

TraHK
Tracker Fund of Hong Kong

ANNUAL REPORT 2004

1st January 2004 to 31st December 2004

Tracker Fund of Hong Kong

TraHK



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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.

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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 2004.

State Street Bank and Trust Company

31st March 2005



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

We have audited the financial statements on pages 4 to 14 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 (the "Code") 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. In addition, the Code requires the financial statements of the Fund to contain the minimum disclosures set out in the Code.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public 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 judgments 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 provisions of the Trust Deed dated 23rd October 1999, and the Code and give a true and fair view of the disposition of the Fund at 31st December 2004 and of its transactions and cash flows for the year then ended.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31st March 2005

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STATEMENT OF OPERATIONS

For the year ended 31st December 2004

	Note	2004 HK\$	2003 HK\$
Income			
Dividends		978,332,840	1,059,557,399
Transaction fee	3(a)	240,000	360,000
Bank interest	7(c)	309,753	1,184,221
Other income	3(b)	8,096,602	9,272,265
		<u>986,979,195</u>	<u>1,070,373,885</u>
Expenses			
Management fee	7(d)	(13,781,293)	(11,729,677)
Trustee fee	7(b)	(13,781,293)	(11,729,677)
Index license fee	8(c)	(4,353,949)	(3,708,775)
Registrar fee	8(a)	(2,665,961)	(2,981,708)
Publication and printing expenses		(2,099,948)	(2,055,718)
Amortisation of set-up costs		(468,388)	(542,500)
Conversion agent fee	8(b)	(428,000)	(468,000)
Audit fee		(104,000)	(100,000)
Bank charges		(28,133)	(62,078)
Legal and other professional fees		-	(9,138)
Other operating expenses		(1,265,339)	(1,096,823)
		<u>(38,976,304)</u>	<u>(34,484,094)</u>
Dividend equivalent amount on units issued		2,715,692	3,261,280
Dividend equivalent amount on units redeemed		(9,637,718)	(25,332,313)
		<u>(45,898,330)</u>	<u>(56,555,127)</u>
Net income available for distribution		941,080,865	1,013,818,758
Amount transferred to the statement of distributions		<u>(941,080,865)</u>	<u>(1,013,818,758)</u>
Net investment gain/(loss)			
Realised gain/(loss) on sale of investments		341,529,682	(538,460,843)
Net change in unrealised gain/loss on revaluation of investments		3,331,956,793	8,218,267,578
		<u>3,673,486,475</u>	<u>7,679,806,735</u>
Net income for the year (excluding amount transferred to the statement of distributions)		3,673,486,475	7,679,806,735
Amount transferred to the capital account		<u>(3,673,486,475)</u>	<u>(7,679,806,735)</u>
		<u>-</u>	<u>-</u>

The notes on pages 9 to 14 form part of these financial statements.

STATEMENT OF ASSETS AND LIABILITIES**As at 31st December 2004**

	Note	2004 HK\$	2003 HK\$
Assets			
Investments		30,573,715,525	27,714,821,303
Set-up costs		-	468,388
Dividends receivable		96,838,223	93,734,836
Other accounts receivable and prepayments		169,396	154,566
Bank balances	7(c)	61,533,682	56,339,632
Total assets		<u>30,732,256,826</u>	<u>27,865,518,725</u>
Liabilities			
Trustee fee payable		3,592,032	3,433,284
Management fee payable		3,592,032	3,433,284
Index license fee payable		1,138,631	1,081,415
Registrar fee payable		211,500	468,435
Other accounts payable and accruals		938,313	1,398,873
Amounts payable on redemption		-	1,278,830
Total liabilities		<u>9,472,508</u>	<u>11,094,121</u>
Net assets		<u>30,722,784,318</u>	<u>27,854,424,604</u>
Financed by:			
Capital account		<u>30,722,784,318</u>	<u>27,854,424,604</u>
Units in issue	4	<u>2,140,992,500</u>	<u>2,195,992,500</u>
Net asset value per unit		<u>14.35</u>	<u>12.68</u>
Net asset value per Creation Unit (1 Creation Unit is equivalent to 1,000,000 units)		<u>14,349,786</u>	<u>12,684,208</u>

Approved by the Trustee and the Manager on 31st March 2005

State Street Bank and Trust Company

State Street Global Advisors Asia Limited

The notes on pages 9 to 14 form part of these financial statements.

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STATEMENT OF MOVEMENTS IN CAPITAL ACCOUNT
For the year ended 31st December 2004

	Note	2004 HK\$	2003 HK\$
Balance at the beginning of the year		27,854,424,604	23,675,137,120
In-kind payments on redemption of units (excluding dividend equivalent amount and further cash amount)	9	(1,541,439,627)	(3,813,707,606)
In-kind proceeds on issue of units (excluding dividend equivalent amount and further cash amount)	9	727,707,495	261,166,401
Net further cash amount received/(paid) on issue and redemption of units		<u>1,356</u>	<u>(9,879)</u>
		27,040,693,828	20,122,586,036
Amount transferred from the statement of operations (excluding of amount transferred to the statement of distributions)		3,673,486,475	7,679,806,735
Amount transferred from the statement of distributions		<u>8,604,015</u>	<u>52,031,833</u>
Balance at the end of the year		<u><u>30,722,784,318</u></u>	<u><u>27,854,424,604</u></u>

The notes on pages 9 to 14 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31st December 2004

	Note	2004 HK\$	2003 HK\$
Operating activities			
Dividends received		975,229,453	811,479,863
Bank interest received		309,669	1,187,566
Transaction fee received		180,000	450,000
Other income received		8,096,602	9,272,265
Management fee paid		(13,622,545)	(11,425,426)
Trustee fee paid		(13,622,545)	(11,425,426)
Index license fee paid		(4,296,733)	(3,607,357)
Registrar fee paid		(2,922,896)	(2,774,373)
Publication and printing expenses paid		(2,315,031)	(2,015,542)
Conversion agent fee paid		(432,000)	(492,000)
Bank charges paid		(27,754)	(79,297)
Other operating expenses paid		(1,565,942)	(1,355,860)
Dividend equivalent amount received on creation of units		2,715,692	3,261,280
Dividend equivalent amount paid on redemption of units		(10,916,635)	(25,103,192)
Net cash inflow from operating activities	6	<u>936,809,335</u>	<u>767,372,501</u>
Investing activities			
Purchase of investments	9	(478,540,483)	(1,114,796,587)
Sale of investments	9	<u>479,400,605</u>	<u>1,271,694,419</u>
Net cash inflow from investing activities		<u>860,122</u>	<u>156,897,832</u>
Financing			
Net further cash amount received/(paid) on issue and redemption of units		1,443	(12,410)
Interim distribution paid		(377,228,725)	(448,968,575)
Final distribution paid		<u>(555,248,125)</u>	<u>(512,818,350)</u>
Net cash outflow from financing		<u>(932,475,407)</u>	<u>(961,799,335)</u>
Increase/(decrease) in cash and cash equivalents		5,194,050	(37,529,002)
Cash and cash equivalents as at 1st January		<u>56,339,632</u>	<u>93,868,634</u>
Cash and cash equivalents as at 31st December		<u><u>61,533,682</u></u>	<u><u>56,339,632</u></u>

Please refer to note 9 on page 13 for details of major non-cash transactions.

The notes on pages 9 to 14 form part of these financial statements.

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STATEMENT OF DISTRIBUTIONS

For the year ended 31st December 2004

	2004 HK\$	2003 HK\$
Amount transferred from the statement of operations	941,080,865	1,013,818,758
Interim distribution		
- HK\$0.19 on 2,362,992,500 units paid on 23rd May 2003	-	(448,968,575)
- HK\$0.17 on 2,218,992,500 units paid on 24th May 2004	(377,228,725)	-
Final distribution		
- HK\$0.22 on 2,330,992,500 units paid on 24th November 2003	-	(512,818,350)
- HK\$0.25 on 2,220,992,500 units paid on 22nd November 2004	(555,248,125)	-
Amount transferred to the capital account	<u>8,604,015</u>	<u>52,031,833</u>

The notes on pages 9 to 14 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 dated on 23rd October 1999 (the "Trust Deed"). The Fund is authorised by the Securities & 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 Fund's objective is to provide investment results that closely correspond to the performance of the Hang Seng Index (the "Index").

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 Institute of Certified Public 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.

(d) Expenses

All expenses are accounted for on an accruals basis.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Principal accounting policies (continued)

(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) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise bank balances.

(h) Set-up costs

Set-up costs borne by the Fund are amortised over a period of the first five years of the Fund. This amortisation is finished within the year of 2004.

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	
	2004	2003
Units in issue at the beginning of the year	2,195,992,500	2,522,992,500
Issue of units in-kind	58,000,000	28,000,000
Redemption of units in-kind	(113,000,000)	(355,000,000)
Units in issue at the end of the year	<u>2,140,992,500</u>	<u>2,195,992,500</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.

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

	2004 HK\$	2003 HK\$
Net income available for distribution	941,080,865	1,013,818,758
Scrp dividends received	-	(157,732,791)
Increase in dividends receivable	(3,103,387)	(90,344,745)
Decrease in set-up costs and other accounts receivable and prepayments	453,558	473,073
Increase in trustee fee payable	158,748	304,251
Increase in management fee payable	158,748	304,251
(Decrease)/increase in registrar fee payable	(256,935)	207,335
Increase in index license fee payable	57,216	101,418
(Decrease)/increase in other accounts payable and accruals	(460,560)	11,830
Net (decrease)/increase in payable on redemption (excluding net further cash payable on redemption of units)	<u>(1,278,918)</u>	<u>229,121</u>
Net cash inflow from operating activities	<u>936,809,335</u>	<u>767,372,501</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 2004, the directors and officers of the Manager together held 97,540 units in the Fund (2003: 86,420 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 2004 was HK\$61,533,682 (2003: HK\$56,339,632). During the year, interest earned on the above bank balances was HK\$309,753 (2003: HK\$1,184,221).

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 and since the termination of the Tap agreement, units can only be issued through an in-kind creation of an Index Basket and not through a cash subscription. 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 year, the Fund issued 58,000,000 units (2003: 28,000,000 units) in exchange for Index Baskets consisting of investments valued at a total of HK\$727,707,495 (2003: HK\$261,166,401)¹ 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 year, the Fund redeemed 113,000,000 units (2003: 355,000,000 units) in exchange for Index Baskets consisting of investments valued at HK\$1,541,439,627 (2003: HK\$3,813,707,606)¹ by the Manager.

¹ excluding dividend equivalent amount and further cash amount.



NOTES TO THE 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 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 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 stocks that account for more than 10% of the net asset value of the Fund as at 31st December 2004 were as follows:

	Respective weighting in the Index (%)		% of net asset value	
	2004	2003	2004	2003
HSBC Holdings plc	33.5	34.8	33.4	34.6
China Mobile (Hong Kong) Ltd.	11.7	12.2	11.6	12.1

12 Approval of Financial Statements

The financial statements were approved by the Trustee and the Manager on 31st March 2005.

INVESTMENT PORTFOLIO

As at 31st December 2004

	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of net assets</i>
Hong Kong			
Listed investments (99.5%)			
Equities (99.5%)			
Properties (12.1%)			
Cheung Kong (Holdings) Ltd.	16,023,212	1,241,798,930	4.0
Hang Lung Properties Ltd.	22,830,808	273,969,696	0.9
Henderson Investment Ltd.	19,488,116	221,190,117	0.7
Henderson Land Development Co. Ltd.	12,557,411	507,319,404	1.7
Sun Hung Kai Properties Ltd.	16,610,620	1,291,475,705	4.2
Wheelock & Co. Ltd.	14,058,028	179,942,758	0.6
		<u>3,715,696,610</u>	<u>12.1</u>
Finance (42.3%)			
Bank of East Asia, Ltd., The	10,242,884	247,365,649	0.8
BOC Hong Kong (Holdings) Limited	73,143,136	1,086,175,569	3.5
Hang Seng Bank Ltd.	13,227,114	1,428,528,312	4.6
HSBC Holdings plc	77,055,958	10,248,442,414	33.4
		<u>13,010,511,944</u>	<u>42.3</u>
Utilities (6.1%)			
CLP Holdings Ltd.	16,658,585	744,638,750	2.4
Hong Kong Electric Holdings Ltd.	14,763,189	524,093,210	1.7
Hong Kong & China Gas Co. Ltd., The	38,596,957	619,481,160	2.0
		<u>1,888,213,120</u>	<u>6.1</u>

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INVESTMENT PORTFOLIO (Continued)

As at 31st December 2004

	<i>Holdings</i>	<i>Market value</i> HK\$	<i>% of net</i> <i>assets</i>
Commerce and Industry (39.0%)			
Cathay Pacific Airways Ltd.	23,306,172	342,600,728	1.1
Cheung Kong Infrastructure Holdings Ltd.	15,594,453	350,095,470	1.1
China Merchants Holdings (International) Co. Ltd.	14,809,600	216,960,640	0.7
China Mobile (Hong Kong) Ltd.	135,686,905	3,575,349,947	11.6
China Resources Enterprises, Ltd.	14,562,706	176,936,878	0.6
China Unicom Ltd.	86,905,779	534,470,541	1.7
CITIC Pacific Ltd.	15,151,486	334,847,841	1.1
CNOOC Limited	283,995,396	1,185,680,778	3.9
COSCO Pacific Limited	14,911,043	240,067,792	0.8
Denway Motors Ltd.	49,645,600	137,766,540	0.4
Esprit Holdings Ltd.	8,253,342	387,907,074	1.3
Hutchison Whampoa Ltd.	29,381,840	2,137,528,860	7.0
Johnson Electric Holdings Ltd.	25,417,661	191,903,341	0.6
Lenovo Group Ltd.	51,700,906	120,204,606	0.4
(previously known as Legend Group Ltd.)			
Li & Fung Ltd.	20,165,561	264,168,849	0.9
MTR Corporation Ltd.	37,055,556	461,341,672	1.5
PCCW Limited	37,156,923	182,997,846	0.6
Swire Pacific Ltd. (A shares)	6,433,560	418,181,400	1.4
Wharf (Holdings) Ltd.,The	16,928,776	460,462,707	1.5
Yue Yuen Industrial (Holdings) Limited	11,206,558	239,820,341	0.8
		<u>11,959,293,851</u>	<u>39.0</u>
Total listed investments		30,573,715,525	99.5
Other net assets		<u>149,068,793</u>	<u>0.5</u>
Net assets at 31st December 2004		<u>30,722,784,318</u>	<u>100.0</u>
Total investments, at cost		<u>21,682,834,292</u>	

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO

For the year ended 31st December 2004

	Holdings			
	2003	Additions	Disposals	2004
Hong Kong				
Listed investments				
Equities				
Properties				
Cheung Kong (Holdings) Ltd.	16,634,719	438,536	1,050,043	16,023,212
Hang Lung Properties Ltd.	20,749,761	3,483,610	1,402,563	22,830,808
Henderson Investment Ltd.	20,232,829	533,400	1,278,113	19,488,116
Henderson Land Development Co. Ltd.	13,036,810	343,687	823,086	12,557,411
Sun Hung Kai Properties Ltd.	17,245,179	454,625	1,089,184	16,610,620
Wheelock & Co. Ltd.	14,594,593	384,739	921,304	14,058,028
Finance				
Bank of East Asia, Ltd., The	10,506,445	279,188	542,749	10,242,884
BOC Hong Kong (Holdings) Limited	75,938,684	2,002,011	4,797,559	73,143,136
Hang Seng Bank Ltd.	13,732,650	362,038	867,574	13,227,114
HSBC Holdings plc	78,666,876	2,804,566	4,415,484	77,055,958
Utilities				
CLP Holdings Ltd.	17,294,829	455,959	1,092,203	16,658,585
Hong Kong Electric Holdings Ltd.	15,327,193	404,076	968,080	14,763,189
Hong Kong & China Gas Co. Ltd., The	40,536,940	1,068,691	3,008,674	38,596,957
Commerce and industry				
Cathay Pacific Airways Ltd.	23,995,917	634,904	1,324,649	23,306,172
Cheung Kong Infrastructure Holdings Ltd.	16,189,066	426,797	1,021,410	15,594,453
China Merchants Holdings (International) Co. Ltd.	-	15,362,000	552,400	14,809,600
China Mobile (Hong Kong) Ltd.	141,290,696	4,072,885	9,676,676	135,686,905
China Resources Enterprises, Ltd.	14,989,792	397,100	824,186	14,562,706
China Unicom Ltd.	90,159,274	2,377,948	5,631,443	86,905,779
CITIC Pacific Ltd.	15,715,038	414,514	978,066	15,151,486
CNOOC Limited	58,995,481	302,909,335	77,909,420	283,995,396
COSCO Pacific Limited	15,434,203	407,403	930,563	14,911,043
Denway Motors Ltd.	-	51,542,000	1,896,400	49,645,600
Esprit Holdings Ltd.	8,553,641	225,821	526,120	8,253,342
Hutchison Whampoa Ltd.	30,618,053	807,186	2,043,399	29,381,840
Johnson Electric Holdings Ltd.	26,387,674	695,691	1,665,704	25,417,661
Lenovo Group Ltd.	53,659,471	1,415,801	3,374,366	51,700,906
(previously known as Legend Group Ltd.)				
Li & Fung Ltd.	20,828,409	550,279	1,213,127	20,165,561
MTR Corporation Ltd.	37,972,808	1,096,041	2,013,293	37,055,556
PCCW Limited	38,561,583	1,016,619	2,421,279	37,156,923
Shanghai Industrial Holdings Ltd.	6,794,094	179,344	6,973,438	-
Swire Pacific Ltd. (A shares)	6,679,654	176,118	422,212	6,433,560
Television Broadcasts Ltd.	3,145,724	82,936	3,228,660	-
Wharf (Holdings) Ltd., The	17,575,392	463,325	1,109,941	16,928,776
Yue Yuen Industrial (Holdings) Limited	11,520,649	306,753	620,844	11,206,558



ADMINISTRATION AND MANAGEMENT

Directors of the Manager

Mr. Vincent Duhamel
Ms. Yan-Yan Li

Members of the Supervisory Committee

Mr. Marvin Cheung
Mr. Fong Hup
Ms. Karen Kemp
Mr. Lawrence Fok
Prof. Tsang Shu-ki

Trustee and custodian

State Street Bank and Trust Company
32nd Floor
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Registrar

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Manager

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Hong Kong

Promoter

Exchange Fund Investment Limited
87th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Conversion agent

HK Conversion Agency Services Limited
2nd Floor
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 dated		
31st December 2002	9.38	23,675,137,120
31st December 2003	12.68	27,854,424,604
31st December 2004	14.35	30,722,784,318

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 ended		
31st December 2000 (since inception)	18.39	13.75
31st December 2001	16.24	9.12
31st December 2002	12.07	9.06
31st December 2003	12.70	8.62
31st December 2004	14.39	11.08

Fund performance

In accordance with section 8.6(l) 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 increased by 13.15% and the net asset value per unit of the Fund increased by 13.17%.