

# TraHK

Tracker Fund of Hong Kong

## Tracker Fund of Hong Kong

Stock Code : 2800

Website : [www.trahk.com.hk](http://www.trahk.com.hk)

### Interim Report 2019

1st January 2019 to 30th June 2019



**STATE STREET** GLOBAL  
ADVISORS



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## CONDENSED STATEMENT OF NET ASSETS (UNAUDITED)

AS AT 30TH JUNE 2019

		(UNAUDITED) 30.06.2019	(AUDITED) 31.12.2018
	Notes	HK\$	HK\$
<b>Assets</b>			
<b>Current assets</b>			
Investments	12	85,810,213,966	81,964,264,535
Dividend receivable		549,970,580	687,178
Other accounts receivable and prepayments		286,083	678,233
Bank balances	7(d)	876,217,727	232,321,948
<b>Total assets</b>		<u>87,236,688,356</u>	<u>82,197,951,894</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Management fee payable	7(b)	7,396,220	13,773,831
Trustee fee payable	7(c)	21,664,143	7,028,525
Index license fee payable	8(c)	3,315,386	3,082,441
Registrar fee payable	8(a)	959,210	491,436
Professional fee payable		436,000	357,000
Amounts payable on redemption of units		9,304,666	–
Due to broker – payable for securities purchased		16,110,074	–
Other accounts payable and accruals		3,284,517	1,627,130
<b>Liabilities (excluding net assets attributable to unitholders of redeemable units)</b>		<u>62,470,216</u>	<u>26,360,363</u>
<b>Net assets attributable to unitholders of redeemable units</b>	5	<u>87,174,218,140</u>	<u>82,171,591,531</u>

The notes on pages 5 to 14 form part of these condensed financial statements.





## CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE PERIOD ENDED 30TH JUNE 2019

	Notes	(UNAUDITED)	
		01.01.2019 to 30.06.2019 HK\$	01.01.2018 to 30.06.2018 HK\$
<b>Income</b>			
Dividends		1,772,355,475	1,622,012,482
Bank interest	7(d)	2,855,743	811,584
Transaction fee	4(a)	1,470,000	810,000
Other income	4(b)	1,716,796	1,757,921
Net gain/(loss) on investments	3	8,616,893,542	(3,166,600,548)
<b>Total investment income/(loss)</b>		<u>10,395,291,556</u>	<u>(1,541,208,561)</u>
<b>Expenses</b>			
Management fee	7(b)	15,376,399	16,755,810
Trustee fee	7(c)	14,635,618	16,415,200
Index license fee	8(c)	6,549,864	7,450,839
Transaction costs on investments		6,452,913	10,725,404
Registrar fee	8(a)	1,015,894	913,813
Publication and printing expenses		1,170,714	225,875
Conversion agent fee	8(b)	1,352,000	839,211
Audit fee		559,720	169,600
Bank charges		267,748	128,526
Legal and other professional fees		393,798	1,670,043
Other operating expenses		309,317	255,133
<b>Total operating expenses</b>		<u>48,083,985</u>	<u>55,549,454</u>
<b>Operating profit/(loss)</b>		10,347,207,571	(1,596,758,015)
<b>Finance costs</b>			
Distributions to unitholders of redeemable units	13	(463,948,875)	(516,958,800)
<b>Profit/(loss) after distributions and before tax</b>		9,883,258,696	(2,113,716,815)
Withholding tax	6	(72,570,511)	(46,367,663)
<b>Increase/(decrease) in net assets attributable to unitholders of redeemable units from operations</b>		<u>9,810,688,185</u>	<u>(2,160,084,478)</u>

The notes on pages 5 to 14 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 2019

	Notes	(UNAUDITED)	
		01.01.2019	01.01.2018
		to 30.06.2019	to 30.06.2018
		HK\$	HK\$
<b>Net assets attributable to unitholders of redeemable units at 1st January</b>		82,171,591,531	99,223,794,799
Issue of units			
– In-kind	9	46,692,698,240	17,967,173,930
– Cash component	9	220,786,336	89,560,426
		<u>46,913,484,576</u>	<u>18,056,734,356</u>
Redemption of units			
– In-kind	9	(51,482,168,114)	(22,820,412,669)
– Cash component	9	(239,378,038)	(125,852,006)
		<u>(51,721,546,152)</u>	<u>(22,946,264,675)</u>
Net redemption of units		<u>(4,808,061,576)</u>	<u>(4,889,530,319)</u>
Increase/(decrease) in net assets attributable to unitholders of redeemable units from operations		<u>9,810,688,185</u>	<u>(2,160,084,478)</u>
<b>Net assets attributable to unitholders of redeemable units at 30th June</b>		<u><u>87,174,218,140</u></u>	<u><u>92,174,180,002</u></u>

The notes on pages 5 to 14 form part of these condensed financial statements.





## CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE PERIOD ENDED 30TH JUNE 2019

		(UNAUDITED)	
		01.01.2019	01.01.2018
		to	to
		30.06.2019	30.06.2018
Notes		HK\$	HK\$
<b>Cash flows from operating activities</b>			
	Proceeds from sale of investments	9 3,021,211,790	4,112,753,108
	Payments for purchase of investments	9 (2,970,139,118)	(3,980,371,745)
	Dividends received	1,097,013,200	1,036,638,495
	Bank interest received	2,815,228	847,959
	Transaction fee received	1,470,000	825,000
	Management fee paid	(21,754,010)	(15,914,647)
	Trustee fee paid	-	(8,158,073)
	Index license fee paid	(6,316,919)	(7,342,544)
	Registrar fee paid	(548,120)	(757,105)
	Publication and printing expenses paid	(276,373)	(383,829)
	Transaction costs on investments paid	(6,452,913)	(10,725,404)
	Conversion agent fee paid	(1,236,000)	(828,000)
	Bank charges paid	(267,748)	(128,526)
	Legal and other professional fees paid	(314,798)	(1,511,543)
	Other operating expenses refund/(paid)	210,675	(493,042)
	<b>Net cash generated from operating activities</b>	<u>1,115,414,894</u>	<u>1,124,450,104</u>
<b>Cash flows from financing activities</b>			
	Cash component received on issue of units	9 220,786,336	89,560,426
	Cash component paid on redemption of units	9 (230,073,372)	(120,962,272)
	Interim distribution paid	4(b), 13 (462,232,079)	(515,200,879)
	<b>Net cash used in financing activities</b>	<u>(471,519,115)</u>	<u>(546,602,725)</u>
	<b>Net increase in cash and cash equivalents</b>	643,895,779	577,847,379
	Cash and cash equivalents at the beginning of the period	<u>232,321,948</u>	<u>204,889,632</u>
	<b>Cash and cash equivalents at the end of the period</b>	<u><u>876,217,727</u></u>	<u><u>782,737,011</u></u>
<b>Analysis of balances of cash and cash equivalents:</b>			
	Bank balances	7(d) <u><u>876,217,727</u></u>	<u><u>782,737,011</u></u>

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

The notes on pages 5 to 14 form part of these condensed financial statements.



## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

### 1 General Information

Tracker Fund of Hong Kong (the "Fund") is a unit trust which is governed by its Trust Deed dated 23rd October 1999, as amended or supplemented from time to time (the "Trust Deed"). The Fund is authorized by the Securities and Futures Commission of Hong Kong under Section 104(1) of the Hong Kong Securities and Futures Ordinance. The Fund is also listed on The Stock Exchange of Hong Kong Limited (a subsidiary of the Hong Kong Exchanges and Clearing Limited).

The manager and the trustee of the Fund are State Street Global Advisors Asia Limited (the "Manager") and State Street Bank and Trust Company (the "Trustee") respectively.

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

### 2 Basis of preparation and accounting policies

These unaudited condensed interim financial statements for the six months ended 30th June 2019 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 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2018. Other amendments to HKFRS effective for the financial year ending 31st December 2019 are not expected to have a material impact on the Fund.

### 3 Net gain/(loss) on investments

	(UNAUDITED)	
	01.01.2019	01.01.2018
	to	to
	30.06.2019	30.06.2018
	HK\$	HK\$
Change in unrealized gain/(loss) on investments	7,155,538,719	(9,570,365,023)
Realized gain on sale of investments	1,461,354,823	6,403,764,475
	<u>8,616,893,542</u>	<u>(3,166,600,548)</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, 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		
	01.01.2019 to 30.06.2019	01.07.2018 to 31.12.2018	01.01.2018 to 30.06.2018
Units in issue at the beginning of the period	3,155,992,500	3,126,992,500	3,292,992,500
Issue of units	1,638,000,000	1,093,000,000	580,000,000
Redemption of units	(1,803,000,000)	(1,064,000,000)	(746,000,000)
Units in issue at the end of the period	<u>2,990,992,500</u>	<u>3,155,992,500</u>	<u>3,126,992,500</u>
	HK\$	HK\$	HK\$
Net assets attributable to holders of redeemable units	<u>87,174,218,140</u>	<u>82,171,591,531</u>	<u>92,174,180,002</u>
Net assets attributable to holders of redeemable units (per unit)	<u>29.15</u>	<u>26.04</u>	<u>29.48</u>
Net asset value per Creation Unit (1 Creation Unit is equivalent to 1,000,000 units)	<u>29,145,582</u>	<u>26,036,688</u>	<u>29,476,943</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 invests in H-shares and Red Chips shares of companies in the People's Republic of China ("PRC") listed on the Hong Kong Stock Exchange. Under the PRC Corporate Income Tax Law, the Fund may be liable to pay PRC tax on the capital gains realized in the trading of Red Chips which are determined as PRC Tax Resident Enterprises and H-shares. However, no provision was made for taxation from such gains in the financial statements as the Manager believes that the Fund can sustain a position for not filing a tax return based on the existing tax regulations and that the prevailing enforcement of China tax on capital gains is not probable.

Withholding tax was charged on dividend income received from H-shares and Red Chips during the periods ended 30th June 2019 and 2018.





## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

### 7 Transactions with the related parties/Manager and its Connected Persons

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties of the Fund also include the Manager of the Fund and its connected persons. Connected Persons of the Manager are those as defined in the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the "SFC Code"). All transactions entered into during the period between the Fund and its related parties, including the Manager and its Connected Persons were carried out in the normal course of business and on normal commercial terms. To the best of the Manager's knowledge, the Fund does not have any other transactions with its related parties, including the Manager and its Connected Persons except for those disclosed below.

#### (a) *Manager's holding in the Fund*

The directors and officers of the Manager may transact in the units of the Fund as principal. As at 30th June 2019, the directors and officers of the Manager together held 13,000 units in the Fund (as at 31st December 2018: 13,000 units).

#### (b) *Management fee*

The fee payable to the Manager is calculated at the following annual rates of the net asset value of the Fund on the last dealing day in the relevant quarter:

For the first HK\$15 billion of the net asset value	0.050%
For the next HK\$15 billion of the net asset value	0.045%
For the next HK\$15 billion of the net asset value	0.030%
Any amount by which the net asset value exceeds HK\$45 billion	0.025%

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

#### (c) *Trustee fee*

The fee payable to the Trustee is calculated at the following annual rates of the net asset value of the Fund of the last dealing day in the relevant quarter:

For the first HK\$15 billion of the net asset value	0.050%
For the next HK\$15 billion of the net asset value	0.045%
For the next HK\$15 billion of the net asset value	0.030%
Any amount by which the net asset value exceeds HK\$45 billion	0.025%

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



## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

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

#### (d) Bank balances

Bank balance held with the Trustee amounted to HK\$10,274,695 as at 30th June 2019 (as at 31st December 2018: HK\$7,913,757). Such account is interest bearing. Interest income amounting to HK\$4,692 was accrued and received for the period ended to 30th June 2019 with respect to the bank balance held with the Trustee (period ended 30th June 2018: HK\$512).

### 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.

#### (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.





## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

### 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 2019, the Fund issued 1,638,000,000 units (for the period ended 30th June 2018: 580,000,000 units), totaling HK\$46,913,484,576 (for the period ended 30th June 2018: HK\$18,056,734,356) in exchange for Index Baskets consisting of investments valued at HK\$46,692,698,240 (for the period ended 30th June 2018: HK\$17,967,173,930) plus the relevant cash component of HK\$220,786,336 (for the period ended 30th June 2018: HK\$89,560,426).

In accordance with the Trust Deed, units are redeemed in-kind with the remaining balances in cash. During the period ended 30th June 2019, the Fund redeemed 1,803,000,000 units (for the period ended 30th June 2018: 746,000,000 units), totaling HK\$51,721,546,152 (for the period ended 30th June 2018: HK\$22,946,264,675) in exchange for Index Baskets consisting of investments valued at HK\$51,482,168,114 (for the period ended 30th June 2018: HK\$22,820,412,669) plus the relevant cash component of HK\$239,378,038 (for the period ended 30th June 2018: HK\$125,852,006).

### 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.



## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

### 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 2019 and the year ended 31st December 2018.

The SFC Code allows the Fund to invest in constituent securities issued by a single issuer for more than 10% of the Fund's net asset value provided that the investment is limited to any constituent securities that each accounts for more than 10% of the weighting of the Index and the Fund's holding of any such constituent securities may not exceed their respective weightings in the Index (except as a result of changes in the composition of the Index and the excess is transitional and temporary in nature).

Constituent securities that account for more than 10% of the net asset value of the Fund as at 30th June 2019 and 31st December 2018 were as follows:

	Respective weighting in the Index (%)		% of net asset value	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
AIA Group Ltd.	10.6	9.3	10.5	9.2
Tencent Holdings Ltd	10.0	10.1	9.8	10.1
HSBC Holdings plc	9.6	10.0	9.5	10.0
<b>Total</b>	<b>30.2</b>	<b>29.4</b>	<b>29.8</b>	<b>29.3</b>

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 2019 and 31st December 2018.

During the period ended 30th June 2019, the Hang Seng Index increased by 10.43% (for the period ended 30th June 2018: decreased by 3.22%), while the net asset value per unit of the Fund increased by 11.94% (for the period ended 30th June 2018: decreased by 2.16%).





## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

### 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.

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.



## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

### 12 Financial risk management (Continued)

(a) Fair value estimation (Continued)

The following table analyses within the fair value hierarchy the Fund's investments (by class) measured at fair value at 30th June 2019 and 31st December 2018.

All fair value measurements disclosed are recurring fair value measurements.

	Level1 HK\$	Level2 HK\$	Level3 HK\$	Total HK\$
<b>At 30th June 2019</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss:				
- Equity securities	85,810,213,966	-	-	85,810,213,966
	Level1 HK\$	Level2 HK\$	Level3 HK\$	Total HK\$

**At 31st December  
2018**

**Assets**

Financial assets at fair value through profit or loss:

- Equity securities	81,964,264,535	-	-	81,964,264,535

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 2019 and 31st December 2018, 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 2019 and 31st December 2018, the Fund did not hold any investments classified in level 3.

For the periods ended 30th June 2019 and the year ended 31st December 2018, there were no transfers of financial instruments between levels.

The assets and liabilities included in the Condensed Statement of Net Assets except investments are carried at amortized cost; their carrying values are a reasonable approximation of fair value.





## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

### 13 Distributions

	(UNAUDITED)	
	2019	2018
	HK\$	HK\$
Interim distribution		
– HK\$0.16 on 3,230,992,500 units paid on 31st May 2018	–	516,958,800
– HK\$0.15 on 3,092,992,500 units paid on 31st May 2019	463,948,875	–
	<u>463,948,875</u>	<u>–</u>

### 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 2019 and 31st December 2018, there was one nominee company that held more than 10% of the Fund's net assets. The nominee company's holdings were 88.35% as at 30th June 2019 and 88.73% as at 31st December 2018.



## INVESTMENT PORTFOLIO (UNAUDITED)

AS AT 30TH JUNE 2019

	Holdings	Fair value HK\$	% of net assets
<b>Hong Kong</b>			
<b>Listed investments (98.44%)</b>			
<b>Equities (98.44%)</b>			
<b>Commence and Industry (33.75%)</b>			
AAC Technologies Holdings Ltd.	6,628,585	293,977,745	0.34
China Mengniu Dairy Co. Ltd.	25,050,703	757,783,766	0.87
China Mobile Ltd.	55,966,562	3,982,020,886	4.57
China Petroleum & Chemical Corporation	232,456,539	1,234,344,222	1.42
China Shenhua Energy Co. Ltd.	30,964,646	506,581,609	0.58
China Unicom (Hong Kong) Ltd.	55,755,990	477,828,834	0.55
CITIC Ltd.	53,008,721	596,878,198	0.69
CK Hutchison Holdings Ltd.	24,594,180	1,893,751,860	2.17
CNOOC Ltd.	162,715,532	2,173,879,508	2.49
CSPC Pharmaceutical Group Ltd.	42,614,366	536,941,012	0.62
Galaxy Entertainment Group Ltd.	19,723,782	1,038,457,122	1.19
Geely Automobile Holdings Ltd.	49,143,157	656,552,577	0.75
Hengan International Group Co. Ltd.	6,504,147	373,663,245	0.43
MTR Corporation Ltd.	13,999,088	736,352,029	0.84
PetroChina Co. Ltd.	192,233,550	828,526,600	0.95
Sands China Ltd.	22,088,654	825,011,227	0.95
Shenzhou International Group Holdings Ltd.	6,847,974	735,472,408	0.84
Sino Biopharmaceutical Ltd.	63,082,851	504,031,979	0.58
Sunny Optical Tech Co. Ltd.	6,495,824	524,212,997	0.60
Swire Pacific Ltd.	4,536,257	435,480,672	0.50
Techtronic Industries Co. Ltd.	13,311,530	796,029,494	0.91
Tencent Holdings Ltd.	24,243,325	8,548,196,395	9.81
Want Want China Holding Ltd.	51,041,769	324,115,233	0.37
WH Group Co. Ltd.	80,229,080	635,414,314	0.73
		29,415,503,932	33.75
<b>Finance (48.39%)</b>			
AIA Group Ltd.	108,362,827	9,129,568,175	10.47
Bank Of China Ltd.	723,797,368	2,388,531,314	2.74
Bank Of Communications Co Ltd.	79,749,570	472,914,950	0.54
BOC Hong Kong (Holdings) Ltd.	33,715,304	1,036,745,598	1.19
China Construction Bank Corporation	985,711,237	6,633,836,625	7.61
China Life Insurance Co. Ltd.	67,797,325	1,304,420,533	1.50
Hang Seng Bank Ltd.	6,967,601	1,355,198,395	1.55
Hong Kong Exchanges and Clearing Ltd.	10,824,918	2,985,512,384	3.42
HSBC Holdings Plc	127,685,852	8,274,043,210	9.49
Industrial and Commercial Bank of China Ltd.	672,172,044	3,831,380,651	4.40
Ping An Insurance (Group) Co. of China Ltd.	50,891,555	4,773,627,859	5.48
		42,185,779,694	48.39





## INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 30TH JUNE 2019

	Holdings	Fair value HK\$	% of net assets
<b>Properties (11.41%)</b>			
China Overseas Land & Investment Ltd.	34,937,293	1,006,194,038	1.15
China Resources Land Ltd.	25,259,027	868,910,529	1.00
CK Asset Holdings Ltd.	23,555,671	1,440,429,282	1.65
Country Garden Holdings Co. Ltd.	69,032,436	820,105,340	0.94
Hang Lung Properties Ltd.	18,440,624	342,626,794	0.39
Henderson Land Development Co. Ltd.	13,233,385	569,697,224	0.65
Link Real Estate Investment Trust	19,218,251	1,844,952,096	2.12
New World Development Co. Ltd.	55,853,852	682,534,071	0.78
Sino Land Co. Ltd.	27,717,418	363,098,176	0.42
Sun Hung Kai Properties Ltd.	10,558,753	1,399,034,773	1.61
Wharf Real Estate Investment Co. Ltd.	11,065,713	609,167,501	0.70
		9,946,749,824	11.41
		-----	-----
<b>Utilities (4.89%)</b>			
CK Infrastructure Holdings Ltd.	7,239,152	461,133,982	0.53
CLP Holdings Ltd.	17,264,217	1,488,175,505	1.71
Hong Kong and China Gas Co. Ltd.	92,524,097	1,602,517,360	1.84
Power Assets Holdings Ltd.	12,639,745	710,353,669	0.81
		4,262,180,516	4.89
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Total Listed Equities		85,810,213,966	98.44
Total investments, at cost		83,463,210,874	



## STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)

FOR THE PERIOD ENDED 30TH JUNE 2019

	(UNAUDITED) Holdings			
	31.12.2018	Additions	Disposals	30.06.2019
<b>Hong Kong</b>				
<b>Listed investments</b>				
<b>Equities</b>				
<b>Commerce and Industry</b>				
AAC Technologies Holdings Ltd.	7,073,483	3,678,025	(4,122,923)	6,628,585
China Mengniu Dairy Co. Ltd.	26,522,853	38,894,903	(40,367,053)	25,050,703
China Mobile Ltd.	59,379,252	31,117,709	(34,530,399)	55,966,562
China Petroleum & Chemical Corporation	246,145,451	129,248,389	(142,937,301)	232,456,539
China Shenhua Energy Co. Ltd.	32,788,397	17,216,537	(19,040,288)	30,964,646
China Unicom (Hong Kong) Ltd.	59,176,631	31,001,042	(34,421,683)	55,755,990
CITIC Ltd.	56,130,571	29,473,093	(32,594,943)	53,008,721
CK Hutchison Holdings Ltd.	26,052,156	13,674,408	(15,132,384)	24,594,180
CNOOC Ltd.	172,296,964	90,470,863	(100,052,295)	162,715,532
CSPC Pharmaceutical Group Ltd.	45,435,113	23,704,621	(26,525,368)	42,614,366
Galaxy Entertainment Group Ltd.	22,914,365	11,485,234	(14,675,817)	19,723,782
Geely Automobile Holdings Ltd.	51,967,701	27,339,333	(30,163,877)	49,143,157
Hengan International Group Co. Ltd.	6,982,499	3,601,734	(4,080,086)	6,504,147
MTR Corporation Ltd.	17,772,418	9,456,585	(13,229,915)	13,999,088
PetroChina Co. Ltd.	203,555,680	106,883,028	(118,205,158)	192,233,550
Sands China Ltd.	23,386,174	12,281,916	(13,579,436)	22,088,654
Shenzhen International Group Holdings Ltd.	7,262,499	3,807,801	(4,222,326)	6,847,974
Sino Biopharmaceutical Ltd.	67,170,000	34,962,491	(39,049,640)	63,082,851
Sunny Optical Tech Co. Ltd.	6,879,365	3,612,083	(3,995,624)	6,495,824
Swire Pacific Ltd.	4,803,240	2,522,682	(2,789,665)	4,536,257
Techtronic Industries Co. Ltd.	-	17,516,136	(4,204,606)	13,311,530
Tencent Holdings Ltd.	26,341,862	13,581,911	(15,680,448)	24,243,325
Want Want China Holding Ltd.	54,103,925	28,379,149	(31,441,305)	51,041,769
WH Group Co. Ltd.	84,950,171	44,609,032	(49,330,123)	80,229,080
<b>Finance</b>				
AIA Group Ltd.	116,701,777	60,102,263	(68,441,213)	108,362,827
Bank of China Ltd.	766,884,520	402,435,147	(445,522,299)	723,797,368
Bank of Communications Co Ltd.	84,445,945	44,341,617	(49,037,992)	79,749,570
BOC Hong Kong (Holdings) Ltd.	35,700,959	18,745,609	(20,731,264)	33,715,304
China Construction Bank Corporation	1,045,530,877	548,061,057	(607,880,697)	985,711,237
China Life Insurance Co. Ltd.	71,789,626	37,695,780	(41,688,081)	67,797,325
Hang Seng Bank Ltd.	7,377,977	3,873,655	(4,284,031)	6,967,601
Hong Kong Exchanges and Clearing Ltd.	11,490,621	6,146,690	(6,812,393)	10,824,918
HSBC Holdings Plc	127,028,918	85,620,940	(84,964,006)	127,685,852
Industrial and Commercial Bank of China Ltd.	712,110,595	373,732,013	(413,670,564)	672,172,044
Ping An Insurance (Group) Co. of China Ltd.	53,915,632	28,296,024	(31,320,101)	50,891,555





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

FOR THE PERIOD ENDED 30TH JUNE 2019

	(UNAUDITED) Holdings			30.06.2019
	31.12.2018	Additions	Disposals	
<b>Properties</b>				
China Overseas Land & Investment Ltd.	36,996,438	19,424,592	(21,483,737)	34,937,293
China Resources Land Ltd.	26,747,682	14,044,651	(15,533,306)	25,259,027
CK Asset Holdings Ltd.	24,970,306	13,097,007	(14,511,642)	23,555,671
Country Garden Holdings Co. Ltd.	73,410,545	38,421,912	(42,800,021)	69,032,436
Hang Lung Properties Ltd.	19,526,812	10,075,200	(11,161,388)	18,440,624
Henderson Land Development Co. Ltd.	12,738,214	8,000,140	(7,504,969)	13,233,385
New World Development Co. Ltd.	59,128,772	31,107,679	(34,382,599)	55,853,852
Sino Land Co. Ltd.	28,659,964	15,546,304	(16,488,850)	27,717,418
Sun Hung Kai Properties Ltd.	11,224,225	5,870,637	(6,536,109)	10,558,753
Link Real Estate Investment Trust	20,445,174	10,674,689	(11,901,612)	19,218,251
Wharf Real Estate Investment Co. Ltd.	11,716,715	6,153,083	(6,804,085)	11,065,713
<b>Utilities</b>				
China Resources Power Holdings Co. Ltd.	18,563,810	4,390,330	(22,954,140)	–
CK Infrastructure Holdings Ltd.	6,393,221	4,572,798	(3,726,867)	7,239,152
CLP Holdings Ltd.	18,280,502	9,598,622	(10,614,907)	17,264,217
Hong Kong and China Gas Co. Ltd.	89,065,359	55,934,916	(52,476,178)	92,524,097
Power Assets Holdings Ltd.	13,383,635	7,027,618	(7,771,508)	12,639,745

## PERFORMANCE RECORD (UNAUDITED)

FOR THE PERIOD ENDED 30TH JUNE 2019

### Fund Performance

During the period ended 30th June 2019, the Hang Seng Index increased by 10.43% (2018: decreased by 3.22%), while the net asset value per unit of the Fund increased by 11.94% (2018: decreased by 2.16%).



## 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  
22nd Floor  
Prince's Building  
Central  
Hong Kong

