

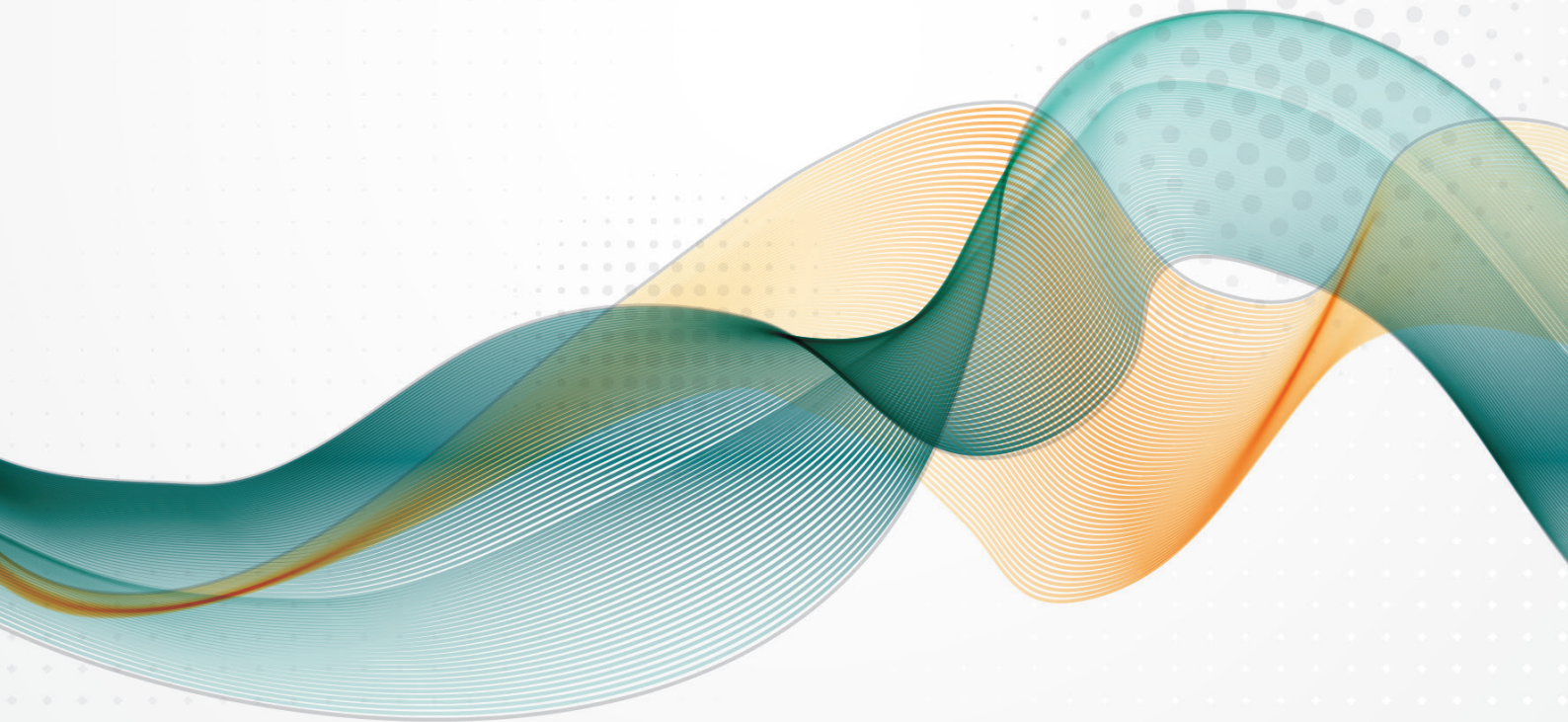


恒生投資
HANG SENG INVESTMENT

Hang Seng Index Tracking Fund HSI ESG Enhanced Select Index ETF

ANNUAL REPORT **2023**

1st January 2023 to 31st December 2023



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Annual Financial Report 2023

Hang Seng Investment Index Funds Series II

Hang Seng Index Tracking Fund*

HSI ESG Enhanced Select Index ETF (Stock Code: 3136)

* Hang Seng Index ETF was delisted on 13 September 2022 and renamed as Hang Seng Index Tracking Fund.

Performance Record (Unaudited)

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

Class of Units	Currency	Price Record											
		2023		2022 ⁽¹⁾		2021		2020		2019		2018	
		Highest Offer Price	Lowest Bid Price	Highest Offer Price	Lowest Bid Price	Highest Offer Price	Lowest Bid Price	Highest Offer Price	Lowest Bid Price	Highest Offer Price	Lowest Bid Price	Highest Offer Price	Lowest Bid Price
Hang Seng Index Tracking Fund⁽²⁾	HKD	23.0416	16.4979	25.3687	14.9231	31.6110	23.1173	29.5900	22.1696	30.7370	25.4634	33.7441	25.0671
HSI ESG Enhanced Select Index ETF	HKD	14.1003	9.1870	15.0565	8.8278	-	-	-	-	-	-	-	-

Class of Units	Currency	Price Record									
		2017* [^]		2016		2015		2014		2013	
		Highest Offer Price	Lowest Bid Price	Highest Offer Price	Lowest Bid Price	Highest Offer Price	Lowest Bid Price	Highest Offer Price	Lowest Bid Price	Highest Offer Price	Lowest Bid Price
Hang Seng Index Tracking Fund⁽²⁾	HKD	30.6765	22.4829	246.58	186.33	290.14	210.63	258.76	215.35	244.79	203.67
HSI ESG Enhanced Select Index ETF	HKD	-	-	-	-	-	-	-	-	-	-

Class of Units	Currency	Net Asset Value Per Unit (As at 31 December)			
		2023	2022	2021	2020
Hang Seng Index Tracking Fund⁽²⁾	HKD	17.3052	20.0900	23.7786	27.7011
HSI ESG Enhanced Select Index ETF	HKD	9.6114	12.2524	-	-

Class of Units	Currency	Net Assets Attributable to Unitholders (As at 31 December)			
		2023	2022	2021	2020
Hang Seng Index Tracking Fund⁽²⁾	HKD	35,279,909,704	39,008,899,251	43,042,833,134	48,241,911,462
HSI ESG Enhanced Select Index ETF	HKD	66,318,872	77,189,979	-	-

* On 1 December 2017, there was a subdivision of each Unit in the Hang Seng Index Tracking Fund (formerly known as Hang Seng Index ETF) into 10 subdivided Units and with effect from the same date, the net asset value per unit are calculated to the nearest four decimal places instead of two decimal places.

[^] The highest offer price and lowest bid price of Hang Seng Index Tracking Fund (formerly known as Hang Seng Index ETF) disclosed were adjusted to reflect the units subdivision.

⁽¹⁾ The date of commencement for HSI ESG Enhanced Select Index ETF was 22 February 2022.

⁽²⁾ Hang Seng Index ETF was delisted on 13 September 2022 and renamed as Hang Seng Index Tracking Fund.

Trustee's Report

To the Unitholders of Hang Seng Index Tracking Fund and HSI ESG Enhanced Select Index ETF

We hereby confirm that, in our opinion, the Manager, Hang Seng Investment Management Limited has, in all material respects, managed the Hang Seng Index Tracking Fund and HSI ESG Enhanced Select Index ETF in accordance with the provisions of the Trust Deed dated 10 September 2004, as amended, for the year ended 31 December 2023.

Cititrust Limited
29 April 2024

Independent Auditor's Report

To the Unitholders of Hang Seng Index Tracking Fund and HSI ESG Enhanced Select Index ETF

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Hang Seng Index Tracking Fund and HSI ESG Enhanced Select Index ETF ("the Funds") set out on pages 18 to 43, which comprise the statement of assets and liabilities as at 31 December 2023, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended for the Funds and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Funds as at 31 December 2023 and of the financial transactions and cash flows of the Funds for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Funds in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Existence and valuation of investments	
<i>Refer to note 15 to the financial statements and the accounting policies in note 2(f)(iv) on page 26.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>As at 31 December 2023 the investment portfolio represented 98.69% and 99.56% of the total assets of Hang Seng Index Tracking Fund and HSI ESG Enhanced Select Index ETF respectively and is the key driver of the Funds' investment returns.</p> <p>We identified the existence and valuation of investments as a key audit matter because of its significance in the context of the Funds' financial statements and because the value of the investment portfolio at the year end date is a key performance indicator of the Funds.</p>	<p>Our audit procedures to assess the existence and valuation of investments included the following:</p> <ul style="list-style-type: none">• developing an understanding of the control objectives and related controls relevant to our audit of the Funds by obtaining the service organisation internal control report provided by the trustee setting out the controls in place, and the independent service auditor's assurance report over the design and operating effectiveness of those controls; and• evaluating the tests undertaken by the service auditor, the results of tests undertaken and opinions formed by the service auditor on the design and operating effectiveness of the controls, to the extent relevant to our audit of the Funds; and• obtaining independent confirmations from the custodians of the investment portfolio held at 31 December 2023, and agreeing the Funds' holdings of investments to those confirmations; and• assessing the valuations of all assets in the investment portfolio at the year end date by comparing the prices adopted by the Funds with the prices obtained from independent pricing sources.

Independent Auditor's Report (continued)

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

The Manager and the Trustee of the Funds are responsible for the other information. The other information comprises all the information included in the annual report, other than the financial statements and our auditor's report thereon.

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

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

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

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

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

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

In addition, the Manager and the Trustee of the Funds are required to ensure that the financial statements have been properly prepared in accordance with the relevant provisions of the Trust Deed, which has been amended and restated pursuant to the Amended and Restated Trust Deed dated 2 November 2020, and the variations made by way of supplemental deed dated 14 July 2022 ("the Trust Deed"), and the relevant disclosure provisions of Appendix E of the Code on Unit Trusts and Mutual Funds ("the SFC Code") issued by the Hong Kong Securities and Futures Commission.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Funds have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.

Independent Auditor's Report (continued)

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager and the Trustee of the Funds.
- Conclude on the appropriateness of the Manager's and the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Independent Auditor's Report (continued)

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yiu Tsz Yeung, Arion.

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

Investment Portfolio (Unaudited)

as at 31 December 2023

Investments	Hang Seng Index Tracking Fund		
	Holdings	Market Value (HKD)	% of Net Assets Attributable to Unitholders
Hong Kong Stock Exchange Listed Equities			
Conglomerates			
CITIC	23,627,741	184,296,380	0.52%
CK Hutchison Holdings	8,710,607	364,538,903	1.04%
		548,835,283	1.56%
Consumer Discretionary			
Anta Sports Products	4,601,580	348,569,685	0.99%
BYD	3,389,205	726,645,552	2.06%
Chow Tai Fook Jewellery	6,497,818	75,504,645	0.21%
Galaxy Entertainment	7,104,954	310,841,738	0.88%
Geely Auto	19,617,146	168,511,284	0.48%
Haidilao International	5,433,246	78,999,397	0.22%
Haier Smart Home	7,894,000	174,062,700	0.49%
Li Auto	4,475,900	658,404,890	1.87%
Li Ning	7,707,826	161,093,563	0.46%
MTR Corporation	6,056,992	183,526,858	0.52%
Sands China	9,203,055	210,289,807	0.60%
Shenzhen International Group	2,686,143	215,965,897	0.61%
Techtronic Industries	5,067,348	471,516,731	1.34%
Trip.com Group	444,150	123,296,040	0.35%
Zhongsheng Group	2,719,301	50,796,543	0.14%
		3,958,025,330	11.22%
Consumer Staples			
Budweiser Brewing	6,453,931	94,356,471	0.27%
China Mengniu Dairy	10,240,453	215,049,513	0.61%
China Resources Beer Holdings	5,271,005	180,268,371	0.51%
Hengan International	2,265,374	65,809,115	0.18%
Nongfu Spring	6,542,939	295,413,696	0.84%
Tingyi (Cayman Islands) Holding Corporation	6,408,000	61,004,160	0.17%
WH Group	27,094,698	136,557,278	0.39%
		1,048,458,604	2.97%
Energy			
China Petroleum & Chemical	80,403,980	328,852,278	0.93%
China Shenhua Energy	10,973,274	293,535,080	0.83%
CNOOC	50,688,980	658,956,740	1.87%
PetroChina	68,549,008	353,712,881	1.00%
		1,635,056,979	4.63%
Financials			
AIA Group	37,419,388	2,546,389,354	7.22%
Bank of China	271,678,601	809,602,231	2.30%
BOC Hong Kong	12,022,824	254,883,869	0.72%
China Construction Bank	351,487,925	1,634,418,851	4.63%
China Life Insurance	24,175,870	244,659,804	0.69%
China Merchants Bank	12,678,091	344,844,075	0.98%
Hang Seng Bank	2,484,563	226,219,461	0.64%
Hong Kong Exchanges & Clearing	3,913,144	1,048,722,592	2.97%
HSBC Holdings	48,162,943	3,034,265,409	8.60%
Industrial and Commercial Bank of China	239,685,464	915,598,473	2.60%
Ping An Insurance	21,777,044	769,818,505	2.18%
		11,829,422,624	33.53%

Investment Portfolio (Unaudited) (continued)

as at 31 December 2023

Investments	Hang Seng Index Tracking Fund		
	Holdings	Market Value (HKD)	% of Net Assets Attributable to Unitholders
Healthcare			
Alibaba Health Information Technology	17,588,631	74,575,795	0.21%
CSPC Pharmaceutical	29,005,812	210,582,195	0.60%
Hansoh Pharmaceutical	3,856,478	60,778,093	0.17%
JD Health International	3,616,350	141,399,285	0.40%
Sino Biopharmaceutical	36,650,362	127,176,756	0.36%
Sinopharm	4,359,600	89,153,820	0.25%
WuXi AppTec	1,177,100	93,520,595	0.27%
WuXi Biologics	12,429,281	367,906,718	1.04%
		1,165,093,257	3.30%
Industrials			
Orient Overseas International	429,228	46,785,852	0.13%
Sunny Optical Technology	2,316,342	164,112,830	0.47%
Xinyi Glass Holding	6,765,433	59,265,193	0.17%
Xinyi Solar Holdings	15,909,680	72,548,141	0.21%
		342,712,016	0.98%
Information Technology			
Alibaba Group	38,640,217	2,921,200,405	8.28%
Baidu	2,297,680	266,760,648	0.76%
JD.com Inc	5,681,700	639,191,250	1.81%
Lenovo Group	25,612,677	279,690,433	0.79%
Meituan	19,268,150	1,578,061,485	4.47%
NetEase Inc	2,245,103	315,661,482	0.89%
Semiconductor Manufacturing	13,581,730	269,733,158	0.76%
Tencent Holdings	8,989,135	2,639,210,036	7.48%
Xiaomi Corporation	56,916,321	887,894,607	2.52%
		9,797,403,504	27.76%
Materials			
China Hongqiao	9,235,911	59,017,471	0.17%
Zijin Mining	17,708,000	225,245,760	0.64%
		284,263,231	0.81%
Properties & Construction			
China Overseas Land & Investment	12,445,592	171,251,346	0.48%
China Resources Land	10,426,735	291,948,580	0.83%
China Resources MIXC Lifestyle Services	2,224,800	61,960,680	0.18%
CK Asset Holdings	6,345,377	248,738,779	0.70%
Country Garden Services	7,059,947	47,654,642	0.13%
Hang Lung Properties	5,847,680	63,622,759	0.18%
Henderson Land Development	4,719,065	113,493,513	0.32%
Longfor Group	7,495,728	93,696,600	0.27%
New World Development	4,497,822	54,513,603	0.15%
Sun Hung Kai Properties	4,707,683	397,563,829	1.13%
Wharf Real Estate Investment	5,426,111	143,249,330	0.41%
		1,687,693,661	4.78%
Telecommunications			
China Mobile	19,966,012	1,293,797,578	3.67%
China Unicom	19,883,366	97,428,493	0.27%
		1,391,226,071	3.94%

Investment Portfolio (Unaudited) (continued)

as at 31 December 2023

Investments	Hang Seng Index Tracking Fund		
	Holdings	Market Value (HKD)	% of Net Assets Attributable to Unitholders
Utilities			
China Resources Power	6,252,000	97,781,280	0.28%
CK Infrastructure Holdings	2,046,915	88,426,728	0.25%
CLP Holdings	6,566,870	423,234,771	1.20%
ENN Energy	2,572,706	147,930,595	0.42%
Hong Kong & China Gas	36,374,464	217,519,295	0.62%
Power Assets Holdings	4,500,594	203,651,879	0.58%
		1,178,544,548	3.35%
Total Equities		34,866,735,108	98.83%
Real Estate Investment Trust			
Link REIT	8,323,426	364,982,230	1.03%
Total Investments		35,231,717,338	99.86%
<i>(Total cost of Investments – HKD46,902,969,960)</i>			
Other Net Assets		48,192,366	0.14%
Net Assets Attributable to Unitholders		35,279,909,704	100.00%

Investment Portfolio (Unaudited) (continued)

as at 31 December 2023

Investments	HSI ESG Enhanced Select Index ETF		
	Holdings	Market Value (HKD)	% of Net Assets Attributable to Unitholders
Hong Kong Stock Exchange Listed Equities			
Conglomerates			
CK Hutchison Holdings	6,500	272,025	0.41%
Consumer Discretionary			
Anta Sports Products	26,800	2,030,100	3.06%
BYD	2,500	536,000	0.81%
Chow Tai Fook Jewellery Group	40,400	469,448	0.71%
Galaxy Entertainment	6,000	262,500	0.40%
Geely Auto	97,000	833,230	1.26%
Haidilao International Holding	3,000	43,620	0.06%
Haier Smart Home	6,200	136,710	0.21%
Li Auto	10,000	1,471,000	2.22%
Li Ning	57,500	1,201,750	1.81%
MTR Corporation	21,000	636,300	0.96%
Sands China	43,600	996,260	1.50%
Shenzhou International Group	16,200	1,302,480	1.96%
Techtronic Industries	5,000	465,250	0.70%
Trip.com Group	600	166,560	0.25%
Zhongsheng Group	23,000	429,640	0.65%
		10,980,848	16.56%
Consumer Staples			
Budweiser Brewing	29,900	437,138	0.66%
China Mengniu Dairy	6,000	126,000	0.19%
China Resources Beer Holdings	4,000	136,800	0.20%
Hengan International	1,500	43,575	0.06%
Nongfu Spring	7,000	316,050	0.48%
Tingyi Holding Corporation	2,000	19,040	0.03%
		1,078,603	1.62%
Financials			
AIA Group	79,600	5,416,780	8.17%
Bank of China	163,000	485,740	0.73%
BOC Hong Kong	17,000	360,400	0.54%
China Construction Bank	224,000	1,041,600	1.57%
China Life Insurance	24,000	242,880	0.37%
China Merchants Bank	14,000	380,800	0.58%
Hang Seng Bank	12,300	1,119,915	1.69%
Hong Kong Exchanges & Clearing	19,500	5,226,000	7.88%
HSBC Holdings	49,200	3,099,600	4.67%
Industrial and Commercial Bank of China	134,000	511,880	0.77%
Ping An Insurance	109,000	3,853,150	5.81%
		21,738,745	32.78%
Healthcare			
Alibaba Health Information Technology	36,000	152,640	0.23%
CSPC Pharmaceutical	16,000	116,160	0.17%
Hansoh Pharmaceutical Group	6,000	94,560	0.14%
JD Health International Inc	11,400	445,740	0.67%
Sino Biopharmaceutical	19,000	65,930	0.10%
Sinopharm	22,400	458,080	0.69%
WuXi AppTec	8,400	667,380	1.01%
WuXi Biologics	90,500	2,678,800	4.04%
		4,679,290	7.05%

Investment Portfolio (Unaudited) (continued)

as at 31 December 2023

Investments	HSI ESG Enhanced Select Index ETF		
	Holdings	Market Value (HKD)	% of Net Assets Attributable to Unitholders
Industrials			
Orient Overseas International	1,500	163,500	0.25%
Sunny Optical Technology	3,100	219,635	0.33%
Xinyi Glass Holding	5,000	43,800	0.07%
Xinyi Solar Holdings	24,000	109,440	0.16%
		536,375	0.81%
Information Technology			
Alibaba Group	32,300	2,441,880	3.68%
JD.com Inc	5,550	624,375	0.94%
Lenovo Group	130,000	1,419,600	2.14%
Meituan	28,100	2,301,390	3.47%
NetEase Inc	11,300	1,588,780	2.40%
Semiconductor Manufacturing	6,500	129,090	0.20%
Xiaomi Corporation	217,800	3,397,680	5.12%
		11,902,795	17.95%
Properties & Construction			
China Overseas Land & Investment	78,000	1,073,280	1.62%
China Resources Land	22,000	616,000	0.93%
China Resources MIXC Lifestyle Services	20,600	573,710	0.87%
CK Asset Holdings	34,000	1,332,800	2.01%
Country Garden Services	64,000	432,000	0.65%
Hang Lung Properties	40,000	435,200	0.66%
Henderson Land Development	26,000	625,300	0.94%
Longfor Group	52,500	656,250	0.99%
Sun Hung Kai Properties	41,000	3,462,450	5.22%
Wharf Real Estate Investment	26,000	686,400	1.03%
		9,893,390	14.92%
Telecommunications			
China Mobile	17,000	1,101,600	1.66%
China Unicom	10,000	49,000	0.08%
		1,150,600	1.74%
Utilities			
ENN Energy	2,100	120,750	0.18%
Hong Kong & China Gas	97,000	580,060	0.88%
		700,810	1.06%
Total Equities		62,933,481	94.90%
Real Estate Investment Trust			
Link REIT	90,320	3,960,532	5.97%
Total Investments			
<i>(Total cost of investments – HKD91,797,290)</i>		66,894,013	100.87%
Other Net Liabilities		(575,141)	(0.87%)
Net Assets Attributable to Unitholders		66,318,872	100.00%

Statement of Movements in Portfolio Holdings (Unaudited)

for the year ended 31 December 2023

Investments	Hang Seng Index Tracking Fund			
	Holdings as at 1 January 2023	Additions	Disposals	Holdings as at 31 December 2023
Hong Kong Stock Exchange Listed Equities				
Conglomerates				
CITIC	23,152,741	4,150,000	3,675,000	23,627,741
CK Hutchison Holdings	8,545,107	1,614,000	1,448,500	8,710,607
Consumer Discretionary				
Anta Sports Products	4,319,580	1,015,600	733,600	4,601,580
BYD	2,970,751	951,000	532,546	3,389,205
Chow Tai Fook Jewellery	6,367,218	1,162,000	1,031,400	6,497,818
Galaxy Entertainment	6,949,954	1,272,000	1,117,000	7,104,954
Geely Auto	19,210,146	3,585,000	3,178,000	19,617,146
Haidilao International	6,211,246	1,169,000	1,947,000	5,433,246
Haier Smart Home	7,764,800	1,374,800	1,245,600	7,894,000
Li Auto	–	4,512,800	36,900	4,475,900
Li Ning	7,502,826	1,477,500	1,272,500	7,707,826
MTR Corporation	5,920,493	1,187,796	1,051,297	6,056,992
Sands China	9,017,855	1,630,800	1,445,600	9,203,055
Shenzhou International Group	2,632,143	477,200	423,200	2,686,143
Techtronic Industries	4,964,348	930,500	827,500	5,067,348
Trip.com Group	–	486,800	42,650	444,150
Zhongsheng Group	2,304,801	791,500	377,000	2,719,301
Consumer Staples				
Budweiser Brewing	6,324,231	1,111,700	982,000	6,453,931
China Mengniu Dairy	10,073,453	1,800,000	1,633,000	10,240,453
China Resources Beer Holdings	5,163,005	952,000	844,000	5,271,005
Hengan International	2,219,874	354,000	308,500	2,265,374
Nongfu Spring	6,411,139	1,160,400	1,028,600	6,542,939
Tingyi (Cayman Islands) Holding Corporation	6,276,000	1,118,000	986,000	6,408,000
WH Group	22,465,698	7,959,500	3,330,500	27,094,698
Energy				
China Petroleum & Chemical	81,223,980	14,622,000	15,442,000	80,403,980
China Shenhua Energy	10,752,274	2,002,500	1,781,500	10,973,274
CNOOC	56,797,980	8,174,000	14,283,000	50,688,980
PetroChina	67,169,008	12,552,000	11,172,000	68,549,008
Financials				
AIA Group	37,695,188	5,693,600	5,969,400	37,419,388
Bank of China	252,906,601	53,721,000	34,949,000	271,678,601
BOC Hong Kong	11,780,324	2,184,000	1,941,500	12,022,824
China Construction Bank	344,423,925	64,562,000	57,498,000	351,487,925
China Life Insurance	23,689,870	4,301,000	3,815,000	24,175,870
China Merchants Bank	12,423,091	2,253,500	1,998,500	12,678,091
Hang Seng Bank	2,434,563	454,100	404,100	2,484,563
Hong Kong Exchanges & Clearing	3,834,444	721,200	642,500	3,913,144
HSBC Holdings	62,105,343	7,781,600	21,724,000	48,162,943
Industrial and Commercial Bank of China	234,868,464	44,064,000	39,247,000	239,685,464
Ping An Insurance	20,153,544	5,065,500	3,442,000	21,777,044
Healthcare				
Alibaba Health Information Technology	17,216,631	2,944,000	2,572,000	17,588,631
CSPC Pharmaceutical	28,491,812	4,958,000	4,444,000	29,005,812
Hansoh Pharmaceutical	3,770,478	602,000	516,000	3,856,478
JD Health International	–	3,984,750	368,400	3,616,350
Sino Biopharmaceutical	35,940,362	6,580,000	5,870,000	36,650,362
Sinopharm	–	4,576,800	217,200	4,359,600
WuXi AppTec	–	1,180,300	3,200	1,177,100
WuXi Biologics	11,540,781	2,446,000	1,557,500	12,429,281

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

for the year ended 31 December 2023

Investments	Hang Seng Index Tracking Fund			Holdings as at 31 December 2023
	Holdings as at 1 January 2023	Additions	Disposals	
Industrials				
Orient Overseas International	420,728	67,000	58,500	429,228
Sunny Optical Technology	2,269,742	413,200	366,600	2,316,342
Xinyi Glass Holding	6,535,433	1,436,489	1,206,489	6,765,433
Xinyi Solar Holdings	15,575,680	2,758,000	2,424,000	15,909,680
Information Technology				
Alibaba Group	34,637,317	12,462,400	8,459,500	38,640,217
Baidu	1,875,130	737,400	314,850	2,297,680
JD.com Inc	5,637,700	922,850	878,850	5,681,700
Lenovo Group	23,166,677	6,348,000	3,902,000	25,612,677
Meituan	14,776,850	7,136,303	2,645,003	19,268,150
NetEase Inc	2,143,303	467,500	365,700	2,245,103
Semiconductor Manufacturing	13,291,230	2,382,000	2,091,500	13,581,730
Tencent Holdings	10,050,335	1,560,700	2,621,900	8,989,135
Xiaomi Corporation	55,759,521	10,398,800	9,242,000	56,916,321
Materials				
China Hongqiao	7,428,911	3,311,500	1,504,500	9,235,911
Zijin Mining	–	19,474,000	1,766,000	17,708,000
Properties & Construction				
China Overseas Land & Investment	12,195,592	2,302,000	2,052,000	12,445,592
China Resources Land	10,216,735	1,916,000	1,706,000	10,426,735
China Resources MIXC Lifestyle Services	2,180,000	366,800	322,000	2,224,800
CK Asset Holdings	6,368,377	1,102,500	1,125,500	6,345,377
Country Garden	27,182,327	16,443,000	43,625,327	–
Country Garden Services	6,442,947	1,952,000	1,335,000	7,059,947
Hang Lung Properties	5,728,680	1,139,000	1,020,000	5,847,680
Henderson Land Development	4,233,065	844,000	358,000	4,719,065
Longfor Group	5,999,228	2,471,545	975,045	7,495,728
New World Development	4,406,822	750,000	659,000	4,497,822
Sun Hung Kai Properties	4,612,683	833,000	738,000	4,707,683
Wharf Real Estate Investment	5,316,111	998,000	888,000	5,426,111
Telecommunications				
China Mobile	19,541,012	3,665,500	3,240,500	19,966,012
China Unicom	17,865,366	3,424,000	1,406,000	19,883,366
Utilities				
China Resources Power	–	6,856,000	604,000	6,252,000
CK Infrastructure Holdings	2,005,415	339,500	298,000	2,046,915
CLP Holdings	6,434,370	1,203,500	1,071,000	6,566,870
ENN Energy	2,519,506	477,200	424,000	2,572,706
Hong Kong & China Gas	32,430,464	6,620,000	2,676,000	36,374,464
Power Assets Holdings	4,416,594	812,000	728,000	4,500,594
Real Estate Investment Trust				
Link REIT	6,715,605	2,872,721	1,264,900	8,323,426
Unlisted Rights				
Link REIT Rights (March 2023)	–	1,341,921	1,341,921	–
WuXi Biologics Rights (December 2049)	–	26,641	26,641	–

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

for the year ended 31 December 2023

Investments	HSI ESG Enhanced Select Index ETF			
	Holdings as at 1 January 2023	Additions	Disposals	Holdings as at 31 December 2023
Hong Kong Stock Exchange Listed Equities				
Conglomerates				
CK Hutchison Holdings	6,000	3,000	2,500	6,500
Consumer Discretionary				
Anta Sports Products	24,200	7,000	4,400	26,800
BYD	4,500	1,000	3,000	2,500
Chow Tai Fook Jewellery Group	39,000	10,800	9,400	40,400
Galaxy Entertainment	6,000	–	–	6,000
Geely Auto	100,000	22,000	25,000	97,000
Haidilao International Holding	4,000	–	1,000	3,000
Haier Smart Home	5,400	1,400	600	6,200
Li Auto	–	10,100	100	10,000
Li Ning	42,500	21,500	6,500	57,500
MTR Corporation	19,500	4,000	2,500	21,000
Sands China	44,800	8,800	10,000	43,600
Shenzhen International Group	15,900	3,600	3,300	16,200
Techtronic Industries	9,000	1,000	5,000	5,000
Trip.com Group	–	600	–	600
Zhongsheng Group	19,000	8,000	4,000	23,000
Consumer Staples				
Budweiser Brewing	33,700	7,200	11,000	29,900
China Mengniu Dairy	5,000	2,000	1,000	6,000
China Resources Beer Holdings	4,000	–	–	4,000
Hengan International	1,500	–	–	1,500
Nongfu Spring	7,200	800	1,000	7,000
Tingyi Holding Corporation	–	4,000	2,000	2,000
WH Group	–	11,500	11,500	–
Financials				
AIA Group	74,400	19,200	14,000	79,600
Bank of China	117,000	90,000	44,000	163,000
BOC Hong Kong	19,500	2,000	4,500	17,000
China Construction Bank	212,000	60,000	48,000	224,000
China Life Insurance	20,000	13,000	9,000	24,000
China Merchants Bank	8,500	6,500	1,000	14,000
Hang Seng Bank	9,600	4,500	1,800	12,300
Hong Kong Exchanges & Clearing	18,900	3,700	3,100	19,500
HSBC Holdings	122,800	15,600	89,200	49,200
Industrial and Commercial Bank of China	107,000	57,000	30,000	134,000
Ping An Insurance	99,000	36,000	26,000	109,000
Healthcare				
Alibaba Health Information Technology	40,000	12,000	16,000	36,000
CSPC Pharmaceutical	14,000	2,000	–	16,000
Hansoh Pharmaceutical Group	2,000	4,000	–	6,000
JD Health International Inc	–	12,550	1,150	11,400
Sino Biopharmaceutical	–	21,000	2,000	19,000
Sinopharm	–	25,200	2,800	22,400
WuXi AppTec	–	8,500	100	8,400
WuXi Biologics	51,000	53,000	13,500	90,500

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

for the year ended 31 December 2023

Investments	HSI ESG Enhanced Select Index ETF			Holdings as at 31 December 2023
	Holdings as at 1 January 2023	Additions	Disposals	
Industrials				
Orient Overseas International	1,000	500	–	1,500
Sunny Optical Technology	3,900	400	1,200	3,100
Xinyi Glass Holding	4,000	2,000	1,000	5,000
Xinyi Solar Holdings	28,000	4,000	8,000	24,000
Information Technology				
Alibaba Group	34,000	7,400	9,100	32,300
JD.com Inc	4,700	2,450	1,600	5,550
Lenovo Group	162,000	28,000	60,000	130,000
Meituan	14,700	20,600	7,200	28,100
NetEase Inc	15,400	3,400	7,500	11,300
Semiconductor Manufacturing	8,000	500	2,000	6,500
Xiaomi Corporation	134,000	101,600	17,800	217,800
Properties & Construction				
China Overseas Land & Investment	78,000	18,000	18,000	78,000
China Resources Land	36,000	4,000	18,000	22,000
China Resources MIXC Lifestyle Services	21,200	3,400	4,000	20,600
CK Asset Holdings	33,500	7,000	6,500	34,000
Country Garden	65,000	44,000	109,000	–
Country Garden Services	66,000	20,000	22,000	64,000
Hang Lung Properties	39,000	9,000	8,000	40,000
Henderson Land Development	19,000	8,000	1,000	26,000
Longfor Group	39,500	22,183	9,183	52,500
Sun Hung Kai Properties	28,500	15,500	3,000	41,000
Wharf Real Estate Investment	26,000	5,000	5,000	26,000
Telecommunications				
China Mobile	25,500	4,000	12,500	17,000
China Unicom	14,000	2,000	6,000	10,000
Utilities				
ENN Energy	2,500	400	800	2,100
Hong Kong & China Gas	103,000	24,000	30,000	97,000
Real Estate Investment Trust				
Link REIT	68,400	35,620	13,700	90,320
Unlisted Rights				
Link REIT Rights (March 2023)	–	13,520	13,520	–
WuXi Biologics Rights (December 2049)	–	201	201	–

Statement of Assets and Liabilities

as at 31 December 2023

	Notes	Hang Seng Index Tracking Fund		HSI ESG Enhanced Select Index ETF ^(*)	
		31-12-2023 (HKD)	31-12-2022 (HKD)	31-12-2023 (HKD)	31-12-2022 (HKD)
Assets					
Financial assets at fair value through profit or loss	5,6,15	35,231,717,338	39,023,010,869	66,894,013	78,075,400
Dividend receivable		44,495,435	2,154,940	48,808	12,130
Amounts receivable on subscription of units		109,074,716	197,534,864	–	–
Amounts receivable on sale of investments		96,228,051	6,947,591	–	4,482
Other accounts receivable	10(e)	2,837	1,368	60,807	85,413
Cash and cash equivalents	10(e)	217,664,775	74,098,692	188,827	372,400
Total Assets		35,699,183,152	39,303,748,324	67,192,455	78,549,825
Liabilities					
Amounts payable on purchase of investments		108,932,896	55,432,145	650,533	1,162,668
Amounts payable on redemption of units		305,450,798	234,782,225	–	–
Accrued expenses and other payables	10(a),(c),(d)&(g)	4,889,754	4,634,703	223,050	197,178
Total Liabilities		419,273,448	294,849,073	873,583	1,359,846
Net assets attributable to unitholders		35,279,909,704	39,008,899,251	66,318,872	77,189,979
Representing:					
Total Equity		35,279,909,704	39,008,899,251	66,318,872	77,189,979
Total number of units in issue	10(h),11	2,038,686,120	1,941,706,399	6,900,000	6,300,000
Net asset value per unit		17.3052	20.0900	9.6114	12.2524

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

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

(*) The date of commencement for HSI ESG Enhanced Select Index ETF was 22 February 2022.

The notes on page 22 to page 43 form part of the financial statements.

Statement of Comprehensive Income

for the year ended 31 December 2023

	Notes	Hang Seng Index Tracking Fund		HSI ESG Enhanced Select Index ETF	
		Year ended 31 December 2023 (HKD)	Year ended 31 December 2022 (HKD)	Year ended 31 December 2023 (HKD)	Period from 22 February 2022 (date of commencement) to 31 December 2022 (HKD)
Income					
Dividend income	7,10(f)	1,464,219,117	1,383,517,251	2,773,355	2,489,017
Interest income	8,10(e)	1,734,409	80,897	330	86
Manager's reimbursement	10(a)	–	–	822,317	646,783
Other income		–	17,214	–	–
		1,465,953,526	1,383,615,362	3,596,002	3,135,886
Expenses					
Auditor's remuneration		(626,861)	(627,184)	(79,994)	(80,005)
Formation cost		–	–	–	(1,288,579)
Legal and professional fees		(183,819)	(81,784)	(267)	–
Management fees	10(a)	(12,930,055)	(18,482,558)	(61,318)	(57,658)
Registrar's fees	10(g)	(21,238)	(15,600)	(15,611)	(13,378)
Safe custody and bank charges	10(c)	(1,515,691)	(1,587,806)	(7,553)	(7,617)
Sundry expenses	10(d)&(g)	(6,326,796)	(7,122,678)	(353,794)	(318,919)
Investment transaction costs	10(b)	(25,224,713)	(27,803,452)	(60,755)	(76,853)
Transaction fees paid to administrator	10(g)	(216,900)	(210,800)	(8,000)	(6,861)
Trustee's fees	10(g)	(2,306,040)	(2,408,807)	(35,099)	(8,830)
Fund administration fees	10(g)	(9,224,161)	(9,635,229)	(156,852)	(72,117)
Valuation fees	10(g)	(97,200)	(98,400)	–	–
		(58,673,474)	(68,074,298)	(779,243)	(1,930,817)
Income before losses on investments		1,407,280,052	1,315,541,064	2,816,759	1,205,069
Losses on investments					
Net losses on investments	9	(5,480,020,598)	(6,684,750,496)	(18,459,602)	(19,664,361)
Net foreign exchange gain/(loss)		85,158	(16,784)	(36)	161
Securities expenses	10(c)	(1,055,818)	(887,526)	(2,209)	(7,891)
		(5,480,991,258)	(6,685,654,806)	(18,461,847)	(19,672,091)
Loss before finance costs		(4,073,711,206)	(5,370,113,742)	(15,645,088)	(18,467,022)
Finance costs					
Interest expenses	10(j)	(83,324)	(78,277)	(33,216)	(13,748)
Loss before taxation		(4,073,794,530)	(5,370,192,019)	(15,678,304)	(18,480,770)
Taxation	4,7	(66,991,881)	(72,427,475)	(65,163)	(63,691)
Loss attributable to unitholders and total comprehensive income for the year		(4,140,786,411)	(5,442,619,494)	(15,743,467)	(18,544,461)

The notes on page 22 to page 43 form part of the financial statements.

Statement of Changes in Equity

for the year ended 31 December 2023

	Notes	Hang Seng Index Tracking Fund		HSI ESG Enhanced Select Index ETF	
		Year ended 31 December 2023 (HKD)	Year ended 31 December 2022 (HKD)	Year ended 31 December 2023 (HKD)	Period from 22 February 2022 (date of commencement) to 31 December 2022 (HKD)
Balance at beginning of year		39,008,899,251	43,042,833,134	77,189,979	–
Loss attributable to unitholders and total comprehensive income for the year		(4,140,786,411)	(5,442,619,494)	(15,743,467)	(18,544,461)
Transactions with owners (i.e. unitholders), recorded directly in equity					
Received and receivable on issue of units	10(i),11	15,995,289,891	57,467,748,249	7,326,360	103,500,000
Paid and payable on redemption of units	10(i),11	(14,214,643,918)	(54,797,403,324)	–	(5,581,560)
Distributions to unitholders	10(h),14	(1,368,849,109)	(1,261,659,314)	(2,454,000)	(2,184,000)
Total transactions with owners (i.e. unitholders)		411,796,864	1,408,685,611	4,872,360	95,734,440
Balance at year end		35,279,909,704	39,008,899,251	66,318,872	77,189,979

	Notes	Year ended 31 December 2023	Year ended 31 December 2022	Year ended 31 December 2023	Year ended 31 December 2022*
Movement of units in issue is listed below:					
Number of units bought forward		1,941,706,399	1,810,147,501	6,300,000	–
Number of units issued during the period		826,852,108	2,834,990,551	600,000	6,900,000
Number of units redeemed during the period		(729,872,387)	(2,703,431,653)	–	(600,000)
Number of units carried forward	11	2,038,686,120	1,941,706,399	6,900,000	6,300,000

The notes on page 22 to page 43 form part of the financial statements

Statement of Cash Flow

for the year ended 31 December 2023

	Hang Seng Index Tracking Fund		HSI ESG Enhanced Select Index ETF	
	Year ended 31 December 2023 (HKD)	Year ended 31 December 2022 (HKD)	Year ended 31 December 2023 (HKD)	Period from 22 February 2022 (date of commencement) to 31 December 2022 (HKD)
Operating activities				
Payment for legal and professional fees	(183,819)	(81,784)	(267)	–
Payment for auditor's remuneration	(600,001)	(626,870)	(80,000)	–
Payment for management fees	(12,999,792)	(19,206,778)	(62,117)	(52,435)
Payment for fees paid to trustee	(2,324,938)	(2,431,588)	(35,100)	(7,775)
Payment for investment transaction costs	(25,224,713)	(27,803,452)	(60,755)	(76,853)
Payment for formation cost	–	–	–	(1,288,579)
Payment for fees paid to administrator	(10,014,657)	(10,454,263)	(229,590)	(95,264)
Payment for safe custody and bank charges	(1,528,425)	(1,601,518)	(7,643)	(6,964)
Other income received	–	17,214	846,917	561,376
Payment for other operating expenses	(5,818,418)	(7,350,519)	(277,968)	(206,072)
Net cash (used in)/generated from operating activities	(58,694,763)	(69,539,558)	93,477	(1,172,566)
Investing activities				
Payment for securities expenses	(694,320)	(829,723)	(2,176)	(7,427)
Dividend income received	1,343,872,298	1,301,776,269	2,633,827	2,325,050
Interest received	1,732,940	79,632	336	80
Proceeds from sale of investments	7,454,539,439	10,478,465,944	20,932,131	29,728,289
Payments for purchase of investments	(9,168,031,772)	(12,934,410,947)	(28,680,312)	(126,221,718)
Net cash used in investing activities	(368,581,415)	(1,154,918,825)	(5,116,194)	(94,175,726)
Financing activities				
Payment for interest expenses	(83,324)	(78,277)	(33,216)	(13,748)
Proceeds on issue of units	16,083,750,039	55,648,332,561	7,326,360	103,500,000
Payments on redemption of units	(14,143,975,345)	(53,191,087,703)	–	(5,581,560)
Distributions paid to unitholders	(1,368,849,109)	(1,261,659,314)	(2,454,000)	(2,184,000)
Net cash flows generated from financing activities	570,842,261	1,195,507,267	4,839,144	95,720,692
Net increase/(decrease) in cash and cash equivalents	143,566,083	(28,951,116)	(183,573)	372,400
Cash and cash equivalents at the beginning of the year	74,098,692	103,049,808	372,400	–
Cash and cash equivalents at the end of the year	217,664,775	74,098,692	188,827	372,400

Major non-cash transactions:

- (i) During the year, unitholders subscribed for 0 units of the Hang Seng Index Tracking Fund (2022: 77,400,000 units) by tendering a basket of the constituent stocks of Hang Seng Index with a market value of HKD0 (2022: HKD1,732,252,222).
- (ii) During the year, unitholders tendered 0 units of the Hang Seng Index Tracking Fund (2022: 75,600,000) in exchange for a basket of the constituent stocks of Hang Seng Index with a market value of HKD0 (2022: HKD1,543,314,484).
- (iii) During the year, the Hang Seng Index Tracking Fund had dividend re-investment amounting to HKD11,014,443 (2022: HKD10,710,137).
- (iv) During the period, HSI ESG Enhanced Select Index ETF had dividend re-investment amounting to HKD37,687 (2022: HKD88,146).

The notes on page 22 to page 43 form part of the financial statements.

Notes to the Financial Statements

1. Background

Hang Seng Index Tracking Fund (formerly known as Hang Seng Index ETF) and HSI ESG Enhanced Select Index ETF (“the Funds”) are authorised by the Securities and Futures Commission in Hong Kong (“SFC”) under Section 104(1) of the Hong Kong Securities and Futures Ordinance, and is governed by the Hong Kong Code on Unit Trusts and Mutual Funds (“the SFC Code”).

Hang Seng Index Tracking Fund and HSI ESG Enhanced Select Index ETF (“the Funds”), are sub-funds created under Hang Seng Investment Index Funds Series II (the “Trust”) which is an umbrella unit trust established under the law of Hong Kong by its Trust Deed dated 10 September 2004, as amended from time to time. Hang Seng Index Tracking Fund was registered on 13 September 2004 under the laws of Hong Kong and HSI ESG Enhanced Select Index ETF was registered on 22 February 2022 under the laws of Hong Kong.

With effect from 13 September 2022, Hang Seng Index Tracking Fund (formerly known as Hang Seng Index ETF) is delisted and renamed as Hang Seng Index Tracking Fund.

Having taken into account the relevant factors, namely (i) the majority of investors of Hang Seng Index Tracking Fund are institutional professional investors who typically deal in the primary market, (ii) the trading activity of Hang Seng Index Tracking Fund on the SEHK has been relatively low considering the asset under management of the fund, and (iii) the delisting from SEHK will lower the operational costs (i.e. listing related costs) and streamline the operational arrangement of the Hang Seng Index Tracking Fund which is conducive to the proposed reduction of the management fee of the fund, the Manager is therefore of the view that the delisting of Hang Seng Index Tracking Fund would be in the best interests of the investors in the fund. With effect from 13 September 2022, Hang Seng Index Tracking Fund (formerly known as Hang Seng Index ETF) is delisted and renamed as Hang Seng Index Tracking Fund.

Following the delisting, Hang Seng Index Tracking Fund will continue to operate as an unlisted index fund as defined under Chapter 8.6 of the Code authorised by the SFC pursuant to Section 104(1) of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong). The Manager will continue to manage the Hang Seng Index Tracking Fund (formerly known as Hang Seng Index ETF) in accordance with applicable laws and regulations (including the Code) as well as the Trust Deed.

After the delisting, Hang Seng Index Tracking Fund (the “Sub-Fund”) will remain a sub-fund of the Trust and authorised by the SFC as an unlisted index fund as defined under Chapter 8.6 of the Code and will continue to be subject to Hong Kong regulation by the SFC under the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structural Products including the Code.

Unless otherwise provided in announcements and notices, the Manager confirms that:

- i. there will be no change in the operation and/or manner in which the Sub-Fund is being managed. The investment objective, investment strategy, underlying index and underlying investments of the Sub-Fund will remain unchanged;
- ii. there is no material change to the risk profile of the Sub-Fund; and
- iii. the Delisting will not give rise to any matter or impact that may materially prejudice the rights or interests of the existing Unitholders of the Sub-Fund.

The investment objective of the Funds is to provide investment results that, before fees and expenses, closely correspond to the performance of Hang Seng Index and HSI ESG Enhanced Select Index (each “Hang Seng Index” , “HSI ESG Enhanced Select Index” , collectively the “Indexes”).

As at 31 December 2023, 72% (2022: 72%) of the redeemable units of Hang Seng Index Tracking Fund were held by HSBC Mandatory Provident Fund – SuperTrust Plus – Hang Seng Index Tracking Fund (“HSBC SuperTrust Plus – Hang Seng Index Tracking Fund”), which is considered as the parent of the Hang Seng Index Tracking Fund.

Notes to the Financial Statements (continued)

2. Material accounting policies

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

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

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

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

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

(c) Income and expenses

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

(d) Taxation

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

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

Notes to the Financial Statements (continued)

2. Material accounting policies (continued)

(e) Translation of foreign currency

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

(f) Financial instruments

(i) Classification

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

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

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

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

Business model assessment

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

- the investment strategy in the offering document of the Funds and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Funds' management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how the compensation to investment manager is determined: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

The Funds have determined that they have two business models.

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

Notes to the Financial Statements (continued)

2. Material accounting policies (continued)

Assessment whether contractual cash flows are SPPI

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

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

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

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

Reclassifications

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

(ii) Recognition

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

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

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

Notes to the Financial Statements (continued)

2. Material accounting policies (continued)

(iii) Measurement

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

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

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

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

(iv) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Funds have access at that date. The fair value of a liability reflects its non-performance risk.

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

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

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

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

(v) Derecognition

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

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

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

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

(vi) Offsetting

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

Notes to the Financial Statements (continued)

2. Material accounting policies (continued)

(g) Related parties

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

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

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

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

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

(h) Cash and cash equivalents

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

(i) Units in issue

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

The Funds have one class of redeemable units in issue. This is the most subordinate class of financial instruments in the Funds and ranks *pari passu* in all material respects and has identical terms and conditions. The redeemable units provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Funds' net assets at each redemption date and also in the event of the Funds' liquidation.

Notes to the Financial Statements (continued)

2. Material accounting policies (continued)

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

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

The Funds' redeemable units meet all of these conditions and are classified as equity instruments.

(j) Segment reporting

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

(k) Income equalisation on subscriptions and redemptions

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

(l) Investment transaction costs

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

(m) Formation costs

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

3. Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Funds. None of these impact on the accounting policies of the Funds.

- Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*

Notes to the Financial Statements (continued)

- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimate*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The Funds have not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 18).

4. Taxation

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

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

5. Financial assets at fair value through profit or loss

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

	Hang Seng Index Tracking Fund Market Value		HSI ESG Enhanced Select Index ETF Market Value	
	2023 (HKD)	2022 (HKD)	2023 (HKD)	2022 (HKD)
Listed equities	34,866,735,108	38,638,206,702	62,933,481	74,156,080
Collective Investment Schemes	364,982,230	384,804,167	3,960,532	3,919,320
Total financial assets at fair value through profit or loss	35,231,717,338	39,023,010,869	66,894,013	78,075,400

6. Financial risk management

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

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

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

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(a) Market risk

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

(i) Price risk

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

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

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

Fund	Estimated Increase/(Decrease) in Net Assets Attributable to Unitholders					
	Currency	Index	If the Relevant Index Increased by 20% 2023	If the Relevant Index Increased by 20% 2022	If the Relevant Index Decreased by 20% 2023	If the Relevant Index Decreased by 20% 2022
Hang Seng Index Tracking Fund	HKD	Hang Seng Index	7,046,343,468	7,804,602,174	(7,046,343,468)	(7,804,602,174)
HSI ESG Enhanced Select Index ETF	HKD	HSI ESG Enhanced Select Index	13,378,803	15,615,080	(13,378,803)	(15,615,080)

(ii) Interest rate risk

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

(iii) Currency risk

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

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(b) Credit risk

Analysis of credit risk management policy and concentration of credit risk

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

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

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

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

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

(c) Liquidity risk

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

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

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

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

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

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

- through participating dealers by any investor with a basket of constituent stocks of the Index and a minor cash component, or wholly with cash. The minimum redemption units for HSI ESG Enhanced Select Index ETF are 300,000 units; and
- through the Manager by the Hang Seng Funds, with a basket of constituent stocks of the Index and a minor cash component or wholly with cash at a minimum of 1 unit.

Subject as otherwise provided in the relevant Term Sheet, the Manager does not require a minimum investment or holding for Hang Seng Index Tracking Fund.

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

(d) Capital management

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

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

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

The Funds are not subject to externally imposed capital requirements.

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

7. Dividend income

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

Fund	Currency	Dividend income		Withholding taxes		Net Dividend Income	
		2023	2022	2023	2022	2023	2022
Hang Seng Index Tracking Fund	HKD	1,464,219,117	1,383,517,251	(66,991,881)	(72,427,475)	1,397,227,236	1,311,089,776
HSI ESG Enhanced Select Index ETF	HKD	2,773,355	2,489,017	(65,163)	(63,691)	2,708,192	2,425,326

Notes to the Financial Statements (continued)

8. Interest income

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

Fund	Currency	Interest income from cash and cash equivalent		Net Interest Income	
		2023	2022	2023	2022
Hang Seng Index Tracking Fund	HKD	1,734,409	80,897	1,734,409	80,897
HSI ESG Enhanced Select Index ETF	HKD	330	86	330	86

9. Net losses on investments

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

Fund	Currency	Net losses on investments in equity instruments		Net losses on investments in collective investment schemes		Net losses on investments	
		2023	2022	2023	2022	2023	2022
Hang Seng Index Tracking Fund	HKD	(5,389,124,577)	(6,502,252,327)	(90,896,021)	(182,498,169)	(5,480,020,598)	(6,684,750,496)
HSI ESG Enhanced Select Index ETF	HKD	(17,521,114)	(19,245,183)	(938,488)	(419,178)	(18,459,602)	(19,664,361)

Fund	Currency	Realised (losses)/gain from investments		Movement on unrealised (losses)/gains		Net (losses)/gains on investments	
		2023	2022	2023	2022	2023	2022
Hang Seng Index Tracking Fund	HKD	(1,765,353,281)	(1,997,623,167)	(3,714,667,317)	(4,687,127,329)	(5,480,020,598)	(6,684,750,496)
HSI ESG Enhanced Select Index ETF	HKD	(4,602,327)	(8,618,359)	(13,857,275)	(11,046,002)	(18,459,602)	(19,664,361)

Notes to the Financial Statements (continued)

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

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

- (a) Hang Seng Investment Management Limited, a wholly-owned subsidiary of Hang Seng Bank ("HSB"), which is a member of the HSBC Group, is the Manager of the Funds. Effective from 13th September 2022, the Manager earns management fees at a rate of 0.045% per annum on the first HKD15 billion of net asset value, 0.030% per annum on the next HKD15 billion of net asset value, 0.020% per annum on the next HKD15 billion of net asset value and 0.015% per annum on the remaining balance of net asset value of Hang Seng Index Tracking Fund. Prior to 13th September 2022, the Manager earns management fees at a rate of 0.05% of net asset value per annum of Hang Seng Index Tracking Fund. The Manager earns management fees at a rate of 0.08% of net asset value per annum for HSI ESG Enhanced Select Index ETF. Management fees are calculated as at each dealing day and payable monthly. Manager's reimbursement received during the year, manager's reimbursement receivable at the year end date, management fees paid during the year and management fees payable to the Manager at the year end date are shown below.

During the year/period ended 31 December 2023 and 2022, HSVM has reimbursed certain expenses incurred by HSI ESG Enhanced Select Index ETF.

	Hang Seng Index Tracking Fund		HSI ESG Enhanced Select Index ETF	
	2023 (HKD)	2022 (HKD)	2023 (HKD)	2022 (HKD)
Management fees paid during the year	12,930,055	18,482,558	61,318	57,658
Management fees payable	1,029,874	1,099,611	4,424	5,223
Management's reimbursement during the year	–	–	822,317	646,783
Management's reimbursement receivable	–	–	60,807	85,407

- (b) The Funds utilise the services of HSBC in part of its purchase and sale of investments. Details of such transactions executed and fees paid are shown.

	Hang Seng Index Tracking Fund		HSI ESG Enhanced Select Index ETF	
	2023 (HKD)	2022 (HKD)	2023 (HKD)	2022 (HKD)
Value of transactions executed through HSBC (in HKD)	1,104,846,748	2,796,104,178	23,979,877	97,111,210
Share of total value of transactions of the Fund	6.59%	10.45%	48.81%	61.77%
Commission paid to HSBC (in HKD)	220,979	359,076	4,796	19,406
Average commission rate	0.00%	0.01%	0.01%	0.02%

Notes to the Financial Statements (continued)

- (c) The Funds utilise the services of HSBC in its depository of securities and paid securities expenses and safe custody and bank charges to HSBC. Details of such fees paid during the year and such fees payable at the year end date are shown below.

	Hang Seng Index Tracking Fund		HSI ESG Enhanced Select Index ETF	
	2023 (HKD)	2022 (HKD)	2023 (HKD)	2022 (HKD)
Securities expenses paid to HSBC during the year	1,055,818	887,526	2,209	7,891
Safe custody and bank charges paid to HSBC during the year	1,515,691	1,587,806	7,553	7,617
Securities expenses payable to HSBC as of year end	446,286	84,788	497	464
Safe custody payable to HSBC as of year end	119,649	132,383	563	653

- (d) The Funds have been licensed by Hang Seng Indexes Company Limited ("HSIL") to use the Index to create, offer, market and sell the Funds during the year. License fee paid to HSIL during the year amounted to HKD5,760,100 (2022: HKD6,022,018) for Hang Seng Index Tracking Fund (formerly known as Hang Seng Index ETF) and HKD150,409 (2022: HKD128,744) for HSI ESG Enhanced Select Index ETF. License fee payable to HSIL at the year end was HKD1,353,383 (2022: HKD1,322,419) for Hang Seng Index Tracking Fund (formerly known as Hang Seng Index ETF) and HKD38,320 (2022: HKD37,911) for HSI ESG Enhanced Select Index ETF.

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

	Hang Seng Index Tracking Fund		HSI ESG Enhanced Select Index ETF	
	2023 (HKD)	2022 (HKD)	2023 (HKD)	2022 (HKD)
HSBC bank balances as of year end	217,664,775	74,098,692	188,827	372,400
Interest income earned from HSBC during the year	1,734,409	80,897	330	86
Interest receivable from HSBC as of year end	2,837	1,368	–	6

- (f) During the year, the Funds made investments in the stocks of HSBC Holdings PLC and HSB. Details of such investments held as at the year end date are shown in the Investment Portfolio. Dividend income earned from these investments during the year is shown below.

	Hang Seng Index Tracking Fund		HSI ESG Enhanced Select Index ETF	
	2023 (HKD)	2022 (HKD)	2023 (HKD)	2022 (HKD)
HSBC Holdings PLC	236,550,798	137,142,824	437,826	308,103
Hang Seng Bank	13,188,764	10,238,030	54,640	41,540

Notes to the Financial Statements (continued)

- (g) Cititrust Limited is the Trustee of the Funds. Trustee's fees are calculated as at each dealing day and payable monthly. HSBC Institutional Trust Services (Asia) Limited, a member of the HSBC Group, is the administrator of the Funds.

The Trustee earns trustee's fees based on the fee table below.

	Hang Seng Index Tracking Fund		HSI ESG Enhanced Select Index ETF	
	2023 (HKD)	2022 (HKD)	2023 (HKD)	2022 (HKD)
Trustee's fee rate (including the Fund Administration fees)	0.030%	0.030%	0.049%	0.049%
– paid to Cititrust Limited	0.006%	0.006%	0.009%	0.009%
– paid to HSBC Institutional Trust Services (Asia) Limited	0.024%	0.024%	0.040%	0.040%
Minimum monthly trustee's fees	–	–	15,925	15,925
– payable to Cititrust Limited	–	–	2,925	2,925
– payable to HSBC Institutional Trust Services (Asia) Limited	–	–	13,000	13,000
Trustee's fees				
– paid to Cititrust Limited	2,306,040	2,408,807	35,099	8,830
Fees payable to Trustee				
– paid to Cititrust Limited	177,218	196,116	1,054	1,055

The administrator also earned fees for providing various services to the Funds during the year as shown below.

	Hang Seng Index Tracking Fund		HSI ESG Enhanced Select Index ETF	
	2023 (HKD)	2022 (HKD)	2023 (HKD)	2022 (HKD)
Processing fee for handling each purchase or sale of investments (in HKD)	35	35	35	35
Valuation fee per valuation (in HKD)	400	400	N/A	N/A
Processing fee for handling each creation/redemption/transfer of units (in HKD)	100	100	100	100

Notes to the Financial Statements (continued)

Details of such fee paid during the year and such fees payable at the year end date shown below.

	Hang Seng Index Tracking Fund		HSI ESG Enhanced Select Index ETF	
	2023 (HKD)	2022 (HKD)	2023 (HKD)	2022 (HKD)
Transaction fees paid to administrator – payable to HSBC Institutional Trust Services (Asia) Limited	216,900	210,800	8,000	6,861
Registrar's fees – paid to HSBC Institutional Trust Services (Asia) Limited	21,238	15,600	15,611	13,378
Valuation fees – paid to HSBC Institutional Trust Services (Asia) Limited	97,200	98,400	–	–
Financial reporting fee – paid to HSBC Institutional Trust Services (Asia) Limited	391,962	529,771	68,872	49,888
Fund administration fee – paid to HSBC Institutional Trust Services (Asia) Limited	9,224,161	9,635,229	156,852	72,117
Transaction fees payable to administrator – paid to HSBC Institutional Trust Services (Asia) Limited	1,105,911	1,169,107	66,726	46,980

- (h) HSBC SuperTrust Plus – Hang Seng Index Tracking Fund, as the parent of the Fund, invests in the Hang Seng Index Tracking Fund (formerly known as Hang Seng Index ETF) and earns the Fund's distributions to unitholders. At the year end date, HSBC SuperTrust Plus – Hang Seng Index Tracking Fund held 1,467,377,972 units (2022: 1,404,451,412 units) of the Hang Seng Index Tracking Fund (formerly known as Hang Seng Index ETF). During the year, distributions to unitholders earned by HSBC SuperTrust Plus – Hang Seng Index Tracking Fund was HKD987,675,502 (2022: HKD895,910,019).

Hang Seng Mandatory Provident Fund – SuperTrust Plus – Hang Seng Index Tracking Fund ("HS SuperTrust Plus – Hang Seng Index Tracking Fund"), invests in the Hang Seng Index Tracking Fund (formerly known as Hang Seng Index ETF) and earns the Fund's distributions to unitholders. At the year end date, HS SuperTrust Plus – Hang Seng Index Tracking Fund held 565,881,574 units (2022: 527,796,187 units) of the Fund. During the year, distributions to unitholders earned by HS SuperTrust Plus – Hang Seng Index Tracking Fund was HKD377,270,550 (2022: HKD335,086,364).

- (i) HSBC SuperTrust Plus – Hang Seng Index Tracking Fund, subscribed 583,662,793 units (2022: 627,407,334 units) and redeemed 520,736,233 units (2022: 502,045,472 units) of the Hang Seng Index Tracking Fund (formerly known as Hang Seng Index ETF), at amounts of HKD11,306,544,090 (2022: HKD12,853,936,282) and HKD10,152,584,054 (2022: HKD15,885,367,663) respectively during the year.

Hang Seng SuperTrust Plus – Hang Seng Index Tracking Fund, subscribed 242,054,379 units (2022: 263,606,538 units) and redeemed 203,968,993 units (2022: 200,868,302 units) of the Hang Seng Index Tracking Fund (formerly known as Hang Seng Index ETF), at amounts of HKD4,688,745,801 (2022: HKD5,396,199,712) and HKD3,977,331,928 (2022: HKD4,165,821,402) respectively during the year.

Notes to the Financial Statements (continued)

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

Fund	Currency	Year	Uncommitted overdraft facility as at 31 December	Interest rate	Interest expenses paid during the year
Hang Seng Index Tracking Fund	HKD	2023	Lesser of: (i) USD50,000,000; (ii) 10% of net value assets in HSBC custody; and (iii) 10% of net asset value	USD Best Lending Rate	83,324
		2022	Lesser of: (i) USD50,000,000; (ii) 10% of net value assets in HSBC custody; and (iii) 10% of net asset value	USD Best Lending Rate	78,277
HSI ESG Enhanced Select Index ETF	HKD	2023	N/A	N/A	33,216
		2022	N/A	N/A	13,748

- (k) The directors and officers of the Manager may transact in the units of the Fund as principal. As at 31 December 2023, the directors and officers of the Manager together do not hold any unit of the Funds (2022:Nil).

11. Units in issue and net asset value per unit

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

	Class of units (Currency)	2023		2022	
		Units in issue	NAV per unit	Units in issue	NAV per unit
Hang Seng Index Tracking Fund	Listed Class (HKD)	2,038,686,120	17.3052	1,941,706,399	20.0900
HSI ESG Enhanced Select Index ETF	Listed Class (HKD)	6,900,000	9.6114	6,300,000	12.2524

12. Reconciliation of net asset values

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

HSI ESG Enhanced Select Index ETF was commenced on 22 February 2022. Formation cost of the fund was HKD1,288,500 and it was charged to the statement of comprehensive income as incurred in accordance with HKFRSs.

Per the HKOD of HSI ESG Enhanced Select Index ETF, the formation cost is amortised over the first five accounting periods of fund and as of 31 December 2023, the remaining amortisation period was 38 (2022: 50) months and the balance was HKD811,487 (2022: HKD1,068,340).

Notes to the Financial Statements (continued)

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

	HSI ESG Enhanced Select Index ETF	
	2023 (HKD)	2022 (HKD)
Net assets attributable to unitholders as reported in the financial statements	66,318,872	77,189,979
Adjustments for different principles adopted by the Fund in arriving at the adjusted total net assets for valuation purposes:		
– Formation costs	811,487	1,068,340
Adjusted total net assets for valuation purposes	67,130,359	78,258,319

13. Soft dollar commission

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

14. Distributions

Details of distributions during the year are shown below:

Fund	Date of Cash Dividend Determination 2023	Date of Cash Dividend Determination 2022	Distribution per Unit 2023	Distribution per Unit 2022
Hang Seng Index Tracking Fund				
Listed Class	19-12-2023	16-12-2022	HKD0.07	HKD0.03
	19-09-2023	28-09-2022	HKD0.30	HKD0.47
	29-06-2023	23-06-2022	HKD0.25	HKD0.10
	30-03-2023	30-03-2022	HKD0.07	HKD0.06
HSI ESG Enhanced Select Index ETF				
Listed Class	19-12-2023	16-12-2022	HKD0.06	HKD0.04
	19-09-2023	19-09-2022	HKD 0.15	HKD 0.13
	29-06-2023	23-06-2022	HKD 0.10	HKD 0.15
	30-03-2023	–	HKD 0.05	–

Notes to the Financial Statements (continued)

14. Distributions (continued)

	Hang Seng Index Tracking Fund	
	Year ended 31 December 2023	Year ended 31 December 2022
Undistributed income brought forward	6,982,161,554	6,994,244,444
Income before losses on investments	1,407,280,052	1,315,541,064
Interest expenses	(83,324)	(78,277)
Taxation	(66,991,881)	(72,427,475)
Income portion of received and receivable on issue of units	279,301,930	1,663,244,485
Income portion of paid and payable on redemption of units	(248,223,175)	(1,656,703,373)
Amount available for distribution to unitholders	8,353,445,156	8,243,820,868
Distribution to unitholders	(1,368,849,109)	(1,261,659,314)
Undistributed income carried forward	6,984,596,047	6,982,161,554

	HSI ESG Enhanced Select Index ETF	
	Year ended 31 December 2023	Period from 22 February 2022 (date of commencement) to 31 December 2022
Undistributed income brought forward	(1,063,690)	–
Income before losses on investments	2,816,759	1,205,069
Interest expenses	(33,216)	(13,748)
Taxation	(65,163)	(63,691)
Income portion of received and receivable on issue of units	1,380	–
Income portion of paid and payable on redemption of units	–	(7,320)
Amount available for distribution to unitholders	1,656,070	1,120,310
Distribution to unitholders	(2,454,000)	(2,184,000)
Undistributed income carried forward	(797,930)	(1,063,690)

15. Fair value information

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

Notes to the Financial Statements (continued)

15. Fair value information (continued)

Valuation of financial instruments

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

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). The category includes instruments valued using: quoted market price in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

All investments held by the Funds are listed on SEHK and their fair values are based on quoted market prices in active markets. For all other financial instruments, their carrying amounts approximate fair value due to the intermediate or short-term nature of these financial instruments.

The table below presents the carrying value of financial instruments measured at fair value at the date of the statement of assets and liabilities across the three levels of fair value hierarchy.

	Hang Seng Index Tracking Fund		HSI ESG Enhanced Select Index ETF	
	2023 (HKD)	2022 (HKD)	2023 (HKD)	2022 (HKD)
Assets				
Level 1				
– Listed equities	34,866,735,108	38,638,206,702	62,933,481	74,156,080
– Collective investment schemes	364,982,230	384,804,167	3,960,532	3,919,320
Total	35,231,717,338	39,023,010,869	66,894,013	78,075,400

There were no transfers of financial instruments between Level 1 and Level 2, or transfers into or out of Level 3 during the year.

Notes to the Financial Statements (continued)

16. Involvement with unconsolidated structured entities

The Funds have concluded that collective investment schemes in which the Funds invest, but that they do not consolidate, meet the definition of structured entities because:

- the voting rights in the collective investment schemes are not dominant rights in deciding who controls them because they relate to administrative tasks only;
- each collective investment scheme's activities are restricted by its prospectus; and
- the collective investment schemes have narrow and well-defined objectives to provide investment opportunities to investors.

The tables below describe the types of structured entities that the Funds do not consolidate but in which they hold an interest; and set out interests held by the Funds in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the financial assets held by the Funds. During the year, except for the amounts invested in the unconsolidated structured entities, the Funds did not provide financial support to the unconsolidated structured entities and had no intention of providing financial or other support.

Type of structured entities	Nature and purpose	Interest held by the Funds
Collective investment schemes	To manage assets on behalf of the investors and earn fees. These vehicles are financed through the issue of units to investors.	Investments in units issued by the collective investment schemes

Fund	Currency	Structured entities	As at 31 December							
			Number of collective investment schemes invested by the Funds		Total net assets of the structured entities		Carrying amount included in financial assets at fair value through profit or loss		Carrying amount as a % of total net assets attributable to unitholders	
			2023	2022	2023	2022	2023	2022	2023	2022
Hang Seng Index Tracking Fund	HKD	Listed real estate investment trusts	1	1	113,039,144,030	121,946,103,124	364,982,230	384,804,167	1.03%	0.99%
HSI ESG Enhanced Select Index ETF	HKD	Listed real estate investment trusts	1	1	113,039,144,030	121,946,103,124	3,960,532	3,919,320	5.97%	5.08%

17. Segment information

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

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

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

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

Notes to the Financial Statements (continued)

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

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

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

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

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

Performance of the Indexes and the Funds (Unaudited)

For the year ended 31 December 2023 and the comparison with the same period in 2022

Performance in HK Dollar

Fund/Index	For the Year ended from 1 January 2023 to 31 December 2023	For the period from 1 January 2022 to 31 December 2022
Hang Seng Index Tracking Fund*	(10.63%)	(12.21%)
Hang Seng Index [#]	(10.61%)	(12.70%)
HSI ESG Enhanced Select Index ETF*	(19.00%)	(15.12%)
HSI ESG Enhanced Select Index [#]	(18.78%)	(14.97%)

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

* For Hang Seng Index Tracking Fund, performance is calculated in base currency with Unit-price to Unit-price, total return with dividend (if any) reinvested. For HSI ESG Enhanced Select Index ETF, performance is calculated in base currency with NAV to NAV, total return with dividend (if any) reinvested. The performance information presented is calculated based on the assumption that there were no distribution to Unitholders, and is for reference only.

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

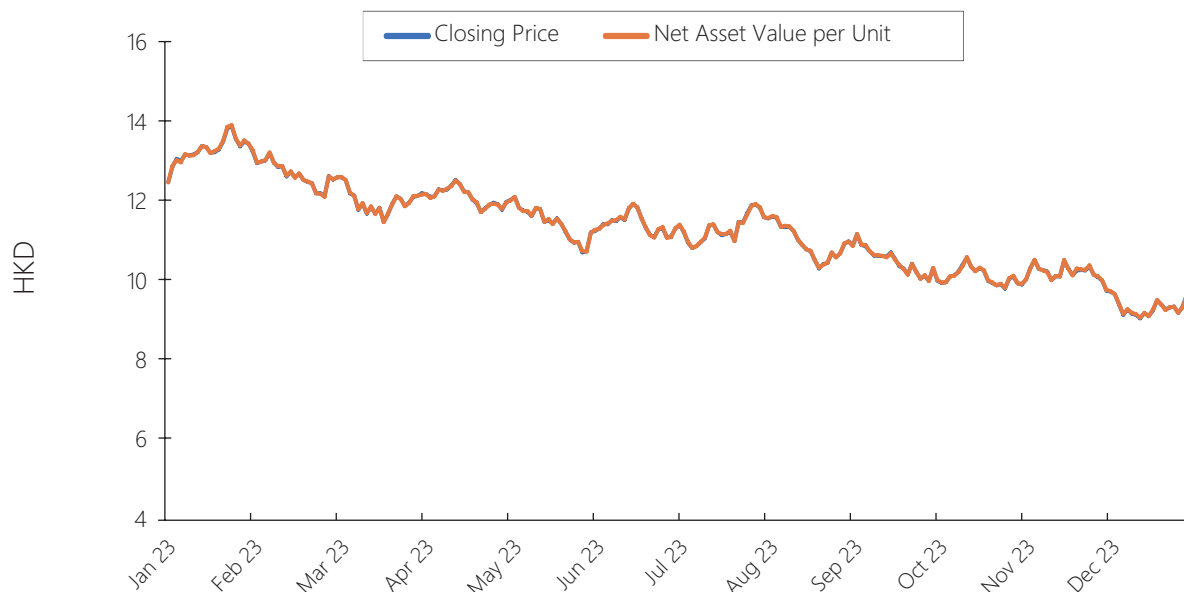
[#] Performance is calculated in total return with dividend reinvested, net of withholding tax.

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

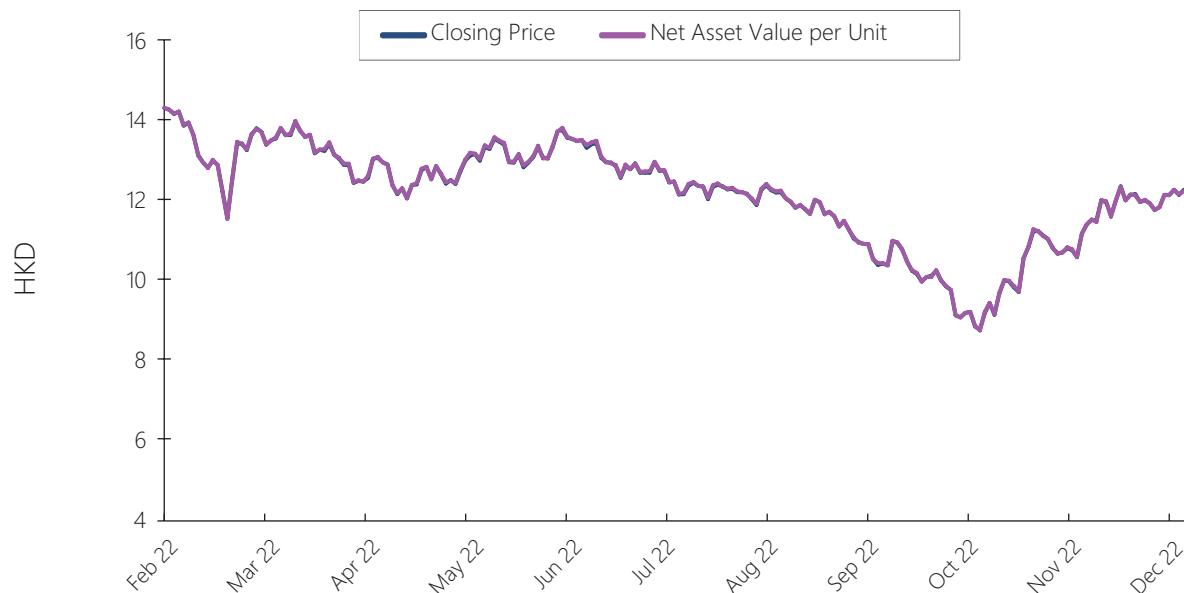
Comparison of Daily Closing Price and Net Asset Value per Unit of HSI ESG Enhanced Select Index ETF (Unaudited)

For the year ended 31 December 2023 and the comparison with the period from 24 February 2022 (listing date) to 31 December 2022

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



Comparison of Daily Closing Price and Net Asset Value per Unit for the period from 24 February 2022 (listing date) to 31 December 2022



Index Constituent Stocks Disclosure (Unaudited)

As at 31 December 2023

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

As at 31 December 2023

Fund	Index	Constituent Stocks	Weighting of the Index (%)
Hang Seng Index Tracking Fund		As of 31 December 2023, there was no constituent stock that accounted for more than 10% of the weighting of the Hang Seng Index.	
HSI ESG Enhanced Select Index ETF		As of 31 December 2023, there was no constituent stock that accounted for more than 10% of the weighting of the HSI ESG Enhanced Select Index.	

As at 31 December 2022

Fund	Index	Constituent Stocks	Weighting of the Index (%)
Hang Seng Index Tracking Fund		As of 31 December 2022, there was no constituent stock that accounted for more than 10% of the weighting of the Hang Seng Index.	
HSI ESG Enhanced Select Index ETF		As of 31 December 2022, there was no constituent stock that accounted for more than 10% of the weighting of the HSI ESG Enhanced Select Index.	

Report on Investment Overweight in Constituent Stocks of the Indexes by the Funds (Unaudited)

From 1 January 2023 to 31 December 2023

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

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

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

During the period from 1 January 2023 to 31 December 2023, the Manager has adopted a full replication strategy when investing for Hang Seng Index Tracking Fund and HSI ESG Enhanced Select Index ETF, hence the above restriction is not applicable.

Portfolio Carbon Footprint (Unaudited)

From 1 January 2023 to 31 December 2023

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

ESG Periodic assessment and reporting for HSI ESG Enhanced Select Index ETF (Unaudited)

From 1 January 2023 to 31 December 2023

HSI ESG Enhanced Select Index ETF (the “ESG Fund”) closely tracks the performance of, before fees and expenses, the HKD denominated total return performance (net of withholding tax) of the HSI ESG Enhanced Select Index (the “Index”) with full replication strategy and promotes the following ESG characteristics:

1. Tracking the Index which measures the overall performance of the Hong Kong stock market combined with environmental, social and governance (“ESG”) initiatives from international lens.
2. Tracking the Index which intends to achieve at least 20% improvement in ESG Risk Rating over the Hang Seng Index (the “Base Index”).

The ESG Fund seeks to achieve the promotion of ESG characteristics through investing primarily in the constituents of the Index. Exclusion policy is applied by the Index for enhancing ESG performance.

The constituent list of the Index contains the securities from the Base Index, with screening policy applied from three dimensions, namely ESG Risk Ratings, United Nation Global Compact Principles (“UNGC”) and Controversial Product Involvement. The Index excludes securities from the Base Index, if the securities:

1. are the 10 constituents in the Base Index with the highest ESG risk (based on their ESG Risk Ratings from data provider Sustainalytics in descending order (i.e. Rank 1 corresponds to the highest ESG risk);
2. reaches any designated thresholds of Controversial Product Involvement;
3. are rated non-compliant based on UNGC compliance ratings. Tilted weights of the constituents of the Index with favorable ESG Risk Ratings are capped at the same capping level of the Base Index.

98.8% underlying investments (2022: 99.9%) were commensurate with the ESG Fund’s ESG focus and the remained 1.2% weight was cash holdings (2022: 0.1%) in the ESG Fund as of 31Dec23. The ESG Fund closely tracked the performance of the Index and the Index was commensurate with the ESG focus, constructed using the approach with selecting companies with less ESG Risk Rating relative to the constituents in the base index.

The ESG Fund was an index fund. The Index has eliminated 17.1% weight (2022:16.02%) of the Base Index – Hang Seng Index as of 31Dec23 to construct HSI ESG Enhanced Select Index.

As the ESG Fund was index tracking, a comparison of the performance of the ESG Fund’s ESG factors against the designated reference benchmark was not applicable.

The Manager conducted engagement activities and exercised proxy voting according to our Engagement Policy and Proxy Voting Guideline, if deemed necessary and appropriate. For action taken of proxy voting records of the ESG Fund, total number of AGM/EGM/SGM resolutions are 839 in 2023 (2022: 781) for HSI ESG Enhanced Select Index ETF.

ESG Periodic assessment and reporting for HSI ESG Enhanced Select Index ETF (Unaudited) (continued)

From 1 January 2023 to 31 December 2023

Proxy voting aggregate statistic and number of vote by category are listed below.

Period	No. of Resolutions	For	Against
2023 whole year	839	716	105
2022 whole year	781	694	87

The summary below demonstrated the assessment performed to attain the ESG focus:

The Index was designated for achieving the ESG characteristics advocated by the ESG Fund.

The Index achieved the ESG characteristic in the following ways:

- Excluded securities with the highest 10% of ESG Risk Ratings among index constituents of the Base Index
- Removed stocks based on Controversial Product Involvement criteria.
- Removed companies considered to be non-compliant with one or more of the United Nation Global Compact principles.
- Adjusted the weights of the remaining companies within the Base Index with lower (higher) ESG Risk Ratings are tilted to be higher (lower).
- Performed above ESG review and index rebalancing on a quarterly basis in March, June, September and December with ESG data cut off in January, April, July and October.

Please refer to the link: https://www.hsi.com.hk/static/uploads/contents/en/dl_centre/methodologies/IM_hsisuie.pdf for details.

Assumptions are listed below:

1. The ESG Fund was closely tracking the index performance with full replication strategy.
2. The ESG performance of the index's constituents were reviewed quarterly, but index provider and ESG data provider would perform ad-hoc review in case significant change in ESG performance for the constituent.

Limitations are listed below:

1. There was tracking error between the ESG Fund and the index. The tracking error were assessed to be small and not to materially affect the assessment.

The foundation to achieve the ESG objectives of the Index was by selection and adjustment on weights of constituents based on the third party (index provider HSIL's) ESG dataset which may be subjective, incomplete, inaccurate or unavailable. Data validation was carried out periodically but the limitation remained, as globally it was well recognized the challenge on ESG data methodology harmonization and how divergent it was among data vendors.

Management and Administration

Manager (for both Hang Seng Tracking Fund and HSI ESG Enhanced Select Index ETF)

Listing Agent (for HSI ESG Enhanced Select Index ETF only)

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CHIU Wai Man, Vivien
LEE Pui Shan
LEE Wah Lun, Rannie
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TSANG Hing Keung (resigned on 1 June 2023)
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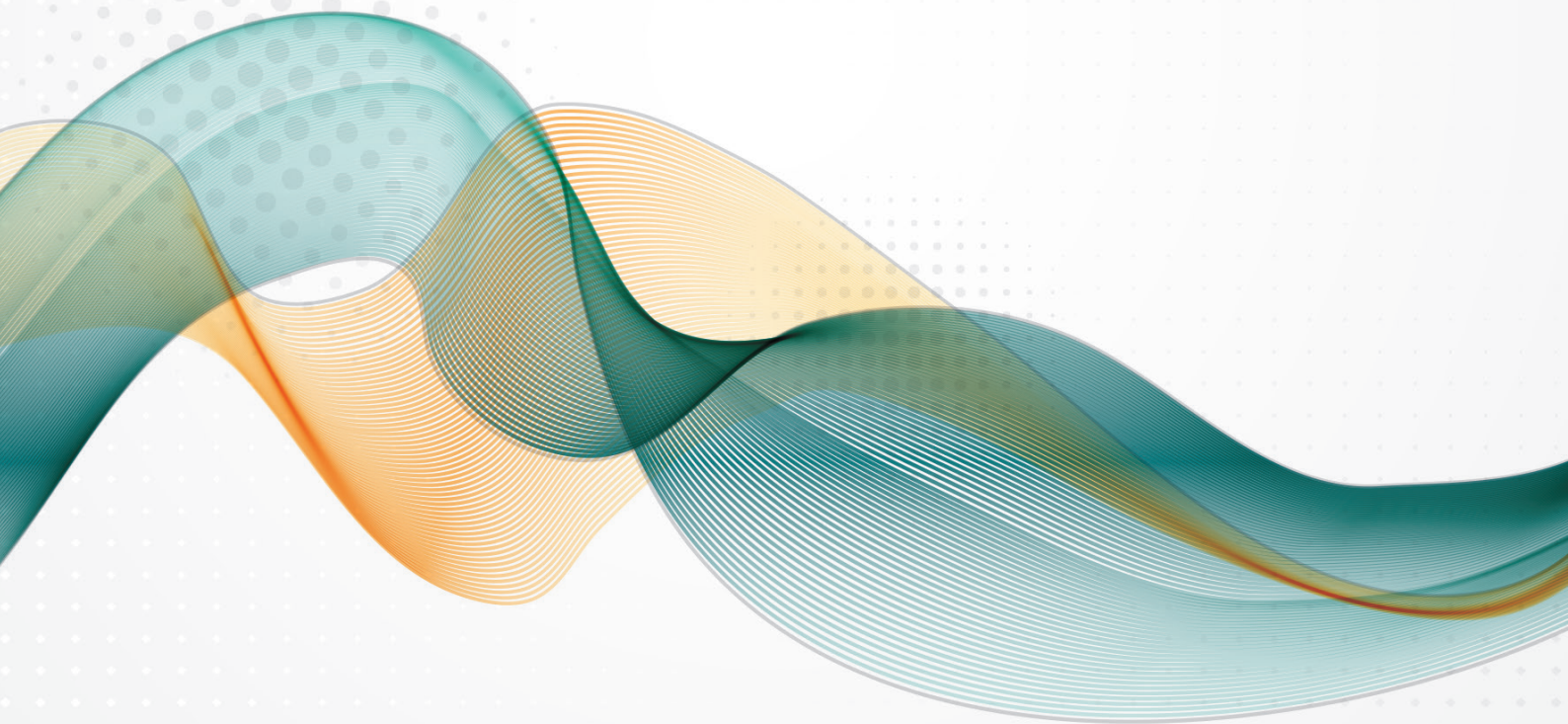
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