor's Report***

To the Unitholders of Shenyin Wanguo RQFII A Share Strategy Fund, a sub-fund of SWS Strategic Investment Funds (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, a sub-fund of SWS Strategic Investment Funds (the "Sub-Fund") set out on pages 8 to 28, which comprise:

- the statement of financial position as at 31 December 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity 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 2020, and of its financial transactions and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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.

##### *Independence*

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

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#### **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, a sub-fund of SWS Strategic Investment Funds (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.

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#### **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, 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 Sub-Fund or to cease operations, or has 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"), as amended and Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (the "SFC Code").

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#### **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 Appendix E of the SFC Code.



## ***Independent Auditor's Report***

To the Unitholders of Shenyin Wanguo RQFII A Share Strategy Fund, a sub-fund of SWS Strategic Investment Funds (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:

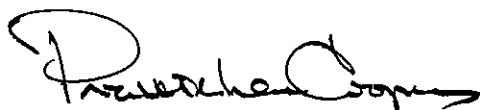
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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.

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#### **Report on Matters under the Relevant Disclosure Provisions of the Trust Deed and Appendix E of 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 Appendix E of the SFC Code.



PricewaterhouseCoopers  
Certified Public Accountants

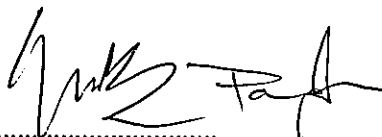
Hong Kong, 29 April 2021

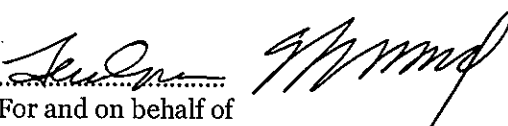
**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND  
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2020**

	Note	2020 RMB	2019 RMB
<b>Assets</b>			
<b>Current assets</b>			
Financial assets at fair value through profit or loss	3(e), 3(g)	8,252,507	48,013,145
Amounts due from broker	3(e)	98,599	-
Interest receivable		11	14
Deposits		1,540	11,427
Cash and cash equivalent	3(e)	273,493	972,069
<b>Total assets</b>		<u>8,626,150</u>	<u>48,996,655</u>
<b>Equity</b>			
Net assets attributable to unitholders		<u>8,174,618</u>	<u>48,565,070</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Amount due to broker		91,277	-
Management fee payable	6(a)	10,294	62,003
Performance fee payable	6(b)	143,345	-
Trustee fee payable	6(c)	14,230	14,729
Sub-custodian fee payable	6(d)	618	3,720
Other payables and accruals		191,768	351,133
<b>Total liabilities</b>		<u>451,532</u>	<u>431,585</u>

Approved by the Trustee and the Manager on 29 April 2021.

  
.....  
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 28 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 2020**

	Note	2020 RMB	2019 RMB
<b>Income</b>			
Dividend income		882,725	1,033,165
Interest income on bank deposits		2,686	1,902
Net gains on financial assets at fair value through profit or loss	4	6,228,897	13,009,898
Net exchange losses		(64,392)	(8,378)
<b>Total net income</b>		<u>7,049,916</u>	<u>14,036,587</u>
<b>Expenses</b>			
Management fee	6(a)	439,087	642,896
Performance fee	6(b)	143,345	-
Trustee fee	6(c)	168,001	189,435
Sub-custodian fee	6(d)	26,739	37,881
Auditor's remuneration		117,587	59,455
Commission and brokerage fee	6(f)	101,024	74,361
Legal and professional fee		(41,427)	161,014
Other expenses		27,499	25,843
<b>Total operating expenses</b>		<u>981,855</u>	<u>1,190,885</u>
<b>Profit before tax</b>		6,068,061	12,845,702
Taxation	5	(89,211)	(104,202)
<b>Total comprehensive income</b>		<u>5,978,850</u>	<u>12,741,500</u>

The notes on pages 12 to 28 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 EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	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>
<b>As at 1 January 2019</b>	7	541,847.476	32,675,122	60.303
Issuance of units		93,674.226	6,760,150	
Redemption of units		(48,595.000)	(3,611,702)	
Total comprehensive income		-	12,741,500	
<b>As at 31 December 2019 and 1 January 2020</b>	7	586,926.702	48,565,070	82.744
Issuance of units		3,358.142	277,967	
Redemption of units		(505,156.000)	(46,647,269)	
Total comprehensive income		-	5,978,850	
<b>As at 31 December 2020</b>		85,128.844	8,174,618	96.026

The notes on pages 12 to 28 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 2020**

	2020 RMB	2019 RMB
<b>Cash flows from operating activities</b>		
Total comprehensive income	5,978,850	12,741,500
Adjustments for:		
Dividend income	(882,725)	(1,033,165)
Interest income	(2,686)	(1,902)
Withholding tax	89,211	104,202
Operating income before working capital changes	5,182,650	11,810,635
Net decrease/(increase) in financial assets at fair value through profit or loss	39,760,638	(16,240,679)
Decrease/(increase) in deposits	9,887	(687)
Increase in amount due from broker	(98,599)	-
Net increase in management fee payable, performance fee payable, trustee fee payable, sub – custodian fee payable, amounts due to broker and other payables and accruals	19,947	96,629
Cash generated from/(used in) operations	44,874,523	(4,334,102)
Dividend received	882,725	1,033,165
Interest received	2,689	1,949
Withholding tax paid	(89,211)	(104,202)
<b>Net cash generated from/(used in) operating activities</b>	<b>45,670,726</b>	<b>(3,403,190)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of units	277,967	6,760,150
Payments on redemption of units	(46,647,269)	(3,611,702)
<b>Net cash (used in)/ generated from financing activities</b>	<b>(46,369,302)</b>	<b>3,148,448</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(698,576)</b>	<b>(254,742)</b>
Cash and cash equivalents at beginning of the year	972,069	1,226,811
<b>Cash and cash equivalents at end of the year</b>	<b>273,493</b>	<b>972,069</b>
<b>Analysis of balances of cash and cash equivalents</b>		
Bank balances	273,493	972,069

The notes on pages 12 to 28 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, as amended (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 2020, there was another sub-fund under the Trust – Shenyin Wanguo RMB Mainland Investment 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 (“IFRSs”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets held at fair value through profit or loss.

The preparation of financial statements in conformity with IFRSs 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.

**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 2020

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2020 that have a material effect on the financial statements of the Sub-Fund.

New standards, amendments and interpretations effective after 1 January 2020 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 2020, 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.

**(b) Financial assets 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.

Recognition/derecognition

Regular 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 as incurred 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 within "Net gains on financial assets at fair value through profit or loss" in the period in which they arise.

**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 (Continued)**

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.

Transfer between levels of the fair value hierarchy

Transfers between levels of fair value hierarchy are deemed to have occurred at the end of the reporting period.

**(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) 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. Interest income includes interest from cash and cash equivalents.

**(f) Expenses**

Expenses are accounted for on an accrual basis.

**(g) Amount due 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.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Sub-Fund shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Sub-Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.



**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) 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”.

Foreign exchange gains and losses relating to the financial assets and financial liabilities carried at fair value through profit or loss are presented in the statement of comprehensive income within “Net gains/(losses) on financial assets at fair value through profit or loss”.

**(i) Redeemable units**

Net assets attributable to unitholders

The Sub-Fund issues redeemable units which are redeemable at the holder’s option represents puttable financial instruments of the Sub-Fund. The Sub-Fund classifies its puttable financial instruments as equity in accordance with IAS 32 (Amendment), “Financial instruments: Presentation” as those puttable financial instruments meet all the following criteria:

- the puttable financial instruments entitle the holder to a pro-rata share of net asset value;
- the puttable financial instruments are the most subordinated units in issue and unit features are identical;
- apart from the contractual obligation for the Sub-Fund to repurchase or redeem the instrument for cash or another financial asset, there are no contractual obligations to deliver cash or another financial asset; and
- the total expected cash flows from the puttable financial instrument over its life are based substantially on the profit or loss of the Sub-Fund.

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

**2 Summary of significant accounting policies (Continued)**

**(i) Redeemable units (Continued)**

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.

**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 of the Sub-Fund. Proceeds and payment for units issued and redeemed are shown as movements in the statement of changes in equity.

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**NOTES TO THE FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**(j) Taxation**

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**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.

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**NOTES TO THE FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**(b) Market price risk (Continued)**

As at 31 December 2020 and 2019, the Sub-Fund invested only in listed equities. The net exposures to industry sectors at 31 December 2020 and 2019 was as follows:

	2020 % of net asset value	2019 % of net asset value
Communication	-	1.47
Consumer Discretionary	8.36	11.07
Consumer Staples	14.18	7.24
Energy	0.72	2.86
Financials	21.54	40.60
Health Care	17.19	7.46
Industrials	16.38	12.44
Materials	2.39	6.65
Real Estate	2.06	-
Technology	14.99	5.66
Utilities	2.61	3.12
Total	100.42	98.57

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 2020, if the underlying securities had increased/decreased by 5% (2019: 5%), the Sub-Fund's pre-tax profits for the year would have resulted in an increase/decrease of RMB403,194 (2019: RMB2,327,893).

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 2020, the Sub-Fund had bank balances of RMB273,493 (2019: RMB972,069) and is therefore exposed to minimal interest rate risk on these bank balances.

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**NOTES TO THE FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**(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.

**(e) Credit and counterparty risk**

Credit and counterparty 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 cash and cash equivalent. 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 Sub-Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 31 December 2020 and 31 December 2019, all other receivables and cash and cash equivalent are held with counterparties with a credit rating of A2 or higher and are due to be settled within 1 week. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Sub-Fund.

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**NOTES TO THE FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**(e) Credit and counterparty risk (Continued)**

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
<b>As at 31 December 2020</b>			
<u>Amount due from broker</u>			
Bank of Communications Co.,Ltd.	98,599	A2	Moody's
<u>Custodian</u>			
Bank of Communications Co.,Ltd.	8,252,507	A2	Moody's
<u>Bank balances</u>			
Bank of Communications Co.,Ltd., Hong Kong Branch*	149,121	A2	Moody's
Bank of Communications Co.,Ltd.	124,372	A2	Moody's
<b>As at 31 December 2019</b>			
<u>Custodian</u>			
Bank of Communications Co.,Ltd.	48,013,145	A2	Moody's
<u>Bank balances</u>			
Bank of Communications Co.,Ltd., Hong Kong Branch*	861,967	A2	Moody's
Bank of Communications Co.,Ltd.	110,102	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.

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.

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**NOTES TO THE FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**(f) Liquidity risk (Continued)**

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.

	Less than 1 month RMB	Over 1 month and less than 1 year RMB	Total RMB
<b>As at 31 December 2020</b>			
Amounts payable from purchase of investments	-	91,277	91,277
Management fee payable	-	10,294	10,294
Performance fee payable	-	143,345	143,345
Trustee fee payable	-	14,230	14,230
Sub-custodian fee payable	-	618	618
Other payables and accruals	-	191,768	191,768
	-	451,532	451,532
<b>As at 31 December 2019</b>			
Management fee payable	-	62,003	62,003
Performance fee payable	-	-	-
Trustee fee payable	-	14,729	14,729
Sub-custodian fee payable	-	3,720	3,720
Other payables and accruals	-	351,133	351,133
	-	431,585	431,585

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 2020, there was 1 (2019: 1) unitholder holding more than 10% of the Sub-Fund's units.

The following table illustrates the expected liquidity of assets held:

	Less than 1 month RMB	Over 1 month and less than 1 year RMB	Total RMB
<b>As at 31 December 2020</b>			
Total assets	8,624,610	1,540	8,626,150
<b>As at 31 December 2019</b>			
Total assets	48,985,214	11,441	48,996,655

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND  
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**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.



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**NOTES TO THE FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**(g) Fair value estimation (Continued)**

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 2020 and 2019:

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
<b>As at 31 December 2020</b>				
<u>Financial assets at fair value</u>				
<u>through profit or loss</u>				
- Equity securities	8,252,507	-	-	8,252,507
<b>As at 31 December 2019</b>				
<u>Financial assets at fair value</u>				
<u>through profit or loss</u>				
- Equity securities	48,013,145	-	-	48,013,145

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 2020 and 31 December 2019, 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  
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**NOTES TO THE FINANCIAL STATEMENTS**

**4 Net gains on financial assets at fair value through profit or loss**

	Year ended 31 December 2020 RMB	Year ended 31 December 2019 RMB
Change in unrealised gains of financial assets at fair value through profit or loss	13,308,978	20,916,732
Net realised losses on sale of financial assets at fair value through profit or loss	(7,080,081)	(7,906,834)
	<u>6,228,897</u>	<u>13,009,898</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 2020 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.

**6 Transactions with the related parties or connected persons**

The following is a summary of transactions entered into during the year between the Sub-Fund and its related parties including the Manager, the Investment delegate, Trustee/Custodian, Directors of the scheme and their connected persons. Connected persons are those as defined in the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong. To the best of the Manager's knowledge, the Sub-Fund does not have any other transactions with the connected persons except for those disclosed below:

All such transactions were entered into in the ordinary course of business and on normal commercial terms.

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**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 RMB439,087 (2019: RMB642,896). As at 31 December 2020, the management fee of RMB10,294 (2019: RMB62,003) was payable to the Manager.

**(b) Performance fee**

The Manager is entitled to receive a performance fee payable annually in arrears at 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 2017 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.

If any Units are redeemed or switched to Units in another class on a Dealing Day during a performance period, the performance fee accrual during such performance period in respect of those Units shall be crystallised upon the redemption or switching and become payable to the Manager. Please note that, any performance fee accrued for that performance period will be set aside and paid to the Manager at the end of the relevant performance period.

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 RMB143,345 (2019: Nil). As at 31 December 2020, the performance fee of RMB143,345 (2019: Nil) was payable to the Manager.

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**NOTES TO THE FINANCIAL STATEMENTS**

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

**(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 RMB14,000 for each class of units calculated with effective from 18<sup>th</sup> February 2019 and accrued on each dealing day and are paid monthly in arrears. For the year ended 31 December 2018 and the period from 1<sup>st</sup> January 2019 to 17<sup>th</sup> February 2019, the minimum monthly trustee fee for each class of units were US\$4,000 for each class of units.

The trustee fee for the year was RMB168,001 (2019: RMB189,435). As at 31 December 2020, the trustee fee of RMB14,230 (2019: RMB14,729) was payable to the Trustee.

**(d) Sub-custodian fee**

Bank of Communications Co., Ltd (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 RMB26,739 (2019: RMB37,881). As at 31 December 2020, the sub-custodian fee RMB618 (2019: RMB3,720) 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.

As at 31 December 2020 and 31 December 2019, no unit was held by the Manager, its connected persons and other funds managed by the Manager.

**(f) Investment transactions with connected persons of the Manager**

In its purchases and sales of investments, the Sub-Fund utilizes the brokerage services of Connect Person of the Manager. Details of transactions effected through this company are as follows:

	Aggregate value of purchase and sales of securities RMB	Total commission paid RMB	% of Sub- Fund's total transactions during the year %	Average commission rate %
<b>2020</b>				
Shenwan & Hongyuan Securities Co., Ltd.	56,188,290	44,950	100	0.08
<b>2019</b>				
Shenwan & Hongyuan Securities Co., Ltd.	54,710,011	43,768	100	0.08

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**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 RMB2,686 (2019: RMB1,902) and bank charges on the transactions made under the bank account was HK\$18,385 (2019: HK\$16,920).

**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:

	2020 RMB	2019 RMB
Published net assets attributable to unitholders	8,218,487	48,710,540
Adjustment to preliminary expenses (a)	(43,869)	(145,470)
Net assets attributable to unitholders (calculated in accordance with IFRSs)	<u>8,174,618</u>	<u>48,565,070</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.

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**NOTES TO THE FINANCIAL STATEMENTS**

**9 Distribution to unitholders**

During the year ended 31 December 2020 and 31 December 2019, the Sub-Fund did not make any distribution.

**10 Approval of financial statements**

The financial statements of the Sub-Fund were approved by the Trustee and the Manager on 29 April 2021.

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND  
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**INVESTMENT PORTFOLIO (UNAUDITED)  
AS AT 31 DECEMBER 2020**

<b>Investments</b>	<b>Holdings</b>	<b>Fair value RMB</b>	<b>% of net asset value</b>
<b>Listed Equity securities</b>			
<b>China</b>			
Anhui Conch Cement Company Limited.	3,800	196,156	2.39
Anhui Kouzi Distillery Company Limited	1,200	82,680	1.01
Apeloa Pharmaceutical Company Limited	6,000	139,680	1.70
Changchun High & New Technology Industry (Group) Inc.	200	89,782	1.09
China Construction Bank Corporation	34,700	217,916	2.65
China Merchants Bank Company Limited	10,800	474,660	5.78
China Petroleum & Chemical Corporation	14,700	59,241	0.72
China Resources Microelectronics Limited	600	37,494	0.46
China Vanke Company Limited	5,900	169,330	2.06
China Yangtze Power Company Limited	11,200	214,592	2.61
Chongqing Zhifei Biological Products Company Limited	900	133,119	1.62
Citic Securities Company Limited	12,000	352,800	4.29
Cosco Shipping Holdings Company Limited	39,400	481,074	5.85
Hainan Poly Pharm. Company Limited	3,000	84,480	1.03
Haitong Securities Company Limited	7,040	205,638	2.50
Hangzhou Hikvision Digital Technology Company Limited.	2,800	117,292	1.43
Han's Laser Technology Industry Group Company Limited	8,100	104,166	1.27
Henan Shuanghui Investment & Development Company Limited	5,800	281,358	3.42
Hualan Biological Engineering Inc.	3,400	145,350	1.77
Huatai Securities Company Limited	7,300	342,662	4.17
Jiangsu Hengrui Medicine Company Limited	1,800	76,032	0.93
Kweichow Moutai Co.,Ltd.	8,400	151,284	1.84
Luxshare Precision Industry Company Limited	5,700	635,322	7.73
Midea Group Company Limited	330	659,340	8.02
Ping An Insurance Group Company	5,999	336,664	4.10
Haier Smart Home Company Limited	3,100	305,164	3.71
Saic Motor Corporation Limited	5,400	469,692	5.72
Sany Heavy Industry Company Limited	7,200	175,968	2.14
Shanghai Pharmaceuticals Holding Company Limited	14,200	496,716	6.04
Shengyi Technology Company Limited	1,700	86,462	1.05
Weichai Power Company Limited	4,100	78,720	0.96
Will Semiconductor Company Limited	14,100	222,639	2.71
Yonghui Superstores Company Limited	300	69,330	0.84
Yonyou Network Technology Company Limited	11,200	80,416	0.98
Zhejiang Jiuzhou Pharmaceutical Company Limited	7,661	336,088	4.09
Zhongji Innolight Company Limited	4,000	143,200	1.74
Total investment portfolio, at fair value		8,252,507	100.42
Other net assets		(34,020)	(0.42)
Net assets value as at 31 December 2020 (calculated in accordance with the Sub-Fund's explanatory memorandum)		8,218,487	100
Total investment at cost		5,518,841	

**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 2020**

	<b>% holdings of net assets as at 31 December 2020</b>	<b>% holdings of net assets as at 31 December 2019</b>
<u>Industry Sector</u>		
Communications	-	1.47
Consumer Discretionary	8.36	11.07
Consumer Staples	14.18	7.24
Energy	0.72	2.86
Financials	21.54	40.60
Health Care	17.19	7.46
Industrials	16.38	12.44
Materials	2.39	6.65
Real Estate	2.06	-
Technology	14.99	5.66
Utilities	2.61	3.12
	<hr/>	<hr/>
Total investment portfolio	100.42	98.57
Other net assets	(0.42)	1.43
	<hr/>	<hr/>
Net assets	100	100.00
	<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 2020**

**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 2020 CLASS A HKD UNITS	HKD 115.218	HKD 9,808,375
As at 31 December 2019 CLASS A HKD UNITS	HKD 92.573	HKD 54,334,122
As at 31 December 2018 CLASS A HKD UNITS	HKD 69.122	HKD 37,453,829

**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 2020 CLASS A HKD UNITS	HKD 115.218	HKD 77.262
Year ended 31 December 2019 CLASS A HKD UNITS	HKD 92.573	HKD 67.772
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