

TraHK

Tracker Fund of Hong Kong

Tracker Fund of Hong Kong

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Interim Report 2020


1st January 2020 to 30th June 2020



STATE STREET GLOBAL
ADVISORS

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CONDENSED STATEMENT OF NET ASSETS (UNAUDITED)

AS AT 30TH JUNE 2020

		(UNAUDITED) 30.06.2020 HK\$	(AUDITED) 31.12.2019 HK\$
	<i>Notes</i>		
Assets			
Current assets			
Investments	12	85,158,642,426	89,521,415,060
Dividend receivable		545,709,235	–
Amounts receivable on creation of units		–	1,553,446
Other accounts receivable and prepayments		–	40,515
Bank balances	7(e)	736,865,093	167,477,563
Total assets		<u>86,441,216,754</u>	<u>89,690,486,584</u>
Liabilities			
Current liabilities			
Management fee payable	7(c)	14,027,486	7,160,664
Trustee fee payable	7(d)	21,188,150	7,160,664
Index license fee payable	8(c)	6,195,287	3,161,724
Registrar fee payable	8(a)	438,441	451,828
Professional fee payable		238,000	238,000
Amounts payable on redemption of units		–	271,846
Due to broker – payable for securities purchased		9,658,124	–
Other accounts payable and accruals		2,907,976	1,299,618
Liabilities (excluding net assets attributable to unitholders of redeemable units)		<u>54,653,464</u>	<u>19,744,344</u>
Net assets attributable to unitholders of redeemable units	5	<u>86,386,563,290</u>	<u>89,670,742,240</u>

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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE PERIOD ENDED 30TH JUNE 2020

		(UNAUDITED)	
		For the half-year ended 30.06.2020	For the half-year ended 30.06.2019
	Notes	HK\$	HK\$
Income			
Dividends		1,413,737,628	1,772,355,475
Bank interest	7(e)	1,870,309	2,855,743
Transaction fee	4(a)	1,440,000	1,470,000
Other income	4(b)	1,665,310	1,716,796
Net (loss)/gain on investments	3	<u>(11,163,400,604)</u>	<u>8,616,893,542</u>
Total investment (loss)/income		<u>(9,744,687,357)</u>	<u>10,395,291,556</u>
Expenses			
Management fee	7(c)	14,407,705	15,376,399
Trustee fee	7(d)	14,027,486	14,635,618
Index license fee	8(c)	6,195,715	6,549,864
Transaction costs on investments		9,382,761	6,452,913
Registrar fee	8(a)	863,494	1,015,894
Publication and printing expenses		984,440	1,170,714
Conversion agent fee	8(b)	1,260,000	1,352,000
Audit fee		198,020	559,720
Bank charges		165,847	267,748
Legal and other professional fees		663,218	393,798
Other operating expenses		<u>409,464</u>	<u>309,317</u>
Total operating expenses		<u>48,558,150</u>	<u>48,083,985</u>
Operating (loss)/profit		(9,793,245,507)	10,347,207,571
Finance costs			
Distributions to unitholders of redeemable units	13	<u>(301,949,325)</u>	<u>(463,948,875)</u>
(Loss)/profit after distributions and before tax		(10,095,194,832)	9,883,258,696
Withholding tax	6	<u>(63,506,143)</u>	<u>(72,570,511)</u>
(Decrease)/increase in net assets attributable to unitholders of redeemable units from operations		<u>(10,158,700,975)</u>	<u>9,810,688,185</u>

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

CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS OF REDEEMABLE UNITS (UNAUDITED)

FOR THE PERIOD ENDED 30TH JUNE 2020

	(UNAUDITED)			
	For the half-year ended 30.06.2020	For the half-year ended 30.06.2020	For the half-year ended 30.06.2019	For the half-year ended 30.06.2019
Notes	Units	HK\$	Units	HK\$
Net assets attributable to unitholders of redeemable units at 1st January	3,158,992,500	89,670,742,240	3,155,992,500	82,171,591,531
Issue of units				
– In-kind	9 1,240,000,000	31,166,891,686	1,638,000,000	46,692,698,240
– Cash component	9 –	154,415,355	–	220,786,336
	1,240,000,000	31,321,307,041	1,638,000,000	46,913,484,576
Redemption of units				
– In-kind	9 (931,000,000)	(24,341,770,871)	(1,803,000,000)	(51,482,168,114)
– Cash component	9 –	(105,014,145)	–	(239,378,038)
	(931,000,000)	(24,446,785,016)	(1,803,000,000)	(51,721,546,152)
Net issue/(redemption) of units	309,000,000	6,874,522,025	(165,000,000)	(4,808,061,576)
(Decrease)/increase in net assets attributable to unitholders of redeemable units from operations	–	(10,158,700,975)	–	9,810,688,185
Net assets attributable to unitholders of redeemable units at 30th June	3,467,992,500	86,386,563,290	2,990,992,500	87,174,218,140

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

CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE PERIOD ENDED 30TH JUNE 2020

(UNAUDITED)			
		For the half-year ended 30.06.2020	For the half-year ended 30.06.2019
	Notes	HK\$	HK\$
Cash flows from operating activities			
Proceeds from sale of investments	9	4,988,029,536	3,021,211,790
Payments for purchase of investments	9	(4,904,442,806)	(2,970,139,118)
Dividends received		755,086,489	1,097,013,200
Bank interest received		1,910,824	2,815,228
Transaction fee received		1,440,000	1,470,000
Management fee paid		(7,540,883)	(21,754,010)
Index license fee paid		(3,162,152)	(6,316,919)
Registrar fee paid		(876,881)	(548,120)
Publication and printing expenses paid		(584,311)	(276,373)
Transaction costs on investments paid		(9,382,761)	(6,452,913)
Conversion agent fee paid		(896,000)	(1,236,000)
Bank charges paid		(165,847)	(267,748)
Legal and other professional fees paid		(663,218)	(314,798)
Other operating expenses refund		236,745	210,675
		<u>818,988,735</u>	<u>1,115,414,894</u>
Net cash generated from operating activities			
Cash flows from financing activities			
Cash component received on issue of units	9	155,968,801	220,786,336
Cash component paid on redemption of units	9	(105,285,991)	(230,073,372)
Interim distribution paid	4(b), 13	(300,284,015)	(462,232,079)
		<u>(249,601,205)</u>	<u>(471,519,115)</u>
Net cash used in financing activities			
Net increase in cash and cash equivalents			
		569,387,530	643,895,779
Cash and cash equivalents at the beginning of the period		<u>167,477,563</u>	<u>232,321,948</u>
Cash and cash equivalents at the end of the period			
		<u><u>736,865,093</u></u>	<u><u>876,217,727</u></u>
Analysis of balances of cash and cash equivalents:			
Bank balances	7(e)	<u><u>736,865,093</u></u>	<u><u>876,217,727</u></u>

Please refer to note 9 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, supplemented or restated 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 2020 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 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies and methods of computation applied are consistent with those of the annual financial statements for the year ended 31st December 2019. Other amendments to HKFRS effective for the financial year ending 31st December 2020 are not expected to have a material impact on the Fund.

3 Net gain/(loss) on investments

	(UNAUDITED)	
	For the half-year ended 30.06.2020 HK\$	For the half-year ended 30.06.2019 HK\$
Change in unrealized gain/(loss) on investments	(10,956,985,457)	7,155,538,719
Realized (loss)/gain on sale of investments	<u>(206,415,147)</u>	<u>1,461,354,823</u>
	<u><u>(11,163,400,604)</u></u>	<u><u>8,616,893,542</u></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 (who itself or its agent is a participant in Central Clearing and Settlement System ("CCASS") and to whose or whose agent's account any units are for the time being credited by Hong Kong Securities Clearing Company ("HKSCC")) (the "Participating Dealers") which have executed participation agreements with the Manager, the Trustee, HK Conversion Agency Services Limited (the "Conversion Agent") and 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\$40 per distribution 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 unitholders of redeemable units

The Fund's capital is represented by the net assets attributable to unitholders 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. Creations and redemptions of units during the period are shown on the Condensed Statement of Changes in Net Assets Attributable to Unitholders of Redeemable Units. In accordance with the objectives and risk management policies outlined in note 12(a), the Manager endeavors 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 unitholders 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 unitholders of redeemable units (Continued)

	(UNAUDITED) Number of units		
	01.01.2020 to 30.06.2020	01.07.2019 to 31.12.2019	01.01.2019 to 30.06.2019
Units in issue at the beginning of the period	3,158,992,500	2,990,992,500	3,155,992,500
Issue of units	1,240,000,000	837,000,000	1,638,000,000
Redemption of units	(931,000,000)	(669,000,000)	(1,803,000,000)
Units in issue at the end of the period	<u>3,467,992,500</u>	<u>3,158,992,500</u>	<u>2,990,992,500</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Net assets attributable to holders of redeemable units	<u>86,386,563,290</u>	<u>89,670,742,240</u>	<u>87,174,218,140</u>
Net assets attributable to holders of redeemable units (per unit)	<u>24.91</u>	<u>28.39</u>	<u>29.15</u>
Net asset value per Creation Unit (1 Creation Unit is equivalent to 1,000,000 units)	<u>24,909,674</u>	<u>28,385,867</u>	<u>29,145,582</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.

The Fund has investments in shares of companies in People's Republic of China ("PRC") listed on the Hong Kong Stock Exchange ("H-shares") and Red Chips. Under general taxing provisions of the Corporate Income Tax Law ("CIT Law"), a fund could be technically subject to 10% withholding income tax ("WIT") on the PRC sourced capital gains, unless exempt or reduced under relevant double tax treaties. However, there may be practical difficulty for the PRC tax authorities to impose and collect WIT on such capital gains. The 10% WIT has not been strictly enforced by local tax bureau on capital gains derived by non-tax resident enterprises of the PRC from the trading of H-Shares and Red Chips. Where capital gains are derived from trading of H-Shares and Red Chips, Value added tax ("VAT") in general is not imposed as the purchase and disposal are often concluded and completed outside the PRC.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

6 Taxation (Continued)

No provision was made for taxation from such gains in the financial statements as the Manager believes that the taxation on capital gains derived from H-Shares and Red Chips is not probable under the current enforcement environment.

Withholding tax of 10% was charged on dividend income received from H-shares and Red Chips during the periods ended 30th June 2020 and 2019.

7 Transactions with the related parties/Manager, Trustee and their 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, investment delegate, directors of the scheme, Trustee/custodian and their connected persons. Connected Persons 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 were entered into in the ordinary course of business and on normal commercial terms. To the best of the Manager's and the Trustee's knowledge, the Fund did not have any other transactions with the Manager's or the Trustee's related parties and 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 2020, the directors and officers of the Manager together did not hold any units in the Fund (as at 31st December 2019: 11,000 units).

(b) Trustee's holding in the Fund

The directors and officers of the Trustee or its connected persons may transact in the units of the Fund as principal. As at 30th June 2020, the directors and officers of the Trustee and its connected persons did not hold any units of the Fund.

(c) 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 UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

7 Transactions with the related parties/Manager, Trustee and their Connected Persons (Continued)

(d) 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 paid to State Street Bank and Trust Company for acting as the trustee and the custodian of the Fund and covers all portfolio valuation services, administration of securities trading, acquisition, delivery, holding and disposal of investments, corporate actions, dividend collection and distribution, dividend reinvestment, regulatory filings, tax filings, preparation of semi-annual and annual reports and maintenance of accounting records (but not auditing) and excludes transaction fees, costs and charges and other out-of-pocket expenses.

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

(e) Bank balances

Bank balance held with the Trustee amounted to HK\$2,313,898 as at 30th June 2020 (as at 31st December 2019: HK\$2,416,281). Such account is interest bearing. Interest income amounting to HK\$478 was accrued and received for the period ended to 30th June 2020 with respect to the bank balance held with the Trustee (period ended 30th June 2019: HK\$4,692).

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	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.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

8 Other fees (Continued)

(b) Conversion agent fee

The Conversion Agent, HK Conversion Agency Services Limited, 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

Prior to 1 April 2019, 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. With effect from 1 April 2019, the index license fee is calculated at the following annual rates of the net asset value of the Fund, subject to a minimum fee of US\$10,000:

For the first HK\$100 billion of the net asset value	0.015%
For the next HK\$100 billion of the net asset value	0.0135%
Any amount by which the net asset value exceeds HK\$200 billion	0.012%

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 period ended 30th June 2020, the Fund issued 1,240,000,000 units (for the period ended 30th June 2019: 1,638,000,000 units), totaling HK\$31,321,307,041 (for the period ended 30th June 2019: HK\$46,913,484,576) in exchange for Index Baskets consisting of investments valued at HK\$31,166,891,686 (for the period ended 30th June 2019: HK\$46,692,698,240) plus the relevant cash component of HK\$154,415,355 (for the period ended 30th June 2019: HK\$220,786,336).

In accordance with the Trust Deed, units are redeemed in-kind with the remaining balances in cash. During the period ended 30th June 2020, the Fund redeemed 931,000,000 units (for the period ended 30th June 2019: 1,803,000,000 units), totaling HK\$24,446,785,016 (for the period ended 30th June 2019: HK\$51,721,546,152) in exchange for Index Baskets consisting of investments valued at HK\$24,341,770,871 (for the period ended 30th June 2019: HK\$51,482,168,114) plus the relevant cash component of HK\$105,014,145 (for the period ended 30th June 2019: HK\$239,378,038).

NOTES TO THE UNAUDITED CONDENSED 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 period ended 30th June 2020 and the year ended 31st December 2019.

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).

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

11 Investment limitations and prohibitions under the SFC Code (Continued)

Constituent securities that account for more than 10% of the net asset value of the Fund as at 30th June 2020 and 31st December 2019 were as follows:

	Respective weighting in the Index (%)		% of net asset value	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
AIA Group Ltd.	10.4	9.7	10.3	9.7
Tencent Holdings Ltd	11.4	10.6	11.2	10.6
Total	<u>21.8</u>	<u>20.3</u>	<u>21.5</u>	<u>20.3</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 30th June 2020 and 31st December 2019.

During the period ended 30th June 2020, the Hang Seng Index decreased by 13.35% (for the period ended 30th June 2019: increased by 10.43%), while the net asset value per unit of the Fund decreased by 12.25% (for the period ended 30th June 2019: increased by 11.94%).

12 Financial risk management

(a) 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)

(a) 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 that the Fund can access at the measurement date (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 2020 and 31st December 2019.

All fair value measurements disclosed are recurring fair value measurements.

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
As at 30.06.2020				
Assets				
Financial assets at fair value through profit or loss:				
– Equity securities	85,158,642,426	–	–	85,158,642,426

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

12 Financial risk management (Continued)

(a) Fair value estimation (Continued)

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
As at 31.12.2019				
Assets				
Financial assets at fair value through profit or loss:				
- Equity securities	89,521,415,060	-	-	89,521,415,060

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 2020 and 31st December 2019, 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 2020 and 31st December 2019, the Fund did not hold any investments classified in level 3.

For the period ended 30th June 2020 and the year ended 31st December 2019, 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.

13 Distributions

	(UNAUDITED)	
	2020 HK\$	2019 HK\$
Interim distribution		
- HK\$0.15 on 3,092,992,500 units paid on 31st May 2019	-	463,948,875
- HK\$0.09 on 3,354,992,500 units paid on 29th May 2020	301,949,325	-

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

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 objective of the Fund is to track the performance of its index and invests in substantially all the index constituents with security weight and industry weight that are closely aligned with the characteristics of the tracked index.

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 portfolios that closely correspond to the security weight and industry weight of the relevant tracked index. 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 2020 and 31st December 2019, there was one nominee company that held more than 10% of the Fund's net assets. The nominee company's holdings were 90.04% as at 30th June 2020 and 88.89% as at 31st December 2019.

INVESTMENT PORTFOLIO (UNAUDITED)

AS AT 30TH JUNE 2020

	Holdings	Fair value HK\$	% of net assets
Hong Kong			
Listed investments (98.58%)			
Equities (98.58%)			
Commence and Industry (34.74%)			
AAC Technologies Holdings Ltd.	6,981,549	331,972,655	0.38
China Mengniu Dairy Co. Ltd.	29,052,976	859,968,090	1.00
China Mobile Ltd.	64,713,909	3,384,537,441	3.92
China Petroleum & Chemical Corporation	255,226,180	824,380,561	0.95
China Shenhua Energy Co. Ltd.	35,902,938	435,143,609	0.50
China Unicom (Hong Kong) Ltd.	64,648,472	270,877,098	0.31
CITIC Ltd.	76,600,915	557,654,661	0.65
CK Hutchison Holdings Ltd.	28,448,590	1,416,739,782	1.64
CNOOC Ltd.	188,223,671	1,622,488,044	1.88
CSPC Pharmaceutical Group Ltd.	59,293,151	868,051,731	1.01
Galaxy Entertainment Group Ltd.	22,818,248	1,203,662,582	1.39
Geely Automobile Holdings Ltd.	58,094,336	708,750,899	0.82
Hengan International Group Co. Ltd.	7,541,532	457,770,992	0.53
MTR Corporation Ltd.	16,235,768	651,866,085	0.76
PetroChina Co. Ltd.	222,892,673	572,834,170	0.66
Sands China Ltd.	29,825,555	906,696,872	1.05
Shenzhen International Group Holdings Ltd.	8,708,085	813,335,139	0.94
Sino Biopharmaceutical Ltd.	79,474,107	1,160,321,962	1.34
Sunny Optical Tech Co. Ltd.	7,531,787	933,941,588	1.08
Swire Pacific Ltd.	5,259,674	216,172,601	0.25
Techtronic Industries Co. Ltd.	15,438,715	1,170,254,597	1.36
Tencent Holdings Ltd.	19,407,688	9,676,673,237	11.20
Want Want China Holding Ltd.	59,159,182	346,081,215	0.40
WH Group Co. Ltd.	93,063,940	617,944,562	0.72
		30,008,120,173	34.74
Finance (49.39%)			
AIA Group Ltd.	122,471,256	8,854,671,809	10.25
Bank of China Ltd.	836,553,078	2,400,907,334	2.78
Bank of Communications Co Ltd.	92,468,399	441,998,947	0.51
BOC Hong Kong (Holdings) Ltd.	39,092,440	963,628,646	1.11
China Construction Bank Corporation	1,140,513,145	7,151,017,419	8.28
China Life Insurance Co. Ltd.	78,404,179	1,223,105,192	1.42
Hang Seng Bank Ltd.	8,047,035	1,046,919,254	1.21
Hong Kong Exchanges and Clearing Ltd.	12,627,044	4,166,924,520	4.82
HSBC Holdings Plc	218,078,127	7,894,428,197	9.14
Industrial and Commercial Bank of China Ltd.	777,386,105	3,653,714,694	4.23
Ping An Insurance (Group) Co. of China Ltd.	62,823,571	4,868,826,752	5.64
		42,666,142,764	49.39

INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 30TH JUNE 2020

	Holdings	Fair value HK\$	% of net assets
Properties (10.09%)			
China Overseas Land & Investment Ltd.	40,337,527	945,915,008	1.09
China Resources Land Ltd.	33,777,175	991,360,086	1.15
CK Asset Holdings Ltd.	27,218,925	1,257,514,335	1.46
Country Garden Holdings Co. Ltd.	80,742,494	768,668,543	0.89
Hang Lung Properties Ltd.	21,381,679	392,567,626	0.45
Henderson Land Development Co. Ltd.	15,343,767	451,106,750	0.52
Link Real Estate Investment Trust	21,694,959	1,374,375,652	1.59
New World Development Co. Ltd.	16,192,558	595,886,134	0.69
Sino Land Co. Ltd.	32,920,750	320,977,313	0.37
Sun Hung Kai Properties Ltd.	12,211,700	1,208,347,715	1.40
Wharf Real Estate Investment Co. Ltd	11,201,417	414,452,429	0.48
		8,721,171,591	10.09
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Utilities (4.36%)			
CK Infrastructure Holdings Ltd.	7,014,737	279,888,006	0.32
CLP Holdings Ltd.	19,965,507	1,517,378,532	1.76
Hong Kong and China Gas Co. Ltd.	112,350,469	1,348,205,628	1.56
Power Assets Holdings Ltd.	14,655,652	617,735,732	0.72
		3,763,207,898	4.36
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Total Listed Equities		85,158,642,426	98.58
Total investments, at cost		93,781,009,201	

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)

FOR THE PERIOD ENDED 30TH JUNE 2020

	(UNAUDITED) Holdings			30.06.2020
	31.12.2019	Additions	Disposals	
Hong Kong				
Listed investments				
Equities				
Commerce and Industry				
AAC Technologies Holdings Ltd.	6,355,885	2,508,398	(1,882,734)	6,981,549
China Mengniu Dairy Co. Ltd.	26,459,292	39,194,593	(36,600,909)	29,052,976
China Mobile Ltd.	58,979,170	23,287,711	(17,552,972)	64,713,909
China Petroleum & Chemical Corporation	232,408,260	91,471,061	(68,653,141)	255,226,180
China Shenhua Energy Co. Ltd.	32,703,602	12,825,962	(9,626,626)	35,902,938
China Unicom (Hong Kong) Ltd.	58,887,293	23,094,890	(17,333,711)	64,648,472
CITIC Ltd.	69,754,322	27,446,003	(20,599,410)	76,600,915
CK Hutchison Holdings Ltd.	25,907,429	10,283,558	(7,742,397)	28,448,590
CNOOC Ltd.	171,410,833	67,398,137	(50,585,299)	188,223,671
CSPC Pharmaceutical Group Ltd.	45,007,597	27,607,793	(13,322,239)	59,293,151
Galaxy Entertainment Group Ltd.	20,778,285	8,176,808	(6,136,845)	22,818,248
Geely Automobile Holdings Ltd.	52,446,272	21,197,381	(15,549,317)	58,094,336
Hengan International Group Co. Ltd.	6,869,374	2,694,044	(2,021,886)	7,541,532
MTR Corporation Ltd.	14,786,134	6,229,868	(4,780,234)	16,235,768
PetroChina Co. Ltd.	203,029,631	79,625,343	(59,762,301)	222,892,673
Sands China Ltd.	27,291,290	10,682,749	(8,148,484)	29,825,555
Shenzhen International Group Holdings Ltd.	7,929,646	3,120,386	(2,341,947)	8,708,085
Sino Biopharmaceutical Ltd.	66,625,618	33,612,442	(20,763,953)	79,474,107
Sunny Optical Tech Co. Ltd.	6,860,700	2,690,678	(2,019,591)	7,531,787
Swire Pacific Ltd.	4,790,972	1,878,696	(1,409,994)	5,259,674
Techtronic Industries Co. Ltd.	14,060,558	5,524,842	(4,146,685)	15,438,715
Tencent Holdings Ltd.	25,316,938	8,581,548	(14,490,798)	19,407,688
Want Want China Holding Ltd.	53,901,021	21,087,918	(15,829,757)	59,159,182
WH Group Co. Ltd.	84,747,472	33,327,263	(25,010,795)	93,063,940
Finance				
AIA Group Ltd.	106,054,760	48,470,864	(32,054,368)	122,471,256
Bank of China Ltd.	762,593,458	301,875,495	(227,915,875)	836,553,078
Bank of Communications Co Ltd.	84,228,224	33,032,837	(24,792,662)	92,468,399
BOC Hong Kong (Holdings) Ltd.	35,608,800	13,965,255	(10,481,615)	39,092,440
China Construction Bank Corporation	1,038,993,698	409,290,659	(307,771,212)	1,140,513,145
China Life Insurance Co. Ltd.	71,398,869	28,082,284	(21,076,974)	78,404,179
Hang Seng Bank Ltd.	7,358,897	2,886,026	(2,197,888)	8,047,035
Hong Kong Exchanges and Clearing Ltd.	11,502,854	4,701,897	(3,577,707)	12,627,044
HSBC Holdings Plc	144,588,770	120,724,208	(47,234,851)	218,078,127
Industrial and Commercial Bank of China Ltd.	708,390,785	279,608,678	(210,613,358)	777,386,105
Ping An Insurance (Group) Co. of China Ltd.	53,638,141	25,609,030	(16,423,600)	62,823,571

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

FOR THE PERIOD ENDED 30TH JUNE 2020

	(UNAUDITED) Holdings			30.06.2020
	31.12.2019	Additions	Disposals	
Properties				
China Overseas Land & Investment Ltd.	36,899,454	14,471,783	(11,033,710)	40,337,527
China Resources Land Ltd.	26,677,641	15,666,222	(8,566,688)	33,777,175
CK Asset Holdings Ltd.	24,878,522	9,756,936	(7,416,533)	27,218,925
Country Garden Holdings Co. Ltd.	72,912,361	29,391,743	(21,561,610)	80,742,494
Hang Lung Properties Ltd.	19,476,168	7,638,334	(5,732,823)	21,381,679
Henderson Land Development Co. Ltd.	13,976,420	5,481,442	(4,114,095)	15,343,767
New World Development Co. Ltd.	58,993,819	39,085,996	(81,887,257)	16,192,558
Sino Land Co. Ltd.	29,769,716	12,359,186	(9,208,152)	32,920,750
Sun Hung Kai Properties Ltd.	11,120,424	4,374,694	(3,283,418)	12,211,700
Link Real Estate Investment Trust	20,120,846	7,865,816	(6,291,703)	21,694,959
Wharf Real Estate Investment Co. Ltd.	11,687,167	4,173,730	(4,659,480)	11,201,417
Utilities				
CK Infrastructure Holdings Ltd.	7,646,072	2,913,412	(3,544,747)	7,014,737
CLP Holdings Ltd.	18,181,823	7,150,932	(5,367,248)	19,965,507
Hong Kong and China Gas Co. Ltd.	97,440,312	43,987,598	(29,077,441)	112,350,469
Power Assets Holdings Ltd.	13,349,640	5,235,576	(3,929,564)	14,655,652

PERFORMANCE RECORD (UNAUDITED)

FOR THE PERIOD ENDED 30TH JUNE 2020

Fund Performance

During the period ended 30th June 2020, the Hang Seng Index decreased by 13.35% (2019: increased by 10.43%), while the net asset value per unit of the Fund decreased by 12.25% (2019: increased by 11.94%).

ADMINISTRATION AND MANAGEMENT

Directors of the Manager

Mr. James Keith MacNevin
Mr. Kevin David Anderson
Ms. June Wong
Mr. Louis Boscia

Members of the Supervisory Committee

Mr. Romnesh Lamba
Mr. George Hongchoy
Mr. Blair Pickerell
Mr. Stephen Law
Prof. Chan Kalok
Dr. Kam Pok-man

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
Certified Public Accountants
Registered Public Interest Entity Auditor
22nd Floor
Prince's Building
Central
Hong Kong



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