

Interim Report 2006

1st January 2006 to 30th June 2006

STATE STREET
GLOBAL ADVISORS



TraHK

Tracker Fund of Hong Kong

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Condensed Statement of Assets and Liabilities

As at 30th June 2006

		(UNAUDITED) 30.06.2006 Note	(AUDITED) 31.12.2005 HK\$
Assets			
Investments		25,322,694,775	26,842,037,452
Bank balances	8(c)	262,113,229	68,329,644
Dividends receivable		73,575,693	87,524,500
Other accounts receivables and prepayments		36,263	182,688
		<u>25,658,419,960</u>	<u>26,998,074,284</u>
Total assets			
Liabilities			
Trustee fee payable		3,214,884	3,302,002
Management fee payable		3,214,884	3,302,002
Index license fee payable		1,009,299	1,034,305
Registrar fee payable		177,395	182,113
Other accounts payable and accruals		902,415	805,790
		<u>8,518,877</u>	<u>8,626,212</u>
Liabilities (excluding net assets attributable to unitholders)			
		<u>8,518,877</u>	<u>8,626,212</u>
Net assets attributable to unitholders (at bid market prices)			
		25,649,901,083	26,989,448,072
Adjustments from bid market prices to last traded market prices	6	44,452,288	58,590,272
		<u>44,452,288</u>	<u>58,590,272</u>
Net assets attributable to unitholders (at last traded market prices)			
		<u>25,694,353,371</u>	<u>27,048,038,344</u>

The notes on pages 6 to 14 form part of these financial statements.

Condensed Statement of Operations

For the period ended 30th June 2006

		(UNAUDITED)	
		01.01.2006	01.01.2005
		to	to
		30.06.2006	30.06.2005
Note		HK\$	HK\$
Income			
	Dividends	557,495,492	598,958,605
	Bank interest	8(c) 2,857,312	1,371,553
	Transaction fee	5(a) 155,389	178,521
	Other income	5(b) 3,211,994	3,758,213
	Net gain/(loss) on investments	4 2,460,387,383	(152,358,673)
	Total investment income	<u>3,024,107,570</u>	<u>451,908,219</u>
Expenses			
	Management fee	8(a) 6,399,317	6,562,354
	Trustee fee	8(b) 6,399,317	6,562,354
	Index license fee	9(c) 2,039,719	2,088,747
	Transaction costs on investments	1,707,164	1,366,363
	Registrar fee	9(a) 1,085,564	1,231,923
	Publication and printing expenses	968,498	869,956
	Conversion agent fee	9(b) 206,374	214,224
	Audit fee	54,052	51,572
	Bank charges	7,110	18,426
	Legal and professional fees	–	24,795
	Other operating expenses	379,535	575,850
	Total operating expenses	<u>19,246,650</u>	<u>19,566,564</u>
	Net operating profit	<u>3,004,860,920</u>	<u>432,341,655</u>
Finance costs			
	Distributions to unitholders	(544,473,537)	(584,700,328)
	Adjustments from bid market prices to last traded market prices	6 44,452,288	84,079,901
		<u>(500,021,249)</u>	<u>(500,620,427)</u>
	Increase/(decrease) in net assets attributable to unitholders	<u>2,504,839,671</u>	<u>(68,278,772)</u>
	Earnings per unit for profit attributable to unitholders (expressed in HK\$ per unit)	11 <u>1.77</u>	<u>0.22</u>

The notes on pages 6 to 14 form part of these financial statements.

Condensed Statement of Changes in Net Assets Attributable to Unitholders

For the period ended 30th June 2006

	Note	(UNAUDITED)	
		01.01.2006 to 30.06.2006 HK\$	01.01.2005 to 30.06.2005 HK\$
Balance at the beginning of the period		27,048,038,344	30,722,784,318
Effect of change in accounting policy		—	(101,263,081)
		<u>27,048,038,344</u>	<u>30,621,521,237</u>
In-kind payments on redemption of units	10	(4,061,203,155)	(2,891,225,350)
Net further cash amount received on redemption and issue of units		<u>3,474</u>	<u>3,504</u>
Net redemption of units		<u>(4,061,199,681)</u>	<u>(2,891,221,846)</u>
		22,986,838,663	27,730,299,391
Increase/(decrease) in net assets attributable to unitholders		2,504,839,671	(68,278,772)
Amount transferred from the statement of distributions		<u>202,675,037</u>	<u>225,061,678</u>
Balance at the end of the period		<u><u>25,694,353,371</u></u>	<u><u>27,887,082,297</u></u>

The notes on pages 6 to 14 form part of these financial statements.

Condensed Statement of Cash Flows

For the period ended 30th June 2006

	Note	(UNAUDITED)	
		01.01.2006 to 30.06.2006 HK\$	01.01.2005 to 30.06.2005 HK\$
Operating activities			
Sale of investments	10	659,801,184	511,427,673
Purchase of investments	10	(658,516,273)	(509,095,444)
Dividends received		571,444,299	614,966,686
Other income received		3,211,994	3,758,213
Bank interest received		2,847,757	1,346,525
Transaction fee received		150,000	150,000
Management fee paid		(6,486,435)	(6,866,809)
Trustee fee paid		(6,486,435)	(6,866,809)
Index license fee paid		(2,064,725)	(2,193,848)
Registrar fee paid		(1,090,282)	(1,052,090)
Publication and printing expenses paid		(921,148)	(824,439)
Transaction costs on investment paid		(1,707,164)	(1,366,363)
Conversion agent fee paid		(220,000)	(220,000)
Bank charges paid		(651)	(18,426)
Other operating expenses		(24,383,510)	(22,221,674)
Net cash inflow from operating activities		<u>535,578,611</u>	<u>580,923,195</u>
Financing			
Net further cash amount received on issue and redemption of units		3,474	3,504
Interim distribution paid		(341,798,500)	(359,638,650)
Net cash outflow from financing		<u>(341,795,026)</u>	<u>(359,635,146)</u>
Increase in cash and cash equivalents		<u>193,783,585</u>	<u>221,288,049</u>
Cash and cash equivalents at the beginning of the period		<u>68,329,644</u>	<u>61,533,682</u>
Cash and cash equivalents at the end of the period		<u><u>262,113,229</u></u>	<u><u>282,821,731</u></u>
Analysis of balances of cash and cash equivalents			
Bank balances		<u>262,113,229</u>	<u>282,821,731</u>

Please refer to note 10 on page 11 for details of major non-cash transactions.
The notes on pages 6 to 14 form part of these financial statements.

Condensed Statement of Distributions

For the period ended 30th June 2006

	(UNAUDITED)	
	01.01.2006	01.01.2005
	to	to
	30.06.2006	30.06.2005
	HK\$	HK\$
Amount transferred from the condensed statement of operations	544,473,537	584,700,328
Interim distribution		
– HK\$0.18 on 1,997,992,500 units paid on 24th May 2005	–	(359,638,650)
– HK\$0.20 on 1,708,992,500 units paid on 22nd May 2006	(341,798,500)	–
	<u>202,675,037</u>	<u>225,061,678</u>
Amount transferred to the condensed statement of changes in net assets attributable to unitholders		

The notes on pages 6 to 14 form part of these 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 on 23rd October 1999 (the "Trust Deed"). The Fund is authorized by the Securities & Futures Commission of Hong Kong under Section 104(1) of the Hong Kong Securities and Futures Ordinance. The Fund is also listed on the Stock Exchange of Hong Kong Limited (a subsidiary of The Hong Kong Exchanges and Clearing Limited).

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

2 Basis of preparation and accounting policies

These unaudited condensed interim financial statements ("Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants. The financial statements are prepared under the historical cost convention as modified by the revaluation of investments.

The accounting policies and methods of computation used in the preparation of these Interim Financial Statements are consistent with those used in the annual financial statements for the year ended 31 December 2005.

These Interim Financial Statements have been prepared in accordance with those HKFRS standards and interpretations issued and effective in July 2005.

The changes to the Fund's accounting policies and the effect of adopting these new policies are set out in note 3 below.

3 Effect of adoption of new/revised accounting standards

The adoption of new/revised accounting standards applicable to the Fund on total net assets attributable to unitholders are as follows:

Impact on the net assets attributable to unitholders brought forward

	Note	30.6.2005 HK\$
Balance at 1st January 2005 previously reported		30,722,784,318
Changes in valuation of investments	(a)	<u>(101,263,081)</u>
Adjusted balance at 1st January 2005 under new/revised accounting standards		<u><u>30,621,521,237</u></u>

- (a) In accordance with Hong Kong Accounting Standard ("HKAS") 39 - Financial Instruments: Recognition and Measurement the valuation of investments has been changed to take into account the valuation at bid price rather than at the closing price.

Notes to the Unaudited Condensed Financial Statements (Continued)

4 Net gain/(loss) on investments

	(UNAUDITED)	
	01.01.2006 to 30.06.2006 HK\$	01.01.2005 to 30.06.2005 HK\$
Change in unrealised gain/loss in value of investments	935,718,880	(989,667,129)
Realised gain on sale of investments	1,524,668,503	837,308,456
	<u>2,460,387,383</u>	<u>(152,358,673)</u>

5 Income

(a) Transaction fee

For each application for the creation of units or for the redemption of units, the Fund was entitled to receive a transaction fee of HK\$30,000 per application. With effect from 1 June 2006, the transaction fee with respect to the creation and redemption application has been reduced from HK\$30,000 per application to HK\$15,000 per total aggregate creation and redemption application 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 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.

6 Number of units in issue and net assets attributable to unitholders per unit

In accordance with the provisions of the Fund's Trust Deed, listed investments and investments with prices quoted in over the counter markets or by market makers are stated at the last traded price on the valuation day for the purpose of determining net asset value per unit for subscriptions and redemptions and for various fee calculations. However, as stated in note 2 the accounting policy of the Fund for the purpose of compliance with HKAS 39 and for reporting purpose is to value its investments at the relevant bid market prices on the Statement of Assets and Liabilities date. The difference between the valuation stated in the financial statement of investments and the valuation methodology indicated in the Fund's Trust Deed, results in a decrease in value of investment by HK\$44,452,288 (for the period ended 30th June 2005: HK\$84,079,901).

Notes to the Unaudited Condensed Financial Statements (Continued)

6 Number of units in issue and net assets attributable to unitholders per unit (Continued)

Net assets attributable to unitholders at last traded market prices represent a liability in the balance sheet, carried at the redemption amount that would be payable at the balance sheet date if the unitholder exercised the right to redeem the unit to the Fund.

	Number of units		
	01.01.2006 to 30.06.2006	01.07.2005 to 31.12.2005	01.01.2005 to 30.06.2005
Units in issue at the beginning of the period	1,801,992,500	1,931,992,500	2,140,992,500
Redemption of units in-kind	(248,000,000)	(130,000,000)	(209,000,000)
Units in issue at the end of the period	<u>1,553,992,500</u>	<u>1,801,992,500</u>	<u>1,931,992,500</u>
	HK\$	HK\$	HK\$
Net assets attributable to unitholders	<u>25,694,353,371</u>	<u>27,048,038,344</u>	<u>27,887,082,297</u>
Net assets attributable to unitholders per unit	<u>16.53</u>	<u>15.01</u>	<u>14.43</u>
Net asset value per Creation Unit (1 Creation Unit is equivalent to 1,000,000 units)	<u>16,534,413</u>	<u>15,010,073</u>	<u>14,434,364</u>

Notes to the Unaudited Condensed Financial Statements (Continued)

7 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 Section 14, Section 26 or Section 26A of the Hong Kong Inland Revenue Ordinance.

8 Transactions with the Manager and its Connected Persons

Connected Persons of the Manager are those as defined in the Code on Unit Trusts and Mutual Funds established by the Securities & Futures Commission of Hong Kong (the "SFC Code"). All transactions entered into during the period 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 30th June 2006, the directors and officers of the Manager together held 27,820 units in the Fund (for the period ended 30th June 2005: 95,300 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.

Notes to the Unaudited Condensed Financial Statements (Continued)

8 Transactions with the Manager and its Connected Persons (Continued)

(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 30th June 2006 was HK\$262,113,229 (as at 31st December 2005: HK\$68,329,644). During the period, interest earned on the above bank balances was HK\$2,857,312 (for the period ended 30th June 2005: HK\$1,371,553).

9 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. With effect from 1st May 2005, the registrar fee has been revised at the following rates:

	With effect from 1st May 2005 HK\$ (per month)	Prior to 1st May 2005 HK\$ (per month)
For first 2,000 Unitholders	9,500	9,500
For every additional 1,000 Unitholders up to 70,000 Unitholders	2,000	–
For every additional 1,000 Unitholders up to 100,000 Unitholders	1,700	2,000
For every additional 1,000 Unitholders up to 200,000 Unitholders	1,800	1,800
For every additional 1,000 Unitholders up to 300,000 Unitholders	1,500	1,500
For every additional 1,000 Unitholders above 300,000 Unitholders	1,200	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.

Notes to the Unaudited Condensed Financial Statements (Continued)

9 Other fees (Continued)

(b) Conversion agent fee

The Conversion Agent received 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 before 1 June 2006. With effect from 1 June 2006, no minimum monthly fee would be applied.

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.

10 Major non-cash transactions

In accordance with the Fund's Trust Deed and since the termination of the Tap agreement, units can only be issued through an in-kind creation of an Index Basket and not through a cash subscription. For each Creation Unit (of 1,000,000 units), the Fund receives an Index Basket consisting of constituent shares as determined by the Manager on a daily basis. During the period, the Fund did not issue any units (for the period ended 30th June 2005: nil) in exchange for Index Baskets by the Manager.

In accordance with the Fund's Trust Deed, units can only be redeemed in-kind and are not redeemable for cash. During the period, the Fund redeemed 248,000,000 units (for the period ended 30th June 2005: 209,000,000 units) in exchange for Index Baskets consisting of investments valued at a total of HK\$4,061,203,155 (for the period end 30th June 2005: HK\$ 2,891,225,350) by the Manager.

11 Earnings per unit

Earnings per unit is calculated by dividing the profit attributable to unitholders of the Fund by the weighted average of outstanding units during the period.

	01.01.2006 to 30.06.2006 HK\$	01.01.2005 to 30.06.2005 HK\$
Profit attributable to unitholders of the Fund	3,004,860,920	432,341,655
Weighted average number of outstanding units	1,701,793,605	2,009,544,986
Earnings per unit (HK\$ per unit)	<u>1.77</u>	<u>0.22</u>

Notes to the Unaudited Condensed Financial Statements (Continued)

12 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.

13 Investment limitation and prohibitions under the SFC Code

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

Constituent stocks that account for more than 10% of the net asset value of the Fund as at 30th June 2006 were as follows:

	Respective weighting in the Index (%)		% of net asset value	
	30.6.2006	31.12.2005	30.06.2006	31.12.2005
HSBC Holdings plc	29.8	30.1	29.4	29.9
China Mobile Ltd.	16.8	15.5	16.6	15.4

Notes to the Unaudited Condensed Financial Statements (Continued)

14 Financial risk management

The objective of the Fund is to provide investment results that closely correspond to the performance of the index. The risk exposures inherent in the Fund as at 30 June 2006 are summarized below.

(a) *Market Price Risk*

The Fund's investments are subject to the securities price risk inherent in all securities i.e. the value of holdings may fall as well as rise. The Fund's market risk is managed through deliberate stock selection and diversification of investment portfolio.

(b) *Credit Risk*

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due.

The Fund's financial assets which are potentially subject to concentrations of credit risk consist principally of securities and bank balances.

The Fund limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activity with well established broker-dealers, banks with high credit ratings and regulated exchanges that the Fund considers to be well established.

All transactions in securities are settled / paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal since delivery of securities sold is only made once the broker has received payment. On a purchase, payment is made once the securities have been received by the broker. If either party fails to meet its obligation, the trade will fail.

Accordingly, the Fund has no significant concentration of credit risk.

(c) *Interest Rate Risk*

The Fund is exposed to a minimal interest rate risk as the Fund invests mainly in equity securities and only the bank balances are exposed to interest rate risk which is considered to be minimal.

Notes to the Unaudited Condensed Financial Statements (Continued)

14 Financial risk management (Continued)

(d) *Currency Risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to the changes in foreign exchange rates.

The Fund has no significant currency risk because substantially all assets and liabilities are denominated in Hong Kong Dollars, the Fund's reporting currency.

(e) *Fair Values of Financial Instruments*

The Fund's carrying amounts of securities, other assets and liabilities approximate to their fair values. Other assets and liabilities include bank balances, accruals and other payables which are realized or settled within a short period of time.

(f) *Liquidity risk*

The Fund is exposed to redemptions of units in the Fund. The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed of.

Investment Portfolio

As at 30th June 2006

		(UNAUDITED)	% of net
	Holdings	Market value HK\$	assets
Hong Kong			
Listed investments (98.55%)			
Equities (98.55%)			
Properties (10.72%)			
Cheung Kong (Holdings) Ltd.	11,189,261	941,016,850	3.66
Hang Lung Properties Ltd.	17,966,277	252,426,192	0.98
Henderson Land Development Co. Ltd.	8,769,153	352,081,493	1.37
Sino Land Co. Ltd.	20,841,966	257,398,280	1.00
Sun Hung Kai Properties Ltd.	12,035,112	951,977,359	3.71
		<hr/>	
		2,754,900,174	10.72
		<hr/>	
Finance (36.81%)			
Bank of East Asia, Ltd.	7,349,017	233,698,741	0.91
BOC Hong Kong (Holdings) Ltd.	51,080,796	773,874,059	3.01
Hang Seng Bank Ltd.	9,237,288	910,334,732	3.54
HSBC Holdings plc	55,448,947	7,541,056,792	29.35
		<hr/>	
		9,458,964,324	36.81
		<hr/>	
Utilities (5.23%)			
CLP Holdings Ltd.	11,633,850	528,176,790	2.06
Hongkong Electric Holdings Ltd.	10,309,641	361,868,399	1.41
Hong Kong and China Gas Co. Ltd.	26,614,850	452,452,450	1.76
		<hr/>	
		1,342,497,639	5.23
		<hr/>	

Investment Portfolio (Continued)

As at 30th June 2006

		(UNAUDITED)	% of net
	Holdings	Market value HK\$	assets
Commerce and Industry (45.79%)			
Cathay Pacific Airways Ltd.	16,344,570	221,468,924	0.86
Cheung Kong Infrastructure Holdings Ltd.	10,889,201	244,462,562	0.95
China Merchants Holdings (International) Co. Ltd.	11,111,441	262,230,008	1.02
China Mobile (Hong Kong) Ltd.	96,049,913	4,259,813,642	16.58
China Netcom Group Corporation (Hong Kong) Ltd.	31,895,705	433,781,588	1.69
China Resources Enterprise, Ltd.	11,250,038	177,750,600	0.69
China Unicom Ltd.	60,801,326	416,489,083	1.62
CITIC Pacific Ltd.	10,599,706	242,733,267	0.95
CNOOC Ltd.	209,322,961	1,287,336,210	5.01
COSCO Pacific Limited.	10,709,598	183,669,606	0.71
Esprit Holdings Ltd.	5,894,146	373,688,856	1.45
Hutchison Whampoa Ltd.	20,595,926	1,457,161,765	5.67
Johnson Electric Holdings Ltd.	17,860,677	100,019,791	0.39
Lenovo Group Ltd.	41,447,062	106,726,185	0.42
Li & Fung Ltd.	15,634,563	245,462,639	0.96
MTR Corporation Ltd.	26,499,318	496,862,213	1.93
New World Development Co. Ltd.	17,580,919	223,277,671	0.87
PCCW Ltd.	32,725,453	179,989,992	0.70
Swire Pacific Ltd. 'A'	4,492,825	359,875,283	1.40
Wharf (Holdings) Ltd.	11,827,139	326,429,036	1.27
Yue Yuen Industrial (Holdings) Ltd.	7,826,872	167,103,717	0.65
		<u>11,766,332,638</u>	<u>45.79</u>
Total listed investments		25,322,694,775	98.55
Other net assets		<u>371,658,596</u>	<u>1.45</u>
Net assets at 30th June 2006		<u><u>25,694,353,371</u></u>	<u><u>100.00</u></u>
Total investments, at cost		<u><u>15,730,815,614</u></u>	

Statement of Movements in Investment Portfolio

For the period ended 30th June 2006

	(UNAUDITED)			30.06.2006
	31.12.2005	Additions	Disposals	
Holdings				
Hong Kong				
Listed investments				
Equities				
Properties				
Cheung Kong (Holdings) Ltd.	13,327,012	-	2,137,751	11,189,261
Hang Lung Properties Ltd.	21,218,817	-	3,252,540	17,966,277
Henderson Land Development Co. Ltd.	10,459,000	-	1,689,847	8,769,153
Sino Land Co. Ltd.	24,852,756	-	4,010,790	20,841,966
Sun Hung Kai Properties Ltd.	13,804,947	347,000	2,116,835	12,035,112
Finance				
Bank of East Asia, Ltd.	8,666,391	-	1,317,374	7,349,017
BOC Hong Kong (Holdings) Ltd.	60,790,048	-	9,709,252	51,080,796
Hang Seng Bank Ltd.	11,002,612	-	1,765,324	9,237,288
HSBC Holdings plc	64,922,643	150,000	9,623,696	55,448,947
Utilities				
CLP Holdings Ltd.	13,844,817	-	2,210,967	11,633,850
Hong Kong Electric Holdings Ltd.	12,296,355	-	1,986,714	10,309,641
Hong Kong and China Gas Co. Ltd.	32,082,596	-	5,467,746	26,614,850
Commerce and industry				
Cathay Pacific Airways Ltd.	19,485,766	-	3,141,196	16,344,570
Cheung Kong Infrastructure Holdings Ltd.	12,988,601	-	2,099,400	10,889,201
China Merchants Holdings (International) Co. Ltd.	12,356,820	536,000	1,781,379	11,111,441
China Mobile (Hong Kong) Ltd.	113,511,962	276,000	17,738,049	96,049,913
China Netcom Group Corporation (Hong Kong) Ltd.	-	35,325,000	3,429,295	31,895,705
China Resources Enterprise, Ltd.	12,668,214	386,000	1,804,176	11,250,038
China Unicom Ltd.	72,481,953	-	11,680,627	60,801,326
CITIC Pacific Ltd.	12,638,659	-	2,038,953	10,599,706
CNOOC Ltd.	236,253,438	9,651,000	36,581,477	209,322,961
COSCO Pacific Limited	12,639,467	-	1,929,869	10,709,598
Denway Motors Ltd.	43,288,402	-	43,288,402	-
Esprit Holdings Ltd.	6,914,398	-	1,020,252	5,894,146
Hutchison Whampoa Ltd.	24,510,634	-	3,914,708	20,595,926
Johnson Electric Holdings Ltd.	21,187,359	-	3,326,682	17,860,677
Lenovo Group Ltd.	48,489,134	-	7,042,072	41,447,062
Li & Fung Ltd.	16,864,455	1,488,011	2,717,903	15,634,563
MTR Corporation Ltd.	31,056,041	-	4,556,723	26,499,318
New World Development Co. Ltd.	19,990,768	580,000	2,989,849	17,580,919
PCCW Ltd.	38,708,065	-	5,982,612	32,725,453
Swire Pacific Ltd. 'A'	5,358,883	-	866,058	4,492,825
Wharf (Holdings) Ltd.	14,099,935	-	2,272,796	11,827,139
Yue Yuen Industrial (Holdings) Ltd.	9,335,172	-	1,508,300	7,826,872

Performance Record

For the period ended 30th June 2006

Fund performance

During the period from 1st January 2006 to 30th June 2006, the Hang Seng Index increased by 9.35% and the net asset value per unit of the Fund increased by 10.16%.

Administration and Management

Directors of the Manager

Mr. Bernard Reilly
Ms. Yan-Yan Li

Members of the Supervisory Committee

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

Trustee and custodian

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Auditors

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22nd Floor
Prince's Building
Central
Hong Kong