

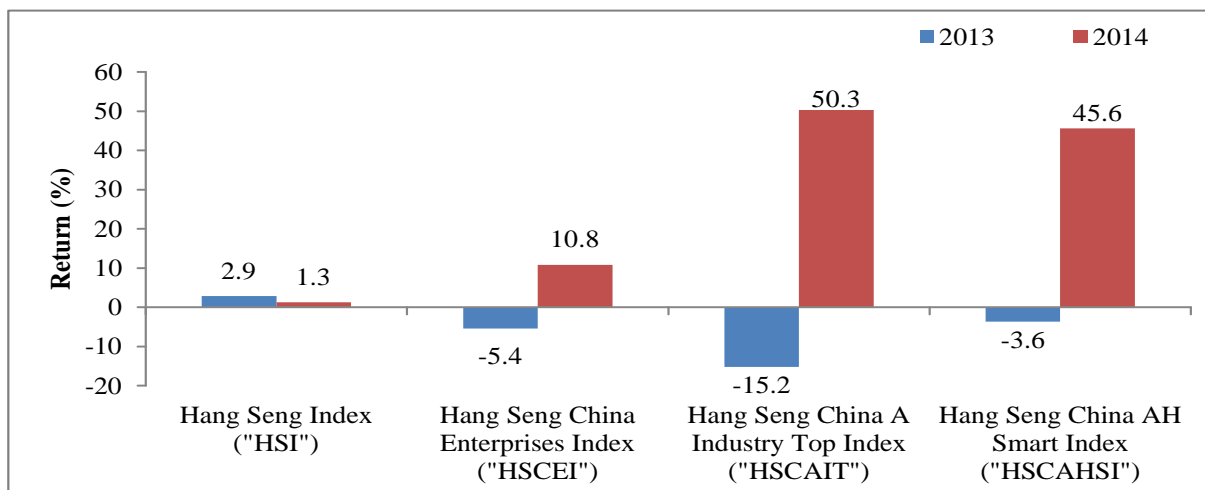


2014 YEAR-END REPORT

Performance of Hang Seng Family of Indexes in 2014

- Hang Seng Index rose 1.3% in 2014, slightly lower than the 2.9% increase in 2013.
- Hang Seng China Enterprises Index rose 10.8%, much higher than the 5.4% decline in 2013.
- Telecommunications was the best-performing industry sector. LargeCap stocks performed better than MidCap and SmallCap stocks.
- Hang Seng China AH Premium Index rose from 94.11 by the end of 2013 to 129.36 by the end of 2014, implying that, in general, A-shares outperformed H-shares for companies with both types of listing.
- Total return on iBonds issued by the Hong Kong Government was 3.9% during the year.

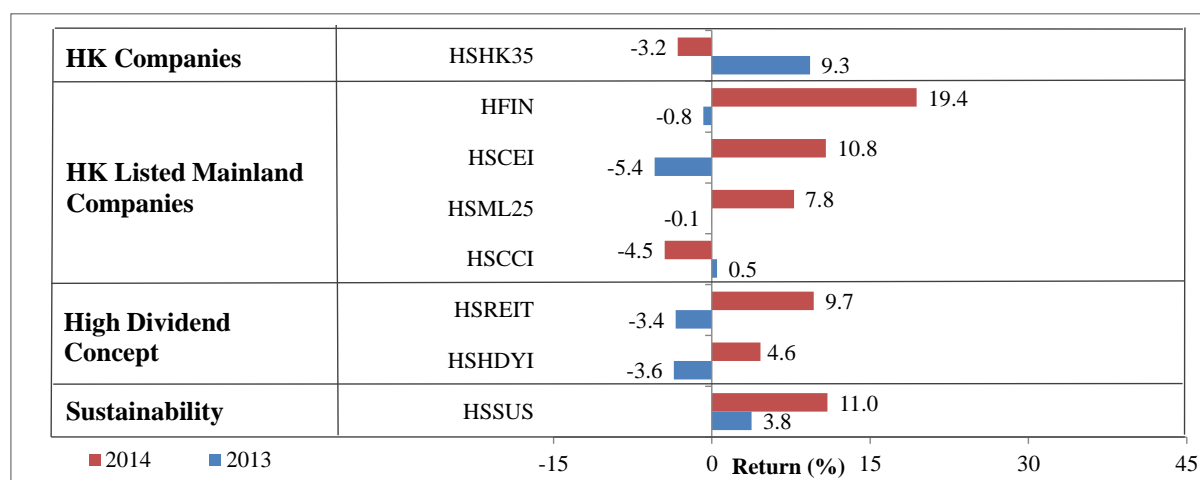
Performance of Major Flagship Indexes



Mainland stocks took the lead in 2014

- The Hong Kong stock market rose slightly in 2014, with the HSI recording a gain of 1.3%.
- The A-share market was very strong. The HSCAIT and HSCAHSI rose by 50.3% and 45.6% respectively.
- Tracking the upward trend in the A-share market, the HSCEI rose by 10.8%.

Performance of Thematic Indexes



HSHK35: Hang Seng HK 35

HSCCI: Hang Seng China-Affiliated Corporations Index

HFIN: Hang Seng China H-Financials Index

HSREIT: Hang Seng REIT Index

HSCEI: Hang Seng China Enterprises Index

HSHDYI: Hang Seng High Dividend Yield Index

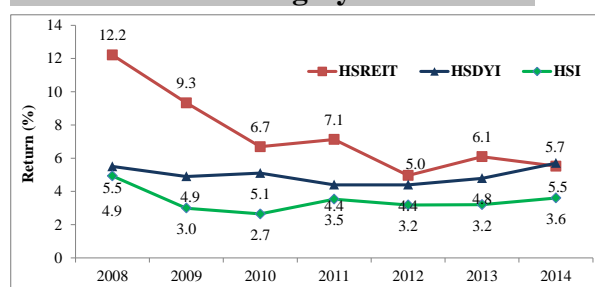
HSML25: Hang Seng Mainland 25

HSSUS: Hang Seng Corporate Sustainability Index

HK-listed Mainland counterparts outperformed Hong Kong stocks

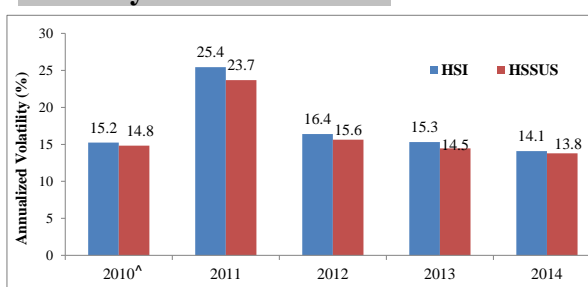
- Apart from a 4.5% slide in Red Chips, Hong Kong-listed Mainland stocks significantly outperformed Hong Kong stocks in 2014, with HFIN recording the strongest performance with growth of 19.4%, followed by HSCEI and HSML25 which rose by 10.8% and 7.8% respectively.
- Hang Seng Indexes' high-yield concept indexes – the HSHDYI and the HSREIT – rose by 4.6% and 9.7% respectively in 2014 and consistently recorded higher dividend yields than the HSI.
- Hang Seng Indexes' sustainability concept index – the HSSUS – grew by 11.0% in 2014 and consistently recorded lower volatility than the HSI.

Dividend Yield of High-yield Indexes[^]



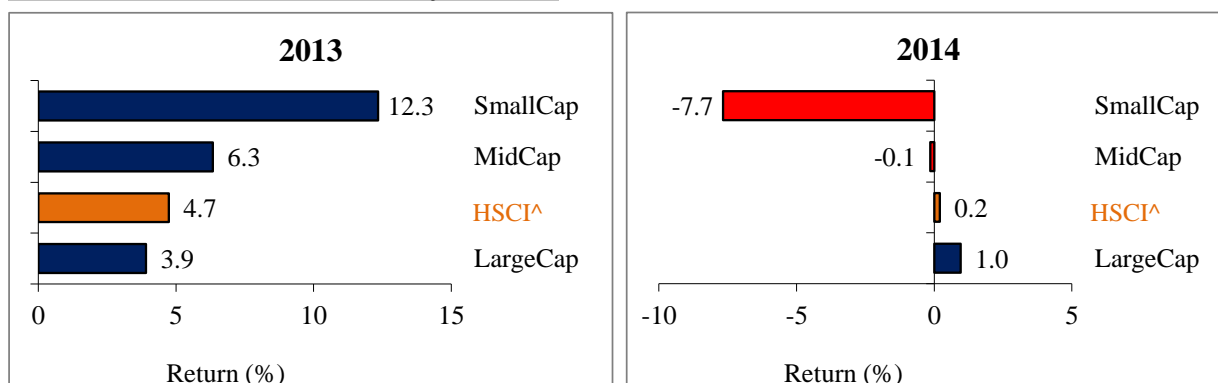
[^]Data as at 30 Dec 2014

Volatility of HSSUS vs HSI



[^]Since the launch of HSSUS

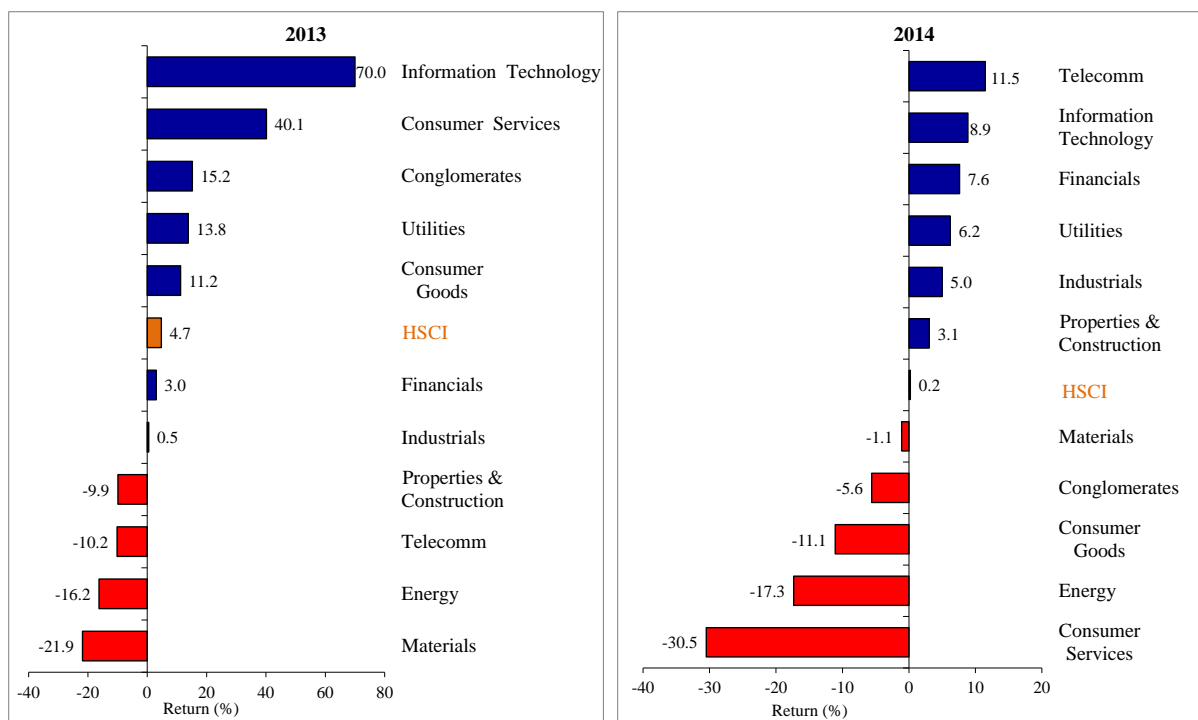
Performance of Size & Industry Indexes



[^] HSCI: Hang Seng Composite Index

LargeCap stocks best overall performers

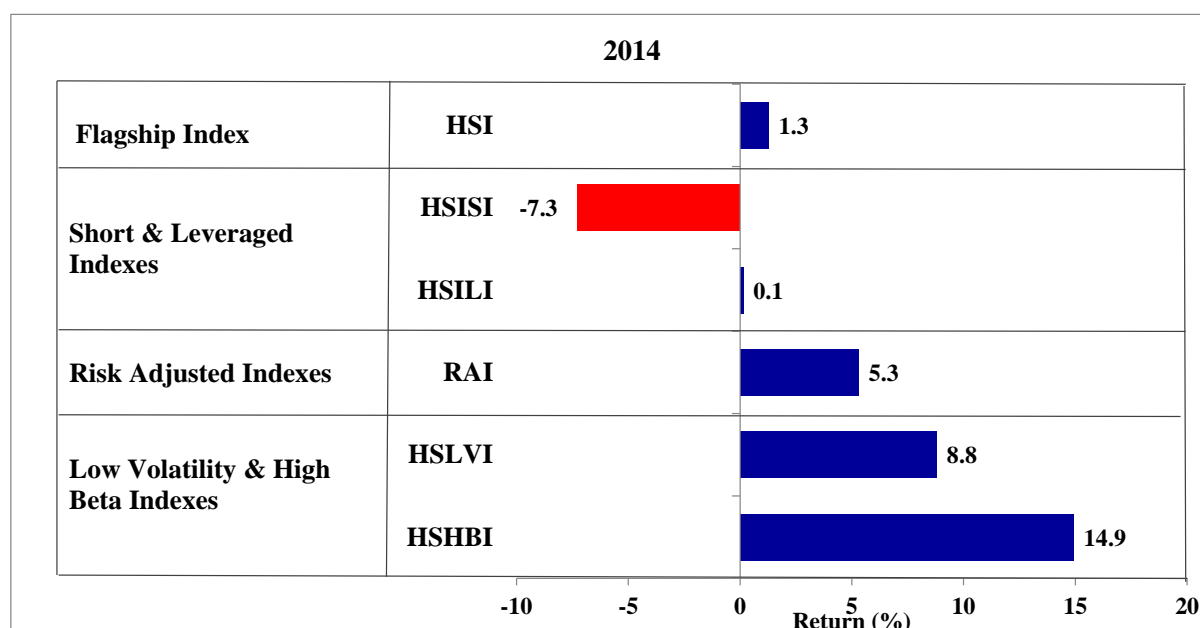
- The Hang Seng Composite LargeCap Index outperformed all other market capitalisation size-based indexes in 2014, with a positive return of 1.0% compared to negative returns of 0.1% and the 7.7% for the Hang Seng Composite MidCap Index and the Hang Seng Composite SmallCap Index respectively.



Telecommunications stocks led the way

- Six industry sectors rose in 2014. The top three performing industries were Telecommunications, Information Technology and Financials, which moved up by 11.5%, 8.9% and 7.6% respectively.
- Five industry sectors recorded a negative return in 2014, ranging from -1.1% for Materials to 30.5% for Consumer Services.

Performance of Strategy Indexes

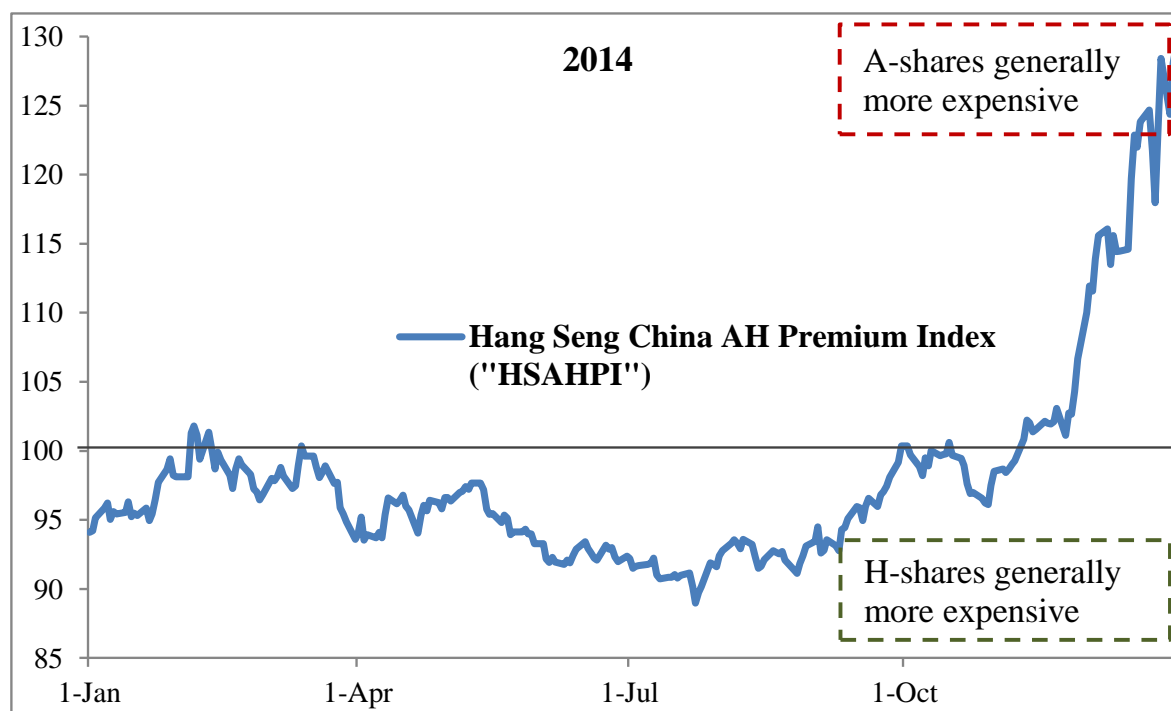


HSISI: HSI Short Index
 HSILI: HSI Leveraged Index
 RAI: Hang Seng Risk Adjusted Index
 HSLVI: Hang Seng Low Volatility Index
 HSHBI: Hang Seng High Beta Index

Strategy indexes well differentiated from market benchmark

- During 2014, the RAI, the HSLVI and the HSHBI demonstrated their defensive nature by outperforming the HSI by 4.0%, 7.5% and 13.6%.
- The HSILI lagged the market by 1.2% and the HSISI recorded 7.3% decline in 2014.

Performance of Hang Seng China AH Premium Index

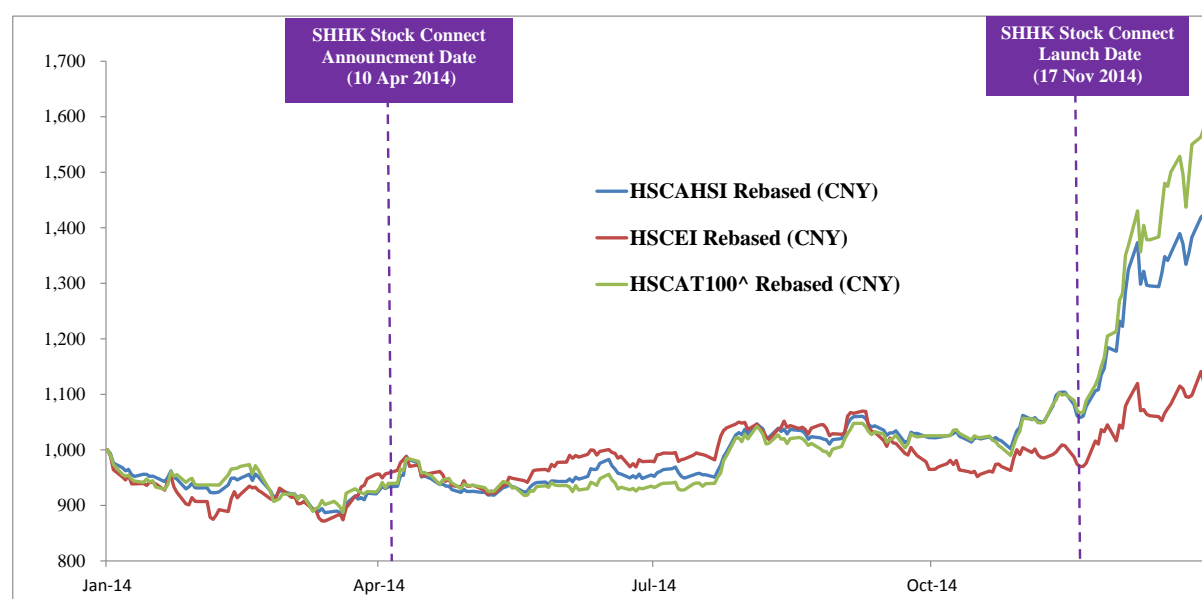


Year	High	Low	Close
2008	208.06	106.49	119.31
2009	163.66	110.24	120.93
2010	123.56	92.68	98.81
2011	141.44	94.44	111.83
2012	118.24	94.96	101.01
2013	112.27	91.99	94.11
2014	129.36	88.97	129.36

Price ratio of AH companies continued to fluctuate

- The overall price difference of AH companies continued to fluctuate in 2014.
- The HSAHPI was trading below 100 for much of 2014, implying that H-shares were generally more expensive.
- However, the trading premium of A-shares over H-shares was up by 27.4% following the launch of the Shanghai-Hong Kong Stock Connect ("SHHK Stock Connect") on 17 November 2014. The HSAHPI hit an annual high of 129.36 at the end of 2014, implying that A-shares were generally trading at a premium of 29.4% over H-shares.

Performance of Hang Seng China AH Smart Index



^ HSCAT100: Hang Seng China A Top 100 Index

HSCAHSI's Share Class Switches in 2014

Month	No. of Constituents		Weighting (%)	
	H	A	H	A
Jan	30	23	27.46	72.54
Feb	30	23	28.72	71.28
Mar	31	23	30.54	69.46
Apr	30	24	29.77	70.23
May	30	24	28.57	71.43
Jun	30	24	27.52	72.48
Jul	27	27	19.80	80.20
Aug	28	26	20.51	79.49
Sep	28	29	19.25	80.75
Oct	30	27	22.18	77.82
Nov	33	24	27.86	72.14
Dec^	41	16	55.21	44.79

^ Data as at 30 Dec 2014

Dynamic share class holding of AH companies

- The HSCAHSI was launched on 22 July 2013. The index includes either the A shares or the H shares of AH companies depending on which class of shares is trading at a relatively lower price.
- The number of A-shares constituents was down from 24 to 16 and share weighting dropped tremendously from 72.1% to 44.8% due to the drastic outperformance of A-shares after the launch of SHHK Stock Connect. Meanwhile, the number of H-shares constituents was up from 33 to 41 and share weighting rose from 27.9% to 55.2%.

Performance of iBond Indexes

Index	Base Date (at100)	Closing Index			
		2011	2012	2013	2014
HSIBCI	28 Jul 2011	109.36	115.29	118.90	123.56
HSIB1506	22 Jun 2012	-	107.87	108.75	111.22
HSIB1606	24 Jun 2013	-	-	107.50	109.11
HSIB1708	11 Aug 2014	-	-	-	106.47

Return (%)	2011	2012	2013	2014	Overall
HSIBCI	9.36 [^]	5.42	3.13	3.92	23.56
HSIB1506	-	7.87 [^]	0.82	2.27	11.22
HSIB1606	-	-	7.50 [^]	1.50	9.11
HSIB1708	-	-	-	6.47 [^]	6.47

HSIBCI: Hang Seng iBond Composite Total Return Index

HSIB1506: Hang Seng iBond 1506 Total Return Index

HSIB1606: Hang Seng iBond 1606 Total Return Index

HSIB1708: Hang Seng iBond 1708 Total Return Index

[^] Since launch

iBonds total return rose slightly

- The Hang Seng iBond Index Series reflects the total return on an iBond investment by taking into account market price changes, interest accrual and coupon payments.
- The HSIB1506 and HSIB1606 rose in 2014 – increasing by 2.3% and 1.5% respectively.
- HKSAR iBond 1708 was issued on 11 August 2014 and its corresponding index jumped up by 5.2% on its first trading day.
- From issue date to the end of 2014, total returns on the HSIB1506, HSIB1606 and HSIB1708 were 11.2%, 9.1% and 6.5% respectively.

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