



## Tracker Fund of Hong Kong

Stock Code : 2800

Website : [www.trahk.com.hk](http://www.trahk.com.hk)

### Interim Report 2014

1st January 2014 to 30th June 2014



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# Tracker Fund of Hong Kong

Interim Report 2014

## CONDENSED STATEMENT OF NET ASSETS

As at 30th June 2014

		(UNAUDITED) 30.06.2014 HK\$	(AUDITED) 31.12.2013 HK\$
	Notes		
<b>Assets</b>			
<b>Current assets</b>			
Investments		54,825,218,929	56,264,943,068
Dividends receivable		504,433,459	–
Other accounts receivable and prepayments		535,287	135,727
Bank balances	7(d)	540,348,394	154,111,961
		<u>55,870,536,069</u>	<u>56,419,190,756</u>
<b>Total assets</b>		<b>55,870,536,069</b>	<b>56,419,190,756</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Management fee payable	7(b)	5,321,602	5,444,657
Trustee fee payable	7(c)	5,321,602	5,444,657
Index license fee payable	8(c)	2,071,044	2,166,442
Registrar fee payable	8(a)	108,278	128,751
Amounts payable on redemption of units		1,731,122	–
Other accounts payable and accruals		1,583,609	1,556,979
		<u>16,137,257</u>	<u>14,741,486</u>
<b>Liabilities (excluding net assets attributable to holders of redeemable units)</b>		<b>16,137,257</b>	<b>14,741,486</b>
<b>Net assets attributable to holders of redeemable units (at last traded market prices)</b>	5	<b>55,854,398,812</b>	<b>56,404,449,270</b>

The notes on pages 5 to 14 form part of these condensed financial statements.

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30th June 2014

		(UNAUDITED)	
		01.01.2014 to 30.06.2014	01.01.2013 to 30.06.2013
	Notes	HK\$	HK\$
<b>Income</b>			
Dividends		1,352,731,840	1,419,213,922
Transaction fee	4(a)	954,584	870,000
Other income	4(b)	1,998,701	2,043,496
Net loss on investments	3	<u>(261,823,811)</u>	<u>(4,455,956,188)</u>
<b>Total net income/(loss)</b>		<u>1,093,861,314</u>	<u>(3,033,828,770)</u>
<b>Expenses</b>			
Management fee	7(b)	10,630,139	10,841,676
Trustee fee	7(c)	10,630,139	10,841,676
Index license fee	8(c)	4,115,813	4,273,035
Transaction costs on investments		1,921,372	3,887,495
Conversion agent fee	8(b)	858,878	803,996
Registrar fee	8(a)	773,358	979,797
Publication and printing expenses		737,456	541,458
Bank charges		268,195	282,803
Audit fee		242,856	192,940
Legal and other professional fees		62,294	4,367
Other operating expenses		<u>288,096</u>	<u>443,664</u>
<b>Total operating expenses</b>		<u>30,528,596</u>	<u>33,092,907</u>
<b>Operating profit/(loss)</b>		1,063,332,718	(3,066,921,677)
<b>Finance costs</b>			
Distributions to holders of redeemable units	13	<u>(361,198,875)</u>	<u>(382,498,875)</u>
<b>Profit/(loss) after distributions and before tax</b>		702,133,843	(3,449,420,552)
Withholding tax	6	<u>(53,478,684)</u>	<u>(87,574,952)</u>
<b>Profit/(loss) after distributions and tax</b>		648,655,159	(3,536,995,504)
Change in adjustment for difference in valuation inputs	5	<u>–</u>	<u>(68,889,571)</u>
<b>Increase/(decrease) in net assets attributable to holders of redeemable units from operations</b>		<u>648,655,159</u>	<u>(3,605,885,075)</u>

The notes on pages 5 to 14 form part of these condensed financial statements.

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

For the period ended 30th June 2014

		(UNAUDITED)	
		01.01.2014	01.01.2013
		to	to
		30.06.2014	30.06.2013
Notes		HK\$	HK\$
	<b>Net assets attributable to holders of redeemable units at 1st January (at last traded market prices)</b>	56,404,449,270	56,898,902,807
		<u>-----</u>	<u>-----</u>
	Issue of units		
	– In-kind	9 11,015,826,679	20,387,265,632
	– Cash component	9 45,329,041	179,018,072
		<u>-----</u>	<u>-----</u>
		11,061,155,720	20,566,283,704
		<u>-----</u>	<u>-----</u>
	Redemption of units		
	– In-kind	9 (12,197,262,715)	(17,195,698,669)
	– Cash component	9 (62,598,622)	(121,034,165)
		<u>-----</u>	<u>-----</u>
		(12,259,861,337)	(17,316,732,834)
		<u>-----</u>	<u>-----</u>
	Net (redemption)/issue of units	(1,198,705,617)	3,249,550,870
		<u>-----</u>	<u>-----</u>
	Increase/(decrease) in net assets attributable to holders of redeemable units from operations	648,655,159	(3,605,885,075)
		<u>-----</u>	<u>-----</u>
	<b>Net assets attributable to holders of redeemable units at 30th June (at last traded market prices)</b>	55,854,398,812	56,542,568,602
		<u>-----</u>	<u>-----</u>

The notes on pages 5 to 14 form part of these condensed financial statements.

## CONDENSED STATEMENT OF CASH FLOWS

For the period ended 30th June 2014

		(UNAUDITED)	
		01.01.2014	01.01.2013
		to	to
		30.06.2014	30.06.2013
Notes		HK\$	HK\$
<b>Cash flows from operating activities</b>			
	Proceeds from sale of investments	9 909,595,592	1,791,289,023
	Payments for purchase of investments	9 (913,131,300)	(1,791,225,567)
	Dividends received	794,819,697	618,314,160
	Transaction fee received	825,000	885,000
	Management fee paid	(10,753,194)	(10,856,250)
	Trustee fee paid	(10,753,194)	(10,856,250)
	Index license fee paid	(4,211,211)	(4,228,209)
	Registrar fee paid	(793,831)	(977,684)
	Publication and printing expenses paid	(785,890)	(622,218)
	Transaction costs on investments paid	(1,921,372)	(3,887,495)
	Conversion agent fee paid	(792,000)	(684,000)
	Bank charges paid	(253,509)	(252,170)
	Other operating expenses paid	(869,722)	(524,323)
	<b>Net cash generated from operating activities</b>	<u>760,975,066</u>	<u>586,374,017</u>
<b>Cash flows from financing activities</b>			
	Cash received on issue of units	9 45,329,041	176,809,817
	Cash paid on redemption of units	9 (60,867,500)	(121,034,165)
	Interim distribution paid	4(b), 13 (359,200,174)	(380,455,379)
	<b>Net cash used in financing activities</b>	<u>(374,738,633)</u>	<u>(324,679,727)</u>
	<b>Net increase in cash and cash equivalents</b>	386,236,433	261,694,290
	Cash and cash equivalents at the beginning of the period	<u>154,111,961</u>	<u>169,263,539</u>
	<b>Cash and cash equivalents at the end of the period</b>	<u><u>540,348,394</u></u>	<u><u>430,957,829</u></u>
<b>Analysis of balances of cash and cash equivalents</b>			
	Bank balances	7(d) <u><u>540,348,394</u></u>	<u><u>430,957,829</u></u>

Please refer to note 9 for details of major non-cash transactions.

The notes on pages 5 to 14 form part of these condensed financial statements.

## NOTES TO THE UNAUDITED CONDENSED 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 Basis of preparation and accounting policies

These unaudited condensed interim financial statements for the six months ended 30th June 2014 have been prepared in accordance with Hong Kong Accounting Standard 34, "Interim financial reporting". The unaudited condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31st December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2013. Other amendments to HKFRS effective for the financial year ending 31st December 2014 are not expected to have a material impact on the Fund.

### 3 Net loss on investments

	(UNAUDITED)	
	01.01.2014	01.01.2013
	to	to
	30.06.2014	30.06.2013
	HK\$	HK\$
Change in unrealized loss on investments	(1,789,363,268)	(3,992,722,096)
Realized gain/(loss) on sale of investments	1,527,539,457	(463,234,092)
	<u>(261,823,811)</u>	<u>(4,455,956,188)</u>

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

### 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.

### 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 period are shown on the Condensed Statement of Changes in Net Assets Attributable to Holders of Redeemable Units. In accordance with the objectives and risk management policies, the Fund 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 Fund's 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.

The Fund has adopted HKFRS 13 on 1st January 2013 and has changed its valuation inputs for listed investments to last traded prices. This is consistent with the provisions of the Fund's Trust Deed. Prior to 1st January 2013, the Fund utilized bid prices for its listed investments in accordance with HKAS 39.



## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

### 5 Number of units in issue and net assets attributable to holders of redeemable units (Continued)

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

	(UNAUDITED) Number of units		
	01.01.2014 to 30.06.2014	01.07.2013 to 31.12.2013	01.01.2013 to 30.06.2013
Units in issue at the beginning of the period	2,400,992,500	2,647,992,500	2,489,992,500
Issue of units	491,000,000	403,000,000	925,000,000
Redemption of units	(541,000,000)	(650,000,000)	(767,000,000)
Units in issue at the end of the period	<u>2,350,992,500</u>	<u>2,400,992,500</u>	<u>2,647,992,500</u>
	HK\$	HK\$	HK\$
Net assets attributable to holders of redeemable units (at last traded market prices)	<u>55,854,398,812</u>	<u>56,404,449,270</u>	<u>56,542,568,602</u>
Net assets attributable to holders of redeemable units (per unit)	<u>23.76</u>	<u>23.49</u>	<u>21.35</u>
Net asset value per Creation Unit (1 Creation Unit is equivalent to 1,000,000 units)	<u>23,757,795</u>	<u>23,492,139</u>	<u>21,352,994</u>

### 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.

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

### 6 Taxation (Continued)

The Fund invests in H-shares and Red Chips of companies in 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 periods ended 30th June 2014 and 2013.

### 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 period 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 30th June 2014, the directors and officers of the Manager together held 23,500 units in the Fund (as at 31st December 2013: 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 is payable quarterly in arrears.

## NOTES TO THE UNAUDITED CONDENSED 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 are maintained with the Trustee. Bank balances held with the Trustee as at 30th June 2014 was HK\$540,348,394 (as at 31st December 2013: HK\$154,111,961). No interest was earned on these bank balances during the periods ended 30th June 2014 and 2013.

### 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.

	HK\$ (per month)
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

In addition, the Registrar is reimbursed for all of its out-of-pocket expenses incurred in connection with performing its services.

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

(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.

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

### 8 Other fees (Continued)

#### (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 is payable quarterly in arrears.

### 9 Major non-cash transactions

In accordance with the Fund's 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 period ended 30th June 2014, the Fund issued 491,000,000 units (for the period ended 30th June 2013: 925,000,000 units), totaling HK\$11,061,155,720 (for the period ended 30th June 2013: HK\$20,566,283,704) in exchange for Index Baskets consisting of investments valued at HK\$11,015,826,679 (for the period ended 30th June 2013: HK\$20,387,265,632) by the Manager with remaining balances in cash of HK\$45,329,041 (for the period ended 30th June 2013: HK\$179,018,072).

In accordance with the Fund's Trust Deed, units are redeemed in-kind with the remaining balances in cash. During the period ended 30th June 2014, the Fund redeemed 541,000,000 units (for the period ended 30th June 2013: 767,000,000 units), totaling HK\$12,259,861,337 (for the period ended 30th June 2013: HK\$17,316,732,834) in exchange for Index Baskets consisting of investments valued at HK\$12,197,262,715 (for the period ended 30th June 2013: HK\$17,195,698,669) by the Manager with remaining balances in cash of HK\$62,598,622 (for the period ended 30th June 2013: HK\$121,034,165).

### 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.

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

### 11 Investment limitation and prohibitions under the SFC Code

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

Constituent securities that account for more than 10% of the net asset value of the Fund as at 30th June 2014 were as follows:

	Respective weighting in the Index (%)		% of net asset value	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
HSBC Holdings Plc.	14.5	15.0	14.3	15.0

During the period, the Hang Seng Index decreased by 0.50% (for the period ended 30th June 2013: decreased by 8.18%) and the net asset value per unit of the Fund increased by 1.15% (for the period ended 30th June 2013: decreased by 6.56%).

### 12 Financial risk management

#### *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 period 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.

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

### 12 Financial risk management (Continued)

#### *Fair value estimation (Continued)*

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 30th June 2014 and 31st December 2013.

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

### 12 Financial risk management (Continued)

*Fair value estimation (Continued)*

All fair value measurements disclosed are recurring fair value measurements.

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total balance HK\$
<b>At 30th June 2014</b>				
<b>Assets</b>				
Financial assets held for trading				
– Equity securities	54,825,218,929	–	–	54,825,218,929

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total balance HK\$
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#### At 31st December 2013

##### Assets

Financial assets held for trading

– Equity securities	56,264,943,068	–	–	56,264,943,068
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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 30th June 2014 and 31st December 2013, 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 30th June 2014 and 31st December 2013, the Fund did not hold any investments classified in level 3.

For the period ended 30th June 2014 and the year ended 31st December 2013, there were no transfers of financial instruments between levels.

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

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

### 13 Distribution

	(UNAUDITED)	
	01.01.2014	01.01.2013
	to	to
	30.06.2014	30.06.2013
	HK\$	HK\$
Interim distribution		
– HK\$0.15 on 2,549,992,500 units paid on 31st May 2013	–	382,498,875
– HK\$0.15 on 2,407,992,500 units paid on 30th May 2014	<u>361,198,875</u>	<u>–</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 period.

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 period ended 30th June 2014, there were eleven investments which each accounted for more than 10% of the Fund's net income/(loss) (for the period ended 30th June 2013: six). 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 30th June 2014 and 31st December 2013, there was one nominee company that held more than 10% of the Fund's net assets. The nominee company's holdings were 82.25% as at 30th June 2014 and 82.36% as at 31st December 2013.



# Tracker Fund of Hong Kong

## Interim Report 2014

### INVESTMENT PORTFOLIO

As at 30th June 2014

	Holdings	(UNAUDITED) Fair value HK\$	% of net assets
<b>Hong Kong</b>			
<b>Listed investments (98.16%)</b>			
<b>Equities (98.16%)</b>			
<b>Properties (9.21%)</b>			
Cheung Kong (Holdings) Ltd.	10,079,322	1,385,906,775	2.48
China Overseas Land & Investment Ltd.	29,614,305	556,748,934	1.00
China Resources Land Ltd.	14,759,631	209,291,568	0.37
Hang Lung Properties Ltd.	16,359,446	390,990,759	0.70
Henderson Land Development Co. Ltd.	7,584,981	343,978,888	0.62
New World Development Co. Ltd.	36,918,552	325,621,629	0.58
Sino Land Co. Ltd.	21,817,732	278,394,260	0.50
Sun Hung Kai Properties Ltd.	9,805,950	1,042,372,485	1.86
Wharf (Holdings) Ltd.	10,980,383	612,705,371	1.10
		5,146,010,669	9.21
		5,146,010,669	9.21
<b>Finance (44.18%)</b>			
AIA Group Ltd.	87,387,005	3,403,723,845	6.09
Bank of China Ltd.	576,313,607	1,999,808,216	3.58
BOC Hong Kong (Holdings) Ltd.	26,820,707	602,124,872	1.08
Bank of Communications Co. Ltd.	63,893,393	341,829,653	0.61
Bank of East Asia Ltd.	10,017,985	322,078,218	0.58
China Construction Bank Corporation	610,538,922	3,577,758,083	6.41
China Life Insurance Co. Ltd.	53,964,829	1,095,486,029	1.96
Hang Seng Bank Ltd.	5,543,645	701,825,457	1.26
Hong Kong Exchanges and Clearing Ltd.	8,004,897	1,156,707,617	2.07
HSBC Holdings Plc	101,331,916	7,964,688,598	14.26
Industrial and Commercial Bank of China Ltd.	535,252,606	2,622,737,769	4.70
Ping An Insurance (Group) Co. of China Ltd.	14,750,465	885,027,900	1.58
		24,673,796,257	44.18
		24,673,796,257	44.18

## INVESTMENT PORTFOLIO (Continued)

As at 30th June 2014

	Holdings	(UNAUDITED) Fair value HK\$	% of net assets
<b>Utilities (4.72%)</b>			
China Resources Power Holdings Co. Ltd.	13,984,717	307,663,774	0.55
CLP Holdings Ltd.	13,738,937	873,796,393	1.56
Hong Kong and China Gas Co. Ltd.	45,741,788	775,780,724	1.39
Power Assets Holdings Ltd.	10,055,437	681,255,857	1.22
		<u>2,638,496,748</u>	<u>4.72</u>
<b>Commerce and Industry (40.05%)</b>			
Belle International Holdings Ltd.	33,877,027	291,342,432	0.52
Cathay Pacific Airways Ltd.	8,545,046	123,732,266	0.22
China Mengniu Dairy Co. Ltd.	9,921,215	355,675,558	0.64
China Merchants Holdings (International) Co. Ltd.	8,321,714	201,385,479	0.36
China Mobile Ltd.	43,998,834	3,308,712,317	5.92
China Petroleum & Chemical Corporation	185,044,241	1,367,476,941	2.45
China Resources Enterprise, Ltd.	8,759,203	188,322,865	0.34
China Shenhua Energy Co. Ltd.	24,803,429	555,596,810	0.99
China Unicom (Hong Kong) Ltd.	43,084,898	516,157,078	0.92
CITIC Pacific Ltd.	11,857,318	161,022,378	0.29
CNOOC Ltd.	129,548,819	1,803,319,560	3.23
COSCO Pacific Ltd.	12,441,582	133,622,591	0.24
Galaxy Entertainment Group Ltd.	16,872,278	1,046,081,236	1.87
Hengan International Group Co. Ltd.	5,799,016	473,199,706	0.85
Hutchison Whampoa Ltd.	15,462,466	1,639,021,396	2.93
Kunlun Energy Co. Ltd.	23,552,404	300,999,723	0.54
Lenovo Group Ltd.	41,454,814	438,591,932	0.79
Li & Fung Ltd.	42,397,834	486,727,134	0.87
MTR Corporation Ltd.	10,581,074	315,845,059	0.57
PetroChina Co. Ltd.	153,035,499	1,498,217,535	2.68
Sands China Ltd.	17,542,740	1,027,127,427	1.84
Swire Pacific Ltd. 'A'	4,630,806	441,778,892	0.79
Tencent Holdings Ltd.	40,576,050	4,796,089,110	8.59
Tingyi (Cayman Islands) Holding Corporation	14,296,876	310,242,209	0.56
Want Want China Holdings Ltd.	52,659,571	586,627,621	1.05
		<u>22,366,915,255</u>	<u>40.05</u>
Total listed investments		<u>54,825,218,929</u>	<u>98.16</u>
Total investments, at cost		<u>51,653,637,499</u>	

**STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO**

For the period ended 30th June 2014

	(UNAUDITED)			30.06.2014
	31.12.2013	Additions	Disposals	
Holdings				
<b>Hong Kong</b>				
<b>Listed investments</b>				
<b>Equities</b>				
<b>Properties</b>				
Cheung Kong (Holdings) Ltd.	10,461,028	2,135,127	(2,516,833)	10,079,322
China Overseas Land & Investment Ltd.	30,725,969	6,278,279	(7,389,943)	29,614,305
China Resources Land Ltd.	15,384,170	3,134,973	(3,759,512)	14,759,631
Hang Lung Properties Ltd.	17,037,290	3,440,570	(4,118,414)	16,359,446
Henderson Land Development Co. Ltd.	7,041,357	2,136,986	(1,593,362)	7,584,981
New World Development Co. Ltd.	28,269,315	16,211,246	(7,562,009)	36,918,552
New World Development Co. Ltd., Right	–	9,893,486	(9,893,486)	–
Sino Land Co. Ltd.	22,762,772	4,578,761	(5,523,801)	21,817,732
Sun Hung Kai Properties Ltd.	10,100,043	2,061,455	(2,355,548)	9,805,950
Sun Hung Kai Properties Ltd., Bonus Warrant	–	846,861	(846,861)	–
Wharf (Holdings) Ltd.	11,392,320	2,327,895	(2,739,832)	10,980,383
<b>Finance</b>				
AIA Group Ltd.	90,736,008	18,504,776	(21,853,779)	87,387,005
Bank of China Ltd.	598,314,054	122,056,296	(144,056,743)	576,313,607
BOC Hong Kong (Holdings) Ltd.	27,826,209	5,685,627	(6,691,129)	26,820,707
Bank of Communications Co. Ltd.	66,026,360	13,448,327	(15,581,294)	63,893,393
Bank of East Asia Ltd.	10,228,454	2,110,076	(2,320,545)	10,017,985
China Construction Bank Corporation	633,964,670	129,285,035	(152,710,783)	610,538,922
China Life Insurance Co. Ltd	56,019,928	11,432,872	(13,487,971)	53,964,829
Hang Seng Bank Ltd.	5,750,558	1,175,078	(1,381,991)	5,543,645
Hong Kong Exchanges and Clearing Ltd.	8,250,553	1,688,542	(1,934,198)	8,004,897
HSBC Holdings Plc	100,180,700	23,904,151	(22,752,935)	101,331,916
Industrial and Commercial Bank of China Ltd.	523,050,095	134,420,799	(122,218,288)	535,252,606
Ping An Insurance (Group) Co. of China Ltd.	15,388,995	3,125,558	(3,764,088)	14,750,465
<b>Utilities</b>				
China Resources Power Holdings Co. Ltd.	14,586,752	2,941,940	(3,543,975)	13,984,717
CLP Holdings Ltd.	14,334,079	2,911,218	(3,506,360)	13,738,937
Hong Kong and China Gas Co. Ltd.	43,380,800	13,037,948	(10,676,960)	45,741,788
Power Assets Holdings Ltd.	10,428,822	2,131,523	(2,504,908)	10,055,437
Share Stapled Units jointly issued by HK Electric Investments and HK Electric Investments Ltd., Right	–	2,621,361	(2,621,361)	–

## STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (Continued)

For the period ended 30th June 2014

	(UNAUDITED)			
	Holdings			
	31.12.2013	Additions	Disposals	30.06.2014
<b>Commerce and Industry</b>				
Belle International Holdings Ltd.	35,300,188	7,127,320	(8,550,481)	33,877,027
Cathay Pacific Airways Ltd.	9,044,772	1,813,247	(2,312,973)	8,545,046
China Coal Energy Co. Ltd.	31,134,813	3,984,898	(35,119,711)	-
China Mengniu Dairy Co. Ltd.	-	11,375,859	(1,454,644)	9,921,215
China Merchants Holdings (International) Co. Ltd.	8,496,160	1,745,173	(1,919,619)	8,321,714
Mandatory Convertible Securities issued by China Merchants Holdings (International) Co. Ltd., Right	-	1,699,702	(1,699,702)	-
China Mobile Ltd.	45,432,405	9,266,924	(10,700,495)	43,998,834
China Petroleum & Chemical Corporation	192,042,084	39,199,776	(46,197,619)	185,044,241
China Resources Enterprise, Ltd.	9,201,279	1,846,144	(2,288,220)	8,759,203
China Shenhua Energy Co. Ltd.	25,550,621	5,221,770	(5,968,962)	24,803,429
China Unicom (Hong Kong) Ltd.	44,836,980	9,117,150	(10,869,232)	43,084,898
CITIC Pacific Ltd.	12,481,698	2,523,137	(3,147,517)	11,857,318
CNOOC Ltd.	134,501,912	27,439,145	(32,392,238)	129,548,819
COSCO Pacific Ltd.	12,724,282	2,624,321	(2,907,021)	12,441,582
Galaxy Entertainment Group Ltd.	17,456,116	3,563,797	(4,147,635)	16,872,278
Hengan International Group Co. Ltd.	6,078,999	1,229,873	(1,509,856)	5,799,016
Hutchison Whampoa Ltd.	16,050,839	3,275,132	(3,863,505)	15,462,466
Kunlun Energy Co. Ltd.	24,506,049	4,955,279	(5,908,924)	23,552,404
Lenovo Group Ltd.	50,719,072	10,333,051	(19,597,309)	41,454,814
Li & Fung Ltd.	43,945,781	8,991,600	(10,539,547)	42,397,834
MTR Corporation Ltd.	10,928,025	2,227,158	(2,574,109)	10,581,074
PetroChina Co. Ltd.	158,841,545	32,417,069	(38,223,115)	153,035,499
Sands China Ltd.	18,282,942	3,715,810	(4,456,012)	17,542,740
Swire Pacific Ltd. 'A'	4,783,812	974,010	(1,127,016)	4,630,806
Tencent Holdings Ltd.	8,400,967	43,184,705	(11,009,622)	40,576,050
Tencent Holdings Ltd., Temp Trading Tingyi (Cayman Islands) Holding Corporation	-	41,697,480	(41,697,480)	-
Want Want China Holdings Ltd.	14,750,777	3,008,704	(3,462,605)	14,296,876
	54,668,847	11,174,310	(13,183,586)	52,659,571

# Tracker Fund of Hong Kong

Interim Report 2014

## PERFORMANCE RECORD

*For the period ended 30th June 2014*

### **Fund performance**

During the period ended 30th June 2014, the Hang Seng Index decreased by 0.50% and the net asset value per unit of the Fund increased by 1.15%.

## ADMINISTRATION AND MANAGEMENT

### Directors of the Manager

Mr. Lochiel Cameron Crafter  
Mr. James Keith MacNevin  
Ms. Ting Li  
Ms. Gigi Lau Che Man  
(Alternate director to Ms. Ting Li)  
Ms. Susana Yeong  
Mr. Matthew Montagu George  
(Alternate director to  
Ms. Susana Yeong)

### Members of the Supervisory Committee

Mr. Chan Ping Keung Bryan  
Mr. Fong Hup  
Mr. Lawrence Fok  
Mr. Marvin Cheung  
Mr. Stephen Law  
Prof. Chan Yuk-shee

### 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  
2nd Floor Infinitus Plaza  
199 Des Voeux Road Central  
Hong Kong

### Auditor

PricewaterhouseCoopers  
22nd Floor  
Prince's Building  
Central  
Hong Kong

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