



Tracker Fund of Hong Kong

Stock Code: 2800/82800
Website: www.trahk.com.hk

ANNUAL REPORT 2022

1st January 2022 to 31st December 2022



恒生投資
HANG SENG INVESTMENT

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STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

Manager's responsibilities

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

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

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

Trustee's responsibilities

The Trustee of the Fund is required to:

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

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

We hereby confirm that, in our opinion, the Manager has, in all material respects, managed the Fund in accordance with the provisions of the Trust Deed for the year ended 31st December 2022.

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

(authorized signature(s))
19th April 2023

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

What we have audited

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

- the Statement of Net Assets as at 31st December 2022;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Net Assets Attributable to Unitholders of Redeemable Units for the year then ended;
- the Statement of Cash Flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31st December 2022, and of its financial transactions and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

INDEPENDENT AUDITOR'S REPORT

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

Key Audit Matters

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation and existence of investments</p>	<p>1. Our work included an assessment of the key controls over the valuation and existence of the investments, which included the following:</p>
<p>Listed investments</p>	<ul style="list-style-type: none"> • We developed an understanding of the control objectives and related controls relevant to our audit of the Fund by obtaining the service organization internal control reports provided by the trustee setting out the controls in place, and the independent service auditor's assurance report over the design and operating effectiveness of those controls.
<p>The investments as at 31st December 2022 comprised of listed equities valued at HK\$130,455,463,973.</p>	<ul style="list-style-type: none"> • We evaluated the tests undertaken by the service auditor, the results of the tests undertaken and the opinions formed by the service auditor on the design and operating effectiveness of the controls, to the extent relevant to our audit of the Fund.
<p>We focused on the valuation and existence of listed investments because they represented the principal element of the Fund's net asset value as at 31st December 2022.</p>	
<p>Refer to note 13 to the financial statements.</p>	

INDEPENDENT AUDITOR'S REPORT

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

Key Audit Matter (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
	<p>2. We tested the existence of investments by obtaining direct confirmations from the custodians and agreeing the Fund's holdings of investments to the confirmations.</p> <p>3. We tested the valuation of the Fund's investments by comparing the pricing used by the Fund to external pricing sources as at 31st December 2022.</p> <p>Based on the procedures we performed, we found no material exceptions from our testing.</p>

Other Information

The manager (the "Manager") of the Fund is responsible for the other information, except the report of the Trustee to Unitholders of Tracker Fund of Hong Kong, which the trustee (the "Trustee") of the Fund is responsible to issue. The other information comprises all of the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

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

Responsibilities of the Manager for the Financial Statements

The Manager of the Fund is responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager of the Fund is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

In addition, the Manager of the Fund is required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 23rd October 1999, as amended or supplemented from time to time (the "Trust Deed") and the relevant disclosure provisions of Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (the "SFC Code").

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Fund have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19th April 2023

STATEMENT OF NET ASSETS

AS AT 31ST DECEMBER 2022

	Notes	31.12.2022 HK\$	31.12.2021 HK\$
Assets			
Current assets			
Investments	13(b), (h)	130,455,463,973	99,905,342,712
Due from brokers		22,330,912	–
Dividend receivable		7,374,143	7,992,971
Amounts receivable on creation of units		7,932,535	849,754
Interest receivable		1,010	–
Bank balances	7(f), 13(d)	<u>322,298,636</u>	<u>191,701,628</u>
Total assets		<u>130,815,401,209</u>	<u>100,105,887,065</u>
Liabilities			
Current liabilities			
Management fee payable	7(d)	6,269,847	8,115,737
Trustee fee payable	7(e)	14,881,627	16,015,567
Index license fee payable	7(i)	4,319,146	3,732,496
Registrar fee payable	9(a)	184,745	323,843
Professional fee payable		119,000	178,500
Amounts payable on redemption of units		542,142	532,242
Due to brokers		10,726,739	–
Other accounts payable and accruals		<u>7,591,501</u>	<u>5,491,787</u>
Liabilities (excluding net assets attributable to unitholders of redeemable units)		<u>44,634,747</u>	<u>34,390,172</u>
Net assets attributable to unitholders of redeemable units	5	<u><u>130,770,766,462</u></u>	<u><u>100,071,496,893</u></u>

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

(authorized signature(s)) 19th April 2023

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2022

	Notes	For the year ended 31.12.2022 HK\$	For the year ended 31.12.2021 HK\$
Income			
Dividends	7(h)	3,763,121,945	2,454,282,699
Bank interest	7(f), 4(c)	15,246,062	1,232,441
Transaction fee	4(a)	11,925,000	10,890,000
Other income	4(b)	3,135,426	3,543,286
Net loss on investments	3	(12,756,399,047)	(13,182,103,597)
Total investment loss		(8,962,970,614)	(10,712,155,171)
Expenses			
Management fee	7(d)	32,767,203	32,236,058
Trustee fee	7(e)	32,956,596	32,065,971
Index license fee	7(i)	16,524,364	14,635,336
Transaction costs on investments	8	44,941,477	74,803,638
Registrar fee	9(a)	1,884,265	1,881,331
Publication and printing expenses		2,817,743	2,452,345
Conversion agent fee	9(b)	9,732,000	8,904,000
Audit fee		797,340	628,280
Bank charges	7(g)	737,471	651,733
Legal and other professional fees		808,265	889,994
Other operating expenses		4,372,663	2,746,868
Total operating expenses		148,339,387	171,895,554
Operating loss		(9,111,310,001)	(10,884,050,725)
Finance costs			
Distributions to unitholders of redeemable units	14	(4,207,755,200)	(2,522,994,975)
Loss after distributions and before tax		(13,319,065,201)	(13,407,045,700)
Withholding tax	6	(197,663,430)	(118,483,257)
Decrease in net assets attributable to unitholders of redeemable units from operations		(13,516,728,631)	(13,525,528,957)

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

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

FOR THE YEAR ENDED 31ST DECEMBER 2022

		For the year ended 31.12.2022	For the year ended 31.12.2022	For the year ended 31.12.2021	For the year ended 31.12.2021
	Notes	Units	HK\$	Units	HK\$
Net assets attributable to unitholders of redeemable units at 1st January		<u>4,251,992,500</u>	<u>100,071,496,893</u>	<u>3,851,992,500</u>	<u>105,557,154,963</u>
Issue of units					
– In-kind	5, 10	10,837,000,000	214,018,313,388	4,524,000,000	120,695,330,354
– Cash component	10	<u>–</u>	<u>2,536,037,112</u>	<u>–</u>	<u>948,040,515</u>
		<u>10,837,000,000</u>	<u>216,554,350,500</u>	<u>4,524,000,000</u>	<u>121,643,370,869</u>
Redemption of units					
– In-kind	5, 10	(8,521,000,000)	(170,605,055,739)	(4,124,000,000)	(112,877,661,619)
– Cash component	10	<u>–</u>	<u>(1,733,296,561)</u>	<u>–</u>	<u>(725,838,363)</u>
		<u>(8,521,000,000)</u>	<u>(172,338,352,300)</u>	<u>(4,124,000,000)</u>	<u>(113,603,499,982)</u>
Net issue of units		<u>2,316,000,000</u>	<u>44,215,998,200</u>	<u>400,000,000</u>	<u>8,039,870,887</u>
Decrease in net assets attributable to unitholders of redeemable units from operations		<u>–</u>	<u>(13,516,728,631)</u>	<u>–</u>	<u>(13,525,528,957)</u>
Net assets attributable to unitholders of redeemable units at 31st December		<u>6,567,992,500</u>	<u>130,770,766,462</u>	<u>4,251,992,500</u>	<u>100,071,496,893</u>

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER 2022

	Notes	For the year ended 31.12.2022 HK\$	For the year ended 31.12.2021 HK\$
Cash flows from operating activities			
Proceeds from sale of investments	10	17,387,118,929	27,939,575,512
Payments for purchase of investments	10	(17,254,734,354)	(27,787,960,684)
Dividends received		3,528,825,936	2,288,028,535
Bank interest received		15,245,052	1,232,441
Transaction fee received		11,925,000	10,890,000
Management fee paid		(34,613,093)	(32,129,454)
Trustee fee paid		(34,090,536)	(31,630,597)
Index license fee paid		(15,937,714)	(14,585,769)
Registrar fee paid		(2,023,363)	(1,998,247)
Publication and printing expenses paid		(2,614,889)	(2,734,131)
Transaction costs on investments paid		(44,941,477)	(74,803,638)
Conversion agent fee paid		(10,132,000)	(8,000,000)
Bank charges paid		(737,471)	(651,733)
Legal and other professional fees paid		(867,765)	(949,494)
Other operating expenses paid		(2,873,141)	(1,953,031)
Net cash generated from operating activities		3,539,549,114	2,282,329,710
Cash flows from financing activities			
Cash component received on issue of units	10	2,528,954,331	949,257,087
Cash component paid on redemption of units	10	(1,733,286,661)	(725,401,680)
Interim distribution paid	4(b), 14	(415,006,768)	(430,581,342)
Final distribution paid	4(b), 14	(3,789,613,008)	(2,089,257,210)
Net cash used in financing activities		(3,408,952,106)	(2,295,983,145)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		130,597,008	(13,653,435)
		191,701,628	205,355,063
Cash and cash equivalents at the end of the year		322,298,636	191,701,628
Analysis of balances of cash and cash equivalents:			
Bank balances	7(f)	322,298,636	191,701,628

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 General Information

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

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

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

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

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

Standards and amendments to existing standards effective 1st January 2022

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1st January 2022 that have a material effect on the financial statements of the Fund.

New standards, amendments and interpretations effective after 1st January 2022 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1st January 2022, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

(b) Investments

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. Consequently, all investments are measured at fair value through profit or loss.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (Continued)

(c) Fair value estimation

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

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

(d) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Net Assets where the Fund currently has a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

(e) Due from and due to brokers

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (Continued)

(f) Income

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

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

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

(g) Expenses

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

(h) Distributions payable to unitholders of redeemable units

Proposed distributions to unitholders of redeemable units are recognised in the Statement of Comprehensive Income when they are approved. The distribution to unitholders is recognised in the Statement of Comprehensive Income as finance costs with the corresponding liability into distribution payable.

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

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

(i) Cash component

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (Continued)

(j) Cash and cash equivalents

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

(k) Translation of foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). The performance of the Fund is measured and reported to the unitholders of redeemable units in Hong Kong dollar. The Manager considers the Hong Kong dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Hong Kong dollar, which is the Fund’s functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary assets and liabilities are translated into the functional currency using the exchange rate prevailing at the year end date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

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

(l) Redeemable units

The Fund issues redeemable units, which are redeemable at the unitholder’s option and represent puttable financial instruments of the Fund. The Fund classifies its puttable financial instruments as financial liabilities in accordance with HKAS 32 (Amendment), “Financial instruments: Presentation” as those puttable financial instruments do not meet one or more of the following criteria:

- the puttable financial instruments entitle the holder to a pro-rata share of net asset value;
- the puttable financial instruments are the most subordinated shares in issue and share features are identical;
- apart from the contractual obligation to redeem the units, the instrument does not include any contractual obligations to deliver cash or another financial asset to another entity;

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (Continued)

(l) Redeemable units (Continued)

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

Redeemable units can only be redeemed in-kind equal to a proportionate share of the Fund's net asset value. The redeemable unit is carried at amortised cost which corresponds to the redemption amount that is payable at the year end date if the unitholder exercises the right to put the unit back to the Fund. In accordance with the Trust Deed, the minimum redemption units are 1,000,000 units.

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

(m) Segmental reporting

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

(n) Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 Net loss on investments

	For the year ended 31.12.2022 <i>HK\$</i>	For the year ended 31.12.2021 <i>HK\$</i>
Change in unrealized gain/(loss) on investments	19,946,685,886	(18,970,461,930)
Realized (loss)/gain on sale of investments	<u>(32,703,084,933)</u>	<u>5,788,358,333</u>
	<u><u>(12,756,399,047)</u></u>	<u><u>(13,182,103,597)</u></u>

4 Income

(a) Transaction fee

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

(b) Other income

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

(c) Interest earned on Distribution Account

Under the terms of the Trust Deed, interest income that is earned in the Distribution Account is transferred to the Fund on an annual basis. During the year ended 31st December 2022, the Fund received interest income of HK\$505,331 (2021: HK\$94,088) from the Distribution Account.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

The Fund's capital is represented by the net assets attributable to unitholders of redeemable units. Units are issued through an in-kind creation of an Index Basket with the remaining balances in cash, and are redeemed in-kind with the remaining balances in cash. Creations and redemptions of units during the year are shown on the Statement of Changes in Net Assets Attributable to Unitholders of Redeemable Units. In accordance with the objectives and risk management policies outlined in note 13(a), the Manager endeavors to invest in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of listed securities where necessary.

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

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

	For the year ended 31.12.2022 <i>Number of units</i>	For the year ended 31.12.2021 <i>Number of units</i>
Units in issue at the beginning of the year	4,251,992,500	3,851,992,500
Issue of units	10,837,000,000	4,524,000,000
Redemptions of units	<u>(8,521,000,000)</u>	<u>(4,124,000,000)</u>
Units in issue at the end of the year	<u>6,567,992,500</u>	<u>4,251,992,500</u>
	<i>HK\$</i>	<i>HK\$</i>
Net assets attributable to unitholders of redeemable units	<u>130,770,766,462</u>	<u>100,071,496,893</u>
Net assets attributable to unitholders of redeemable units (per unit)	<u>19.91</u>	<u>23.54</u>
Net asset value per Creation Unit (1 Creation Unit is equivalent to 1,000,000 units)	<u>19,910,310</u>	<u>23,535,201</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 Taxation

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

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

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

WIT of 10% was charged on dividend income received from H-shares and Red Chips (which had applied to be treated as PRC tax resident enterprises) during the years ended 31st December 2022 and 2021.

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

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

(a) Manager's holding in the Fund

The directors and officers of the Manager may transact in the units of the Fund as principal. As at 31st December 2022, the directors and officers of the Manager together held 67,500 units in the Fund (Former Manager as at 31st December 2021: Nil).

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

The group companies of the Manager, being the connected person to the Manager, may transact in the units of the Fund as principal. As at 31st December 2022, the group companies of the Manager did not hold any units in the Fund (Former Manager as at 31st December 2021: Nil).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

(c) Trustee's holding in the Fund

The directors and officers of the Trustee or its Connected Persons may transact in the units of the Fund as principal. As at 31st December 2022, the directors and officers of the Trustee and its Connected Persons together held 16,320 units in the Fund (2021: Nil).

(d) Management fee

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

	For the period from 19th September 2022 to 31st December 2022*	For the period from 1st January 2021 to 18th September 2022**
For the first HK\$15 billion of the net asset value	0.045%	0.050%
For the next HK\$15 billion of the net asset value	0.030%	0.045%
For the next HK\$15 billion of the net asset value	0.020%	0.030%
Any amount by which the net asset value exceeds HK\$45 billion	0.015%	0.025%

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

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

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

Management fee paid to the Manager and the Former Manager during the year amounted to HK\$7,037,137 and HK\$25,730,066 separately (Former Manager during the year ended 31st December 2021: HK\$32,236,058). Management fee payable to the Manager as at 31st December 2022 was HK\$6,269,847 (Former Manager as at 31st December 2021: HK\$8,115,737).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

(e) Trustee fee

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

	For the period from 19th September 2022 to 31st December 2022*	For the period from 1st January 2021 to 18th September 2022
For the first HK\$15 billion of the net asset value	0.045%	0.050%
For the next HK\$15 billion of the net asset value	0.030%	0.045%
For the next HK\$15 billion of the net asset value	0.020%	0.030%
Any amount by which the net asset value exceeds HK\$45 billion	0.015%	0.025%

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

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

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

Trustee fee paid to the Trustee during the year amounted to HK\$32,956,596 (2021: HK\$32,065,971). Trustee fee payable to the Trustee as at 31st December 2022 was HK\$14,881,627 (2021: HK\$16,015,567).

(f) Bank balances

Bank balance held with the State Street Bank and Trust Company, the Trustee, amounted to HK\$22,360,404 as at 31st December 2022 (2021: HK\$2,449,124). Such account is interest bearing. Interest income amounting to HK\$1,324 was accrued and HK\$314 was received for the year ended 31st December 2022 with respect to the bank balance held with the Trustee (2021: Nil).

Bank balance held with the Hongkong and Shanghai Banking Corporation Limited, which is the intermediate holding company of the Manager, amounted to HK\$19,475 as at 31st December 2022 (As at 31st December 2021, such balance was not classified nor disclosed as transactions with the related parties, Former Manager, Trustee and their Connected Persons). Such account is non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

(g) Bank charges

Bank charges amounting to HK\$285,919 was incurred from 19th September 2022 to 31st December 2022 with respect to the bank balance held with the Hongkong and Shanghai Banking Corporation Limited, which is the intermediate holding company of the Manager (For the year ended 31st December 2021, such amount was not classified nor disclosed as transactions with the related parties, Former Manager, Trustee and their Connected Persons).

(h) Dividends

During the year, the fund made investments in the stocks of HSBC Holdings Plc ("HSBC"), the ultimate holding company of the Manager, and Hang Seng Bank Limited, the immediate holding company of the Manager. Details of such investments held as at the year end date are shown in the Investment Portfolio. Dividend income earned from these investments from 19th September 2022 to 31st December 2022 is as follows (For the year ended 31st December 2021, such amount was not classified nor disclosed as transactions with the related parties, Former Manager, Trustee and their Connected Persons):

	2022 HK\$	2021 HK\$
Hang Seng Bank Limited	5,567,599	–

(i) Index license fee

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

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

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

The Fund has been licensed by Hang Seng Indexes Company Limited ("HSIL"), an affiliate of the Manager, to use the Index to create, offer, market and sell the Fund during the year. License fee paid to HSIL from 19th September 2022 to 31st December 2022 amounted to HK\$4,867,791 (For the year ended 31st December 2021, such amount was not classified nor disclosed as transactions with the related parties, Former Manager, Trustee and their Connected Persons). License fee payable to HSIL at the year end was HK\$4,319,146 (As at 31st December 2021, such balance was not classified nor disclosed as transactions with the related parties, Former Manager, Trustee and their Connected Persons).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

(j) Commission fee

The Fund uses the services of the Hongkong and Shanghai Banking Corporation Limited (“HBAP”) to process some investment transactions. The following are the details of the fund's transactions processed by HBAP from 19th September 2022 to 31st December 2022 (For the year ended 31st December 2021, such amount was not classified nor disclosed as transactions with the related parties, Former Manager, Trustee and their Connected Persons):

Value of transactions executed through HBAP		Share of the total value of transactions of the Fund		Commission paid to HBAP		Average commission rate	
2022	2021	2022	2021	2022	2021	2022	2021
HK\$	HK\$	HK\$	HK\$	HK\$	HK\$		
14,638,217,542	-	11.33%	-	-	-	-	-

8 Transaction costs on investments

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

9 Other fees

(a) Registrar fee

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

HK\$ (per month)

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

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

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

(b) Conversion agent fee

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 Major non-cash transactions

In accordance with the Trust Deed, units are issued through an in-kind creation of an Index Basket with the remaining balances in cash. For each Creation Unit (of 1,000,000 units), the Fund receives an Index Basket consisting of constituent shares as determined by the Manager on a daily basis. During the year ended 31st December 2022, the Fund issued 10,837,000,000 units (2021: 4,524,000,000 units), totaling HK\$216,554,350,500 (2021: HK\$121,643,370,869) in exchange for Index Baskets consisting of investments valued at HK\$214,018,313,388 (2021: HK\$120,695,330,354) plus the relevant cash component of HK\$2,536,037,112 (2021: HK\$948,040,515).

In accordance with the Trust Deed, units are redeemed in-kind with the remaining balances in cash. During the year ended 31st December 2022, the Fund redeemed 8,521,000,000 units (2021: 4,124,000,000 units), totaling HK\$172,338,352,300 (2021: HK\$113,603,499,982) in exchange for Index Baskets consisting of investments valued at HK\$170,605,055,739 (2021: HK\$112,877,661,619) plus the relevant cash component of HK\$1,733,296,561 (2021: HK\$725,838,363).

11 Soft dollar practices

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

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

12 Investment limitations and prohibitions under the SFC Code

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

As at 31st December 2022 and 31st December 2021, there were no securities that individually accounted for more than 10% of the net asset value of the Fund.

During the year ended 31st December 2022, the Hang Seng Index decreased by 15.46% (2021: decreased by 14.08%), while the net asset value per unit of the Fund decreased by 15.40% (2021: decreased by 14.12%).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 Financial risk management

(a) Strategy in using financial instruments

Investment objectives

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

Investment policies

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

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

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

(b) Market price risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 Financial risk management (Continued)

(b) Market price risk (Continued)

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

	2022		2021	
	Fair Value HK\$	% of net assets	Fair Value HK\$	% of net assets
Held for trading:				
Listed investments				
Equities				
– Hong Kong	<u>129,169,062,299</u>	<u>98.78</u>	<u>98,767,271,936</u>	<u>98.69</u>
Collective Investment Scheme				
– Hong Kong	<u>1,286,401,674</u>	<u>0.98</u>	<u>1,138,070,776</u>	<u>1.14</u>

Net market exposures

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

	2022 % of net assets	2021 % of net assets
By industry		
– Conglomerates	1.51	1.51
– Consumer Discretionary	9.67	10.02
– Consumer Staples	3.47	2.60
– Energy	3.46	2.41
– Financials	34.40	35.57
– Healthcare	3.22	3.97
– Industrials	1.28	2.42
– Information Technology	29.66	27.32
– Materials	0.14	–
– Properties & Construction*	7.11	7.45
– Telecommunications	2.83	2.46
– Utilities	3.01	4.10
	<u>99.76</u>	<u>99.83</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 Financial risk management (Continued)

(b) Market price risk (Continued)

Net market exposures (Continued)

	2022		2021	
	Change in index %	Impact HK\$	Change in index %	Impact HK\$
	+/-	+/-	+/-	+/-
Hong Kong				
– Hang Seng Index	15.46%	20,168,414,730	14.08%	14,066,672,254

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

(c) Interest rate risk

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

(d) Credit and counterparty risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 Financial risk management (Continued)

(d) Credit and counterparty risk (Continued)

The table below summarises the net exposure to the custodian and bank as at 31st December 2022 and 2021 together with their credit ratings issued by Moody's.

As at 31st December 2022

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

As at 31st December 2021

	<i>HK\$</i>	Credit rating
Investments (held with custodians)		
State Street Bank and Trust Company	99,905,342,712	Aa1
Bank Balances		
State Street Bank and Trust Company	2,449,124	Aa1
United Overseas Bank Limited	141,855,344	Aa1
Industrial Bank of Korea	47,364,406	Aa2
The Hongkong and Shanghai Banking Corporation Limited	20,146	Aa2
Australia and New Zealand Banking Group Limited	12,608	Aa3

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

The maximum exposure to credit risk as at 31st December 2022 and 2021 is the carrying amount of the financial assets as shown on the Statement of Net Assets.

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. The Manager considers both historical analysis and forward looking information in determining any expected credit loss. As at 31st December 2022 and 2021, all dividend receivables, due from brokers, other receivables and bank balances are held with counterparties with high credit rating and are due to be settled within 1 month. The Manager considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 Financial risk management (Continued)

(e) Currency risk

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

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

(f) Liquidity risk

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

The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed of. The Fund's securities are considered readily realizable, as they are listed on the Hong Kong Stock Exchange. It is the intent of the Manager to monitor the Fund's liquidity position on a daily basis.

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

Maturity analysis

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 Financial risk management (Continued)

(f) Liquidity risk (Continued)

Maturity analysis (Continued)

	Less than 1 month <i>HK\$</i>	1-3 months <i>HK\$</i>	Total <i>HK\$</i>
As at 31.12.2021			
Management fee payable	–	8,115,737	8,115,737
Trustee fee payable	–	16,015,567	16,015,567
Index license fee payable	3,732,496	–	3,732,496
Registrar fee payable	323,843	–	323,843
Professional fee payable	–	178,500	178,500
Amounts payable on redemption of units	532,242	–	532,242
Other accounts payable and accruals	–	5,491,787	5,491,787
Net assets attributable to unitholders of redeemable units	<u>100,071,496,893</u>	<u>–</u>	<u>100,071,496,893</u>
Total financial liabilities	<u>100,076,085,474</u>	<u>29,801,591</u>	<u>100,105,887,065</u>

Refer to note 2(l), units are redeemed on demand at the unitholder's option. However, the Manager do not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows, as unitholders typically retain the units for the medium to long term.

The Manager manages the liquidity risk of the Fund by investing in securities that it expects to be able to liquidate within 7 days or less. The following table illustrates the expected liquidity of assets held at 31st December:

	Less than 7 days <i>HK\$</i>	7 days to less than 1 month <i>HK\$</i>	Total <i>HK\$</i>
As at 31.12.2022	<u>130,777,762,609</u>	<u>–</u>	<u>130,777,762,609</u>
As at 31.12.2021	<u>100,097,044,340</u>	<u>–</u>	<u>100,097,044,340</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 Financial risk management (Continued)

(g) Capital risk management

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

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

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

(h) Fair value estimation

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

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

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

HKFRS 13 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 Financial risk management (Continued)

(h) Fair value estimation (Continued)

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

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

The following table analyses within the fair value hierarchy the Fund’s investments (by class) measured at fair value as at 31st December 2022 and 2021.

All fair value measurements disclosed are recurring fair value measurements.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 Financial risk management (Continued)

(h) Fair value estimation (Continued)

	Level 1 <i>HK\$</i>	Level 2 <i>HK\$</i>	Level 3 <i>HK\$</i>	Total <i>HK\$</i>
As at 31.12.2021				
Assets				
Financial assets at fair value through profit or loss:				
– Equity securities	98,767,271,936	–	–	98,767,271,936
– Collective Investment Scheme	<u>1,138,070,776</u>	<u>–</u>	<u>–</u>	<u>1,138,070,776</u>
Total	<u><u>99,905,342,712</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>99,905,342,712</u></u>

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

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. As at 31st December 2022 and 2021, the Fund did not hold any investments classified in level 2.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As at 31st December 2022 and 2021, the Fund did not hold any investments classified in level 3.

During the years ended 31st December 2022 and 2021, there were no transfers of financial instruments between levels.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 Distributions

	2022 HK\$	2021 HK\$
Interim distribution		
– HK\$0.13 on 3,323,992,500 units paid on 31st May 2021	–	432,119,025
– HK\$0.08 on 5,206,992,500 units paid on 31st May 2022	416,559,400	–
Final distribution		
– HK\$0.54 on 3,871,992,500 units paid on 30th November 2021	–	2,090,875,950
– HK\$0.56 on 6,769,992,500 units paid on 30th November 2022	3,791,195,800	–
	<u>4,207,755,200</u>	<u>2,522,994,975</u>
Total distributions		

15 Segment information

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

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

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

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

There were no changes in the reportable segment during the years ended 31st December 2022 and 2021.

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

The Fund has no assets classified as non-current assets. The Fund has portfolios that closely correspond to the security weight and industry weight of the relevant tracked index. As at 31st December 2022 and 31st December 2021, there were no securities that individually accounted for more than 10% of the net asset value of the Fund.

The Fund also has a diversified unitholder population. However, as at 31st December 2022 and 2021, there was one nominee company that held more than 10% of the Fund's net assets. The nominee company's holdings were 94.93% as at 31st December 2022 and 92.35% as at 31st December 2021.

16 Approval of financial statements

The financial statements were approved by the Manager on 19th April 2023.

INVESTMENT PORTFOLIO (UNAUDITED)

AS AT 31ST DECEMBER 2022

	Holdings	Fair value HK\$	% of net assets
Hong Kong			
Listed investments (99.76%)			
Equities (98.78%)			
Conglomerates (1.51%)			
CITIC Ltd.	77,400,721	637,781,941	0.49
CK Hutchison Holdings Ltd.	28,566,907	1,338,359,593	1.02
		<u>1,976,141,534</u>	<u>1.51</u>
Consumer Discretionary (9.67%)			
ANTA Sports Products Ltd.	14,440,380	1,477,250,874	1.13
BYD Company Ltd.	9,932,823	1,913,061,710	1.46
Chow Tai Fook Jewellery Group Ltd.	21,285,419	338,863,870	0.26
Galaxy Entertainment Group Ltd.	23,233,710	1,198,859,436	0.92
Geely Automobile Holdings Ltd.	64,220,646	732,115,364	0.56
Haidilao International Holding Ltd.	20,763,372	465,099,533	0.35
Haier Smart Home Co. Ltd.	25,957,671	690,474,049	0.53
Li Ning Co. Ltd.	25,082,458	1,699,336,529	1.30
MTR Corporation Ltd.	19,793,626	818,466,435	0.63
Sands China Ltd.	30,147,085	780,809,502	0.60
Shenzhou International Group Holdings Ltd.	8,799,179	772,567,916	0.59
Techtronic Industries Co. Ltd.	16,597,070	1,445,604,797	1.10
Zhongsheng Group Holdings Ltd.	7,706,412	309,412,442	0.24
		<u>12,641,922,457</u>	<u>9.67</u>

INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 31ST DECEMBER 2022

	Holdings	Fair value HK\$	% of net assets
Consumer Staples (3.47%)			
Budweiser Brewing Co. APAC Ltd.	21,141,953	519,034,946	0.40
China Mengniu Dairy Co. Ltd.	33,674,889	1,192,091,071	0.91
China Resources Beer Holdings Co. Ltd.	17,265,921	941,855,991	0.72
Hengan International Group Co. Ltd.	7,420,793	307,591,870	0.24
Nongfu Spring Co. Ltd	21,433,188	945,203,591	0.72
Tingyi Cayman Islands Holding Corporation	20,983,286	289,149,681	0.22
WH Group Ltd.	75,102,221	340,964,083	0.26
		<u>4,535,891,233</u>	<u>3.47</u>
Energy (3.46%)			
China Petroleum & Chemical Corporation	271,532,178	1,023,676,311	0.78
China Shenhua Energy Co. Ltd.	35,945,981	810,581,872	0.62
CNOOC Ltd.	189,877,560	1,894,978,049	1.45
PetroChina Co. Ltd.	224,550,154	801,644,050	0.61
		<u>4,530,880,282</u>	<u>3.46</u>
Financials (34.40%)			
AIA Group Ltd.	126,015,269	10,938,125,349	8.36
Bank of China Ltd.	845,471,825	2,401,139,983	1.84
BOC Hong Kong (Holdings) Ltd.	39,383,411	1,047,598,733	0.80
China Construction Bank Corporation	1,151,413,704	5,630,413,013	4.31
China Life Insurance Co. Ltd.	79,194,596	1,061,207,586	0.81
China Merchants Bank Co. Ltd.	41,531,047	1,812,830,202	1.39
Hang Seng Bank Ltd.	8,139,010	1,056,443,498	0.81
Hong Kong Exchanges and Clearing Ltd.	12,818,622	4,322,439,338	3.30
HSBC Holdings Plc	207,619,013	10,079,903,081	7.71
Industrial and Commercial Bank of China Ltd.	785,167,193	3,156,372,116	2.41
Ping An Insurance (Group) Co. of China Ltd.	67,373,027	3,479,816,845	2.66
		<u>44,986,289,744</u>	<u>34.40</u>

INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 31ST DECEMBER 2022

	Holdings	Fair value HK\$	% of net assets
Healthcare (3.22%)			
Alibaba Health Information Tech Ltd.	57,557,781	382,759,244	0.29
CSPC Pharmaceutical Group Ltd.	95,252,590	781,071,238	0.60
Hansoh Pharmaceutical Group Co. Ltd.	12,607,404	187,093,875	0.14
Sino Biopharmaceutical Ltd.	120,147,124	549,072,357	0.42
Wuxi Biologics (Cayman) Inc.	38,582,687	2,309,173,817	1.77
		<u>4,209,170,531</u>	<u>3.22</u>
Industrials (1.28%)			
Orient Overseas International Ltd.	1,405,454	198,169,014	0.15
Sunny Optical Tech Co. Ltd.	7,587,825	704,529,551	0.54
Xinyi Glass Holdings Ltd.	21,848,456	317,676,550	0.24
Xinyi Solar Holdings Ltd.	52,072,998	449,910,703	0.35
		<u>1,670,285,818</u>	<u>1.28</u>
Information Technology (29.66%)			
Alibaba Group Holding Ltd.	115,793,073	9,987,152,546	7.64
Baidu Inc.	6,268,719	700,215,912	0.53
JD.com Inc.	18,846,988	4,150,106,758	3.17
Lenovo Group Ltd.	77,447,391	496,437,776	0.38
Meituan	49,399,133	8,630,028,535	6.60
NetEase Inc.	7,165,186	820,413,797	0.63
Semiconductor Manufacturing International Corporation	44,431,412	742,893,209	0.57
Tencent Holdings Ltd.	33,598,216	11,221,804,144	8.58
Xiaomi Corporation	186,405,693	2,039,278,281	1.56
		<u>38,788,330,958</u>	<u>29.66</u>
Materials (0.14%)			
China Hongqiao Group Ltd.	24,834,972	183,033,744	0.14
		<u>183,033,744</u>	<u>0.14</u>

INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 31ST DECEMBER 2022

	Holdings	Fair value HK\$	% of net assets
Properties & Construction (6.13%)			
China Overseas Land & Investment Ltd.	40,769,389	839,849,413	0.64
China Resources Land Ltd.	34,151,938	1,220,931,783	0.94
China Resources Mixc Lifestyle Services Ltd.	7,287,779	288,960,437	0.22
CK Asset Holdings Ltd.	21,289,380	1,022,954,709	0.78
Country Garden Holdings Co. Ltd.	90,870,639	242,624,606	0.19
Country Garden Services Holdings Co. Ltd.	21,540,455	418,746,445	0.32
Hang Lung Properties Ltd.	19,153,997	292,289,994	0.22
Henderson Land Development Co. Ltd.	15,458,206	421,236,114	0.32
Longfor Group Holdings Ltd.	20,054,873	487,333,414	0.37
New World Development Co. Ltd.	14,731,199	324,086,378	0.25
Sun Hung Kai Properties Ltd.	15,420,297	1,646,887,720	1.26
Wharf Real Estate Investment Co. Ltd	17,773,165	808,679,008	0.62
		<u>8,014,580,021</u>	<u>6.13</u>
Telecommunications (2.83%)			
China Mobile Ltd.	65,325,563	3,380,597,885	2.59
China Unicom (Hong Kong) Ltd.	65,129,365	314,574,833	0.24
		<u>3,695,172,718</u>	<u>2.83</u>
Utilities (3.01%)			
CK Infrastructure Holdings Ltd.	6,703,979	273,857,542	0.21
CLP Holdings Ltd.	21,510,855	1,225,043,192	0.94
ENN Energy Holdings Ltd.	8,422,900	923,149,840	0.70
Power Assets Holdings Ltd.	14,764,444	631,179,981	0.48
The Hong Kong and China Gas Co. Ltd.	119,155,351	884,132,704	0.68
		<u>3,937,363,259</u>	<u>3.01</u>
Total Listed equities		<u>129,169,062,299</u>	<u>98.78</u>
Real Estate Investment Trust (0.98%)			
Link Real Estate Investment Trust	22,450,291	1,286,401,674	0.98
Total investments, at cost		<u>121,792,591,379</u>	

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)*FOR THE YEAR ENDED 31ST DECEMBER 2022*

	(UNAUDITED)			31.12.2022
	31.12.2021	Additions	Disposals	
Holdings				
Hong Kong				
Listed investments				
Equities				
Conglomerates				
CITIC Ltd.	57,418,196	137,121,598	(117,139,073)	77,400,721
CK Hutchison Holdings Ltd.	21,310,238	50,718,219	(43,461,550)	28,566,907
Consumer Discretionary				
ANTA Sports Products Ltd.	8,575,177	24,478,818	(18,613,615)	14,440,380
BYD Company Ltd.	6,636,788	17,045,437	(13,749,402)	9,932,823
Chow Tai Fook Jewellery Group Ltd.	–	53,769,671	(32,484,252)	21,285,419
Galaxy Entertainment Group Ltd.	17,295,066	41,219,688	(35,281,044)	23,233,710
Geely Automobile Holdings Ltd.	46,731,432	113,149,074	(95,659,860)	64,220,646
Haidilao International Holding Ltd.	8,618,649	54,434,788	(42,290,065)	20,763,372
Haier Smart Home Co. Ltd.	–	28,459,500	(2,501,829)	25,957,671
Li Ning Co. Ltd.	17,789,700	66,470,058	(59,177,300)	25,082,458
MTR Corporation Ltd.	14,665,330	35,157,385	(30,029,089)	19,793,626
Sands China Ltd.	22,364,256	53,407,794	(45,624,965)	30,147,085
Shenzhen International Group Holdings Ltd.	7,152,178	16,168,006	(14,521,005)	8,799,179
Techtronic Industries Co. Ltd.	11,614,776	29,084,514	(24,102,220)	16,597,070
Zhongsheng Group Holdings Ltd.	–	14,091,842	(6,385,430)	7,706,412
Consumer Staples				
Budweiser Brewing Co. APAC Ltd.	15,683,788	37,454,905	(31,996,740)	21,141,953
China Mengniu Dairy Co. Ltd.	21,932,843	86,550,675	(74,808,629)	33,674,889
China Resources Beer Holdings Co. Ltd.	12,843,686	30,666,222	(26,243,987)	17,265,921
Hengan International Group Co. Ltd.	5,566,595	13,160,905	(11,306,707)	7,420,793
Nongfu Spring Co. Ltd	–	50,651,634	(29,218,446)	21,433,188
Tingyi Cayman Islands Holding Corporation	–	23,005,968	(2,022,682)	20,983,286
WH Group Ltd.	55,713,310	133,049,813	(113,660,902)	75,102,221

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

FOR THE YEAR ENDED 31ST DECEMBER 2022

	(UNAUDITED) Holdings			31.12.2022
	31.12.2021	Additions	Disposals	
Energy				
China Petroleum & Chemical Corporation	191,361,029	469,928,893	(389,757,744)	271,532,178
China Shenhua Energy Co. Ltd.	–	55,414,092	(19,468,111)	35,945,981
CNOOC Ltd.	141,625,084	337,217,948	(288,965,472)	189,877,560
PetroChina Co. Ltd.	166,579,871	399,182,403	(341,212,120)	224,550,154
Financials				
AlA Group Ltd.	95,762,562	227,974,617	(197,721,910)	126,015,269
Bank of China Ltd.	628,954,038	1,501,618,197	(1,285,100,410)	845,471,825
BOC Hong Kong (Holdings) Ltd.	29,216,199	70,140,899	(59,973,687)	39,383,411
China Construction Bank Corporation	856,579,192	2,044,633,281	(1,749,798,769)	1,151,413,704
China Life Insurance Co. Ltd.	59,116,084	140,698,675	(120,620,163)	79,194,596
China Merchants Bank Co. Ltd.	30,895,280	73,770,947	(63,135,180)	41,531,047
Hang Seng Bank Ltd.	6,037,769	14,491,740	(12,390,499)	8,139,010
Hong Kong Exchanges and Clearing Ltd.	9,534,770	22,767,661	(19,483,809)	12,818,622
HSBC Holdings Plc	164,284,534	366,372,790	(323,038,311)	207,619,013
Industrial and Commercial Bank of China Ltd.	584,075,614	1,394,258,858	(1,193,167,279)	785,167,193
Ping An Insurance (Group) Co. of China Ltd.	50,119,067	119,651,828	(102,397,868)	67,373,027
Healthcare				
Alibaba Health Information Tech Ltd.	37,277,428	97,665,508	(77,385,155)	57,557,781
CSPC Pharmaceutical Group Ltd.	70,900,680	169,423,872	(145,071,962)	95,252,590
Hansoh Pharmaceutical Group Co. Ltd.	–	19,435,217	(6,827,813)	12,607,404
Sino Biopharmaceutical Ltd.	89,292,015	213,877,285	(183,022,176)	120,147,124
Wuxi Biologics (Cayman) Inc.	28,534,714	68,026,555	(57,978,582)	38,582,687

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

FOR THE YEAR ENDED 31ST DECEMBER 2022

	(UNAUDITED) Holdings			31.12.2022
	31.12.2021	Additions	Disposals	
Industrials				
AAC Technologies Holdings Inc.	5,724,946	5,212,033	(10,936,979)	–
Orient Overseas International Ltd.	–	2,810,742	(1,405,288)	1,405,454
Sunny Optical Tech Co. Ltd.	5,649,290	13,473,593	(11,535,058)	7,587,825
Xinyi Glass Holdings Ltd.	17,560,727	39,455,665	(35,167,936)	21,848,456
Xinyi Solar Holdings Ltd.	38,600,841	92,214,473	(78,742,316)	52,072,998
Information Technology				
Alibaba Group Holding Ltd.	59,921,721	194,158,883	(138,287,531)	115,793,073
Baidu Inc.	–	9,601,070	(3,332,351)	6,268,719
JD.com Inc.	4,894,126	34,298,286	(20,345,424)	18,846,988
Lenovo Group Ltd.	–	181,786,695	(104,339,304)	77,447,391
Meituan	33,777,202	86,593,057	(70,971,126)	49,399,133
NetEase Inc.	4,055,651	13,471,792	(10,362,257)	7,165,186
Semiconductor Manufacturing International Corporation	–	93,984,071	(49,552,659)	44,431,412
Tencent Holdings Ltd.	17,498,823	55,835,320	(39,735,927)	33,598,216
Xiaomi Corporation	139,060,505	330,676,077	(283,330,889)	186,405,693
Materials				
China Hongqiao Group Ltd.	–	49,238,870	(24,403,898)	24,834,972

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

FOR THE YEAR ENDED 31ST DECEMBER 2022

	(UNAUDITED) Holdings			31.12.2022
	31.12.2021	Additions	Disposals	
Properties & Construction				
China Overseas Land & Investment Ltd.	30,243,991	72,466,058	(61,940,660)	40,769,389
China Resources Land Ltd.	25,479,984	60,639,828	(51,967,874)	34,151,938
China Resources Mixc Lifestyle Services Ltd.	–	7,990,304	(702,525)	7,287,779
CK Asset Holdings Ltd.	15,927,468	37,886,194	(32,524,282)	21,289,380
Country Garden Holdings Co. Ltd.	62,110,997	156,168,588	(127,408,946)	90,870,639
Country Garden Services Holdings Co. Ltd.	13,970,783	39,386,419	(31,816,747)	21,540,455
Hang Lung Properties Ltd.	15,985,506	37,919,736	(34,751,245)	19,153,997
Henderson Land Development Co. Ltd.	11,467,313	27,386,761	(23,395,868)	15,458,206
Longfor Group Holdings Ltd.	14,369,810	34,727,583	(29,042,520)	20,054,873
New World Development Co. Ltd.	10,935,618	26,097,615	(22,302,034)	14,731,199
Sun Hung Kai Properties Ltd.	10,345,901	27,948,180	(22,873,784)	15,420,297
Wharf Real Estate Investment Co. Ltd	14,382,916	32,700,582	(29,310,333)	17,773,165
Telecommunications				
China Mobile Ltd.	48,634,217	116,050,517	(99,359,171)	65,325,563
China Unicom (Hong Kong) Ltd.	48,316,037	115,384,707	(98,571,379)	65,129,365
Utilities				
CK Infrastructure Holdings Ltd.	6,278,467	12,195,731	(11,770,219)	6,703,979
CLP Holdings Ltd.	16,021,342	38,183,375	(32,693,862)	21,510,855
ENN Energy Holdings Ltd.	6,261,362	14,964,559	(12,803,021)	8,422,900
Power Assets Holdings Ltd.	10,952,972	26,265,817	(22,454,345)	14,764,444
The Hong Kong and China Gas Co. Ltd.	88,799,905	211,531,433	(181,175,987)	119,155,351
Real Estate Investment Trust				
Link Real Estate Investment Trust	16,577,870	40,563,938	(34,691,517)	22,450,291

PERFORMANCE RECORD (UNAUDITED)

Net asset values

	Net asset value per unit <i>HK\$</i>	Net asset value of the Fund <i>HK\$</i>
At end of financial year dated		
31st December 2020	27.40	105,557,154,963
31st December 2021	23.54	100,071,496,893
31st December 2022	19.91	130,770,766,462

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

	Highest net asset value per unit <i>HK\$</i>	Lowest net asset value per unit <i>HK\$</i>
Financial period ended		
31st December 2013	24.23	20.34
31st December 2014	26.11	21.44
31st December 2015	28.83	21.24
31st December 2016	24.80	18.50
31st December 2017	30.21	22.30
31st December 2018	33.38	25.13
31st December 2019	30.48	25.25
31st December 2020	29.26	21.97
31st December 2021	31.27	22.88
31st December 2022	25.11	14.77

Fund Performance

During the year ended 31st December 2022, the Hang Seng Index decreased by 15.46% (2021: decreased by 14.08%), while the net asset value per unit of the Fund decreased by 15.40% (2021: decreased by 14.12%).

Ongoing charge

Financial year ended	
31.12.2022	0.09%*

* The ongoing charges figure is calculated by adding the applicable charges and payments deducted from the assets of the Fund and then dividing by the Fund's average net asset value for the financial year. With effect from 19th September 2022, the management fee and trustee fee of Tracker Fund of Hong Kong ("TraHK") was reduced and the ongoing charge is estimated to be 0.08% from that date.

PORTFOLIO CARBON FOOTPRINT (UNAUDITED)

AS AT 31 DECEMBER 2022

	Portfolio Carbon Footprint (i) (tCO ₂ e / USD Million Invested)	Coverage (ii)
Tracker Fund of Hong Kong	61.6	100%

Notes on the Portfolio Carbon Footprint

- (i) Portfolio Carbon Footprint Scope 1+2 Carbon Emissions (tCO₂e / USD Million Invested) represents the company's Scope 1 and 2 emissions normalized by the enterprise value and expressed in tons of carbon dioxide equivalent emissions (CO₂e) per million dollars invested. Investee company's enterprise value is estimated by Enterprise Value Including Cash (EVIC) approach. The value of a company is estimated by adding back cash and cash equivalents to enterprise value. This ratio facilitates portfolio analysis by allocating emissions across equity and debt. Scope 1 and Scope 2 emissions are used in the calculation. Scope 1 emissions are those from sources owned or controlled by the company, typically direct combustion of fuel as in a furnace or vehicle. Scope 2 emissions are those caused by the generation of electricity purchased by the company.

$$\frac{\sum_i \left(\frac{\text{current value of investment}_i}{\text{issuer's EVIC}_i} \times \text{issuer's Scope 1 and Scope 2 GHG emissions}_i \right)}{\text{current portfolio value (\$M)}}$$

- (ii) Portfolio Carbon Footprint results are calculated based on MSCI's carbon intensity data and model, adopted standardized approach. Cash positions and other asset types, such as derivatives, deemed not relevant for ESG analysis, are removed prior to calculating a fund's gross weight.
- (iii) Funds with low coverage may not fully represent the fund's carbon characteristics given the lack of coverage. To be included in MSCI Portfolio Carbon Footprint disclosure, 65% of the fund's gross weight must come from securities with ESG coverage by MSCI ESG Research.
- (iv) Data is from MSCI ESG Climate Change Metrics as of 4-Feb-2023, based on holdings as of 31-Dec-2022, which may differ from time to time.
- (v) Source of MSCI: Neither MSCI ESG Research LLC, its affiliates nor any other party involved in or related to compiling, computing or creating the information (the "ESG Parties") makes any express or implied warranties or representations and shall have no liability whatsoever with respect to any information provided by ESG Parties contained herein (the "Information"). The Information may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by ESG Parties. None of the Information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

ADMINISTRATION AND MANAGEMENT

Directors of the Manager

Ms. Ka Wai Kathy Cheung
Ms. Wai Man Vivien Chiu
Ms. Pui Shan Lee
Ms. Wah Lun Rannie Lee
Ms. Say Pin Saw
Mr. Wing Fai Wilfred Sit
Mr. Hing Keung Tsang
Mr. Stuart Kingsley White

Members of the Supervisory Committee

Mr. Romnesh Lamba (resigned on
18th February 2022)
Mr. George Hongchoy
Mr. Blair Pickerell
Mr. Stephen Law
Prof. Chan Kalok
Dr. Kam Pok-man
Mr. Dean Chisholm
Mr. Wilfred Yiu (appointed on
18th February 2022)

Trustee and custodian

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

Registrar

Computershare Hong Kong
Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Manager

State Street Global Advisors Asia Limited
68th Floor
Two International Finance Centre
8 Finance Street
Central
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Hang Seng Investment Management Limited
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Exchange Fund Investment Limited
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8 Finance Street
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Conversion agent

HK Conversion Agency Services Limited
8/F Two Exchange Square
8 Connaught Place
Central
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Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
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