



Tracker Fund of Hong Kong

Stock Code : 2800

Website : www.trahk.com.hk

Interim Report 2016

1st January 2016 to 30th June 2016



STATE STREET
GLOBAL ADVISORS®

Contents

Condensed Statement of Net Assets (unaudited)	1
Condensed Statement of Comprehensive Income (unaudited)	2
Condensed Statement of Changes in Net Assets Attributable to Holders of Redeemable Units (unaudited)	3
Condensed Statement of Cash Flows (unaudited)	4
Notes to the Unaudited Condensed Financial Statements	5
Investment Portfolio (unaudited)	16
Statement of Movements in Investment Portfolio (unaudited)	18
Performance Record (unaudited)	20
Administration and Management	21



CONDENSED STATEMENT OF NET ASSETS

AS AT 30TH JUNE 2016

		(UNAUDITED) 30.06.2016 HK\$	(AUDITED) 31.12.2015 HK\$
	Notes		
Assets			
Current assets			
Investments		73,611,496,317	72,147,175,736
Dividend receivable	6	1,048,850,021	–
Other accounts receivable and prepayments	7	17,340,071	114,651
Bank balances	9(d)	620,401,819	256,943,653
		<u>75,298,088,228</u>	<u>72,404,234,040</u>
Total assets		<u>75,298,088,228</u>	<u>72,404,234,040</u>
Liabilities			
Current liabilities			
Management fee payable	9(b)	12,506,951	6,442,788
Trustee fee payable	9(c)	12,506,951	6,442,788
Index license fee payable	10(c)	2,719,564	2,731,426
Registrar fee payable	10(a)	261,020	281,776
Professional fee payable		60,000	240,384
Withholding tax payable		83,846,534	–
Other accounts payable and accruals		2,261,253	1,373,836
		<u>114,162,273</u>	<u>17,512,998</u>
Liabilities (excluding net assets attributable to holders of redeemable units)		<u>114,162,273</u>	<u>17,512,998</u>
Net assets attributable to holders of redeemable units	5	<u>75,183,925,955</u>	<u>72,386,721,042</u>

The notes on pages 5 to 15 form part of these condensed financial statements.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30TH JUNE 2016

	Notes	(UNAUDITED)	
		01.01.2016 to 30.06.2016 HK\$	01.01.2015 to 30.06.2015 HK\$
Income			
Dividends		1,975,996,450	1,637,179,316
Interest income	9(d)	321,302	296,266
Transaction fee	4(a)	895,082	960,000
Other income	9(d), 4(b)	2,214,256	1,930,788
Net gain/(loss) on investments	3	<u>(3,348,117,442)</u>	<u>6,405,909,499</u>
Total investment income/(loss)		<u>(1,368,690,352)</u>	<u>8,046,275,869</u>
Expenses			
Management fee	9(b)	12,515,929	12,743,732
Trustee fee	9(c)	12,515,929	12,743,732
Index license fee	10(c)	5,286,376	5,246,832
Transaction costs on investments		7,912,065	5,251,708
Registrar fee	10(a)	911,707	870,393
Publication and printing expenses		626,777	848,352
Conversion agent fee	10(b)	858,605	610,609
Audit fee		240,901	248,683
Bank charges		340,036	311,445
Legal and other professional fees		120,600	–
Other operating expenses		<u>608,384</u>	<u>219,324</u>
Total operating expenses		<u>41,937,309</u>	<u>39,094,810</u>
Operating profit/(loss)		(1,410,627,661)	8,007,181,059
Finance costs			
Distributions to holders of redeemable units	15	<u>(555,358,800)</u>	<u>(490,858,650)</u>
Profit/(loss) after distributions and before tax		(1,965,986,461)	7,516,322,409
Withholding tax	8	<u>(94,994,172)</u>	<u>(91,754,795)</u>
Increase/(decrease) in net assets attributable to holders of redeemable units from operations		<u>(2,060,980,633)</u>	<u>7,424,567,614</u>

The notes on pages 5 to 15 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 2016

		(UNAUDITED)	
		01.01.2016	01.01.2015
		to	to
		30.06.2016	30.06.2015
Notes		HK\$	HK\$
	Net assets attributable to holders of redeemable units at 1st January	72,386,721,042	62,418,500,671
	Issue of units		
	– In-kind	11 10,490,257,345	25,023,065,829
	– Cash component	11 52,412,553	266,854,858
		<u>10,542,669,898</u>	<u>25,289,920,687</u>
	Redemption of units		
	– In-kind	11 (5,657,579,237)	(18,090,392,510)
	– Cash component	11 (26,905,115)	(100,570,491)
		<u>(5,684,484,352)</u>	<u>(18,190,963,001)</u>
	Net issue/(redemption) of units	<u>4,858,185,546</u>	<u>7,098,957,686</u>
	Increase/(decrease) in net assets attributable to holders of redeemable units from operations	<u>(2,060,980,633)</u>	<u>7,424,567,614</u>
	Net assets attributable to holders of redeemable units at 30th June	<u><u>75,183,925,955</u></u>	<u><u>76,942,025,971</u></u>

The notes on pages 5 to 15 form part of these condensed financial statements.

CONDENSED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30TH JUNE 2016

		(UNAUDITED)	
		01.01.2016	01.01.2015
		to	to
		30.06.2016	30.06.2015
Notes		HK\$	HK\$
Cash flows from operating activities			
		2,682,174,376	1,979,943,149
	11	(2,624,642,366)	(2,090,450,290)
		861,771,992	637,002,920
		297,219	296,266
		780,001	945,000
		323,597	423,549
		(6,451,766)	(11,756,619)
		(6,451,766)	(11,756,619)
		(5,298,238)	(4,642,236)
		(932,463)	(592,212)
		(563,429)	(282,592)
		(7,912,065)	(5,251,708)
		(524,000)	(648,000)
		(171,848)	(195,170)
		(300,984)	-
		(679,391)	(244,432)
Net cash generated from operating activities		<u>891,418,869</u>	<u>492,791,006</u>
Cash flows from financing activities			
	11	52,412,553	254,155,098
	11	(26,905,115)	(103,298,944)
	4(b), 15	(553,468,141)	(488,927,862)
Net cash used in financing activities		<u>(527,960,703)</u>	<u>(338,071,708)</u>
Net increase in cash and cash equivalents		363,458,166	154,719,298
Cash and cash equivalents at the beginning of the period		<u>256,943,653</u>	<u>211,935,563</u>
Cash and cash equivalents at the end of the period		<u><u>620,401,819</u></u>	<u><u>366,654,861</u></u>
Analysis of balances of cash and cash equivalents:			
	9(d)	<u>620,401,819</u>	<u>366,654,861</u>

Please refer to note 11 for details of major non-cash transactions.
The notes on pages 5 to 15 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, as amended or supplemented from time to time (the "Trust Deed"). The Fund is authorized by the Securities and Futures Commission of Hong Kong under Section 104(1) of the Hong Kong Securities and Futures Ordinance. The Fund is also listed on The Stock Exchange of Hong Kong Limited (a subsidiary of the Hong Kong Exchanges and Clearing Limited).

The 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 2016 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 2015, 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 2015. Other amendments to HKFRS effective for the financial year ending 31st December 2016 are not expected to have a material impact on the Fund.

3 Net gain/(loss) on investments

	(UNAUDITED)	
	01.01.2016	01.01.2015
	to	to
	30.06.2016	30.06.2015
	HK\$	HK\$
Change in unrealized gain/(loss) on investments	(2,746,482,422)	3,655,113,265
Realized gain/(loss) on sale of investments	(601,635,020)	2,750,796,234
	<u>(3,348,117,442)</u>	<u>6,405,909,499</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 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 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.

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.



NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

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

	(UNAUDITED)		
	Number of units		
	01.01.2016 to 30.06.2016	01.07.2015 to 31.12.2015	01.01.2015 to 30.06.2015
Units in issue at the beginning of the period	3,273,992,500	2,866,992,500	2,617,992,500
Issue of units	528,000,000	878,000,000	931,000,000
Redemption of units	(280,000,000)	(471,000,000)	(682,000,000)
Units in issue at the end of the period	<u>3,521,992,500</u>	<u>3,273,992,500</u>	<u>2,866,992,500</u>
	HK\$	HK\$	HK\$
Net assets attributable to holders of redeemable units	<u>75,183,925,955</u>	<u>72,386,721,042</u>	<u>76,942,025,971</u>
Net assets attributable to holders of redeemable units (per unit)	<u>21.35</u>	<u>22.11</u>	<u>26.84</u>
Net asset value per Creation Unit (1 Creation Unit is equivalent to 1,000,000 units)	<u>21,346,986</u>	<u>22,109,617</u>	<u>26,837,191</u>

6 Dividend receivable

Included in dividend receivables as of 30th June 2016, the sum of HK\$12,686,933 which represents the stock dividend of 351,633 shares of MTR Corporation Ltd., was settled on 13th July 2016.

7 Other accounts receivable and prepayments

Included in other accounts receivable and prepayments as of 30th June 2016 amounting to HK\$16,934,873 represents the amount receivable by the Fund as a result of the distribution in specie by one of the listed equity securities held by the Fund, Hengan International Group Company Limited as of 30th June 2016.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

8 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 periods ended 30th June 2016 and 2015.

9 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 30th June 2016, the directors and officers of the Manager together held 23,500 units in the Fund (as at 31st December 2015: 29,000 units).



NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

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

(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.

(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\$23,411,391 as at 30th June 2016 (as at 31st December 2015: HK\$7,763,527). Effective from 6th June 2016, interest calculated at a rate of 0.01% p.a. Interest income amounting to HK\$103 was accrued for the period from 6th June 2016 to 30th June 2016 with respect to the bank balance held with the Trustee (2015: Nil).

In June, after a finding against the Manager by the Securities and Futures Commission, the Manager has made voluntary payments totalling HK\$323,597 into the Fund, such amounts were calculated by applying an interest rate of 0.01% p.a. to the Fund's daily cash balances in Trustee's demand deposit account for the period from 1st December 2008 to 5th June 2016.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

10 Other fees

(a) *Registrar fee*

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

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

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

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

(b) *Conversion agent fee*

The Conversion Agent 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.



NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

11 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 2016, the Fund issued 528,000,000 units (for the period ended 30th June 2015: 931,000,000 units), totaling HK\$10,542,669,898 (for the period ended 30th June 2015: HK\$25,289,920,687) in exchange for Index Baskets consisting of investments valued at HK\$10,490,257,345 (for the period ended 30th June 2015: HK\$25,023,065,829) by the Manager with remaining balances in cash of HK\$52,412,553 (for the period ended 30th June 2015: HK\$266,854,858).

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 2016, the Fund redeemed 280,000,000 units (for the period ended 30th June 2015: 682,000,000 units), totaling HK\$5,684,484,352 (for the period ended 30th June 2015: HK\$18,190,963,001) in exchange for Index Baskets consisting of investments valued at HK\$5,657,579,237 (for the period ended 30th June 2015: HK\$18,090,392,510) by the Manager with remaining balances in cash of HK\$26,905,115 (for the period ended 30th June 2015: HK\$100,570,491).

12 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 has 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)

13 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 period ended 30 June 2016 and year ended 31 December 2015.

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 2016 were as follows:

	Respective weighting in the Index (%)		% of net asset value	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
HSBC Holdings plc	9.3	10.1	9.1	10.1
Tencent Holdings Ltd	10.1	10.1	10.0	10.1
	<u>19.4</u>	<u>20.2</u>	<u>19.1</u>	<u>20.2</u>

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 30 June 2016 and 31 December 2015.

During the period ended 30th June 2016, the Hang Seng Index decreased by 5.11% (for the period ended 30th June 2015: increased by 11.21%), while the net asset value per unit of the Fund decreased by 3.45% (for the period ended 30th June 2015: increased by 12.58%).



NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

14 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.

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.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

14 Financial risk management (Continued)

Fair value estimation (Continued)

The following table analyses within the fair value hierarchy the Fund's investments (by class) measured at fair value at 30th June 2016 and 31st December 2015.

All fair value measurements disclosed are recurring fair value measurements.

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total balance HK\$
At 30th June 2016				
Assets				
Financial assets held for trading:				
- Equity securities	73,611,496,317	-	-	73,611,496,317
	<u>73,611,496,317</u>	<u>-</u>	<u>-</u>	<u>73,611,496,317</u>
At 31st December 2015				
Assets				
Financial assets held for trading:				
- Equity securities	72,147,175,736	-	-	72,147,175,736
	<u>72,147,175,736</u>	<u>-</u>	<u>-</u>	<u>72,147,175,736</u>

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

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. As of 30th June 2016 and 31st December 2015, 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 2016 and 31st December 2015, the Fund did not hold any investments classified in level 3.

For the period ended 30th June 2016 and the year ended 31st December 2015, 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)

15 Distributions

	(UNAUDITED)	
	01.01.2016	01.01.2015
	to	to
	30.06.2016	30.06.2015
	HK\$	HK\$
Interim distribution		
– HK\$0.18 on 2,726,992,500 units paid on 29th May 2015	–	490,858,650
– HK\$0.16 on 3,470,992,500 units paid on 30th May 2016	<u>555,358,800</u>	<u>–</u>

16 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 generated in Hong Kong, majority of such income is from investments in entities listed in Hong Kong.

The Fund has no assets classified as non-current assets. The Fund has a diversified portfolio of investments. During the period ended 30th June 2016, there were thirteen investments which accounted for more than 10% of the Fund's net income (for the period ended 30th June 2015: two). Please refer to note 13 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 2016 and 31st December 2015, there was one nominee company that held more than 10% of the Fund's net assets. The nominee company's holdings were 88.78% as at 30th June 2016 and 87.87% as at 31st December 2015.

INVESTMENT PORTFOLIO (UNAUDITED)

AS AT 30TH JUNE 2016

	Holdings	(UNAUDITED) Fair value HK\$	% of net assets
Hong Kong			
Listed investments (97.91%)			
Equities (97.91%)			
Properties (11.07%)			
Cheung Kong Property Holdings Ltd.	29,717,006	1,438,303,090	1.91
China Overseas Land & Investment Ltd.	43,383,149	1,062,887,150	1.41
China Resources Land Ltd.	30,494,222	551,945,418	0.74
Hang Lung Properties Ltd.	22,264,590	347,772,896	0.46
Henderson Land Development Co. Ltd.	12,059,168	525,176,766	0.70
New World Development Co. Ltd.	61,157,934	480,089,782	0.64
Sino Land Co. Ltd.	33,844,048	428,465,648	0.57
Sun Hung Kai Properties Ltd.	15,912,091	1,480,620,068	1.97
The Link Real Estate Investment Trust	24,673,244	1,302,747,283	1.73
Wharf (Holdings) Ltd.	15,002,807	704,381,789	0.94
		8,322,389,890	11.07
		-----	-----
Finance (43.33%)			
AIA Group Ltd.	132,620,199	6,146,946,224	8.18
Bank of China Ltd.	873,791,695	2,700,016,337	3.59
Bank of Communications Co Ltd.	96,275,446	470,786,931	0.63
Bank of East Asia Ltd.	15,976,517	476,100,207	0.63
BOC Hong Kong (Holdings) Ltd.	40,702,520	944,298,464	1.26
China Construction Bank Corporation	925,542,364	4,738,776,904	6.30
China Life Insurance Co. Ltd.	81,847,214	1,360,300,697	1.81
Hang Seng Bank Ltd.	8,411,504	1,112,841,979	1.48
Hong Kong Exchanges and Clearing Ltd.	12,628,294	2,369,067,954	3.15
HSBC Holdings Plc	143,960,720	6,816,540,092	9.07
Industrial and Commercial Bank of China Ltd.	811,467,491	3,481,195,536	4.63
Ping An Insurance (Group) Co. of China Ltd.	57,342,211	1,958,236,506	2.60
		32,575,107,831	43.33
		-----	-----
Utilities (6.19%)			
Cheung Kong Infrastructure Holdings Ltd	7,288,509	486,143,550	0.65
China Resources Power Holdings Co. Ltd.	21,150,370	244,498,277	0.33
CLP Holdings Ltd.	20,841,762	1,646,499,198	2.19
Hong Kong and China Gas Co. Ltd.	83,926,302	1,186,717,910	1.58
Power Assets Holdings Ltd.	15,258,977	1,084,150,316	1.44
		4,648,009,251	6.19
		-----	-----



INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 30TH JUNE 2016

	Holdings	(UNAUDITED) Fair value HK\$	% of net assets
Commerce and Industry (37.32%)			
Belle International Holdings Ltd.	74,216,304	336,942,020	0.45
Cathay Pacific Airways Ltd.	12,887,515	145,886,670	0.19
China Mengniu Dairy Co. Ltd.	30,187,128	406,922,485	0.54
China Merchants Holdings (International) Co. Ltd.	14,402,460	296,690,676	0.39
China Mobile Ltd.	67,614,528	5,994,027,907	7.97
China Petroleum & Chemical Corporation	280,628,211	1,571,517,982	2.09
China Shenhua Energy Co. Ltd.	37,381,561	533,061,060	0.71
China Unicom (Hong Kong) Ltd.	65,849,628	528,114,016	0.70
CITIC Ltd.	64,025,066	722,202,744	0.96
CK Hutchison Holdings Ltd.	29,717,402	2,512,606,339	3.34
CNOOC Ltd.	196,434,738	1,889,702,180	2.51
Galaxy Entertainment Group Ltd.	25,775,245	592,830,635	0.79
Hengan International Group Co. Ltd.	8,684,553	561,890,579	0.75
Kunlun Energy Co. Ltd.	35,262,917	225,330,040	0.30
Lenovo Group Ltd.	79,420,805	370,895,159	0.49
Li & Fung Ltd.	65,375,287	244,503,573	0.33
MTR Corporation Ltd.	15,752,076	617,481,379	0.82
PetroChina Co. Ltd.	232,071,717	1,227,659,383	1.63
Sands China Ltd.	26,627,062	690,972,259	0.92
Swire Pacific Ltd. 'A'	5,973,923	523,315,655	0.70
Tencent Holdings Ltd.	42,516,578	7,487,169,386	9.96
Tingyi (Cayman Islands) Holding Corporation	21,898,033	160,074,621	0.21
Want Want China Holdings Ltd.	77,489,563	426,192,597	0.57
		<u>28,065,989,345</u>	<u>37.32</u>
Total listed investments		<u>73,611,496,317</u>	<u>97.91</u>
Total investments, at cost		<u>82,832,327,845</u>	

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)

FOR THE PERIOD ENDED 30TH JUNE 2016

	(UNAUDITED)			
	Holdings			
	31.12.2015	Additions	Disposals	30.06.2016
Hong Kong				
Listed investments				
Equities				
Properties				
Cheung Kong Property Holdings Ltd.	27,428,926	5,001,152	(2,713,072)	29,717,006
China Overseas Land & Investment Ltd.	40,042,497	7,301,234	(3,960,582)	43,383,149
China Resources Land Ltd.	28,145,905	5,132,779	(2,784,462)	30,494,222
Hang Lung Properties Ltd.	22,739,297	3,637,391	(4,112,098)	22,264,590
Henderson Land Development Co. Ltd.	10,066,594	4,130,738	(2,138,164)	12,059,168
New World Development Co. Ltd.	54,803,974	12,120,921	(5,766,961)	61,157,934
Sino Land Co. Ltd.	30,884,149	5,961,978	(3,002,079)	33,844,048
Sun Hung Kai Properties Ltd.	14,602,698	2,670,243	(1,360,850)	15,912,091
The Link Real Estate Investment Trust	22,899,111	4,098,213	(2,324,080)	24,673,244
Wharf (Holdings) Ltd.	13,847,714	2,525,187	(1,370,094)	15,002,807
Finance				
AIA Group Ltd.	122,311,159	22,401,138	(12,092,098)	132,620,199
Bank of China Ltd.	806,505,003	147,062,447	(79,775,755)	873,791,695
Bank of Communications Co Ltd.	88,861,810	16,203,463	(8,789,827)	96,275,446
Bank of East Asia Ltd.	14,746,206	2,998,654	(1,768,343)	15,976,517
BOC Hong Kong (Holdings) Ltd.	37,568,096	6,850,402	(3,715,978)	40,702,520
China Construction Bank Corporation	854,270,441	155,773,213	(84,501,290)	925,542,364
China Life Insurance Co. Ltd.	75,544,486	13,775,557	(7,472,829)	81,847,214
Hang Seng Bank Ltd.	7,763,819	1,415,839	(768,154)	8,411,504
Hong Kong Exchanges and Clearing Ltd.	11,655,829	2,326,085	(1,353,620)	12,628,294
HSBC Holdings Plc	117,587,180	37,314,479	(10,940,939)	143,960,720
Industrial and Commercial Bank of China Ltd.	748,979,609	136,573,827	(74,085,945)	811,467,491
Ping An Insurance (Group) Co. of China Ltd.	52,926,859	9,650,948	(5,235,596)	57,342,211
Utilities				
Cheung Kong Infrastructure Holdings Ltd	-	7,636,699	(348,190)	7,288,509
China Resources Power Holdings Co. Ltd.	19,490,745	3,557,407	(1,897,782)	21,150,370
CLP Holdings Ltd.	19,236,787	3,507,981	(1,903,006)	20,841,762
Hong Kong and China Gas Co. Ltd.	70,427,343	20,544,845	(7,045,886)	83,926,302
Power Assets Holdings Ltd.	14,084,061	2,568,026	(1,393,110)	15,258,977



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

FOR THE PERIOD ENDED 30TH JUNE 2016

	(UNAUDITED)			
	Holdings			
	31.12.2015	Additions	Disposals	30.06.2016
Commerce and Industry				
Belle International Holdings Ltd.	68,500,654	12,491,208	(6,775,558)	74,216,304
Cathay Pacific Airways Ltd.	11,980,669	1,926,168	(1,019,322)	12,887,515
China Mengniu Dairy Co. Ltd.	27,876,243	5,058,625	(2,747,740)	30,187,128
China Merchants Holdings (International) Co. Ltd.	13,131,782	2,391,054	(1,120,376)	14,402,460
China Mobile Ltd.	62,360,142	11,421,587	(6,167,201)	67,614,528
China Petroleum & Chemical Corporation	259,018,012	47,231,655	(25,621,456)	280,628,211
China Resources Beer Holdings Company Ltd.	12,248,126	1,151,307	(13,399,433)	-
China Shenhua Energy Co. Ltd.	34,503,139	6,291,224	(3,412,802)	37,381,561
China Unicom (Hong Kong) Ltd.	60,779,448	11,082,810	(6,012,630)	65,849,628
CITIC Ltd.	73,832,441	11,660,220	(21,467,595)	64,025,066
CK Hutchison Holdings Ltd.	27,428,885	5,001,483	(2,712,966)	29,717,402
CNOOC Ltd.	181,308,078	33,060,087	(17,933,427)	196,434,738
Galaxy Entertainment Group Ltd.	23,775,625	4,344,732	(2,345,112)	25,775,245
Hengan International Group Co. Ltd.	8,079,686	10,129,262	(9,524,395)	8,684,553
Kunlun Energy Co. Ltd.	32,781,820	5,269,878	(2,788,781)	35,262,917
Lenovo Group Ltd.	73,304,539	13,366,515	(7,250,249)	79,420,805
Li & Fung Ltd.	59,804,794	11,486,205	(5,915,712)	65,375,287
MTR Corporation Ltd.	14,845,157	2,715,541	(1,808,622)	15,752,076
PetroChina Co. Ltd.	214,201,564	39,058,845	(21,188,692)	232,071,717
Sands China Ltd.	24,575,778	4,482,078	(2,430,794)	26,627,062
Swire Pacific Ltd. 'A'	5,973,560	1,045,775	(1,045,412)	5,973,923
Tencent Holdings Ltd.	47,743,667	7,441,186	(12,668,275)	42,516,578
Tingyi (Cayman Islands) Holding Corporation	19,763,077	3,828,698	(1,693,742)	21,898,033
Want Want China Holdings Ltd.	73,080,884	12,752,067	(8,343,388)	77,489,563



PERFORMANCE RECORD (UNAUDITED)

FOR THE PERIOD ENDED 30TH JUNE 2016

Fund Performance

During the period ended 30th June 2016, the Hang Seng Index decreased by 5.11%, while the net asset value per unit of the Fund decreased by 3.45%.



ADMINISTRATION AND MANAGEMENT

Directors of the Manager

Mr. Lochiel Cameron Crafter
Mr. James Keith MacNevin
Mr. Kevin David Anderson

Members of the Supervisory Committee

Mr. Romnesh Lamba
Mr. Fong Hup
(Resigned on 8th April 2016)
Mr. George Hongchoy
Mr. Blair Pickerell
Mr. Stephen Law
Prof. Chan Kalok
Dr. Kam Pok-man
(Appointed on 8th April 2016)

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