



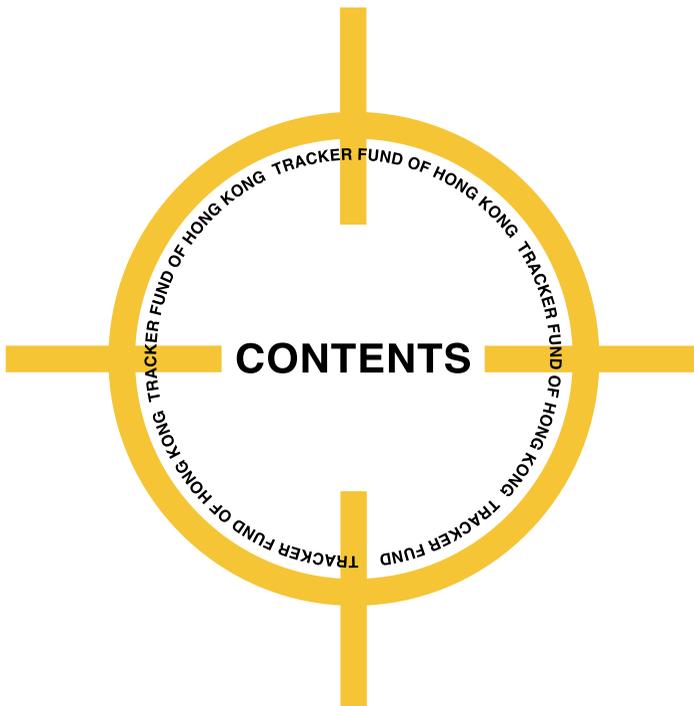
TraHK

Tracker Fund of Hong Kong

Tracker Fund of Hong Kong

Annual Report 2003

1st January 2003 to 31st December 2003



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TRACKER FUND OF HONG KONG

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STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

Manager's responsibilities

The Manager of Tracker Fund of Hong Kong (the "Fund") is required by the Code on Unit Trusts and Mutual Funds established by the Securities & Futures Commission of Hong Kong (the "SFC Code") and the Trust Deed dated 23rd October 1999 (the "Trust Deed") to prepare financial statements for each annual accounting year which give a true and fair view of the financial position of the Fund at the end of that year and of the transactions for the year then ended. In preparing these financial statements the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are prudent and reasonable; and
- prepare the financial statements on the basis that the Fund will continue in operation unless it is inappropriate to presume this.

The Manager is also required to manage the Fund in accordance with the Trust Deed and takes reasonable steps for the prevention and detection of fraud and other irregularities.

Trustee's responsibilities

The Trustee of the Fund is required to:

- ensure that the Fund is managed by the Manager in accordance with the Trust Deed and that the investment and borrowing powers are complied with;
- satisfy itself that sufficient accounting and other records have been maintained;
- safeguard the property of the Fund and rights attaching thereto; and
- report to the Unitholders for each annual accounting year on the conduct of the Manager in the management of the Fund.

TRACKER FUND OF HONG KONG

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

We hereby confirm that, in our opinion, the Manager of the Fund has, in all material respects, managed the Fund in accordance with the provisions of the Trust Deed for the year ended 31st December 2003.

In accordance with section 8.6(1) of the SFC Code, the Trustee is required to provide a comparison of the fund performance and the actual index performance over the relevant period. During the year, the Hang Seng Index increased by 34.92% and the net asset value per unit of the Fund increased by 35.18%.

State Street Bank and Trust Company

31st March 2004

TRACKER FUND OF HONG KONG

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

We have audited the financial statements on pages 4 to 15 which have been prepared in accordance with the relevant provisions of the Trust Deed dated 23rd October 1999, the Code on Unit Trusts and Mutual Funds established by the Securities & Futures Commission of Hong Kong (the "Code") and accounting principles generally accepted in Hong Kong.

Respective responsibilities of the Manager and the Auditors

The Manager of the Fund is responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. In addition, the Code requires the financial statements of the Fund to contain the minimum disclosures set out in the Code.

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

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Manager in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements of the Fund have been properly prepared in accordance with the relevant provisions of the Trust Deed dated 23rd October 1999, and the Code and give a true and fair view of the disposition of the Fund at 31st December 2003 and of its transactions and cash flows for the year then ended.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31st March 2004

TRACKER FUND OF HONG KONG

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STATEMENT OF OPERATIONS

For the year ended 31st December 2003

	Note	2003 HK\$	2002 HK\$
Income			
Dividends		1,059,557,399	862,290,152
Bank interest	7(c)	1,184,221	2,931,438
Transaction fee	3(a)	360,000	9,660,000
Other income	3(b)	9,272,265	9,914,953
		<u>1,070,373,885</u>	<u>884,796,543</u>
Expenses			
Management fee	7(a)	(11,729,677)	(12,491,381)
Trustee fee	7(b)	(11,729,677)	(12,491,381)
Index license fee	8(c)	(3,708,775)	(4,079,842)
Registrar fee	8(a)	(2,981,708)	(3,216,893)
Publication and printing expenses		(2,055,718)	(2,796,128)
Amortisation of set-up costs		(542,500)	(542,500)
Conversion agent fee	8(b)	(468,000)	(4,084,000)
Audit fee		(100,000)	(100,000)
Bank charges		(62,078)	(1,033,240)
Legal and other professional fees		(9,138)	(483,090)
Other operating expenses		(1,096,823)	(1,073,211)
		<u>(34,484,094)</u>	<u>(42,391,666)</u>
Dividend equivalent amount on units issued		3,261,280	242,356,133
Dividend equivalent amount on units redeemed		(25,332,313)	(206,141,989)
		<u>(56,555,127)</u>	<u>(6,177,522)</u>
Net income available for distribution		1,013,818,758	878,619,021
Amount transferred to the statement of distributions		<u>(1,013,818,758)</u>	<u>(878,619,021)</u>
		<u>—</u>	<u>—</u>

The notes on pages 10 to 15 form part of these financial statements.

TRACKER FUND OF HONG KONG

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STATEMENT OF OPERATIONS *(Continued)*

For the year ended 31st December 2003

	2003 HK\$	2002 HK\$
Net investment loss		
Realised loss on sale of investments	(538,460,843)	(5,946,759,814)
Net change in unrealised gain/loss on revaluation of investments	8,218,267,578	959,892,306
	<u>7,679,806,735</u>	<u>(4,986,867,508)</u>
Net income/(loss) for the year (excluding amount transferred to the statement of distributions)	7,679,806,735	(4,986,867,508)
Amount transferred (to)/from the capital account	<u>(7,679,806,735)</u>	<u>4,986,867,508</u>
	<u> -</u>	<u> -</u>

The notes on pages 10 to 15 form part of these financial statements.

TRACKER FUND OF HONG KONG

ANNUAL REPORT 2003

STATEMENT OF ASSETS AND LIABILITIES

As at 31st December 2003

	Note	2003 HK\$	2002 HK\$
Assets			
Investments		27,714,821,303	23,586,688,605
Set-up costs		468,388	1,010,888
Dividends receivable		93,734,836	3,390,091
Other accounts receivable and prepayments		154,566	85,139
Amounts due from brokers		–	1,211,299
Bank balances	7(c)	56,339,632	93,868,634
Total assets		<u>27,865,518,725</u>	<u>23,686,254,656</u>
Liabilities			
Trustee fee payable		3,433,284	3,129,033
Management fee payable		3,433,284	3,129,033
Index license fee payable		1,081,415	979,997
Registrar fee payable		468,435	261,100
Other accounts payable and accruals		1,398,873	1,387,043
Amounts due to brokers		–	1,179,089
Amounts payable on redemption		1,278,830	1,052,241
Total liabilities		<u>11,094,121</u>	<u>11,117,536</u>
Net assets		<u>27,854,424,604</u>	<u>23,675,137,120</u>
Financed by:			
Capital account		<u>27,854,424,604</u>	<u>23,675,137,120</u>
Units in issue	4	<u>2,195,992,500</u>	<u>2,522,992,500</u>
Net asset value per unit		<u>12.68</u>	<u>9.38</u>
Net asset value per Creation Unit (1 Creation Unit is equivalent to 1,000,000 units)		<u>12,684,208</u>	<u>9,383,752</u>

Approved by the Trustee and the Manager on 31st March 2004

State Street Bank and Trust Company

State Street Global Advisors Asia Limited

The notes on pages 10 to 15 form part of these financial statements.

TRACKER FUND OF HONG KONG

ANNUAL REPORT 2003

STATEMENT OF MOVEMENTS IN CAPITAL ACCOUNT

For the year ended 31st December 2003

	Note	2003 HK\$	2002 HK\$
Balance at the beginning of the year		23,675,137,120	27,696,374,409
Proceeds on issue of units for cash (excluding dividend equivalent amount and further cash amount)	9	–	21,977,187,395
In-kind payments on redemption of units (excluding dividend equivalent amount and further cash amount)	9	(3,813,707,606)	(21,201,788,593)
In-kind proceeds on issue of units (excluding dividend equivalent amount and further cash amount)	9	261,166,401	164,854,488
Net further cash amount paid on issue and redemption of units		(9,879)	(164,492)
		<u>20,122,586,036</u>	<u>28,636,463,207</u>
Amount transferred from/(to) the statement of operations (excluding of amount transferred to the statement of distributions)		7,679,806,735	(4,986,867,508)
Amount transferred from the statement of distributions		52,031,833	25,541,421
Balance at the end of the year		<u><u>27,854,424,604</u></u>	<u><u>23,675,137,120</u></u>

The notes on pages 10 to 15 form part of these financial statements.

TRACKER FUND OF HONG KONG

ANNUAL REPORT 2003

STATEMENT OF CASH FLOWS

For the year ended 31st December 2003

	Note	2003 HK\$	2002 HK\$
Operating activities			
Dividends received		811,479,863	706,470,486
Bank interest received		1,187,566	2,932,869
Transaction fee received		450,000	9,630,000
Other income received		9,272,265	9,914,953
Management fee paid		(11,425,426)	(12,550,435)
Trustee fee paid		(11,425,426)	(12,550,435)
Index license fee paid		(3,607,357)	(4,099,527)
Registrar fee paid		(2,774,373)	(3,230,293)
Publication and printing expenses paid		(2,015,542)	(2,657,558)
Conversion agent fee paid		(492,000)	(4,056,000)
Bank charges paid		(79,297)	(1,015,081)
Legal and other professional fees paid		–	(620,981)
Other operating expenses paid		(1,355,860)	(1,339,520)
Dividend equivalent amount received on creation of units		3,261,280	242,356,133
Dividend equivalent amount paid on redemption of units		(25,103,192)	(205,092,192)
Net cash inflow from operating activities	6	767,372,501	724,092,419
Investing activities			
Purchase of investments	9	(1,114,796,587)	(23,273,846,288)
Sale of investments	9	1,271,694,419	1,452,168,082
Net cash inflow/(outflow) from investing activities		156,897,832	(21,821,678,206)
Financing			
Issue of units	9	–	21,977,187,395
Net further cash amount paid on issue and redemption of units		(12,410)	(162,048)
Interim distribution paid		(448,968,575)	(384,898,875)
Final distribution paid		(512,818,350)	(468,178,725)
Net cash (outflow)/inflow from financing		(961,799,335)	21,123,947,747
(Decrease)/increase in cash and cash equivalents		(37,529,002)	26,361,960
Cash and cash equivalents as at 1st January		93,868,634	67,506,674
Cash and cash equivalents as at 31st December		56,339,632	93,868,634

Please refer to note 9 on page 14 for details of major non-cash transactions.

The notes on pages 10 to 15 form part of these financial statements.

TRACKER FUND OF HONG KONG

ANNUAL REPORT 2003

STATEMENT OF DISTRIBUTIONS

For the year ended 31st December 2003

	2003 HK\$	2002 HK\$
Amount transferred from the statement of operations	1,013,818,758	878,619,021
Interim distribution		
– HK\$0.15 on 2,565,992,500 units paid on 22nd May 2002	–	(384,898,875)
– HK\$0.19 on 2,362,992,500 units paid on 23rd May 2003	(448,968,575)	–
Final distribution		
– HK\$0.17 on 2,753,992,500 units paid on 22nd November 2002	–	(468,178,725)
– HK\$0.22 on 2,330,992,500 units paid on 24th November 2003	(512,818,350)	–
Amount transferred to the capital account	<u>52,031,833</u>	<u>25,541,421</u>

The notes on pages 10 to 15 form part of these financial statements.

TRACKER FUND OF HONG KONG

ANNUAL REPORT 2003

NOTES TO THE FINANCIAL STATEMENTS

1 THE FUND

Tracker Fund of Hong Kong (the "Fund") is a unit trust which is governed by its Trust Deed. The Fund is authorised by the Securities & Futures Commission of Hong Kong under Section 104(1) of the Hong Kong Securities and Futures Ordinance. The Fund is also listed on the Stock Exchange of Hong Kong Limited (a subsidiary of The Hong Kong Exchanges and Clearing Limited).

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

The Tap Agreement dated 23rd October 1999 that was entered into by the Manager and the Trustee in respect of the Fund was terminated in accordance with the relevant termination provisions of the Tap Agreement. The termination was effective from 2nd November 2002.

2 PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The financial statements are prepared under the historical cost convention as modified by the revaluation of investments.

(b) Investments

Investments with prices quoted, listed or normally dealt in on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") are stated at the Stock Exchange's nominal closing prices. Investments for which prices may not be available at any relevant time on the Stock Exchange or for which the Stock Exchange's nominal closing price is not considered to provide a fair value of the relevant investment by the Manager are stated at the value certified by an Approved Broker, or other professional person as may be appointed for that purpose by the Manager with the approval of the Trustee and the Supervisory Committee.

Purchases and sales of investments are accounted for on a trade date basis.

Realised gains and losses on sale of investments and unrealised gains and losses on revaluation of investments are dealt with in the statement of operations.

(c) Income

Dividend income on equity securities is recorded on the ex-dividend date. Dividend income on equity securities where no ex-dividend date is quoted are accounted for when the Fund's right to receive payment is established.

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

TRACKER FUND OF HONG KONG

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NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Expenses

All expenses are accounted for on an accrual basis.

(e) Dividend equivalent amount

Dividend equivalent amount represents the amount included in the issue price or redemption proceeds (as the case may be) of the units issued or redeemed, representing the net undistributed dividends and other income received and held or receivable by the Fund.

(f) Further cash amount

Further cash amount represents the amount included in the issue price or redemption proceeds (as the case may be) of the units issued or redeemed, representing the difference between the net asset value per Creation Unit as calculated by the Manager as of that date, and the value of the Index Basket (based on the nominal closing prices as of that date) and the dividend equivalent amount per Creation Unit.

(g) Cash and cash equivalents

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

(h) Set-up costs

Set-up costs borne by the Fund are amortised over a period of the first five years of the Fund.

3 INCOME

(a) Transaction fee

For each application for the creation of units or for the redemption of units, the Fund is entitled to receive a transaction fee of HK\$30,000 per application.

(b) Other income

Other income represents registrar charges levied on Unitholders (other than HKSCC Nominees) who hold units registered in their own names as at each Record Date for the relevant distribution. Currently, these charges amount to HK\$80 per year per Unitholder. Such charges are deducted on a half-yearly basis from the half-yearly distributions payable to the relevant Unitholders.

TRACKER FUND OF HONG KONG

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 UNITS IN ISSUE

	Number of units	
	2003	2002
Units in issue at the beginning of the year	2,522,992,500	2,417,992,500
Issue of units		
– Cash subscription	–	2,130,000,000
– In-kind	28,000,000	17,000,000
Redemption of units in-kind	(355,000,000)	(2,042,000,000)
Units in issue at the end of the year	<u>2,195,992,500</u>	<u>2,522,992,500</u>

5 TAXATION

No provision for Hong Kong profits tax has been made as the interest, dividend income and realised gains on disposal of investments of the Fund are excluded from the charge to profits tax under either Section 14, Section 26 or Section 26A of the Hong Kong Inland Revenue Ordinance.

6 RECONCILIATION OF NET INCOME AVAILABLE FOR DISTRIBUTION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003 HK\$	2002 HK\$
Net income available for distribution	1,013,818,758	878,619,021
Scrip dividends received	(157,732,791)	(155,280,708)
Increase in dividends receivable	(90,344,745)	(538,958)
Decrease in set-up costs and other accounts receivable and prepayments	473,073	489,727
Increase/(decrease) in trustee fee payable	304,251	(59,054)
Increase/(decrease) in management fee payable	304,251	(59,054)
Increase/(decrease) in registrar fee payable	207,335	(13,400)
Increase/(decrease) in index license fee payable	101,418	(19,685)
Increase/(decrease) in other accounts payable and accruals	11,830	(95,267)
Net increase in payable on redemption (excluding net further cash payable on redemption of units)	229,121	1,049,797
Net cash inflow from operating activities	<u>767,372,501</u>	<u>724,092,419</u>

TRACKER FUND OF HONG KONG

ANNUAL REPORT 2003

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 TRANSACTIONS WITH THE MANAGER AND ITS CONNECTED PERSONS

Connected Persons of the Manager are those as defined in the SFC Code. All transactions entered into during the year between the Fund and the Manager and its Connected Persons were carried out in the normal course of business and on normal commercial terms. To the best of the Manager's knowledge, the Fund does not have any other transactions with Connected Persons except for what is disclosed below.

The directors and officers of the Manager may transact in the units of the Fund as principal provided that prior written notice is obtained from the Trustee. As of 31st December 2003, the directors and officers of the Manager together held 86,420 units in the Fund (2002: 101,160 units).

(a) Management fee

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

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

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

(b) Trustee fee

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

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

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

(c) Bank balances

Bank balances are maintained with the Trustee. Bank balances held with the Trustee as at 31st December 2003 was HK\$56,339,632 (2002: HK\$93,868,634). During the year, interest earned on the above bank balances was HK\$1,184,221 (2002: HK\$2,931,438).

TRACKER FUND OF HONG KONG

ANNUAL REPORT 2003

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 OTHER FEES

(a) Registrar fee

The fee payable to the Registrar is calculated based on the number of Unitholders on the register on the first business day of the relevant month at the following fee scale, subject to a monthly maximum aggregate registrar fee of HK\$1,000,000:

	<i>HK\$ (per month)</i>
For first 2,000 Unitholders	9,500
For every additional 1,000 Unitholders up to 100,000 Unitholders	2,000
For every additional 1,000 Unitholders up to 200,000 Unitholders	1,800
For every additional 1,000 Unitholders up to 300,000 Unitholders	1,500
For every additional 1,000 Unitholders above 300,000 Unitholders	1,200

In addition, the Registrar is reimbursed for all of its out-of-pocket expenses incurred in connection with performing its services.

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

(b) Conversion agent fee

The Conversion Agent receives the higher of a monthly retainer fee of HK\$16,000 plus a transaction fee of HK\$12,000 for each creation and redemption application, and a minimum monthly fee of HK\$36,000.

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

(c) Index license fee

The index license fee is calculated at the rate of 0.015% per annum on the daily average net asset value of the Fund, subject to a minimum of US\$10,000 per annum.

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

9 MAJOR NON-CASH TRANSACTIONS

In accordance with the Fund's Trust Deed, units can be issued through either a cash subscription¹ or an in-kind creation of an Index Basket. In the latter case, for each Creation Unit (of 1,000,000 units), the Fund receives an Index Basket consisting of constituent shares as determined by the Manager on a daily basis. During the year, the Fund did not issue any units (2002: 2,130,000,000 units) in cash (2002: HK\$21,977,187,395)². During the year, the Fund issued 28,000,000 units (2002: 17,000,000 units) in exchange for Index Baskets consisting of investments valued at a total of HK\$261,166,401 (2002: HK\$164,854,488)² by the Manager at the time of issue.

¹ given the termination of the Tap Agreement on 2nd November 2002, the Fund will no longer issue any units in exchange for cash.

² excluding dividend equivalent amount and further cash amount.

TRACKER FUND OF HONG KONG

ANNUAL REPORT 2003

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 MAJOR NON-CASH TRANSACTIONS (Continued)

In accordance with the Fund's Trust Deed, units can only be redeemed in kind and are not redeemable for cash. During the year, the Fund redeemed 355,000,000 units (2002: 2,042,000,000 units) in exchange for Index Baskets consisting of investments valued at HK\$3,813,707,606 (2002: HK\$21,201,788,593)¹ by the Manager.

10 SOFT DOLLAR PRACTICES

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

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

11 INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE

The Trustee and the Manager have been granted a waiver from the prohibition under the SFC Code on the Fund's investment holdings in any single issuer to exceed 10% of the Fund's net asset value. This waiver is limited to any security that accounts for more than 10% of the weighting of the Index and the Fund's exposure to any particular security may not exceed the weighting given to that security in the Index.

Constituent stocks that account for more than 10% of the net asset value of the Fund as at 31st December 2003 were as follows:

	Respective weighting in the Index (%)		% of net asset value	
	2003	2002	2003	2002
HSBC Holdings plc	34.8	30.1	34.6	30.0
China Mobile (Hong Kong) Ltd.	12.2	13.6	12.1	13.5

12 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Trustee and the Manager on 31st March 2004.

¹ excluding dividend equivalent amount and further cash amount.

TRACKER FUND OF HONG KONG

ANNUAL REPORT 2003

INVESTMENT PORTFOLIO

As at 31st December 2003

	Holdings	Market value HK\$	% of net assets
Hong Kong			
Listed investments (99.5%)			
Equities (99.5%)			
Properties (11.2%)			
Cheung Kong (Holdings) Ltd.	16,634,719	1,027,193,898	3.7
Hang Lung Properties Ltd.	20,749,761	206,460,122	0.7
Henderson Investment Ltd.	20,232,829	181,083,820	0.7
Henderson Land Development Co. Ltd.	13,036,810	447,162,583	1.6
Sun Hung Kai Properties Ltd.	17,245,179	1,108,002,751	4.0
Wheelock & Co. Ltd.	14,594,593	136,459,445	0.5
		3,106,362,619	11.2
Finance (44.5%)			
BOC Hong Kong (Holdings) Limited	75,938,684	1,108,704,786	4.0
Bank of East Asia, Ltd., The	10,506,445	250,578,713	0.9
Hang Seng Bank Ltd.	13,732,650	1,400,730,300	5.0
HSBC Holdings plc	78,666,876	9,636,692,310	34.6
		12,396,706,109	44.5
Utilities (5.7%)			
CLP Holdings Ltd.	17,294,829	639,908,673	2.3
Hong Kong Electric Holdings Ltd.	15,327,193	470,544,825	1.7
Hong Kong & China Gas Co. Ltd., The	40,536,940	480,362,739	1.7
		1,590,816,237	5.7

TRACKER FUND OF HONG KONG

ANNUAL REPORT 2003

INVESTMENT PORTFOLIO (Continued)

As at 31st December 2003

	Holdings	Market value HK\$	% of net assets
Commerce and industry (38.1%)			
Cathay Pacific Airways Ltd.	23,995,917	353,939,776	1.3
Cheung Kong Infrastructure Holdings Ltd.	16,189,066	281,689,748	1.0
China Mobile (Hong Kong) Ltd.	141,290,696	3,369,783,100	12.1
China Resources Enterprises, Ltd.	14,989,792	131,910,170	0.5
China Unicom Ltd.	90,159,274	653,654,736	2.4
CITIC Pacific Ltd.	15,715,038	311,157,752	1.1
CNOOC Limited	58,995,481	896,731,311	3.2
COSCO Pacific Limited	15,434,203	159,744,001	0.6
Esprit Holdings Ltd.	8,553,641	221,111,620	0.8
Hutchison Whampoa Ltd.	30,618,053	1,752,883,534	6.2
Johnson Electric Holdings Ltd.	26,387,674	261,237,973	0.9
Legend Group Ltd.	53,659,471	178,417,741	0.6
Li & Fung Ltd.	20,828,409	277,017,840	1.0
MTR Corporation Ltd.	37,972,808	389,221,282	1.4
PCCW Limited	38,561,583	194,735,994	0.7
Shanghai Industrial Holdings Ltd.	6,794,094	120,595,168	0.4
Swire Pacific Ltd. (A shares)	6,679,654	319,955,427	1.2
Television Broadcasts Ltd.	3,145,724	123,312,381	0.4
Wharf (Holdings) Ltd., The	17,575,392	377,870,928	1.4
Yue Yuen Industrial (Holdings) Limited	11,520,649	245,965,856	0.9
		<u>10,620,936,338</u>	<u>38.1</u>
Total listed investments		27,714,821,303	99.5
Other net assets		<u>139,603,301</u>	<u>0.5</u>
Net assets at 31st December 2003		<u><u>27,854,424,604</u></u>	<u><u>100.0</u></u>
Total investments, at cost		<u><u>22,155,896,863</u></u>	

TRACKER FUND OF HONG KONG

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STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO

For the year ended 31st December 2003

	Holdings			2003
	2002	Additions	Disposals	
Hong Kong				
Listed investments				
Equities				
Properties				
Cheung Kong (Holdings) Ltd.	20,348,397	220,918	3,934,596	16,634,719
Hang Lung Properties Ltd.	25,366,904	291,834	4,908,977	20,749,761
Henderson Investment Ltd.	24,752,405	269,068	4,788,644	20,232,829
Henderson Land Development Co. Ltd.	15,126,258	820,020	2,909,468	13,036,810
Sino Land Co. Ltd.	34,090,628	134,830	34,225,458	–
Sun Hung Kai Properties Ltd.	21,094,660	228,918	4,078,399	17,245,179
Wheelock & Co. Ltd.	17,843,837	194,198	3,443,442	14,594,593
Finance				
BOC Hong Kong (Holdings) Limited	92,895,120	1,008,868	17,965,304	75,938,684
Bank of East Asia, Ltd., The	12,701,079	177,534	2,372,168	10,506,445
Hang Seng Bank Ltd.	16,798,096	182,508	3,247,954	13,732,650
HSBC Holdings plc	83,296,298	10,128,406	14,757,828	78,666,876
Utilities				
CLP Holdings Ltd.	21,156,161	230,072	4,091,404	17,294,829
Hong Kong Electric Holdings Ltd.	18,748,589	203,796	3,625,192	15,327,193
Hong Kong & China Gas Co. Ltd., The	50,001,295	544,710	10,009,065	40,536,940
Commerce and industry				
Cathay Pacific Airways Ltd.	29,310,125	319,056	5,633,264	23,995,917
Cheung Kong Infrastructure Holdings Ltd.	19,803,298	216,086	3,830,318	16,189,066
China Mobile (Hong Kong) Ltd.	172,830,007	1,884,028	33,423,339	141,290,696
China Resources Enterprises, Ltd.	18,279,043	197,712	3,486,963	14,989,792
China Resources Cement Holdings Limited	–	1,630,744	1,630,744	–
China Unicom Ltd.	110,290,585	1,201,162	21,332,473	90,159,274
CITIC Pacific Ltd.	19,239,555	208,880	3,733,397	15,715,038
CNOOC Limited	72,168,697	783,404	13,956,620	58,995,481
COSCO Pacific Limited	–	16,835,260	1,401,057	15,434,203
Esprit Holdings Ltd.	10,357,946	112,422	1,916,727	8,553,641
Hutchison Whampoa Ltd.	37,453,341	461,134	7,296,422	30,618,053
i-Cable Communications Limited	–	1,913,335	1,913,335	–
Johnson Electric Holdings Ltd.	32,279,979	351,204	6,243,509	26,387,674
Legend Group Ltd.	65,913,920	713,148	12,967,597	53,659,471
Li & Fung Ltd.	25,400,777	275,928	4,848,296	20,828,409
MTR Corporation Ltd.	45,318,456	1,212,434	8,558,082	37,972,808
New World Development Co., Ltd.	19,025,608	309,330	19,334,938	–
PCCW Limited	204,436,361	46,825,192	212,699,970	38,561,583
Shanghai Industrial Holdings Ltd.	8,216,071	140,066	1,562,043	6,794,094
Swire Pacific Ltd. (A shares)	8,223,334	89,006	1,632,686	6,679,654
Television Broadcasts Ltd.	3,846,008	42,206	742,490	3,145,724
Wharf (Holdings) Ltd., The	21,498,729	234,254	4,157,591	17,575,392
Yue Yuen Industrial (Holdings) Limited	–	12,510,536	989,887	11,520,649

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ADMINISTRATION AND MANAGEMENT

Directors of the Manager

Mr. Vincent Duhamel
Ms. Yan-Yan Li

Members of the Supervisory Committee

Mr. Marvin Cheung
Mr. Fong Hup
Mrs. Marian Li
(resigned on 11th March 2003)
Ms. Karen Kemp
Mr. Lawrence Fok
Prof. Tsang Shu-ki
(appointed on 30th April 2003)

Trustee and custodian

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

Registrar

Computershare Hong Kong
Investor Services Limited
Shops 1712 - 1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Manager

State Street Global Advisors Asia Limited
32nd Floor, Two Exchange Square
8 Connaught Place
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
2nd Floor, Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

Auditors

PricewaterhouseCoopers
22nd Floor
Prince's Building
Central
Hong Kong

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PERFORMANCE RECORD

Net asset values

	Net asset value per unit HK\$	Net asset value of the Fund HK\$
At end of financial period dated		
31st December 2001	11.45	27,696,374,409
31st December 2002	9.38	23,675,137,120
31st December 2003	12.68	27,854,424,604

Highest and lowest net asset value per unit

	Highest net asset value per unit HK\$	Lowest net asset value per unit HK\$
Financial period ended		
31st December 2000 (since inception)	18.39	13.75
31st December 2001	16.24	9.12
31st December 2002	12.07	9.06
31st December 2003	12.70	8.62