

Hang Seng Investment Series

Hang Seng Index ETF (stock code: 2833)

(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 in Calculation Methodology for the Hang Seng Index (the "Index")

We, as the Manager of Hang Seng Investment Series, hereby inform you that the Hong Kong Offering Document of the Fund will be revised with effect from 23 October 2006.

We have been notified by the compiler of the index, HSI Services Limited, that:

- Eligible H-share companies has entered the stock universe for the regular review for constituent stocks of the Index in August 2006;
- the compilation of the Index will be switched from a full market capitalization formula to a freefloat-adjusted market capitalization weighted formula with a 15% cap on individual stock weightings and such changes will be phased in over a period of 12 months from September 2006 to September 2007; and
- the number of constituent stocks of the Index will gradually increase starting from September 2006.

For details of the above changes, please refer to the Amendments to the Hong Kong Offering Document of the Fund.

If you have any queries concerning the above, please contact us at (852) 2198 3379 during office hours.

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

Hang Seng Investment Management Limited
18 October 2006

Encl.: Amendments to the Hong Kong Offering Document of the Fund

Hang Seng Investment Series

Hang Seng Index ETF (stock code: 2833)

(the Fund”)

Amendments to the Hong Kong Offering Document of the Fund

The following amendments will be made to the Hong Kong Offering Document of the Fund due to the recent changes in the calculation methodology of the Hang Seng Index. Accordingly, these amendments will form part of and should be read in conjunction with the Hong Kong Offering Document of the Fund with effect from 23 October 2006.

Amendments to Appendix 2 – Information about the Hang Seng Index

The 1st to 8th paragraphs under this Appendix will be deleted in its entirety and replaced by the following:

“The Hang Seng Index (the “Index”) is compiled and managed by HSI Services Limited, a wholly-owned subsidiary of Hang Seng Bank Limited. Constituent stocks of the Index are selected by a rigorous process of detailed analysis, supported by extensive external consultation.

The compilation of the Index will be switched from a full market capitalization weighted formula to a freefloat-adjusted market capitalization weighted formula with a 15% cap on individual stock weightings. The above changes will be phased in over a period of 12 months from September 2006 to September 2007 to ensure a smooth transition and to minimize any impact on the market.

As announced by HSI Services Limited on 10 February 2006, for mainland China enterprises that have a H-share listing in Hong Kong (“H-share companies”), those that meet one of the following conditions will be eligible for inclusion in the Index:

1. The H-share company has 100% of its ordinary share capital in the form of H-shares which are listed on the SEHK;
2. The H-share company has completed the process of the share reform according to the relevant PRC rules and regulations, with the result that there is no unlisted share capital in the company; or
3. For new H-share IPOs, the company has no unlisted share capital.

Eligible H-share companies has entered the stock universe for the regular index review in August 2006 while China Construction Bank (stock code: 939) was the first H-share constituent stock (with effective from 11 September 2006) included in the Index.

The Index comprises 34 constituent stocks starting from 11 September 2006, which are representative of the Hong Kong stock market. While the number of constituent stocks of the Index will gradually increase, the number of non-H-share constituents will be maintained at 33. HSI Services Limited, the compiler of the Index, will make

further announcement with regard to the number of index constituents once the fifth H-share company joins the Index. More information can be obtained at website www.hsi.com.hk.

To better reflect the price movements of the major sectors of the Hong Kong stock market, four sub-indexes were introduced. The current 34 constituent stocks are grouped under sectors of Finance, Utilities, Properties and Commerce and Industry.

As at 29 September 2006, the respective weightings of the four sectors of stocks comprising the Index were:

Sector of Constituent Stocks	Weighting (%)
Finance	35.72
Utilities	5.20
Properties	10.79
Commerce and Industry	48.29

As at 29 September 2006, the respective weightings of the top 10 largest constituent stocks of the Index were as follows:

Stock Code	Stock Name	Weighting (%)
5	HSBC Holdings	25.00
941	China Mobile	19.49
13	Hutchison	5.22
883	CNOOC	5.00
16	SHK Properties	3.77
1	Cheung Kong	3.45
11	Hang Seng Bank	3.35
2388	BOC Hong Kong	3.29
2	CLP Holdings	2.02
939	China Construction Bank	2.02

Real-time update of the Index can be obtained through the SEHK Teletext System, Reuters, Bloomberg, Moneyline Telerate and the website of HSI Services Limited at: www.hsi.com.hk. As for other important news of the Index, HSI Services Limited will make announcement through press release and at their website www.hsi.com.hk.”

We accept responsibility for the accuracy of the contents of the amendments set out herein.

Hang Seng Investment Management Limited

18 October 2006