

**Hang Seng Investment Index Fund Series
Hang Seng H-Share Index ETF (the "Fund")**

Notice to Unitholders

This document is important and requires your immediate attention. If you are in doubt about the contents of this document, you should seek independent professional financial advice.

Dear Unitholders,

**Change of Calculation Methodology for the Hang Seng China Enterprises Index
(the "Index")**

We have been notified by the index compiler, HSI Services Limited, that the calculation methodology for the Index has been changed from full market capitalization weighting to freefloat-adjusted market capitalisation weighting with a cap of 15% for the H-share portion of each constituent stock with effect from 6 March 2006. Please refer to the attached Amendments to the Hong Kong Offering Document of the Fund for details.

If you have any queries concerning the above, please visit the website: www.hsi.com.hk for more information.

We accept responsibility for the accuracy of the contents of this notice.

Hang Seng Investment Management Limited
29 May 2006

Attachment - Amendments to the Hong Kong Offering Document of Hang Seng H-Share Index ETF

**恒生投資指數基金系列
恒生 H 股指數上市基金 (「本基金」)**

單位持有人通告

此乃重要函件，務請閣下即時處理。閣下如對本函之內容有任何疑問，應尋求獨立及專業的財務意見。

親愛的單位持有人：

恒生中國企業指數(「該指數」)的編算方法之改動

我們已接獲指數編製人恒指服務有限公司的通知，該指數的編算方法已由 2006 年 3 月 6 日起，由總市值加權法編算改為按個別成份公司的 H 股部份之總市值採用流通市值調整計算，並將每一成份股之比重上限設定為百分之十五。詳情請參閱隨附有關本基金之香港銷售文件之修訂。

閣下如對上述事宜有任何問題，請於瀏覽網頁 www.hsi.com.hk 獲取更多資料。

我們對本通告所載資料之準確性承擔責任。

恒生投資管理有限公司
2006 年 5 月 29 日

附件 - 恒生 H 股指數上市基金之香港銷售文件之修訂

**Hang Seng Investment Index Fund Series
Hang Seng H-Share Index ETF (the "Fund")**

Amendments to the Hong Kong Offering Document

The following amendments are made to the Hong Kong Offering Document of the Fund due to a change in the calculation methodology of the Hang Seng China Enterprises Index with effect from 6 March 2006. Accordingly, these amendments will form part of and should be read in conjunction with the Hong Kong Offering Document of the Fund.

Amendments to Appendix 2 – Information about the H-Share Index

- (1) The first and second paragraph under the section of "Overview" will be deleted in its entirety and replaced by the following:

"The Hang Seng China Enterprises Index (the "Index"), launched on 8 August 1994, comprises only those H-shares that are included in the Hang Seng Composite Index (the "HSCI"), which comprises the top 200 companies in terms of market capitalisation listed on The Stock Exchange of Hong Kong (the "SEHK"). The Index is a benchmark of the performance of all H-shares of state-owned enterprises in the HSCI. The Index is a real-time freefloat-adjusted index. In addition, the weighting of each constituent stock in the Index is capped to ensure that no constituent stock's weighting in the Index exceed 15%. Three types of shareholdings which are viewed as strategic in nature are excluded for the calculation of the Index, namely: (a) strategic holdings i.e. shares held by strategic shareholder(s) who individually or collectively control more than 30% of the shareholding of the relevant company; (b) directors' holdings i.e. shares held by director(s) who individually control more than 5% of the shareholding of the relevant company; and (c) cross-holdings i.e. shares held by a Hong Kong-listed company which controls more than 5% of the shareholding of the relevant company as investments. The Index is calculated with a base value of 2000 as of 3 January 2000. It is calculated on a 15-second basis during trading hours of the SEHK and its closing value is based on the official closing prices of the constituent stocks in the Index announced by the SEHK.

The Index is compiled and managed by HSI Services Limited, a wholly-owned subsidiary of Hang Seng Bank Limited."

- (2) The third and fourth paragraph under the section of "Overview" will be deleted in its entirety and replaced by the following:

"The weighting of each constituent stock in the Index is determined by its freefloat-adjusted and cap-adjusted market capitalisation. The Freefloat-Adjusted Factor ("FAF"), representing the proportion of shares that is freefloated as a percentage of the issued H-shares, is rounded up to the nearest multiple of 5% for the Index calculation. A Cap Factor ("CF") is calculated in each regular half-yearly constituent change implementation, such that no constituent stock has a weighting in the Index exceeding 15%. The FAF and the CF are reviewed on a half-yearly basis.

Freefloat-adjusted market capitalisation weighting with a cap of 15% for the H-share portion of each constituent company has been adopted for the Index calculation since 6 March 2006.

$$\text{Current Index} = \frac{\sum(P_t \times IS \times \text{FAF} \times \text{CF})}{\sum(P_{t-1} \times IS \times \text{FAF} \times \text{CF})} \times \text{Yesterday's Closing Index}$$

Where

P_t : Current Price at Day t

P_{t-1} : Closing Price at Day (t-1)

IS : Issued H-shares

FAF : Freefloat-Adjusted Factor, which is between 0 and 1, adjusted every six months

CF : Cap Factor, which is between 0 and 1, adjusted every six months

Before 6 March 2006, the Index was calculated using the full market capitalisation weighting methodology. More information can be obtained at website www.hsi.com.hk.”

(3) The first paragraph under the section of “H-Share Index Review” will be deleted in its entirety and replaced by the following:

- “The list of constituent stocks which comprise the Index is reviewed by HSI Services Limited on a half-yearly basis. The composition of the Index may change and its constituent companies may be substituted with other companies as determined by HSI Services Limited if the turnover/profit/assets of any of the constituent companies derived from the mainland China drops/rises substantially and/or persistently falls/rises below/above 50%. In the reviews, a company will enter the Index if it ranks 160th or above in ranking for the HSCI while a constituent will be removed from the Index if its rank falls to 240th or below in ranking for the HSCI.
- The accuracy and completeness of the calculation of Index may be affected if there is any problem with the system for the computation and/or compilation of the Index.
- Under the terms of the licence agreement regarding the use of the Index, the Manager will indemnify HSI Services Limited and Hang Seng Data Services Limited (the “HSDS”) against, among other things, any loss of whatsoever nature which either of them may suffer (including in respect of any claim by any current, former or future Unitholder or investor) as a result of any act or omission of HSI Services Limited and HSDS in respect of or in connection with the trading in the Fund, use of the Index in connection with such trading, computation of the Index, or any errors, mistakes or omissions in making such computation or in collecting or using relevant information for that purpose (except in cases of their wilful misconduct, bad faith or dishonesty). The Manager will also indemnify HSI Services Limited and HSDS on a full indemnity basis for, among other things, any loss which either of them may suffer as a result of any default by the Manager or any of its duly appointed agents in the performance and observance of the provisions of the license agreement and any misuse or unauthorised use of the Index. As the Manager is entitled to be indemnified from the Fund’s assets in respect of any claims made against it including those in relation to the license agreement provided that such losses are not due to the negligence, default, breach of duty or trust on the part of the Manager, this may result in a decrease in the Net Asset Value of the Fund.”

(4) The table about the weighting of each constituent stocks will be deleted in its entirety and replaced by the following:

“As at 26 May 2006, the constituent stocks of the H-Share Index were as follow:

Stock Code	Stock	Weight in the H-Share Index (%)
857	PetroChina Co Ltd	16.079
939	China Construction Bank	13.061
2628	China Life Insurance Co Ltd	10.578
386	China Petroleum & Chemical Corp	9.797
3328	Bank of Communications Co Ltd	9.371
1088	China Shenhua Energy Co Ltd	5.716
728	China Telecom Corp Ltd	4.447
2318	Ping An Insurance Group Co of China Ltd	3.867
2600	Aluminum Corp of China Ltd	2.639
902	Huaneng Power International Inc	1.958
2899	Zijin Mining Group Co Ltd	1.545
1171	Yanzhou Coal Mining Co Ltd	1.442
358	Jiangxi Copper Co Ltd	1.259
489	Dongfeng Motor Group Co Ltd	1.214
2777	Guangzhou R&F Properties Co Ltd	1.090
2727	Shanghai Electric Group Co Ltd	1.085
338	Sinopec Shanghai Petrochemical Co Ltd	1.013
753	Air China Ltd	0.975
991	Datang International Power Generation Co	0.935
1919	COSCO Holdings	0.923
1138	China Shipping Development Co Ltd	0.921
914	Anhui Conch Cement Co Ltd	0.869
694	Beijing Capital International Airport Co	0.837
2883	China Oilfield Services Ltd	0.794
347	Angang New Steel Co Ltd	0.785
576	Zhejiang Expressway Co Ltd	0.783
2328	PICC Property & Casualty Co Ltd	0.752
177	Jiangsu Express	0.698
323	Maanshan Iron & Steel	0.616
2866	China Shipping Container Lines Co Ltd	0.594
598	Sinotrans Ltd	0.561
763	ZTE Corp	0.551
525	Guangshen Railway Co Ltd	0.527
2698	Weiqiao Textile Co	0.437
168	Tsingtao Brewery Co Ltd	0.387
1071	Huadian Power International Co	0.386
1211	Byd Co Ltd	0.266
1055	China Southern Airlines Co Ltd	0.242

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Hang Seng Investment Management Limited
29 May 2006