

SSIF ETF I
(An umbrella unit trust established in Hong Kong)

SSIF DCE IRON ORE FUTURES INDEX ETF
Stock Codes: 03047 (HKD Counter) and 09047 (USD Counter)
(A sub-fund of SSIF ETF I)

Reports and Financial Statements
FOR THE PERIOD FROM 26 MARCH 2020 (DATE OF
COMMENCEMENT OF OPERATIONS) TO 31 DECEMBER 2020

SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)

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REPORT OF THE MANAGER TO THE UNITHOLDERS

SSIF ETF I (the "Trust") is an umbrella unit trust established under Hong Kong law by a trust deed dated 24 February 2020 (the "Trust Deed") between Shanxi Securities International Asset Management Limited (the "Manager") and HSBC Institutional Trust Services (Asia) Limited (the "Trustee"). The Trust has one sub-fund which is an exchange traded fund (the "ETF").

SSIF DCE Iron Ore Futures Index ETF

The Units of the SSIF DCE Iron Ore Futures Index ETF (the "Sub-Fund") are listed on The Stock Exchange of Hong Kong Limited and commenced trading in HKD counter under stock code 03047 and USD counter under stock code 09047 on 27 March 2020. The Sub-Fund is a passively managed index tracking ETF under Chapters 8.6 and 8.8 of the Code on Unit Trusts and Mutual Funds and invests in iron ore futures contracts traded on the Dalian Commodity Exchange. The investment objective of the Sub-Fund is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the DCE Iron Ore Futures Price Index ("Underlying Index"). As at 31 December 2020, net asset value per unit of the Sub-fund (at dealing net asset value) was USD1.9099, and there were 9,300,000 units outstanding. The net asset value was USD17,762,464.

Iron ore joined industrial metals with a strong return for the first quarter 2021. From the supply side, in the first quarter, China has reined in steel output to address emission problem, for example, Tangshan region, a stronghold for steel production that consumes large amount of iron ore, saw over 20% production cut since February. However, during first quarter, steel production restrictions in China have not translated into a bearish catalyst for iron ore, as domestic China steel prices have surged +20% since early February and boosted margins for steel makers which more than offset the reduction in demand from Tangshan region. Compared to China, US and Northern Europe's iron ore demand remains strong, as HRC steel prices are +18% and Northern Europe HRC prices are +23% over the same period.

Looking forward, we are cautiously optimistic about the iron ore price in the second quarter. From the demand perspective, US \$2.25 trillion infrastructure stimulus provides strong support for demand in steel and iron ore. Secondly, the fear of steel output cuts from Chinese steel makers appears overblown as there is plenty of production capacity elsewhere to make up the difference. Overall, expected increase in fiscal stimulus from many countries, combined with a low interest rate setting provides a favorable environment for the price of industrial metals including iron ore.

Shanxi Securities International Asset Management Limited

29 April 2021

REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, Shanxi Securities International Asset Management Limited, the Manager of SSIF DCE Iron Ore Futures Index ETF (the “Sub-Fund”) has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 24 February 2020, for the year ended 31 December 2020, except to the extent that any non-compliance has been previously reported to the SFC by the Fund Manager.



HSBC Institutional Trust Services (Asia) Limited

29 April 2021

STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

MANAGER'S RESPONSIBILITIES

The Manager of SSIF DCE Iron Ore Futures Index ETF (the "Sub-Fund") is required by the Code on Unit Trusts and Mutual Funds issued by the Securities and Futures Commission of Hong Kong and the Trust Deed dated 24 February 2020 (the "Trust Deed") to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Sub-Fund at the end of that period and of the transactions for the period then ended. In preparing these financial statements, the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are prudent and reasonable; and
- prepare the financial statements on the basis that the Sub-Fund will continue in operation unless it is inappropriate to presume this.

The Manager is also required to manage the Sub-Fund in accordance with the Trust Deed and take reasonable steps for the prevention and detection of fraud and other irregularities in relation to the Sub-Fund.

SSIF ETF I (the "Trust") is an umbrella unit trust governed by its Trust Deed. As at 31 December 2020, the Trust has established one Sub-Fund, **SSIF DCE Iron Ore Futures Index ETF**.

TRUSTEE'S RESPONSIBILITIES

The Trustee of the Sub-Fund is required to:

- ensure that the Sub-Fund in all material respects is managed in accordance with the Trust Deed and that the investment and borrowing powers are complied with;
- satisfy itself that sufficient accounting and other records have been maintained;
- safeguard the property of the Sub-Fund and rights attaching thereto; and
- report to the unitholders for each annual accounting period should the Manager not managing the Sub-Fund in accordance to the Trust Deed.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF THE SSIF ETF I, AN UMBRELLA UNIT TRUST ESTABLISHED IN HONG KONG)**

Report on the Audit of the Financial Statements

Opinion

What we have audited

The financial statements of SSIF DCE Iron Ore Futures Index ETF (the "Sub-Fund"), a sub-fund of the SSIF ETF I, set out on pages 8 to 32, which comprise:

- the statement of financial position as at 31 December 2020;
- the statement of comprehensive income for the period from 26 March 2020 (date of commencement of operations) to 31 December 2020;
- the statement of changes in net assets attributable to unitholders for the period from 26 March 2020 (date of commencement of operations) to 31 December 2020;
- the statement of cash flows for the period from 26 March 2020 (date of commencement of operations) to 31 December 2020; 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 its cash flows for the period from 26 March 2020 (date of commencement of operations) to 31 December 2020 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. 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 HKICPA's Code of Ethics for Professional Accountants (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF SSIF DCE IRON ORE FUTURES INDEX ETF (CONTINUED)
(A SUB-FUND OF THE SSIF ETF I, AN UMBRELLA UNIT TRUST ESTABLISHED IN HONG KONG)**

Key Audit Matters (continued)

Key audit matter identified in our audit is summarised as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><u>Existence and valuation of derivative financial instruments, and accuracy of the related investment gain</u></p> <p>As at 31 December 2020, the Sub-Fund had derivative financial instruments with a fair value of USD185,382 which were comprised of futures contracts in long positions listed in the People's Republic of China ("PRC"), with notional amount of USD17,417,095. In addition to the net unrealised gain of USD185,382 arising from the outstanding position above, the Sub-Fund also recognised net realized gain of USD10,293,890 from trading of derivative financial instruments during the period.</p> <p>We focused on the existence and valuation of the derivative financial instruments because the outstanding derivative financial instruments with the notional amount of USD17,417,095 is the principal element of the Sub-Fund, and the above net investment gains recognised during the period is a principal element of the Sub-Fund's operating profit.</p> <p>Refer to Notes 5 and 8 to the financial statements.</p>	<p>Our work included an assessment of the key controls over the existence and valuation of the investments, and the accuracy of the related investment gain which included the following:</p> <ol style="list-style-type: none"> 1. We obtained an understanding of the control objectives and related controls by obtaining the service organisation internal control reports provided by the trustee setting out the controls in place, and that included independent service auditor's assurance reports over the design and operating effectiveness of those controls. 2. We evaluated the tests undertaken by the service auditor and the results of the tests undertaken and the opinions formed by the service auditor on the design and operating effectiveness of the controls, to the extent relevant to our audit of the Sub-Fund. <p>We tested the existence of derivative financial instruments by obtaining direct confirmation from the broker and agreeing the Sub-Fund's holdings of derivative financial instruments to the confirmation.</p> <p>We agreed the valuation of the Sub-Fund's derivative financial instruments and the related unrealized gain by comparing the pricing used by the Sub-Fund to external pricing sources as at 31 December 2020.</p> <p>We tested the net realized gain from trading of derivative financial instruments by testing the related controls on the recording of the purchase and sales transactions, including cutoff, and the calculation of net gains and losses. We also agreed the purchase and sales transactions to the broker statements on a sample basis.</p> <p>Based on the procedures we performed, we found existence and valuation of derivative financial instruments and accuracy of the related investment gain are supportable by the evidence obtained.</p>

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 SSIF DCE IRON ORE FUTURES INDEX ETF (CONTINUED)
(A SUB-FUND OF THE SSIF ETF I, AN UMBRELLA UNIT TRUST ESTABLISHED IN HONG KONG)**

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 Management for the Financial Statements

Management of the Sub-Fund is responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, 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, 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, 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 24 February 2020, as amended ("Trust Deed") and the 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 HKSAAs 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 Appendix E of the SFC Code.

As part of an audit in accordance with HKSAAs, 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 Management.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF SSIF DCE IRON ORE FUTURES INDEX ETF (CONTINUED)
(A SUB-FUND OF THE SSIF ETF I, AN UMBRELLA UNIT TRUST ESTABLISHED IN HONG KONG)**

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

- 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 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.

We also provide Management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

The engagement partner on the audit resulting in this independent auditor's report is Josephine W.T. Kwan.



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 April 2021

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 <i>USD</i>
ASSETS		
CURRENT ASSETS		
Derivative financial instruments	<i>8(a), 8(c), 8(d)</i>	185,382
Bank interest receivable		5
Margin deposits with broker	<i>9</i>	3,175,242
Bank balances	<i>7(e)</i>	14,473,230
Total assets		<u>17,833,859</u>
LIABILITIES		
CURRENT LIABILITIES		
Management fee payable	<i>7(a)</i>	18,711
Trustee fee payable	<i>7(b)</i>	10,164
Establishment cost payable	<i>7(g)</i>	60,000
Other accounts payable		32,842
Total liabilities		<u>121,717</u>
EQUITY		
Net assets attributable to unitholders	<i>4</i>	<u>17,712,142</u>

The financial statements on pages 12 to 32 were approved by the Trustee and the Manager on 29 April 2021 and were signed on their behalf.

For and on behalf of



Shanxi Securities International Asset Management Limited
as the Manager

For and on behalf of



HSBC Institutional Trust Services (Asia) Limited
as the Trustee

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

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

STATEMENT OF COMPREHENSIVE INCOME

For the period from 26 March 2020 (date of commencement of operations) to 31 December 2020

	Period from 26 March 2020 (date of commencement of operations) to 31 December 2020 USD
INCOME	
Interest income from bank deposits	5,974
Other interest income from quoted debt securities	17,235
Net gain on investments	10,477,340
Net foreign currency gain	341,162
Other income	25,985
Total net income	<u>10,867,696</u>
EXPENSES	
Management fee	(135,096)
Trustee fee	(92,131)
Transaction costs on investments	(11,161)
Audit fee	(25,000)
Safe custody and bank charges	(885)
Legal and other professional fee	(103)
Establishment cost	(60,000)
Other operating expenses	(13,103)
Transaction fees paid to trustee	(255)
Total operating expenses	<u>(337,734)</u>
Total comprehensive income	<u><u>10,529,962</u></u>

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

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
For the period from 26 March 2020 (date of commencement of operations) to 31 December 2020

	Period from 26 March 2020 (date of commencement of operations) to 31 December 2020 <i>USD</i>
Net assets attributable to unitholders at the beginning of the period	-
Proceeds on issue of units	12,716,490
Payments on redemption of units	(5,534,310)
Net increase from unit transactions	7,182,180
Total comprehensive income for the period	10,529,962
Net assets attributable to unitholders at the end of the period	17,712,142

	Period from 26 March 2020 (date of commencement of operations) to 31 December 2020 <i>Units</i>
Number of units in issue at the beginning of the period	-
Units issued	12,900,000
Units redeemed	(3,600,000)
Number of units in issue at the end of the period	9,300,000

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

SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)

STATEMENT OF CASH FLOWS

For the period from 26 March 2020 (date of commencement of operations) to 31 December 2020

Period from
26 March 2020
(date of commencement
of operations)
to 31 December 2020
USD

OPERATING ACTIVITIES

Payments for purchase of investments	(2,201,932)
Proceeds from sale of investments	2,200,000
Proceeds from settlement of futures contracts	22,951,687
Payments for settlement of futures contracts	(12,657,797)
Interest income from bank deposits received	5,969
Other interest income from quoted debt securities received	17,235
Other income received	25,985
Management fee paid	(116,385)
Trustee fee paid	(81,967)
Transaction costs paid	(11,161)
Other operating expenses paid	(6,504)
Increase in margin deposits with broker	(3,175,242)
Net cash generated from operating activities	6,949,888

FINANCING ACTIVITIES

Proceeds on issue of units	12,716,490
Payments on redemption of units	(5,534,310)
Net cash generated from financing activities	7,182,180

Net increase in cash and cash equivalents 14,132,068

Effect of foreign exchange rate changes 341,162

Cash and cash equivalents at the end of the period 14,473,230

Analysis of balances of cash and cash equivalents

Bank balances 14,473,230

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

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

SSIF ETF I (the “Trust”) is an umbrella unit trust governed by a trust deed dated 24 February 2020, as amended, (the “Trust Deed”) and authorised by the Securities and Futures Commission of Hong Kong (the “SFC”) pursuant to Section 104(1) of the Securities and Futures Ordinance. The terms of the Trust Deed are governed by the laws of Hong Kong. As at 31 December 2020, the Trust has one sub-fund which is SSIF DCE Iron Ore Futures Index ETF. The date of commencement of operations of the Sub-Fund was 26 March 2020. The Sub-Fund is listed on The Stock Exchange of Hong Kong Limited. The Sub-Fund offers two trading counters on the SEHK i.e. USD counter and HKD counter to investors for secondary trading purposes.

The manager and the trustee of the Sub-Fund are Shanxi Securities International Asset Management Limited (the “Manager”) and HSBC Institutional Trust Services (Asia) Limited (the “Trustee”) respectively.

The investment objective of the Sub-Fund is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the Underlying Index, namely, DCE Iron Ore Futures Price Index. In order to achieve the investment objective of the Sub-Fund, the Manager will primarily adopt a full replication strategy by investing directly in DCE Iron Ore Futures Contracts so as to give the Sub-Fund the performance of the Underlying Index.

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 the period presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Sub-Fund have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires the Trustee and the Manager (together the “Management”) 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.

All references to net assets throughout the financial statements refer to net assets attributable to unitholders unless otherwise stated.

HKFRS 1 “First-time Adoption of Hong Kong Financial Reporting Standards” has been applied in preparing the financial statements. Sub-Fund has not issued any financial statements prior to this report since the Sub-Fund was newly commence the operation on 26 March 2020. Accordingly, no reconciliation of the Sub-Fund’s equity and profits reported under previous accounting standard to its equity and profits under HKFRS was prepared.

All relevant standards, amendments and interpretations to the existing standards that are effective at the end of the current reporting period have been applied by the Sub-Fund throughout the current reporting period.

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

New standards, amendments and interpretations effective after 26 March 2020 (date of commencement of operations) 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 26 March 2020 (date of commencement of operations), 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 instruments

(i) Classification

The Sub-Fund classifies its financial assets, including investments which comprise of quoted debt securities at fair value through profit and loss and derivative financial instruments, receivables, margin deposits with broker and bank balances, 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 contractual cash flows of the Sub-Fund's quoted 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.

(ii) Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date – the date on which the Sub-Fund commits to purchase or sell the investment. Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

Financial assets 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.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'Net gain on investments' in the period in which they arise.

Interest on quoted debt securities at fair value through profit or loss is recognised in the statement of comprehensive income within other interest income from quoted debt securities based on the coupon rate.

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives) are based on quoted market prices at the close of trading on the reporting date. The Sub-Fund utilises the last traded market price for both listed financial assets and liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

The fair value of financial assets that are not traded in an active market (for example, over-the-counter debt securities) is determined by using broker quotes or valuation techniques.

Investments in quoted debt securities and listed futures contracts are generally valued using the last traded market prices.

(iv) Transfers between levels of the fair value hierarchy

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

(v) Derivatives

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorised as held for trading unless they are designated as hedges. The Sub-Fund does not classify any derivatives as hedges in a hedging relationship.

(vi) Offsetting financial instruments

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

(c) Amounts due from brokers

Amounts due from brokers represent the margin deposits and subscription receivable from the brokers at the end of the reporting period. The amounts are non-interest bearing and repayable on demand.

Margin deposits are held in respect of open exchange traded futures contracts.

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 brokers 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.

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Amounts due to brokers

Amounts due to brokers represent the redemption payable to the brokers at the end of the reporting period. The amounts are non-interest bearing and repayable on demand.

These amounts are recognised initially at fair value and subsequently measured at amortised cost.

(e) Net unrealised gains or losses on financial instruments at fair value through profit or loss

This item includes changes in the fair value of financial assets and liabilities as 'at fair value through profit or loss' and excludes interest and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealised gains and losses for financial instruments, which were realised in the reporting period.

(f) Net realised gains or losses on financial instruments at fair value through profit or loss

This item includes the gains or losses on settlement or expiry of derivative instruments which are calculated at net cash flows received or paid and the gains or losses on disposals of non-derivative financial instruments classified as 'at fair value through profit or loss' which are calculated using the weighted average method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

(g) Interest income

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

(h) Transaction costs

Transaction costs are costs incurred to acquire/dispose financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as an expense.

(i) Expenses

Expenses are accounted for on an accrual basis.

(j) Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at bank, demand deposits, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Cash and cash equivalents excluded margin deposits with broker as they are restricted from investment purpose.

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Foreign currencies translation

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 Manager considers United States Dollar (“USD”) as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in USD, 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 foreign currency gain’.

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

(l) Redeemable units

The Sub-Fund issues redeemable units, which are redeemable at the holder’s option. These units represent puttable financial instruments of the Sub-Fund. The Sub-Fund classifies its puttable financial instruments as equity in accordance with HKAS 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;
- 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.

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

In accordance with the Prospectus of the Sub-Fund, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions of the Sub-Fund.

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Taxation

No provision for Hong Kong profits tax has been made as the Sub-Fund is authorised as a collective investment scheme constituted as a unit trust 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.

The Sub-Fund may incur withholding taxes, including Corporate Income Tax ("CIT") and Value Added Tax ("VAT") in Note 3 which are imposed by other jurisdictions 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. Refer to Note 3.

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.

(n) Establishment costs

Establishment costs are recognised as an expense in the period in which they are incurred.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

NOTES TO THE FINANCIAL STATEMENTS

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

People's Republic of China ('PRC') tax provision

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

(a) PRC Corporate Income Tax ("CIT")

On 13 March 2018, the Ministry of Finance ("MOF"), the State Taxation Administration ("STA") and the China Securities Regulatory Commission ("CSRC") jointly issued a circular Caishui [2018] No. 21 ("Circular 21") on Tax Policy for Supporting the Opening of the crude Oil Futures and Other Commodity Futures Market, which stipulates that overseas institutional investors which do not have an establishment or place in China or have an establishment or place in China but the income so derived in China is not effectively connected with such establishment, will be temporarily exempted from PRC CIT on income derived from trading of crude oil futures within China (excluding physical settlement). Trading of other commodity futures by overseas investors, which are approved by the State Council, shall also follow the tax treatment stipulated in Circular 21.

Although the trading of iron ore futures by overseas investors is approved by CSRC rather than the State Council directly, the CSRC (as an authorized body of the State Council) has consent from the State Council to grant such approvals. Given that the CSRC also approves crude oil futures trading by overseas investors, the trading of which is non-taxable for CIT purpose, the Manager expects that the income derived by the Sub-Fund from trading of iron ore futures within China can also enjoy the similar CIT non-taxable treatment as that of crude oil futures.

(b) PRC Value Added Tax ("VAT")

The MOF and the STA issued the "Notice on the Comprehensive Roll-out of the B2V Transformation Pilot Program (the "B2V Pilot Program")" (Caishui [2016] No. 36) (the "Notice No. 36") on 23 March 2016. The Notice No. 36 sets out that the B2V Pilot Program covers all the remaining industries of the program, including financial services. The Notice No. 36 took effect from 1 May 2016, unless otherwise stipulated therein.

According to Notice No. 36, the trading of financial products shall be levied at the rate of 6% on the difference between the selling and buying price of the financial products. The trading of financial products refers to the trading of forex, marketable securities, non-commodity futures and other types of financial products.

The Manager considers that it implies that commodity futures trading with no physical settlement is out of the scope of VAT. Therefore, the Sub-Fund takes the position that capital gains derived from trading of iron ore futures with no physical settlement are not subject to VAT by relying on the definition in Notice No. 36.

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

NOTES TO THE FINANCIAL STATEMENTS

4. NUMBER OF UNITS IN ISSUE AND NET ASSETS ATTRIBUTABLE TO UNITHOLDERS PER UNIT

The Sub-Fund's capital is represented by the units in the Sub-Fund, and shown as "net assets attributable to unitholders" in the statement of financial position. Subscriptions and redemptions of units during the period from 26 March 2020 (date of commencement of operations) to 31 December 2020 are shown in the statement of changes in net assets attributable to unitholders. In order to achieve the investment objectives, the Sub-Fund endeavors to invest its capital in accordance with the investment policies, whilst maintaining sufficient liquidity to meet redemption requests.

In accordance with the provisions of the Trust Deed dated 24 February 2020, as amended, and the Prospectus of the Sub-Fund, investments are stated at the last traded price on the valuation day for the purpose of determining net asset value per unit for subscriptions and redemptions and for various fee calculations.

As stated in Note 2(l), redeemable units of the Sub-Fund are classified as equity and they are carried at the price based on the Sub-Fund's net asset value per unit at the reporting date if the unitholder exercised the right to redeem the units in the Sub-Fund.

Number of units in issue and net assets attributable to unitholders as at 31 December 2020 are as follows:

	As at 31 December 2020 <i>Units</i>
Number of units in issue at the end of the period	9,300,000
	<hr/> <hr/>
	As at 31 December 2020 USD
Net assets attributable to unitholders per unit as at 31 December (per statement of financial position)	1.9045
	<hr/> <hr/>

As stated in Note 2(n), establishment costs are expensed as incurred. In accordance with the Prospectus of the Sub-Fund, the establishment costs of the Sub-Fund will be amortised over the first five accounting periods. As at 31 December 2020, USD50,322 is unamortised with remaining four years amortisation. The accounting policy of the Sub-Fund for the purpose of financial statements preparation in compliance with HKFRS is to expense formation costs in the statement of comprehensive income as incurred. The differences between expensing the formation costs as incurred in accordance with HKFRS and capitalisation and amortisation of the establishment costs indicated in the Prospectus of the Sub-Fund resulted in adjustments in the net asset value.

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

NOTES TO THE FINANCIAL STATEMENTS

4. NUMBER OF UNITS IN ISSUE AND NET ASSETS ATTRIBUTABLE TO UNITHOLDERS PER UNIT (Continued)

	As at 31 December 2020 USD
Net assets attributable to unitholders as reported in the statement of financial position	17,712,142
Adjustment for different basis adopted by the Sub-Fund in arriving at net assets attributable to unitholders	50,322
Net asset value in accordance with the Trust's Prospectus	<u>17,762,464</u>
Net assets attributable to unitholders per unit (per statement of financial position)	<u>1.9045</u>
Net assets attributable to unitholders per unit (at dealing net asset value)	<u>1.9099</u>

5. NET GAIN ON INVESTMENTS

	Period from 26 March 2020 (date of commencement of operations) to 31 December 2020 USD
Net unrealised gain in derivative financial instruments	185,382
Net realised gain on sale of derivative financial instruments	10,293,890
Net realised loss on sale of quoted debt securities	(1,932)
	<u>10,477,340</u>

6. TAXATION

No provision for Hong Kong profits tax has been made for the Sub-Fund as it was authorised as a 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.

There was no overseas withholding tax of the Sub-Fund for the period from 26 March 2020 (date of commencement of operations) to 31 December 2020 as disclosed in Note 3.

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

NOTES TO THE FINANCIAL STATEMENTS

7. TRANSACTIONS WITH THE TRUSTEE, MANAGER AND CONNECTED PERSONS

The following is a summary of significant related party transactions and transactions entered into during the period between the Sub-Fund and the Trustee, the Manager and the Connected Persons of the Manager. 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 period from 26 March 2020 (date of commencement of operations) to 31 December 2020 between the Sub-Fund and the Manager and its Connected Persons were carried out in the normal course of business and on normal commercial terms. To the best of the Manager's knowledge, the Sub-Fund does not have any other transactions with the Connected Persons of the Manager except for those disclosed below.

(a) Management fee

The Manager is entitled to receive a management fee up to 2% per annum of the Net Asset Value accrued daily and calculated as at each Dealing Day, with the current rate being 1.2% per annum of the Net Asset Value accrued daily and calculated as at each dealing day and payable monthly in arrears.

The management fees for the period from 26 March 2020 (date of commencement of operations) to 31 December 2020 were USD135,096. As at 31 December 2020, management fees of USD18,711 were payable to the Manager.

(b) Trustee fee

The Trustee is entitled to receive a trustee fee as a percentage per annum of the Net Asset Value of the SSIF DCE Iron Ore Futures Index ETF at a rate of 0.10% per annum for the first USD50 million of the Net Asset Value and 0.08% per annum for the remaining balance of the Net Asset Value, accrued daily and payable monthly in arrears, subject to a monthly minimum of USD10,000.

The Trustee shall also be entitled to be reimbursed out of the assets of the SSIF DCE Iron Ore Futures Index ETF all out-of-pocket expenses incurred.

The Trustee (acting as the Registrar) is also entitled to a fee of USD20 per Participating Dealer per transaction.

The trustee fees for the period from 26 March 2020 (date of commencement of operations) to 31 December 2020 were USD92,131. As at 31 December 2020, trustee fees of USD10,164 were payable to the Trustee.

Transaction fees paid to trustee for the period from 26 March 2020 (date of commencement of operations) to 31 December 2020 were USD255.

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

NOTES TO THE FINANCIAL STATEMENTS

7. TRANSACTIONS WITH THE TRUSTEE, MANAGER AND CONNECTED PERSONS (Continued)

(c) Safe custody and bank charges

During the period from 26 March 2020 (date of commencement of operations) to 31 December 2020, the Sub-Fund has incurred safe custody and bank charges amounting to USD885 paid to the related company of the Trustee.

(d) Other operating expenses

During the period from 26 March 2020 (date of commencement of operations) to 31 December 2020, the Sub-Fund has incurred other fees amounting to USD5,225 paid to a related company of the Trustee.

(e) Financial assets

The bank balances of the Sub-Fund held with related parties of the Trustee are:

	2020 USD
Bank balances	
The Hongkong and Shanghai Banking Corporation Limited	5,641,328
HSBC Bank (China) Company Limited	8,831,902
	<hr/>
	14,473,230
	<hr/> <hr/>

Interest income amounting to USD5,974 was earned on these bank balances for the period from 26 March 2020 (date of commencement of operations) to 31 December 2020.

(f) Holdings in the Sub-Fund

The Manager and the Trustee entered into Participating Agreements with brokers to effect applications for creation and redemption of the Sub-Fund in the primary market. Shanxi Securities International Limited is a fellow subsidiary of the Manager. During the period, units created and redeemed in the Sub-Fund by the Connected Persons of the Manager were 12,300,000 and 1,200,000 respectively.

(g) Establishment cost payable

The establishment cost for the period from 26 March 2020 (date of commencement of operations) to 31 December 2020 was USD60,000. As at 31 December 2020, the establishment cost of USD60,000 was payable to the Manager.

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT

The objective of the Sub-Fund is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the DCE Iron Ore Futures Price Index. The Sub-Fund's activities may expose it to a variety of risks including but not limited to: market risk (including market price risk, interest rate risk and currency risk), credit and counterparty risk and liquidity risk which are associated with the markets in which the Sub-Fund invests.

The following is a summary of the main risks and risk management policies.

(a) Market risk

(i) Market price risk and derivative financial instruments

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Sub-Fund is designated to track the performance of the DCE Iron Ore Futures Price Index, and therefore the exposures to market risk in the Sub-Fund will be substantially the same as the tracked index. The Manager manages the Sub-Fund's exposure to market risk by ensuring that the Sub-fund invests in the proper type and number of futures contracts to closely aligned with the tracked index.

As at 31 December 2020, the Sub-Fund's derivative financial instruments were concentrated in China listed futures.

Futures contracts

Futures contracts are commitments either to purchase or sell a designated financial instrument, currency, commodity or index at a specified future date for a specified price and may be settled in cash or the underlying financial asset. Futures are standardised exchange-traded contracts. Initial margin requirements for futures are met in cash or other instruments, and changes in future contract values are marked to market daily. Futures contracts have lower credit risk because the counterparties are futures exchanges.

Futures contracts result in exposure to market risk based on changes in market prices relative to contracted price. Market risks arise due to the possible movement in foreign currency exchange rates, indices, and securities' values underlying these instruments. In addition, because of the low margin deposits normally required in relation to notional contract sizes, a high degree of leverage may be typical of a futures contract and may result in substantial losses to the Sub-Fund. Certain futures exchanges do not permit trading in particular futures contracts at prices that represent a material fluctuation in price during a single day's trading beyond certain present limits. If prices fluctuate during a single day's trading beyond those limits, the Sub-Fund could be prevented from promptly liquidating unfavourable positions and thus could be subject to substantial losses.

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(i) Market price risk and derivative financial instruments (Continued)

The following futures contracts were unsettled at the date of statement of financial position:

As at 31 December 2020

Name of the futures	Expiration date	Number of contracts	Notional amount USD	Position	Fair value USD	% of net assets
Listed derivatives - DCE Iron Ore Future May 2021	19 May 2021	1,152	17,417,095	Long	185,382	1.05

Sensitivity analysis in the event of a possible change in the index by 30% as estimated by the Manager

As at 31 December 2020, if the DCE Iron Ore Futures Price Index was to increase by 30% with all other variables held constant, this would increase the total comprehensive income for the period by approximately USD5,113,989. Conversely, if the DCE Iron Ore Futures Price Index was to decrease by 30%, this would decrease the operating profit for the period by an equal amount.

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or future cash flows will fluctuate due to changes in market interest rates.

As at 31 December 2020, the major financial assets and liabilities bearing variable interest that are subject to cash flow interest rate risk is bank balances.

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk (Continued)

The tables below summarise the Sub-Fund's exposure to interest rate risk:

	Maturity up to 1 year USD	Maturity 1-5 years USD	Maturity over 5 years USD	Non-interest bearing USD	Total USD
Assets					
Derivatives financial instruments	-	-	-	185,382	185,382
Margin deposits	-	-	-	3,175,242	3,175,242
Bank balances	14,473,230	-	-	-	14,473,230
Other assets	-	-	-	5	5
Total assets	14,473,230			3,360,629	17,833,859
Liabilities					
Other liabilities	-	-	-	121,717	121,717
Total liabilities				121,717	121,717
Total interest sensitivity gap	14,473,230				

At 31 December 2020, the Sub-Fund has bank balances of USD14,473,230. If the interest rates had been 10 basis points higher or lower with all variables held constant, net assets attributable to unitholders would have been USD14,473 higher or lower as a result of higher or lower interest income.

During the period, the Sub-Fund held certificates of deposits which were interest-bearing. The Management believes the exposure and sensitivity analysis as above is not representative. Instead, the Management considers the interest rate risk exposure as at 31 August 2020 to be representative.

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk (Continued)

The tables below summarise the fund's exposure to interest rate risk as at 31 August 2020:

	Maturity up to, 1 year USD	Maturity 1-5 years USD	Maturity over 5 years USD	Non-interest bearing USD	Total USD
Assets					
Certificates of deposits	2,202,835	-	-	-	2,202,835
Derivatives financial instruments	-	-	-	399,563	399,563
Margin deposits	-	-	-	2,361,298	2,361,298
Bank balances	10,470,502	-	-	-	10,470,502
Other assets	-	-	-	35,221	35,221
Total assets	12,673,337			2,796,082	15,469,419
Liabilities					
Other liabilities	-	-	-	50,789	50,789
Total liabilities	-	-	-	50,789	50,789
Total interest sensitivity gap	12,673,337				

(iii) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Sub-Fund invests in assets denominated in currencies other than its functional currency, United States Dollars. Consequently, the Sub-Fund is exposed to risks that the exchange rate of the functional currency relative to other currencies change in a manner which has an adverse effect on the reported value of that portion of the Sub-Fund's assets which are denominated in currencies other than the functional currency.

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(iii) Currency risk (Continued)

The table below summarises the Sub-Fund's exposures to Renminbi as at 31 December 2020:

	2020
	USD equivalents
<u>Assets</u>	
Margin deposits with broker	1,908,675
Bank balances	7,162,567
	<u>9,071,242</u>
Derivative financial instruments at notional value	<u>17,417,095</u>

The table below summarises the impact on NAV as a result of increase/(decrease) of foreign exchange rates on the exposures tabled above, to which the Sub-Fund is exposed. The analysis is based on the assumption that the foreign exchange rates had increased/(decreased) by the stated percentage with all other variables held constant.

	2020
	+/- 3.5%
	USD equivalents +/-
Estimated reasonably possible change	+/- 3.5%
<u>Impact on Assets</u>	
Margin deposits with broker	66,803
Bank balances	250,690
	<u>317,493</u>
Impact on derivative financial instruments at notional value	<u>609,598</u>

(b) Credit and counterparty risk

Credit and counterparty risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Sub-Fund.

The Sub-Fund limits its exposure to credit and counterparty risk by carrying out the majority of its investment transactions and contractual commitment activities with well-established broker-dealers, banks and regulated exchanges with high credit ratings.

All transactions in listed securities are settled or paid for upon delivery using approved and reputable brokers. In addition, the Sub-Fund places bank balances and deposits with broker with reputable financial institutions. As such, the Manager does not consider the Sub-Fund to be exposed to significant credit and counterparty risk.

The Sub-Fund is exposed to credit and counterparty risk on its investments, derivative financial instruments, bank interest receivables, other receivables, bank balances and deposits with brokers.

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit and counterparty risk (Continued)

The table below summarises the amount of investments and derivative financial instruments of the Sub-Fund placed with counterparties together with the credit rating of the relevant counterparties as at 31 December 2020.

As at 31 December 2020	<i>USD</i>	Credit rating	Source of credit rating
Derivative financial instruments			
Citic Futures Co., Ltd	185,382	Baa1	Moody's
Bank balances			
The Hongkong and Shanghai Banking Corporation Limited	5,641,328	Aa2	Moody's
HSBC Bank (China) Company Limited	8,831,902	A1	Moody's
Margin deposits with broker			
Citic Futures Co., Ltd	3,175,242	Baa1	Moody's

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, bank interest receivable, margin deposits with broker and bank balances are held with counterparties with high credit rating. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations. 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.

The maximum exposure to credit risk as at 31 December 2020 is the carrying amount of the financial assets as shown on the statement of financial position.

(c) Liquidity risk

Liquidity risk is the risk that the Sub-Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Sub-Fund is exposed to daily redemptions of units in the Sub-Fund. The Sub-Fund invests the majority of its assets in securities that are traded in an active market which can be readily disposed of.

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

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

	On demand	Less than 1 month	1 month to less than 3 months	Over 3 months	Total
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
As at 31 December 2020					
Management fee payable	-	18,711	-	-	18,711
Trustee fee payable	-	10,164	-	-	10,164
Establishment cost payable	60,000	-	-	-	60,000
Other accounts payable	26,302	6,540	-	-	32,842
Contractual cash outflow	86,302	35,415	-	-	121,717

Units are redeemed on demand at the unitholder's option. As at 31 December 2020, there was one unitholder holding more than 10% of the Sub-Fund's units, representing in aggregate 91.60% of the total Sub-Fund's units.

The Sub-Fund manages its liquidity risk by investing in securities and derivatives that it expects to be able to liquidate within 7 days or less. The following table illustrates the expected liquidity of assets held:

	Less than 1 month	1 to 12 months	No stated maturity	Total
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
As at 31 December 2020				
Total assets	-	185,387	17,648,472	17,833,859

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value estimation

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 that the Sub-Fund can access at the measurement date (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

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

The following table analyses within the fair value hierarchy the Sub-Fund’s financial assets and financial liabilities (by class) measured at fair value at 31 December 2020:

	Level 1 <i>USD</i>	Level 2 <i>USD</i>	Level 3 <i>USD</i>	Total <i>USD</i>
As at 31 December 2020				
Assets				
Derivative financial instruments				
- Futures contracts	185,382	-	-	185,382
Total assets	185,382	-	-	185,382

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

For the period from 26 March 2020 (date of commencement of operations) to 31 December 2020, there were no transfers between levels.

The assets and liabilities included in the statement of financial position, other than financial assets and liabilities at fair value through profit or loss, are carried at amortised cost. The carrying value of these financial assets and liabilities are considered by the Manager to approximate their fair value as they are short term in nature and the effect of discounting is immaterial. There are no other assets and liabilities not carried at fair value but for which fair value is disclosed.

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT (Continued)

(e) Capital risk management

The Sub-Fund's capital is represented by the redeemable units outstanding. The Sub-Fund's objective is to provide investment results that correspond generally to the performance of the respective index. The Manager may:

- Redeem and issue new units on a daily basis in accordance with the constitutive documents of the Sub-Fund;
- Exercise discretion when determining the amount of distributions of the Sub-Fund to the unitholders; and
- Suspend the creation and redemption of units under certain circumstance as currently disclosed in the Prospectus of the Sub-Fund.

9. MARGIN DEPOSITS WITH BROKER

At 31 December 2020, margin deposits of USD3,175,242 were pledged as collateral against open exchange traded futures contracts. Refer to Note 8(b).

10. INVESTMENT LIMITATION AND PROHIBITION UNDER THE SFC CODE

The SFC Code allows the Sub-Fund's net derivative exposure may be more than 50% but up to 100% of the Sub-Fund's NAV. If a passive ETF's net derivative exposure exceeds 50% of its total NAV, the passive ETF shall make available, through the passive ETF's own website or other acceptable channels, the information on financial derivative instruments acquired by the passive ETF to investors on an ongoing basis. And the SFC Code does not allow the Sub-Fund to hold more than 10% of any ordinary shares issued by any single entity.

The Manager and the Trustee have confirmed that the Sub-Fund has complied with this limit during the period from 26 March 2020 (date of commencement of operations) to 31 December 2020, except to the extent that any non-compliance has been previously reported to the SFC by the Fund Manager.

There was no holding that individually accounted for more than 10% of any ordinary shares issued by any single entity as at 31 December 2020.

For the period from 26 March 2020 (date of commencement of operations) to 31 December 2020, the DCE Iron Ore Futures Price Index increased by 103.21 % while the net asset value of the Sub-Fund increased by 100.43%.

11. SOFT DOLLAR ARRANGEMENT

The Manager confirms that there have been no soft dollar arrangements existing during the period from 26 March 2020 (date of commencement of operations) to 31 December 2020 in relation to directing transactions of the Sub-Fund through a broker or dealer.

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

NOTES TO THE FINANCIAL STATEMENTS

12. SEGMENT INFORMATION

The Manager makes the strategic resource allocations on behalf of the Sub-Fund and has determined the operating segments based on the reports reviewed which are used to make strategic decisions.

The Manager considers that the Sub-Fund has a single operating segment which is investing in futures contracts. The investment objective of the Sub-Fund is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the DCE Iron Ore Futures Price Index.

The internal financial information used by the Manager for the Sub-Fund's assets, liabilities and performance is the same as that disclosed in the statement of financial position and statement of comprehensive income.

The Sub-Fund is domiciled in Hong Kong. The Sub-Fund's income is mainly derived from investments in futures contracts to obtain the required exposure to the DCE Iron Ore Futures Price Index, the tracked index. The Sub-Fund has no non-current assets.

13. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Trustee and the Manager on 29 April 2021.

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

INVESTMENT PORTFOLIO (Unaudited)

As at 31 December 2020

			Fair value USD	% of net assets
Derivative financial instruments				
Listed futures contracts	<i>Expiration Date</i>	<i>Contracts</i>		
China				
DCE IRON ORE FUTURE May 2021	19 May 2021	1,152	185,382	1.05
Total derivative financial instruments at fair value			<u>185,382</u>	<u>1.05</u>
Total derivative financial instruments, at cost			<u>-</u>	

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Unaudited)

For the period from 26 March 2020 (date of commencement of operations) to 31 December 2020

Investments	Holdings			31 December 2020
	26 March 2020 (date of commencement of operations)	Additions	Disposals	
Unlisted but quoted debt securities				
China				
BANK OF CHINA/HONG KONG 1.78% CD 29 September 2020	-	2,000,000	2,000,000	-
Hong Kong				
BANK OF EAST ASIA LTD 1.87% CD 3 September 2020	-	200,000	200,000	-
Listed future contracts (number of contracts)				
China				
DCE IRON ORE FUTURE May 2020	-	1,168	1,168	-
DCE IRON ORE FUTURE September 2020	-	1,372	1,372	-
DCE IRON ORE FUTURE January 2021	-	1,464	1,464	-
DCE IRON ORE FUTURE May 2021	-	1,380	228	1,152

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

DETAILS IN RESPECT OF FINANCIAL DERIVATIVE INSTRUMENTS (Unaudited)

As at 31 December 2020

The financial derivative instruments held by the Sub-Fund as at 31 December 2020 are summarised below:

Futures

The details of futures contracts held by the Sub-Fund as at 31 December 2020 are as follows:

Description	Underlying assets	Contract Size	Notional market value USD	Position	Counterparty	Fair value USD
Financial assets:						
DCE Iron Ore Future May 2021	Commodities future	1,152	17,417,095	Long	Citic Futures Co., Ltd	185,382 <u>185,382</u>

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

**INFORMATION ON EXPOSURE ARISING FROM FINANCIAL DERIVATIVE INSTRUMENTS
(Unaudited)**

The lowest, highest and average gross/net exposure arising from the use of financial derivative instruments for investment purpose/ any purpose as a proportion to the Sub-Fund's total net asset value period from 26 March 2020 (date of commencement of operations) to 31 December 2020.

	2020 % of Net asset value
Lowest gross/net exposure	96.612%
Highest gross/net exposure	99.995%
Average gross/net exposure	98.616%

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

PERFORMANCE RECORD (Unaudited)

Net asset value

	Dealing net asset value of the Sub-Fund* <i>USD</i>	Dealing net asset value per unit <i>USD</i>
At the end of financial period dated		
31 December 2020	17,762,464	1.9099

Highest and lowest net asset value per unit

	Highest net asset value per unit <i>USD</i>	Lowest net asset value per unit <i>USD</i>
Financial period ended		
31 December 2020 (Since 26 March 2020 (date of commencement of operations))	2.1366	0.9186

** The dealing net asset value of the Sub-Fund disclosed is calculated in accordance with the Trust's Prospectus.*

**SSIF DCE IRON ORE FUTURES INDEX ETF
(A SUB-FUND OF SSIF ETF I)**

MANAGEMENT AND ADMINISTRATION

Manager

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Hong Kong

Directors of the Manager

Song Qihu
Yan Wing Yin, William
Zhang Haimo

Trustee and Registrar

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Auditor

PricewaterhouseCoopers
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Registered Public Interest Entity Auditor
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