

For the financial period from 10 December 2020 (date of inception)
to 31 December 2021

ANNUAL REPORT

LION-OCBC SECURITIES

HANG SENG TECH ETF

Lion Global Investors Ltd

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DIRECTORY

Manager

Lion Global Investors Limited
65 Chulia Street #18-01
OCBC Centre
Singapore 049513

Directors of Lion Global Investors Limited

Mr Khor Hock Seng (Chairman)
Mr Gerard Lee How Cheng (Chief Executive Officer)
Mr Tan Siew Peng
Mr Ronnie Tan Yew Chye
Ms Chong Chuan Neo
Mr Leslie Teo Eng Sipp

Trustee/Registrar

HSBC Institutional Trust Services (Singapore) Limited
10 Marina Boulevard,
Marina Bay Financial Centre, Tower 2,
#48-01
Singapore 018983

Custodian

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road
Central, Hong Kong

Independent Auditor

PricewaterhouseCoopers LLP
7 Straits View, Marina One
East Tower, Level 12
Singapore 018936

PERFORMANCE OF THE FUND

For the financial period from 10 December 2020 (date of inception) to 31 December 2021

Past performance is not necessarily indicative of future performance. Cumulative returns for the Fund are calculated up to 31 December 2021 in HKD terms, based on single pricing, with dividends reinvested net of all charges payable upon reinvestment.

Time Period	Fund Returns (%) Lion-OCBC Securities Hang Seng TECH ETF	Benchmark/Index* Returns (%)
3 months	-7.2	-7.0
6 months	-30.6	-30.3
1 year	-33.0	-32.5
Since Inception** (10 December 2020)	-28.4	-27.8

Source: Morningstar/Lion Global Investors Ltd.

**Benchmark/Index: Hang Seng TECH Index*

***Returns of more than 1 year are annualised.*

REVIEW

For the year ended 31 December 2021, the Fund returned -33.0% in HKD terms.

2021 was a momentous year for China, with the Chinese Communist Party (CCP) also celebrating its 100th founding anniversary. China started 2021 with a strong economic recovery, emerging from the COVID-19 pandemic ahead of the rest of the world. The economic rebound laid the context for executing its subsequent policy refinement, with a themed focus on common prosperity that placed heavy pressure on its Technology sector.

In HKD terms, Information Technology (-13.8%) was the best performing sector, followed by Financials (-29.3%). On the other hand, Communication Services (-43.4%) and Healthcare (-70.9%) were the worst performing sectors.

Sunny Optical (+46.1%), Lenovo (+27.7%) and Haier Smart Home (+3.7%) contributed positively to performance, while JD Health (-59.0%), Alibaba Group (-48.9%) and Kuaishou (-80.9%), detracted.

The Fund continues to replicate as closely as possible, before expenses, the performance of the Hang Seng TECH Index.

STRATEGY AND OUTLOOK

Looking ahead, in China's December 2021 Politburo meeting, policymakers revealed the 2022 priority to be "supporting growth". The Politburo also unveiled the focus on financial stability, technological self-sufficiency and innovation. This is a remarkable shift from last year's meeting, which focused on strengthening anti-monopoly rules.

The December 2021 Politburo meeting also cited efforts to ensure the bottom-line of people's livelihoods, but without specific mention of common prosperity. In 2021, we experienced China balancing between economic recovery and policy tightening. In 2022, we will see a new balancing act between economic slowdown and policy loosening. Stability is the new theme identified by China's Politburo.

As of 20 January 2022.

DISCLOSURES ON THE FUND¹

For the financial period from 10 December 2020 (date of inception) to 31 December 2021

1. DISTRIBUTION OF INVESTMENTS AS AT 31 DECEMBER 2021

	Fair Value HK\$	Percentage of total net assets attributable to unitholders %
a) <i>By Asset Class</i>		
Equities	1,701,660,119	100.0
Cash and other net liabilities	(497,093)	*
Net assets attributable to unitholders	1,701,163,026	100.0

b) *By Credit Rating of Debt Securities*

Not applicable

c) *By Derivative Type*

Total net realised gains from financial derivatives at the end of the period were HK\$1,486.

* denotes amount less than 0.1%

¹ As required by the Code on Collective Investment Schemes.

2. TOP 10 HOLDINGS

As at 31 December 2021

	Fair Value HK\$	Percentage of total net assets attributable to unitholders %
Sunny Optical Technology Group Company Limited	151,365,546	8.9
Tencent Holdings Limited	143,916,210	8.5
Xiaomi Corporation - Class B	141,884,492	8.3
Meituan	137,074,305	8.1
Alibaba Group Holding Limited	135,096,915	7.9
Kuaishou Technology Company Limited	122,757,997	7.2
JD.Com Inc.	116,708,930	6.9
Semiconductor Manufacturing International Corporation	82,275,261	4.8
Netease Inc.	79,518,600	4.7
Haier Smart Home Company Limited	77,683,941	4.6

3. GLOBAL EXPOSURE

The global exposure relating to derivative instruments is calculated using the commitment approach by converting the derivative positions into equivalent positions in the underlying assets embedded in those derivatives.

The global exposure of the Fund to financial derivative instruments or embedded financial derivative instruments will not exceed 100% of the net asset value of the Fund at any time.

4. COLLATERAL

Nil

5. SECURITIES LENDING OR REPURCHASE TRANSACTIONS

Nil

6. INVESTMENT IN OTHER UNIT TRUSTS, MUTUAL FUNDS AND COLLECTIVE INVESTMENT SCHEMES

Nil

7. BORROWINGS

Nil

8. SOFT DOLLAR COMMISSION RECEIVED BY THE MANAGERS

The soft dollar commissions from various brokers for the financial period were utilised on research and advisory services, economic and political analyses, portfolio analyses, market analyses, data and quotation analyses and computer hardware and software used for and in support of the investment process of fund managers. Goods and services received were for the benefit of the scheme and there was no churning of trades. These brokers also execute trades for other funds managed by the managers. The trades are conducted on best available terms and in accordance with best practices.

9. OTHER MATERIAL INFORMATION

There is no other material information that will adversely impact the valuation of the Fund.

10. SUPPLEMENTAL INFORMATION ON UNDERLYING SUB-FUNDS

Not applicable

REPORT OF THE TRUSTEE

For the financial period from 10 December 2020 (date of inception) to 31 December 2021

The Trustee is under a duty to take into custody and hold the assets of Lion-OCBC Securities Hang Seng TECH ETF (the "Fund") in trust for the unitholders. In accordance with the Securities and Futures Act 2001, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting period and report thereon to unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the financial period covered by these financial statements, set out on pages 12 to 32, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee
HSBC INSTITUTIONAL TRUST SERVICES (SINGAPORE) LIMITED

Authorised signatory

28 March 2022

STATEMENT BY THE MANAGER

For the financial period from 10 December 2020 (date of inception) to 31 December 2021

In the opinion of Lion Global Investors Limited, the accompanying financial statements set out on pages 12 to 32, comprising the Statement of Total Return, Statement of Financial Position, Statement of Movements of Unitholders' Funds, Statement of Portfolio and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position and the portfolio holdings of Lion-OCBC Securities Hang Seng TECH ETF (the "Fund") as at 31 December 2021, and the financial performance and movements in unitholders' funds for the financial period then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Investment Funds" issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that the Fund will be able to meet its financial obligations as and when they materialise.

For and on behalf of
LION GLOBAL INVESTORS LIMITED

GERARD LEE HOW CHENG
CEO

28 March 2022

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF LION-OCBC SECURITIES HANG SENG TECH ETF

(Constituted under a Trust Deed in the Republic of Singapore)

Our Opinion

In our opinion, the accompanying financial statements of Lion-OCBC Securities Hang Seng TECH ETF (the "Fund") are properly drawn up in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Investment Funds" issued by the Institute of Singapore Chartered Accountants, so as to present fairly, in all material respects, the financial position and portfolio holdings of the Fund as at 31 December 2021, and the financial performance and movements of unitholders' funds for the financial period from 10 December 2020 (date of inception) to 31 December 2021.

What we have audited

The financial statements of the Fund comprise:

- the Statement of Total Return for the financial period from 10 December 2020 (date of inception) to 31 December 2021;
- the Statement of Financial Position as at 31 December 2021;
- the Statement of Movements of Unitholders' Funds for the financial period from 10 December 2020 (date of inception) to 31 December 2021;
- the Statement of Portfolio as at 31 December 2021; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). 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 audit opinion.

Independence

We are independent of the Fund in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF LION-OCBC SECURITIES HANG SENG TECH ETF

(Constituted under a Trust Deed in the Republic of Singapore)

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

We have determined that there are no key audit matters to communicate in our report.

Other Information

The Fund's Manager (the "Manager") is responsible for the other information. The other information comprises all sections of the annual report, but does not include 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the Financial Statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Investment Funds" issued by the Institute of Singapore Chartered Accountants and for such internal control as the Manager 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 Manager is responsible for assessing the 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 Manager either intends to terminate the Fund or to cease the Fund's operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF LION-OCBC SECURITIES HANG SENG TECH ETF

(Constituted under a Trust Deed in the Republic of Singapore)

Responsibilities of the Manager for the Financial Statements (continued)

The Manager's responsibilities include overseeing the Fund's financial reporting process.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs 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.

As part of an audit in accordance with SSAs, we exercise professional judgement 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager'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 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF LION-OCBC SECURITIES HANG SENG TECH ETF

(Constituted under a Trust Deed in the Republic of Singapore)

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

We communicate with the Manager 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 the Manager 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, related safeguards.

From the matters communicated with the Manager, 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.

The engagement partner on the audit resulting in this independent auditor's report is Lim Kheng Wah.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 28 March 2022

STATEMENT OF TOTAL RETURN

For the financial period from 10 December 2020 (date of inception) to 31 December 2021

	Note	For the financial period from 10 December 2020 (date of inception) to 31 December 2021 HK\$
Income		
Dividends		4,707,582
Interest on cash and bank balances		69
		<u>4,707,651</u>
Less: Expenses		
Audit fee		98,337
Custodian fees	10	160,317
Management fee	10	5,991,709
Professional fees		138,979
Registration fee	10	68,811
Trustee fee	10	251,592
Valuation and administration fees	10	266,298
Preliminary expenses		696,051
Transaction costs		2,343,273
Miscellaneous expenses		874,338
		<u>10,889,705</u>
Net expense		<u>(6,182,054)</u>
Net gains or losses on value of investments and financial derivatives		
Net losses on investments		(546,733,640)
Net gains on foreign exchange spot contracts		1,486
Net foreign exchange losses		(11,631)
		<u>(546,743,785)</u>
Total deficit for the financial period before income tax		(552,925,839)
Less: Income tax	3	(67,545)
Total deficit for the financial period		<u>(552,993,384)</u>

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

STATEMENT OF FINANCIAL POSITION*As at 31 December 2021*

	Note	2021 HK\$
ASSETS		
Portfolio of investments		1,701,660,119
Receivables	4	16,940,039
Cash and cash equivalents	5	16,177,358
Total assets		<u>1,734,777,516</u>
LIABILITIES		
Payables	6	1,185,485
Due to brokers	7	32,429,005
Total liabilities		<u>33,614,490</u>
EQUITY		
Net assets attributable to unitholders	8	<u>1,701,163,026</u>

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

STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS

For the financial period from 10 December 2020 (date of inception) to 31 December 2021

	Note	For the financial period from 10 December 2020 (date of inception) to 31 December 2021 HK\$
Net assets attributable to unitholders at the beginning of financial period		-
Operations		
Change in net assets attributable to unitholders resulting from operations		(552,993,384)
Unitholders' contributions/(withdrawals)		
Creation of units		2,254,156,410
Cancellation of units		-
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		<u>2,254,156,410</u>
Total increase in net assets attributable to unitholders		<u>1,701,163,026</u>
Net assets attributable to unitholders at the end of financial period	8	<u>1,701,163,026</u>

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

STATEMENT OF PORTFOLIO

As at 31 December 2021

	Holdings at 31 December 2021	Fair value at 31 December 2021 HK\$	Percentage of total net assets attributable to unitholders at 31 December 2021 %
By Industry (Primary)			
QUOTED EQUITIES			
TECHNOLOGY			
Sunny Optical Technology Group Company Limited	613,810	151,365,546	8.9
Xiaomi Corporation - Class B	7,507,116	141,884,492	8.3
Semiconductor Manufacturing International Corporation	4,409,178	82,275,261	4.8
Lenovo Group Limited	7,120,773	63,802,126	3.8
Kingdee International Software Group Company Limited	2,394,576	57,469,824	3.4
Kingsoft Corporation Limited	879,395	30,119,279	1.8
ASM Pacific Technology Limited	303,779	25,593,381	1.5
Hua Hong Semiconductor Limited	576,763	24,800,809	1.5
BYD Electronic International Company Limited	777,572	22,199,681	1.3
AAC Technologies Holdings Inc.	714,940	22,020,152	1.3
Weimob Inc.	2,038,181	16,081,248	0.9
Ming Yuan Cloud Group Holdings Limited	776,405	13,788,953	0.8
GDS Holdings Limited	253,497	11,483,414	0.7
		662,884,166	39.0
CONSUMER, CYCLICAL			
Meituan	608,138	137,074,305	8.1
Alibaba Group Holding Limited	1,136,223	135,096,915	7.9
JD.Com Inc.	425,945	116,708,930	6.9
Haier Smart Home Company Limited	2,357,631	77,683,941	4.6
Tongcheng Travel Holdings Limited	1,199,648	17,322,917	1.0
Trip.Com Group Limited	28,981	5,529,575	0.3
		489,416,583	28.8

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

	Holdings at 31 December 2021	Fair value at 31 December 2021 HK\$	Percentage of total net assets attributable to unitholders at 31 December 2021 %
By Industry (Primary) (continued)			
QUOTED EQUITIES (continued)			
COMMUNICATIONS			
Tencent Holdings Limited	315,053	143,916,210	8.5
Kuaishou Technology Company Limited	1,703,789	122,757,997	7.2
Netease Inc.	504,880	79,518,600	4.7
Baidu Inc.	200,416	28,980,154	1.7
Bilibili Inc.	67,510	24,209,086	1.3
China Literature Limited	453,468	22,219,932	1.3
Autohome Inc.	17,044	960,430	0.1
		<u>422,562,409</u>	<u>24.8</u>
CONSUMER, NON-CYCLICAL			
JD Health International Inc.	1,099,134	67,541,784	4.0
Alibaba Health Information Technology Limited	4,653,311	30,665,320	1.8
Ping An Healthcare and Technology Company Limited	339,363	9,620,941	0.5
		<u>107,828,045</u>	<u>6.3</u>
FINANCIAL			
ZhongAn Online P&C Insurance Company Limited H Shares	699,960	18,968,916	1.1
Portfolio of investments		1,701,660,119	100.0
Other net liabilities		(497,093)	*
Net assets attributable to unitholders		<u>1,701,163,026</u>	<u>100.0</u>

* denotes amount less than 0.1%

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

**Percentage of
total net assets
attributable to
unitholders at
31 December
2021
%**

By Industry (Summary)

Technology	39.0
Consumer, Cyclical	28.8
Communications	24.8
Consumer, Non-cyclical	6.3
Financial	1.1

Portfolio of investments

100.0

Other net liabilities

*

Net assets attributable to unitholders

100.0

* denotes amount less than 0.1%

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

	Fair value at 31 December 2021 HK\$	Percentage of total net assets attributable to unitholders at 31 December 2021 %
By Geography (Secondary)		
China	1,634,877,890	96.1
Hong Kong	66,782,229	3.9
Portfolio of investments	1,701,660,119	100.0
Other net liabilities	(497,093)	*
Net assets attributable to unitholders	1,701,163,026	100.0

* denotes amount less than 0.1%

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 10 December 2020 (date of inception) to 31 December 2021

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL

Lion-OCBC Securities Hang Seng TECH ETF (the “Fund”) is a unit trust constituted by a Deed of Trust dated 18 November 2020 together with its Supplemental Deeds (thereafter referred to as “Trust Deed”). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee of the Fund is HSBC Institutional Trust Services (Singapore) Limited (the “Trustee”). The Manager of the Fund is Lion Global Investors Limited (the “Manager”).

The investment objective of the Fund is to replicate as closely as possible, before expenses, the performance of the Hang Seng TECH Index (the “Index”) using a direct investment policy of investing in all, or substantially all, of the underlying Index Securities.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and in accordance with the recommendations of Statement of Recommended Accounting Practice 7 “Reporting Framework for Investment Funds” (“RAP 7”) issued by the Institute of Singapore Chartered Accountants in July 2020 for the financial year beginning on or after 1 July 2020.

(b) Recognition of income

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time proportion basis using the effective interest method.

(c) Financial derivatives

Financial derivatives are entered into for the purposes of efficient portfolio management, tactical asset allocation or specific hedging of financial assets held as determined by the Manager and in accordance with the provisions of the Trust Deed.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Distributions

The Manager has the absolute discretion to determine whether a distribution is to be made. In such an event, an appropriate amount will be transferred to a distribution account to be paid out on the distribution date. The amount shall not be treated as part of the property of the Fund. Distributions are accrued for at the reporting date if the necessary approvals have been obtained and a legal or constructive obligation has been created.

The Fund currently does not make any distribution.

(e) Investments

Investments are classified as financial assets at fair value through profit or loss.

(i) Initial recognition

Purchases of investments are recognised on the trade date. Investments are recorded at fair value on initial recognition.

(ii) Subsequent measurement

Investments are subsequently carried at fair value. Net change in the fair value of investments are included in the Statement of Total Return in the year in which they arise.

(iii) Derecognition

Investments are derecognised on the trade date of disposal. The resultant realised gains and losses on the sales of investments are computed on the basis of the difference between the weighted average cost and selling price gross of transaction costs, and are taken up in the Statement of Total Return.

(f) Basis of valuation of investments

The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The Fund utilises the last traded market price for both financial assets and financial 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, the Manager will determine the point within the bid-ask spread that is most representative of fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recognised at their fair value and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

(h) Due from and due to brokers

Sales and purchases awaiting settlement represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the Statement of Financial Position date respectively. These amounts are recognised initially at fair value and subsequently measured at amortised cost.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand which are subject to an insignificant risk of changes in value.

(j) Payables

Payables are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

(k) Foreign currencies

(i) Functional and presentation currency

The Fund qualifies as an authorised scheme under the Securities and Futures Act ("SFA") of Singapore and is offered to retail investors in Singapore. The Fund invests substantially in China and Hong Kong securities, with subscriptions and redemptions of the units in the Fund denominated in Hong Kong Dollar.

The performance of the Fund is measured and reported to the investors in Hong Kong Dollar. The Manager considers the Hong Kong Dollar as the currency which most faithfully represents the economic effects of the underlying transactions, events and conditions. The Fund's functional and presentation currency is the Hong Kong Dollar.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)(k) Foreign currencies (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in the Statement of Total Return. Translation differences on non-monetary financial assets and liabilities such as equities are also recognised in the Statement of Total Return within the net gain or loss on investments.

3. INCOME TAX

The Fund has been approved by the Monetary Authority of Singapore under the Enhanced-Tier Fund Scheme (Section 13U* of the Income Tax Act 1947 and the relevant Regulations). Subject to certain conditions being met on an annual basis, the Fund may enjoy Singapore corporate tax exemption on “specified income” derived from “designated investments” for the life of the Fund. The tax exemption does not apply in the year when the relevant conditions are not met. Losses from “designated investments” are correspondingly disregarded. The terms “specified income” and “designated investments” are defined in the relevant income tax Regulations.

*The Singapore Attorney General issued the Revised Edition of Acts 2020 effective 31 December 2021 which streamlined and renumbered various Acts, including for the Income Tax Act. The ETF Scheme previously provided under section 13X of the Income Tax Act is now provided under section 13U of the Income Tax Act 1947.

**For the financial
period from
10 December 2020
(date of inception) to
31 December 2021
HK\$**

Overseas income tax

 67,545

4. RECEIVABLES

	2021 HK\$
Amount receivable for creation of units	16,475,745
Other receivables	464,294
	<u>16,940,039</u>

5. CASH AND CASH EQUIVALENTS

The cash and cash equivalents are placed with a financial institution which is a related company of the Trustee.

6. PAYABLES

	2021 HK\$
Amount due to the Manager	626,576
Amount due to the Trustee	53,879
Amount due to the Custodian	11,914
Amount due to the Registrar	29,422
Other payables	463,694
	<u>1,185,485</u>

7. DUE TO BROKERS

	2021 HK\$
Purchases awaiting settlement	<u>(32,429,005)</u>

8. UNITS IN ISSUE

	For the financial period from 10 December 2020 (date of inception) to 31 December 2021 Units
Units at beginning of the financial period	-
Units created	309,799,640
Units cancelled	-
Units at end of the financial period	<u>309,799,640</u>

**2021
HK\$**

Net assets attributable to unitholders	1,701,163,026
Net asset value per unit	<u>5.491</u>

A reconciliation of the net assets attributable to unitholders per unit per the financial statements and the net assets attributable to unitholders per unit for issuing/redeeming units at the reporting date is presented below.

**2021
HK\$**

Net assets attributable to unitholders per unit per financial statements	5.491
Effect of preliminary expenses	*
Effect for movement in the net asset value between the last dealing date and the financial period reporting date	<u>*</u>
Net assets attributable to unitholders per unit for issuing/redeeming units	<u>5.491</u>

* denotes amount less than HK\$0.001

9. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Fund's overall risk management programme seeks to minimise potential adverse effects on the Fund's financial performance. The Manager is responsible for the implementation of overall risk management programme, which seeks to minimise potential adverse effects on the Fund's financial performance. Specific guidelines on exposures to individual securities and certain industries are in place for the Fund at any time as part of the overall financial risk management to reduce the Fund's risk exposures.

The Fund's assets principally consist of investments in Index securities in substantially the same weightings as reflected in the Index. The Manager will rebalance the Fund's portfolio of investments from time to time to reflect any changes to the composition of, or weighting of Index securities to minimise tracking error of the Fund's overall returns relating to the performance of the Index. The financial instruments are held in accordance with the published investment policies of the Fund and managed accordingly to achieve their investment objectives.

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

(a) Market risk

Market risk is the risk of loss to the value of financial investments because of changes in market conditions like interest and currency rate movements and volatility in security prices. External factors such as changes in economic environment, consumption patterns and investor's expectation contribute to market risk which may have a significant impact on the asset's value.

The Fund's investments are substantially dependent on changes in market prices. The Manager monitors the Fund's investments closely so as to assess changes in fundamentals and valuation. However, events beyond reasonable control of the Manager could affect the prices of the underlying investments and hence the asset value of the Fund.

COVID-19 pandemic continues to evolve and develop. The situation is dynamic with various cities and countries around the world responding in different ways to address the pandemic. As a result of the COVID-19 pandemic, global financial markets have experienced significant volatility. Given the extent of the crisis, it is difficult to estimate the impact or duration of the volatility on the portfolio of the Fund. The Manager is closely monitoring the development of the COVID-19 pandemic and its related impact.

The Fund's market risk is affected primarily by changes in three components: changes in actual market prices, interest rate volatilities and foreign exchange movements.

9. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Price risk

Price risk is the risk of potential adverse changes to the value of financial investments because of changes in market conditions and volatility in security prices. The Fund is designated to track the performance of the Index, therefore the exposure to price risk in the Fund will be substantially the same as the Index. As an exchange traded fund, the Manager manages the Fund's exposure to price risk by ensuring the key characteristics of the portfolio, such as security weight, is closely aligned to the characteristics of the Index.

The table below summarises the impact of increases/decreases from the Fund's underlying investments in equities on the Fund's net assets attributable to the unitholders as at 31 December 2021. The analysis was based on the assumptions that the index components within the benchmark index increased/decreased by a reasonable possible shift, with all variables held constant and that the fair value of the Fund's investments moved according to the beta.

As at 31 December 2021

Fund	Benchmark	Beta	Reasonable possible change %	Impact of reasonable possible change on net asset attributable to unitholders HK\$
Lion-OCBC Securities Hang Seng TECH ETF	Hang Seng TECH Index	0.99	8	134,771,481

(ii) Interest rate risk

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

Investment funds that invest in equity securities may be subject to interest rate risk as any interest rate change may affect the equity risk premium though at varying degrees. To manage this risk, the Manager analyses how interest rate changes may affect different industries and securities and then seeks to adjust the Fund's portfolio investments accordingly. However, the effects of changes in interest rates on the Fund's portfolio may not be quantified as the relationship between interest rates and the value of the equity securities is indirect. Hence, no separate sensitivity analysis has been presented.

9. FINANCIAL RISK MANAGEMENT (continued)

- (a) Market risk (continued)
- (iii) Currency risk

The Fund has monetary financial assets/liabilities denominated in currencies other than Hong Kong Dollar and the Fund may be affected favourably or unfavourably by exchange rate regulations or changes in the exchange rates between the Hong Kong Dollar and such other currencies. The Fund may enter into foreign currency contracts designed to either hedge some or all of this exposure, or alternatively increase exposure to preferred foreign currencies.

The table below summarises the Fund's exposure to key currencies at the end of the financial period. Monetary and non-monetary items have been taken into account for the analysis.

As at 31 December 2021	HKD HK\$	SGD HK\$	USD HK\$	Total HK\$
Assets				
Portfolio of investments	1,701,660,119	-	-	1,701,660,119
Receivables	16,891,060	42,975	6,004	16,940,039
Cash and cash equivalents	16,173,053	1,374	2,931	16,177,358
Total assets	1,734,724,232	44,349	8,935	1,734,777,516
Liabilities				
Payables	935,456	232,945	17,084	1,185,485
Due to brokers	32,429,005	-	-	32,429,005
Total liabilities	33,364,461	232,945	17,084	33,614,490
Net financial assets/ (liabilities)	1,701,359,771	(188,596)	(8,149)	
Net currency exposure	1,701,359,771	(188,596)	(8,149)	

Equity investments are non-monetary financial assets and are exposed to both currency risk and price risk. As these financial assets are non-monetary, no separate sensitivity analysis has been performed to analyse currency risk. The impact of currency risk arising from these financial assets on the Fund's net asset value has been included in the above price risk sensitivity analysis.

9. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(iii) Currency risk (continued)

The Fund's monetary assets/liabilities are measured for their sensitivity to exchange rate movements based on the balance of the monetary assets/liabilities, forecasted exchange rate movements and the net asset value of the Fund.

As of 31 December 2021, the Fund's exposure to foreign currency fluctuations with respect to the monetary assets/liabilities is not considered to be significant and hence no sensitivity analysis on foreign currency risk has been presented.

(b) Liquidity risk

Liquidity risk is the risk of loss arising from the inability of the Fund to meet its obligation as and when they fall due without incurring unacceptable cost or losses.

The Fund is exposed to daily redemption of units from unitholders. The Manager therefore ensures that the Fund maintains sufficient cash and cash equivalents and that it is able to obtain cash from the sale of investments held to meet its liquidity requirements. Reasonable efforts will be taken to invest in investments that are traded in an active market and can be readily disposed of.

The table below analyses the 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.

As at 31 December 2021	Less than 3 months HK\$	3 months - 1 year HK\$	1-5 years HK\$	Above 5 years HK\$
Payables	1,185,485	-	-	-
Due to brokers	32,429,005	-	-	-

(c) Credit risk

Credit risk is the risk that counterparty will fail to perform contractual obligations, either in whole or in part, under a contract.

Concentrations of credit risk are minimised primarily by:

- ensuring counterparties, together with the respective credit limits, are approved,

9. FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk (continued)

- ensuring that transactions are undertaken with a large number of counterparties, and
- ensuring that the majority of transactions are undertaken on recognised exchanges.

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

Credit risk also arises from cash and cash equivalents and assets held with financial institutions.

The Fund may also enter into derivatives to manage its exposures to currency risk and price risk, including foreign exchange forward contracts and options. Hence, the Fund is also exposed to the risk that its derivatives held with counterparties may not be recoverable in the event of any default by the parties concerned. The Manager minimises the Fund’s credit risk by undertaking transactions with banks that are part of banking groups with good credit ratings assigned by Standard and Poor’s (“S&P”) or Moody’s.

For purposes of impairment assessment, the Fund’s assets which are measured at amortised cost are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses (“ECL”). The ECL for these assets as at the end of the reporting period is not significant.

The table below summarises the credit rating of bank and custodian in which the Fund’s assets are held as at 31 December 2021.

	Credit rating ##	Source of credit rating
As at 31 December 2021		
<u>Custodian</u>		
The Hongkong and Shanghai Banking Corporation Limited	AA-	S&P
<u>Bank</u>		
The Hongkong and Shanghai Banking Corporation Limited	AA-	S&P

9. FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk (continued)

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

The credit ratings are based on the Long-Term Issuer Ratings published by the rating agency.

Group credit ratings are presented for unrated subsidiaries.

(d) Capital management

The Fund's capital is represented by the net assets attributable to unitholders. The Fund strives to invest the subscriptions of redeemable participating units in investments that meet the Fund's investment objectives while maintaining sufficient liquidity to meet unitholders' redemptions.

(e) Fair value estimation

The 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 following table analyses within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value at 31 December 2021.

As at 31 December 2021	Level 1	Level 2	Level 3	Total
	HK\$	HK\$	HK\$	HK\$
Assets				
Portfolio of investments				
- Quoted equities	1,701,660,119	-		- 1,701,660,119

Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, comprise active listed equities. The Fund does not adjust the quoted price for these investments.

9. FINANCIAL RISK MANAGEMENT (continued)(e) Fair value estimation (continued)

Except for cash and cash equivalents which are classified as Level 1, the Fund's assets and liabilities not measured at fair value at 31 December 2021 have been classified as Level 2. The carrying amounts of these assets and liabilities approximate their fair values as at the reporting date.

10. RELATED PARTY TRANSACTIONS

Management fee is paid to the Manager, while trustee fee is paid to the Trustee. These fees paid or payable by the Fund shown in the Statement of Total Return and in the respective notes to the financial statements are on terms set out in the Trust Deed.

In addition to the related party information shown elsewhere in the financial statements, the following significant transactions took place during the financial period between the Fund and related parties at terms agreed between the parties and within the provisions of the Trust Deed:

	For the financial period from 10 December 2020 (date of inception) to 31 December 2021 HK\$
Transaction fees charged by the Trustee	246,141
Registration fee charged by a related company of the Trustee	68,811
Valuation and administration fees charged by the Trustee	266,298
Custodian fees charged by a related company of the Trustee	160,317
Bank service fees charged by a bank which is a related company of the Trustee	2,336
Cash transfer fees charged by a related company of the Trustee	369

11. FINANCIAL RATIOS

	For the financial period from 10 December 2020 (date of inception) to 31 December 2021 %
Expense ratio ¹ (excluding preliminary expenses) (annualised)	0.58
Expense ratio ¹ (including preliminary expenses) (annualised)	0.64
Portfolio turnover ratio ²	<u>43</u>

¹ The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio at 31 December 2021 was based on total operating expenses of HK\$8,474,887 (excluding preliminary expenses of HK\$7,778,836) divided by the average net asset value of HK\$1,254,709,719 for the period. The total operating expenses do not include (where applicable) brokerage and other transactions costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Fund does not pay any performance fee. The average net asset value is based on the daily balances.

² The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of the total value of purchases or sales of the underlying investments, being sales of HK\$545,220,083 divided by the average daily net asset value of HK\$1,254,709,719.

12. COMPARATIVES

Prior year comparatives are not presented for the Fund as this is the first set of annual financial statements prepared since its date of inception.

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