



Tracker Fund of Hong Kong

Stock Code: 2800/82800

Website: www.trahk.com.hk

ANNUAL REPORT 2023

1st January 2023 to 31st December 2023



恒生投資

HANG SENG INVESTMENT

Issued by Hang Seng Investment Management Limited
(A wholly-owned subsidiary of Hang Seng Bank)

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Note: All figures marked "-" in this Financial Statement, including the Notes to Financial Statements, represent 0 (zero) in value or amount.

STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

Manager's responsibilities

The Manager of Tracker Fund of Hong Kong (the "Fund") is required by the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the "SFC Code") and the Trust Deed dated 23rd October 1999, as amended or supplemented from time to time (the "Trust Deed") to prepare financial statements for each annual accounting year which give a true and fair view of the financial position of the Fund at the end of that year and of the transactions for the year then ended. In respect of 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 or arrange for the preparation of the financial statements on the basis that the Fund will continue in operation unless it is inappropriate to presume this.

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

Trustee's responsibilities

The Trustee of the Fund is required to:

- take reasonable care to ensure that the Fund is managed by the Manager in accordance with the Trust Deed and that the investment and borrowing powers are complied with;
- satisfy itself that accounting and other related records have been maintained;
- safeguard the assets of the Fund; and
- report to the Unitholders for each annual accounting year on the conduct of the Manager in the management of the Fund.

REPORT OF THE TRUSTEE TO THE UNITHOLDERS OF TRACKER FUND OF HONG KONG

We hereby confirm that, in our opinion, the Manager has, in all material respects, managed the Fund in accordance with the provisions of the Trust Deed for the year ended 31st December 2023.

**For and on behalf of
State Street Bank and Trust Company, the Trustee**

(authorized signature(s))
17th April 2024

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Tracker Fund of Hong Kong (the "Fund")

Report on the Audit of the Financial Statements

Opinion

What we have audited

The financial statements of Tracker Fund of Hong Kong (the "Fund"), which are set out on pages 10 to 37, comprise:

- the Statement of Net Assets as at 31st December 2023;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Net Assets Attributable to Unitholders of Redeemable Units for the year then ended;
- the Statement of Cash Flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31st December 2023, and of its financial transactions and its cash flows for the year then ended 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 ("HKSAs") 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 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.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Tracker Fund of Hong Kong (the "Fund") (Continued)

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.

The key audit matter identified in our audit is related to valuation and existence of investments.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation and existence of investments</p>	<p>1. Our work included an assessment of the key controls over the valuation and existence of the investments, which included the following:</p>
<p>Listed investments</p>	<ul style="list-style-type: none"> • We developed an understanding of the control objectives and related controls relevant to our audit of the Fund by obtaining the service organization internal control reports provided by the trustee setting out the controls in place, and the independent service auditor's assurance report over the design and operating effectiveness of those controls.
<p>The investments as at 31st December 2023 comprised of listed equities valued at HK\$128,776,439,835.</p>	<ul style="list-style-type: none"> • We evaluated the tests undertaken by the service auditor, 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 Fund.
<p>We focused on the valuation and existence of listed investments because they represented the principal element of the Fund's net asset value as at 31st December 2023.</p>	
<p>Refer to note 13 to the financial statements.</p>	

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Tracker Fund of Hong Kong (the "Fund") (Continued)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
	<p>2. We tested the existence of investments by obtaining direct confirmations from the custodians and agreeing the Fund's holdings of investments to the confirmations.</p> <p>3. We tested the valuation of the Fund's investments by comparing the pricing used by the Fund to external pricing sources as at 31st December 2023.</p> <p>Based on the procedures we performed, we found no material exceptions from our testing.</p>

Other Information

The manager (the "Manager") of the Fund is responsible for the other information, except the report of the Trustee to Unitholders of Tracker Fund of Hong Kong, which the trustee (the "Trustee") of the Fund is responsible to issue. 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.

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.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Tracker Fund of Hong Kong (the "Fund") (Continued)

Responsibilities of the Manager for the Financial Statements

The Manager of the 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 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 of the Fund 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 liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

In addition, the Manager of the 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 23rd October 1999, as amended or supplemented from time to time (the "Trust Deed") and the relevant disclosure provisions of 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 HKSA's 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 Fund have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.

As part of an audit in accordance with HKSA's, 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.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Tracker Fund of Hong Kong (the "Fund") (Continued)

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

- 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.

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, actions taken to eliminate threats or safeguards applied.

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.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Tracker Fund of Hong Kong (the "Fund") (Continued)

Report on matters under the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions of 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 relevant disclosure provisions of Appendix E of the SFC Code.

The engagement partner on the audit resulting in this independent auditor's report is Marie-Anne Sew Youne Kong Yao Fah.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17th April 2024

STATEMENT OF NET ASSETS

AS AT 31ST DECEMBER 2023

	Notes	31.12.2023 HK\$	31.12.2022 HK\$
Assets			
Current assets			
Investments	13(b), (h)	128,776,439,835	130,455,463,973
Due from brokers		–	22,330,912
Dividend receivable		167,425,606	7,374,143
Amounts receivable on creation of units		5,724,935	7,932,535
Interest receivable		276	1,010
Other receivable		45,000	–
Bank balances	7(f), 13(d)	454,528,577	322,298,636
Total assets		<u>129,404,164,229</u>	<u>130,815,401,209</u>
Liabilities			
Current liabilities			
Management fee payable	7(d)	6,592,862	6,269,847
Trustee fee payable	7(e)	6,592,862	14,881,627
Index license fee payable	7(i)	9,478,928	4,319,146
Registrar fee payable	9(a)	179,349	184,745
Professional fee payable		119,000	119,000
Amounts payable on redemption of units		4,863,473	542,142
Due to brokers		–	10,726,739
Other accounts payable and accruals		7,800,798	7,591,501
Liabilities (excluding net assets attributable to unitholders of redeemable units)		<u>35,627,272</u>	<u>44,634,747</u>
Net assets attributable to unitholders of redeemable units	5	<u><u>129,368,536,957</u></u>	<u><u>130,770,766,462</u></u>

For and on behalf of
Hang Seng Investment Management Limited,
the Manager

(authorized signature(s)) 17th April 2024

The notes on pages 14 to 37 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2023

	Notes	For the year ended 31.12.2023 HK\$	For the year ended 31.12.2022 HK\$
Income			
Dividends	7(h)	4,921,454,874	3,763,121,945
Bank interest	7(f), 4(c)	51,292,258	15,246,062
Transaction fee	4(a)	11,835,000	11,925,000
Other income	4(b)	3,047,034	3,135,426
Net loss on investments	3	(18,361,496,977)	(12,756,399,047)
Total investment loss		<u>(13,373,867,811)</u>	<u>(8,962,970,614)</u>
Expenses			
Management fee	7(d)	27,221,748	32,767,203
Trustee fee	7(e)	27,235,029	32,956,596
Index license fee	7(i)	18,995,848	16,524,364
Transaction costs on investments	8	38,960,492	44,941,477
Registrar fee	9(a)	1,842,113	1,884,265
Publication and printing expenses		2,766,169	2,817,743
Conversion agent fee	9(b)	9,468,000	9,732,000
Audit fee		727,900	797,340
Bank charges	7(g)	940,671	737,471
Legal and other professional fees		714,000	808,265
Other operating expenses		3,332,149	4,372,663
Total operating expenses		<u>132,204,119</u>	<u>148,339,387</u>
Operating loss		<u>(13,506,071,930)</u>	<u>(9,111,310,001)</u>
Finance costs			
Distributions to unitholders of redeemable units	14	(4,437,145,125)	(4,207,755,200)
Loss after distributions and before tax		<u>(17,943,217,055)</u>	<u>(13,319,065,201)</u>
Withholding tax	6	(226,868,750)	(197,663,430)
Decrease in net assets attributable to unitholders of redeemable units from operations		<u><u>(18,170,085,805)</u></u>	<u><u>(13,516,728,631)</u></u>

The notes on pages 14 to 37 form part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS OF REDEEMABLE UNITS

FOR THE YEAR ENDED 31ST DECEMBER 2023

		For the year ended 31.12.2023	For the year ended 31.12.2023	For the year ended 31.12.2022	For the year ended 31.12.2022
	Notes	Units	HK\$	Units	HK\$
Net assets attributable to unitholders of redeemable units at 1st January		<u>6,567,992,500</u>	<u>130,770,766,462</u>	<u>4,251,992,500</u>	<u>100,071,496,893</u>
Issue of units					
– In-kind	5, 10	10,638,000,000	201,557,555,106	10,837,000,000	214,018,313,388
– Cash component	10	<u>–</u>	<u>2,120,950,894</u>	<u>–</u>	<u>2,536,037,112</u>
		<u>10,638,000,000</u>	<u>203,678,506,000</u>	<u>10,837,000,000</u>	<u>216,554,350,500</u>
Redemption of units					
– In-kind	5, 10	(9,686,000,000)	(184,913,325,117)	(8,521,000,000)	(170,605,055,739)
– Cash component	10	<u>–</u>	<u>(1,997,324,583)</u>	<u>–</u>	<u>(1,733,296,561)</u>
		<u>(9,686,000,000)</u>	<u>(186,910,649,700)</u>	<u>(8,521,000,000)</u>	<u>(172,338,352,300)</u>
Net issue of units		<u>952,000,000</u>	<u>16,767,856,300</u>	<u>2,316,000,000</u>	<u>44,215,998,200</u>
Decrease in net assets attributable to unitholders of redeemable units from operations		<u>–</u>	<u>(18,170,085,805)</u>	<u>–</u>	<u>(13,516,728,631)</u>
Net assets attributable to unitholders of redeemable units at 31st December		<u>7,519,992,500</u>	<u>129,368,536,957</u>	<u>6,567,992,500</u>	<u>130,770,766,462</u>

The notes on pages 14 to 37 form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER 2023

		For the year ended 31.12.2023	For the year ended 31.12.2022
	Notes	HK\$	HK\$
Cash flows from operating activities			
Proceeds from sale of investments	10	13,606,713,174	17,387,118,929
Payments for purchase of investments	10	(13,600,541,902)	(17,254,734,354)
Dividends received		4,501,724,712	3,528,825,936
Bank interest received		51,292,992	15,245,052
Transaction fee received		11,790,000	11,925,000
Management fee paid		(26,898,733)	(34,613,093)
Trustee fee paid		(35,523,794)	(34,090,536)
Index license fee paid		(13,836,066)	(15,937,714)
Registrar fee paid		(1,847,509)	(2,023,363)
Publication and printing expenses paid		(3,065,631)	(2,614,889)
Transaction costs on investments paid		(38,960,492)	(44,941,477)
Conversion agent fee paid		(9,540,000)	(10,132,000)
Bank charges paid		(940,671)	(737,471)
Legal and other professional fees paid		(714,000)	(867,765)
Other operating expenses paid		(3,484,279)	(2,873,141)
Net cash generated from operating activities		4,436,167,801	3,539,549,114
Cash flows from financing activities			
Cash component received on issue of units	10	2,123,158,494	2,528,954,331
Cash component paid on redemption of units	10	(1,993,003,252)	(1,733,286,661)
Interim distribution paid	4(b), 14	(653,284,781)	(415,006,768)
Final distribution paid	4(b), 14	(3,780,808,321)	(3,789,613,008)
Net cash used in financing activities		(4,303,937,860)	(3,408,952,106)
Net increase in cash and cash equivalents		132,229,941	130,597,008
Cash and cash equivalents at the beginning of the year		322,298,636	191,701,628
Cash and cash equivalents at the end of the year		454,528,577	322,298,636
Analysis of balances of cash and cash equivalents:			
Bank balances	7(f)	454,528,577	322,298,636

Please refer to note 10 for details of major non-cash transactions.

The notes on pages 14 to 37 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 General Information

Tracker Fund of Hong Kong (the "Fund") is a unit trust which is governed by its Trust Deed dated 23rd October 1999, as amended, supplemented or restated from time to time (the "Trust Deed"). The Fund is authorized by the Securities and Futures Commission of Hong Kong under Section 104(1) of the Hong Kong Securities and Futures Ordinance. The Fund is also listed on The Stock Exchange of Hong Kong Limited (a subsidiary of the Hong Kong Exchanges and Clearing Limited).

The trustee of the Fund is State Street Bank and Trust Company (the "Trustee").

Up to 18th September 2022, the manager of the Fund was State Street Global Advisors Asia Limited (the "Former Manager"). On 29th March 2022, the Trustee issued a notice to inform the unitholders of the Fund that Hang Seng Investment Management Limited, a wholly-owned subsidiary of Hang Seng Bank Limited and an SFC licensed investment manager, has been selected by the Supervisory Committee as the new manager of the Fund. The transition to the new manager was completed on 19th September 2022, following regulatory approvals and satisfaction of certain conditions in the Trust Deed. With effect from 19th September 2022, Hang Seng Investment Management Limited became the manager of the Fund (the "Manager").

The Fund's objective is to provide investment results that closely correspond to the performance of the Hang Seng Index (the "Index").

2 Summary of material accounting policies

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

(a) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets held at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(a) Basis of preparation (Continued)

Standards and amendments to existing standards effective 1st January 2023

The Fund has applied the following new and amended standard for its annual reporting period commencing 1st January 2023: – Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2.

New standards, amendments and interpretations effective after 1st January 2023 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1st January 2023, 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 Fund.

(b) Investments

The Fund classifies its investments based on both the 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 Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. Consequently, all investments are measured at fair value through profit or loss.

The Fund's policy requires the Manager to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

Purchases and sales of investments are accounted for on the trade date basis – the date on which the Fund commits to purchase or sell the investments. Investments are initially recognised at fair value, excluding transaction costs which are expensed as incurred, and are subsequently re-measured at fair value. Realized and unrealized gains and losses on investments are included in the Statement of Comprehensive Income in the period in which they arise. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership. Transaction costs on investments are related to broker commission fee and local tax.

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

Realized gains and losses on sale of investments classified as financial assets at fair value through profit or loss are calculated using first in first out (FIFO) method.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(c) 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 and trading securities) are 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.

The fair value of financial assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent ordinary transactions between market participants, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

(d) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Net Assets where the 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 realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

(e) Due from and due to brokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled on the Statement of Net Assets date respectively.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(f) Income

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

Interest income on bank deposit and from bank balances is recognised on a time-proportionate basis using the effective interest method.

Other income is accounted for in the Statement of Comprehensive Income on an accrual basis. Refer to Note 4(b).

(g) Expenses

Expenses are accounted for in the Statement of Comprehensive Income on an accrual basis.

(h) Distributions payable to unitholders of redeemable units

Proposed distributions to unitholders of redeemable units are recognised in the Statement of Comprehensive Income when they are appropriately authorised and no longer at the discretion of the Fund. The distribution to unitholders is recognised in the Statement of Comprehensive Income as finance costs with the corresponding liability into distribution payable.

On or before each distribution date, the amount of cash required to effect the distribution ("distributable cash") is transferred to the Distribution Account established by the Trustee in accordance with the Trust Deed. The distribution payable to unitholders of redeemable units ("distribution payable") and the distributable cash are both derecognised upon the transfer of the distributable cash to the Distribution Account. On and from such time, the distributable cash is held by the Trustee in a separate fixed trust for the benefit of the respective unitholders. Interest income arising from the cash in the Distribution Account is credited back to the Fund in accordance with the Trust Deed. Refer to notes 4 (c) and 2 (f).

In formulating the accounting treatment on the timing for when the distribution payable and the distributable cash should be derecognised, the Manager considers several factors including, the Trust Deed, when the Fund legally discharges its obligation to pay the unitholders and when the Fund transfers substantially all risks and rewards of ownership of the distributable cash. Refer to note 14.

(i) Cash component

Cash component represents the amount included in the issue price or redemption proceeds (as the case may be) of the units issued or redeemed, representing the difference between the net asset value per Creation Unit as calculated by the Manager as of that date and the value of the Index Basket (as defined in the prospectus of the Fund and based on the nominal closing price as of that date), including the dividend equivalent amount per Creation Unit.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(j) Cash and cash equivalents

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

(k) Translation of foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). The performance of the Fund is measured and reported to the unitholders of redeemable units in Hong Kong dollar. The Manager considers the Hong Kong dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Hong Kong dollar, which is the 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 monetary assets and liabilities are translated into the functional currency using the exchange rate prevailing at the year end date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses arising from translation are included in the Statement of Comprehensive Income.

Foreign exchange gains and losses relating to the financial assets carried at fair value through profit or loss are presented in the Statement of Comprehensive Income within "net loss on investments".

(l) Redeemable units

The Fund issues redeemable units, which are redeemable at the unitholder's option and represent puttable financial instruments of the Fund. The Fund classifies its puttable financial instruments as financial liabilities in accordance with HKAS 32 (Amendment), "Financial instruments: Presentation" as those puttable financial instruments do not meet one or more of 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 shares in issue and share features are identical;
- apart from the contractual obligation to redeem the units, the instrument does not include any contractual obligations to deliver cash or another financial asset to another entity;

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(l) Redeemable units (Continued)

- the total expected cash flows from the puttable financial instrument over its life are based substantially on the profit or loss of the Fund; and
- there are no other financial instrument contracts that have total cash flows based substantially on the profit or loss, the change in recognised net assets of the Fund and has the effect of substantially restricting or fixing the residual return to the puttable instrument holders.

Redeemable unitholder can exercise the right to put the unit back to the Fund and can only be redeemed in-kind equal to a proportionate share of the Fund's net asset value. In accordance with the Trust Deed, the minimum redemption units are 1,000,000 units.

Redeemable units are issued and redeemed at the unitholder's option at prices based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the unitholders of redeemable units with the total number of outstanding redeemable units. In accordance with the provisions of the Trust Deed, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for creations and redemptions.

(m) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Manager, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker that makes strategic decisions.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 Net loss on investments

	For the year ended 31.12.2023 <i>HK\$</i>	For the year ended 31.12.2022 <i>HK\$</i>
Change in unrealized (loss)/gain on investments	(16,807,061,551)	19,946,685,886
Realized loss on sale of investments	(1,554,435,426)	(32,703,084,933)
	<u>(18,361,496,977)</u>	<u>(12,756,399,047)</u>

4 Income

(a) Transaction fee

Applications to create or redeem units are only made through brokers or dealers (who itself or its agent is a participant in Central Clearing and Settlement System ("CCASS") and to whose or whose agent's account any units are for the time being credited by Hong Kong Securities Clearing Company ("HKSCC")) (the "Participating Dealers") which have executed participation agreements with the Manager, the Trustee, HK Conversion Agency Services Limited (the "Conversion Agent") and HKSCC. The Fund is entitled to receive a transaction fee of HK\$15,000 per total aggregate creation and redemption orders per day per Participating Dealer.

(b) Other income

Other income represents registrar charges levied on unitholders (other than HKSCC Nominees) who hold units registered in their own names as at each record date for the relevant distribution. Currently, these charges amount to the lower of HK\$40 per distribution per unitholder and the unitholder's actual distribution entitlement. Such charges are deducted on a half-yearly basis from the half-yearly distributions payable to the relevant unitholders.

(c) Interest earned on Distribution Account

Under the terms of the Trust Deed, interest income that is earned in the Distribution Account is transferred to the Fund on an annual basis. During the year ended 31st December 2023, the Fund received interest income of HK\$2,521,441 (2022: HK\$505,331) from the Distribution Account.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 Number of units in issue and net assets attributable to unitholders of redeemable units

The Fund's capital is represented by the net assets attributable to unitholders of redeemable units. Units are issued through an in-kind creation of an Index Basket with the remaining balances in cash, and are redeemed in-kind with the remaining balances in cash. Creations and redemptions of units during the year are shown on the Statement of Changes in Net Assets Attributable to Unitholders of Redeemable Units.

In accordance with the provisions of the Trust Deed, listed investments are stated at the last traded price on the valuation day for the purpose of determining net asset value per unit for creations and redemptions and for various fee calculations.

Net assets attributable to unitholders of redeemable units at last traded market prices represent a liability in the Statement of Net Assets, carried at the redemption amount that would be payable at the year end date if the unitholders exercised the right to redeem the units in the Fund.

	For the year ended 31.12.2023 <i>Number of units</i>	For the year ended 31.12.2022 <i>Number of units</i>
Units in issue at the beginning of the year	6,567,992,500	4,251,992,500
Issue of units	10,638,000,000	10,837,000,000
Redemptions of units	(9,686,000,000)	(8,521,000,000)
Units in issue at the end of the year	<u>7,519,992,500</u>	<u>6,567,992,500</u>
	<i>HK\$</i>	<i>HK\$</i>
Net assets attributable to unitholders of redeemable units	<u>129,368,536,957</u>	<u>130,770,766,462</u>
Net assets attributable to unitholders of redeemable units (per unit)	<u>17.20</u>	<u>19.91</u>
Net asset value per Creation Unit (1 Creation Unit is equivalent to 1,000,000 units)	<u>17,203,280</u>	<u>19,910,310</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 Taxation

No provision for Hong Kong profits tax has been made as the Fund was authorized as a collective investment scheme under Section 104 of the Hong Kong Securities and Futures Ordinance and is therefore exempted from profits tax under Sections 26A(1A) of the Hong Kong Inland Revenue Ordinance.

The Fund has investments in shares of companies in People's Republic of China ("PRC") listed on the Hong Kong Stock Exchange ("H-shares") and stocks that are based in mainland China and controlled, either directly or indirectly, by the central, provincial or municipal governments of the PRC but listed in Hong Kong to allow overseas investment in ("Red Chips"). Under general taxing provisions of the Corporate Income Tax Law ("CIT Law"), a fund could be technically subject to 10% withholding income tax ("WIT") on the PRC sourced capital gains, unless exempt or reduced under relevant double tax treaties. However, there may be practical difficulty for the PRC tax authorities to impose and collect WIT on such capital gains. The 10% WIT has not been strictly enforced by local tax bureau on capital gains derived by non – tax resident enterprises of the PRC from the trading of H-Shares and Red Chips. Where capital gains are derived from trading of H-Shares and Red Chips, Value added tax ("VAT") in general is not imposed as the purchase and disposal are often concluded and completed outside the PRC.

No provision was made for taxation from such gains in the financial statements as the Manager believes that the taxation on capital gains derived from H-Shares and Red Chips is not probable under the current enforcement environment.

WIT of 10% was charged on dividend income received from H-shares and Red Chips (which had applied to be treated as PRC tax resident enterprises) during the years ended 31st December 2023 and 2022.

7 Transactions with the related parties, Manager, Trustee and their Connected Persons

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties of the Fund also include the Manager, investment delegate, Trustee/custodian and their Connected Persons. Connected Persons are those as defined in the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the "SFC Code"). All transactions entered into during the year between the Fund and its related parties were entered into in the ordinary course of business and on normal commercial terms. To the best of the Manager's and the Trustee's knowledge, the Fund did not have any other transactions with the Manager, its related parties and Connected Persons, or the Trustee, its related parties and Connected Persons except for those disclosed below.

(a) Manager's holding in the Fund

The Manager, and its directors and officers, may transact in the units of the Fund as principal. As at 31st December 2023, the Manager, and its directors and officers together held 67,500 units in the Fund (2022: 67,500 units).

(b) Group companies of the Manager's holding in the Fund

The group companies of the Manager, being the Connected Person to the Manager, may transact in the units of the Fund as principal. As at 31st December 2023, the group companies of the Manager together held 221,145,240 units in the Fund (2022: Nil).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 Transactions with the related parties, Manager, Trustee and their Connected Persons (Continued)

(c) Trustee's holding in the Fund

The Trustee, and its directors and officers and Connected Persons may transact in the units of the Fund as principal. As at 31st December 2023, the Trustee, and its related parties and Connected Persons together held 16,320 units in the Fund (2022: 16,320 units).

(d) Management fee

The fee payable to the Manager is calculated at the following annual rates of the net asset value of the Fund on the last dealing day in the relevant quarter:

	For the period from 19.09.2022 to 31.12.2023*	For the period from 01.01.2022 to 18.09.2022**
For the first HK\$15 billion of the net asset value	0.045%	0.050%
For the next HK\$15 billion of the net asset value	0.030%	0.045%
For the next HK\$15 billion of the net asset value	0.020%	0.030%
Any amount by which the net asset value exceeds HK\$45 billion	0.015%	0.025%

* Effective from 19th September 2022 for the new annual management fee rates with the Manager

** Till 18th September 2022 for the annual management fee rates with the Former Manager

The management fee is accrued daily and payable quarterly in arrears.

Management fee paid to the Manager during the year amounted to HK\$27,221,748 (Management fee paid to the Manager and the Former Manager during the year ended 31st December 2022 amounted to HK\$7,037,137 and HK\$25,730,066 separately). Management fee payable to the Manager as at 31st December 2023 was HK\$6,592,862 (2022: HK\$6,269,847).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 Transactions with the related parties, Manager, Trustee and their Connected Persons (Continued)

(e) Trustee fee

The fee payable to the Trustee is calculated at the following annual rates of the net asset value of the Fund of the last dealing day in the relevant quarter:

	For the period from 19.09.2022 to 31.12.2023*	For the period from 01.01.2022 to 18.09.2022
For the first HK\$15 billion of the net asset value	0.045%	0.050%
For the next HK\$15 billion of the net asset value	0.030%	0.045%
For the next HK\$15 billion of the net asset value	0.020%	0.030%
Any amount by which the net asset value exceeds HK\$45 billion	0.015%	0.025%

* Effective from 19th September 2022 for the new annual Trustee fee rates

The Trustee fee is paid to State Street Bank and Trust Company for acting as the trustee and the custodian of the Fund and covers all portfolio valuation services, administration of securities trading, acquisition, delivery, holding and disposal of investments, corporate actions, dividend collection and distribution, dividend reinvestment, regulatory filings, tax filings, preparation of semi-annual and annual reports and maintenance of accounting records (but not auditing) and excludes transaction fees, costs and charges and other out-of-pocket expenses.

The trustee fee is accrued daily and payable quarterly in arrears.

Trustee fee paid to the Trustee during the year amounted to HK\$27,235,029 (2022: HK\$32,956,596). Trustee fee payable to the Trustee as at 31st December 2023 was HK\$6,592,862 (2022: HK\$14,881,627).

(f) Bank balances

Bank balance held with the State Street Bank and Trust Company, the Trustee, amounted to HK\$48,510,659 as at 31st December 2023 (2022: HK\$22,360,404). Such account is interest bearing. Interest income amounting to HK\$191,565 was accrued and HK\$191,289 was received for the year ended 31st December 2023 with respect to the bank balance held with the Trustee (2022: interest income amounting to HK\$1,324 was accrued and HK\$314 was received).

Bank balance held with the Hongkong and Shanghai Banking Corporation Limited, which is the intermediate holding company of the Manager, amounted to HK\$5,000 as at 31st December 2023 (2022: HK\$19,475). Such account is non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 Transactions with the related parties, Manager, Trustee and their Connected Persons (Continued)

(g) Bank charges

Bank charges amounting to HK\$940,671 was incurred during the year with respect to the bank balance held with the Hongkong and Shanghai Banking Corporation Limited, which is the intermediate holding company of the Manager (For the period from 19th September 2022 to 31st December 2022: HK\$285,919).

(h) Dividends

During the year, the fund made investments in the stocks of HSBC Holdings Plc ("HSBC"), the ultimate holding company of the Manager, and Hang Seng Bank Limited, the immediate holding company of the Manager. Details of such investments held as at the year end date are shown in the Investment Portfolio. Dividend income earned from these investments for the year ended 31st December 2023 and period from 19th September 2022 to 31st December 2022 is as follows:

	For the year ended 31.12.2023 <i>HK\$</i>	For the period from 19.09.2022 to 31.12.2022 <i>HK\$</i>
Hang Seng Bank Limited	43,452,141	5,567,599
HSBC Holdings Plc	777,917,410	–

(i) Index license fee

The index license fee is calculated at the following annual rates of the net asset value of the Fund, subject to a minimum fee of US\$10,000:

For the first HK\$100 billion of the net asset value	0.015%
For the next HK\$100 billion of the net asset value	0.0135%
Any amount by which the net asset value exceeds HK\$200 billion	0.012%

The index license fee is accrued daily and payable quarterly in arrears.

The Fund has been licensed by Hang Seng Indexes Company Limited ("HSIL"), an affiliate of the Manager, to use the Index to create, offer, market and sell the Fund during the year. License fee paid to HSIL for the year ended 31st December 2023 amounted to HK\$18,995,848 (For the period from 19th September 2022 to 31st December 2022: HK\$4,867,791). License fee payable to HSIL at the year end was HK\$9,478,928 (2022: HK\$4,319,146).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 Transactions with the related parties, Manager, Trustee and their Connected Persons (Continued)

(j) Commission fee

The Fund uses the services of the Hongkong and Shanghai Banking Corporation Limited (“HBAP”) to process some investment transactions. The following are the details of the fund’s transactions processed by HBAP for the year ended 31st December 2023 and period from 19th September 2022 to 31st December 2022:

Value of transactions executed through HBAP		Share of the total value of transactions of the Fund		Commission paid to HBAP		Average commission rate	
For the year ended	For the period from 19.09.2022 to 31.12.2022	For the year ended	For the period from 19.09.2022 to 31.12.2022	For the year ended	For the period from 19.09.2022 to 31.12.2022	For the year ended	For the period from 19.09.2022 to 31.12.2022
HK\$	HK\$	HK\$	HK\$	HK\$	HK\$		
13,111,003,085	14,638,217,542	3.15%	11.33%	94,257	0	0.0007%	N/A

8 Transaction costs on investments

Transaction costs are costs incurred to acquire investments. They include fees and commissions paid to agents, advisers, brokers and dealers, and local tax. Transaction costs, when incurred, are immediately recognised in Statement of Comprehensive Income as an expense.

9 Other fees

(a) Registrar fee

The fee payable to Computershare Hong Kong Investor Services Limited (the “Registrar”), is calculated based on the number of unitholders on the register on the first business day of the relevant month at the following fee scale, subject to a monthly maximum aggregate registrar fee of HK\$1,000,000.

HK\$ (per month)

For the first 2,000 Unitholders	12,000
For every additional 1,000 Unitholders up to 100,000 Unitholders	2,650
For every additional 1,000 Unitholders above 100,000 Unitholders	2,250

The registrar fee is accrued daily and payable monthly in advance.

The Registrar is also reimbursed for all of its out-of-pocket expenses incurred in connection with performing its services.

(b) Conversion agent fee

The Conversion Agent, HK Conversion Agency Services Limited, received a monthly retainer fee of HK\$16,000 plus a transaction fee of HK\$12,000 on total aggregate creation and redemption orders per day per Participating Dealer.

The conversion agent fee is accrued daily and payable monthly in arrears.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 Major non-cash transactions

In accordance with the Trust Deed, units are issued through an in-kind creation of an Index Basket with the remaining balances in cash. For each Creation Unit (of 1,000,000 units), the Fund receives an Index Basket consisting of constituent shares as determined by the Manager on a daily basis. During the year ended 31st December 2023, the Fund issued 10,638,000,000 units (2022: 10,837,000,000 units), totaling HK\$203,678,506,000 (2022: HK\$216,554,350,500) in exchange for Index Baskets consisting of investments valued at HK\$201,557,555,106 (2022: HK\$214,018,313,388) plus the relevant cash component of HK\$2,120,950,894 (2022: HK\$2,536,037,112).

In accordance with the Trust Deed, units are redeemed in-kind with the remaining balances in cash. During the year ended 31st December 2023, the Fund redeemed 9,686,000,000 units (2022: 8,521,000,000 units), totaling HK\$186,910,649,700 (2022: HK\$172,338,352,300) in exchange for Index Baskets consisting of investments valued at HK\$184,913,325,117 (2022: HK\$170,605,055,739) plus the relevant cash component of HK\$1,997,324,583 (2022: HK\$1,733,296,561).

11 Soft dollar practices

The Manager may effect transactions, provided that any such transaction is consistent with standards of "best execution", by or through the agency of another person for the account of the Fund with whom the Manager or any of its Connected Persons have an arrangement under which that party will from time to time provide to or procure for the Manager or any of its Connected Persons goods, services or other benefits (such as research and advisory services, computer hardware associated with specialized software or research services and performance measures) the nature of which is such that their provision can reasonably be expected to benefit the Fund as a whole and may contribute to an improvement in the performance of the Fund. For the avoidance of doubt, such goods and services may not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employees' salaries or direct money payments.

Since the inception of the Fund, the Former Manager and the Manager had not participated in any soft dollar arrangements in respect of any transactions for the account of the Fund.

12 Investment limitations and prohibitions under the SFC Code

The SFC Code allows the Fund to invest in constituent securities issued by a single issuer for more than 10% of the Fund's net asset value provided that the investment is limited to any constituent securities that each accounts for more than 10% of the weighting of the Index and the Fund's holding of any such constituent securities may not exceed their respective weightings in the Index (except as a result of changes in the composition of the Index and the excess is transitional and temporary in nature).

As at 31st December 2023 and 31st December 2022, there were no securities that individually accounted for more than 10% of the net asset value of the Fund.

During the year ended 31st December 2023, the Hang Seng Index decreased by 13.82% (2022: decreased by 15.46%), while the net asset value per unit of the Fund decreased by 13.60% (2022: decreased by 15.40%).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 Financial risk management

(a) Strategy in using financial instruments

Investment objectives

The Fund's investment objective is to provide investment results that closely correspond to the performance of the Index. The Manager will seek to achieve the investment objective by investing all, or substantially all, of the Fund's assets in shares in the constituent companies of the Index ("Index Shares") in substantially the same weightings as they appear in the Index. The Manager may also invest in certain other permitted investments in seeking to meet the investment objective. The Manager will rebalance the Fund's portfolio of investments from time to time to reflect any changes to the composition of, or the weighting of shares in, the Index.

Investment policies

The responsibility of the Manager is to reflect changes in the Index, insofar as practicable and subject to the Trust Deed, by replicating changes to the weightings and composition of the constituent shares in the Index in the portfolio of shares which make up the portfolio.

Since the investment objective is to provide investment results that closely correspond with the performance of the Index, the Manager is required to ensure, insofar as practicable and subject to the Trust Deed, that the assets comprised in the portfolio comprise only, or substantially only, interest in Index Shares and in the relative weightings such Index Shares appear in the Index. Other than cash held for distribution and to meet the fees, expenses and other liabilities, it is unlikely that cash or any other form of securities will form a substantial part of the assets.

The risks and the respective risk management policies employed by the Fund to manage these risks are discussed below.

(b) Market price risk

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

All securities investments present a risk of loss of capital. The Fund is designated to track the performance of the Index, therefore the exposure to market risk in the Fund will be substantially the same as the tracked index. The Manager manages the Fund's exposures to market risk by ensuring the key characteristics of the portfolio, are closely aligned with the characteristics of the tracked index. The Manager monitors the investments on a daily basis and rebalances the portfolio of investments from time to time to reflect any changes to the composition of, or the weighting of shares in, the Index.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 Financial risk management (Continued)

(b) Market price risk (Continued)

As at year end, the overall market exposure of the Fund was as follows:

	2023		2022	
	Fair Value HK\$	% of net assets	Fair Value HK\$	% of net assets
Held for trading:				
Listed investments				
Equities				
– Hong Kong	<u>127,442,364,098</u>	<u>98.51</u>	<u>129,169,062,299</u>	<u>98.78</u>
Collective Investment Scheme				
– Hong Kong	<u>1,334,075,737</u>	<u>1.03</u>	<u>1,286,401,674</u>	<u>0.98</u>

Net market exposures

The following table shows the net market exposures of the Fund by industry as at year end:

	2023 % of net assets	2022 % of net assets
By industry		
– Conglomerates	1.55	1.51
– Consumer Discretionary	11.18	9.67
– Consumer Staples	2.96	3.47
– Energy	4.62	3.46
– Financials	33.42	34.40
– Healthcare	3.29	3.22
– Industrials	0.97	1.28
– Information Technology	27.68	29.66
– Materials	0.81	0.14
– Properties & Construction*	5.80	7.11
– Telecommunications	3.93	2.83
– Utilities	3.33	3.01
	<u>99.54</u>	<u>99.76</u>

* Exposure in Real Estate Investment Trust was included under the industry of Properties & Construction.

All the Fund's equity securities and collective investment scheme are listed on the Hong Kong Stock Exchange. As the Fund is a Hang Seng Index tracking fund, movements in the Index would cause substantially the same percentage change in the Fund's net asset value.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 Financial risk management (Continued)

(b) Market price risk (Continued)

Net market exposures (Continued)

	2023		2022	
	Change in index % +/-	Impact HK\$ +/-	Change in index % +/-	Impact HK\$ +/-
Hong Kong				
– Hang Seng Index	13.82%	17,796,903,985	15.46%	20,168,414,730

The Manager has used the annual change in the benchmark index to estimate the change for use in the market sensitivity analysis above. Disclosures above are shown in absolute terms, changes and impacts could be positive or negative. Covid situation (in Hong Kong and Mainland China) impacted the volatility of the benchmark index/indices in 2022.

(c) Interest rate risk

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

(d) Credit and counterparty risk

Credit and counterparty risk is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due.

All transactions in securities are settled/paid for upon delivery using brokers approved by the Manager. The risk of default is considered minimal as delivery of securities sold 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.

The Fund's financial assets which are potentially subject to credit risk consist principally of securities and bank balances. The Manager limits the Fund's exposure to credit risk by transacting with well-established broker-dealers and banks with high credit ratings.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 Financial risk management (Continued)

(d) Credit and counterparty risk (Continued)

The table below summarises the net exposure to the custodian and bank as at 31st December 2023 and 2022 together with their credit ratings issued by Moody's.

As at 31st December 2023

	<i>HK\$</i>	Credit rating
Investments (held with custodians)		
State Street Bank and Trust Company	128,776,439,835	Aa1
Bank Balances		
State Street Bank and Trust Company	48,510,659	Aa1
United Overseas Bank Limited	304,563,484	Aa1
Industrial Bank of Korea	25,234	Aa2
The Hongkong and Shanghai Banking Corporation Limited	5,000	Aa3
Australia and New Zealand Banking Group Limited	101,424,200	Aa3

As at 31st December 2022

	<i>HK\$</i>	Credit rating
Investments (held with custodians)		
State Street Bank and Trust Company	130,455,463,973	Aa1
Bank Balances		
State Street Bank and Trust Company	22,360,404	Aa1
United Overseas Bank Limited	224,921,988	Aa1
Industrial Bank of Korea	74,984,160	Aa2
The Hongkong and Shanghai Banking Corporation Limited	19,475	Aa3
Australia and New Zealand Banking Group Limited	12,609	Aa3

Accordingly, the Manager considers the Fund has no significant credit risk.

The maximum exposure to credit risk as at 31st December 2023 and 2022 is the carrying amount of the financial assets as shown on the Statement of Net Assets.

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. The Manager considers both historical analysis and forward looking information in determining any expected credit loss. As at 31st December 2023 and 2022, all dividend receivables, due from brokers, other receivables and bank balances are held with counterparties with high credit rating and are due to be settled within 1 month. The Manager considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 Financial risk management (Continued)

(e) Currency risk

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

The Fund has no significant currency risk as substantially all assets and liabilities are denominated in Hong Kong dollars, the Fund's functional and presentation currency.

(f) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in settling a liability, including a redemption request.

The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed of. The Fund's securities are considered readily realizable, as they are listed on the Hong Kong Stock Exchange. Furthermore, as stated in Note 5, units are redeemed in-kind and hence the Fund has minimal liquidity risk in respect of redeemable units.

It is the intent of the Manager to monitor the Fund's liquidity position on a daily basis.

The following table gives the contractual undiscounted cash-flow projection of the Fund's financial liabilities. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Maturity analysis

	Less than 1 month <i>HK\$</i>	1-3 months <i>HK\$</i>	Total <i>HK\$</i>
As at 31.12.2023			
Management fee payable	6,592,862	–	6,592,862
Trustee fee payable	–	6,592,862	6,592,862
Index license fee payable	–	9,478,928	9,478,928
Registrar fee payable	179,349	–	179,349
Professional fee payable	59,500	59,500	119,000
Amounts payable on redemption of units	4,863,473	–	4,863,473
Other accounts payable and accruals	–	7,800,798	7,800,798
Net assets attributable to unitholders of redeemable units	<u>129,368,536,957</u>	<u>–</u>	<u>129,368,536,957</u>
Total financial liabilities	<u>129,380,232,141</u>	<u>23,932,088</u>	<u>129,404,164,229</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 Financial risk management (Continued)

(f) Liquidity risk (Continued)

Maturity analysis (Continued)

	Less than 1 month <i>HK\$</i>	1-3 months <i>HK\$</i>	Total <i>HK\$</i>
As at 31.12.2022			
Management fee payable	6,269,847	–	6,269,847
Trustee fee payable	8,611,780	6,269,847	14,881,627
Index license fee payable	–	4,319,146	4,319,146
Registrar fee payable	–	184,745	184,745
Professional fee payable	20,000	99,000	119,000
Amounts payable on redemption of units	542,142	–	542,142
Due to brokers	10,726,739	–	10,726,739
Other accounts payable and accruals	–	7,591,501	7,591,501
Net assets attributable to unitholders of redeemable units	<u>130,770,766,462</u>	<u>–</u>	<u>130,770,766,462</u>
Total financial liabilities	<u><u>130,796,936,970</u></u>	<u><u>18,464,239</u></u>	<u><u>130,815,401,209</u></u>

(g) Capital risk management

The Fund's objective is to provide investment results that closely correspond to the performance of the Hang Seng Index. The Manager may:

- Redeem and issue new units in accordance with the constitutive documents of the Fund, which include the ability to amend the Creation Unit and Redemption Unit size upon the approval of the Trustee and Supervisory Committee;
- Exercise discretion when determining the amount of distributions of the Fund to unitholders of redeemable units; and
- Suspend the creation and redemption of units under certain circumstances stipulated in the prospectus.

Units are issued through an in-kind creation of an Index Basket with the remaining balances in cash and are not through a cash creation only. Units are redeemed in-kind with the remaining balances in cash and are not redeemable for cash only.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 Financial risk management (Continued)

(h) Fair value estimation

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date.

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

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

HKFRS 13 requires the Fund to classify 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 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 categorized 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 Fund. The 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 Financial risk management (Continued)

(h) Fair value estimation (Continued)

The following table analyses within the fair value hierarchy the Fund's investments (by class) measured at fair value as at 31st December 2023 and 2022.

All fair value measurements disclosed are recurring fair value measurements.

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
As at 31.12.2023				
Assets				
Financial assets at fair value through profit or loss:				
– Equity securities	127,442,364,098	–	–	127,442,364,098
– Collective Investment Scheme	<u>1,334,075,737</u>	<u>–</u>	<u>–</u>	<u>1,334,075,737</u>
Total	<u>128,776,439,835</u>	<u>–</u>	<u>–</u>	<u>128,776,439,835</u>

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
As at 31.12.2022				
Assets				
Financial assets at fair value through profit or loss:				
– Equity securities	129,169,062,299	–	–	129,169,062,299
– Collective Investment Scheme	<u>1,286,401,674</u>	<u>–</u>	<u>–</u>	<u>1,286,401,674</u>
Total	<u>130,455,463,973</u>	<u>–</u>	<u>–</u>	<u>130,455,463,973</u>

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

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. As at 31st December 2023 and 2022, the Fund did not hold any investments classified in level 2.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 Financial risk management (Continued)

(h) Fair value estimation (Continued)

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As at 31st December 2023 and 2022, the Fund did not hold any investments classified in level 3.

During the years ended 31st December 2023 and 2022, there were no transfers of financial instruments between levels.

The assets and liabilities included in the Statement of Net Assets except investments are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

14 Distributions

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Interim distribution		
– HK\$0.08 on 5,206,992,500 units paid on 31st May 2022	–	416,559,400
– HK\$0.10 on 6,547,992,500 units paid on 31st May 2023	654,799,250	–
Final distribution		
– HK\$0.56 on 6,769,992,500 units paid on 30th November 2022	–	3,791,195,800
– HK\$0.55 on 6,876,992,500 units paid on 30th November 2023	3,782,345,875	–
	<u>4,437,145,125</u>	<u>4,207,755,200</u>
Total distributions		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 Segment information

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

The Manager is responsible for the Fund's entire portfolio and considers the business to have a single operating segment. The objective of the Fund is to track the performance of the Index and invests in substantially all the index constituents with security weight and industry weight that are closely aligned with the characteristics of the tracked index.

The Fund trades in the constituent shares of the Hang Seng Index with the objective to provide investment results that closely correspond to the performance of the Index.

The internal reporting provided to the Manager for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of HKFRS.

There were no changes in the reportable segment during the years ended 31st December 2023 and 2022.

The Fund is domiciled in Hong Kong. All of the Fund's income is generated in Hong Kong. Majority of such income is from investments in entities listed in Hong Kong.

The Fund has no assets classified as non-current assets. The Fund has portfolios that closely correspond to the security weight and industry weight of the relevant tracked index. As at 31st December 2023 and 31st December 2022, there were no securities that individually accounted for more than 10% of the net asset value of the Fund.

The Fund also has a diversified unitholder population. However, as at 31st December 2023 and 2022, there was one nominee company that held more than 10% of the Fund's net assets. The nominee company's holdings were 95.87% as at 31st December 2023 and 94.93% as at 31st December 2022.

16 Approval of financial statements

The financial statements were approved by the Manager on 17th April 2024.

INVESTMENT PORTFOLIO (UNAUDITED)

AS AT 31ST DECEMBER 2023

	Holdings	Fair value HK\$	% of net assets
Hong Kong			
Listed investments (99.54%)			
Equities (98.51%)			
Conglomerates (1.55%)			
CITIC Ltd.	86,364,264	673,641,259	0.52
CK Hutchison Holdings Ltd.	31,838,049	1,332,422,351	1.03
		2,006,063,610	1.55
Consumer Discretionary (11.18%)			
ANTA Sports Products Ltd.	16,819,170	1,274,052,128	0.99
BYD Company Ltd.	12,387,327	2,655,842,909	2.05
Chow Tai Fook Jewellery Group Ltd.	23,750,513	275,980,961	0.21
Galaxy Entertainment Group Ltd.	25,968,541	1,136,123,669	0.88
Geely Automobile Holdings Ltd.	71,703,491	615,932,988	0.48
Haidilao International Holding Ltd.	19,858,007	288,735,422	0.22
Haier Smart Home Co. Ltd.	28,854,117	636,233,280	0.49
Li Auto Inc.	16,360,075	2,406,567,032	1.86
Li Ning Co. Ltd.	28,173,348	588,822,973	0.46
MTR Corporation Ltd.	22,139,027	670,812,518	0.52
Sands China Ltd.	33,639,018	768,651,561	0.59
Shenzhou International Group Holdings Ltd.	9,818,059	789,371,944	0.61
Techtronic Industries Co. Ltd.	18,520,703	1,723,351,414	1.33
Trip.com Group Ltd.	1,623,458	450,671,941	0.35
Zhongsheng Group Holdings Ltd.	9,938,262	185,646,734	0.14
		14,466,797,474	11.18

INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 31ST DECEMBER 2023

	Holdings	Fair value HK\$	% of net assets
Consumer Staples (2.96%)			
Budweiser Brewing Co. APAC Ltd.	23,590,355	344,890,990	0.27
China Mengniu Dairy Co. Ltd.	37,430,542	786,041,382	0.61
China Resources Beer Holdings Co. Ltd.	19,263,416	658,808,827	0.51
Hengan International Group Co. Ltd.	8,280,709	240,554,596	0.19
Nongfu Spring Co. Ltd	23,915,231	1,079,772,680	0.83
Tingyi Cayman Islands Holding Corporation	23,418,939	222,948,299	0.17
WH Group Ltd.	99,035,374	499,138,285	0.38
		<u>3,832,155,059</u>	<u>2.96</u>
Energy (4.62%)			
China Petroleum & Chemical Corporation	293,891,489	1,202,016,190	0.93
China Shenhua Energy Co. Ltd.	40,108,211	1,072,894,644	0.83
CNOOC Ltd.	185,276,651	2,408,596,463	1.86
PetroChina Co. Ltd.	250,554,643	1,292,861,958	1.00
		<u>5,976,369,255</u>	<u>4.62</u>
Financials (33.42%)			
AIA Group Ltd.	136,774,840	9,307,527,862	7.19
Bank of China Ltd.	993,034,072	2,959,241,535	2.29
BOC Hong Kong (Holdings) Ltd.	43,944,072	931,614,326	0.72
China Construction Bank Corporation	1,284,755,204	5,974,111,699	4.62
China Life Insurance Co. Ltd.	88,365,925	894,263,161	0.69
China Merchants Bank Co. Ltd.	46,340,708	1,260,467,258	0.97
Hang Seng Bank Ltd.	9,081,400	826,861,470	0.64
Hong Kong Exchanges and Clearing Ltd.	14,303,140	3,833,241,520	2.96
HSBC Holdings Plc	176,043,794	11,090,759,022	8.57
Industrial and Commercial Bank of China Ltd.	876,094,760	3,346,681,983	2.59
Ping An Insurance (Group) Co. of China Ltd.	79,597,729	2,813,779,720	2.18
		<u>43,238,549,556</u>	<u>33.42</u>

INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 31ST DECEMBER 2023

	Holdings	Fair value HK\$	% of net assets
Healthcare (3.29%)			
Alibaba Health Information Tech Ltd.	64,286,153	272,573,289	0.21
CSPC Pharmaceutical Group Ltd.	106,016,836	769,682,229	0.60
Hansoh Pharmaceutical Group Co. Ltd.	14,093,703	222,116,759	0.17
JD Health International Inc.	13,218,559	516,845,657	0.40
Sino Biopharmaceutical Ltd.	133,961,709	464,847,130	0.36
Sinopharm Group Co. Ltd.	15,934,628	325,863,143	0.25
WuXi AppTec Co. Ltd.	4,302,100	341,801,845	0.26
WuXi Biologics (Cayman) Inc.	45,431,075	1,344,759,820	1.04
		<u>4,258,489,872</u>	<u>3.29</u>
Industrials (0.97%)			
Orient Overseas International Ltd.	1,568,664	170,984,376	0.13
Sunny Optical Tech Co. Ltd.	8,466,352	599,841,039	0.46
Xinyi Glass Holdings Ltd.	24,725,881	216,598,718	0.17
Xinyi Solar Holdings Ltd.	58,151,774	265,172,089	0.21
		<u>1,252,596,222</u>	<u>0.97</u>
Information Technology (27.68%)			
Alibaba Group Holding Ltd.	141,237,257	10,677,536,629	8.25
Baidu Inc.	8,398,170	975,027,537	0.75
JD.com Inc.	20,767,594	2,336,354,325	1.81
Lenovo Group Ltd.	93,617,533	1,022,303,460	0.79
Meituan	70,428,617	5,768,103,732	4.46
NetEase Inc.	8,206,172	1,153,787,783	0.89
Semiconductor Manufacturing International Corporation	49,642,742	985,904,856	0.76
Tencent Holdings Ltd.	32,856,883	9,646,780,849	7.46
Xiaomi Corporation	208,039,484	3,245,415,950	2.51
		<u>35,811,215,121</u>	<u>27.68</u>
Materials (0.81%)			
China Hongqiao Group Ltd.	33,757,707	215,711,748	0.17
Zijin Mining Group Co. Ltd.	64,721,501	823,257,493	0.64
		<u>1,038,969,241</u>	<u>0.81</u>

INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 31ST DECEMBER 2023

	Holdings	Fair value HK\$	% of net assets
Properties & Construction (4.77%)			
China Overseas Land & Investment Ltd.	45,491,095	625,957,467	0.48
China Resources Land Ltd.	38,107,102	1,066,998,856	0.83
China Resources Mixc Lifestyle Services Ltd.	8,131,740	226,468,959	0.18
CK Asset Holdings Ltd.	23,192,271	909,137,023	0.70
Country Garden Services Holdings Co. Ltd.	25,804,757	174,182,110	0.13
Hang Lung Properties Ltd.	21,372,897	232,537,119	0.18
Henderson Land Development Co. Ltd.	17,248,541	414,827,411	0.32
Longfor Group Holdings Ltd.	27,397,432	342,467,900	0.27
New World Development Co. Ltd.	16,437,456	199,221,967	0.15
Sun Hung Kai Properties Ltd.	17,206,214	1,453,064,772	1.12
Wharf Real Estate Investment Co. Ltd	19,831,048	523,539,667	0.41
		<u>6,168,403,251</u>	<u>4.77</u>
Telecommunications (3.93%)			
China Mobile Ltd.	72,979,295	4,729,058,316	3.66
China Unicom (Hong Kong) Ltd.	72,673,785	356,101,547	0.27
		<u>5,085,159,863</u>	<u>3.93</u>
Utilities (3.33%)			
China Resources Power Holdings Co. Ltd.	22,850,253	357,377,957	0.28
CK Infrastructure Holdings Ltd.	7,480,532	323,158,982	0.25
CLP Holdings Ltd.	24,001,924	1,546,924,002	1.20
ENN Energy Holdings Ltd.	9,403,453	540,698,548	0.42
Power Assets Holdings Ltd.	16,450,058	744,365,125	0.57
The Hong Kong and China Gas Co. Ltd.	132,955,010	795,070,960	0.61
		<u>4,307,595,574</u>	<u>3.33</u>
Total Listed equities		<u><u>127,442,364,098</u></u>	<u><u>98.51</u></u>
Real Estate Investment Trust (1.03%)			
Link Real Estate Investment Trust	30,423,620	1,334,075,737	1.03
Total investments, at cost		<u><u>136,920,628,792</u></u>	

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

	(UNAUDITED)			31.12.2023
	31.12.2022	Additions	Disposals	
Holdings				
Hong Kong				
Listed investments				
Equities				
Conglomerates				
CITIC Ltd.	77,400,721	129,288,486	(120,324,943)	86,364,264
CK Hutchison Holdings Ltd.	28,566,907	47,639,896	(44,368,754)	31,838,049
Consumer Discretionary				
ANTA Sports Products Ltd.	14,440,380	25,161,232	(22,782,442)	16,819,170
BYD Company Ltd.	9,932,823	18,923,342	(16,468,838)	12,387,327
Chow Tai Fook Jewellery Group Ltd.	21,285,419	35,555,276	(33,090,182)	23,750,513
Galaxy Entertainment Group Ltd.	23,233,710	38,856,271	(36,121,440)	25,968,541
Geely Automobile Holdings Ltd.	64,220,646	107,282,587	(99,799,742)	71,703,491
Haidilao International Holding Ltd.	20,763,372	34,146,901	(35,052,266)	19,858,007
Haier Smart Home Co. Ltd.	25,957,671	43,219,725	(40,323,279)	28,854,117
Li Auto Inc.	–	18,212,702	(1,852,627)	16,360,075
Li Ning Co. Ltd.	25,082,458	68,667,511	(65,576,621)	28,173,348
MTR Corporation Ltd.	19,793,626	33,209,717	(30,864,316)	22,139,027
Sands China Ltd.	30,147,085	50,358,819	(46,866,886)	33,639,018
Shenzhen International Group Holdings Ltd.	8,799,179	14,698,252	(13,679,372)	9,818,059
Techtronic Industries Co. Ltd.	16,597,070	27,726,886	(25,803,253)	18,520,703
Trip.com Group Ltd.	–	3,009,116	(1,385,658)	1,623,458
Zhongsheng Group Holdings Ltd.	7,706,412	14,877,609	(12,645,759)	9,938,262
Consumer Staples				
Budweiser Brewing Co. APAC Ltd.	21,141,953	35,316,406	(32,868,004)	23,590,355
China Mengniu Dairy Co. Ltd.	33,674,889	56,187,159	(52,431,506)	37,430,542
China Resources Beer Holdings Co. Ltd.	17,265,921	28,843,759	(26,846,264)	19,263,416
Hengan International Group Co. Ltd.	7,420,793	12,399,357	(11,539,441)	8,280,709
Nongfu Spring Co. Ltd	21,433,188	35,802,510	(33,320,467)	23,915,231
Tingyi Cayman Islands Holding Corporation	20,983,286	35,064,734	(32,629,081)	23,418,939
WH Group Ltd.	75,102,221	151,101,253	(127,168,100)	99,035,374

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2023

	(UNAUDITED)			31.12.2023
	31.12.2022	Additions	Disposals	
Holdings				
Energy				
China Petroleum & Chemical Corporation	271,532,178	444,770,445	(422,411,134)	293,891,489
China Shenhua Energy Co. Ltd.	35,945,981	60,041,971	(55,879,741)	40,108,211
CNOOC Ltd.	189,877,560	280,165,412	(284,766,321)	185,276,651
PetroChina Co. Ltd.	224,550,154	375,089,753	(349,085,264)	250,554,643
Financials				
AIA Group Ltd.	126,015,269	202,566,666	(191,807,095)	136,774,840
Bank of China Ltd.	845,471,825	1,474,974,640	(1,327,412,393)	993,034,072
BOC Hong Kong (Holdings) Ltd.	39,383,411	65,785,451	(61,224,790)	43,944,072
China Construction Bank Corporation	1,151,413,704	1,923,285,894	(1,789,944,394)	1,284,755,204
China Life Insurance Co. Ltd.	79,194,596	132,287,915	(123,116,586)	88,365,925
China Merchants Bank Co. Ltd.	41,531,047	69,372,688	(64,563,027)	46,340,708
Hang Seng Bank Ltd.	8,139,010	13,595,123	(12,652,733)	9,081,400
Hong Kong Exchanges and Clearing Ltd.	12,818,622	21,413,195	(19,928,677)	14,303,140
HSBC Holdings Plc	207,619,013	286,801,490	(318,376,709)	176,043,794
Industrial and Commercial Bank of China Ltd.	785,167,193	1,311,520,430	(1,220,592,863)	876,094,760
Ping An Insurance (Group) Co. of China Ltd.	67,373,027	119,040,304	(106,815,602)	79,597,729
Healthcare				
Alibaba Health Information Tech Ltd.	57,557,781	96,242,101	(89,513,729)	64,286,153
CSPC Pharmaceutical Group Ltd.	95,252,590	158,719,176	(147,954,930)	106,016,836
Hansoh Pharmaceutical Group Co. Ltd.	12,607,404	21,102,489	(19,616,190)	14,093,703
JD Health International Inc.	–	24,516,104	(11,297,545)	13,218,559
Sino Biopharmaceutical Ltd.	120,147,124	200,634,696	(186,820,111)	133,961,709
Sinopharm Group Co. Ltd.	–	23,423,070	(7,488,442)	15,934,628
WuXi AppTec Co. Ltd.	–	4,788,872	(486,772)	4,302,100
WuXi Biologics (Cayman) Inc.	38,582,687	67,053,630	(60,205,242)	45,431,075

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2023

	(UNAUDITED) Holdings			31.12.2023
	31.12.2022	Additions	Disposals	
Industrials				
Orient Overseas International Ltd.	1,405,454	2,350,731	(2,187,521)	1,568,664
Sunny Optical Tech Co. Ltd.	7,587,825	12,673,499	(11,794,972)	8,466,352
Xinyi Glass Holdings Ltd.	21,848,456	37,670,515	(34,793,090)	24,725,881
Xinyi Solar Holdings Ltd.	52,072,998	87,033,872	(80,955,096)	58,151,774
Information Technology				
Alibaba Group Holding Ltd.	115,793,073	215,848,985	(190,404,801)	141,237,257
Baidu Inc.	6,268,719	12,889,594	(10,760,143)	8,398,170
JD.com Inc.	18,846,988	30,672,679	(28,752,073)	20,767,594
Lenovo Group Ltd.	77,447,391	139,952,152	(123,782,010)	93,617,533
Meituan	49,399,133	107,277,193	(86,247,709)	70,428,617
NetEase Inc.	7,165,186	12,411,470	(11,370,484)	8,206,172
Semiconductor Manufacturing International Corporation	44,431,412	74,207,046	(68,995,716)	49,642,742
Tencent Holdings Ltd.	33,598,216	50,646,276	(51,387,609)	32,856,883
Xiaomi Corporation	186,405,693	311,069,632	(289,435,841)	208,039,484
Materials				
China Hongqiao Group Ltd.	24,834,972	54,192,945	(45,270,210)	33,757,707
Zijin Mining Group Co. Ltd.	–	120,049,463	(55,327,962)	64,721,501

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 2023

	(UNAUDITED) Holdings			31.12.2023
	31.12.2022	Additions	Disposals	
Properties & Construction				
China Overseas Land & Investment Ltd.	40,769,389	68,101,211	(63,379,505)	45,491,095
China Resources Land Ltd.	34,151,938	57,057,057	(53,101,893)	38,107,102
China Resources Mixc Lifestyle Services Ltd.	7,287,779	12,174,692	(11,330,731)	8,131,740
CK Asset Holdings Ltd.	21,289,380	35,001,745	(33,098,854)	23,192,271
Country Garden Holdings Co. Ltd.	90,870,639	176,418,140	(267,288,779)	–
Country Garden Services Holdings Co. Ltd.	21,540,455	40,153,871	(35,889,569)	25,804,757
Hang Lung Properties Ltd.	19,153,997	31,999,391	(29,780,491)	21,372,897
Henderson Land Development Co. Ltd.	15,458,206	25,825,507	(24,035,172)	17,248,541
Longfor Group Holdings Ltd.	20,054,873	39,352,278	(32,009,719)	27,397,432
New World Development Co. Ltd.	14,731,199	24,609,801	(22,903,544)	16,437,456
Sun Hung Kai Properties Ltd.	15,420,297	25,757,458	(23,971,541)	17,206,214
Wharf Real Estate Investment Co. Ltd	17,773,165	29,688,149	(27,630,266)	19,831,048
Telecommunications				
China Mobile Ltd.	65,325,563	109,177,705	(101,523,973)	72,979,295
China Unicom (Hong Kong) Ltd.	65,129,365	108,798,523	(101,254,103)	72,673,785
Utilities				
China Resources Power Holdings Co. Ltd.	–	42,384,400	(19,534,147)	22,850,253
CK Infrastructure Holdings Ltd.	6,703,979	11,199,674	(10,423,121)	7,480,532
CLP Holdings Ltd.	21,510,855	35,933,459	(33,442,390)	24,001,924
ENN Energy Holdings Ltd.	8,422,900	14,075,540	(13,094,987)	9,403,453
Power Assets Holdings Ltd.	14,764,444	24,611,766	(22,926,152)	16,450,058
The Hong Kong and China Gas Co. Ltd.	119,155,351	199,036,737	(185,237,078)	132,955,010
Real Estate Investment Trust				
Link Real Estate Investment Trust	22,450,291	48,891,154	(40,917,825)	30,423,620

PERFORMANCE RECORD (UNAUDITED)

Net asset values

	Net asset value per unit <i>HK\$</i>	Net asset value of the Fund <i>HK\$</i>
At end of financial year dated		
31st December 2021	23.54	100,071,496,893
31st December 2022	19.91	130,770,766,462
31st December 2023	17.20	129,368,536,957

Highest and lowest net asset value per unit for the past 10 years

	Highest net asset value per unit <i>HK\$</i>	Lowest net asset value per unit <i>HK\$</i>
Financial period ended		
31st December 2014	26.11	21.44
31st December 2015	28.83	21.24
31st December 2016	24.80	18.50
31st December 2017	30.21	22.30
31st December 2018	33.38	25.13
31st December 2019	30.48	25.25
31st December 2020	29.26	21.97
31st December 2021	31.27	22.88
31st December 2022	25.11	14.77
31st December 2023	22.83	16.33

Fund Performance

During the year ended 31st December 2023, the Hang Seng Index decreased by 13.82% (2022: decreased by 15.46%), while the net asset value per unit of the Fund decreased by 13.60% (2022: decreased by 15.40%).

Ongoing charge

Financial year ended	
31.12.2023	0.07%*

* The ongoing charges figure is calculated by adding the applicable charges and payments deducted from the assets of the Fund and then dividing by the Fund's average net asset value for the financial year.

PORTFOLIO CARBON FOOTPRINT (UNAUDITED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

Please visit <https://www.hangsenginvestment.com/> for more details.

ADMINISTRATION AND MANAGEMENT

Directors of the Manager

Ms. Ka Wai Kathy Cheung
Ms. Wai Man Vivien Chiu
Ms. Pui Shan Lee
Ms. Wah Lun Rannie Lee
Ms. Say Pin Saw
Mr. Wing Fai Wilfred Sit
Mr. Hing Keung Tsang (resigned on
1st June 2023)
Mr. Stuart Kingsley White

Members of the Supervisory Committee

Mr. George Hongchoy
Mr. Blair Pickerell
Mr. Stephen Law
Prof. Chan Kalok
Dr. Kam Pok-man
Mr. Dean Chisholm
Mr. Wilfred Yiu

Trustee and custodian

State Street Bank and Trust Company
68th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Registrar

Computershare Hong Kong
Investor Services Limited
17M Floor
Hopewell Centre
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Wan Chai
Hong Kong

Manager

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Promoter

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87th Floor
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8 Finance Street
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Conversion agent

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Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
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