



Tracker Fund of Hong Kong

Stock Code : 2800

Website : www.trahk.com.hk

Interim Report 2021

1st January 2021 to 30th June 2021

**STATE STREET GLOBAL
ADVISORS**

A large abstract graphic at the bottom of the page consisting of overlapping geometric shapes in shades of red, grey, and white, creating a dynamic, layered effect.

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CONDENSED STATEMENT OF NET ASSETS (UNAUDITED)

AS AT 30TH JUNE 2021

		(UNAUDITED) 30.06.2021 HK\$	(AUDITED) 31.12.2020 HK\$
	<i>Notes</i>		
Assets			
Current assets			
Investments	12	92,579,450,892	105,381,614,466
Dividend receivable		370,687,825	–
Amounts receivable on creation of units		585,393	2,066,326
Bank balances	7(e)	710,827,677	205,355,063
		<u>93,661,551,787</u>	<u>105,589,035,855</u>
Total assets			
Liabilities			
Current liabilities			
Management fee payable	7(c)	7,882,411	8,009,133
Trustee fee payable	7(d)	7,882,411	15,580,193
Index license fee payable	8(c)	3,606,996	3,682,929
Registrar fee payable	8(a)	263,627	440,759
Professional fee payable		178,500	238,000
Amounts payable on redemption of units		35,689,070	95,559
Other accounts payable and accruals		3,548,989	3,834,319
		<u>59,052,004</u>	<u>31,880,892</u>
Liabilities (excluding net assets attributable to unitholders of redeemable units)			
		<u>59,052,004</u>	<u>31,880,892</u>
Net assets attributable to unitholders of redeemable units			
	5	<u>93,602,499,783</u>	<u>105,557,154,963</u>

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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE PERIOD ENDED 30TH JUNE 2021

		(UNAUDITED)	
		For the half-year ended 30.06.2021	For the half-year ended 30.06.2020
	Notes	HK\$	HK\$
Income			
Dividends		1,396,663,335	1,413,737,628
Bank interest	7(e)	275,935	1,870,309
Transaction fee	4(a)	5,235,000	1,440,000
Other income	4(b)	1,924,547	1,665,310
Net gain/(loss) on investments	3	<u>5,847,497,322</u>	<u>(11,163,400,604)</u>
Total investment income/(loss)		<u>7,251,596,139</u>	<u>(9,744,687,357)</u>
Expenses			
Management fee	7(c)	16,010,218	14,407,705
Trustee fee	7(d)	16,042,806	14,027,486
Index license fee	8(c)	7,296,761	6,195,715
Transaction costs on investments		31,336,056	9,382,761
Registrar fee	8(a)	869,514	863,494
Publication and printing expenses		771,523	984,440
Conversion agent fee	8(b)	4,320,000	1,260,000
Audit fee		220,360	198,020
Bank charges		190,690	165,847
Legal and other professional fees		535,371	663,218
Other operating expenses		<u>1,999,730</u>	<u>409,464</u>
Total operating expenses		<u>79,593,029</u>	<u>48,558,150</u>
Operating profit/(loss)		7,172,003,110	(9,793,245,507)
Finance costs			
Distributions to unitholders of redeemable units	13	<u>(432,119,025)</u>	<u>(301,949,325)</u>
Profit/(loss) after distributions and before tax		6,739,884,085	(10,095,194,832)
Withholding tax	6	<u>(57,770,545)</u>	<u>(63,506,143)</u>
Increase/(decrease) in net assets attributable to unitholders of redeemable units from operations		<u>6,682,113,540</u>	<u>(10,158,700,975)</u>

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

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

FOR THE PERIOD ENDED 30TH JUNE 2021

	(UNAUDITED)			
	For the	For the	For the	For the
	half-year ended 30.06.2021	half-year ended 30.06.2021	half-year ended 30.06.2020	half-year ended 30.06.2020
Notes	Units	HK\$	Units	HK\$
Net assets attributable to unitholders of redeemable units at 1st January	3,851,992,500	105,557,154,963	3,158,992,500	89,670,742,240
Issue of units				
– In-kind	9 1,741,000,000	50,641,438,611	1,240,000,000	31,166,891,686
– Cash component	9 –	131,280,451	–	154,415,355
	1,741,000,000	50,772,719,062	1,240,000,000	31,321,307,041
Redemption of units				
– In-kind	9 (2,394,000,000)	(69,206,217,271)	(931,000,000)	(24,341,770,871)
– Cash component	9 –	(203,270,511)	–	(105,014,145)
	(2,394,000,000)	(69,409,487,782)	(931,000,000)	(24,446,785,016)
Net (redemption)/issue of units	(653,000,000)	(18,636,768,720)	309,000,000	6,874,522,025
Increase/(decrease) in net assets attributable to unitholders of redeemable units from operations	–	6,682,113,540	–	(10,158,700,975)
Net assets attributable to unitholders of redeemable units at 30th June	3,198,992,500	93,602,499,783	3,467,992,500	86,386,563,290

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

CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE PERIOD ENDED 30TH JUNE 2021

		(UNAUDITED)	
		For the half-year ended 30.06.2021 HK\$	For the half-year ended 30.06.2020 HK\$
Cash flows from operating activities			
Proceeds from sale of investments	9	13,627,236,062	4,988,029,536
Payments for purchase of investments	9	(13,542,353,826)	(4,904,442,806)
Dividends received		968,204,965	755,086,489
Bank interest received		275,935	1,910,824
Transaction fee received		5,280,000	1,440,000
Management fee paid		(16,136,940)	(7,540,883)
Trustee fee paid		(23,740,588)	–
Index license fee paid		(7,372,694)	(3,162,152)
Registrar fee paid		(1,046,646)	(876,881)
Publication and printing expenses paid		(1,048,505)	(584,311)
Transaction costs on investments paid		(31,336,056)	(9,382,761)
Conversion agent fee paid		(4,128,000)	(896,000)
Bank charges paid		(190,690)	(165,847)
Legal and other professional fees paid		(594,871)	(663,218)
Other operating expenses (paid)/refund		(2,078,574)	236,745
		<u>970,969,572</u>	<u>818,988,735</u>
Net cash generated from operating activities			
		-----	-----
Cash flows from financing activities			
Cash component received on issue of units	9	132,761,384	155,968,801
Cash component paid on redemption of units	9	(167,677,000)	(105,285,991)
Interim distribution paid	4(b), 13	(430,581,342)	(300,284,015)
		<u>(465,496,958)</u>	<u>(249,601,205)</u>
Net cash used in financing activities			
		-----	-----
Net increase in cash and cash equivalents			
		505,472,614	569,387,530
Cash and cash equivalents at the beginning of the period		<u>205,355,063</u>	<u>167,477,563</u>
Cash and cash equivalents at the end of the period			
		<u><u>710,827,677</u></u>	<u><u>736,865,093</u></u>
Analysis of balances of cash and cash equivalents:			
Bank balances	7(e)	<u><u>710,827,677</u></u>	<u><u>736,865,093</u></u>

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

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

1 General Information

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

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

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

2 Basis of preparation and accounting policies

These unaudited condensed interim financial statements for the six months ended 30th June 2021 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 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies and methods of computation applied are consistent with those of the annual financial statements for the year ended 31st December 2020. Other amendments to HKFRS effective for the financial year ending 31st December 2021 are not expected to have a material impact on the Fund.

3 Net gain/(loss) on investments

	(UNAUDITED)	
	For the half-year ended 30.06.2021 HK\$	For the half-year ended 30.06.2020 HK\$
Change in unrealized loss on investments	(5,141,239,483)	(10,956,985,457)
Realized gain/(loss) on sale of investments	10,988,736,805	(206,415,147)
	<u>5,847,497,322</u>	<u>(11,163,400,604)</u>

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

4 Income

(a) Transaction fee

Applications to create or redeem units are only made through brokers or dealers (who itself or its agent is a participant in Central Clearing and Settlement System ("CCASS") and to whose or whose agent's account any units are for the time being credited by Hong Kong Securities Clearing Company ("HKSCC")) (the "Participating Dealers") which have executed participation agreements with the Manager, the Trustee, HK Conversion Agency Services Limited (the "Conversion Agent") and HKSCC. The Fund is entitled to receive a transaction fee of HK\$15,000 per total aggregate creation and redemption orders per day per Participating Dealer.

(b) Other income

Other income represents registrar charges levied on unitholders (other than HKSCC Nominees) who hold units registered in their own names as at each record date for the relevant distribution. Currently, these charges amount to the lower of HK\$40 per distribution per unitholder and the unitholder's actual distribution entitlement. Such charges are deducted on a half-yearly basis from the half-yearly distributions payable to the relevant unitholders.

5 Number of units in issue and net assets attributable to unitholders of redeemable units

The Fund's capital is represented by the net assets attributable to unitholders of redeemable units. Units are issued through an in-kind creation of an Index Basket with the remaining balances in cash, and are redeemed in-kind with the remaining balances in cash. Creations and redemptions of units during the period are shown on the Condensed Statement of Changes in Net Assets Attributable to Unitholders of Redeemable Units. In accordance with the objectives and risk management policies outlined in note 12(a), the Manager endeavors to invest in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of listed securities where necessary.

In accordance with the provisions of the Trust Deed, listed investments are stated at the last traded price on the valuation day for the purpose of determining net asset value per unit for creations and redemptions and for various fee calculations.

Net assets attributable to unitholders of redeemable units at last traded market prices represent a liability in the Condensed Statement of Net Assets, carried at the redemption amount that would be payable at the period end date if the unitholders exercised the right to redeem the units in the Fund.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

5 Number of units in issue and net assets attributable to unitholders of redeemable units (Continued)

	(UNAUDITED) Number of units		
	01.01.2021 to 30.06.2021	01.07.2020 to 31.12.2020	01.01.2020 to 30.06.2020
Units in issue at the beginning of the period	3,851,992,500	3,467,992,500	3,158,992,500
Issue of units	1,741,000,000	1,983,000,000	1,240,000,000
Redemption of units	(2,394,000,000)	(1,599,000,000)	(931,000,000)
Units in issue at the end of the period	<u>3,198,992,500</u>	<u>3,851,992,500</u>	<u>3,467,992,500</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Net assets attributable to holders of redeemable units	<u>93,602,499,783</u>	<u>105,557,154,963</u>	<u>86,386,563,290</u>
Net assets attributable to holders of redeemable units (per unit)	<u>29.26</u>	<u>27.40</u>	<u>24.91</u>
Net asset value per Creation Unit (1 Creation Unit is equivalent to 1,000,000 units)	<u>29,259,994</u>	<u>27,403,261</u>	<u>24,909,674</u>

6 Taxation

No provision for Hong Kong profits tax has been made as the Fund was authorized as a collective investment scheme under Section 104 of the Hong Kong Securities and Futures Ordinance and is therefore exempted from profits tax under Sections 26A(1A) of the Hong Kong Inland Revenue Ordinance.

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

6 Taxation (Continued)

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

Withholding tax of 10% was charged on dividend income received from H-shares and Red Chips during the periods ended 30th June 2021 and 2020.

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

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

(a) Manager's holding in the Fund

The directors and officers of the Manager may transact in the units of the Fund as principal. As at 30th June 2021, the directors and officers of the Manager together held no units in the Fund (as at 31st December 2020: Nil).

(b) Trustee's holding in the Fund

The directors and officers of the Trustee or its connected persons may transact in the units of the Fund as principal. As at 30th June 2021, the directors and officers of the Trustee and its connected persons together held 1,120 units in the Fund (as at 31st December 2020: Nil).

(c) Management fee

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

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

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

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

(d) Trustee fee

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

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

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

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

(e) Bank balances

Bank balance held with the Trustee amounted to HK\$142,432,001 as at 30th June 2021 (as at 31st December 2020: HK\$6,626,614). Such account is interest bearing. No interest income amount was accrued and received for the period ended to 30th June 2021 with respect to the bank balance held with the Trustee (period ended 30th June 2020: HK\$478).

8 Other fees

(a) Registrar fee

The fee payable to Computershare Hong Kong Investor Services Limited (the "Registrar"), is calculated based on the number of unitholders on the register on the first business day of the relevant month at the following fee scale, subject to a monthly maximum aggregate registrar fee of HK\$1,000,000.

	HK\$ (per month)
For the first 2,000 Unitholders	12,000
For every additional 1,000 Unitholders up to 100,000 Unitholders	2,650
For every additional 1,000 Unitholders above 100,000 Unitholders	2,250

The registrar fee is accrued daily and payable monthly in advance.

The Registrar is also reimbursed for all of its out-of-pocket expenses incurred in connection with performing its services.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

8 Other fees (Continued)

(b) Conversion agent fee

The Conversion Agent, HK Conversion Agency Services Limited, received a monthly retainer fee of HK\$16,000 plus a transaction fee of HK\$12,000 on total aggregate creation and redemption orders per day per Participating Dealer.

The conversion agent fee is accrued daily and payable monthly in arrears.

(c) Index license fee

The index license fee is calculated at the following annual rates of the net asset value of the Fund, subject to a minimum fee of US\$10,000:

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

The index license fee is accrued daily and payable quarterly in arrears.

9 Major non-cash transactions

In accordance with the Trust Deed, units are issued through an in-kind creation of an Index Basket with the remaining balances in cash. For each Creation Unit (of 1,000,000 units), the Fund receives an Index Basket consisting of constituent shares as determined by the Manager on a daily basis. During the period ended 30th June 2021, the Fund issued 1,741,000,000 units (for the period ended 30th June 2020: 1,240,000,000 units), totaling HK\$50,772,719,062 (for the period ended 30th June 2020: HK\$31,321,307,041) in exchange for Index Baskets consisting of investments valued at HK\$50,641,438,611 (for the period ended 30th June 2020: HK\$31,166,891,686) plus the relevant cash component of HK\$131,280,451 (for the period ended 30th June 2020: HK\$154,415,355).

In accordance with the Trust Deed, units are redeemed in-kind with the remaining balances in cash. During the period ended 30th June 2021, the Fund redeemed 2,394,000,000 units (for the period ended 30th June 2020: 931,000,000 units), totaling HK\$69,409,487,782 (for the period ended 30th June 2020: HK\$24,446,785,016) in exchange for Index Baskets consisting of investments valued at HK\$69,206,217,271 (for the period ended 30th June 2020: HK\$24,341,770,871) plus the relevant cash component of HK\$203,270,511 (for the period ended 30th June 2020: HK\$105,014,145).

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

10 Soft dollar practices

The Manager may effect transactions, provided that any such transaction is consistent with standards of “best execution”, by or through the agency of another person for the account of the Fund with whom the Manager or any of its Connected Persons have an arrangement under which that party will from time to time provide to or procure for the Manager or any of its Connected Persons goods, services or other benefits (such as research and advisory services, computer hardware associated with specialized software or research services and performance measures) the nature of which is such that their provision can reasonably be expected to benefit the Fund as a whole and may contribute to an improvement in the performance of the Fund. For the avoidance of doubt, such goods and services may not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employees’ salaries or direct money payments.

Since the inception of the Fund, the Manager had not participated in any soft dollar arrangements in respect of any transactions for the account of the Fund.

11 Investment limitations and prohibitions under the SFC Code

Pursuant to the SFC’s Guidelines for Regulating Index Tracking Exchange Traded Funds (the “ETF Guidelines”), the Manager is permitted to overweight the holdings of the Fund relative to its respective weightings in the underlying index, on the condition that the maximum extra weighting in any constituent securities will not exceed the maximum limit reasonably determined by the Fund and after consultation with the SFC. The maximum limit for each of the Fund has been disclosed in its respective prospectus.

The Manager has confirmed that the Fund has complied with this limit during the period ended 30th June 2021 and the year ended 31st December 2020.

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

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

Constituent securities that account for more than 10% of the net asset value of the Fund as at 30th June 2021 and 31st December 2020 were as follows:

	Respective weighting in the Index (%)		% of net asset value	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
AIA Group Ltd	7.9	10.5	7.8	10.5
Total	7.9	10.5	7.8	10.5

As at 30th June 2021, there were no securities that individually accounted for more than 10% of the net asset value of the Fund.

During the period ended 30th June 2021, the Hang Seng Index increased by 5.86% (for the period ended 30th June 2020: decreased by 13.35%), while the net asset value per unit of the Fund increased by 6.78% (for the period ended 30th June 2020: decreased by 12.25%).

12 Financial risk management

(a) Fair value estimation

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the period end date.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

12 Financial risk management (Continued)

(a) Fair value estimation (Continued)

HKFRS 13 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes “observable” requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Fund’s investments (by class) measured at fair value at 30th June 2021 and 31st December 2020.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

12 Financial risk management (Continued)

(a) Fair value estimation (Continued)

All fair value measurements disclosed are recurring fair value measurements.

	Level1 HK\$	Level2 HK\$	Level3 HK\$	Total HK\$
As at 30.06.2021				
Assets				
Financial assets at fair value through profit or loss:				
- Equity securities	92,579,450,892	-	-	92,579,450,892

	Level1 HK\$	Level2 HK\$	Level3 HK\$	Total HK\$
As at 31.12.2020				
Assets				
Financial assets at fair value through profit or loss:				
- Equity securities	105,381,614,466	-	-	105,381,614,466

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 2021 and 31st December 2020, 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 2021 and 31st December 2020, the Fund did not hold any investments classified in level 3.

For the period ended 30th June 2021 and the year ended 31st December 2020, 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)	
	2021	2020
	HK\$	HK\$
Interim distribution		
– HK\$0.09 on 3,354,992,500 units paid on 29th May 2020	–	301,949,325
– HK\$0.13 on 3,323,992,500 units paid on 31st May 2021	432,119,025	–
	<u>432,119,025</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 2021 and 31st December 2020, there was one nominee company that held more than 10% of the Fund's net assets. The nominee company's holdings were 90.08% as at 30th June 2021 and 91.09% as at 31st December 2020.

INVESTMENT PORTFOLIO (UNAUDITED)

AS AT 30TH JUNE 2021

	Holdings	Fair value HK\$	% of net assets
Hong Kong			
Listed investments (98.91%)			
Equities (98.91%)			
Commence and Industry (53.95%)			
AAC Technologies Holdings Inc.	5,133,272	298,243,103	0.32
Alibaba Group Holding Ltd.	32,279,259	7,101,436,980	7.59
Alibaba Health Information Tech Ltd.	33,438,918	575,818,168	0.62
ANTA Sports Products Ltd.	7,654,523	1,399,246,804	1.49
Budweiser Brewing Co. APAC Ltd.	14,062,840	344,539,580	0.37
BYD Company Ltd.	5,960,760	1,384,088,472	1.48
China Mengniu Dairy Co. Ltd.	19,565,365	918,593,887	0.98
China Mobile Ltd.	43,484,825	2,111,188,254	2.26
China Petroleum & Chemical Corporation	171,583,394	674,322,738	0.72
China Unicom (Hong Kong) Ltd.	43,322,822	183,688,765	0.20
CITIC Ltd.	51,483,807	430,919,465	0.46
CK Hutchison Holdings Ltd.	19,109,293	1,156,112,227	1.24
CNOOC Ltd.	126,426,692	1,116,347,690	1.19
Country Garden Services Holdings Co. Ltd.	11,680,517	979,995,376	1.05
CSPC Pharmaceutical Group Ltd.	63,572,452	714,554,361	0.76
Galaxy Entertainment Group Ltd.	15,397,624	956,962,332	1.02
Geely Automobile Holdings Ltd.	41,704,610	1,019,677,715	1.09
Haidilao International Holding Ltd.	7,503,979	306,912,741	0.33
Hengan International Group Co. Ltd.	5,038,894	262,022,488	0.28
Meituan	24,226,763	7,762,254,865	8.29
MTR Corporation Ltd.	13,128,571	567,810,696	0.61
PetroChina Co. Ltd.	149,362,562	564,590,484	0.60
Sands China Ltd.	20,047,672	655,558,874	0.70
Shenzhou International Group Holdings Ltd.	5,852,823	1,147,738,590	1.23
Sino Biopharmaceutical Ltd.	80,114,704	610,474,045	0.65
Sunny Optical Tech Co. Ltd.	5,047,199	1,238,582,635	1.32
Techtronic Industries Co. Ltd.	10,376,857	1,407,101,809	1.50
Tencent Holdings Ltd.	12,074,349	7,051,419,816	7.53
WH Group Ltd.	63,151,161	440,795,104	0.47
Wuxi Biologics (Cayman) Inc.	23,900,524	3,401,044,565	3.63
Xiaomi Corporation	116,222,658	3,138,011,766	3.35
Xinyi Solar Holdings Ltd.	34,448,576	577,358,134	0.62
		50,497,412,529	53.95

Tracker Fund of Hong Kong

Interim Report 2021

INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 30TH JUNE 2021

	Holdings	Fair value HK\$	% of net assets
Finance (34.79%)			
AIA Group Ltd.	75,525,215	7,288,183,248	7.79
Bank of China Ltd.	562,376,491	1,569,030,410	1.67
Bank of Communications Co., Ltd.	61,963,864	323,451,370	0.34
BOC Hong Kong (Holdings) Ltd.	26,196,446	690,276,352	0.74
China Construction Bank Corporation	767,409,756	4,688,873,609	5.01
China Life Insurance Co. Ltd.	52,677,413	811,232,160	0.87
Hang Seng Bank Ltd.	5,413,791	839,678,984	0.90
Hong Kong Exchanges and Clearing Ltd.	8,544,339	3,954,320,089	4.22
HSBC Holdings Plc	147,143,164	6,599,370,905	7.05
Industrial and Commercial Bank of China Ltd.	523,570,749	2,387,482,615	2.55
Ping An Insurance (Group) Co. of China, Ltd.	44,912,241	3,415,575,928	3.65
		<u>32,567,475,670</u>	<u>34.79</u>
Properties (7.19%)			
China Overseas Land & Investment Ltd.	27,118,057	478,362,526	0.51
China Resources Land Ltd.	22,716,925	714,447,291	0.76
CK Asset Holdings Ltd.	14,458,235	774,961,396	0.83
Country Garden Holdings Co. Ltd.	54,597,717	475,000,138	0.51
Hang Lung Properties Ltd.	14,328,493	270,235,378	0.29
Henderson Land Development Co. Ltd.	10,281,629	378,363,947	0.40
Link Real Estate Investment Trust	14,737,826	1,109,021,407	1.19
Longfor Group Holdings Ltd.	12,871,547	559,912,295	0.60
New World Development Co. Ltd.	10,783,179	435,101,273	0.47
Sun Hung Kai Properties Ltd.	8,200,967	948,851,882	1.01
Wharf Real Estate Investment Co. Ltd.	12,901,439	582,499,971	0.62
		<u>6,726,757,504</u>	<u>7.19</u>
Utilities (2.98%)			
CK Infrastructure Holdings Ltd.	5,629,154	260,629,830	0.28
CLP Holdings Ltd.	14,312,209	1,099,177,651	1.17
The Hong Kong and China Gas Co. Ltd.	79,604,937	960,035,540	1.03
Power Assets Holdings Ltd.	9,820,822	467,962,168	0.50
		<u>2,787,805,189</u>	<u>2.98</u>
Total Listed Equities		<u>92,579,450,892</u>	<u>98.91</u>
Total investments, at cost		<u>90,034,041,737</u>	

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)

FOR THE PERIOD ENDED 30TH JUNE 2021

	(UNAUDITED) Holdings			06.30.2021
	31.12.2020	Additions	Disposals	
Hong Kong				
Listed investments				
Equities				
Commerce and Industry				
AAC Technologies Holdings Inc.	6,968,823	3,069,255	(4,904,806)	5,133,272
Alibaba Group Holding Ltd.	19,996,518	28,098,885	(15,816,144)	32,279,259
Alibaba Health Information Tech Ltd.	–	42,525,364	(9,086,446)	33,438,918
ANTA Sports Products Ltd.	10,394,487	4,589,728	(7,329,692)	7,654,523
Budweiser Brewing Co. APAC Ltd.	19,097,672	8,409,195	(13,444,027)	14,062,840
BYD Company Ltd.	–	6,529,920	(569,160)	5,960,760
China Mengniu Dairy Co. Ltd.	26,561,115	33,835,959	(40,831,709)	19,565,365
China Mobile Ltd.	59,063,515	24,113,707	(39,692,397)	43,484,825
China Petroleum & Chemical Corporation	233,054,880	102,816,260	(164,287,746)	171,583,394
China Unicom (Hong Kong) Ltd.	58,842,630	24,023,179	(39,542,987)	43,322,822
CITIC Ltd.	69,928,115	30,785,821	(49,230,129)	51,483,807
CK Hutchison Holdings Ltd.	25,955,115	11,450,597	(18,296,419)	19,109,293
CNOOC Ltd.	171,719,492	75,757,854	(121,050,654)	126,426,692
Country Garden Services Holdings Co. Ltd.	–	12,795,584	(1,115,067)	11,680,517
CSPC Pharmaceutical Group Ltd.	86,349,040	38,015,029	(60,791,617)	63,572,452
Galaxy Entertainment Group Ltd.	20,855,212	9,207,820	(14,665,408)	15,397,624
Geely Automobile Holdings Ltd.	56,613,321	24,980,105	(39,888,816)	41,704,610
Haidilao International Holding Ltd.	–	10,333,972	(2,829,993)	7,503,979
Hengan International Group Co. Ltd.	6,863,476	3,017,519	(4,842,101)	5,038,894
Meituan	17,783,957	18,791,024	(12,348,218)	24,226,763
MTR Corporation Ltd.	14,851,404	9,135,394	(10,858,227)	13,128,571
PetroChina Co. Ltd.	202,873,336	89,314,764	(142,825,538)	149,362,562
Sands China Ltd.	27,224,158	12,011,337	(19,187,823)	20,047,672
Shenzhen International Group Holdings Ltd.	7,949,751	3,506,899	(5,603,827)	5,852,823
Sino Biopharmaceutical Ltd.	108,879,569	48,022,162	(76,787,027)	80,114,704
Sunny Optical Tech Co. Ltd.	6,855,199	3,024,038	(4,832,038)	5,047,199
Techtronic Industries Co. Ltd.	14,966,145	6,586,221	(11,175,509)	10,376,857
Tencent Holdings Ltd.	17,796,864	7,871,739	(13,594,254)	12,074,349
WH Group Ltd.	77,940,939	39,321,437	(54,111,215)	63,151,161
Wuxi Biologics (Cayman) Inc.	31,324,061	14,046,678	(21,470,215)	23,900,524
Xiaomi Corporation	150,791,853	69,219,363	(103,788,558)	116,222,658
Xinyi Solar Holdings Ltd.	–	37,737,192	(3,288,616)	34,448,576

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

FOR THE PERIOD ENDED 30TH JUNE 2021

	(UNAUDITED)			
	Holdings			
	31.12.2020	Additions	Disposals	06.30.2021
Finance				
AIA Group Ltd.	116,245,167	50,899,379	(91,619,331)	75,525,215
Bank of China Ltd.	763,852,915	336,988,608	(538,465,032)	562,376,491
Bank of Communications Co., Ltd.	84,162,666	37,052,496	(59,251,298)	61,963,864
BOC Hong Kong (Holdings) Ltd.	35,581,310	15,697,195	(25,082,059)	26,196,446
China Construction Bank Corporation	1,040,260,879	460,462,407	(733,313,530)	767,409,756
China Life Insurance Co. Ltd.	71,549,747	31,564,454	(50,436,788)	52,677,413
Hang Seng Bank Ltd.	7,353,269	3,244,337	(5,183,815)	5,413,791
Hong Kong Exchanges and Clearing Ltd.	11,581,161	5,127,355	(8,164,177)	8,544,339
HSBC Holdings Plc	198,963,154	88,055,462	(139,875,452)	147,143,164
Industrial and Commercial Bank of China Ltd.	709,369,967	314,258,602	(500,057,820)	523,570,749
Ping An Insurance (Group) Co. of China, Ltd.	57,288,919	25,461,183	(37,837,861)	44,912,241
Properties				
China Overseas Land & Investment Ltd.	36,869,395	16,229,804	(25,981,142)	27,118,057
China Resources Land Ltd.	30,855,428	13,611,828	(21,750,331)	22,716,925
CK Asset Holdings Ltd.	24,848,378	23,945,545	(34,335,688)	14,458,235
Country Garden Holdings Co. Ltd.	74,153,849	32,719,935	(52,276,067)	54,597,717
Hang Lung Properties Ltd.	19,461,095	8,567,535	(13,700,137)	14,328,493
Henderson Land Development Co. Ltd.	13,965,577	6,148,256	(9,832,204)	10,281,629
Link Real Estate Investment Trust	19,830,666	8,784,357	(13,877,197)	14,737,826
Longfor Group Holdings Ltd.	-	17,719,606	(4,848,059)	12,871,547
New World Development Co. Ltd.	14,706,252	6,472,809	(10,395,882)	10,783,179
Sun Hung Kai Properties Ltd.	11,145,427	5,973,891	(8,918,351)	8,200,967
Wharf Real Estate Investment Co. Ltd	16,022,133	7,479,721	(10,600,415)	12,901,439
Utilities				
CK Infrastructure Holdings Ltd.	7,638,692	3,366,032	(5,375,570)	5,629,154
CLP Holdings Ltd.	19,434,140	8,378,352	(13,500,283)	14,312,209
The Hong Kong and China Gas Co. Ltd.	102,526,048	49,654,750	(72,575,861)	79,604,937
Power Assets Holdings Ltd.	13,339,011	5,872,311	(9,390,500)	9,820,822

PERFORMANCE RECORD (UNAUDITED)

FOR THE PERIOD ENDED 30TH JUNE 2021

Fund Performance

During the period ended 30th June 2021, the Hang Seng Index increased by 5.86% (2020: decreased by 13.35%), while the net asset value per unit of the Fund increased by 6.78% (2020: decreased by 12.25%).

ADMINISTRATION AND MANAGEMENT

Directors of the Manager

Mr. James Keith MacNevin
Mr. Kevin David Anderson
Ms. June Wong
(resigned on 8 January 2021)
Mr. Louis Anthony 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
Mr. Dean Chisholm
(appointed on 15 June 2021)

Trustee and custodian

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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
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Manager

State Street Global Advisors Asia Limited
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Hong Kong

Promoter

Exchange Fund Investment Limited
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Two International Finance Centre
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Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
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