



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 2022

1st January 2022 to 30th June 2022

**STATE STREET**  
**GLOBAL**  
**ADVISORS**

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**Tracker Fund of Hong Kong**  
Interim Report 2022

**CONDENSED STATEMENT OF NET ASSETS (UNAUDITED)**

AS AT 30TH JUNE 2022

		(UNAUDITED) 30.06.2022 HK\$	(AUDITED) 31.12.2021 HK\$
	<i>Notes</i>		
<b>Assets</b>			
<b>Current assets</b>			
Investments	12	112,563,914,862	99,905,342,712
Dividend receivable		831,003,542	7,992,971
Amounts receivable on creation of units		8,296,576	849,754
Bank balances	7(e)	896,810,831	191,701,628
		<u>114,300,025,811</u>	<u>100,105,887,065</u>
<b>Total assets</b>			
		<u>114,300,025,811</u>	<u>100,105,887,065</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Management fee payable	7(c)	8,850,419	8,115,737
Trustee fee payable	7(d)	8,850,419	16,015,567
Index license fee payable	8(c)	4,143,045	3,732,496
Registrar fee payable	8(a)	461,736	323,843
Professional fee payable		238,000	178,500
Amounts payable on redemption of units		27,623,553	532,242
Other accounts payable and accruals		7,291,368	5,491,787
		<u>57,458,540</u>	<u>34,390,172</u>
<b>Liabilities (excluding net assets attributable to unitholders of redeemable units)</b>			
		<u>57,458,540</u>	<u>34,390,172</u>
<b>Net assets attributable to unitholders of redeemable units</b>			
	5	<u>114,242,567,271</u>	<u>100,071,496,893</u>

The notes on pages 5 to 16 form part of these condensed financial statements.

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

FOR THE PERIOD ENDED 30TH JUNE 2022

(UNAUDITED)			
For the			
half-year ended			
30.06.2022			
30.06.2021			
Notes	HK\$	HK\$	
<b>Income</b>			
	2,070,827,817	1,396,663,335	
Dividends			
Bank interest	7(e) 384,342	275,935	
Transaction fee	4(a) 5,835,000	5,235,000	
Other income	4(b) 1,552,634	1,924,547	
Net (loss)/gain on investments	3 (4,778,944,484)	5,847,497,322	
	<u>(2,700,344,691)</u>	<u>7,251,596,139</u>	
<b>Total investment (loss)/income</b>			
<b>Expenses</b>			
Management fee	7(c) 17,655,887	16,010,218	
Trustee fee	7(d) 17,858,562	16,042,806	
Index license fee	8(c) 8,001,799	7,296,761	
Transaction costs on investments	24,782,170	31,336,056	
Registrar fee	8(a) 937,310	869,514	
Publication and printing expenses	1,192,750	771,523	
Conversion agent fee	8(b) 4,692,000	4,320,000	
Audit fee	299,000	220,360	
Bank charges	251,875	190,690	
Legal and other professional fees	441,036	535,371	
Other operating expenses	1,623,864	1,999,730	
	<u>77,736,253</u>	<u>79,593,029</u>	
<b>Total operating expenses</b>			
	(2,778,080,944)	7,172,003,110	
<b>Operating (loss)/profit</b>			
<b>Finance costs</b>			
Distributions to unitholders of redeemable units	13 (416,559,400)	(432,119,025)	
	<u>(3,194,640,344)</u>	<u>6,739,884,085</u>	
<b>(Loss)/profit after distributions and before tax</b>			
Withholding tax	6 (101,435,978)	(57,770,545)	
	<u>(3,296,076,322)</u>	<u>6,682,113,540</u>	
<b>(Decrease)/increase in net assets attributable to unitholders of redeemable units from operations</b>			

The notes on pages 5 to 16 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 2022

	(UNAUDITED)			
	For the half-year ended 30.06.2022	For the half-year ended 30.06.2022	For the half-year ended 30.06.2021	For the half-year ended 30.06.2021
Notes	Units	HK\$	Units	HK\$
<b>Net assets attributable to unitholders of redeemable units at 1st January</b>	4,251,992,500	100,071,496,893	3,851,992,500	105,557,154,963
Issue of units				
– In-kind	9 4,357,000,000	93,539,576,393	1,741,000,000	50,641,438,611
– Cash component	9 –	328,517,707	–	131,280,451
	4,357,000,000	93,868,094,100	1,741,000,000	50,772,719,062
Redemption of units				
– In-kind	9 (3,481,000,000)	(76,044,498,860)	(2,394,000,000)	(69,206,217,271)
– Cash component	9 –	(356,448,540)	–	(203,270,511)
	(3,481,000,000)	(76,400,947,400)	(2,394,000,000)	(69,409,487,782)
Net issue/(redemption) of units	876,000,000	17,467,146,700	(653,000,000)	(18,636,768,720)
(Decrease)/increase in net assets attributable to unitholders of redeemable units from operations	–	(3,296,076,322)	–	6,682,113,540
<b>Net assets attributable to unitholders of redeemable units at 30th June</b>	<b>5,127,992,500</b>	<b>114,242,567,271</b>	<b>3,198,992,500</b>	<b>93,602,499,783</b>

The notes on pages 5 to 16 form part of these condensed financial statements.

## CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE PERIOD ENDED 30TH JUNE 2022

		(UNAUDITED)	
		For the	For the
		half-year ended	half-year ended
		30.06.2022	30.06.2021
		HK\$	HK\$
<b>Cash flows from operating activities</b>			
	9	10,541,137,224	13,627,236,062
Proceeds from sale of investments	9	(10,483,576,325)	(13,542,353,826)
Payments for purchase of investments		1,146,381,268	968,204,965
Dividends received		384,342	275,935
Bank interest received		5,835,000	5,280,000
Transaction fee received		(16,921,205)	(16,136,940)
Management fee paid		(25,023,710)	(23,740,588)
Trustee fee paid		(7,591,250)	(7,372,694)
Index license fee paid		(799,417)	(1,046,646)
Registrar fee paid		(722,125)	(1,048,505)
Publication and printing expenses paid		(24,782,170)	(31,336,056)
Transaction costs on investments paid		(5,344,000)	(4,128,000)
Conversion agent fee paid		(251,875)	(190,690)
Bank charges paid		(381,536)	(594,871)
Legal and other professional fees paid		151,934	(2,078,574)
Other operating expenses refund/(paid)		<u>1,128,496,155</u>	<u>970,969,572</u>
<b>Net cash generated from operating activities</b>			
		1,128,496,155	970,969,572
<b>Cash flows from financing activities</b>			
	9	321,070,885	132,761,384
Cash component received on issue of units	9	(329,357,229)	(167,677,000)
Cash component paid on redemption of units	9	(415,100,608)	(430,581,342)
Interim distribution paid	4(b), 13	<u>(423,386,952)</u>	<u>(465,496,958)</u>
<b>Net cash used in financing activities</b>			
		(423,386,952)	(465,496,958)
<b>Net increase in cash and cash equivalents</b>		705,109,203	505,472,614
Cash and cash equivalents at the beginning of the period		191,701,628	205,355,063
		<u>191,701,628</u>	<u>205,355,063</u>
<b>Cash and cash equivalents at the end of the period</b>		<u>896,810,831</u>	<u>710,827,677</u>
		<u>896,810,831</u>	<u>710,827,677</u>
<b>Analysis of balances of cash and cash equivalents:</b>			
Bank balances	7(e)	<u>896,810,831</u>	<u>710,827,677</u>
		<u>896,810,831</u>	<u>710,827,677</u>

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

The notes on pages 5 to 16 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.

On 29th March 2022, the Trustee issued a notice to inform the unitholders that Hang Seng Investment Management Limited, a wholly-owned subsidiary of Hang Seng Bank Limited and an SFC licensed investment manager, has been selected by the Supervisory Committee as the new manager of the Fund. The transition to the new manager is expected to be completed in the third quarter of 2022, subject to regulatory approvals and satisfaction of certain conditions in the Trust Deed.

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 2022 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 2021, 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 2021. Other amendments to HKFRS effective for the financial year ending 31st December 2022 are not expected to have a material impact on the Fund.

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

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

	(UNAUDITED)	
	For the	For the
	half-year ended	half-year ended
	30.06.2022	30.06.2021
	<i>HK\$</i>	<i>HK\$</i>
Change in unrealized gain/(loss) on investments	12,425,039,158	(5,141,239,483)
Realized (loss)/gain on sale of investments	<u>(17,203,983,642)</u>	<u>10,988,736,805</u>
	<u>(4,778,944,484)</u>	<u>5,847,497,322</u>

### 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.



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

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

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.

	(UNAUDITED)		
	Number of units		
	01.01.2022 to 30.06.2022	01.07.2021 to 31.12.2021	01.01.2021 to 30.06.2021
Units in issue at the beginning of the period	4,251,992,500	3,198,992,500	3,851,992,500
Issue of units	4,357,000,000	2,783,000,000	1,741,000,000
Redemption of units	(3,481,000,000)	(1,730,000,000)	(2,394,000,000)
Units in issue at the end of the period	<u>5,127,992,500</u>	<u>4,251,992,500</u>	<u>3,198,992,500</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Net assets attributable to holders of redeemable units	<u>114,242,567,271</u>	<u>100,071,496,893</u>	<u>93,602,499,783</u>
Net assets attributable to holders of redeemable units (per unit)	<u>22.28</u>	<u>23.54</u>	<u>29.26</u>
Net asset value per Creation Unit (1 Creation Unit is equivalent to 1,000,000 units)	<u>22,278,224</u>	<u>23,535,201</u>	<u>29,259,994</u>

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

### 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.

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.

WIT of 10% was charged on dividend income received from H-shares and Red Chips (which had applied to be treated as PRC tax resident enterprises) during the periods ended 30th June 2022 and 2021.

### 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, 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.

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

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

(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 2022, the directors and officers of the Manager together did not hold any units in the Fund (as at 31st December 2021: 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 2022, the directors and officers of the Trustee and its Connected Persons together held 16,320 units in the Fund (as at 31st December 2021: 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.

(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.

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

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

#### (e) Bank balances

Bank balance held with the State Street Bank and Trust Company amounted to HK\$18,303,617 as at 30th June 2022 (as at 31st December 2021: HK\$2,449,124). Such account is interest bearing. No interest income amount was accrued and received for the period ended to 30th June 2022 with respect to the bank balance held with the State Street Bank and Trust Company (for the period ended 30th June 2021: Nil).

### 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.

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

### 8 Other fees (Continued)

#### (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 2022, the Fund issued 4,357,000,000 units (for the period ended 30th June 2021: 1,741,000,000 units), totaling HK\$93,868,094,100 (for the period ended 30th June 2021: HK\$50,772,719,062) in exchange for Index Baskets consisting of investments valued at HK\$93,539,576,393 (for the period ended 30th June 2021: HK\$50,641,438,611) plus the relevant cash component of HK\$328,517,707 (for the period ended 30th June 2021: HK\$131,280,451).

In accordance with the Trust Deed, units are redeemed in-kind with the remaining balances in cash. During the period ended 30th June 2022, the Fund redeemed 3,481,000,000 units (for the period ended 30th June 2021: 2,394,000,000 units), totaling HK\$76,400,947,400 (for the period ended 30th June 2021: HK\$69,409,487,782) in exchange for Index Baskets consisting of investments valued at HK\$76,044,498,860 (for the period ended 30th June 2021: HK\$69,206,217,271) plus the relevant cash component of HK\$356,448,540 (for the period ended 30th June 2021: HK\$203,270,511).

## 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

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).

As at 30th June 2022 and 31st December 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 2022, the Hang Seng Index decreased by 6.57% (for the period ended 30th June 2021: increased by 5.86%), while the net asset value per unit of the Fund decreased by 5.34% (for the period ended 30th June 2021: increased by 6.78%).

## 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.

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

### 12 Financial risk management (Continued)

#### (a) Fair value estimation (Continued)

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 as at 30th June 2022 and 31st December 2021.

All fair value measurements disclosed are recurring fair value measurements.

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
<b>As at 30.06.2022</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss:				
- Equity securities	112,563,914,862	-	-	112,563,914,862

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
<b>As at 31.12.2021</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss:				
- Equity securities	99,905,342,712	-	-	99,905,342,712

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 at 30th June 2022 and 31st December 2021, the Fund did not hold any investments classified in level 2.



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

### 12 Financial risk management (Continued)

#### (a) Fair value estimation (Continued)

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As at 30th June 2022 and 31st December 2021, the Fund did not hold any investments classified in level 3.

For the period ended 30th June 2022 and the year ended 31st December 2021, 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.

### 13 Distributions

	(UNAUDITED)	
	2022	2021
	HK\$	HK\$
Interim distribution		
– HK\$0.13 on 3,323,992,500 units paid on 31st May 2021	–	432,119,025
– HK\$0.08 on 5,206,992,500 units paid on 31st May 2022	416,559,400	–
	<u>416,559,400</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.

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

### 14 Segment information (Continued)

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. As at 30th June 2022 and 31st December 2021, there were no securities that individually accounted for more than 10% of the net asset value of the Fund.

The Fund also has a diversified unitholder population. However, as at 30th June 2022 and 31st December 2021, there was one nominee company that held more than 10% of the Fund's net assets. The nominee company's holdings were 93.77% as at 30th June 2022 and 92.35% as at 31st December 2021.

# Tracker Fund of Hong Kong

## Interim Report 2022

### INVESTMENT PORTFOLIO (UNAUDITED)

AS AT 30TH JUNE 2022

	Holdings	Fair value HK\$	% of net assets
<b>Hong Kong</b>			
<b>Listed investments (98.53%)</b>			
<b>Equities (98.53%)</b>			
<b>Commence and Industry (53.16%)</b>			
Alibaba Group Holding Ltd.	76,231,078	8,530,257,628	7.47
Alibaba Health Information Tech Ltd.	42,634,306	230,225,252	0.20
ANTA Sports Products Ltd.	9,632,404	928,563,746	0.81
Budweiser Brewing Co. APAC Ltd.	17,690,418	415,724,823	0.36
BYD Company Ltd.	7,821,923	2,456,083,822	2.15
China Hongqiao Group Ltd.	21,041,797	186,640,739	0.16
China Mengniu Dairy Co. Ltd.	28,241,662	1,105,661,067	0.97
China Mobile Ltd.	54,712,160	2,680,895,840	2.35
China Petroleum & Chemical Corporation	215,916,299	762,184,536	0.67
China Resources Beer Holdings Co Ltd.	14,450,997	845,383,325	0.74
China Unicom (Hong Kong) Ltd.	55,146,491	204,593,482	0.18
CITIC Ltd.	64,772,856	514,944,205	0.45
CK Hutchison Holdings Ltd.	23,949,417	1,270,516,572	1.11
CNOOC Ltd.	159,031,786	1,647,569,303	1.44
Country Garden Services Holdings Co. Ltd.	17,981,197	628,442,835	0.55
CSPC Pharmaceutical Group Ltd.	79,721,465	621,030,212	0.54
Galaxy Entertainment Group Ltd.	19,423,608	909,024,854	0.80
Geely Automobile Holdings Ltd.	53,558,118	955,476,825	0.84
Haidilao International Holding Ltd.	12,554,702	229,751,047	0.20
Hengan International Group Co. Ltd.	6,274,811	231,226,785	0.20
JD.com Inc.	12,879,440	3,255,922,432	2.85
Lenovo Group Ltd.	64,347,235	471,665,233	0.41
Li Ning Co. Ltd.	20,973,531	1,524,775,704	1.34
Meituan	41,346,251	8,029,441,944	7.03
MTR Corporation Ltd.	16,546,919	678,423,679	0.59
NetEase Inc.	5,474,669	788,899,803	0.69
Nongfu Spring Co. Ltd	17,935,665	808,001,708	0.71
Orient Overseas International Ltd.	1,200,030	249,606,240	0.22
PetroChina Co. Ltd.	187,927,621	702,849,303	0.62
Sands China Ltd.	25,255,988	472,792,095	0.41
Semiconductor Manufacturing International Corporation	39,839,235	724,277,292	0.63
Shenzhen International Group Holdings Ltd.	7,350,293	698,645,350	0.61

**INVESTMENT PORTFOLIO (UNAUDITED) (Continued)**

AS AT 30TH JUNE 2022

	Holdings	Fair value HK\$	% of net assets
<b>Commence and Industry (53.16%)</b>			
<b>(Continued)</b>			
Sino Biopharmaceutical Ltd.	100,658,867	500,274,569	0.44
Sunny Optical Tech Co. Ltd.	6,349,857	812,146,710	0.71
Techtronic Industries Co. Ltd.	13,901,629	1,137,848,334	1.00
Tencent Holdings Ltd.	24,125,238	8,549,984,347	7.48
WH Group Ltd.	62,850,212	380,872,285	0.33
Wuxi Biologics (Cayman) Inc.	31,940,669	2,293,340,034	2.01
Xiaomi Corporation	155,728,873	2,124,141,828	1.86
Xinyi Glass Holdings Ltd.	17,864,253	336,205,242	0.30
Xinyi Solar Holdings Ltd.	43,550,502	527,832,084	0.46
Zhongsheng Group Holdings Ltd.	5,491,811	303,971,739	0.27
		60,726,114,853	53.16
<b>Finance (35.22%)</b>			
AIA Group Ltd.	107,894,205	9,176,402,135	8.03
Bank of China Ltd.	708,277,865	2,216,909,717	1.94
BOC Hong Kong (Holdings) Ltd.	33,037,030	1,024,147,930	0.90
China Construction Bank Corporation	963,941,399	5,079,971,173	4.45
China Life Insurance Co. Ltd.	66,300,873	905,669,925	0.79
China Merchants Bank Co. Ltd.	34,750,786	1,824,416,265	1.60
Hang Seng Bank Ltd.	6,808,669	943,000,657	0.82
Hong Kong Exchanges and Clearing Ltd.	10,733,475	4,143,121,350	3.63
HSBC Holdings Plc	171,375,491	8,851,544,110	7.75
Industrial and Commercial Bank of China Ltd.	657,560,334	3,064,231,156	2.68
Ping An Insurance (Group) Co. of China, Ltd.	56,374,148	3,007,560,796	2.63
		40,236,975,214	35.22

# Tracker Fund of Hong Kong

## Interim Report 2022

### INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 30TH JUNE 2022

	Holdings	Fair value HK\$	% of net assets
<b>Properties (6.82%)</b>			
China Overseas Land & Investment Ltd.	34,114,011	846,027,473	0.74
China Resources Land Ltd.	28,579,596	1,046,013,214	0.92
CK Asset Holdings Ltd.	17,892,597	993,039,134	0.87
Country Garden Holdings Co. Ltd.	72,192,479	350,855,448	0.31
Hang Lung Properties Ltd.	18,031,757	268,312,544	0.23
Henderson Land Development Co. Ltd.	12,934,963	380,287,912	0.33
Link Real Estate Investment Trust	18,827,627	1,204,968,128	1.05
Longfor Group Holdings Ltd.	16,232,427	601,411,420	0.53
New World Development Co. Ltd.	12,339,548	347,358,276	0.30
Sun Hung Kai Properties Ltd.	12,928,811	1,198,500,780	1.05
Wharf Real Estate Investment Co. Ltd.	14,917,289	557,906,609	0.49
		<u>7,794,680,938</u>	<u>6.82</u>
<b>Utilities (3.33%)</b>			
CK Infrastructure Holdings Ltd.	5,606,379	269,666,830	0.24
CLP Holdings Ltd.	18,031,724	1,173,865,232	1.03
ENN Energy Holdings Ltd.	7,045,499	908,164,821	0.79
Power Assets Holdings Ltd.	12,402,201	612,048,619	0.53
The Hong Kong and China Gas Co. Ltd.	99,692,113	842,398,355	0.74
		<u>3,806,143,857</u>	<u>3.33</u>
Total Listed equities		<u>112,563,914,862</u>	<u>98.53</u>
Total investments, at cost		<u>111,422,688,996</u>	

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

FOR THE PERIOD ENDED 30TH JUNE 2022

	(UNAUDITED) Holdings			30.06.2022
	31.12.2021	Additions	Disposals	
<b>Hong Kong</b>				
<b>Listed investments</b>				
<b>Equities</b>				
<b>Commerce and Industry</b>				
AAC Technologies Holdings Inc.	5,724,946	5,212,033	(10,936,979)	-
Alibaba Group Holding Ltd.	59,921,721	74,239,685	(57,930,328)	76,231,078
Alibaba Health Information Tech Ltd.	37,277,428	37,442,502	(32,085,624)	42,634,306
ANTA Sports Products Ltd.	8,575,177	8,618,129	(7,560,902)	9,632,404
Budweiser Brewing Co. APAC Ltd.	15,683,788	15,750,457	(13,743,827)	17,690,418
BYD Company Ltd.	6,636,788	7,037,400	(5,852,265)	7,821,923
China Hongqiao Group Ltd.	-	23,936,501	(2,894,704)	21,041,797
China Mengniu Dairy Co. Ltd.	21,932,843	51,987,671	(45,678,852)	28,241,662
China Mobile Ltd.	48,634,217	48,986,702	(42,908,759)	54,712,160
China Petroleum & Chemical Corporation	191,361,029	194,819,710	(170,264,440)	215,916,299
China Resources Beer Holdings Co Ltd.	12,843,686	12,940,812	(11,333,501)	14,450,997
China Unicom (Hong Kong) Ltd.	48,316,037	48,519,406	(41,688,952)	55,146,491
CITIC Ltd.	57,418,196	57,660,560	(50,305,900)	64,772,856
CK Hutchison Holdings Ltd.	21,310,238	21,389,996	(18,750,817)	23,949,417
CNOOC Ltd.	141,625,084	142,110,202	(124,703,500)	159,031,786
Country Garden Services Holdings Co. Ltd.	13,970,783	17,305,773	(13,295,359)	17,981,197
CSPC Pharmaceutical Group Ltd.	70,900,680	71,637,246	(62,816,461)	79,721,465
Galaxy Entertainment Group Ltd.	17,295,066	17,391,029	(15,262,487)	19,423,608
Geely Automobile Holdings Ltd.	46,731,432	47,430,028	(40,603,342)	53,558,118
Haidilao International Holding Ltd.	8,618,649	12,708,994	(8,772,941)	12,554,702
Hengan International Group Co. Ltd.	5,566,595	5,542,665	(4,834,449)	6,274,811
JD.com Inc.	4,894,126	14,840,588	(6,855,274)	12,879,440
Lenovo Group Ltd.	-	102,785,122	(38,437,887)	64,347,235
Li Ning Co. Ltd.	17,789,700	40,731,573	(37,547,742)	20,973,531
Meituan	33,777,202	35,920,280	(28,351,231)	41,346,251
MTR Corporation Ltd.	14,665,330	14,854,052	(12,972,463)	16,546,919
NetEase Inc.	4,055,651	5,392,960	(3,973,942)	5,474,669
Nongfu Spring Co. Ltd.	-	28,648,396	(10,712,731)	17,935,665
Orient Overseas International Ltd.	-	1,365,400	(165,370)	1,200,030
PetroChina Co. Ltd.	166,579,871	168,657,399	(147,309,649)	187,927,621
Sands China Ltd.	22,364,256	22,458,109	(19,566,377)	25,255,988
Semiconductor Manufacturing International Corporation	-	45,439,874	(5,600,639)	39,839,235
Shenzhou International Group Holdings Ltd.	7,152,178	7,133,536	(6,935,421)	7,350,293
Sino Biopharmaceutical Ltd.	89,292,015	90,494,193	(79,127,341)	100,658,867
Sunny Optical Tech Co. Ltd.	5,649,290	5,684,396	(4,983,829)	6,349,857
Techtronic Industries Co. Ltd.	11,614,776	12,044,725	(9,757,872)	13,901,629
Tencent Holdings Ltd.	17,498,823	21,692,861	(15,066,446)	24,125,238
WH Group Ltd.	55,713,310	55,948,614	(48,811,712)	62,850,212
Wuxi Biologics (Cayman) Inc.	28,534,714	28,811,220	(25,405,265)	31,940,669
Xiaomi Corporation	139,060,505	139,707,912	(123,039,544)	155,728,873

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

FOR THE PERIOD ENDED 30TH JUNE 2022

	(UNAUDITED) Holdings			30.06.2022
	31.12.2021	Additions	Disposals	
<b>Commerce and Industry (Continued)</b>				
Xinyi Glass Holdings Ltd.	17,560,727	17,407,813	(17,104,287)	17,864,253
Xinyi Solar Holdings Ltd.	38,600,841	38,767,599	(33,817,938)	43,550,502
Zhongsheng Group Holdings Ltd.	-	6,247,480	(755,669)	5,491,811
<b>Finance</b>				
AIA Group Ltd.	95,762,562	96,615,608	(84,483,965)	107,894,205
Bank of China Ltd.	628,954,038	633,649,145	(554,325,318)	708,277,865
BOC Hong Kong (Holdings) Ltd.	29,216,199	29,708,598	(25,887,767)	33,037,030
China Construction Bank Corporation	856,579,192	862,581,249	(755,219,042)	963,941,399
China Life Insurance Co. Ltd.	59,116,084	59,395,578	(52,210,789)	66,300,873
China Merchants Bank Co. Ltd.	30,895,280	31,133,543	(27,278,037)	34,750,786
Hang Seng Bank Ltd.	6,037,769	6,136,751	(5,365,851)	6,808,669
Hong Kong Exchanges and Clearing Ltd.	9,534,770	9,608,620	(8,409,915)	10,733,475
HSBC Holdings Plc	164,284,534	153,689,875	(146,598,918)	171,375,491
Industrial and Commercial Bank of China Ltd.	584,075,614	588,198,420	(514,713,700)	657,560,334
Ping An Insurance (Group) Co. of China, Ltd.	50,119,067	50,484,934	(44,229,853)	56,374,148
<b>Properties</b>				
China Overseas Land & Investment Ltd.	30,243,991	30,611,717	(26,741,697)	34,114,011
China Resources Land Ltd.	25,479,984	25,578,303	(22,478,691)	28,579,596
CK Asset Holdings Ltd.	15,927,468	15,993,744	(14,028,615)	17,892,597
Country Garden Holdings Co. Ltd.	62,110,997	64,680,811	(54,599,329)	72,192,479
Hang Lung Properties Ltd.	15,985,506	16,052,250	(14,005,999)	18,031,757
Henderson Land Development Co. Ltd.	11,467,313	11,515,956	(10,048,306)	12,934,963
Link Real Estate Investment Trust	16,577,870	16,775,297	(14,525,540)	18,827,627
Longfor Group Holdings Ltd.	14,369,810	14,575,453	(12,712,836)	16,232,427
New World Development Co. Ltd.	10,935,618	10,975,061	(9,571,131)	12,339,548
Sun Hung Kai Properties Ltd.	10,345,901	12,115,933	(9,533,023)	12,928,811
Wharf Real Estate Investment Co. Ltd	14,382,916	14,454,412	(13,920,039)	14,917,289
<b>Utilities</b>				
CK Infrastructure Holdings Ltd.	6,278,467	5,314,764	(5,986,852)	5,606,379
CLP Holdings Ltd.	16,021,342	16,099,793	(14,089,411)	18,031,724
ENN Energy Holdings Ltd.	6,261,362	6,321,166	(5,537,029)	7,045,499
The Hong Kong and China Gas Co. Ltd.	88,799,905	89,205,148	(78,312,940)	99,692,113
Power Assets Holdings Ltd.	10,952,972	11,107,927	(9,658,698)	12,402,201

## PERFORMANCE RECORD (UNAUDITED)

FOR THE PERIOD ENDED 30TH JUNE 2022

### Fund Performance

During the period ended 30th June 2022, the Hang Seng Index decreased by 6.57% (for the period ended 30th June 2021: increased by 5.86%), while the net asset value per unit of the Fund decreased by 5.34% (for the period ended 30th June 2021: increased by 6.78%).

## ADMINISTRATION AND MANAGEMENT

### Directors of the Manager

Mr. James Keith MacNevin  
(resigned on 15th June 2022)  
Mr. Kevin David Anderson  
Mr. Louis Anthony Boscia  
Mr. Matthew Montagu George  
(appointed on 22nd June 2022)

### Members of the Supervisory Committee

Mr. Romnesh Lamba  
(resigned on 18th February 2022)  
Mr. George Hongchoy  
Mr. Blair Pickerell  
Mr. Stephen Law  
Prof. Chan Kalok  
Dr. Kam Pok-man  
Mr. Dean Chisholm  
Mr. Wilfred Yiu  
(appointed on 18th February 2022)

### 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  
Certified Public Accountants  
Registered Public Interest Entity Auditor  
22nd Floor  
Prince's Building  
Central  
Hong Kong



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