

TraHK

Tracker Fund of Hong Kong

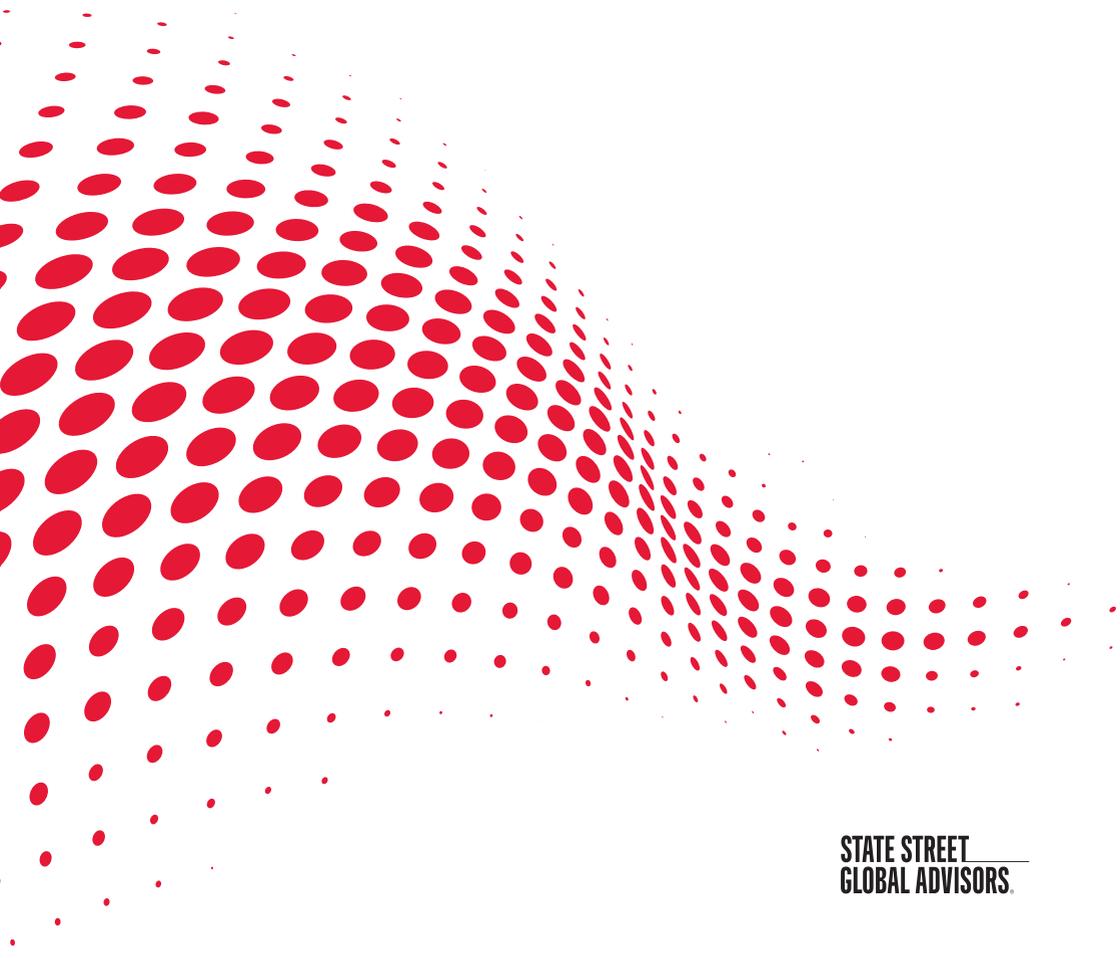
Tracker Fund of Hong Kong

Stock Code : 2800

Website : www.trahk.com.hk

Annual Report 2015

1st January 2015 to 31st December 2015



STATE STREET
GLOBAL ADVISORS.

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STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

Manager's responsibilities

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

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

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

Trustee's responsibilities

The Trustee of the Fund is required to:

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

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

We hereby confirm that, in our opinion, the Manager has, in all material respects, managed the Fund in accordance with the provisions of the Trust Deed for the year ended 31st December 2015.

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

(authorized signature(s))
27th April 2016

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF TRACKER FUND OF HONG KONG (THE "FUND")

Report on the Financial Statements

We have audited the financial statements of the Fund set out on pages 6 to 26, which comprise the Statement of Net Assets as at 31st December 2015, and the Statement of Comprehensive Income, Statement of Changes in Net Assets Attributable to Holders of Redeemable Units and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Manager's Responsibility for the Financial Statements

The Manager of the Fund is responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and is responsible for ensuring that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 23rd October 1999 (the "Trust Deed"), and Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Securities and Futures Commission of Hong Kong (the "SFC Code"), and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also required to assess whether the financial statements of the Fund have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the SFC Code.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF THE FUND (Continued)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31st December 2015, and of its financial transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27th April 2016

Tracker Fund of Hong Kong

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STATEMENT OF NET ASSETS

AS AT 31ST DECEMBER 2015

	Notes	2015 HK\$	2014 HK\$
Assets			
Current assets			
Investments	12(b)	72,147,175,736	62,224,200,759
Other accounts receivable and prepayments		114,651	151,372
Bank balances	7(d)	256,943,653	211,935,563
Total assets		<u>72,404,234,040</u>	<u>62,436,287,694</u>
Liabilities			
Current liabilities			
Management fee payable	7(b)	6,442,788	5,680,137
Trustee fee payable	7(c)	6,442,788	5,680,137
Index license fee payable	8(c)	2,731,426	2,273,836
Registrar fee payable	8(a)	281,776	140,120
Professional fee payable	8(a)	240,384	
Amounts payable on redemption of units		–	2,728,453
Other accounts payable and accruals		1,373,836	1,284,340
Liabilities (excluding net assets attributable to holders of redeemable units)		<u>17,512,998</u>	<u>17,787,023</u>
Net assets attributable to holders of redeemable units	5	<u><u>72,386,721,042</u></u>	<u><u>62,418,500,671</u></u>

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

For and on behalf of
State Street Global Advisors Asia Limited,
the Manager

(authorized signature(s))

(authorized signature(s))

The notes on pages 10 to 26 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2015

	Notes	2015 HK\$	2014 HK\$
Income			
Dividends		2,499,265,094	2,183,486,330
Bank interest		1,341,178	246,935
Transaction fee	4(a)	1,800,000	1,380,000
Other income	4(b)	3,862,158	3,997,501
Net gain/(loss) on investments	3	(6,232,622,014)	837,446,339
Total investment income/(loss)		(3,726,353,584)	3,026,557,105
Expenses			
Management fee	7(b)	25,360,675	21,844,054
Trustee fee	7(c)	25,360,675	21,844,054
Index license fee	8(c)	10,707,179	8,587,496
Transaction costs on investments		12,185,591	5,303,950
Registrar fee	8(a)	1,822,392	1,611,418
Publication and printing expenses		1,716,691	1,703,343
Conversion agent fee	8(b)	1,658,258	1,296,000
Audit fee		501,488	524,090
Professional fee	8(a)	860,384	–
Bank charges		618,090	452,114
Other operating expenses		1,072,978	310,240
Total operating expenses		81,864,401	63,476,759
Operating profit/(loss)		(3,808,217,985)	2,963,080,346
Finance costs			
Distributions to holders of redeemable units	13	(2,479,133,925)	(2,046,863,700)
Profit/(loss) after distributions and before tax		(6,287,351,910)	916,216,646
Withholding tax		(111,378,319)	(97,292,862)
Increase/(decrease) in net assets attributable to holders of redeemable units from operations		(6,398,730,229)	818,923,784

The notes on pages 10 to 26 form part of these financial statements.

Tracker Fund of Hong Kong

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

FOR THE YEAR ENDED 31ST DECEMBER 2015

	Notes	2015 HK\$	2014 HK\$
Net assets attributable to holders of redeemable units at 1st January		<u>62,418,500,671</u>	<u>56,404,449,270</u>
Issue of units			
– In-kind	9	45,218,273,332	24,309,389,240
– Cash component	9	<u>612,431,187</u>	<u>255,941,362</u>
		<u>45,830,704,519</u>	<u>24,565,330,602</u>
Redemption of units			
– In-kind	9	(29,171,962,981)	(19,175,421,974)
– Cash component	9	<u>(291,790,938)</u>	<u>(194,781,011)</u>
		<u>(29,463,753,919)</u>	<u>(19,370,202,985)</u>
Net issue of units		<u>16,366,950,600</u>	<u>5,195,127,617</u>
Increase/(decrease) in net assets attributable to holders of redeemable units from operations		<u>(6,398,730,229)</u>	<u>818,923,784</u>
Net assets attributable to holders of redeemable units at 31st December		<u>72,386,721,042</u>	<u>62,418,500,671</u>

The notes on pages 10 to 26 form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER 2015

	Notes	2015 HK\$	2014 HK\$
Cash flows from operating activities			
Proceeds from sale of investments	9	4,456,252,315	2,419,888,281
Payments for purchase of investments	9	(4,373,073,169)	(2,402,862,916)
Dividends received		2,195,420,989	2,081,324,017
Bank interest received		1,341,178	246,935
Transaction fee received		1,845,000	1,365,000
Management fee paid		(24,598,024)	(21,608,574)
Trustee fee paid		(24,598,024)	(21,608,574)
Index license fee paid		(10,249,589)	(8,480,102)
Registrar fee paid		(1,680,736)	(1,600,049)
Publication and printing expenses paid		(1,714,572)	(1,831,285)
Transaction costs on investments paid		(12,185,591)	(5,303,950)
Conversion agent fee paid		(1,692,000)	(1,272,000)
Bank charges paid		(590,405)	(441,030)
Legal and other professional fees reimbursed/(paid)		(620,000)	45,096
Other operating expenses paid		(1,489,311)	(1,059,852)
		<u>2,202,368,061</u>	<u>2,036,800,997</u>
Net cash generated from operating activities			
		<u>2,202,368,061</u>	<u>2,036,800,997</u>
Cash flows from financing activities			
Cash received on issue of units	9	612,431,187	255,941,362
Cash paid on redemption of units	9	(294,519,391)	(192,052,558)
Interim distribution paid	4(b), 13	(488,927,862)	(359,200,174)
Final distribution paid	4(b), 13	(1,986,343,905)	(1,683,666,025)
		<u>(2,157,359,971)</u>	<u>(1,978,977,395)</u>
Net cash used in financing activities			
		<u>(2,157,359,971)</u>	<u>(1,978,977,395)</u>
Net increase in cash and cash equivalents			
		45,008,090	57,823,602
Cash and cash equivalents at the beginning of the year		<u>211,935,563</u>	<u>154,111,961</u>
Cash and cash equivalents at the end of the year			
		<u><u>256,943,653</u></u>	<u><u>211,935,563</u></u>
Analysis of balances of cash and cash equivalents:			
Bank balances	7(d)	<u><u>256,943,653</u></u>	<u><u>211,935,563</u></u>

Please refer to note 9 for details of major non-cash transactions.
The notes on pages 10 to 26 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 General Information

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

The manager and the trustee of the Fund are State Street Global Advisors Asia Limited (the "Manager") and State Street Bank and Trust Company (the "Trustee") respectively.

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

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

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

Standards and amendments to existing standards effective 1st January 2015.

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1st January 2015 that would be expected to have a material impact on the Fund.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

New standards and amendments to standards that are relevant to the Fund but are not yet effective and have not been early adopted by the Fund

HKFRS 9, "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1st January 2018. Early adoption is permitted. The Fund is yet to assess HKFRS 9's full impact.

There are no standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a material impact on the Fund.

(b) Investments

All investments have been classified as "financial assets at fair value through profit or loss".

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

Investments that are listed or traded on an exchange are fair valued based on last traded market prices.

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

(c) Income

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

Interest income on bank deposit is recognized on a time-proportionate basis using the effective interest method.

Other income is recognized in the Statement of Comprehensive Income on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (Continued)

(d) Expenses

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

(e) Distributions payable to holders of redeemable units

Proposed distributions to holders of redeemable units are recognized in the Statement of Comprehensive Income when they are approved by the Supervisory Committee. The distribution on these redeemable units is recognized in the Statement of Comprehensive Income as finance costs.

(f) Cash component

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

(g) Cash and cash equivalents

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

(h) Translation of foreign currencies

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the year end date.

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

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the Statement of Comprehensive Income within "net foreign currency gains/losses on cash and cash equivalents".

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (Continued)

(i) Redeemable units

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

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

(j) Segmental reporting

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

3 Net gain/(loss) on investments

	2015 HK\$	2014 HK\$
Change in unrealized gain/loss on investments	(9,907,468,976)	(1,527,824,828)
Realized gain on sale of investments	3,674,846,962	2,365,271,167
	<u>(6,232,622,014)</u>	<u>837,446,339</u>

4 Income

(a) Transaction fee

Applications to create or redeem units are only made through brokers or dealers (acting either as principal or on behalf of clients) (the "Participating Dealers") which have executed participation agreements with the Manager, the Trustee, HK Conversion Agency Services Limited (the "Conversion Agent") and Hong Kong Securities Clearing Company ("HKSCC"). The Fund is entitled to receive a transaction fee of HK\$15,000 per total aggregate creation and redemption orders per day per Participating Dealer.

(b) Other income

Other income represents registrar charges levied on unitholders (other than HKSCC Nominees) who hold units registered in their own names as at each record date for the relevant distribution. Currently, these charges amount to the lower of HK\$80 per year per unitholder and the unitholder's actual distribution entitlement. Such charges are deducted on a half-yearly basis from the half-yearly distributions payable to the relevant unitholders.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

The Fund's capital is represented by the net assets attributable to holders of redeemable units. Units are issued through an in-kind creation of an Index Basket with the remaining balances in cash, and are redeemed in-kind with the remaining balances in cash. Subscriptions and redemptions of units during the year are shown on the Statement of Changes in Net Assets Attributable to Holders of Redeemable Units. In accordance with the objectives and risk management policies outlined in note 12, the Manager endeavours to invest in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of listed securities where necessary.

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

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

	Number of units	
	2015	2014
Units in issue at the beginning of the year	2,617,992,500	2,400,992,500
Issue of units	1,809,000,000	1,049,000,000
Redemption of units	<u>(1,153,000,000)</u>	<u>(832,000,000)</u>
Units in issue at the end of the year	<u><u>3,273,992,500</u></u>	<u><u>2,617,992,500</u></u>
	<i>HK\$</i>	<i>HK\$</i>
Net assets attributable to holders of redeemable units	<u><u>72,386,721,042</u></u>	<u><u>62,418,500,671</u></u>
Net assets attributable to holders of redeemable units (per unit)	<u><u>22.11</u></u>	<u><u>23.84</u></u>
Net asset value per Creation Unit (1 Creation Unit is equivalent to 1,000,000 units)	<u><u>22,109,617</u></u>	<u><u>23,842,124</u></u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 Taxation

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

The Fund invests in H-shares and Red Chips shares of companies in the People's Republic of China ("PRC") listed on the Hong Kong Stock Exchange. Under the PRC Corporate Income Tax Law, the Fund may be liable to pay PRC tax on the capital gains realized in the trading of Red Chips which are determined as PRC Tax Resident Enterprises and H-shares. However, no provision was made for taxation from such gains in the financial statements as the Manager believes that the Fund can sustain a position for not filing a tax return based on the existing tax regulations and that the prevailing enforcement of China tax on capital gains is not probable.

Withholding tax was charged on dividend income received from H-shares and Red Chips during the years ended 31st December 2015 and 2014.

7 Transactions with the related parties/Manager and its Connected Persons

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

(a) Manager's holding in the Fund

The directors and officers of the Manager may transact in the units of the Fund as principal. As at 31st December 2015, the directors and officers of the Manager together held 29,000 units in the Fund (2014: 23,500 units).

(b) Management fee

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

For the first HK\$15 billion of the net asset value	0.050%
For the next HK\$15 billion of the net asset value	0.045%
For the next HK\$15 billion of the net asset value	0.030%
Any amount by which the net asset value exceeds HK\$45 billion	0.025%

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 Transactions with the related parties/Manager and its Connected Persons (Continued)

(c) Trustee fee

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

For the first HK\$15 billion of the net asset value	0.050%
For the next HK\$15 billion of the net asset value	0.045%
For the next HK\$15 billion of the net asset value	0.030%
Any amount by which the net asset value exceeds HK\$45 billion	0.025%

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

(d) Bank balances

Bank balances held with the Trustee amounted to HK\$7,763,527 as at 31st December 2015 (2014: HK\$10,354,688). No interest was earned on these bank balances during the years ended 31st December 2015 and 2014.

8 Other fees

(a) Registrar fee

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

For the period from 1st January 2015 to 30th April 2015

	<i>HK\$</i> <i>(per month)</i>
For the first 2,000 Unitholders	10,000
For every additional 1,000 Unitholders up to 100,000 Unitholders	2,200
For every additional 1,000 Unitholders up to 200,000 Unitholders	1,800
For every additional 1,000 Unitholders up to 300,000 Unitholders	1,500
For every additional 1,000 Unitholders above 300,000 Unitholders	1,200

For the period from 1st May 2015 to 31st December 2015

	<i>HK\$</i> <i>(per month)</i>
For the first 2,000 Unitholders	12,000
For every additional 1,000 Unitholders up to 100,000 Unitholders	2,650
For every additional 1,000 Unitholders above 100,000 Unitholders	2,250

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 Other fees (Continued)

(a) Registrar fee (Continued)

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

(b) Conversion agent fee

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

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

(c) Index license fee

The index license fee is calculated at the rate of 0.015% per annum on the daily average net asset value of the Fund, subject to a minimum of US\$10,000 per annum.

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

9 Major non-cash transactions

In accordance with the Trust Deed, units are issued through an in-kind creation of an Index Basket with the remaining balances in cash. For each Creation Unit (of 1,000,000 units), the Fund receives an Index Basket consisting of constituent shares as determined by the Manager on a daily basis. During the year, the Fund issued 1,809,000,000 units (2014: 1,049,000,000 units), totaling HK\$45,830,704,519 (2014: HK\$24,565,330,602) in exchange for Index Baskets consisting of investments valued at HK\$45,218,273,332 (2014: HK\$24,309,389,240) by the Manager with remaining balances in cash of HK\$612,431,187 (2014: HK\$255,941,362).

In accordance with the Trust Deed, units are redeemed in-kind with the remaining balances in cash. During the year, the Fund redeemed 1,153,000,000 units (2014: 832,000,000 units), totaling HK\$29,463,753,919 (2014: HK\$19,370,202,985) in exchange for Index Baskets consisting of investments valued at HK\$29,171,962,981 (2014: HK\$19,175,421,974) by the Manager with remaining balances in cash of HK\$291,790,938 (2014: HK\$194,781,011).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 Soft dollar practices

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

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

11 Investment limitations and prohibitions under the SFC Code

Pursuant to the SFC’s Guidelines for Regulating Index Tracking Exchange Traded Funds (the “ETF Guidelines”), the Manager is permitted to overweight the holdings of the Fund relative to its respective weightings in the underlying index, on the condition that the maximum extra weighting in any constituent securities will not exceed the maximum limit reasonably determined by the Fund and after consultation with the SFC. The maximum limit for each of the Fund has been disclosed in its respective prospectus.

The Manager has confirmed that the Fund has complied with this limit during the years ended 31st December 2015 and 2014.

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

Constituent securities that account for more than 10% of the net asset value of the Fund as at year end were as follows:

	Respective weighting in the Index (%)		% of net asset value	
	2015	2014	2015	2014
HSBC Holdings plc	10.1	12.6	10.1	12.6
Tencent Holdings Ltd	10.1	8.1	10.1	8.1
Total	20.2	20.7	20.2	20.7

Except as disclosed above, there were no other securities that individually accounted for more than 10% of the net asset value of the Fund as at 31st December 2015 and 2014.

During the year ended 31st December 2015, the Hang Seng Index decreased by 7.16% (2014: increased 1.28%), while the net asset value per unit of the Fund decreased by 7.26% (2014: increased 1.49%).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 Financial risk management

(a) Strategy in using financial instruments

Investment objectives

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

Investment policies

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

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

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

(b) Market price risk

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

All securities investments present a risk of loss of capital. The Fund's market price risk is managed through diversification of investment portfolio. The Manager monitors the investments on a daily basis and rebalances the portfolio of investments from time to time to reflect any changes to the composition of, or the weighting of shares in, the Index.

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

	At 31st December			
	2015		2014	
	Fair value HK\$	% of net assets	Fair value HK\$	% of net assets
Held for trading:				
Listed investments				
Equities				
– Hong Kong	<u>72,147,175,736</u>	<u>99.67</u>	<u>62,224,200,759</u>	<u>99.69</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 Financial risk management (Continued)

(b) Market price risk (Continued)

Net market exposures

The following table shows the net market exposures of the Fund by industry:

	2015	2014
	% of net assets	% of net assets
By industry		
– Commerce and industry	37.98	36.68
– Finance	45.92	47.16
– Properties	10.75	10.96
– Utilities	5.02	4.89
	<u>99.67</u>	<u>99.69</u>

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

	2015		2014	
	Change in index	Impact	Change in index	Impact
	%	HK\$	%	HK\$
Hong Kong				
– Hang Seng Index	<u>(7.16%)</u>	<u>(5,165,737,783)</u>	<u>1.28%</u>	<u>796,469,770</u>

The Manager has used their view of what would be a "reasonable shift" in each key market to estimate the change for use in the market sensitivity analysis above. Disclosures above are shown in absolute terms, changes and impacts could be positive or negative. Changes in market index % are revised annually depending on the Manager's current view of market volatility and other relevant factor.

(c) Interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)**12 Financial risk management (Continued)****(d) Credit and counterparty risk**

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

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

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

At 31st December 2015, investments and bank balances of HK\$72,154,939,263, HK\$151,868,715 and HK\$97,311,411 were placed with the custodian, The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered (Hong Kong) Limited Bank respectively (2014: HK\$62,234,555,447, HK\$50,357,124 and HK\$151,223,751 respectively). The credit rating of the counterparties issued by Moody's was as follows:

	2015	2014
Investment and Cash held with State Street Bank and Trust Company	Aa2	Aa3
Cash held with The Hongkong and Shanghai Banking Corporation Limited	Aa2	Aa2
Cash held with Standard Chartered Bank (Hong Kong) Limited	Aa3	Aa3

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

The maximum exposure to credit risk as at 31 December 2015 and 2014 is the carrying amount of the financial assets as shown on the Statement of Net Assets.

The Manager considers none of the assets is impaired nor past due but not impaired.

(e) Currency risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 Financial risk management (Continued)

(f) Liquidity risk

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

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

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

Maturity analysis

	Less than 1 month HK\$	1-3 months HK\$	Total HK\$
At 31st December 2015			
Management fee payable	–	6,442,788	6,442,788
Trustee fee payable	–	6,442,788	6,442,788
Index license fee payable	2,731,426	–	2,731,426
Registrar fee payable	281,776	–	281,776
Professional fee payable	–	240,384	240,384
Other accounts payables and accruals	385,500	988,336	1,373,836
Net assets attributable to holders of redeemable units	<u>72,386,721,042</u>	<u>–</u>	<u>72,386,721,042</u>
Total financial liabilities	<u>72,390,119,744</u>	<u>14,114,296</u>	<u>72,404,234,040</u>

	Less than 1 month HK\$	1-3 months HK\$	Total HK\$
At 31st December 2014			
Management fee payable	–	5,680,137	5,680,137
Trustee fee payable	–	5,680,137	5,680,137
Index license fee payable	2,273,836	–	2,273,836
Registrar fee payable	140,120	–	140,120
Amounts payable on redemption of units	2,728,453	–	2,728,453
Other accounts payables and accruals	200,078	1,084,262	1,284,340
Net assets attributable to holders of redeemable units	<u>62,418,500,671</u>	<u>–</u>	<u>62,418,500,671</u>
Total financial liabilities	<u>62,423,843,158</u>	<u>12,444,536</u>	<u>62,436,287,694</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 Financial risk management (Continued)

(f) Liquidity risk (Continued)

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

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

	Less than 7 days <i>HK\$</i>	7 days to less than 1 month <i>HK\$</i>	Total <i>HK\$</i>
2015	<u>72,404,119,389</u>	<u>–</u>	<u>72,404,119,389</u>
2014	<u>62,436,151,322</u>	<u>–</u>	<u>62,436,151,322</u>

(g) Capital risk management

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 Financial risk management (Continued)

(h) Fair value estimation

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

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

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

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

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

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

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

The following table analyses within the fair value hierarchy the Fund's investments (by class) measured at fair value at 31st December 2015 and 2014.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 Financial risk management (Continued)

(h) Fair value estimation (Continued)

All fair value measurements disclosed are recurring fair value measurements.

	Level 1 <i>HK\$</i>	Level 2 <i>HK\$</i>	Level 3 <i>HK\$</i>	Total balance <i>HK\$</i>
At 31st December 2015				
Assets				
Financial assets held for trading:				
– Equity securities	72,147,175,736	–	–	72,147,175,736

	Level 1 <i>HK\$</i>	Level 2 <i>HK\$</i>	Level 3 <i>HK\$</i>	Total balance <i>HK\$</i>
At 31st December 2014				
Assets				
Financial assets held for trading:				
– Equity securities	62,224,200,759	–	–	62,224,200,759

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

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. As of 31st December 2015 and 2014, the Fund did not hold any investments classified in level 2.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As of 31st December 2015 and 2014, the Fund did not hold any investments classified in level 3.

For the years ended 31st December 2015 and 2014, there were no transfers of financial instruments between levels.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 Distributions

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Interim distribution		
– HK\$0.15 on 2,407,992,500 units paid on 30th May 2014	–	361,198,875
– HK\$0.18 on 2,726,992,500 units paid on 29th May 2015	490,858,650	–
Final distribution		
– HK\$0.69 on 2,442,992,500 units paid on 28th November 2014	–	1,685,664,825
– HK\$0.63 on 3,155,992,500 units paid on 27th November 2015	1,988,275,275	–
Total distributions	<u>2,479,133,925</u>	<u>2,046,863,700</u>

14 Segment information

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

The Manager is responsible for the Fund's entire portfolio and considers the business to have a single operating segment. The Manager's asset allocation decisions are based on a single, integrated investment strategy and the Fund's performance is evaluated on an overall basis.

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

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

There were no changes in the reportable segment during the year.

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

The Fund has no assets classified as non-current assets. The Fund has a diversified portfolio of investments. During the year ended 31st December 2015, there were nine investments which accounted for more than 10% of the Fund's income (2014: thirteen). Please refer to note 11 for investment holdings account for more than 10% of the Fund's net assets.

The Fund also has a diversified unitholder population. However, as at 31st December 2015 and 2014, there was one nominee company that held more than 10% of the Fund's net assets. The nominee company's holdings were 87.87% as at 31st December 2015 and 85.96% as at 31st December 2014.

15 Approval of financial statements

The financial statements were approved by the Trustee and the Manager on 27th April 2016.

INVESTMENT PORTFOLIO (UNAUDITED)

AS AT 31ST DECEMBER 2015

	Holdings	Fair value HK\$	% of net assets
Hong Kong			
Listed investments (99.67%)			
Equities (99.67%)			
Properties (10.75%)			
Cheung Kong (Holdings) Ltd.	27,428,926	1,382,417,870	1.91
China Overseas Land & Investment Ltd.	40,042,497	1,089,155,918	1.51
China Resources Land Ltd.	28,145,905	636,097,453	0.88
Hang Lung Properties Ltd.	22,739,297	401,121,199	0.55
Henderson Land Development Co. Ltd.	10,066,594	478,163,215	0.66
New World Development Co. Ltd.	54,803,974	419,798,441	0.58
Sino Land Co. Ltd.	30,884,149	350,843,933	0.48
Sun Hung Kai Properties Ltd.	14,602,698	1,366,812,533	1.89
The Link Real Estate Investment Trust	22,899,111	1,062,518,750	1.47
Wharf (Holdings) Ltd.	13,847,714	595,451,702	0.82
		<hr/>	
		7,782,381,014	10.75
		<hr/>	
Finance (45.92%)			
AIA Group Ltd.	122,311,159	5,699,700,009	7.87
Bank of China Ltd.	806,505,003	2,790,507,310	3.85
Bank of Communications Co. Ltd.	88,861,810	485,185,483	0.67
Bank of East Asia Ltd.	14,746,206	425,428,043	0.59
BOC Hong Kong (Holdings) Ltd.	37,568,096	890,363,875	1.23
China Construction Bank Corporation	854,270,441	4,536,176,042	6.27
China Life Insurance Co. Ltd.	75,544,486	1,892,389,374	2.61
Hang Seng Bank Ltd.	7,763,819	1,145,163,303	1.58
Hong Kong Exchanges and Clearing Ltd.	11,655,829	2,313,682,057	3.20
HSBC Holdings Plc	117,587,180	7,278,646,442	10.06
Industrial and Commercial Bank of China Ltd.	748,979,609	3,505,224,570	4.84
Ping An Insurance (Group) Co. of China Ltd.	52,926,859	2,275,854,937	3.15
		<hr/>	
		33,238,321,445	45.92
		<hr/>	
Utilities (5.02%)			
China Resources Power Holdings Co. Ltd.	19,490,745	293,920,435	0.41
CLP Holdings Ltd.	19,236,787	1,266,742,424	1.75
Hong Kong and China Gas Co. Ltd.	70,427,343	1,070,495,614	1.48
Power Assets Holdings Ltd.	14,084,061	1,004,193,549	1.38
		<hr/>	
		3,635,352,022	5.02
		<hr/>	

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INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 31ST DECEMBER 2015

	Holdings	Fair value HK\$	% of net assets
Commerce and Industry (37.98%)			
Belle International Holdings Ltd.	68,500,654	398,673,806	0.55
Cathay Pacific Airways Ltd.	11,980,669	160,780,578	0.22
China Mengniu Dairy Co. Ltd.	27,876,243	352,355,712	0.49
China Merchants Holdings (International) Co. Ltd.	13,131,782	323,698,426	0.45
China Mobile Ltd.	62,360,142	5,456,512,425	7.54
China Petroleum & Chemical Corporation	259,018,012	1,212,204,296	1.67
China Resources Beer (Holdings) Company Ltd	12,248,126	203,318,892	0.28
China Shenhua Energy Co. Ltd.	34,503,139	420,248,233	0.58
China Unicom (Hong Kong) Ltd.	60,779,448	574,365,784	0.79
CITIC Ltd.	73,832,441	1,012,981,091	1.40
CK Hutchison Holdings Ltd	27,428,885	2,869,061,371	3.96
CNOOC Ltd.	181,308,078	1,463,156,189	2.02
Galaxy Entertainment Group Ltd.	23,775,625	581,314,031	0.80
Hengan International Group Co. Ltd.	8,079,686	591,433,015	0.82
Kunlun Energy Co. Ltd.	32,781,820	226,194,558	0.31
Lenovo Group Ltd.	73,304,539	576,906,722	0.80
Li & Fung Ltd.	59,804,794	315,171,264	0.44
MTR Corporation Ltd.	14,845,157	570,054,029	0.79
PetroChina Co. Ltd.	214,201,564	1,088,143,945	1.50
Sands China Ltd.	24,575,778	652,486,906	0.90
Swire Pacific Ltd. 'A'	5,973,560	520,894,432	0.72
Tencent Holdings Ltd.	47,743,667	7,280,909,218	10.06
Tingyi (Cayman Islands) Holding Corporation	19,763,077	218,579,632	0.30
Want Want China Holdings Ltd.	73,080,884	421,676,700	0.59
		<u>27,491,121,255</u>	<u>37.98</u>
Total listed investments		<u>72,147,175,736</u>	<u>99.67</u>
Total investments, at cost		<u>78,621,524,842</u>	

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)

FOR THE YEAR ENDED 31ST DECEMBER 2015

	(UNAUDITED) Holdings			31.12.2015
	31.12.2014	Additions	Disposals	
Hong Kong Listed investments Equities				
Properties				
Cheung Kong (Holdings) Ltd.	11,108,905	630,987	(11,739,892)	–
Cheung Kong Property Holdings Ltd.	–	34,510,123	(7,081,197)	27,428,926
China Overseas Land & Investment Ltd.	32,669,467	60,478,115	(53,105,085)	40,042,497
China Overseas Property Holdings Ltd.	–	12,577,013	(12,577,013)	–
China Resources Beer Holdings Ltd.	9,748,867	10,567,238	(8,067,979)	12,248,126
China Resources Land Ltd.	16,315,046	22,030,215	(10,199,356)	28,145,905
China Resources Land Ltd., Right	–	3,595,088	(3,595,088)	–
Hang Lung Properties Ltd.	17,925,978	12,969,111	(8,155,792)	22,739,297
Henderson Land Development Co. Ltd.	8,393,456	8,881,816	(7,208,678)	10,066,594
New World Development Co. Ltd.	41,553,743	32,522,021	(19,271,790)	54,803,974
Sino Land Co. Ltd.	24,046,713	17,668,457	(10,831,021)	30,884,149
Sun Hung Kai Properties Ltd.	10,893,170	10,260,909	(6,551,381)	14,602,698
The Link Real Estate Investment Trust	18,327,220	12,902,165	(8,330,274)	22,899,111
Wharf (Holdings) Ltd.	10,899,721	7,908,191	(4,960,198)	13,847,714
Finance				
AIA Group Ltd.	96,828,579	69,832,497	(43,803,917)	122,311,159
Bank of China Ltd.	635,013,742	460,386,224	(288,894,963)	806,505,003
BOC Hong Kong (Holdings) Ltd.	29,579,773	21,445,218	(13,456,895)	37,568,096
Bank of Communications Co. Ltd.	69,967,083	50,725,573	(31,830,846)	88,861,810
Bank of East Asia Ltd.	11,170,732	8,686,755	(5,111,281)	14,746,206
China Construction Bank Corporation	672,622,704	487,653,390	(306,005,653)	854,270,441
China Life Insurance Co. Ltd	59,481,045	43,124,056	(27,060,615)	75,544,486
Hang Seng Bank Ltd.	6,112,974	4,432,109	(2,781,264)	7,763,819
Hong Kong Exchanges and Clearing Ltd.	8,869,714	7,014,386	(4,228,271)	11,655,829
HSBC Holdings Plc	106,055,859	84,174,793	(72,643,472)	117,587,180
Industrial and Commercial Bank of China Ltd.	589,721,106	427,548,798	(268,290,295)	748,979,609
Ping An Insurance (Group) Co. of China Ltd.	16,261,402	48,767,670	(12,102,213)	52,926,859
Utilities				
China Resources Power Holdings Co. Ltd.	15,332,577	11,130,937	(6,972,769)	19,490,745
CLP Holdings Ltd.	15,146,260	10,980,830	(6,890,303)	19,236,787
Hong Kong and China Gas Co. Ltd.	50,433,697	44,601,176	(24,607,530)	70,427,343
Power Assets Holdings Ltd.	11,088,931	8,040,123	(5,044,993)	14,084,061

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

FOR THE YEAR ENDED 31ST DECEMBER 2015

	(UNAUDITED)			31.12.2015
	31.12.2014	Additions	Disposals	
Commerce and Industry				
Belle International Holdings Ltd.	37,080,207	53,658,139	(22,237,692)	68,500,654
Cathay Pacific Airways Ltd.	9,516,188	6,838,842	(4,374,361)	11,980,669
China Mengniu Dairy Co. Ltd.	10,958,115	22,384,460	(5,466,332)	27,876,243
China Merchants Holdings (International) Co. Ltd.	10,177,732	7,551,330	(4,597,280)	13,131,782
China Mobile Ltd.	48,848,080	35,759,949	(22,247,887)	62,360,142
China Petroleum & Chemical Corporation	203,942,908	154,707,427	(99,632,323)	259,018,012
China Shenhua Energy Co. Ltd.	27,166,617	20,534,464	(13,197,942)	34,503,139
China Unicom (Hong Kong) Ltd.	47,777,179	34,716,310	(21,714,041)	60,779,448
CITIC Ltd.	39,813,185	52,930,757	(18,911,501)	73,832,441
CK Hutchison Holding Ltd.	–	46,285,161	(18,856,276)	27,428,885
CNOOC Ltd.	142,755,779	103,498,135	(64,945,836)	181,308,078
Galaxy Entertainment Group Ltd.	18,654,722	13,614,900	(8,493,997)	23,775,625
Hengan International Group Co. Ltd.	6,374,175	4,612,563	(2,907,052)	8,079,686
Hutchison Whampoa Ltd.	17,039,588	19,870,668	(36,910,256)	–
Kunlun Energy Co. Ltd.	25,811,448	18,714,092	(11,743,720)	32,781,820
Lenovo Group Ltd.	45,755,260	52,305,544	(24,756,265)	73,304,539
Li & Fung Ltd.	46,779,562	34,320,204	(21,294,972)	59,804,794
MTR Corporation Ltd.	11,627,347	8,506,180	(5,288,370)	14,845,157
PetroChina Co. Ltd.	168,653,427	122,274,860	(76,726,723)	214,201,564
Sands China Ltd.	19,342,629	14,030,928	(8,797,779)	24,575,778
Swire Pacific Ltd. 'A'	4,705,271	3,408,902	(2,140,613)	5,973,560
Tencent Holdings Ltd.	44,910,081	30,450,231	(27,616,645)	47,743,667
Tingyi (Cayman Islands) Holding Corporation	15,675,490	11,217,335	(7,129,748)	19,763,077
Want Want China Holdings Ltd.	58,015,022	41,442,474	(26,376,612)	73,080,884

PERFORMANCE RECORD (UNAUDITED)

Net asset values

	Net asset value per unit <i>HK\$</i>	Net asset value of the Fund <i>HK\$</i>
At end of financial year dated		
31st December 2013	23.49	56,404,449,270
31st December 2014	23.84	62,418,500,671
31st December 2015	22.11	72,386,721,042

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

Financial period ended	Highest net asset value per unit <i>HK\$</i>	Lowest net asset value per unit <i>HK\$</i>
31st December 2006	20.16	15.07
31st December 2007	32.17	18.82
31st December 2008	27.78	11.51
31st December 2009	23.07	11.49
31st December 2010	25.08	19.28
31st December 2011	24.62	16.83
31st December 2012	22.86	18.50
31st December 2013	24.23	20.34
31st December 2014	26.11	21.44
31st December 2015	28.83	21.24

Fund Performance

During the year ended 31st December 2015, the Hang Seng Index decreased by 7.16% (2014: increase 1.28%), while the net asset value per unit of the Fund decreased by 7.26% (2014: increase 1.49%).

Ongoing charge

Financial year ended	
31 December 2015	0.10%*

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

Tracker Fund of Hong Kong

Annual Report 2015

ADMINISTRATION AND MANAGEMENT

Directors of the Manager

Mr. Lochiel Cameron Crafter

Mr. James Keith MacNevin

Mr. Kevin David Anderson

(Appointed on 26th May 2015)

Ms. Ting Li

(Resigned on 28th July 2015)

Ms. Gigi Lau Che Man

(Resigned on 12th May 2015

as alternate director to Ms. Ting Li)

Ms. Yuen Oi Ying Phoebe

(Appointed as alternate director to

Ms. Ting Li on 22nd May 2015,

resigned on 28th July 2015 as alternate
director to Ms. Ting Li)

Ms. Susana Yeong

(Resigned on 30th September 2015)

Mr. Matthew Montagu George

(Resigned on 30th September 2015 as
alternate director to Ms. Susana Yeong)

Members of the Supervisory Committee

Mr. Romnesh Lamba

Mr. Fong Hup

Mr. Lawrence Fok

(Deceased on 18th June 2015)

Mr. George Hongchoy

Mr. Blair Pickerell

(Appointed on 1st October 2015)

Mr. Stephen Law

Prof. Chan Kalok

Trustee and custodian

State Street Bank and Trust Company

68th Floor

Two International Finance Centre

8 Finance Street

Central

Hong Kong

Registrar

Computershare Hong Kong

Investor Services Limited

17M Floor

Hopewell Centre

183 Queen's Road East

Wan Chai

Hong Kong

Manager

State Street Global Advisors Asia Limited

68th Floor

Two International Finance Centre

8 Finance Street

Central

Hong Kong

Promoter

Exchange Fund Investment Limited

87th Floor

Two International Finance Centre

8 Finance Street

Central

Hong Kong

Conversion agent

HK Conversion Agency Services Limited

1/F One & Two Exchange Square

8 Connaught Place

Central

Hong Kong

Auditor

PricewaterhouseCoopers

22nd Floor

Prince's Building

Central

Hong Kong