

TRACKER FUND OF HONG KONG

Tracker Fund of Hong Kong

TRACKER FUND OF HONG KONG INTERIM REPORT

For the period from
23rd October 1999
to 30th June 2000

TraHK

TRACKER FUND OF HONG KONG

TraHK
Tracker Fund of Hong Kong

SS&A.

STATE STREET GLOBAL ADVISORS



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CONDENSED STATEMENT OF OPERATIONSFOR THE PERIOD FROM 23RD OCTOBER 1999 (DATE OF TRUST DEED)
TO 30TH JUNE 2000 (UNAUDITED)

	Note	23.10.1999 to 30.6.2000 HK\$
Income		
Dividends		521,086,946
Transaction fee		13,231,954
Bank interest		3,995,543
Other income	3	5,388,400
		<u>543,702,843</u>
Expenses		
Management fee		(9,124,888)
Trustee fee		(9,124,888)
Registrar fee		(2,718,085)
Conversion agent fee		(5,384,294)
Index license fee		(2,335,903)
Publication and printing expenses		(995,720)
Bank charges		(993,350)
Legal and other professional fees		(435,000)
Audit fee		(57,143)
Other operating expenses		(1,270,335)
		<u>(32,439,606)</u>
Dividend equivalent amount on units issued		117,384,929
Dividend equivalent amount on units redeemed		(161,701,319)
		<u>(76,755,996)</u>
Net income available for distribution		466,946,847
Amount transferred to the statement of distribution		<u>(466,946,847)</u>
		<u>-</u>
Net investment gain		
Realised gain on sale of investments		7,969,364,886
Unrealised gain on revaluation of investments		512,449,024
		<u>8,481,813,910</u>
Net income for the period (excluding amount transferred to the statement of distribution)		8,481,813,910
Amount transferred to the capital account		<u>(8,481,813,910)</u>
		<u>-</u>

A statement of recognised gains and losses is not presented as the Fund has no other gains and losses apart from the net income for the period.



CONDENSED STATEMENT OF ASSETS AND LIABILITIES

AS AT 30TH JUNE 2000 (UNAUDITED)

	Note	HK\$
Assets		
Investments		27,897,979,743
Dividend receivable		12,254,111
Amounts due from brokers		19,947,606
Other accounts receivable and prepayments		4,709,261
Bank balances		165,342,771
Total assets		<u>28,100,233,492</u>
Liabilities		
Trustee fee payable		3,339,453
Management fee payable		3,339,453
Registrar fee payable		105,483
Index license fee payable		1,063,155
Transaction fee provision		3,748,046
Amounts due to brokers		20,250,187
Other accounts payable and accruals		912,994
Total liabilities		<u>32,758,771</u>
Net assets		<u>28,067,474,721</u>
Financed by:		
Capital account		<u>28,067,474,721</u>
Units in issue	4	<u>1,730,992,500</u>
Net asset value per unit		<u>16.21</u>
Net asset value per Creation Unit (1 Creation Unit is equivalent to 1,000,000 units)		<u>16,214,671.48</u>

CONDENSED STATEMENT OF MOVEMENTS IN CAPITAL ACCOUNT
 FOR THE PERIOD FROM 23RD OCTOBER 1999 (DATE OF TRUST DEED)
 TO 30TH JUNE 2000 (UNAUDITED)

	23.10.1999 to 30.6.2000 HK\$
Proceeds on issue of units for cash (excluding dividend equivalent amount and further cash amount)	60,274,176,087
In-kind payments on redemption of units (excluding dividend equivalent amount and further cash amount)	(43,922,775,525)
In-kind proceeds on issue of units (excluding dividend equivalent amount and further cash amount)	3,064,332,902
Net further cash amount received on issue and redemption of units	419,300
	<u>19,416,152,764</u>
Amount transferred from the statement of operations (excluding of amount transferred to the statement of distribution)	8,481,813,910
Undistributed income transferred from the statement of distribution	169,508,047
Balance carried forward	<u><u>28,067,474,721</u></u>



CONDENSED STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 23RD OCTOBER 1999 (DATE OF TRUST DEED)
TO 30TH JUNE 2000 (UNAUDITED)

		23.10.1999 to 30.6.2000 HK\$
	Note	
Operating activities		
Dividend received		508,832,835
Transaction fee received		16,980,000
Other income received		5,388,400
Bank interest received		3,978,059
Management fee paid		(5,785,435)
Trustee fee paid		(5,785,435)
Registrar fee paid		(2,612,602)
Conversion agent fee paid		(6,814,133)
Index license fee paid		(1,272,748)
Publication and printing expenses paid		(693,553)
Legal and other professional fees paid		(347,167)
Bank charges paid		(1,707,056)
Other operating expenses paid		(3,352,716)
Dividend equivalent amount received on creation of units		117,384,929
Dividend equivalent amount paid on redemption of units		(161,701,319)
Net cash inflow from operating activities	5	<u>462,492,059</u>
Servicing of finance		
Interim distribution paid		<u>(297,438,800)</u> <u>(297,438,800)</u>
Investing activities		
Purchase of investments (note 6)		(62,266,540,625)
Sale of investments (note 6)		<u>1,992,234,750</u> <u>(60,274,305,875)</u>
Financing		
Issue of units (note 6)		60,274,176,087
Net further cash amount received on issue and redemption of units		<u>419,300</u> <u>60,274,595,387</u> <u>60,274,595,387</u>
Bank balances as at 30th June 2000		<u>165,342,771</u>

Please refer to note 6 on page 7 for details of major non-cash transactions.

CONDENSED STATEMENT OF DISTRIBUTION

FOR THE PERIOD FROM 23RD OCTOBER 1999 (DATE OF TRUST DEED)
TO 30TH JUNE 2000 (UNAUDITED)

	23.10.1999 to 30.6.2000 HK\$
Amount transferred from the statement of operations	466,946,847
Interim distribution	
- HK\$0.16 per unit paid on 22nd May 2000	<u>(297,438,800)</u>
Undistributed income transferred to the capital account	<u>169,508,047</u>

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

1 The Fund

Tracker Fund of Hong Kong (the "Fund") is a unit trust which is governed by its trust deed dated 23rd October 1999. The Fund is authorised by the Securities and Futures Commission in Hong Kong (the "SFC") under Section 15 of the Securities Ordinance. The Fund is also listed on the Stock Exchange of Hong Kong Limited.

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

2 Principal accounting policies

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

(a) Basis of preparation

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. 25 – "Interim Financial Reporting" issued by the Hong Kong Society of Accountants in so far as it is applicable to unit trusts. The condensed Financial Statements are prepared under the historical cost convention as modified by the revaluation of investments. These condensed financial statements have not been audited.

(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 recorded when the Fund's right to receive payment is established.

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



(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.

3 Other income

Other income represents registrar charges levied by the Trustee on unitholders (other than HKSCC Nominees) who hold units registered in his name 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 Unitholder.

4 Units in issue

	No. of units
Issue of units	
- In-kind	216,000,000
- Cash subscription	4,296,992,500
	<u>4,512,992,500</u>
Redemption of units in-kind	(2,782,000,000)
Units in issue as at 30th June 2000	<u><u>1,730,992,500</u></u>

5 Reconciliation of net income available for distribution to net cash inflow from operating activities

	HK\$
Net income available for distribution	466,946,847
Dividend receivable	(12,254,111)
Other accounts receivable and prepayments	(4,709,261)
Trustee fee payable	3,339,453
Management fee payable	3,339,453
Registrar fee payable	105,483
Index license fee payable	1,063,155
Transaction fee provision	3,748,046
Other accounts payable and accruals	912,994
Net cash inflow from operating activities	<u><u>462,492,059</u></u>

6 Major non cash transactions

One of the major characteristics of the Fund is the in-kind (non-cash) issue and redemption process which is unique in Hong Kong. The purpose of the in-kind mechanism is to provide an arbitrage link between the Fund's net asset value and the price at which the units of the Fund are traded on the Stock Exchange. Under this mechanism, the costs associated with the in-kind transactions are borne by the arbitrageur and not the Fund, resulting in a fair price for investors.

In accordance with the Fund's Trust Deed, units can be issued through either a cash subscription or a 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 4,296,992,500 units issued in cash during the period, the Fund also issued 216,000,000 units in exchange for Index Baskets consisting of investments valued at a total of HK\$3,064,332,902 (excluding dividend equivalent amount and further cash amount) by the Manager at the time of issue.

In accordance with the Fund's Trust Deed, units can only be redeemed in kind and are not redeemable for cash. During the period, the Fund redeemed 2,782,000,000 units in exchange for Index Baskets consisting of investments valued at a total of HK\$43,922,775,525 (excluding dividend equivalent amount and further cash amount) by the Manager at the time of redemption.

7 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.

8 Investment limitation and prohibitions under the SFC Code

The Trustee and the Manager have been granted a waiver from the prohibition under the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the "SFC Code") on the Fund holding investments in any single issuer exceeding 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 Hang Seng Index and the Fund's exposure to any particular security may not exceed the weighting given to that security in the Hang Seng Index.

Constituent stocks that account for more than 10% of the weighting of the Hang Seng Index as at 30th June 2000 were as follows:

	% of weighting
China Mobile (Hong Kong) Ltd.	26.3
HSBC Holdings plc	21.2
Hutchison Whampoa Ltd.	11.7



INVESTMENT PORTFOLIO

AS AT 30TH JUNE 2000 (UNAUDITED)

	Holding	Market value HK\$	% of net assets
Hong Kong			
Listed investments (99.4%)			
Equities (99.4%)			
PROPERTIES (13.5%)			
Amoy Properties Ltd.	22,510,033	118,177,673	0.4
Cheung Kong (Holdings) Ltd.	18,032,770	1,555,326,413	5.5
China Resources Enterprises, Ltd.	15,459,352	144,544,941	0.5
Great Eagle Holdings Ltd.	4,258,653	52,381,432	0.2
Hang Lung Development Co. Ltd.	10,316,331	62,413,803	0.2
Henderson Investment Ltd.	21,933,543	108,022,699	0.4
Henderson Land Development Co. Ltd.	13,407,734	459,885,276	1.6
Hysan Development Co. Ltd.	8,050,702	66,015,756	0.2
New World Development Co., Ltd.	16,459,966	143,201,704	0.5
Sino Land Co. Ltd.	28,263,535	77,724,721	0.3
Sun Hung Kai Properties Ltd.	18,694,918	1,046,915,408	3.7
		<u>3,834,609,826</u>	<u>13.5</u>
FINANCE (26.4%)			
Bank of East Asia, Ltd., The	10,924,089	198,818,420	0.7
Dao Heng Bank Group Ltd.	5,411,679	186,702,926	0.7
Hang Seng Bank Ltd.	14,887,314	1,101,661,236	3.9
HSBC Holdings plc	66,432,099	5,912,456,811	21.1
		<u>7,399,639,393</u>	<u>26.4</u>
UTILITIES (4.9%)			
CLP Holdings Ltd.	16,202,954	588,167,230	2.1
Hong Kong Electric Holdings Ltd.	16,615,838	417,057,534	1.5
Hong Kong & China Gas Co. Ltd., The	40,325,092	352,844,555	1.3
		<u>1,358,069,319</u>	<u>4.9</u>
COMMERCE AND INDUSTRY (54.6%)			
Cable & Wireless HKT Ltd.	94,680,781	1,623,775,394	5.8
Cathay Pacific Airways Ltd.	26,239,908	379,166,671	1.4
Cheung Kong Infrastructure Holdings Ltd.	17,550,520	224,646,656	0.8
China Mobile (Hong Kong) Ltd.	106,717,546	7,336,831,287	26.1
CITIC Pacific Ltd.	17,324,539	706,841,191	2.5
First Pacific Co. Ltd.	22,682,007	60,107,319	0.2
Hutchison Whampoa Ltd.	33,192,571	3,252,871,958	11.6
Johnson Electric Holdings Ltd.	7,147,777	527,148,554	1.9
Shanghai Industrial Holdings Ltd.	6,899,010	97,276,041	0.3
Shangri-la Asia Ltd.	17,253,770	158,734,684	0.6
Smartone Telecommunications Holdings Ltd.	4,687,488	80,859,168	0.3
Swire Pacific Ltd. (A shares)	7,319,056	333,748,954	1.2
Television Broadcasts Ltd.	3,410,185	177,329,620	0.6
Wharf (Holdings) Ltd., The	19,044,796	265,674,904	1.0
Wheelock & Co. Ltd.	15,813,491	80,648,804	0.3
		<u>15,305,661,205</u>	<u>54.6</u>
Total listed investments		27,897,979,743	99.4
Other net assets		169,494,978	0.6
Net assets as at 30th June 2000		<u>28,067,474,721</u>	<u>100.0</u>
Total investments, at cost		<u>27,385,530,719</u>	

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO

FOR THE PERIOD FROM 23RD OCTOBER 1999

(DATE OF TRUST DEED) TO 30TH JUNE 2000 (UNAUDITED)

	Holdings		Total as at
	Additions	Disposals	30th June
			2000
Hong Kong			
Listed investments			
Equities			
PROPERTIES			
Amoy Properties Ltd.	61,184,104	38,674,071	22,510,033
Cheung Kong (Holdings) Ltd.	48,663,423	30,630,653	18,032,770
China Resources Enterprises, Ltd.	41,986,410	26,527,058	15,459,352
Great Eagle Holdings Ltd.	11,572,342	7,313,689	4,258,653
Hang Lung Development Co. Ltd.	28,115,657	17,799,326	10,316,331
Henderson Investment Ltd.	59,492,211	37,558,668	21,933,543
Henderson Land Development Co. Ltd.	36,426,985	23,019,251	13,407,734
Hopewell Holdings Ltd.	12,630,572	12,630,572	-
Hysan Development Co. Ltd.	21,923,634	13,872,932	8,050,702
New World Development Co., Ltd.	45,115,673	28,655,707	16,459,966
Sino Land Co. Ltd.	75,755,454	47,491,919	28,263,535
Sun Hung Kai Properties Ltd.	50,711,418	32,016,500	18,694,918
FINANCE			
Bank of East Asia, Ltd., The	29,514,117	18,590,028	10,924,089
Dao Heng Bank Group Ltd.	12,045,887	6,634,208	5,411,679
Hang Seng Bank Ltd.	40,403,699	25,516,385	14,887,314
HSBC Holdings plc	179,228,256	112,796,157	66,432,099
UTILITIES			
CLP Holdings Ltd.	43,944,899	27,741,945	16,202,954
Hong Kong Electric Holdings Ltd.	44,461,651	27,845,813	16,615,838
Hong Kong & China Gas Co. Ltd., The	104,377,453	64,052,361	40,325,092
COMMERCE AND INDUSTRY			
Cable & Wireless HKT Ltd.	256,545,710	161,864,929	94,680,781
Cathay Pacific Airways Ltd.	71,457,277	45,217,369	26,239,908
Cheung Kong Infrastructure Holdings Ltd.	47,597,952	30,047,432	17,550,520
China Mobile (Hong Kong) Ltd.	279,227,935	172,510,389	106,717,546
CITIC Pacific Ltd.	46,072,479	28,747,940	17,324,539
First Pacific Co. Ltd.	61,488,750	38,806,743	22,682,007
Guangdong Investment Ltd.	36,940,648	36,940,648	-
Hong Kong & Shanghai Hotels, Ltd., The	16,682,178	16,682,178	-
Hutchison Whampoa Ltd.	85,259,394	52,066,823	33,192,571
Johnson Electric Holdings Ltd.	15,858,417	8,710,640	7,147,777
Shanghai Industrial Holdings Ltd.	18,710,404	11,811,394	6,899,010
Shangri-la Asia Ltd.	46,246,063	28,992,293	17,253,770
Smartone Telecommunications Holdings Ltd.	10,441,835	5,754,347	4,687,488
Swire Pacific Ltd. (A shares)	19,870,534	12,551,478	7,319,056
Television Broadcasts Ltd.	9,262,500	5,852,315	3,410,185
Wharf (Holdings) Ltd., The	50,990,388	31,945,592	19,044,796
Wheelock & Co. Ltd.	42,888,992	27,075,501	15,813,491



ADMINISTRATION AND MANAGEMENT

Directors of the Manager

Mr. Vincent Duhamel
Mr. John Serhant

Members of the Supervisory Committee

Mr. Alec Tsui
(resigned on 18th August 2000)
Mr. Marvin Cheung
Mr. Fong Hup
Mrs. Marian Li
Ms. Karen Kemp
Mr. Lawrence Fok
(appointed on 18th August 2000)

Trustee and custodian

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

Registrar

Central Registration Hong Kong Limited
Shops 1712 – 1716
17/F Hopewell Centre
183 Queen's Road East
Hong Kong

Legal adviser to the Manager

Freshfields
12/F, Two Exchange Square
Central
Hong Kong

Legal adviser to the Trustee

Allen & Overy
9/F, Three Exchange Square
Central
Hong Kong

Manager

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Central
Hong Kong

Promoter

Exchange Fund Investment Limited
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Central
Hong Kong

Conversion agent

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199 Des Voeux Road Central
Hong Kong

Auditors

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22nd Floor
Prince's Building
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