

TRACKER
FUND OF
HONG
KONG

TraHK
Tracker Fund of Hong Kong

SSGA[®]

STATE STREET
GLOBAL ADVISORS

Annual Report **2002**

1st January 2002 to 31st December 2002

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STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

Manager's responsibilities

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

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

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

Trustee's responsibilities

The Trustee of the Fund is required to:

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

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

We hereby confirm that, in our opinion, the Manager of the Fund has, in all material respects, managed the Fund in accordance with the provisions of the Trust Deed for the year ended 31st December 2002.

In accordance with section 8.6(1) of the SFC Code, the Trustee is required to provide a comparison of the fund performance and the actual index performance over the relevant period. During the year, the Hang Seng Index decreased by 18.21% and the net asset value per unit of the Fund decreased by 18.08%.

State Street Bank and Trust Company

28th March 2003

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

We have audited the financial statements on pages 4 to 15 which have been prepared in accordance with the relevant provisions of the Trust Deed dated 23rd October 1999, the Code on Unit Trusts and Mutual Funds established by the Securities & Futures Commission of Hong Kong and accounting principles generally accepted in Hong Kong.

Respective responsibilities of the Manager and the Auditors

The Manager of the Fund is responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Manager in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements of the Fund have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 23rd October 1999, and the Code on Unit Trusts and Mutual Funds established by the Securities & Futures Commission of Hong Kong and give a true and fair view of the disposition of the Fund at 31st December 2002 and of its profit and cash flows for the year ended 31st December 2002.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28th March 2003

STATEMENT OF OPERATIONS

For the year ended 31st December 2002

		01.01.2002 to 31.12.2002	01.01.2001 to 31.12.2001
	Note	HK\$	HK\$
Income			
Dividends		899,587,830	798,796,960
Transaction fee	3(a)	9,660,000	17,381,976
Bank interest	7(c)	2,931,438	6,601,814
Other income	3(b)	9,914,953	10,404,617
		<u>922,094,221</u>	<u>833,185,367</u>
Overseas withholding tax	5	(37,297,678)	(32,878,173)
		<u>884,796,543</u>	<u>800,307,194</u>
Expenses			
Management fee	7(a)	(12,491,381)	(12,833,996)
Trustee fee	7(b)	(12,491,381)	(12,833,996)
Conversion agent fee	8(b)	(4,084,000)	(7,207,564)
Index license fee	8(c)	(4,079,842)	(4,357,976)
Registrar fee	8(a)	(3,216,893)	(3,750,315)
Bank charges		(1,033,240)	(1,770,851)
Publication and printing expenses		(2,796,128)	(3,471,238)
Legal and other professional fees		(483,090)	(703,685)
Amortisation of set-up costs		(542,500)	(542,500)
Audit fee		(100,000)	(100,000)
Other operating expenses		(1,073,211)	(2,557,328)
		<u>(42,391,666)</u>	<u>(50,129,449)</u>
Dividend equivalent amount on units issued		242,356,133	284,203,945
Dividend equivalent amount on units redeemed		(206,141,989)	(205,450,184)
		<u>(6,177,522)</u>	<u>28,624,312</u>
Net income available for distribution		878,619,021	828,931,506
Amount transferred to the statement of distribution		(878,619,021)	(828,931,506)
		<u>-</u>	<u>-</u>

The notes on pages 10 to 15 form part of these financial statements.

STATEMENT OF OPERATIONS (Continued)

For the year ended 31st December 2002

	01.01.2002 to 31.12.2002 HK\$	01.01.2001 to 31.12.2001 HK\$
Net investment loss		
Realised loss on sale of investments	(5,946,759,814)	(5,297,382,097)
Net change in unrealised gain/loss on revaluation of investments	959,892,306	(2,517,475,773)
	<u>(4,986,867,508)</u>	<u>(7,814,857,870)</u>
Net loss for the year (excluding amount transferred to the statement of distribution)	(4,986,867,508)	(7,814,857,870)
Amount transferred from the capital account	<u>4,986,867,508</u>	<u>7,814,857,870</u>
	<u> -</u>	<u> -</u>

The notes on pages 10 to 15 form part of these financial statements.

STATEMENT OF ASSETS AND LIABILITIES

As at 31st December 2002

	Note	31.12.2002 HK\$	31.12.2001 HK\$
Assets			
Investments		23,586,688,605	27,633,677,574
Set-up costs		1,010,888	1,553,388
Dividend receivable		3,390,091	2,851,133
Other accounts receivable and prepayments		85,139	32,366
Amounts due from brokers		1,211,299	11,271,680
Bank balances	7(c)	93,868,634	67,506,674
Total assets		<u>23,686,254,656</u>	<u>27,716,892,815</u>
Liabilities			
Trustee fee payable		3,129,033	3,188,087
Management fee payable		3,129,033	3,188,087
Index license fee payable		979,997	999,682
Registrar fee payable		261,100	274,500
Other accounts payable and accruals		1,387,043	1,482,310
Amounts due to brokers		1,179,089	11,385,740
Amounts payable on redemption		1,052,241	-
Total liabilities		<u>11,117,536</u>	<u>20,518,406</u>
Net assets		<u>23,675,137,120</u>	<u>27,696,374,409</u>
Financed by:			
Capital account		<u>23,675,137,120</u>	<u>27,696,374,409</u>
Units in issue	4	<u>2,522,992,500</u>	<u>2,417,992,500</u>
Net asset value per unit		<u>9.38</u>	<u>11.45</u>
Net asset value per Creation Unit (1 Creation Unit is equivalent to 1,000,000 units)		<u>9,383,752</u>	<u>11,454,285</u>

Approved by the Trustee and the Manager on 28th March 2003

State Street Bank and Trust Company**State Street Global Advisors Asia Limited**

The notes on pages 10 to 15 form part of these financial statements.

STATEMENT OF MOVEMENTS IN CAPITAL ACCOUNT

For the year ended 31st December 2002

		01.01.2002 to 31.12.2002	01.01.2001 to 31.12.2001
	Note	HK\$	HK\$
Balance at the beginning of the year		27,696,374,409	28,562,583,718
Proceeds on issue of units for cash (excluding dividend equivalent amount and further cash amount)	9	21,977,187,395	35,163,093,537
In-kind payments on redemption of units (excluding dividend equivalent amount and further cash amount)	9	(21,201,788,593)	(30,789,315,970)
In-kind proceeds on issue of units (excluding dividend equivalent amount and further cash amount)	9	164,854,488	2,565,446,791
Net further cash amount (paid)/received on issue and redemption of units		<u>(164,492)</u>	<u>27,730,147</u>
		28,636,463,207	35,529,538,223
Amount transferred to the statement of operations (excluding of amount transferred to the statement of distribution)		(4,986,867,508)	(7,814,857,870)
Amount transferred from/(to) the statement of distribution		<u>25,541,421</u>	<u>(18,305,944)</u>
Balance at the end of the year		<u><u>23,675,137,120</u></u>	<u><u>27,696,374,409</u></u>

The notes on pages 10 to 15 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31st December 2002

		01.01.2002 to 31.12.2002 HK\$	01.01.2001 to 31.12.2001 HK\$
	Note		
Operating activities			
Dividend received		743,768,164	798,315,203
Transaction fee received		9,630,000	16,830,000
Bank interest received		2,932,869	6,645,279
Other income received		9,914,953	10,404,617
Overseas withholding tax paid		(37,297,678)	(32,878,173)
Management fee paid		(12,550,435)	(13,069,711)
Trustee fee paid		(12,550,435)	(13,069,711)
Conversion agent fee paid		(4,056,000)	(6,964,810)
Index license fee paid		(4,099,527)	(4,439,022)
Registrar fee paid		(3,230,293)	(3,745,315)
Bank charges paid		(1,015,081)	(1,818,123)
Publication and printing expenses paid		(2,657,558)	(3,017,321)
Legal and other professional fees paid		(620,981)	(546,688)
Other operating expenses paid		(1,339,520)	(1,685,219)
Dividend equivalent amount received on creation of units		242,356,133	284,203,945
Dividend equivalent amount paid on redemption of units		(205,092,192)	(205,450,184)
Net cash inflow from operating activities	6	<u>724,092,419</u>	<u>829,714,767</u>
Investing activities			
Purchase of investments	9	(23,273,846,288)	(37,777,758,322)
Sale of investments	9	<u>1,452,168,082</u>	<u>2,583,833,081</u>
		<u>(21,821,678,206)</u>	<u>(35,193,925,241)</u>
Financing			
Issue of units	9	21,977,187,395	35,163,093,537
Net further cash amount (paid)/received on issue and redemption of units		(162,048)	27,730,147
Interim distribution paid		(384,898,875)	(411,998,800)
Final distribution paid		(468,178,725)	(435,238,650)
		<u>21,123,947,747</u>	<u>34,343,586,234</u>
Increase/(decrease) in cash and cash equivalent		26,361,960	(20,624,240)
Bank balances at the beginning of the year		<u>67,506,674</u>	<u>88,130,914</u>
Bank balances at the end of the year		<u>93,868,634</u>	<u>67,506,674</u>

Please refer to note 9 on page 14 for details of major non-cash transactions.

The notes on pages 10 to 15 form part of these financial statements.

STATEMENT OF DISTRIBUTIONS*For the year ended 31st December 2002*

	01.01.2002 to 31.12.2002 HK\$	01.01.2001 to 31.12.2001 HK\$
Amount transferred from the statement of operations	878,619,021	828,931,506
Amount transferred from the capital account	-	18,305,944
Interim distribution		
- HK\$0.16 on 2,574,992,500 units paid on 22nd May 2001	-	(411,998,800)
- HK\$0.15 on 2,565,992,500 units paid on 22nd May 2002	(384,898,875)	-
Final distribution		
- HK\$0.18 on 2,417,992,500 units paid on 22nd November 2001	-	(435,238,650)
- HK\$0.17 on 2,753,992,500 units paid on 22nd November 2002	(468,178,725)	-
Amount transferred to the capital account	<u>25,541,421</u>	<u>-</u>

The notes on pages 10 to 15 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 THE FUND

Tracker Fund of Hong Kong (the "Fund") is a unit trust which is governed by its Trust Deed. The Fund is authorised by the Securities & Futures Commission of Hong Kong under Section 15 of the Hong Kong Securities 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 Fund's objective is to provide investment results that closely correspond to the performance of the Hang Seng Index (the "Index").

The Tap Agreement dated 23rd October 1999 that was entered into by the Manager and the Trustee in respect of the Fund was terminated in accordance with the relevant termination provisions of the Tap Agreement. The termination was effective from 2nd November 2002.

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of preparation

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The financial statements are prepared under the historical cost convention as modified by the revaluation of investments.

(b) Investments

Investments with prices quoted, listed or normally dealt in on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") are stated at the Stock Exchange's nominal closing prices. Investments for which prices may not be available at any relevant time on the Stock Exchange or for which the Stock Exchange's nominal closing price is not considered to provide a fair value of the relevant investment by the Manager are stated at the value certified by an Approved Broker, or other professional person as may be appointed for that purpose by the Manager with the approval of the Trustee and the Supervisory Committee.

Purchases and sales of investments are accounted for on a trade date basis.

Realised gains and losses on sale of investments and unrealised gains and losses on revaluation of investments are dealt with in the statement of operations.

(c) Income

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

Bank interest and other income are recognised on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)***2 PRINCIPAL ACCOUNTING POLICIES (Continued)****(d) Expenses**

All expenses are accounted for on an accruals basis.

(e) Dividend equivalent amount

Dividend equivalent amount represents the amount included in the issue price or redemption proceeds (as the case may be) of the units issued or redeemed, representing the net undistributed dividends and other income received and held or receivable by the Fund.

(f) Further cash amount

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

(g) Set-up costs

Set-up costs borne by the Fund are amortised over a period of the first five years of the Fund.

3 INCOME**(a) Transaction fee**

For each application for the creation of units or for the redemption of units, the Fund is entitled to receive a transaction fee of HK\$30,000 per application.

(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 HK\$80 per year per Unitholder. Such charges are deducted on a half-yearly basis from the half-yearly distributions payable to the relevant Unitholders.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)***4 UNITS IN ISSUE**

	Number of units	
	01.01.2002 to 31.12.2002	01.01.2001 to 31.12.2001
Units in issue at the beginning of the year	2,417,992,500	1,882,992,500
Issue of units		
– Cash subscription	2,130,000,000	2,640,000,000
– In-kind	17,000,000	188,000,000
Redemption of units in-kind	(2,042,000,000)	(2,293,000,000)
Units in issue at the end of the year	<u>2,522,992,500</u>	<u>2,417,992,500</u>

5 TAXATION

No provision for Hong Kong profits tax has been made as the interest, dividend income and realised gains on disposal of investments of the Fund are excluded from the charge to profits tax under either Section 14, Section 26 or Section 26A of the Hong Kong Inland Revenue Ordinance.

Overseas withholding tax was charged on certain dividend income received during the year.

6 RECONCILIATION OF NET INCOME AVAILABLE FOR DISTRIBUTION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	01.01.2002 to 31.12.2002 HK\$	01.01.2001 to 31.12.2001 HK\$
Net income available for distribution	878,619,021	828,931,506
Scrip dividends received	(155,280,708)	–
Increase in dividend receivable	(538,958)	(481,757)
Decrease in set-up costs and other accounts receivable and prepayments	489,727	1,175,246
Decrease in trustee fee payable	(59,054)	(235,715)
Decrease in management fee payable	(59,054)	(235,715)
(Decrease)/increase in registrar fee payable	(13,400)	5,000
Decrease in index license fee payable	(19,685)	(81,046)
Decrease in transaction fee provision	–	(551,976)
(Decrease)/increase in other accounts payable and accruals	(95,267)	1,189,224
Net increase in payable on redemption (excluding net further cash payable on redemption of units)	1,049,797	–
Net cash inflow from operating activities	<u>724,092,419</u>	<u>829,714,767</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 TRANSACTIONS WITH THE MANAGER AND ITS CONNECTED PERSONS

Connected Persons of the Manager are those as defined in the SFC Code. All transactions entered into during the year between the Fund and 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 Connected Persons except for what is disclosed below.

The directors and officers of the Manager may transact in the units of the Fund as principal provided that prior written notice is obtained from the Trustee. As of 31st December 2002, the directors and officers of the Manager together held 101,160 units in the Fund (2001: 32,700 units).

(a) 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 first HK\$15 billion of the net asset value	0.050%
For next HK\$15 billion of the net asset value	0.045%
For 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.

(b) 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 first HK\$15 billion of the net asset value	0.050%
For next HK\$15 billion of the net asset value	0.045%
For 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.

(c) Bank balances

Bank balances are maintained with the Trustee. Bank balances held with the Trustee as at 31st December 2002 was HK\$93,868,634 (2001: HK\$67,506,674). During the year, interest earned on the above bank balances was HK\$2,931,438 (2001: HK\$6,601,814).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)***8 OTHER FEES****(a) Registrar fee**

The fee payable to 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:

	<i>HK\$ (per month)</i>
For first 2,000 Unitholders	9,500
For every additional 1,000 Unitholders up to 100,000 Unitholders	2,000
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 receives the higher of a monthly retainer fee of HK\$16,000 plus a transaction fee of HK\$12,000 for each creation and redemption application, and a minimum monthly fee of HK\$36,000.

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 is payable quarterly in arrears.

9 MAJOR NON-CASH TRANSACTIONS

In accordance with the Fund's Trust Deed, units can be issued through either a cash subscription or an in-kind creation of an Index Basket. In the latter case, 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. In addition to 2,130,000,000 units (2001: 2,640,000,000 units) issued in respect of cash subscriptions equal to HK\$21,977,187,395 (2001: HK\$35,163,093,537)¹ during the year, the Fund also issued 17,000,000 units (2001: 188,000,000 units) in exchange for Index Baskets consisting of investments valued at a total of HK\$164,854,488 (2001: HK\$2,565,446,791)¹ by the Manager at the time of issue.

¹ excluding dividend equivalent amount and further cash amount.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 MAJOR NON-CASH TRANSACTIONS (Continued)

In accordance with the Fund's Trust Deed, units can only be redeemed in kind and are not redeemable for cash. During the year, the Fund redeemed 2,042,000,000 units (2001: 2,293,000,000 units) in exchange for Index Baskets consisting of investments valued at HK\$21,201,788,593 (2001: HK\$30,789,315,970)¹ by the Manager.

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 specialised 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 LIMITATION AND PROHIBITIONS UNDER THE SFC CODE

The Trustee and the Manager have been granted a waiver from the prohibition under the SFC Code (the "SFC Code") on the Fund's investment holdings in any single issuer to exceed 10% of the Fund's net asset value. This waiver is limited to any security that accounts for more than 10% of the weighting of the Index and the Fund's exposure to any particular security may not exceed the weighting given to that security in the Index.

Constituent stocks that account for more than 10% of the net asset value of the Fund as at 31st December 2002 were as follows:

	Respective weighting in the Index (%)		% of net asset value	
	31.12.2002	31.12.2001	31.12.2002	31.12.2001
HSBC Holdings plc	30.1	27.2	30.0	27.2
China Mobile (Hong Kong) Ltd.	13.6	16.3	13.5	16.2

12 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Trustee and the Manager on 28th March 2003.

¹ excluding dividend equivalent amount and further cash amount.

INVESTMENT PORTFOLIO

As at 31st December 2002

	Holdings	Market value HK\$	% of net assets
Hong Kong			
Listed investments (99.6%)			
Equities (99.6%)			
Properties (12.4%)			
Cheung Kong (Holdings) Ltd.	20,348,397	1,032,681,148	4.4
Hang Lung Properties Ltd	25,366,904	191,520,125	0.8
Henderson Investment Ltd.	24,752,405	178,217,316	0.8
Henderson Land Development Co. Ltd.	15,126,258	353,954,437	1.5
Sino Land Co. Ltd.	34,090,628	85,226,570	0.4
Sun Hung Kai Properties Ltd.	21,094,660	974,573,292	4.1
Wheelock & Co. Ltd.	17,843,837	94,572,336	0.4
		2,910,745,224	12.4
Finance (39.7%)			
BOC Hong Kong (Holdings) Limited	92,895,120	743,160,960	3.1
Bank of East Asia, Ltd., The	12,701,079	169,559,405	0.7
Hang Seng Bank Ltd.	16,798,096	1,394,241,968	5.9
HSBC Holdings plc	83,296,298	7,101,009,404	30.0
		9,407,971,737	39.7
Utilities (7.2%)			
CLP Holdings Ltd.	21,156,161	664,303,455	2.8
Hong Kong Electric Holdings Ltd.	18,748,589	553,083,376	2.3
Hong Kong & China Gas Co. Ltd., The	50,001,295	505,013,080	2.1
		1,722,399,911	7.2

INVESTMENT PORTFOLIO (Continued)

As at 31st December 2002

	Holdings	Market value HK\$	% of net assets
Commerce and industry (40.3%)			
Cathay Pacific Airways Ltd.	29,310,125	312,152,831	1.3
Cheung Kong Infrastructure Holdings Ltd.	19,803,298	264,374,028	1.1
China Mobile (Hong Kong) Ltd.	172,830,007	3,205,996,630	13.5
China Resources Enterprises, Ltd.	18,279,043	126,125,397	0.5
China Unicom Ltd.	110,290,585	584,540,101	2.5
CITIC Pacific Ltd.	19,239,555	277,049,592	1.2
CNOOC Limited	72,168,697	732,512,275	3.1
Esprit Holdings Ltd.	10,357,946	136,206,990	0.6
Hutchison Whampoa Ltd.	37,453,341	1,827,723,041	7.7
Johnson Electric Holdings Ltd.	32,279,979	275,993,820	1.2
Legend Holdings Ltd.	65,913,920	171,376,192	0.7
Li & Fung Ltd.	25,400,777	187,965,750	0.8
MTR Corporation Ltd.	45,318,456	373,877,262	1.6
New World Development Co. Ltd.	19,025,608	74,199,871	0.3
PCCW Limited	204,436,361	251,456,724	1.1
Shanghai Industrial Holdings Ltd.	8,216,071	88,322,763	0.4
Swire Pacific Ltd. (A shares)	8,223,334	245,055,353	1.0
Television Broadcasts Ltd.	3,846,008	94,611,797	0.4
Wharf (Holdings) Ltd., The	21,498,729	316,031,316	1.3
		<u>9,545,571,733</u>	<u>40.3</u>
Total listed investments		23,586,688,605	99.6
Other net assets		<u>88,448,515</u>	<u>0.4</u>
Net assets at 31st December 2002		<u><u>23,675,137,120</u></u>	<u><u>100.0</u></u>
Total investments, at cost		<u><u>26,246,031,743</u></u>	

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO

For the year ended 31st December 2002

	Holdings			Total as at 31.12.2002
	Total as at 31.12.2001	Additions	Disposals	
Hong Kong				
Listed investments				
Equities				
Properties				
Cheung Kong (Holdings) Ltd Group	20,411,338	18,029,675	18,092,616	20,348,397
Preferential offer of CK Life Sciences Int'l. (Holdings) Inc.	-	827,470	827,470	-
Hang Lung Group Ltd.	11,669,135	10,235,950	21,905,085	-
Hang Lung Properties Ltd.	25,461,230	22,485,739	22,580,065	25,366,904
Henderson Investment Ltd.	24,827,094	21,924,976	21,999,665	24,752,405
Henderson Land Development Co. Ltd.	15,176,023	13,402,689	13,452,454	15,126,258
Hysan Development Co. Ltd.	9,086,227	7,994,810	17,081,037	-
Sino Land Co. Ltd.	34,036,577	30,330,523	30,276,472	34,090,628
Sun Hung Kai Properties Ltd.	21,160,599	18,687,827	18,753,766	21,094,660
Wheelock & Co. Ltd.	17,899,806	15,821,226	15,877,195	17,843,837
Finance				
BOC Hong Kong (Holdings) Limited	-	97,601,300	4,706,180	92,895,120
Bank of East Asia, Ltd., The	12,629,311	11,319,838	11,248,070	12,701,079
Hang Seng Bank Ltd.	16,850,835	14,887,061	14,939,800	16,798,096
HSBC Holdings plc	82,447,719	75,680,697	74,832,118	83,296,298
Utilities				
CLP Holdings Ltd.	21,354,330	18,752,802	18,950,971	21,156,161
Hong Kong Electric Holdings Ltd.	18,807,419	16,608,665	16,667,495	18,748,589
Hong Kong & China Gas Co. Ltd., The	46,040,596	48,088,590	44,127,891	50,001,295
Commerce and industry				
Cathay Pacific Airways Ltd.	29,347,907	25,972,019	26,009,801	29,310,125
Cheung Kong Infrastructure Holdings Ltd.	19,864,834	17,543,335	17,604,871	19,803,298
China Mobile (Hong Kong) Ltd.	163,969,754	156,465,247	147,604,994	172,830,007
China Resources Enterprises, Ltd.	17,766,840	16,667,325	16,155,122	18,279,043
China Unicom Ltd.	110,631,561	97,816,916	98,157,892	110,290,585
CITIC Pacific Ltd.	19,300,553	17,045,138	17,106,136	19,239,555
CNOOC Limited	72,391,495	63,975,725	64,198,523	72,168,697
Esprit Holdings Ltd.	-	10,883,590	525,644	10,357,946
Hutchison Whampoa Ltd.	37,570,800	33,178,904	33,296,363	37,453,341
Johnson Electric Holdings Ltd.	32,379,812	28,628,934	28,728,767	32,279,979
Legend Holdings Ltd.	66,196,512	58,523,157	58,805,749	65,913,920
Li & Fung Ltd.	25,372,348	22,489,330	22,460,901	25,400,777
MTR Corporation Ltd.	44,550,964	41,661,259	40,893,767	45,318,456
New World Development Co., Ltd.	18,807,838	17,038,586	16,820,816	19,025,608
PCCW Limited	199,998,309	182,526,507	178,088,455	204,436,361
Shanghai Industrial Holdings Ltd.	7,914,616	7,464,100	7,162,645	8,216,071
Swire Pacific Ltd. (A shares)	8,284,434	7,313,209	7,374,309	8,223,334
Television Broadcasts Ltd.	3,860,112	3,408,967	3,423,071	3,846,008
Wharf (Holdings) Ltd., The	21,565,591	19,044,567	19,111,429	21,498,729

ADMINISTRATION AND MANAGEMENT**Directors of the Manager**

Mr. Vincent Duhamel
Mr. John Serhant

Members of the Supervisory Committee

Mr. Marvin Cheung
Mr. Fong Hup
Mrs. Marian Li
(resigned on 11th March 2003)
Ms. Karen Kemp
Mr. Lawrence Fok

Trustee and custodian

State Street Bank and Trust Company
32nd Floor, Two Exchange Square
8 Connaught Place
Central
Hong Kong

Registrar

Computershare Hong Kong
Investor Services Limited
Shops 1712 – 1716
17th Floor Hopewell Centre
183 Queen's Road East
Hong Kong

Legal adviser to the Manager

Freshfields Bruckhaus Deringer
11th Floor, Two Exchange Square
Central
Hong Kong

Legal adviser to the Trustee

Allen & Overy
9th Floor, Three Exchange Square
Central
Hong Kong

Manager

State Street Global Advisors Asia Limited
32nd Floor, Two Exchange Square
8 Connaught Place
Central
Hong Kong

Promoter

Exchange Fund Investment Limited
30th Floor
3 Garden Road
Central
Hong Kong

Conversion agent

HK Conversion Agency Services Limited
2nd Floor Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

Auditors

PricewaterhouseCoopers
22nd Floor
Prince's Building
Central
Hong Kong

PERFORMANCE RECORD**Net asset values**

	Net asset value per unit <i>HK\$</i>	Net asset value of the Fund <i>HK\$</i>
At end of financial period/year dated		
31st December 2000	15.17	28,562,583,718
31st December 2001	11.45	27,696,374,409
31st December 2002	9.38	23,675,137,120

**Highest and lowest net
asset value per unit**

	Highest net asset value per unit <i>HK\$</i>	Lowest net asset value per unit <i>HK\$</i>
Financial period/year ended		
31st December 2000 (since inception)	18.39	13.75
31st December 2001	16.24	9.12
31st December 2002	12.07	9.06