



**Polaris Taiwan Top 50
Tracker Fund (H.K.)**
(A Sub-fund of Polaris Tracker Fund (H.K.) Series)

31 December 2013

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Management and Administration

Manager

Polaris Securities (Hong Kong) Limited
23rd Floor Admiralty Centre Tower 1
18 Harcourt Road
Hong Kong

Trustee and Registrar

HSBC Institutional Trust Services (Asia) Limited
1 Queen's Road Central, Central
Hong Kong

Legal Advisor to the Manager

Simmons & Simmons
13th Floor, One Pacific Place
88 Queensway
Hong Kong

Auditors

KPMG
8th Floor, Prince's Building
10 Charter Road
Central Hong Kong

Trustee's report to the unitholders of Polaris Taiwan Top 50 Tracker Fund (H.K.) ("the Fund")

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 27 July 2009, for the year ended 31 December 2013.



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) For and on behalf of
) HSBC Institutional Trust Services
) (Asia) Limited
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Independent auditor's report to the unitholders of Polaris Taiwan Top 50 Tracker Fund (H.K.) ("the Fund")

Report on the financial statements

We have audited the financial statements of the Fund set out on pages 5 to 28, which comprise the statement of assets and liabilities as at 31 December 2013, the statement of comprehensive income, statement of changes in equity, statement of distribution and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Manager's and Trustee's responsibilities for the financial statements

The Manager and the Trustee are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and for such internal control as the Manager and the Trustee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In addition, the Manager and the Trustee also have a responsibility to ensure that the financial statements comply with the relevant disclosure provisions of the Trust Deed and the relevant disclosure requirements set out in Appendix E to the Hong Kong Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission ("the Code").

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made 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 about whether the financial statements are free from material misstatement.



Independent auditor's report to the unitholders of Polaris Taiwan Top 50 Tracker Fund (H.K.) ("the Fund") (continued)

Report on the financial statements (continued)

Auditor's responsibility (continued)

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 judgement, 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 entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager and the Trustee, 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2013 and of its transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

Report on disclosure requirements under the Code

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

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 APR 2014

Statement of assets and liabilities
as at 31 December 2013
(Expressed in Hong Kong dollars)

	<i>Note</i>	<i>2013</i>	<i>2012</i>
Assets			
Cash and cash equivalents	6	\$ 228,224	\$ 394,253
Margin accounts	5	-	80,755
Financial assets at fair value through profit or loss	4	28,904,877	27,881,755
Other assets		9,162	9,162
Total assets		<u>\$ 29,142,263</u>	<u>\$ 28,365,925</u>
Liabilities			
Management fee payable	8(a)	\$ 9,501	\$ 9,040
Trustee fee payable	8(b)	26,000	26,000
Other payables		212,428	240,262
Total liabilities		<u>\$ 247,929</u>	<u>\$ 275,302</u>
Net assets attributable to unitholders		<u>\$ 28,894,334</u>	<u>\$ 28,090,623</u>
Representing:			
Total equity		<u>\$ 28,894,334</u>	<u>\$ 28,090,623</u>

Statement of assets and liabilities
as at 31 December 2013 (continued)
(Expressed in Hong Kong dollars)

	<i>Note</i>	<i>2013</i>	<i>2012</i>
Total number of units in issue	8(c), 9	<u>2,500,000</u>	<u>2,500,000</u>
Net asset value per unit		<u>\$ 11.55</u>	<u>\$ 11.23</u>

Approved and authorised for issue by the Trustee and the Manager on **28 APR 2014**



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) For and on behalf of
) HSBC Institutional Trust Services
) (Asia) Limited, Trustee
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) For and on behalf of
) Polaris Securities (Hong Kong)
) Limited, Manager
)
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The notes on pages 11 to 28 form part of these financial statements.

Statement of comprehensive income for the year ended 31 December 2013

(Expressed in Hong Kong dollars)

	<i>Note</i>	<i>2013</i>	<i>2012</i>
Income			
Dividend income		\$ 670,021	\$ 959,080
Other income		-	4,055
		<u>\$ 670,021</u>	<u>\$ 963,135</u>
Expenses			
Auditor's remuneration		\$ (153,000)	\$ (172,869)
Management fee	8(a)	(107,176)	(114,164)
Trustee fee	8(b)	(312,000)	(312,000)
Safe custody and bank charges		(22,412)	(23,426)
Registration fee	8(b)	(39,000)	(39,107)
Valuation fee	8(b)	(276,120)	(279,630)
Transaction fees paid to trustee	8(b)	(150)	(2,700)
Transaction cost		(1,827)	(14,174)
Sundry expenses		(119,237)	(699,270)
Special fee	8(b)	(23,400)	(23,400)
Legal and professional fees		-	(311,875)
Withholding tax	3	(80,361)	(191,816)
		<u>\$ (1,134,683)</u>	<u>\$ (2,184,431)</u>
Net loss before investment and exchange gain		\$ (464,662)	\$ (1,221,296)
Net investment and exchange loss			
Net foreign exchange loss		(4,857)	(24,113)
Net gain from financial assets at fair value through profit or loss	7	<u>1,723,230</u>	<u>3,198,868</u>
Profit after tax and total comprehensive income for the year		<u>\$ 1,253,711</u>	<u>\$ 1,953,459</u>

The notes on pages 11 to 28 form part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2013
(Expressed in Hong Kong dollars)

	<i>2013</i>	<i>2012</i>
Net assets at the beginning of the year	\$ 28,090,623	\$ 32,031,164
Profit after tax and total comprehensive income for the year	<u>1,253,711</u>	<u>1,953,459</u>
Transaction with unitholders recorded directly in equity		
Redemption of units	\$ -	\$ (5,285,000)
Distributions to unitholders	<u>(450,000)</u>	<u>(609,000)</u>
Total transactions with unitholders	<u>\$ (450,000)</u>	<u>\$ (5,894,000)</u>
Net assets at the end of the year	<u>\$ 28,894,334</u>	<u>\$ 28,090,623</u>

The notes on pages 11 to 28 form part of these financial statements.

Statement of distribution for the year ended 31 December 2013

(Expressed in Hong Kong dollars)

	<i>2013</i>	<i>2012</i>
Distributable income at the beginning of the year	\$ 4,143,226	\$ 3,980,907
Income earned during the year	670,021	963,135
Withholding tax	(80,361)	(191,816)
Distributions to unitholders	<u>(450,000)</u>	<u>(609,000)</u>
Distributable income at the end of the year	<u>\$ 4,282,886</u>	<u>\$ 4,143,226</u>
Distribution to unitholders per unit	<u>\$ 0.18</u>	<u>\$ 0.24</u>
Date of distribution to unitholders	<u>4 December 2013</u>	<u>4 December 2012</u>

The notes on pages 11 to 28 form part of these financial statements.

Cash flow statement for the year ended 31 December 2013

(Expressed in Hong Kong dollars)

	<i>2013</i>	<i>2012</i>
Operating activities		
Profit after tax and total comprehensive income for the year	\$ 1,253,711	\$ 1,953,459
Decrease in margin accounts	80,755	353,139
(Increase)/decrease in financial assets at fair value through profit or loss	(1,023,122)	2,150,541
Decrease in other assets	-	522,710
Increase/(decrease) in management fee payable	461	(1,152)
Decrease in other payables	(27,834)	(19,090)
Net cash generated from operating activities	<u>\$ 283,971</u>	<u>\$ 4,959,607</u>
Financing activities		
Payments for redemption of units	\$ -	\$ (5,285,000)
Distributions paid	(450,000)	(609,000)
Net cash used in financing activities	<u>\$ (450,000)</u>	<u>\$ (5,894,000)</u>
Net decrease in cash and cash equivalents	\$ (166,029)	\$ (934,393)
Cash and cash equivalents at the beginning of the year	<u>394,253</u>	<u>1,328,646</u>
Cash and cash equivalents at the end of the year	<u>\$ 228,224</u>	<u>\$ 394,253</u>

The notes on pages 11 to 28 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars)

1 Background

Polaris Taiwan Top 50 Tracker Fund (H.K.) (“the Fund”) is a sub-fund of Polaris Tracker Fund (H.K.) Series (“the Trust”). The Fund is authorised by the Securities and Futures Commission in Hong Kong (“SFC”) under section 104(1) of the Hong Kong Securities and Futures Ordinance and is governed by the Hong Kong Code on Unit Trusts and Mutual Funds (“the Code”).

The Trust is an open ended unit trust constituted by a Trust Deed dated 27 July 2009, entered into between Polaris Securities (Hong Kong) Limited (the “Manager”), and HSBC Institutional Trust Services (Asia) Limited (the “Trustee”).

The Fund is an exchange traded fund listed on The Stock Exchange of Hong Kong Limited on 19 August 2009.

The investment objective of the Fund is to provide investment results that, after expenses, closely link to or correspond to the performance of the FTSE TWSE Taiwan 50 Index (“the Index”) by investing substantially all of its assets in Yuanta/P-shares Taiwan Top 50 ETF (the “Master Fund”) listed on the Taiwan Stock Exchange.

2 Significant accounting policies

(a) Statement of compliance

The financial statements of the Fund have been prepared in accordance with applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, the relevant disclosure provisions of the Trust Deed, and the relevant disclosure provisions of the Code issued by the SFC. A summary of the significant accounting policies adopted by the Fund is set out below.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investments are stated at their fair value as explained in the accounting policies set out below.

2 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Fund. Of these, HKFRS 13, *Fair value measurement* and HKFRS 12, *Disclosure of Interests in Other Entities* are relevant to the Fund's financial statements and the effects of this initial application are discussed below.

In accordance with the transitional provisions of HKFRS 13, the Fund has applied the new definition of fair value as set out in note 2(f)(v), prospectively.

As a result, the Fund has changed the valuation approach for financial assets and financial liabilities measured at fair value for which a quoted price in an active market is available. The Fund concluded that trade prices for such instruments are representative of fair value and generally to use trade prices for such instruments. In 2012, such financial assets were measured at bid price and such financial liabilities at asking price. The change in accounting policy did not have a significant impact on the measurement of the Fund's assets and liabilities.

The Fund has included new disclosures in the financial statements, which are required under HKFRS 13. These new disclosure requirements are not included in the comparative information. However, to the extent that disclosures were required by other standards before the effective date of HKFRS 13, the Fund has provided the relevant comparative disclosures under those standards.

As a result of application of HKFRS 12, the Fund has made disclosures about its involvement with an unconsolidated structured entity (see note 13). The disclosures related to its involvement with unconsolidated structured entities are not included in the comparative information.

The Fund has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 14).

2 Significant accounting policies (continued)

(d) *Foreign currency*

These financial statements are prepared in Hong Kong dollars, which is the Fund's functional currency. Transactions in foreign currencies are translated into Hong Kong dollars at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the reporting date into Hong Kong dollars at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated at the exchange rate at the date the fair value was determined.

Foreign currency differences arising on translation are recognised in the statement of comprehensive income as net foreign exchange gain or loss, except for those arising on financial assets at fair value through profit or loss, which are recognised as net gain or loss from financial instruments at fair value through profit or loss.

(e) *Income and expenses*

Interest income and expenses are recognised as they accrue using the effective interest method. Dividend income is recognised when the underlying securities are quoted ex-dividend. Dividend income is presented gross of any non-recoverable withholding taxes, which are disclosed separately in profit or loss. All other income and expenses are accounted for on an accruals basis.

(f) *Financial instruments*

(i) Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments.

A regular purchase or sale of financial assets or financial liabilities at fair value through profit or loss is recognised on a trade date basis. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities at fair value through profit or loss are recorded.

(ii) Classification

The Fund has classified its investments in the Master Fund and futures as financial assets at fair value through profit or loss.

Financial liabilities that are not at fair value through profit or loss include management fee payable, trustee fee payable and other payables.

2 Significant accounting policies (continued)

(f) Financial instruments (continued)

(iii) Measurement

Financial instruments are measured initially at fair value (transaction price). Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, all financial instruments classified at fair value through profit or loss are measured at fair value.

(iv) Derecognition

A financial asset is derecognised when the contractual rights to receive cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership has been transferred.

Assets held for trading that are sold are derecognised and corresponding receivables from brokers are recognised as of the date the Fund commits to sell the assets.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

On derecognition of a financial asset, the difference between the carrying value of the asset and the consideration received is recognised in profit or loss.

(v) Fair value measurement

Policy applicable from 1 January 2013

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

2 Significant accounting policies (continued)

(f) *Financial instruments (continued)*

(v) Fair value measurement (continued)

Policy applicable from 1 January 2013 (continued)

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

Net gains and losses on investments are included in profit or loss. Realised gains and losses on investments and unrealised gains and losses on investments arising from a change in fair value are provided in note 7. Net realised gains and losses from financial instruments at fair value through profit or loss is calculated using the average cost method.

Policy applicable before 1 January 2013

The fair value of financial instruments is generally based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices while financial liabilities are priced at current asking prices.

(g) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(h) *Units in issue*

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Fund has one class of redeemable units in issue. This is the most subordinate class of financial instruments in the Fund and ranks *pari passu* in all material respects and has identical terms and conditions. The redeemable units provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets at each daily redemption date and also in the event of the Fund's liquidation.

2 Significant accounting policies (continued)

(h) Units in issue (continued)

A puttable financial instrument that includes a contractual obligation for the issuer to repurchase or redeem that instrument for cash or another financial asset is classified as equity instruments if it meets the following conditions:

- it entitles the holder to pro rata share of the entity's net assets in the event of the Fund's liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

The Fund's redeemable units meet all of these conditions and are classified as equity.

(i) Related parties

- (a) A person, or a close member of that person's family, is related to the Fund if that person:
- (i) has control or joint control over the Fund;
 - (ii) has significant influence over the Fund; or
 - (iii) is a member of the key management personnel of the Fund.
- (b) An entity is related to the Fund if any of the following conditions applies:
- (i) The entity and the Fund are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;

2 Significant accounting policies (continued)

(i) Related parties (continued)

- (b) An entity is related to the Fund if any of the following conditions applies:
(continued)
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is controlled or jointly controlled by a person identified in (a); or
 - (vi) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the Fund.

(j) Segment reporting

An operating segment is a component of the Fund that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relates to transactions with any of the Fund's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The chief operating decision maker of the Fund is identified as the Manager, Polaris Securities (Hong Kong) Limited.

3 Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as the income of the Fund is exempt from taxation under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

Taxation for the year represents non-recoverable withholding tax on dividend income.

4 Financial instruments and associated risks

The Fund maintains investment portfolio in the Master Fund as dictated by its investment management strategy. The Fund's investment objective is to provide investment results that, after expenses, closely link to or correspond to the performance of the Index. To achieve the investment objective, the Manager will aim at investing at least 90% of its assets in the Master Fund. The Manager may also invest in other permitted investments to achieve the investment objective. Where there is a change in the composition of the Index or the weighting of shares in the Index, the Manager will be responsible for implementing any adjustment to the Fund's investment portfolio to ensure that the investment portfolio closely corresponds to the performance of the Index.

The nature and extent of the financial instruments outstanding at the year end date and the risk management policies employed by the Fund are discussed below.

(a) *Market risk*

Market risk arises when the fair value and future cash flows of a financial instrument will fluctuate because of changes in market prices and includes currency risk, interest rate risk and price risk.

(i) *Currency risk*

Currency risk arises from changes in foreign exchange rate of financial assets and financial liabilities denominated in currencies other than the Fund's functional currency.

The Fund is exposed to foreign currency risk primarily from its investments and deposits at bank which are denominated in Taiwanese dollar ("TWD"). The risk is assessed in the context of the investment objectives of the Fund and is managed accordingly.

The table below summarises the Fund's net exposure of monetary assets which are denominated in TWD:

	<i>2013</i>	<i>2012</i>
	HK\$ equivalent	HK\$ equivalent
TWD	<u>28,931,850</u>	<u>28,026,941</u>

4 Financial instruments and associated risks (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

An analysis of the estimated change in the Fund's net profit and total equity in response to reasonably possible changes in the foreign exchange rates to which the Fund has significant exposure at the date of the statement of assets and liabilities is presented in the following table.

	2013		2012	
	<i>Appreciation/ (depreciation) of foreign currency</i>	<i>Effect on net profit and total equity</i>	<i>Appreciation/ (depreciation) of foreign currency</i>	<i>Effect on net profit and total equity</i>
TWD	2.62%	\$ 758,014	4.40%	\$ 1,233,185
	(2.62)%	<u>(758,014)</u>	(4.40)%	<u>(1,233,185)</u>

The above analysis assumes the change in foreign exchange rates occurred at the date of the statement of assets and liabilities and had been applied to each of the Fund's exposure to currency risk in existence at that date while all other variables remains constant. The stated changes also represent management's assessment of reasonably possible changes in foreign exchange rates until the next annual date of the statement of assets and liabilities. The analysis is performed on the same basis for 2012.

(ii) Interest rate risk

Interest rate risk arises from changes in interest rates which may inversely affect the value of interest bearing assets and therefore result in potential gain or loss to the Fund. The majority of the Fund's financial assets and liabilities are non-interest bearing. As a result, the Fund has limited exposure to interest rate risk.

(iii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual instrument or factors affecting all instruments traded in the market. The Fund is exposed to price risk arising from changes in market prices of the Master Fund and futures contracts.

The Fund tracks the performance of the Index by investing in the Master Fund and futures contracts. It is estimated that for a 10% (2012: 8.65%) increase in the Index at 31 December 2013, other variables held constant, the net profit and total equity would increase by \$1,206,910 (2012: \$2,411,772); an equal change in the opposite direction would have an equal but opposite effect.

4 Financial instruments and associated risks (continued)

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund's exposure to credit risk is monitored by the Manager on an ongoing basis.

At 31 December 2013, all of the Fund's financial assets were exposed to credit risk. These include investments, margin accounts and cash and cash equivalents placed with the Trustee, brokers and banks.

All of the assets of the Fund are safe-kept by the Trustee. Bankruptcy or insolvency of the Trustee may cause the Fund's rights with respect to the assets safe-kept by the Trustee to be delayed or limited. The Manager monitors the credit quality and financial position of the Trustee by performing due diligence annually.

The margin deposits held by the Fund are placed with South China Commodities Limited (the "Broker"). Bankruptcy or insolvency of the broker may cause the Fund's rights with respect to the assets held by the Broker to be delayed or limited. The Broker is a licensed corporation regulated by the SFC. The Manager monitors the financial position of the Broker on an ongoing basis.

The cash held by the Fund and all of the investments of the Fund are held by The Hongkong and Shanghai Banking Corporation Limited (the "Bank"). Bankruptcy or insolvency of the Bank may cause the Fund's rights with respect to the assets held by the Bank to be delayed or limited. The Manager monitors the credit rating and financial position of the Bank on an ongoing basis.

The table below summarises the assets placed with the Bank, the Broker and the Trustee, which are also the Fund's maximum exposure to credit risk at 31 December 2013 and 31 December 2012.

At 31 December 2013

	<i>Exposure</i>	<i>Credit rating</i>	<i>Source of credit rating</i>
Bank			
The Hongkong and Shanghai Bank Corporation Limited			
- Cash at bank	\$ 228,224	* A-1	S&P
- Investments held in custody	\$ 28,904,877	* A-1	S&P

4 Financial instruments and associated risks (continued)

(b) Credit risk (continued)

At 31 December 2012

	<i>Exposure</i>	<i>Credit rating</i>	<i>Source of credit rating</i>
Bank			
The Hongkong and Shanghai Bank Corporation Limited			
- Cash at bank	\$ 394,253	* A-1	S&P
- Investments held in custody	\$ 27,881,755	* A-1	S&P
Broker			
South China Commodities Limited	\$ 80,755	Unrated	

* Credit rating of HSBC Holdings plc., the parent company of The Hongkong and Shanghai Bank Corporation Limited and HSBC Institutional Trust Services (Asia) Limited.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund's policy and the Manager's approach to manage liquidity is to have sufficient liquidity to meet its liability including estimated redemption of units, as and when due, without incurring undue losses or risking damage to the Fund's reputation.

The majority of the Fund's financial assets are the Master Fund listed on the Taiwan Stock Exchange which is considered to be readily realisable. As a result, the Fund is able to liquidate quickly some of its investments in order to meet its liquidity requirements.

The daily issue and redemption of units of the Fund is set out in the Fund's Explanatory Memorandum and the Fund is therefore exposed to the liquidity risk of meeting unitholders' daily redemptions. All other financial liabilities are repayable on demand or have contractual maturities less than three months.

The Fund's liquidity risk is managed on a daily basis by the Manager in accordance with policies and procedures in place. The Manager is entitled to direct the Trustee to limit the number of units in the Fund on any dealing day to 10% of the total number of units in the Fund in issue.

4 Financial instruments and associated risks (continued)

(c) Liquidity risk (continued)

The following table presents the earliest contractual settlement dates of the Fund's financial liabilities at the date of the statement of assets and liabilities.

	2013			
	<i>Carrying amount</i>	<i>Total contractual undiscounted cash flow</i>	<i>Less than 1 month</i>	<i>1 to 3 months</i>
Management fee payable	\$ 9,501	\$ 9,501	\$ 9,501	\$ -
Trustee fee payable	26,000	26,000	26,000	-
Other payables	212,428	212,428	-	212,428
	\$ 247,929	\$ 247,929	\$ 35,501	\$ 212,428

	2012			
	<i>Carrying amount</i>	<i>Total contractual undiscounted cash flow</i>	<i>Less than 1 month</i>	<i>1 to 3 months</i>
Management fee payable	\$ 9,040	\$ 9,040	\$ 9,040	\$ -
Trustee fee payable	26,000	26,000	26,000	-
Other payables	240,262	240,262	-	240,262
	\$ 275,302	\$ 275,302	\$ 35,040	\$ 240,262

(d) Capital management

The Fund's capital as at the date of the statement of assets and liabilities is represented by its redeemable shares.

The Fund's objective in managing the capital is to ensure a stable and strong base to maximise returns to all investors, and to manage liquidity risk arising from the redemptions. The Manager manages the capital of the Fund in accordance with the Fund's investment objectives and policies stated in the Explanatory Memorandum.

There were no changes in the policies and procedures during the year with respect to the Fund's approach to its capital management.

4 Financial instruments and associated risks (continued)

(d) Capital management (continued)

The Fund is not subject to externally imposed capital requirements.

The amount and the movement of equity are stated in the statement of changes in equity. As the redeemable shares are redeemed on demand at the shareholders' option, the actual level of redemption may differ significantly from the historic experience.

5 Margin accounts

Margin accounts represent margin deposits placed with brokers in respect of open exchange-traded futures contracts. These deposits are pledged with brokers.

6 Cash and cash equivalents

	<i>2013</i>	<i>2012</i>
Cash at bank	\$ 228,224	\$ 394,253

7 Net gain from financial assets at fair value through profit or loss

	<i>2013</i>	<i>2012</i>
Net realised gain	\$ 136,998	\$ 695,132
Net change in unrealised gain or loss	1,586,232	2,503,736
Total net gain	\$ 1,723,230	\$ 3,198,868

8 Transactions with related parties

The following is a summary of transactions with related parties during the year which were entered into in the ordinary course of business and on normal commercial terms:

- (a) The Manager earns management fee at the rate of 0.38% per annum of the net asset value of the Fund. Management fee is accrued daily and calculated as at each dealing day and payable monthly in arrears.

The management fee currently payable by the Master Fund to the Master Fund's manager, Yuanta Securities Investment Trust Co., Ltd., is 0.32% per annum of the net asset value of the Master Fund. Accordingly the current aggregate amount of management fee payable to the Manager and its connected persons of the Fund and the Master Fund is equal to 0.70% per annum of the net asset value of the Fund.

8 Transactions with related parties (continued)

- (b) The Trustee earns trustee fee at the rate of 0.115% per annum of the net asset value of the Fund (subject to a minimum of \$312,000 per annum). Trustee fee is accrued daily and calculated as at each dealing day and payable monthly in arrears.

The Trustee also earns fees for providing various other services to the Fund as follows:

- (i) Registrar's fees per annum
 - (ii) Transaction fees for each purchase/sale of investments
 - (iii) Valuation fees per daily valuation
 - (iv) Special fees charged on time-cost basis
- (c) The Fund allows the Manager and its connected persons to transact in units of the Manager. The holding of the Fund by the Manager as at 31 December 2013 was 32,400 units (2012: 35,200 units).
- (d) The Fund utilised the services of Yuanta Securities Co. Ltd ("YSCL"), the intermediate holding company of the Manager in certain purchase and sale of investments. Details of such transactions executed and fees paid during the year are as follows:

<i>Value of transactions executed through YSCL</i>		<i>% of total value of transactions of the Fund</i>		<i>Commission paid to YSCL</i>		<i>Average commission rate</i>	
<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
\$ -	\$ -	-	-	\$ -	\$ -	-	-

9 Units in issue

	<i>2013 No. of units</i>	<i>2012 No. of units</i>
Balance at the beginning of the year	2,500,000	3,000,000
Units redeemed during the year	-	(500,000)
Balance at the end of the year	<u>2,500,000</u>	<u>2,500,000</u>

10 Soft dollar commission

The Manager has not entered into any soft dollar commission arrangements with brokers for the Fund.

11 Fair value information

The Fund's financial instruments are measured at fair value on the date of the statement of assets and liabilities. Fair value estimates are made at a specified point in time, based on market conditions and information about the financial instruments. Usually, fair values can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including cash and cash equivalents, margin accounts, other receivables and other payables, the carrying amounts approximate their fair value due to the immediate or short-term nature of these financial instruments.

Valuation of financial instruments

The Fund's accounting policy on fair value measurements is detailed in accounting policy in Note 2(f)(v).

The Fund measures fair values using the following fair values hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). The category includes instruments valued using: quoted market price in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The investment held by the Fund is listed on the Taiwan Stock Exchange and its fair value is based on quoted market price in a active market.

The following analyses financial instruments at fair value at the date of the statement of assets and liabilities, by the level in the fair value hierarchy into which the fair value measurement is categorised.

11 Fair value information (continued)

	<i>Level 1</i>	
	<i>2013</i>	<i>2012</i>
Yuanta/P-shares Taiwan Top 50 ETF	\$ 28,904,877	\$ 27,881,755

There are no transfers between the levels during the year.

Financial instruments not measured at fair value

The financial instruments not measured at fair value through profit or loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

The following table sets out the fair values of financial instruments not measured at fair value and analyses it by the level in the fair value hierarchy into which each fair value measurement is categorised.

		<i>2012</i>			
31 December 2013	Level 1	Level 2	Level 3	Total	
Financial assets					
Cash and cash equivalents	228,224		-	228,224	
Other assets		9,162	-	9,162	
	228,224	9,162		237,386	
Financial liabilities					
Management fee payable	-	9,501	-	9,501	
Trustee fee payable	-	26,000	-	26,000	
Other Payable	-	212,428	-	242,428	
Net assets attributable to unit holders	-	28,894,334	-	28,894,334	
	-	29,142,263	-	29,142,263	

12 Segment information

The Manager makes the strategic resource allocation on behalf of the Fund and determines operating segments based on internal reports reviewed which are used to make strategic decisions.

The Manager considers that the Fund has one single operating segment based on one single and integrated investment strategy by investing substantially all of its assets in the Master Fund with the objective to closely match the performance of the Index as stipulated in the Explanatory Memorandum. There was no change in the operating segment during the year.

All revenues of the Fund are generated from investments. The segment information provided to the Manager is the same as that disclosed in the statement of comprehensive income and statement of assets and liabilities.

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

13 Involvement with an unconsolidated structured entity

The table below describes the type of structured entity that the Fund does not consolidate but in which it holds an interest.

<i>Type of structured entity</i>	<i>Nature and purpose</i>	<i>Interest held by the Fund</i>
Investment fund	To manage assets on behalf of third party investors and generate fees for the investment manger.	Investments in units issued by the fund

This vehicle is financed through the issue of units to investors.

The table below sets out interests held by the Fund in an unconsolidated structured entity. The maximum exposure to loss is the carrying amount of the financial assets held.

13 Involvement with an unconsolidated structured entity (continued)

31 December 2013

	<i>Structured entity</i>	<i>Total net assets</i>	<i>Carrying amount include in "financial assets at fair value through profit or loss"</i>
Yuanta/P-shares Taiwan Top 50 ETF	Listed exchange traded funds	2,744,023,081	28,904,877

During the year, the Fund did not provide financial support to unconsolidated structured entities and has no intention of providing financial or other support.

The Fund can trade units in the above investment fund in the open market.

14 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2013

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Fund:

	<i>Effective for accounting periods beginning on or after</i>
Amendments to HKAS 32, <i>Financial instruments: Presentation – Offsetting financial assets and financial liabilities</i>	1 January 2014
HKFRS 9, <i>Financial instruments</i>	Unspecified

The Fund is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Fund's results of operations and financial position.

Performance of Polaris Taiwan Top 50 Tracker Fund (H.K.) and FTSE TWSE Taiwan 50 Index from 1 January 2013 to 31 December 2013 (unaudited)

<i>Fund/Index</i>	<i>Performance</i>
Polaris Taiwan Top 50 Tracker Fund (H.K.) ⁽¹⁾	2.85%
FTSE TWSE Taiwan 50 Index ⁽²⁾	<u>8.96%</u>

⁽¹⁾ Performance is calculated in base currency with unit price to unit price, dividend reinvestment (if any).

⁽²⁾ Performance is calculated in total return with dividend reinvestment.

Source: HSBC Institutional Trust Services (Asia) Limited and Bloomberg

Investors should note that investment involves risks and not all investment risks are predictable. Prices of fund units may go up as well as down and past performance information presented is not indicative of future performance. Investors should refer to the Fund's offering document (including the full text of the risk factors stated therein) before making any investment decision.

FTSE TWSE Taiwan 50 Index Constituent Stocks Disclosure as at 31 December 2013 (unaudited)

Those constituent stocks that accounted for more than 10% of the weighting of the FTSE TWSE Taiwan 50 Index (“the Index”) as at 31 December 2013 are listed below.

	<i>Weighting in the Index %</i>
Taiwan Semiconductor Manufacturing	<u>21.66</u>

Investment portfolio
as at 31 December 2013 (unaudited)
(Expressed in Hong Kong dollars)

<i>Investment</i>	<i>Holdings</i>	<i>Cost</i>	<i>Market value</i>	<i>% of total net asset attributable to unitholders</i>
Yuanta/P-shares Taiwan Top 50 ETF	1,896,000	\$ 21,788,910	\$ 28,904,877	100.04
Total investments			\$ 28,904,877	100.04
Other net liabilities			(10,543)	(0.04)
Total net assets attributable to unitholders			\$ 28,894,334	100.00

Investment portfolio of the Yuanta/P-shares Taiwan Top 50 ETF
(Expressed in New Taiwan dollars)

<i>Investments in listed stocks and securities lending</i>		<i>Market value</i>	<i>% of net assets</i>
Taiwan Cement Corp.	NT\$	1,028,030,570	1.26
Asia Cement Corp.		607,164,953	0.74
Uni-President Enterprises Corp.		1,627,973,389	1.99
Formosa Plastics Corporation		2,730,362,373	3.33
Nan Ya Plastics Corporation		2,722,470,297	3.32
Formosa Chemicals & Fibre Corporation		2,555,200,284	3.12
Far Eastern New Century Corporation		918,555,130	1.12
China Steel Corporation		2,276,678,853	2.78
Cheng Shin Rubber Ind. Co., Ltd.		997,258,860	1.22
Yulon Motor Co., Ltd.		320,700,924	0.39
Hotal Motor Co., Ltd.		1,043,243,568	1.27
Yulon Nissan Motor Co., Ltd.		70,043,560	0.09
Chang Hwa Commercial Bank, Ltd.		396,304,877	0.48
Hua Nan Financial Holdings Co., Ltd.		817,822,202	1.00
Fubon Financial Holding Co., Ltd.		2,192,145,957	2.68
Cathay Financial Holding Co., Ltd.		2,525,373,010	3.08
China Development Financial Holding Corp.		878,799,555	1.07
E.SUN Financial Holding Co., Ltd.		687,211,094	0.84
Yuanta Financial Holding Co., Ltd.		1,184,363,637	1.45
Mega Financial Holding Co., Ltd.		1,474,495,785	1.80
Taishin Financial Holding Co., Ltd.		722,822,371	0.88
Sinopac Financial Holdings Co., Ltd.		775,777,454	0.95

Investment portfolio
as at 31 December 2013 (unaudited)
(Expressed in Hong Kong dollars)

Investment portfolio of the underlying fund (continued)
(Expressed in Hong Kong dollars)

<i>Investments in listed stocks and securities lending (continued)</i>		<i>Market value</i>	<i>% of net assets</i>
Chinatrust Financial Holding Co., Ltd.	NT\$	1,828,514,940	2.23
First Financial Holding Co., Ltd.		877,528,192	1.07
Taiwan Cooperative Financial Holding Co., Ltd.		660,703,678	0.81
President Chain Store Corp.		802,125,709	0.98
Pou Chen Corporation		371,737,184	0.45
Formosa Petrochemical Corporation		1,073,911,136	1.31
United Microelectronics Corp.		1,043,332,570	1.27
Advanced Semiconductor Engineering, Inc.		1,158,564,439	1.41
Siliconware Precision Industries Co., Ltd.		729,312,921	0.89
Taiwan Semiconductor Manufacturing Co., Ltd.		17,485,020,134	21.38
Mediatek Inc.		3,851,225,385	4.70
Mstar Semiconductor, Inc.		665,948,520	0.81
Lite-On Technology Corp.		698,080,282	0.85
Compal Electronics, Inc.		657,095,576	0.80
Asustek Computer Inc.		1,326,075,792	1.62
Quanta Computer Inc.		1,271,779,319	1.55
Pegatron Corp.		450,336,422	0.55
Au Optronics Corp.		571,830,262	0.70
Largan Precision Co., Ltd.		845,845,335	1.03
Innolux Corporation (formerly Chimei Innolux Corporation)		651,864,936	0.80
Chunghwa Telecom Co., Ltd.		2,448,861,995	2.99
High Tech Computer Corp.		731,529,009	0.89
Taiwan Mobile Co., Ltd.		1,117,012,975	1.36
Far Eastone Telecommunications Co., Ltd.		723,684,545	0.88
Delta Electronics, Inc.		2,388,553,720	2.92
Hon Hai Precision Ind. Co., Ltd.		6,278,280,613	7.66
Foxconn Technology Co., Ltd.		485,734,015	0.59
Catcher Technology Co., Ltd.		965,020,298	1.18
Total investments in listed stocks and securities lending	NT\$	80,712,308,605	98.54
Investment in bonds under resell agreements		1,576,047,522	1.92
Demand deposits		424,875,373	0.52
Other assets, net of liabilities		(801,824,433)	(0.98)
Net assets	NT\$	81,911,407,067	100.00

Statement of movements in portfolio holdings as at 31 December 2013 (unaudited)

	<i>% of total net assets attributable to unitholders</i>	
	<i>2013</i>	<i>2012</i>
Yuanta/P-shares Taiwan Top 50 ETF	<u>100.04</u>	<u>99.26</u>
Total investments	100.04	99.26
Other net (liabilities)/assets	<u>(0.04)</u>	<u>0.74</u>
Total net assets	<u><u>100.00</u></u>	<u><u>100.00</u></u>

Performance table (unaudited)
(Expressed in Hong Kong dollars)

(a) Net asset value attributable to unitholders (in accordance with HKFRSs):

	<i>Net asset value</i>	<i>Net asset value per unit</i>
At 31 December 2013	<u>\$ 28,894,334</u>	<u>\$ 11.55</u>
At 31 December 2012	<u>\$ 28,090,623</u>	<u>\$ 11.23</u>
At 31 December 2011	<u>\$ 32,031,164</u>	<u>\$ 10.68</u>
At 31 December 2010	<u>\$ 140,727,732</u>	<u>\$ 14.07</u>
At 31 December 2009	<u>\$ 219,837,046</u>	<u>\$ 11.88</u>

(b) Price record (in accordance with Explanatory Memorandum):

	<i>Highest offer price during the year</i>	<i>Lowest bid price during the year</i>
2013	<u>\$ 11.87</u>	<u>\$ 10.51</u>
2012	<u>\$ 12.17</u>	<u>\$ 9.92</u>
2011	<u>\$ 14.52</u>	<u>\$ 10.03</u>
2010	<u>\$ 14.07</u>	<u>\$ 9.99</u>
2009	<u>\$ 11.88</u>	<u>\$ 9.68</u>