

TraHK

Tracker Fund of Hong Kong

Tracker Fund of Hong Kong

Stock Code : 2800

Website : www.trahk.com.hk

Annual Report 2009

1st January 2009 to 31st December 2009

STATE STREET
GLOBAL ADVISORS

SSGA[®]

Contents

Statement of Responsibilities of the Manager and the Trustee	2
Report of the Trustee to the Unitholders	3
Independent Auditor's Report	4
Statement of Net Assets	6
Statement of Comprehensive Income	7
Statement of Changes in Net Assets Attributable to Holders of Redeemable Units	8
Statement of Cash Flows	9
Notes to the Financial Statements	10
Investment Portfolio (Unaudited)	25
Statement of Movements in Investment Portfolio (Unaudited)	27
Performance Record (Unaudited)	29
Administration and Management	30

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 respect of 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 or arrange for the preparation of 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 take 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.

**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, dated 23rd October 1999 for the year ended 31st December 2009.

State Street Bank and Trust Company

19th April 2010

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF TRACKER FUND OF HONG KONG (THE "FUND")

Report on the financial statements

We have audited the financial statements of the Fund set out on pages 6 to 24, which comprise the Statement of Net Assets as at 31st December 2009, and the Statement of Comprehensive Income, Statement of Changes in Net Assets Attributable to Holders of Redeemable Units and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Trustee and the Manager (the "Management") of the Fund are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and are responsible for ensuring that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 23rd October 1999 (the "Trust Deed"), and the relevant financial statements disclosure provisions specified in Appendix E of the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the "SFC Code"). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31st December 2009, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

Report on other legal and regulatory disclosure requirements

We report that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed and the relevant financial statements disclosure provisions specified in the SFC Code.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 19th April 2010

Tracker Fund of Hong Kong

Annual Report 2009

STATEMENT OF NET ASSETS

As at 31st December 2009

	Note	2009 HK\$	2008 HK\$
Assets			
Current assets			
Investments	12(b)	39,025,886,042	32,895,270,414
Dividends receivable		48,874,940	87,189,518
Other accounts receivable and prepayments		45,000	308,283
Bank balances	7(d)	56,176,081	177,260,694
Total assets		<u>39,130,982,063</u>	<u>33,160,028,909</u>
Liabilities			
Current liabilities			
Management fee payable	7(b)	4,070,841	3,690,291
Trustee fee payable	7(c)	4,070,841	3,690,291
Index license fee payable	8(c)	1,487,795	1,195,955
Registrar fee payable	8(a)	149,407	322,753
Other accounts payable and accruals		993,418	2,311,552
Liabilities (excluding net assets attributable to holders of redeemable units)		<u>10,772,302</u>	<u>11,210,842</u>
Net assets attributable to holders of redeemable units (at bid market prices)		39,120,209,761	33,148,818,067
Adjustments from bid market prices to last traded market prices	5	<u>6,801,924</u>	<u>33,114,298</u>
Net assets attributable to holders of redeemable units (at last traded market prices)	5	<u><u>39,127,011,685</u></u>	<u><u>33,181,932,365</u></u>

State Street Bank and Trust Company

State Street Global Advisors Asia Limited

The notes on pages 10 to 24 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2009

	Note	2009 HK\$	2008 HK\$
Income			
Dividends		1,048,186,014	1,182,963,329
Bank interest	7(d)	–	2,347,226
Transaction fee	4(a)	801,718	1,808,282
Other income	4(b)	4,492,894	4,563,861
Net gain/(loss) on investments	3	14,787,084,676	(20,429,195,723)
Total net income/(loss)		15,840,565,302	(19,237,513,025)
Expenses			
Management fee	7(b)	15,898,863	15,505,229
Trustee fee	7(c)	15,898,863	15,505,229
Index license fee	8(c)	5,339,011	4,991,517
Transaction costs on investments		13,269,813	6,547,714
Registrar fee	8(a)	1,664,800	1,755,200
Publication and printing expenses		1,305,668	1,558,809
Conversion agent fee	8(b)	502,687	1,465,313
Audit fee		378,001	361,772
Legal and other professional fees		67,998	504,694
Bank charges		337,100	583,148
Other operating expenses		1,104,158	1,218,280
Total operating expenses		55,766,962	49,996,905
Operating profit/(loss)		15,784,798,340	(19,287,509,930)
Finance costs			
Distributions to holders of redeemable units	13	(1,009,475,950)	(1,327,264,900)
Profit/(loss) after distributions and before tax		14,775,322,390	(20,614,774,830)
Withholding tax	6	(49,933,572)	(10,230,755)
Profit/(loss) after distributions and tax		14,725,388,818	(20,625,005,585)
Adjustments from bid market prices to last traded market prices	5	(26,312,374)	4,334,293
Increase/(decrease) in net assets attributable to holders of redeemable units from operations		14,699,076,444	(20,620,671,292)

The notes on pages 10 to 24 form part of these financial statements.

Tracker Fund of Hong Kong

Annual Report 2009

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the year ended 31st December 2009

	Note	2009 HK\$	2008 HK\$
Net assets attributable to holders of redeemable units at 1st January (at last traded market prices)		<u>33,181,932,365</u>	<u>32,517,482,048</u>
Issue of units	9	3,484,172,095	24,548,222,293
Redemption of units	9	(12,238,187,329)	(3,263,169,876)
Net further cash amount received on issue and redemption of units		<u>18,110</u>	<u>69,192</u>
Net (redemption)/issue of units		<u>(8,753,997,124)</u>	<u>21,285,121,609</u>
		24,427,935,241	53,802,603,657
Increase/(decrease) in net assets attributable to holders of redeemable units from operations		<u>14,699,076,444</u>	<u>(20,620,671,292)</u>
Net assets attributable to holders of redeemable units at 31st December (at last traded market prices)		<u><u>39,127,011,685</u></u>	<u><u>33,181,932,365</u></u>

The notes on pages 10 to 24 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31st December 2009

	Note	2009 HK\$	2008 HK\$
Cash flows from operating activities			
Proceeds from sale of investments		6,177,860,115	2,579,755,216
Payments for purchase of investments		(6,177,451,229)	(2,447,985,789)
Dividends received		1,036,567,020	1,005,088,031
Other income received		4,492,894	4,563,861
Bank interest received		–	2,353,695
Transaction fee received		1,065,000	1,590,000
Management fee paid		(15,518,313)	(15,245,695)
Trustee fee paid		(15,518,313)	(15,245,695)
Index license fee paid		(5,047,171)	(5,075,573)
Registrar fee paid		(1,838,146)	(1,825,562)
Publication and printing expenses paid		(1,511,039)	(1,781,859)
Transaction costs on investments paid		(13,269,813)	(6,547,714)
Conversion agent fee paid		(1,204,000)	(1,672,000)
Bank charges paid		(383,151)	(583,148)
Legal and other professional fees paid		(67,998)	(504,694)
Other operating expenses paid		(1,847,557)	(1,958,382)
Net cash generated from operating activities		<u>986,328,299</u>	<u>1,094,924,692</u>
Cash flows from financing activities			
Issue of units	9	31,525,730	358,636,681
Redemption of units	9	(129,480,802)	(21,934,146)
Net further cash amount received on issue of units		29,726	84,472
Net further cash amount paid on redemption of units		(11,616)	(15,280)
Interim distribution paid	13	(332,318,800)	(330,968,275)
Final distribution paid	13	(677,157,150)	(996,296,625)
Net cash used in financing activities		<u>(1,107,412,912)</u>	<u>(990,493,173)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(121,084,613)</u>	<u>104,431,519</u>
Cash and cash equivalents at the beginning of the year		<u>177,260,694</u>	<u>72,829,175</u>
Cash and cash equivalents at the end of the year		<u><u>56,176,081</u></u>	<u><u>177,260,694</u></u>
Analysis of balances of cash and cash equivalents			
Bank balances	7(d)	<u><u>56,176,081</u></u>	<u><u>177,260,694</u></u>

Please refer to note 9 for details of major non-cash transactions.
The notes on pages 10 to 24 form part of these financial statements.

NOTES TO THE 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 (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 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the Trustee and Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

All references to net assets throughout the financial statements refer to net assets attributable to holders of redeemable units unless otherwise stated.

New and amended standards that are effective in the current year and have been adopted by the Fund

HKAS 1 (revised), "Presentation of financial statements". The revised standard prohibits the presentation of items of income and expenses (that is, "non-owner changes in equity") in the Statement of Changes in Equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the Statement of Comprehensive Income) or two statements (the Income Statement and Statement of Comprehensive Income). Where entities restate or reclassify comparative information, they are required to present a restated Statement of Net Assets as at the beginning of the comparative period, in addition to the current requirement to present Statements of Net Assets at the end of the current period and comparative period. The Fund has applied HKAS 1 (revised) from 1st January 2009 and has elected to present solely a Statement of Comprehensive Income. The adoption of this revised standard has not resulted in a significant change to the presentation of the Fund's performance statement, as the Fund has no elements of other comprehensive income.

HKAS 1 (amendment), "Presentation of financial statements". The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with HKAS 39, Financial Instruments: Recognition and measurement, are examples of current assets and liabilities respectively. Adoption did not have a significant impact on the Fund's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

New and amended standards that are effective in the current year and have been adopted by the Fund (Continued)

HKAS 32 (amendment), "Financial instruments: Presentation", and HKAS 1 (amendment), "Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation". The amended standards require entities to classify puttable financial instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions, including that all financial instruments in the class of instruments that is subordinate to all other instruments have identical features. As the Fund has a contractual obligation to pay distributions on a half-yearly basis to holders of redeemable units, the condition in HKAS 32 (amendment) is not met. The adoption of these amendments has not therefore resulted in any change in the classification of the Fund's redeemable units.

HKAS 39 (amendment), "Financial instruments: Recognition and measurement". The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. Adoption did not have a significant impact on the Fund's financial statements.

HKFRS 7 (amendment) "Financial instruments: Disclosures". The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the Fund's financial position or performance.

HKFRS 8, "Operating segments" was effective from 1st January 2009. HKFRS 8 replaces HKAS 14, "Segment reporting", and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The segment information is therefore reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

New standards and amendments to standards that are relevant to the Fund but are not yet effective and have not been early adopted by the Fund

HKFRS 9, "Financial instruments part 1: Classification and measurement". HKFRS 9 was issued in November 2009 and replaces those parts of HKAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortized cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

An instrument is subsequently measured at amortized cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

New standards and amendments to standards that are relevant to the Fund but are not yet effective and have not been early adopted by the Fund (Continued)

All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity instruments, an irrevocable election can be made at initial recognition, to recognise unrealized and realized fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit and loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit and loss, as long as they represent a return on investment.

The Fund will apply the standard from 1st January 2013. However, it is not expected to have a significant impact on the Fund's financial statements.

(b) Investments

All investments have been classified as "financial assets at fair value through profit or loss".

Purchases and sales of investments are accounted for on the trade date basis. Investments are initially recognized at fair value, excluding transaction costs which are expensed as incurred, and are subsequently re-measured at fair value. Realized and unrealized gains and losses on investments are included in the Statement of Comprehensive Income in the period in which they arise. Investments are derecognized when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Investments that are listed or traded on an exchange are fair valued based on quoted bid market prices.

(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 is accounted for when the Fund's right to receive payment is established.

Bank interest income is recognized on a time proportionate basis using the effective interest method. Other income is recognized on an accruals basis.

(d) Expenses

Expenses are accounted for on an accruals basis.

(e) Distributions payable to holders of redeemable units

Proposed distributions to holders of redeemable units are recognized in the Statement of Comprehensive Income when they are approved by the Trustee. The distribution on these redeemable units is recognized in the Statement of Comprehensive Income as finance costs.

(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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**2 Summary of significant accounting policies (Continued)****(g) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, demand deposits, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

(h) Translation of foreign currencies*Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates ("the functional currency"). The performance of the Fund is measured and reported to the holders of redeemable units in Hong Kong dollar. The Manager considers the Hong Kong dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Hong Kong dollar, which is the Fund's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the year end date.

Foreign exchange gains and losses arising from translation are included in the Statement of Comprehensive Income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the Statement of Comprehensive Income within "net foreign currency gains or losses on cash and cash equivalents".

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the Statement of Comprehensive Income within "net gain/(loss) on investments".

(i) Redeemable units

The Fund issues redeemable units, which are redeemable at the holder's option and are classified as financial liabilities. Redeemable units can only be redeemed in-kind equal to a proportionate share of the Fund's net asset value. The redeemable unit is carried at the redemption amount that is payable at the year end date if the holder exercises the right to put the unit back to the Fund. In accordance with the Fund's Trust Deed, the minimum redemption units are 1,000,000 units.

Redeemable units are issued and redeemed at the holder's option at prices based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the holders of redeemable units with the total number of outstanding redeemable units. In accordance with the provisions of the Fund's Trust Deed, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for creations and redemptions.

(j) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Manager, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker that makes strategic decisions.

3 Net gain/(loss) on investments

	2009 HK\$	2008 HK\$
Change in unrealized gain/loss on investments	21,247,455,910	(22,366,252,275)
Realized (loss)/gain on sale of investments	(6,460,371,234)	1,937,056,552
	<u>14,787,084,676</u>	<u>(20,429,195,723)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 Income

(a) Transaction fee

Applications to create or redeem units are only made through brokers or dealers (acting either as principal or on behalf of clients) (the "Participating Dealers") which have executed a participation agreement with the Manager, the Trustee, HK Conversion Agency Services Limited and Hong Kong Securities Clearing Company ("HKSCC"). The Fund is entitled to receive a transaction fee of 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 the lower of HK\$80 per year 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 holders of redeemable units

The Fund's capital is represented by the net assets attributable to holders 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. Subscriptions and redemptions of units during the year are shown on the Statement of Changes in Net Assets Attributable to Holders of Redeemable Units. In accordance with the objectives and risk management policies outlined in note 12, the Fund endeavours to invest in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of listed securities where necessary.

In accordance with the provisions of the Fund's 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. However, 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 year end date. The difference between the valuation of these investments as stated in the financial statements and the valuation methodology indicated in the Fund's Trust Deed, results in a decrease in value of investments by HK\$6,801,924 (2008: HK\$33,114,298). The amount of the adjustment recognized in the Statement of Comprehensive Income is HK\$(26,312,374) (2008: HK\$4,334,293).

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

	Number of units 2009	2008
Units in issue at the beginning of the year	2,280,992,500	1,161,992,500
Creation of units	238,000,000	1,277,000,000
Redemption of units	(742,000,000)	(158,000,000)
	<u>1,776,992,500</u>	<u>2,280,992,500</u>
	<i>HK\$</i>	<i>HK\$</i>
Net assets attributable to holders of redeemable units	<u>39,127,011,685</u>	<u>33,181,932,365</u>
Net assets attributable to holders of redeemable units (per unit)	<u>22.02</u>	<u>14.55</u>
Net asset value per Creation Unit (1 Creation Unit is equivalent to 1,000,000 units)	<u>22,018,670</u>	<u>14,547,147</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)**6 Taxation**

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

The Fund invests in shares of companies in People's Republic of China ("PRC") listed on the Hong Kong Stock Exchange ("H-shares"). Under the PRC Corporate Income Tax Law, the Fund may be liable to pay PRC tax on the capital gains realized in the trading of H-shares. However, no provision was made for taxation from such gains in the financial statements as the Trustee and Manager believe that the Fund can sustain a position for not filing a tax return based on the existing tax regulations and that the enforcement of China tax on capital gains is not probable.

Withholding tax was charged on dividend income received from H-shares during the year.

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

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

(a) Manager's holding in the Fund

The directors and officers of the Manager may transact in the units of the Fund as principal provided that prior written notice is provided to the Trustee. As of 31st December 2009, the directors and officers of the Manager together held 28,960 units in the Fund (2008: 33,460 units).

(b) Management fee

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

For 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.

(c) Trustee fee

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

For 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

(d) Bank balances and interest income

Bank balances are maintained with the Trustee. Bank balances held with the Trustee as at 31st December 2009 was HK\$56,176,081 (2008: HK\$177,260,694). During the year, no interest was earned on these bank balances as they were placed in a non-interest bearing current account (2008: HK\$2,347,226).

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.

Prior to 1st May 2008, the registrar fee scale was as follows:

	<i>HK\$</i> <i>(per month)</i>
For first 2,000 Unitholders	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
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

With effect from 1st May 2008, the registrar fee scale is as follows:

	<i>HK\$</i> <i>(per month)</i>
For first 2,000 Unitholders	10,000
For every additional 1,000 Unitholders up to 100,000 Unitholders	2,200
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 received a monthly retainer fee of HK\$16,000 plus a transaction fee of HK\$12,000 for each creation or redemption application.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**9 Major non-cash transactions**

In accordance with the Fund's Trust Deed, units are issued through an in-kind creation of an Index Basket with the remaining balances in cash and are not through a cash subscription only. 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 issued 238,000,000 units (2008: 1,277,000,000) in exchange for Index Baskets consisting of investments valued at HK\$3,452,646,365 (2008: 24,189,585,612) by the Manager with remaining balances in cash, totaling HK\$3,484,172,095 (2008: 24,548,222,293).

In accordance with the Fund's Trust Deed, units are redeemed in-kind with the remaining balances in cash and are not redeemable for cash only. During the year, the Fund redeemed 742,000,000 units (2008: 158,000,000 units) in exchange for Index Baskets consisting of investments valued at HK\$12,108,706,527 (2008: HK\$3,241,235,730) by the Manager with remaining balances in cash, totaling HK\$12,238,187,329 (2008: HK\$3,263,169,876).

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).

Constituent securities that account for more than 10% of the net asset value of the Fund as at year end were as follows:

	Respective weighting in the Index (%)		% of net asset value	
	2009	2008	2009	2008
HSBC Holdings plc	14.6	13.1	14.6	13.0
China Mobile Ltd.	7.7	14.2	7.7	14.1

During the year, the Hang Seng Index increased by 52.02% (2008: decreased by 48.27%), while the net asset value per unit of the Fund increased by 51.34% (2008: decreased by 48.00%).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 Financial risk management

(a) Strategy in using financial instruments

Investment objectives

The Fund's investment objective is to provide investment results that closely correspond to the performance of the Index. The Manager will seek to achieve the investment objective by investing all, or substantially all, of the Fund's assets in Index Shares in substantially the same weightings as they appear in the Index. The Manager may also invest in certain other permitted investments in seeking to meet the investment objective. The Manager will rebalance the Fund's portfolio of investments from time to time to reflect any changes to the composition of, or the weighting of shares in, the Index.

Investment policies

The responsibility of the Manager is to reflect changes in the Index by replicating changes to the weightings and composition of the constituent shares in the Index in the portfolio of shares which make up the portfolio.

Since the investment objective is to provide investment results that closely correspond with the performance of the Index, the Manager is required to ensure, insofar as practicable and subject to the Trust Deed, that the assets comprised in the portfolio comprise only, or substantially only, interest in Index Shares and in the relative weightings such Index Shares appear in the Index. Other than cash held for distribution and to meet the fees, expenses and other liabilities, it is unlikely that cash or any other form of securities will form a substantial part of the assets.

The risks and the respective risk management policies employed by the Fund to manage these risks are discussed below.

(b) Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

All securities investments present a risk of loss of capital. The Fund's market price risk is managed through diversification of investment portfolio. The Manager monitors the investments on a daily basis and rebalances the portfolio of investments from time to time to reflect any changes to the composition of, or the weighting of shares in, the Index.

As at year end, the overall market exposure was as follows:

	At 31st December			
	2009	% of	2008	% of
	Fair value HK\$	net assets	Fair value HK\$	net assets
Held for trading:				
Listed investments Equities				
– Hong Kong	39,025,886,042	99.74	32,895,270,414	99.14

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 Financial risk management (Continued)

(b) Market price risk (Continued)

Net market exposures

The following table shows the net market exposures of the Fund by industry:

	2009	2008
	% of net assets	% of net assets
By industry		
– Commerce and industry	35.15	41.01
– Finance	50.40	42.18
– Properties	9.64	9.88
– Utilities	4.55	6.07
	<u>99.74</u>	<u>99.14</u>

All the Fund’s equity securities are listed on the Hong Kong Stock Exchange. As the Fund is a Hang Seng Index tracking fund, movements in the Index would cause substantially the same percentage change in the Fund’s net asset value.

	2009		2008	
	Change in index %	Impact HK\$	Change in index %	Impact HK\$
Hong Kong				
– Hang Seng Index	<u>52.02</u>	<u>20,301,265,919</u>	<u>48.27</u>	<u>15,878,547,029</u>

The Manager has used their view of what would be a “reasonable shift” in each key market to estimate the change for use in the market sensitivity analysis above.

Disclosures above are shown in absolute terms, changes and impacts could be positive or negative. Changes in market index % are revised annually depending on the Manager’s current view of market volatility and other relevant factor.

(c) Interest rate risk

The majority of the Fund’s financial assets and liabilities are non-interest bearing. As a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

(d) Credit risk

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 Financial risk management (Continued)

(d) Credit risk (Continued)

The Fund's financial assets which are potentially subject to credit risk consist principally of securities and bank balances. The Fund limits its exposure to credit risk by transacting with well established broker-dealers and banks with high credit ratings.

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

At 31st December 2009, bank balances of HK\$56,176,081 (2008: HK\$177,260,694) were placed with State Street Bank and Trust Company, the Fund's Trustee and Custodian. The credit rating of the Trustee and Custodian issued by Standard and Poor's was as follows:

	2009	2008
State Street Bank and Trust Company ¹	AA-	AA-

Accordingly, the Fund has no significant credit risk.

The maximum exposure to credit risk at year end is the carrying amount of the financial assets as shown on the Statement of Net Assets.

None of the assets is impaired nor past due but not impaired.

¹Long-term credit rating of State Street Corporation, the holding company of State Street Bank and Trust Company.

(e) Currency risk

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

The Fund has no significant currency risk as substantially all assets and liabilities are denominated in Hong Kong dollar, the Fund's functional and presentation currency.

(f) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in settling a liability, including a redemption request.

The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed of. The Fund's securities are considered readily realizable, as they are listed on the Hong Kong Stock Exchange. It is the intent of the Manager to monitor the Fund's liquidity position on a daily basis.

The following table gives the undiscounted cash-flow projection of the Fund's financial liabilities. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 Financial risk management (Continued)

(f) Liquidity risk (Continued)

Maturity analysis

	Less than 1 month	1-3 months	Total
At 31st December 2009			
Management fee payable	–	4,070,841	4,070,841
Trustee fee payable	–	4,070,841	4,070,841
Index license fee payable	1,487,795	–	1,487,795
Registrar fee payable	–	149,407	149,407
Other accounts payable and accruals	103,880	889,538	993,418
Net assets attributable to holders of redeemable units (at last traded market prices)	<u>39,127,011,685</u>	<u>–</u>	<u>39,127,011,685</u>
Total financial liabilities	<u>39,128,603,360</u>	<u>9,180,627</u>	<u>39,137,783,987</u>
At 31st December 2008			
Management fee payable	–	3,690,291	3,690,291
Trustee fee payable	–	3,690,291	3,690,291
Index license fee payable	1,195,955	–	1,195,955
Registrar fee payable	141,975	180,778	322,753
Other accounts payable and accruals	248,094	2,063,458	2,311,552
Net assets attributable to holders of redeemable units (at last traded market prices)	<u>33,181,932,365</u>	<u>–</u>	<u>33,181,932,365</u>
Total financial liabilities	<u>33,183,518,389</u>	<u>9,624,818</u>	<u>33,193,143,207</u>

Units are redeemed on demand at unitholder's option. However, the Trustee and Manager do not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows, as unitholders typically retain the units for the medium to long term.

The Fund manages its liquidity risk by investing in securities that it expects to be able to liquidate within 7 days or less. The following table illustrates the expected liquidity of assets held:

	Less than 7 days	7 days to less than 1 month	1-12 months	More than 12 months
At 31st December 2009				
Total assets	<u>39,082,062,123</u>	<u>48,906,214</u>	<u>13,726</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 Financial risk management (Continued)

(g) Capital risk management

The Fund's objective is to provide investment results that closely correspond to the performance of the Hang Seng Index. The Manager may:

- Redeem and issue new units in accordance with the constitutive documents of the Fund, which include the ability to amend the Creation Unit and Redemption Unit size upon the approval of the Trustee and Supervisory Committee;
- Exercise discretion when determining the amount of distributions of the Fund to holders of redeemable units; and
- Suspend the creation and redemption of units under certain circumstance stipulated in the prospectus.

Units are issued through an in-kind creation of an Index Basket with the remaining balances in cash and are not through a cash subscription only. Units are redeemed in-kind with the remaining balances in cash and are not redeemable for cash only.

(h) 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 year end date. The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price.

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.

The Fund adopted the amendment to HKFRS 7, effective 1st January 2009. This 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 (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).

NOTES TO THE FINANCIAL STATEMENTS (Continued)**12 Financial risk management (Continued)****(h) Fair value estimation (Continued)**

The level in the fair value hierarchy within which the fair value measurement is categorised 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 judgement, considering factors specific to the asset or liability.

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

The following table analyses within the fair value hierarchy the Fund’s investments (by class) measured at fair value at 31st December 2009:

	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets held for trading				
– Equity securities	39,025,886,042	–	–	39,025,886,042
	<u>39,025,886,042</u>	<u>–</u>	<u>–</u>	<u>39,025,886,042</u>

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. As of 31st December 2009, the Fund did not hold any investments classified in level 2.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As of 31st December 2009, the Fund did not hold any investments classified in level 3.

Tracker Fund of Hong Kong

Annual Report 2009

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 Distributions

	2009 HK\$	2008 HK\$
Interim distribution		
– HK\$0.23 on 1,438,992,500 units paid on 22nd May 2008	–	330,968,275
– HK\$0.16 on 2,076,992,500 units paid on 22nd May 2009	332,318,800	–
Final distribution		
– HK\$0.45 on 2,213,992,500 units paid on 24th November 2008	–	996,296,625
– HK\$0.38 on 1,781,992,500 units paid on 27th November 2009	677,157,150	–
Total distributions	<u>1,009,475,950</u>	<u>1,327,264,900</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 Manager's asset allocation decisions are based on a single, integrated investment strategy and the Fund's performance is evaluated on an overall basis.

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 year.

The Fund is domiciled in Hong Kong. All of the Fund's income is from investments in entities listed in Hong Kong.

The Fund has no assets classified as non-current assets. The Fund has a diversified portfolio of investments and no single investment accounts for more than 10% of the Fund's income. Please refer to note 11 for investment holdings account for more than 10% of the Fund's net assets.

The Fund also has a diversified unitholder population. However, as at 31st December 2009 and 2008, there was one nominee company that held more than 10% of the Fund's net assets. The nominee company's holdings were 73.80% as at 31st December 2009 and 79.05% as at 31st December 2008.

15 Approval of financial statements

The financial statements were approved by the Trustee and the Manager on 19th April 2010.

INVESTMENT PORTFOLIO (UNAUDITED)

As at 31st December 2009

	Holdings	Fair value HK\$	% of net assets
Hong Kong			
Listed investments (99.74%)			
Equities (99.74%)			
Properties (9.64%)			
Cheung Kong (Holdings) Ltd.	9,554,722	961,205,033	2.45
China Overseas Land & Investment Ltd.	28,170,668	460,872,129	1.18
Hang Lung Properties Ltd.	14,298,190	437,524,614	1.12
Henderson Land Development Co. Ltd.	7,401,483	433,726,904	1.11
Sino Land Co. Ltd.	16,635,421	252,192,982	0.64
Sun Hung Kai Properties Ltd.	10,582,062	1,227,519,192	3.14
		3,773,040,854	9.64
		-----	-----
Finance (50.40%)			
Bank of China Ltd.	523,545,534	2,193,655,787	5.61
BOC Hong Kong (Holdings) Ltd.	25,521,162	451,214,144	1.15
Bank of Communications Co. Ltd.	95,126,989	857,094,171	2.19
Bank of East Asia Ltd., The	12,705,213	391,955,821	1.00
China Construction Bank Corporation	464,230,582	3,091,775,676	7.90
China Life Insurance Co. Ltd	51,241,028	1,965,093,424	5.02
Hang Seng Bank Ltd.	5,276,599	606,281,225	1.55
Hong Kong Exchanges and Clearing Ltd.	7,397,770	1,031,249,138	2.64
HSBC Holdings plc	63,925,369	5,714,927,989	14.61
Industrial and Commercial Bank of China Ltd.	429,003,475	2,758,492,344	7.05
Ping An Insurance (Group) Co. of China Ltd.	9,704,929	659,449,926	1.68
		19,721,189,645	50.40
		-----	-----
Utilities (4.55%)			
China Resources Power Holdings Co. Ltd.	12,834,915	197,914,389	0.51
CLP Holdings Ltd.	12,450,396	653,645,790	1.67
Hong Kong and China Gas Co. Ltd., The	26,967,325	525,862,838	1.34
Hong Kong Electric Holdings Ltd.	9,566,545	403,708,199	1.03
		1,781,131,216	4.55
		-----	-----

Tracker Fund of Hong Kong

Annual Report 2009

INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

As at 31st December 2009

	Holdings	Fair value HK\$	% of net assets
Commerce and Industry (35.15%)			
Aluminum Corporation of China Ltd.	27,204,717	231,784,189	0.59
Cathay Pacific Airways Ltd.	8,138,949	119,642,550	0.30
China Merchants Holdings (International) Co. Ltd.	7,540,878	190,030,125	0.48
China Mobile Ltd.	41,445,622	3,017,241,282	7.71
China Petroleum & Chemical Corporation	115,740,517	800,924,378	2.05
China Resources Enterprise, Ltd.	8,243,709	233,709,150	0.60
China Shenhua Energy Co. Ltd.	23,376,302	887,130,661	2.27
China Unicom (Hong Kong) Ltd.	48,685,265	500,484,524	1.28
CITIC Pacific Ltd.	8,760,524	183,094,952	0.47
CNOOC Ltd.	123,015,976	1,498,334,588	3.83
COSCO Pacific Ltd.	7,800,764	77,305,571	0.20
Esprit Holdings Ltd.	8,367,298	434,262,766	1.11
Foxconn International Holdings Ltd.	14,609,481	132,215,803	0.34
Hutchison Whampoa Ltd.	14,705,613	786,015,015	2.01
Li & Fung Ltd.	18,183,054	589,130,950	1.50
MTR Corporation Ltd.	9,849,183	264,450,563	0.67
New World Development Co. Ltd.	17,341,229	276,766,015	0.71
PetroChina Co. Ltd.	145,260,380	1,352,374,138	3.46
Swire Pacific Ltd. "A"	6,249,397	589,318,137	1.51
Tencent Holdings Ltd.	6,883,705	1,161,281,033	2.97
Wharf (Holdings) Ltd., The	9,497,831	425,027,937	1.09
		<u>13,750,524,327</u>	<u>35.15</u>
Total listed investments		<u>39,025,886,042</u>	<u>99.74</u>
Total investments, at cost		<u>28,955,150,548</u>	

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)

For the year ended 31st December 2009

	(UNAUDITED)			31.12.2009
	31.12.2008	Additions	Disposals	
			Holdings	
Hong Kong				
Listed investments				
Equities				
Properties				
CHEUNG KONG (HOLDINGS) LTD.	13,872,345	1,871,422	(6,189,045)	9,554,722
CHINA OVERSEAS LAND & INVESTMENT LTD.	39,148,930	7,059,997	(18,038,259)	28,170,668
HANG LUNG PROPERTIES LTD.	20,693,446	2,788,379	(9,183,635)	14,298,190
HENDERSON LAND DEVELOPMENT CO. LTD.	10,721,822	1,444,039	(4,764,378)	7,401,483
SINO LAND CO. LTD.	24,110,956	3,370,379	(10,845,914)	16,635,421
SUN HUNG KAI PROPERTIES LTD.	15,349,988	2,070,745	(6,838,671)	10,582,062
RIGHT ISSUES OF CHINA OVERSEAS LAND & INVESTMENT LTD.	1,565,957	-	(1,565,957)	-
Finance				
BANK OF CHINA LTD.	340,893,872	371,703,295	(189,051,633)	523,545,534
BOC HONG KONG (HOLDINGS) LTD.	36,959,123	4,979,643	(16,417,604)	25,521,162
BANK OF COMMUNICATIONS CO. LTD.	138,114,232	18,627,313	(61,614,556)	95,126,989
BANK OF EAST ASIA LTD., THE	16,683,516	3,743,041	(7,721,344)	12,705,213
CHINA CONSTRUCTION BANK CORPORATION	448,061,655	217,932,979	(201,764,052)	464,230,582
CHINA LIFE INSURANCE CO. LTD.	74,192,176	10,089,412	(33,040,560)	51,241,028
HANG SENG BANK LTD.	7,636,977	1,029,750	(3,390,128)	5,276,599
HONG KONG EXCHANGES AND CLEARING LTD.	10,731,019	1,453,963	(4,787,212)	7,397,770
HSBC HOLDINGS PLC	58,435,624	72,938,841	(67,449,096)	63,925,369
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LTD.	455,460,245	179,845,171	(206,301,941)	429,003,475
PING AN INSURANCE (GROUP) CO. OF CHINA LTD.	14,047,230	1,893,570	(6,235,871)	9,704,929
RIGHT ISSUES OF HSBC HOLDINGS PLC	-	34,168,660	(34,168,660)	-
Utilities				
CHINA RESOURCES POWER HOLDINGS CO. LTD.	-	14,508,906	(1,673,991)	12,834,915
CHINA LIGHT & POWER HOLDINGS LTD.	18,024,462	2,452,077	(8,026,143)	12,450,396
HONG KONG & CHINA GAS CO. LTD., THE	39,921,378	5,001,876	(17,955,929)	26,967,325
HONG KONG ELECTRIC HOLDINGS LTD.	13,842,872	1,866,962	(6,143,289)	9,566,545
RIGHT ISSUES OF CHINA RESOURCES POWER HOLDINGS CO. LTD.	-	1,112,208	(1,112,208)	-

Tracker Fund of Hong Kong

Annual Report 2009

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

For the year ended 31st December 2009

	(UNAUDITED)			31.12.2009
	31.12.2008	Additions	Disposals	
Commerce and Industry				
ALUMINUM CORPORATION OF CHINA LTD.	39,226,827	5,308,232	(17,330,342)	27,204,717
CATHAY PACIFIC AIRWAYS LTD.	11,784,295	1,588,148	(5,233,494)	8,138,949
CHINA MERCHANTS HOLDINGS (INTERNATIONAL) CO. LTD.	10,833,853	1,467,810	(4,760,785)	7,540,878
CHINA MOBILE LTD.	59,976,012	8,187,596	(26,717,986)	41,445,622
CHINA PETROLEUM & CHEMICAL CORPORATION	167,476,134	22,585,334	(74,320,951)	115,740,517
CHINA RESOURCES ENTERPRISES, LTD.	11,925,863	1,609,565	(5,291,719)	8,243,709
CHINA SHENHUA ENERGY CO. LTD.	33,936,912	4,574,865	(15,135,475)	23,376,302
CHINA UNICOM (HONG KONG) LTD.	71,181,688	10,771,558	(33,267,981)	48,685,265
CITIC PACIFIC LTD.	10,950,657	10,271,106	(12,461,239)	8,760,524
CNOOC LTD.	178,327,820	24,257,026	(79,568,870)	123,015,976
COSCO PACIFIC LTD.	11,212,083	1,515,415	(4,926,734)	7,800,764
ESPRIT HOLDINGS LTD.	10,551,923	1,733,362	(3,917,987)	8,367,298
FOXCONN INTERNATIONAL HOLDINGS LTD.	21,149,332	2,850,960	(9,390,811)	14,609,481
HUTCHISON WHAMPOA LTD.	21,277,686	2,869,328	(9,441,401)	14,705,613
LI & FUNG LTD.	23,581,675	3,976,477	(9,375,098)	18,183,054
MTR CORPORATION LTD.	14,083,837	1,931,439	(6,166,093)	9,849,183
NEW WORLD DEVELOPMENT CO. LTD.	24,377,492	3,864,239	(10,900,502)	17,341,229
PETROCHINA CO. LTD.	210,371,204	28,651,889	(93,762,713)	145,260,380
SWIRE PACIFIC LTD. "A"	9,037,345	1,219,924	(4,007,872)	6,249,397
TENCENT HOLDINGS LTD.	9,858,769	1,357,323	(4,332,387)	6,883,705
WHARF (HOLDINGS) LTD., THE	13,743,568	1,852,611	(6,098,348)	9,497,831
YUE YUEN INDUSTRIAL (HOLDINGS) LTD.	6,650,219	501,534	(7,151,753)	–

PERFORMANCE RECORD (UNAUDITED)

Net asset values

	Net asset value per unit <i>HK\$</i>	Net asset value of the Fund <i>HK\$</i>
At end of financial year dated		
31st December 2006	20.12	26,602,946,195
31st December 2007	27.98	32,517,482,048
31st December 2008	14.55	33,181,932,365
31st December 2009	22.02	39,127,011,685

Highest and lowest net asset value per unit

	Highest net asset value per unit <i>HK\$</i>	Lowest net asset value per unit <i>HK\$</i>
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
31st December 2004	14.39	11.08
31st December 2005	15.80	13.50
31st December 2006	20.16	15.07
31st December 2007	32.17	18.82
31st December 2008	27.78	11.51
31st December 2009	23.07	11.49

Fund Performance

During the year, the Hang Seng Index increased by 52.02% (2008: decreased by 48.27%), while the net asset value per unit of the Fund increased by 51.34% (2008: decreased by 48.00%).

Tracker Fund of Hong Kong

Annual Report 2009

ADMINISTRATION AND MANAGEMENT

Directors of the Manager

Mr. Bernard Patrick Reilly
Mr. Eric Kam Piu Choi
Ms. Katrina Lee Sly
Ms. Kelly Quinn Driscoll

Members of the Supervisory Committee

Mr. Fong Hup
Mr. Lawrence Fok
Mr. Marvin Cheung
Mr. Stephen Law
Prof. Tsang Shu-ki

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
Rooms 1806-1807
18th Floor Hopewell Centre
183 Queen's Road East
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
2nd Floor Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

Auditor

PricewaterhouseCoopers
22nd Floor
Prince's Building
Central
Hong Kong