



恒生投資
HANG SENG INVESTMENT

Hang Seng China Enterprises Index ETF Hang Seng TECH Index ETF

ANNUAL REPORT **2023**

1st January 2023 to 31st December 2023



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Annual Financial Report 2023

Hang Seng Investment Index Funds Series

Hang Seng China Enterprises Index ETF (Stock Code: 2828/82828)

Hang Seng TECH Index ETF (Stock Code: 3032)

Performance Record (Unaudited)

Remark: [-] represents unavailable price as the corresponding Fund/Fund Class had not yet been commenced

Class of Units	Currency	Price Record									
		2023 ⁽¹⁾		2022		2021		2020 ⁽²⁾		2019	
		Highest Offer Price	Lowest Bid Price	Highest Offer Price	Lowest Bid Price	Highest Offer Price	Lowest Bid Price	Highest Offer Price	Lowest Bid Price	Highest Offer Price	Lowest Bid Price
Hang Seng China Enterprises Index ETF	HKD	78.5600	55.6278	89.06	49.99	123.92	81.58	115.78	86.47	119.93	99.47
Hang Seng TECH Index ETF											
Listed Class	HKD	4.7766	3.5190	5.8560	2.7845	10.9035	5.4336	8.4079	6.9233	-	-
Unlisted Class – Class A (USD) – Accumulation Units	USD	5.8068	4.2889	7.1497	3.3762	10.0000	6.6318	-	-	-	-
Unlisted Class – Class A (HKD) – Accumulation Units	HKD	6.6318	4.8860	8.1299	3.8659	11.4269	7.5435	-	-	-	-
Unlisted Class – Class D (HKD) – Accumulation Units	HKD	0.5859	0.4316	0.7182	0.3415	1.0000	0.6664	-	-	-	-

Class of Units	Currency	Price Record											
		2018		2017		2016		2015		2014		2013	
		Highest Offer Price	Lowest Bid Price	Highest Offer Price	Lowest Bid Price	Highest Offer Price	Lowest Bid Price	Highest Offer Price	Lowest Bid Price	Highest Offer Price	Lowest Bid Price	Highest Offer Price	Lowest Bid Price
Hang Seng China Enterprises Index ETF	HKD	138.79	101.07	120.94	95.21	102.47	75.67	148.92	93.12	121.42	92.44	122.21	90.75
Hang Seng TECH Index ETF													
Listed Class	HKD	-	-	-	-	-	-	-	-	-	-	-	-
Unlisted Class – Class A (USD) – Accumulation Units	USD	-	-	-	-	-	-	-	-	-	-	-	-
Unlisted Class – Class A (HKD) – Accumulation Units	HKD	-	-	-	-	-	-	-	-	-	-	-	-
Unlisted Class – Class D (HKD) – Accumulation Units	HKD	-	-	-	-	-	-	-	-	-	-	-	-

Performance Record (Unaudited) (continued)

Class of Units	Currency	Net Asset Value Per Unit (As at 31 December)			
		2023*	2022	2021	2020
Hang Seng China Enterprises Index ETF	HKD	58.4573	67.7938	83.52	108.90
Hang Seng TECH Index ETF					
Listed Class	HKD	3.7312	4.0981	5.6255	8.3868
Unlisted Class – Class A (USD) – Accumulation Units	USD	4.5437	5.0027	6.8693	–
Unlisted Class – Class A (HKD) – Accumulation Units	HKD	5.1807	5.6898	7.8159	–
Unlisted Class – Class D (HKD) – Accumulation Units	HKD	0.4577	0.5027	0.6897	–

Class of Units	Currency	Net Assets Attributable to Unitholders (As at 31 December)			
		2023	2022	2021	2020
Hang Seng China Enterprises Index ETF	HKD	31,251,896,322	35,926,825,693	22,503,093,678	26,165,372,797
Hang Seng TECH Index ETF	HKD	2,958,729,181	2,799,583,576	2,042,234,896	570,299,382

⁽¹⁾ For Hang Seng China Enterprises Index ETF, the number of decimal places in the net asset value per unit has been changed from two to four with effect from 8 June 2023.

⁽²⁾ The date of commencement for Hang Seng TECH Index ETF was 2 September 2020.

Trustee's Report

To the Unitholders of Hang Seng China Enterprises Index ETF and Hang Seng TECH Index ETF

We hereby confirm that, in our opinion, the Manager, Hang Seng Investment Management Limited has, in all material respects, managed the Hang Seng China Enterprises Index ETF and Hang Seng TECH Index ETF in accordance with the provisions of the Trust Deeds dated 18 November 2003, as amended, for the year ended 31 December 2023.

HSBC Institutional Trust Services (Asia) Limited
29 April 2024

Independent Auditor's Report

To the Unitholders of Hang Seng China Enterprises Index ETF and Hang Seng TECH Index ETF

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Hang Seng China Enterprises Index ETF and Hang Seng TECH Index ETF ("the Funds") set out on pages 17 to 42, which comprise the statement of assets and liabilities as at 31 December 2023, the statement of comprehensive income, the statement of changes in equity and the statement of cash flow for the year then ended and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Funds as at 31 December 2023 and of the financial transactions and 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 are independent of the Funds 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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.

Existence and valuation of investments	
<i>Refer to note 15 to the financial statements and the accounting policies in note 2(f)(iv) on page 25.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>As at 31 December 2023 the investment portfolio represented 95.62% and 99.59% of the total assets of Hang Seng China Enterprises Index ETF and Hang Seng TECH Index ETF respectively and is the key driver of the Funds' investment returns.</p> <p>We identified the existence and valuation of investments as a key audit matter because of its significance in the context of the Funds' financial statements and because the value of the investment portfolio at the year end date is a key performance indicator of the Funds.</p>	<p>Our audit procedures to assess the existence and valuation of investments included the following:</p> <ul style="list-style-type: none">developing an understanding of the control objectives and related controls relevant to our audit of the Funds by obtaining the service organisation internal control report 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; andevaluating the tests undertaken by the service auditor, the results of tests undertaken and opinions formed by the service auditor on the design and operating effectiveness of the controls, to the extent relevant to our audit of the Funds; andobtaining independent confirmations from the custodians of the investment portfolio held at 31 December 2023, and agreeing the Funds' holdings of investments to those confirmations; andassessing the valuations of all assets in the investment portfolio at the year end date by comparing the prices adopted by the Funds with the prices obtained from independent pricing sources.

Independent Auditor's Report (continued)

Information Other than the Financial Statements and Auditor's Report Thereon

The Manager and the Trustee of the Funds are responsible for the other information. The other information comprises all 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.

Responsibilities of the Manager and the Trustee of the Funds for the Financial Statements

The Manager and the Trustee of the Funds are responsible for the preparation of 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 and the Trustee of the Funds determine 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 and the Trustee of the Funds are responsible for assessing the Funds' 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 and the Trustee of the Funds either intend to liquidate the Funds or to cease operations, or have no realistic alternative but to do so.

In addition, the Manager and the Trustee of the Funds are required to ensure that the financial statements have been properly prepared in accordance with the relevant provisions of the Trust Deed, as amended on 28 June 2021 for Hang Seng China Enterprises Index ETF and Hang Seng TECH Index ETF ("the Trust Deed"), and the relevant disclosure provisions of Appendix E of the Code on Unit Trusts and Mutual Funds ("the SFC Code") issued by the Hong Kong Securities and Futures Commission.

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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Funds have been properly prepared, in all material respects, in accordance with the relevant 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 HKSAAs, 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 Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager and the Trustee of the Funds.

Independent Auditor's Report (continued)

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

- Conclude on the appropriateness of the Manager's and the Trustee'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 Funds' 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 Funds 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 and the Trustee of the Funds 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 and the Trustee of the Funds with a statement that we have complied with relevant ethical requirements regarding independence and 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 and the Trustee of the Funds, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant 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 Yiu Tsz Yeung, Arion.

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
29 April 2024

Investment Portfolio (Unaudited)

as at 31 December 2023

Investments	Hang Seng China Enterprises Index ETF		
	Holdings	Market Value (HKD)	% of Net Assets Attributable to Unitholders
Hong Kong Stock Exchange Listed Equities			
Conglomerates			
CITIC	33,855,208	264,070,622	0.84%
Consumer Discretionary			
Anta Sports Products	6,593,272	499,440,354	1.60%
BYD	4,855,512	1,041,021,773	3.33%
Geely Auto	28,108,113	241,448,691	0.77%
Haidilao International	7,784,009	113,179,491	0.36%
Haier Smart Home	11,311,060	249,408,873	0.80%
Li Auto	6,413,100	943,367,010	3.02%
Li Ning	11,044,131	230,822,338	0.74%
Shenzhen International Group	3,848,651	309,431,540	0.99%
Trip.com Group	636,350	176,650,760	0.57%
XPeng	5,244,204	297,346,367	0.95%
Zhongsheng Group	3,895,486	72,767,678	0.23%
		4,174,884,875	13.36%
Consumer Staples			
China Mengniu Dairy	14,672,582	308,124,222	0.99%
China Resources Beer Holdings	7,551,167	258,249,911	0.83%
Nongfu Spring	9,374,694	423,267,434	1.35%
		989,641,567	3.17%
Energy			
China Petroleum & Chemical	115,207,206	471,197,473	1.51%
China Shenhua Energy	15,722,649	420,580,861	1.34%
CNOOC	72,628,723	944,173,399	3.02%
PetroChina	98,218,313	506,806,495	1.62%
		2,342,758,228	7.49%
Financials			
Agricultural Bank of China	143,094,271	430,713,756	1.38%
Bank of China	389,274,827	1,160,038,984	3.71%
Bank of Communications	40,746,462	198,435,270	0.64%
China Construction Bank	503,631,589	2,341,886,889	7.49%
China Life Insurance	34,639,727	350,554,037	1.12%
China Merchants Bank	18,165,624	494,104,973	1.58%
Industrial and Commercial Bank of China	343,434,088	1,311,918,216	4.20%
Ping An Insurance	31,202,588	1,103,011,486	3.53%
Postal Savings Bank of China	46,217,008	172,389,440	0.55%
		7,563,053,051	24.20%
Healthcare			
CSPC Pharmaceutical	41,559,165	301,719,538	0.97%
JD Health International	5,181,608	202,600,873	0.65%
Sino Biopharmaceutical	52,513,358	182,221,352	0.58%
		686,541,763	2.20%

Investment Portfolio (Unaudited) (continued)

as at 31 December 2023

Investments	Hang Seng China Enterprises Index ETF		
	Holdings	Market Value (HKD)	% of Net Assets Attributable to Unitholders
Industrials			
JD Logistics	12,303,130	120,324,611	0.39%
Sunny Optical Technology	3,318,858	235,141,089	0.75%
Xinyi Solar Holdings	22,795,764	103,948,684	0.33%
		459,414,384	1.47%
Information Technology			
Alibaba Group	34,548,871	2,611,894,648	8.36%
Baidu	3,292,125	382,215,712	1.22%
JD.com Inc	8,141,122	915,876,225	2.93%
Kuaishou Technology	14,196,846	751,722,996	2.41%
Lenovo Group	36,697,066	400,731,961	1.28%
Meituan	24,939,062	2,042,509,178	6.53%
NetEase Inc	3,216,747	452,274,628	1.45%
Semiconductor Manufacturing	19,460,214	386,479,850	1.24%
SenseTime Group	93,482,011	108,439,133	0.35%
Tencent Holdings	8,037,292	2,359,748,931	7.55%
Xiaomi Corporation	81,552,750	1,272,222,900	4.07%
		11,684,116,162	37.39%
Properties & Construction			
China Overseas Land & Investment	17,832,647	245,377,223	0.78%
China Resources Land	14,937,139	418,239,892	1.34%
Longfor Group	10,739,642	134,245,525	0.43%
		797,862,640	2.55%
Telecommunications			
China Mobile	28,608,441	1,853,826,977	5.93%
Utilities			
ENN Energy	3,686,265	211,960,237	0.68%
Total Equities		31,028,130,506	99.28%
Future Contracts			
Hang Seng China Enterprises Index Futures – January 2024	790	6,063,250	0.02%
Total Investments		31,034,193,756	99.30%
<i>(Total cost of investments – HKD32,378,240,710)</i>			
Other Net Assets		217,702,566	0.70%
Net Assets Attributable to Unitholders		31,251,896,322	100.00%

Investment Portfolio (Unaudited) (continued)

as at 31 December 2023

Investments	Hang Seng TECH Index ETF		
	Holdings	Market Value (HKD)	% of Net Assets Attributable to Unitholders
Hong Kong Stock Exchange Listed Equities			
Consumer Discretionary			
China Literature	709,799	20,619,661	0.70%
East Buy Holding	783,369	21,777,658	0.74%
Haier Smart Home	3,753,433	82,763,198	2.80%
Li Auto	1,591,597	234,123,919	7.91%
NIO	159,332	11,726,835	0.40%
Trip.com Group	211,268	58,647,997	1.98%
XPeng	1,740,211	98,669,964	3.33%
		528,329,232	17.86%
Financials			
ZhongAn Online P&C Insurance	1,318,822	23,527,784	0.79%
Healthcare			
Alibaba Health Information Technology	8,360,568	35,448,808	1.20%
JD Health International	1,720,598	67,275,382	2.27%
Ping An Healthcare & Technology	951,134	16,892,140	0.57%
		119,616,330	4.04%
Industrials			
Sunny Optical Technology	1,101,277	78,025,475	2.64%
Information Technology			
Alibaba Group	3,380,258	255,547,505	8.64%
Baidu	1,092,487	126,837,741	4.29%
Bilibili	416,328	38,968,301	1.32%
BYD Electronic	1,219,264	44,625,062	1.51%
GDS Holdings	597,686	5,415,035	0.18%
Hua Hong Semiconductor	1,011,721	19,101,292	0.65%
JD.com Inc	2,320,584	261,065,700	8.82%
Kingdee International	4,299,419	48,927,388	1.65%
Kingsoft	1,477,896	35,617,294	1.20%
Kuaishou Technology	4,463,991	236,368,323	7.99%
Lenovo Group	12,177,206	132,975,090	4.49%
Meituan	2,440,897	199,909,464	6.76%
NetEase Inc	1,067,463	150,085,298	5.07%
Semiconductor Manufacturing	6,459,092	128,277,567	4.34%
SenseTime Group	31,087,492	36,061,491	1.22%
Tencent Holdings	786,361	230,875,590	7.80%
Weibo	7,492	641,315	0.02%
Xiaomi Corporation	16,193,578	252,619,817	8.54%
		2,203,919,273	74.49%
Total Investments <i>(Total cost of investments – HKD3,862,774,877)</i>		2,953,418,094	99.82%
Other Net Assets		5,311,087	0.18%
Net Assets Attributable to Unitholders		2,958,729,181	100.00%

Investment Portfolio (Unaudited) (continued)

Details in respect of Financial Derivative Instruments

The details of future contracts held by the Funds as at 31 December 2023 are as follows:

Fund/Description	Underlying Assets	Contract Size	Position	Notional Market Value	Counterparty	Fair Value	% of Net Assets Attributable to Unitholders
Hang Seng China Enterprises Index ETF Financial Assets:							
HSCEI Futures 30/01/2024	Hang Seng China Enterprises Index	790	Long	228,942,000	The Hongkong and Shanghai Banking Corporation Limited	6,063,250	0.02%

Information on exposure arising from Financial Derivative Instruments (Unaudited)

The lowest, highest and average gross exposure and net exposure arising from the use of financial derivative instruments for any purpose as a proportion to the Fund's total net asset value for the year ended 31 December 2023 are as follows:

Fund/Description	Lowest Gross Exposure	Highest Gross Exposure	Average Gross Exposure	Lowest Net Exposure	Highest Net Exposure	Average Net Exposure
Future contracts:						
Hang Seng China Enterprises Index ETF	0.35%	2.27%	0.84%	0.35%	2.27%	0.84%

Statement of Movements in Portfolio Holdings (Unaudited)

for the year ended 31 December 2023

Investments	Hang Seng China Enterprises Index ETF			
	Holdings as at 1 January 2023	Additions	Disposals	Holdings as at 31 December 2023
Hong Kong Stock Exchange Listed Equities				
Conglomerates				
CITIC	35,678,918	143,293,393	145,117,103	33,855,208
Consumer Discretionary				
Anta Sports Products	6,655,958	27,365,029	27,427,715	6,593,272
BYD	4,578,404	20,026,925	19,749,817	4,855,512
Geely Auto	29,603,933	118,896,123	120,391,943	28,108,113
Haidilao International	9,570,729	37,993,592	39,780,312	7,784,009
Haier Smart Home	11,965,970	47,958,379	48,613,289	11,311,060
Li Auto	2,496,685	25,612,233	21,695,818	6,413,100
Li Ning	11,561,857	46,670,128	47,187,854	11,044,131
Shenzhou International Group	4,056,022	16,290,555	16,497,926	3,848,651
Super Hi International	1	–	1	–
Trip.com Group	–	1,456,544	820,194	636,350
XPeng	–	24,422,201	19,177,997	5,244,204
Zhongsheng Group	3,552,685	15,468,606	15,125,805	3,895,486
Consumer Staples				
China Feihe	21,815,097	15,484,732	37,299,829	–
China Mengniu Dairy	15,522,850	62,283,130	63,133,398	14,672,582
China Resources Beer Holdings	7,958,426	31,960,225	32,367,484	7,551,167
Nongfu Spring	9,880,269	39,682,944	40,188,519	9,374,694
Energy				
China Petroleum & Chemical	125,169,664	493,413,263	503,375,721	115,207,206
China Shenhua Energy	–	55,874,384	40,151,735	15,722,649
CNOOC	87,528,312	315,201,803	330,101,392	72,628,723
PetroChina	103,511,345	415,709,957	421,002,989	98,218,313
Financials				
Agricultural Bank of China	150,805,892	605,654,978	613,366,599	143,094,271
Bank of China	389,741,209	1,623,588,333	1,624,054,715	389,274,827
Bank of Communications	42,941,776	172,460,908	174,656,222	40,746,462
China Construction Bank	530,773,327	2,131,650,906	2,158,792,644	503,631,589
China Life Insurance	36,507,141	146,617,072	148,484,486	34,639,727
China Merchants Bank	19,144,651	76,884,211	77,863,238	18,165,624
Industrial and Commercial Bank of China	361,943,577	1,453,602,065	1,472,111,554	343,434,088
Ping An Insurance	31,057,517	128,695,996	128,550,925	31,202,588
Postal Savings Bank of China	48,707,209	194,709,300	197,199,501	46,217,008
Healthcare				
CSPC Pharmaceutical	43,908,592	176,107,234	178,456,661	41,559,165
JD Health International	5,457,064	21,926,938	22,202,394	5,181,608
Sino Biopharmaceutical	55,385,604	222,375,047	225,247,293	52,513,358

Statement of Movements in Portfolio Holdings (Unaudited) (continued)

for the year ended 31 December 2023

Investments	Hang Seng China Enterprises Index ETF			
	Holdings as at 1 January 2023	Additions	Disposals	Holdings as at 31 December 2023
Industrials				
JD Logistics	12,947,358	52,029,441	52,673,669	12,303,130
Sunny Optical Technology	3,497,255	14,047,816	14,226,213	3,318,858
Xinyi Solar Holdings	24,002,480	96,445,874	97,652,590	22,795,764
Information Technology				
Alibaba Group	33,757,979	139,226,822	138,435,930	34,548,871
Baidu	2,889,483	13,494,575	13,091,933	3,292,125
JD.com Inc	8,687,827	34,368,660	34,915,365	8,141,122
Kuaishou Technology	12,648,327	54,359,830	52,811,311	14,196,846
Lenovo Group	35,700,867	149,830,426	148,834,227	36,697,066
Meituan	17,106,726	96,472,483	88,640,147	24,939,062
NetEase Inc	3,302,292	13,583,201	13,668,746	3,216,747
Semiconductor Manufacturing	20,481,228	82,266,440	83,287,454	19,460,214
SenseTime Group	73,959,916	354,857,850	335,335,755	93,482,011
Tencent Holdings	9,301,304	35,058,788	36,322,800	8,037,292
Xiaomi Corporation	85,928,165	344,985,090	349,360,505	81,552,750
Properties & Construction				
China Overseas Land & Investment	18,793,654	75,475,557	76,436,564	17,832,647
China Resources Land	15,742,684	63,220,011	64,025,556	14,937,139
Country Garden	41,888,518	101,948,289	143,836,807	–
Country Garden Services	9,928,569	27,449,704	37,378,273	–
Longfor Group	9,244,919	39,803,576	38,308,853	10,739,642
Sunac China	9,547,299	–	9,547,299	–
Telecommunications				
China Mobile	30,113,135	120,987,259	122,491,953	28,608,441
Utilities				
ENN Energy	3,882,445	15,600,320	15,796,500	3,686,265
Futures Contracts				
Hang Seng China Enterprises Index Futures – January 2023	375	36	411	–
Hang Seng China Enterprises Index Futures – February 2023	–	446	446	–
Hang Seng China Enterprises Index Futures – March 2023	–	566	566	–
Hang Seng China Enterprises Index Futures – April 2023	–	614	614	–
Hang Seng China Enterprises Index Futures – May 2023	–	559	559	–
Hang Seng China Enterprises Index Futures – June 2023	–	1,076	1,076	–
Hang Seng China Enterprises Index Futures – July 2023	–	2,389	2,389	–
Hang Seng China Enterprises Index Futures – August 2023	–	2,297	2,297	–
Hang Seng China Enterprises Index Futures – September 2023	–	1,322	1,322	–
Hang Seng China Enterprises Index Futures – October 2023	–	938	938	–
Hang Seng China Enterprises Index Futures – November 2023	–	1,018	1,018	–
Hang Seng China Enterprises Index Futures – December 2023	–	1,020	1,020	–
Hang Seng China Enterprises Index Futures – January 2024	–	897	107	790

Statement of Movements in Portfolio Holdings (Unaudited) (continued)

for the year ended 31 December 2023

Investments	Hang Seng TECH Index ETF			
	Holdings as at 1 January 2023	Additions	Disposals	Holdings as at 31 December 2023
Hong Kong Stock Exchange Listed Equities				
Consumer Discretionary				
China Literature	789,333	206,936	286,470	709,799
East Buy Holding	–	813,869	30,500	783,369
Haier Smart Home	4,173,342	1,165,641	1,585,550	3,753,433
Li Auto	870,102	1,479,569	758,074	1,591,597
NIO	66,482	108,140	15,290	159,332
Trip.com Group	150,904	95,408	35,044	211,268
XPeng	431,979	1,881,058	572,826	1,740,211
Financials				
ZhongAn Online P&C Insurance	1,457,605	389,113	527,896	1,318,822
Healthcare				
Alibaba Health Information Technology	9,255,222	2,575,322	3,469,976	8,360,568
JD Health International	1,903,409	539,577	722,388	1,720,598
Ping An Healthcare & Technology	860,020	354,038	262,924	951,134
Industrials				
AAC Technologies	1,239,105	205,754	1,444,859	–
Sunny Optical Technology	1,219,915	346,164	464,802	1,101,277
Information Technology				
Alibaba Group	2,536,286	1,331,432	487,460	3,380,258
Baidu	1,007,834	463,165	378,512	1,092,487
Bilibili	403,841	120,785	108,298	416,328
BYD Electronic	1,349,656	369,278	499,670	1,219,264
GDS Holdings	614,851	158,297	175,462	597,686
Hua Hong Semiconductor	1,115,101	308,742	412,122	1,011,721
JD.com Inc	947,523	1,622,401	249,340	2,320,584
Kingdee International	4,757,641	1,333,910	1,792,132	4,299,419
Kingsoft	1,636,844	449,688	608,636	1,477,896
Kuaishou Technology	3,644,724	1,975,447	1,156,180	4,463,991
Lenovo Group	12,445,525	4,579,631	4,847,950	12,177,206
Meituan	1,285,306	1,562,302	406,711	2,440,897
Ming Yuan Cloud	1,668,177	79,870	1,748,047	–
NetEase Inc	1,151,982	340,617	425,136	1,067,463
Semiconductor Manufacturing	7,143,387	2,069,105	2,753,400	6,459,092
SenseTime Group	25,779,020	12,267,416	6,958,944	31,087,492
Tencent Holdings	698,857	293,390	205,886	786,361
Weibo	–	11,942	4,450	7,492
Xiaomi Corporation	20,033,020	7,284,798	11,124,240	16,193,578
Futures Contracts				
Hang Seng TECH Index Futures – June 2023	–	10	10	–

Statement of Assets and Liabilities

as at 31 December 2023

	Notes	Hang Seng China Enterprises Index ETF		Hang Seng TECH Index ETF	
		31-12-2023 (HKD)	31-12-2022 (HKD)	31-12-2023 (HKD)	31-12-2022 (HKD)
Assets					
Financial assets at fair value through profit or loss	5,6,15	31,034,193,756	35,801,981,284	2,953,418,094	2,797,990,147
Dividend receivable		39,284,094	2,368,707	3,311,408	–
Amounts receivable on subscription of units		495,055,025	6,245,768,287	2,052,117	2,553,672
Amounts receivable on sale of investments		666,140,165	360,924,905	2,075,035	–
Other accounts receivable	10(f)	66,753	2,131	218	56
Margin deposits	10(g)	27,615,412	17,654,367	–	–
Cash and cash equivalents	10(f)	193,547,634	113,749,413	4,719,854	3,100,490
Total Assets		32,455,902,839	42,542,449,094	2,965,576,726	2,803,644,365
Liabilities					
Amounts payable on purchase of investments		474,839,710	6,213,984,157	–	1,604,842
Amounts payable on redemption of units		704,561,163	378,621,458	4,743,170	528,032
Accrued expenses and other payables	10(a), (b), (d) & (e)	24,605,644	23,017,786	2,104,375	1,927,915
Total Liabilities		1,204,006,517	6,615,623,401	6,847,545	4,060,789
Net assets attributable to unitholders	12	31,251,896,322	35,926,825,693	2,958,729,181	2,799,583,576
Representing:					
Financial liability-Net assets attributable to unitholders		–	–	2,958,729,181	2,799,583,576
Total Equity		31,251,896,322	35,926,825,693	–	–
Total number of units in issue					
Listed Class	10(i), 11	534,610,472	529,942,463	592,500,000	534,500,000
Unlisted Class – Class A (USD) – Accumulation Units		–	–	8,198,108	6,929,786
Unlisted Class – Class A (HKD) – Accumulation Units		–	–	86,856,468	58,404,302
Unlisted Class – Class D (HKD) – Accumulation Units		–	–	15,066,816	13,009,176
Net asset value per unit					
Listed Class	11	58.4573*	67.7938*	3.7312	4.0981
Unlisted Class – Class A (USD) – Accumulation Units		–	–	35.5117	39.0056
Unlisted Class – Class A (HKD) – Accumulation Units		–	–	5.1807	5.6898
Unlisted Class – Class D (HKD) – Accumulation Units		–	–	0.4577	0.5027

* For Hang Seng China Enterprises Index ETF, the number of decimal places in the net asset value per unit has been changed from two to four with effect from 8 June 2023.

Approved and authorised for issue by the Trustee and the Manager on 29 April 2024.

} For and on behalf of
} Trustee
} HSBC Institutional Trust Services (Asia) Limited

} For and on behalf of
} Manager
} Hang Seng Investment Management Limited

The notes on page 22 to page 42 form part of the financial statements.

Statement of Comprehensive Income

for the year ended 31 December 2023

	Notes	Hang Seng China Enterprises Index ETF		Hang Seng TECH Index ETF	
		Year ended 31 December 2023 (HKD)	Year ended 31 December 2022 (HKD)	Year ended 31 December 2023 (HKD)	Year ended 31 December 2022 (HKD)
Income					
Dividend income	7	1,011,627,069	884,232,229	18,101,267	15,993,542
Interest income	8, 10(f)	4,032,630	109,900	37,079	1,863
Other income		–	–	3,000	1,037,681
		1,015,659,699	884,342,129	18,141,346	17,033,086
Expenses					
Auditor's remuneration		(611,990)	(613,397)	(80,862)	(78,214)
Legal and professional fees		(156,523)	(50,399)	(10,662)	–
Management fees	10(a)	(160,234,595)	(133,223,233)	(15,823,149)	(12,216,045)
Registrar's fees	10(b)	(20,788)	(15,600)	(16,062)	(15,600)
Safe custody and bank charges	10(d)	(1,159,346)	(966,653)	(114,488)	(90,057)
Sundry expenses	10(b), (d) & (e)	(12,627,018)	(10,675,565)	(1,399,665)	(1,161,141)
Investment transaction costs	10(c)	(12,754,467)	(16,669,254)	(2,837,665)	(2,203,798)
Transaction fees paid to trustee	10(b)	(318,600)	(323,900)	(186,500)	(164,900)
Trustee's fees	10(b)	(13,622,165)	(11,505,643)	(1,366,545)	(1,055,022)
Valuation fees	10(b)	(97,200)	(98,400)	(97,200)	(98,400)
		(201,602,692)	(174,142,044)	(21,932,798)	(17,083,177)
Income/(loss) before losses on investments		814,057,007	710,200,085	(3,791,452)	(50,091)
Losses on investments					
Net losses on investments	9	(4,486,629,064)	(3,872,385,451)	(245,630,107)	(568,648,412)
Net foreign exchange gain/loss		69,655	(18,711)	(139,788)	(105,789)
Securities expenses	10(d)	(3,832,102)	(3,657,646)	(201,188)	(224,021)
		(4,490,391,511)	(3,876,061,808)	(245,971,083)	(568,978,222)
Loss before finance costs		(3,676,334,504)	(3,165,861,723)	(249,762,535)	(569,028,313)
Finance costs					
Interest expenses	10(h)	–	–	(3,972)	(2,700)
Loss before taxation		(3,676,334,504)	(3,165,861,723)	(249,766,507)	(569,031,013)
Taxation	4, 7	(80,398,809)	(72,220,403)	(210,880)	(199,257)
Loss attributable to unitholders and total comprehensive income for the year		(3,756,733,313)	(3,238,082,126)	(249,977,387)	(569,230,270)

The notes on page 22 to page 42 form part of the financial statements.

Statement of Changes in Equity/Statement of Changes in Net Assets Attributable to Unitholders

for the year ended 31 December 2023

	Notes	Hang Seng China Enterprises Index ETF		Hang Seng TECH Index ETF	
		Year ended 31 December 2023 (HKD)	Year ended 31 December 2022 (HKD)	Year ended 31 December 2023 (HKD)	Year ended 31 December 2022 (HKD)
Balance at beginning of year		35,926,825,693	22,503,093,678	2,799,583,576	2,042,234,896
Loss attributable to unitholders and total comprehensive income for the year		(3,756,733,313)	(3,238,082,126)	(249,977,387)	(569,230,270)
Transactions with owners/unitholders, recorded directly in equity					
Received and receivable on issue of units		144,102,468,028	174,547,513,571	1,194,473,029	1,829,862,897
Paid and payable on redemption of units		(144,270,651,619)	(157,161,386,625)	(785,350,037)	(503,283,947)
Distributions to unitholders	14	(750,012,467)	(724,312,805)	–	–
Total transactions with owners (i.e. unitholders)		(918,196,058)	16,661,814,141	409,122,992	1,326,578,950
Balance at year end		31,251,896,322	35,926,825,693	2,958,729,181	2,799,583,576

Statement of Changes in Equity/Statement of Changes in Net Assets Attributable to Unitholders (continued)

for the year ended 31 December 2023

	Notes	Hang Seng China Enterprises Index ETF		Hang Seng TECH Index ETF	
		Year ended 31 December 2023	Year ended 31 December 2022	Year ended 31 December 2023	Year ended 31 December 2022
Movement of units in issue is listed below:					
Listed Class					
Number of units brought forward		529,942,463	269,443,430	534,500,000	260,000,000
Number of units issued during the year		2,195,961,141	2,544,141,464	95,000,000	299,500,000
Number of units redeemed during the year		(2,191,293,132)	(2,283,642,431)	(37,000,000)	(25,000,000)
Number of units carried forward	11	534,610,472	529,942,463	592,500,000	534,500,000
Unlisted Class					
Class A (USD) – Accumulation Units					
Number of units brought forward		–	–	6,929,786	3,686,574
Number of units issued during the year		–	–	9,810,092	6,783,052
Number of units redeemed during the year		–	–	(8,541,770)	(3,539,840)
Number of units carried forward	11	–	–	8,198,108	6,929,786
Class A (HKD) – Accumulation Units					
Number of units brought forward		–	–	58,404,302	48,224,577
Number of units issued during the year		–	–	77,827,225	50,326,585
Number of units redeemed during the year		–	–	(49,375,059)	(40,146,860)
Number of units carried forward	11	–	–	86,856,468	58,404,302
Class D (HKD) – Accumulation Units					
Number of units brought forward		–	–	13,009,176	7,549,888
Number of units issued during the year		–	–	15,459,521	17,584,627
Number of units redeemed during the year		–	–	(13,401,881)	(12,125,339)
Number of units carried forward	11	–	–	15,066,816	13,009,176

The notes on page 22 to page 42 form part of the financial statements.

Statement of Cash Flow

for the year ended 31 December 2023

	Hang Seng China Enterprises Index ETF		Hang Seng TECH Index ETF	
	Year ended 31 December 2023 (HKD)	Year ended 31 December 2022 (HKD)	Year ended 31 December 2023 (HKD)	Year ended 31 December 2022 (HKD)
Operating activities				
Payment for legal and professional fees	(156,523)	(50,399)	(10,662)	–
Payment for auditor's remuneration	(600,000)	(611,999)	(80,000)	(80,862)
Payment for management fees	(159,349,142)	(129,849,477)	(15,787,500)	(11,845,406)
Payment for fees paid to Trustee	(14,328,551)	(12,417,631)	(1,713,702)	(1,360,996)
Payment for investment transaction costs	(12,754,467)	(16,669,254)	(2,837,665)	(2,203,798)
Payment for formation cost	–	–	–	(1,884)
Payment for safe custody and bank charges	(1,155,079)	(938,315)	(113,945)	(87,482)
Other income received	–	–	3,000	1,037,681
Payment for other operating expenses	(11,998,693)	(7,783,215)	(1,388,724)	(1,162,378)
Net cash used in operating activities	(200,342,455)	(168,320,290)	(21,929,198)	(15,705,125)
Investing activities				
Payment for securities expenses	(3,434,826)	(3,597,562)	(165,116)	(298,029)
Distribution income received	894,312,873	812,508,482	14,578,979	15,794,285
Interest received	3,968,009	107,957	36,917	1,807
Proceeds from sale of investments	3,958,964,465	4,980,580,507	917,727,441	655,622,806
Payments for purchase of investments	(2,814,268,469)	(5,330,173,644)	(1,100,691,931)	(868,697,959)
Proceeds from settlement of futures contracts	48,252,982	45,780,333	1,750	–
Payments for settlement of futures contracts	(85,014,430)	(80,680,299)	–	–
Margin deposits placed with brokers	(9,961,045)	(17,654,367)	–	–
Net cash generated from/(used in) investing activities	1,992,819,559	406,871,407	(168,511,960)	(197,577,090)
Financing activities				
Payment for interest expenses	–	–	(3,972)	(2,700)
Proceeds on issue of units	2,122,879,432	2,929,437,883	821,278,995	612,894,611
Payments on redemption of units	(3,085,545,848)	(2,409,035,038)	(629,214,501)	(399,441,005)
Distributions paid to unitholders	(750,012,467)	(724,312,805)	–	–
Net cash (used in)/generated from financing activities	(1,712,678,883)	(203,909,960)	192,060,522	213,450,906
Net increase in cash and cash equivalents	79,798,221	34,641,157	1,619,364	168,691
Cash and cash equivalents at the beginning of the year	113,749,413	79,108,256	3,100,490	2,931,799
Cash and cash equivalents at the end of the year	193,547,634	113,749,413	4,719,854	3,100,490

Major non-cash transactions:

- (i) During the year ended 31 December 2023, unitholders subscribed for 2,184,900,000 units of Hang Seng China Enterprises Index ETF (2022: 2,512,600,000 units) by tendering a basket of the constituent stocks of Hang Seng China Enterprises Index with a market value of HKD141,995,335,461 (2022: HKD171,611,770,724).
- (ii) During the year ended 31 December 2023, unitholders tendered 2,162,800,000 units of Hang Seng China Enterprises Index ETF (2022: 2,259,200,000 units) in exchange for a basket of the constituent stocks of Hang Seng China Enterprises Index with a market value of HKD141,179,087,332 (2022: HKD154,742,673,849).
- (iii) During the year ended 31 December 2023, unitholder subscribed for 95,000,000 units of Hang Seng TECH Index ETF (2022: 299,500,000 units) by tendering a basket of the constituent stocks of Hang Seng TECH Index with market value of HKD373,695,589 (2022: HKD1,217,016,193).
- (iv) During the year ended 31 December 2023, unitholders tendered 37,000,000 units of Hang Seng TECH Index ETF (2022: 25,000,000 units) in exchange for a basket of the constituent stocks of Hang Seng TECH Index with a market value of HKD151,920,398 (2022: HKD103,377,147).

The notes on page 22 to page 42 form part of the financial statements.

Notes to the Financial Statements

1. Background

Hang Seng China Enterprises Index ETF and Hang Seng TECH Index ETF (the “Funds”) are authorised by the Securities and Futures Commission in Hong Kong (“SFC”) under Section 104(1) of the Hong Kong Securities and Futures Ordinance, and are governed by the Hong Kong Code on Unit Trusts and Mutual Funds (“the SFC Code”).

Hang Seng China Enterprises Index ETF was constituted by a Trust Deed dated 18 November 2003, as amended from time to time under the laws of Hong Kong, and registered on 19 November 2003 as a unit trust under the laws of Hong Kong; Hang Seng TECH Index ETF was constituted by a Trust Deed dated 18 November 2003, as amended from time to time under the laws of Hong Kong, and registered on 3 September 2020 as a unit trust under the laws of Hong Kong.

The investment objective of the Funds is to match, before expenses, as closely as practicable, the performance of Hang Seng China Enterprises Index and Hang Seng TECH Index (each “China Enterprises Index” and “TECH Index”, collectively the “Indexes”) respectively by holding a basket of the constituent stocks of the Indexes.

2. Material accounting policies

(a) Statement of compliance

The financial statements of the Funds have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, the relevant provisions of the respective Trust Deed, as amended, and the relevant disclosure provisions of the SFC Code issued by the SFC. A summary of the material accounting policies adopted by the Funds is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Funds. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Funds for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The functional and presentation currency of the financial statements is Hong Kong dollars, which is the reporting currency of the units in issue of the Funds. All figures are rounded to the nearest dollar.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investments and derivatives are stated at their fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires the Manager and the Trustee to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgement relate to the determination of fair value of suspended equities with significant unobservable inputs and are disclosed in note 15.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Financial Statements (continued)

2. Material accounting policies (continued)

(c) Income and expenses

Interest income and expenses are recognised as they accrue under the effective interest method using the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or financial liability. Dividend income is recognised when the underlying securities are quoted ex-dividend. Dividend income and interest income is presented gross of any non-recoverable withholding taxes, which are disclosed separately in profit or loss. All other income and expenses are accounted for on an accruals basis.

(d) Taxation

Taxation for the year comprises current tax which is recognised in profit or loss.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the date of statement of assets and liabilities. Current tax includes non-recoverable withholding taxes on investment income.

(e) Translation of foreign currency

Foreign currency transactions during the year are translated into Hong Kong dollars at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the foreign exchange rates ruling at the date of statement of assets and liabilities. Exchange gains and losses are recognised in profit or loss. Exchange differences relating to investments at fair value through profit or loss are included in gains/losses on investments.

(f) Financial instruments

(i) Classification

On initial recognition, the Funds classify financial assets as measured at amortised cost or fair value through profit or loss ("FVTPL").

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI").

All other financial assets of the Funds are measured at FVTPL.

Business model assessment

In making an assessment of the objective of the business model in which a financial asset is held, the Funds consider all of the relevant information about how the business is managed, including:

- the investment strategy in the offering document of the Funds and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Funds' management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

Notes to the Financial Statements (continued)

2. Material accounting policies (continued)

- how the compensation to investment manager is determined: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Funds' continuing recognition of the assets.

The Funds have determined that they have two business models.

- Held-to-collect business model: this includes amounts receivable on subscription of units, amounts receivable on sale of investments, dividend receivable, other accounts receivable, margin deposits and cash and cash equivalents. These financial assets are held to collect contractual cash flows.
- Other business model: this includes equity instruments and derivatives. These financial assets are managed and their performance is evaluated, on a fair value basis, with frequent sales taking place.

Assessment whether contractual cash flows are SPPI

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Funds consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Funds consider:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Funds' claim to cash flows from specified assets (e.g. non-recourse features); and
- features that modify consideration for the time value of money (e.g. periodical reset of interest rates).

The Funds classify their investments based on the business model and contractual cash flows assessment. Accordingly, the Funds classify all their equity instruments and derivatives into financial assets at FVTPL category. Financial assets measured at amortised cost include amounts receivable on subscription of units, amounts receivable on sale of investments, dividend receivable, other accounts receivables, margin deposits and cash and cash equivalents. Financial liabilities that are not at fair value through profit or loss include amounts payable on purchase of investments, amounts payable on redemption of units and accrued expenses and other payables.

All derivatives in a net receivable position (positive fair value) are classified as financial assets at fair value through profit or loss. All derivatives in a net payable position (negative fair value) are reported as financial liabilities at fair value through profit or loss.

Notes to the Financial Statements (continued)

2. Material accounting policies (continued)

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition unless the Funds were to change their business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

(ii) Recognition

The Funds recognise financial assets and financial liabilities on the date they become a party to the contractual provisions of the instruments.

A regular way purchase or sale of financial assets or financial liabilities at fair value through profit or loss is recognised on a trade date basis. From this date, any gains or losses arising from changes in fair value of the financial assets or financial liabilities at fair value through profit or loss are recorded.

Financial liabilities are not recognised unless one of the parties has performed their obligations under the contract or the contract is a derivative contract not exempted from the scope of HKFRS 9.

(iii) Measurement

Financial instruments are measured initially at fair value (transaction price). Transaction costs on financial assets and liabilities at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair values recognised in profit or loss.

Financial assets classified as measured at amortised cost are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate method.

(iv) Fair value measurement principles

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 in the principal or, in its absence, the most advantageous market to which the Funds have access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Funds measure the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Funds use valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Funds recognise transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

Net gains or losses on investments are included in profit or loss. Realised gains or losses on investments and unrealised gains or losses on investments arising from a change in fair value are provided in note 9. Net realised gains or losses from financial instruments at fair value through profit or loss is calculated using the average cost method.

Notes to the Financial Statements (continued)

2. Material accounting policies (continued)

(v) Derecognition

A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership, have been transferred.

Financial assets measured at FVTPL that are sold are derecognised and corresponding receivables from brokers are recognised as of the date the Funds commit to sell the assets.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

A regular way purchase or sale of financial assets or financial liabilities at fair value through profit or loss is recognised on a trade date basis. From this date, any gains or losses arising from changes in fair value of the financial assets or financial liabilities at fair value through profit or loss are recorded.

On derecognition of a financial asset, the difference between the carrying value of the asset and the consideration received is recognised in profit or loss.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of assets and liabilities when the Funds have a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis or simultaneously, e.g. through a market clearing mechanism.

(g) Related parties

(a) A person, or a close member of that person's family, is related to the Funds if that person:

- (i) has control or joint control over the Funds;
- (ii) has significant influence over the Funds; or
- (iii) is a member of the key management personnel of the Funds or the Funds' parent.

(b) An entity is related to the Funds if any of the following conditions applies:

- (i) The entity and the Funds are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of an entity related to the Funds.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity or any member of a group of which it is a part, provides key management personnel services to the Funds or to the Funds' parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Financial Statements (continued)

2. Material accounting policies (continued)

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(i) Units in issue

The Funds classify financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

A puttable financial instrument that includes a contractual obligation for the issuer to repurchase or redeem that instrument for cash or another financial asset is classified as equity instruments if it meets the following conditions:

- (i) it entitles the holder to a pro rata share of the Funds' net assets in the event of the Funds' liquidation;
- (ii) it is in the class of instruments that is subordinate to all other classes of instruments;
- (iii) all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- (iv) apart from the contractual obligation for the Funds to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- (v) the total expected cash flows attributable to the instrument over its life are based substantially on profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Funds over the life of the instrument.

Hang Seng China Enterprises Index ETF has only one class in issue and their redeemable units meet all of these conditions and are classified as equity instruments.

Hang Seng TECH Index ETF has multiple classes of redeemable units in issue. All the classes are the most subordinate classes of financial instruments in the fund and rank *pari passu* in all material respects and have the same terms and conditions. The redeemable units provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the fund's net assets at each redemption date, and also in the event of the fund's liquidation. The redeemable units of the fund are classified as financial liabilities and are measured at the present value of the redemption amounts.

(j) Segment reporting

An operating segment is a component of the Funds that engages in business activities from which they may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Funds' other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The chief operating decision maker of the Funds is identified as the Manager, Hang Seng Investment Management Limited.

(k) Income equalisation on subscriptions and redemptions

Income portion of received and receivable on issue of units or paid and payable on redemption of units is calculated based on the portion of the unit price related to undistributed accumulated net investment income and accumulated expenses of the unit at the date of issue or redemption.

(l) Investment transaction costs

Investment transaction costs are costs incurred to purchase or sale of investments at fair value through profit or loss. They include fees and commissions paid to agents, brokers and dealers. Transaction costs, when incurred, are immediately recognised in profit or loss as an expense.

Notes to the Financial Statements (continued)

2. Material accounting policies (continued)

(m) Formation costs

Formation costs of the Funds are charged to profit or loss as incurred.

3. Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Fund.

- Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimate*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

None of these impact on the accounting policies of the Fund.

The Fund has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 17).

4. Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as the income of the Funds are exempt from taxation under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

Taxation for the year represents non-recoverable withholding tax on dividend income which is recorded gross of withholding tax in profit or loss.

5. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss as of 31 December 2023 and 31 December 2022 are as follows:

	Hang Seng China Enterprises Index ETF		Hang Seng TECH Index ETF	
	Market Value		Market Value	
	2023 (HKD)	2022 (HKD)	2023 (HKD)	2022 (HKD)
Listed equities	31,028,130,506	35,801,119,710	2,953,418,094	2,797,990,147
Future contracts	6,063,250	861,574	–	–
Total financial assets at fair value through profit or loss	31,034,193,756	35,801,981,284	2,953,418,094	2,797,990,147

Notes to the Financial Statements (continued)

6. Financial risk management

The Funds maintain investment portfolios in the constituent stocks of the Indexes as dictated by their investment management strategy, but are not limited to equity instruments and derivatives. The Funds' investment objective is to match, before expenses, as closely as practicable, the performance of the Indexes against which the Funds are benchmarked. The Manager primarily adopts a replication strategy to achieve the investment objective of the Funds. When there is a change in the constituent stocks of the Indexes or the weighting of the constituent stocks in the Indexes, the Manager will be responsible for implementing any adjustment to the Funds' portfolio of stocks to ensure that the Funds' investment portfolios closely correspond to the composition of the Indexes and the weighting of each constituent stock.

The Funds' investing activities expose them to various types of risks that are associated with the financial instruments and markets in which they invest. To comply with HKFRS 7, the Manager has set out below the most important types of financial risks inherent in the financial instruments held by the Funds. The Manager would like to highlight that the following list of associated risks only sets out some of the risks but does not purport to constitute an exhaustive list of all the risks inherent in an investment in the Funds. Investors should note that additional information in respect of risks associated with the investments in the Funds can be found in the Funds' Hong Kong Offering Document ("HKOD").

The nature and extent of the financial instruments outstanding at the year end date and the risk management policies employed by the Funds are discussed below.

(a) Market risk

Market risk arises when the fair value and future cash flows of a financial instrument will fluctuate because of changes in market prices and includes price risk, interest rate risk and currency risk.

(i) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Funds are exposed to price risk arising from changes in market prices of equity instruments and market prices of the underlying indices or assets of derivatives.

The Manager constructs the portfolio through adopting a replication strategy. The Funds are not actively managed and the Manager does not have the discretion to select stocks or to take defensive position in a declining market. Hence, any fall in the underlying index will result in a corresponding fall in the value of the Funds.

All investments of the Funds are constituent stocks of the Indexes listed on The Stock Exchange of Hong Kong ("SEHK"). The Funds estimate the future reasonably possible market price fluctuations for equity investments on an overall basis. If the relevant indexes at 31 December 2023 had increased/decreased by 20% (2022: 20%), it is estimated that the net assets attributable to unitholders of the Funds would have increased/decreased accordingly as shown below. The analysis assumes that all other variables, in particular, interest rates remain constant.

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

Fund	Currency	Benchmark/Underlying Assets	Estimated Increase/(Decrease) in Net Assets Attributable to Unitholders			
			If Underlying Assets Increased by 20%	If Underlying Assets Increased by 20%	If Underlying Assets Decreased by 20%	If Underlying Assets Decreased by 20%
			2023	2022	2023	2022
Hang Seng China Enterprises Index ETF	HKD	Hang Seng China Enterprises Index	6,251,414,501	7,185,573,942	(6,251,414,501)	(7,185,573,942)
Hang Seng TECH Index ETF	HKD	Hang Seng TECH Index	590,683,619	559,598,029	(590,683,619)	(559,598,029)

(ii) Interest rate risk

Interest rate risk arises from changes in interest rates which may inversely affect the value of interest bearing assets and therefore results in potential gain or loss to the Funds. Except for bank deposits, all the financial assets and liabilities of the Funds are non-interest bearing. As a result, the Funds have limited exposure to interest rate risk.

(iii) Currency risk

All the financial assets and liabilities of the Funds are denominated in Hong Kong dollars, the functional currency of the Funds, and as such the Funds have limited exposure to currency risk.

(b) Credit risk

Analysis of credit risk management policy and concentration of credit risk

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high quality of the brokers used. The Manager monitors the credit rating and financial positions of the brokers used to further mitigate this risk.

HSBC Institutional Trust Services (Asia) Limited is the Trustee of the Funds. Bankruptcy or insolvency of the Trustee may cause the Funds' rights with respect to the assets to be delayed or limited. The Manager monitors the risk by monitoring the credit quality of the Trustee on an on-going basis.

All of the investments of the Funds are held by The Hongkong and Shanghai Banking Corporation Limited (the "Custodian"). Bankruptcy or insolvency of the Custodian may cause the Funds' rights with respect to investments held by the Custodian to be delayed or limited. The Manager monitors its risk by monitoring the credit rating of the Custodian on an on-going basis.

All of the cash held by the Funds are deposited with The Hongkong and Shanghai Banking Corporation Limited ("HSBC"). Bankruptcy or insolvency of HSBC may cause the Funds' rights with respect to the cash held by HSBC to be delayed or limited. The Manager monitors its risk by monitoring the credit rating of HSBC on an on-going basis.

Other than outlined above, there were no significant concentrations of credit risk to counterparties at 31 December 2023 and 31 December 2022.

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Funds will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Funds.

The Funds and the Manager have policies and procedures to manage liquidity to meet its liability including estimated redemption of units, as and when due, without incurring undue losses or risking damage to the Funds' reputation.

HKOD provide for the daily creation and cancellation of units and the Funds are therefore exposed to the liquidity of meeting unitholder redemptions daily. All other financial liabilities are repayable on demand or have contractual maturities less than three months.

The majority of the Funds' financial assets are listed equity investments which are considered to be readily realisable as they are all listed on the SEHK. As a result, the Funds are able to liquidate quickly its investments in order to meet its liquidity requirements.

The Funds' liquidity risk is managed on a daily basis by the Manager in accordance with the policies and procedures in place. The Funds' redemption policy allows redemption to be made:

- through participating dealers by any investor with a basket of constituent stocks of the Indexes and a minor cash component, or wholly with cash. The minimum redemption units for Hang Seng China Enterprises Index ETF and Hang Seng TECH Index ETF are 100,000 units and 500,000 units respectively;
- through the Manager by the feeder funds with a basket of constituent stocks of the Indexes and a minor cash component or wholly with cash at a minimum of 1 unit, the feeder funds of Hang Seng China Enterprises Index ETF are Hang Seng China Enterprises Index Fund and Hang Seng China Enterprises Index Tracking Fund under the HSBC/Hang Seng MPF.

The Manager has the right to declare suspension of unitholders' right to redeem units under certain conditions, such as when SEHK is closed; dealings on the SEHK or the Hong Kong Futures Exchange Limited are restricted or suspended; or the Indexes are not compiled or published, etc. in accordance with the HKOD.

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(d) Derivatives

The table which states the Funds' holdings in futures contracts as of the year end date translated into their reporting currencies is also shown below:

Fund	Currency	Year	Number of contracts	Weighted average contract index price	Contract amount	Expiration date	Underlying investments	Fair value assets	Fair value (liabilities)
Hang Seng China Enterprises Index ETF	HKD	2023	790	5,643	222,878,750	1/2024	Hang Seng China Enterprises Index	6,063,250	-
	HKD	2022	375	6,714	125,888,426	1/2023	Hang Seng China Enterprises Index	861,574	-

(e) Capital Management

The Funds' capital as at the year end date is represented by their redeemable units.

The Funds' objective in managing the capital is to ensure a stable and strong base to maximise returns to all investors, and to manage liquidity risk arising from the redemptions. The Manager manages the capital of the Funds in accordance with the Funds' investment objectives and policies stated in the HKOD.

There were no changes in the policies and procedures during the year with respect to the Funds' approach to its capital management.

The Funds are not subject to externally imposed capital requirements.

The amount and the movement of equity are stated in the statement of changes in equity. As the redeemable units are redeemed on demand at the unitholders' option, the actual level of redemption may differ significantly from the historic experience.

7. Dividend income

The amounts of dividend income and net dividend income, which was net of any non-recoverable withholding taxes, earned by the Funds during the year are shown below.

Fund	Currency	Dividend income		Withholding taxes		Net Dividend Income	
		2023	2022	2023	2022	2023	2022
Hang Seng China Enterprises Index ETF	HKD	1,011,627,069	884,232,229	(80,398,809)	(72,220,403)	931,228,260	812,011,826
Hang Seng TECH Index ETF	HKD	18,101,267	15,993,542	(210,880)	(199,257)	17,890,387	15,794,285

Notes to the Financial Statements (continued)

8. Interest income

During the year, the Funds earned interest income from cash and cash equivalents as shown in the table below.

Fund	Currency	Cash and cash equivalent		Net Interest Income	
		2023	2022	2023	2022
Hang Seng China Enterprises Index ETF	HKD	4,032,630	109,900	4,032,630	109,900
Hang Seng TECH Index ETF	HKD	37,079	1,863	37,079	1,863

9. Net losses on investments

During the year, the Funds disposed of equity instruments and derivatives and earned or incurred realised and unrealised gains or losses as shown below.

Fund	Currency	Net losses on investments in equity instruments		Net losses on investments in derivatives		Net losses on investments	
		2023	2022	2023	2022	2023	2022
Hang Seng China Enterprises Index ETF	HKD	(4,455,069,292)	(3,838,347,051)	(31,559,772)	(34,038,400)	(4,486,629,064)	(3,872,385,451)
Hang Seng TECH Index ETF	HKD	(245,631,857)	(568,648,412)	1,750	-	(245,630,107)	(568,648,412)

Fund	Currency	Realised losses from investments		Movement on unrealised gains or losses		Net losses on investments	
		2023	2022	2023	2022	2023	2022
Hang Seng China Enterprises Index ETF	HKD	(1,014,894,614)	(8,092,420,690)	(3,471,734,450)	4,220,035,239	(4,486,629,064)	(3,872,385,451)
Hang Seng TECH Index ETF	HKD	(249,502,337)	(323,846,083)	3,872,230	(244,802,329)	(245,630,107)	(568,648,412)

Notes to the Financial Statements (continued)

10. Transactions with the Trustee, the Manager and their Connected Persons

The following is a summary of significant related party transactions or transactions entered into during the year between the Fund and the Trustee, the Manager and their Connected Persons. Connected Persons are those as defined in the SFC Code issued by the SFC. All transactions during the year between the Fund, the Trustee, the Manager and their Connected Persons were entered into in the ordinary course of business and under normal commercial terms. To the best of the knowledge of the Trustee and the Manager, the Fund did not have any other transactions with the Trustee, the Manager and their Connected Persons except for those disclosed below. The relevant receivables and payables are unsecured, interest-free and repayable on demand.

- (a) Hang Seng Investment Management Limited, a wholly-owned subsidiary of Hang Seng Bank (“HSB”), which is a member of the HSBC Group, is the Manager of the Funds. The Manager earns management fees at a rate of 0.55% of net asset value per annum. Management fees are calculated as at each dealing day and payable monthly. Management fees paid during the year and management fees payable to the Manager at the year end date are shown below.

	Hang Seng China Enterprises Index ETF		Hang Seng TECH Index ETF	
	2023 (HKD)	2022 (HKD)	2023 (HKD)	2022 (HKD)
Management fees paid during the year	160,234,595	133,223,233	15,823,149	12,216,045
Management fee payable	14,228,538	13,343,085	1,355,904	1,320,255

- (b) HSBC Institutional Trust Services (Asia) Limited, a member of the HSBC Group was appointed as the Trustee of the Funds. The Trustee earns trustee’s fee based on the fee table below.

	Hang Seng China Enterprises Index ETF	Hang Seng TECH Index ETF
Trustee’s fee rate (p.a.)	0.0475%	0.0475%
Minimum monthly trustee’s fees (in HKD)	–	7,500
Processing fee for handling each purchase or sale of investments (in HKD)	35	35
Valuation fee per valuation (in HKD)	400	400
Processing fee for handling each creation/redemption/transfer of units (in HKD)	100	100

Notes to the Financial Statements (continued)

10. Transactions with the Trustee, the Manager and their Connected Persons (continued)

The Trustee also earned fees for providing various services to the Funds during the year as shown below. Details of such fee paid during the year and such fees payable at the year end date shown below:

	Hang Seng China Enterprises Index ETF		Hang Seng TECH Index ETF	
	2023 (HKD)	2022 (HKD)	2023 (HKD)	2022 (HKD)
Transaction fees paid to trustee				
– paid to HSBC Institutional Trust Services (Asia) Limited	318,600	323,900	186,500	164,900
Trustee's fees				
– paid to HSBC Institutional Trust Services (Asia) Limited	13,622,165	11,505,643	1,366,545	1,055,022
Registrar's fees				
– paid to HSBC Institutional Trust Services (Asia) Limited	20,788	15,600	16,062	15,600
Valuation fees				
– paid to HSBC Institutional Trust Services (Asia) Limited	97,200	98,400	97,200	98,400
Financial reporting fee				
– paid to HSBC Institutional Trust Services (Asia) Limited	393,469	525,122	67,366	79,619
Fees payable to Trustee				
– paid to HSBC Institutional Trust Services (Asia) Limited	1,846,863	1,723,192	188,752	168,781

(c) HSBC acts in the role as one of the Participating Dealers of the Funds and performed in-kind and in-cash creation and redemption in units of the Funds. The Funds also utilise the services of HSBC for part of the purchase and sale of investments for the year ended 31 December 2023. Details of such transactions executed and fees paid during the year are shown below.

	Hang Seng China Enterprises Index ETF		Hang Seng TECH Index ETF	
	2023 (HKD)	2022 (HKD)	2023 (HKD)	2022 (HKD)
Value of in-kind creation through HSBC (in HKD)	5,836,137,969	2,682,904,102	–	–
Units subscribed through HSBC from in-kind creation (units)	91,100,000	39,500,000	–	–
Value of in-kind redemption through HSBC (in HKD)	5,134,534,766	12,226,406,616	–	–
Units redeemed through HSBC from in-kind redemption (units)	79,700,000	196,400,000	–	–
Value of in-cash creation through HSBC (in HKD)	–	–	–	–
Units subscribed through HSBC from in-cash creation (units)	–	–	–	–

	Hang Seng China Enterprises Index ETF		Hang Seng TECH Index ETF	
	2023	2022	2023	2022
Value of transactions executed through HSBC (in HKD)	11,745,217,074	15,673,384,801	1,721,311,108	1,434,948,808
Share of total value of transactions of the Fund	4.05%	4.66%	67.65%	50.47%
Commission paid to HSBC (in HKD)	92,875	152,717	86,071	80,211
Average commission rate	0.00%	0.00%	0.01%	0.01%

Notes to the Financial Statements (continued)

10. Transactions with the Trustee, the Manager and their Connected Persons (continued)

(d) Also, the Funds utilise the services of HSBC and pay securities expenses and safe custody and bank charges to HSBC. Details of such fees paid during the year and such fees payable at the year end date are shown below.

	Hang Seng China Enterprises Index ETF		Hang Seng TECH Index ETF	
	2023 (HKD)	2022 (HKD)	2023 (HKD)	2022 (HKD)
Securities expenses paid to HSBC during the year	3,832,102	3,657,646	201,188	224,021
Safe custody and bank charges paid to HSBC during the year	1,159,346	966,653	114,488	90,057
Securities expenses payable to HSBC as of year end	648,912	251,636	54,353	18,281
Safe custody payable to HSBC as of year end	106,060	101,794	10,043	9,499

(e) The Funds have been licensed by Hang Seng Indexes Company Limited ("HSIL"), a wholly-owned subsidiary of HSB, to use China Enterprises Index or TECH Index to create, offer, market and sell the Hang Seng China Enterprises Index ETF or Hang Seng TECH Index ETF respectively during the year. For Hang Seng China Enterprises Index ETF, license fee paid to HSIL during the year amounted to HKD11,652,754 (2022: HKD9,688,962). License fee payable to HSIL at the year end was HKD2,970,632 (2022: HKD2,502,041). For Hang Seng TECH Index ETF, license fee paid to HSIL during the year amounted to HKD1,150,775 (2022: HKD888,440) and license fee payable to HSIL at the year-end was HKD297,682 (2022: HKD243,791).

(f) Certain bank accounts are maintained with HSBC. The bank balances as at year end date, interest income earned during the year and interest receivable as at year end date are shown below.

	Hang Seng China Enterprises Index ETF		Hang Seng TECH Index ETF	
	2023 (HKD)	2022 (HKD)	2023 (HKD)	2022 (HKD)
HSBC bank balances as of year end	193,547,634	113,749,413	4,719,854	3,100,490
Interest income earned from HSBC during the year	4,032,630	109,900	37,079	1,863
Interest receivable from HSBC as of year end	66,753	2,131	218	56

(g) As at the year end date, Hang Seng China Enterprises Index ETF maintained margin deposits in HSBC with amounts of HKD27,615,412 (2022: HKD17,654,367). In addition, Hang Seng China Enterprises Index ETF do utilise the services of HSBC in the transactions of future contracts during the year and paid commission of HKD629,198 (2022: HKD295,659).

Notes to the Financial Statements (continued)

10. Transactions with the Trustee, the Manager and their Connected Persons (continued)

(h) HSBC provides an uncommitted overdraft facility to the Funds. The details of the uncommitted overdraft facility and interest expenses paid during the year are shown below.

Fund	Currency	Year	Uncommitted overdraft facility as at 31 December	Interest rate	Interest expenses paid during the year
Hang Seng China Enterprises Index ETF	HKD	2023	Lesser of: (i) USD50,000,000; (ii) 10% of net value assets in HSBC custody; and (iii) 10% of net asset value	USD Best Lending Rate	-
		2022	Lesser of: (i) USD50,000,000; (ii) 10% of net value assets in HSBC custody; and (iii) 10% of net asset value	USD Best Lending Rate	-
Hang Seng TECH Index ETF	HKD	2023	Lesser of: (i) USD7,360,000; (ii) 5% of net value assets in HSBC custody; and (iii) 5% of net asset value	USD Best Lending Rate	3,972
		2022	Lesser of: (i) USD7,360,000; (ii) 5% of net value assets in HSBC custody; and (iii) 5% of net asset value	USD Best Lending Rate	2,700

(i) The directors and officers of the Manager may transact in the units of the Funds as principal. As at 31 December 2023, the directors and officers of the Manager together held 5,600 (2022: 5,600) and 29,632 (2022: 29,632) units in Hang Seng China Enterprises Index ETF and Hang Seng TECH Index ETF respectively.

11. Units in issue and net asset value per unit

The units in issue and net asset value per unit as at 31 December 2023 and 31 December 2022 were shown below.

	Class of units (Currency)	2023		2022	
		Units in issue	NAV per unit	Units in issue	NAV per unit
Hang Seng China Enterprises Index ETF	Listed Class (HKD)	534,610,472	HKD58.4573	529,942,463	HKD67.7938
Hang Seng TECH Index ETF	Listed Class (HKD)	592,500,000	HKD3.7312	534,500,000	HKD4.0981
	Unlisted Class – Class A (USD) – Accumulation Units	8,198,108	HKD35.5117	6,929,786	HKD39.0056
	Unlisted Class – Class A (HKD) – Accumulation Units	86,856,468	HKD5.1807	58,404,302	HKD5.6898
	Unlisted Class – Class D (HKD) – Accumulation Units	15,066,816	HKD0.4577	13,009,176	HKD0.5027

Notes to the Financial Statements (continued)

12. Reconciliation of net asset values

The Trustee and the Manager would like to highlight that the principles for calculating the published unit price as set out in the HKOD are different from those required for calculating the net assets attributable to unitholders and hence the corresponding net asset value per unit for financial reporting purposes under HKFRSs. The net assets attributable to unitholders as reported in the financial statements are therefore different from the adjusted total net assets for valuation purposes at the reporting dates.

Hang Seng TECH Index ETF commenced on 2 September 2020. Formation costs of listed class of the fund were HKD1,381,100 and charged to statement of comprehensive income as incurred in accordance with HKFRSs. Per the HKOD of Hang Seng TECH Index ETF, the formation costs of listed class are amortised over the first five accounting periods of fund and as of 31 December 2023, the remaining amortisation period was 20 months and the balance was HKD461,222.

The unlisted classes were established on 28 June 2021. Formation costs of unlisted classes of the fund were HKD576,680 and charged to statement of comprehensive income as incurred in accordance with HKFRSs. Per the HKOD of Hang Seng TECH Index ETF, the formation costs of unlisted classes are amortised over the first five accounting periods of fund and as of 31 December 2023, the remaining amortisation period was 30 months and the balance was HKD356,337.

The reconciliation between the net assets attributable to unitholders as reported in the financial statements and the adjusted total net asset value for valuation purposes is shown below.

	Hang Seng TECH Index ETF	
	2023 (HKD)	2022 (HKD)
Net assets attributable to unitholders as reported in the financial statements	2,958,729,181	2,799,583,576
Adjustments for different principles adopted by the Fund in arriving at the adjusted total net assets for valuation purposes:		
– Formation costs	817,559	1,143,326
Adjusted total net assets for valuation purposes	2,959,546,740	2,800,726,902

13. Soft dollar commission

As regards to the Funds, the Manager has not entered into any soft dollar commission arrangements with brokers.

Notes to the Financial Statements (continued)

14. Distributions

Details of distributions during the year are shown below:

Fund	Date of Cash Dividend Determination	Date of Cash Dividend Determination	Distribution per Unit	Distribution per Unit
	2023	2022	2023	2022
Hang Seng China Enterprises Index ETF	19-09-2023	19-09-2022	HKD1.42	HKD0.90
	29-06-2023	23-06-2022	HKD0.20	HKD1.15

	Hang Seng China Enterprises Index ETF	
	Year ended 31 December 2023	Year ended 31 December 2022
	(HKD)	(HKD)
Undistributed income brought forward	384,605,782	150,362,165
Income/(Loss) before losses on investments	814,057,007	710,200,085
Taxation	(80,398,809)	(72,220,403)
Income portion of received and receivable on issue of units	3,565,591,007	3,653,943,996
Income portion of paid and payable on redemption of units	(3,538,214,952)	(3,333,367,256)
Amount available for distribution to unitholders	1,145,640,035	1,108,918,587
Distribution to unitholders	(750,012,467)	(724,312,805)
Undistributed income carried forward	395,627,568	384,605,782

According to the Hong Kong Offering Document of Hang Seng Investment Index Funds Series, the Manager does not propose to make any distributions in respect of units in Hang Seng TECH Index ETF.

15. Fair value information

The Funds' investments are measured at fair value on the date of the statement of assets and liabilities. Fair value estimates are made at a specified point in time, based on market conditions and information about the financial instruments. With the involvement of unobservable factors and judgement, fair value can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including amounts receivable on subscription of units, amounts receivable on sale of investments, dividend receivable, other accounts receivable, margin deposits, cash and cash equivalents, amounts payable on purchase of investments, amounts payable on redemption of units and accrued expenses and other payables, the carrying amounts approximate fair value due to the intermediate or short-term nature of these financial instruments.

Valuation of financial instruments

The Funds' accounting policy on fair value measurements is detailed in accounting policy in note 2(f)(iv). The Funds measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). The category includes instruments valued using: quoted market price in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Notes to the Financial Statements (continued)

15. Fair value information (continued)

- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Majority of investments held by the Funds are listed on SEHK. Their fair values are based on quoted market prices in active markets and grouped into Level 1 investment in the fair value hierarchy. Level 3 investments represent equity instruments which was unlisted and suspended for trading and in these financial statements they were valued through market approach using comparable analysis based on relevant news and information. For all other financial instruments, their carrying amounts approximate fair value due to the intermediate or short-term nature of these financial instruments.

The table below presents the carrying value of financial instruments measured at fair value at the date of the statement of assets and liabilities across the three levels of fair value hierarchy. As of 31 December 2023 and 31 December 2022, Level 3 financial instrument represent Sunac China.

	Hang Seng China Enterprises Index ETF		Hang Seng TECH Index ETF	
	2023 (HKD)	2022 (HKD)	2023 (HKD)	2022 (HKD)
Assets				
Level 1				
– Listed equities	31,028,130,506	35,788,039,910	2,953,418,094	2,797,990,147
– Future contracts	6,063,250	861,574	–	–
Total	31,034,193,756	35,788,901,484	2,953,418,094	2,797,990,147
Level 3				
– Unlisted equity	–	13,079,800	–	–
Total	31,034,193,756	35,801,981,284	2,953,418,094	2,797,990,147

During the year, the suspended equity investments were transferred from Level 3 to Level 1 because these instruments were resumed trading and therefore their public price quotation in an active market is now available.

The reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy is shown below.

	Hang Seng China Enterprises Index ETF	
	2023 (HKD)	2022 (HKD)
Fair value at the beginning of the year	13,079,800	–
Purchases of investments	–	–
Sales of investments	–	–
Realised losses from investments	–	–
Movement on unrealised losses or gains	5,346,487	(30,646,829)
Transfers into Level 3	–	43,726,629
Transfers out of Level 3	(18,426,287)	–
Fair value at the end of the year	–	13,079,800

Notes to the Financial Statements (continued)

15. Fair value information (continued)

Quantitative information of significant unobservable inputs – Level 3

The following table presents the information about significant unobservable inputs and valuation techniques used at 31 December 2022 in measuring the financial instruments categorised as Level 3 of the fair value hierarchy.

Fund	Currency	Description	Year	Fair value as of year end	Valuation techniques	Unobservable inputs
Hang Seng China Enterprises Index ETF	HKD	Equities	2022	13,079,800	Market Approach (comparable analysis)	Discount for lack of marketability

The following table presents the significant unobservable inputs used in the fair value measurement categorised with Level 3 of the fair value hierarchy together with a sensitivity analysis.

Fund	Currency	Description	Year	Unobservable inputs	Change in unobservable inputs	Effect on the net assets attributable to unitholders
Hang Seng China Enterprises Index ETF	HKD	Equities	2022	Discount for marketability	5% (5%)	2,186,331 (2,186,331)

16. Segment information

The Manager makes strategic resource allocation on behalf of the Funds and determines operating segments based on internal reports reviewed which are used to make strategic decisions.

The Manager considers that the Funds have one single operating segment based on one single, integrated investment strategy by investing in constituent stocks of the Indexes with the objective to match, before expenses, as closely as practicable, the performance of the Indexes as stipulated in the HKOD. There were no changes in the operating segment during the year.

Major revenues generated by the Funds are from listed equities. The segment information provided to the Manager is the same as that disclosed in the statement of comprehensive income and statement of assets and liabilities.

The Funds are domiciled in Hong Kong. Majority of the Funds' income from investments is from equities listed in Hong Kong. Please refer to note 5 for details.

Notes to the Financial Statements (continued)

17. Possible impact of amendments issued but not yet effective for the year ended 31 December 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements.

Of these developments, the following may be relevant to the Funds' operations and financial statements:

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")	1 January 2024
Amendments to HKAS 21, The effects of changes in foreign exchange rates: Lack of exchangeability	1 January 2025

The Funds are in the process of making an assessment of what the impact of these amendments and interpretations is expected to be in the period of initial application. So far they have concluded that the adoption of them is unlikely to have a significant impact on the Funds' results of operations and financial position.

Performance of the Indexes and the ETFs (Unaudited)

For the period from 1 January 2023 to 31 December 2023 and the comparison with the same period in 2022

Performance in HK Dollar

Fund/Index	For the period from 1 January 2023 to 31 December 2023	For the period from 1 January 2022 to 31 December 2022
Hang Seng China Enterprises Index ETF*	(11.56%)	(16.34%)
Hang Seng China Enterprises Index [#]	(10.99%)	(15.87%)
Hang Seng TECH Index ETF*	(8.96%)	(27.19%)
Hang Seng TECH Index [#]	(8.26%)	(26.67%)

Source: NAV is provided by HSBC Institutional Trust Services (Asia) Limited. The performance information of the ETFs are provided by the Manager. Index information is provided by Hang Seng Indexes Company Limited.

* Performance is calculated in base currency with NAV to NAV, dividend (if any) reinvested. The performance information presented is calculated based on the assumption that there were no distribution to Unitholders, and is for reference only.

To achieve comparability among funds' performance presentations in the market for investors, the Manager is to change the methodology used to calculate portfolio and composite returns with effective from 1 September 2022 onward. The change is the total return with dividend reinvested at ex-dividend date instead of payment date. Performance data published prior to 1 September 2022 is incomparable with the performance calculated by the new calculation methodology.

[#] Performance is calculated in total return with dividend reinvested, net of withholding tax.

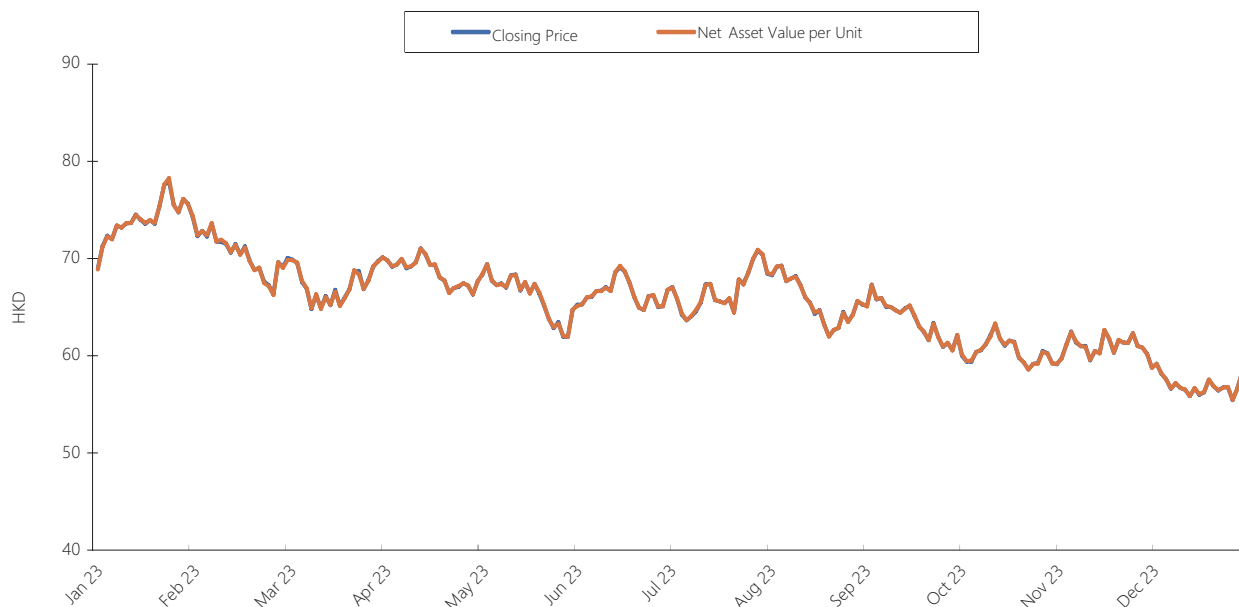
Investors should note that all investment involve risks (including the possibility of loss of the capital invested), prices of fund units may go up as well as down and past performance is not indicative of future performance. Investors should read the relevant fund's offering documents (including the full text of the risk factors stated therein) in detail before making any investment decision.

Comparison of Daily Closing Price and Net Asset Value per Unit of the ETFs (Unaudited)

For the period from 1 January 2023 to 31 December 2023 and the comparison with the same period in 2022

Hang Seng China Enterprises Index ETF

Comparison of Daily Closing Price and Net Asset Value per Unit for the period from 1 January 2023 to 31 December 2023



Comparison of Daily Closing Price and Net Asset Value per Unit for the period from 1 January 2022 to 31 December 2022



Comparison of Daily Closing Price and Net Asset Value per Unit of the ETFs (Unaudited) (continued)

For the period from 1 January 2023 to 31 December 2023 and the comparison with the same period in 2022

Hang Seng TECH Index ETF

Comparison of Daily Closing Price and Net Asset Value per Unit for the period from 1 January 2023 to 31 December 2023



Comparison of Daily Closing Price and Net Asset Value per Unit for the period from 1 January 2022 to 31 December 2022



Index Constituent Stocks Disclosure (Unaudited)

The following are those constituent stocks that accounted for more than 10% of the weighting of the indexes.

As at 31 December 2023

Fund	Index	Constituent Stocks	Weighting of the Index (%)
Hang Seng China Enterprises Index ETF	As of 31 December 2023, there was no constituent stock that accounted for more than 10% of the weighting of the Hang Seng China Enterprises Index.		
Hang Seng TECH Index ETF	As of 31 December 2023, there was no constituent stock that accounted for more than 10% of the weighting of the Hang Seng TECH Index.		

As at 31 December 2022

Fund	Index	Constituent Stocks	Weighting of the Index (%)
Hang Seng China Enterprises Index ETF	As of 31 December 2022, there was no constituent stock that accounted for more than 10% of the weighting of the Hang Seng China Enterprises Index.		
Hang Seng TECH Index ETF	As of 31 December 2022, there was no constituent stock that accounted for more than 10% of the weighting of the Hang Seng TECH Index.		

Report on Investment Overweight in Constituent Stocks of the Index by the ETFs (Unaudited)

From 1 January 2023 to 31 December 2023

As stated in the Hong Kong Offering Document of the Funds, if a representative sampling strategy is implemented when investing for the Fund, the Manager (Hang Seng Investment Management Limited) will apply such strategy in accordance with the Fund's relevant investment restrictions thereby enabling the Manager to overweight the constituent stocks of the Index relative to their respective weightings in the Index in accordance with the below limits.

Stock's weight in the Index	Maximum extra weighting to be allocated
Below 10%	4% ¹
10%-30%	4%
30%-50%	3%
Above 50%	2%

¹ Where the weighting of a constituent stock in the Index is below 10% and if the total allocation to this constituent stock is still below 10% after allocating the maximum extra weighting of 4%, the total allocation to it may be adjusted up to maximum of 10%.

During the period from 1 January 2023 to 31 December 2023, the Manager has adopted a full replication strategy when investing for the Hang Seng China Enterprises Index ETF and Hang Seng TECH Index ETF, hence the above restriction is not applicable.

Portfolio Carbon Footprint (Unaudited)

From 1 January 2023 to 31 December 2023

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

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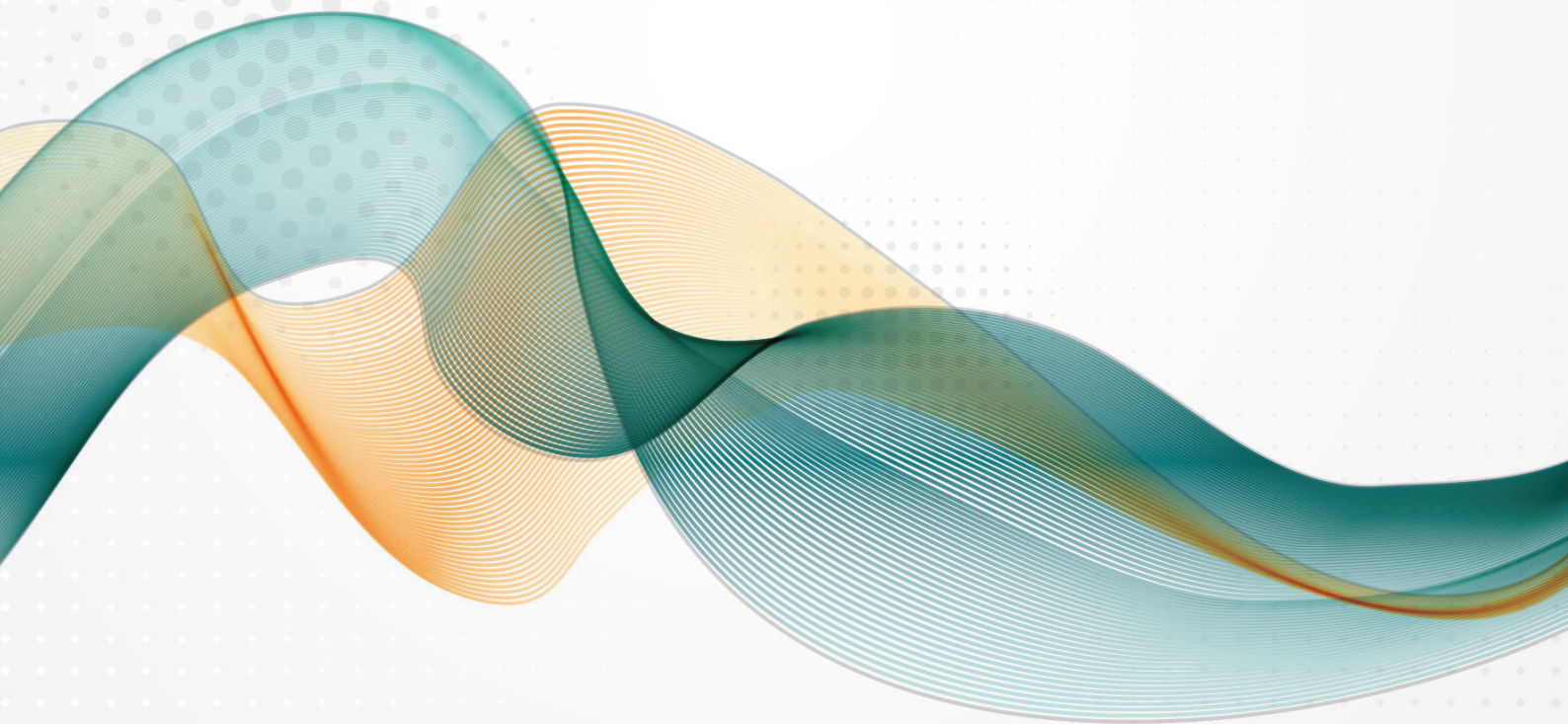
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