

POLARIS TAIWAN TOP 50 TRACKER FUND
(H.K.) (A SUB-FUND OF POLARIS TRACKER
FUND (H.K.) SERIES)

Reports and Financial Statements
For the period from 27 July 2009
(date of inception) to 31 December 2009

POLARIS TAIWAN TOP 50 TRACKER FUND (H.K)
(A SUB-FUND OF POLARIS TRACKER FUND (H.K.) SERIES)

REPORTS AND FINANCIAL STATEMENTS
FOR THE PERIOD FROM 27 JULY 2009 (DATE OF INCEPTION)
TO 31 DECEMBER 2009

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POLARIS TAIWAN TOP 50 TRACKER FUND (H.K.)
(A SUB-FUND OF POLARIS TRACKER FUND (H.K.) SERIES)

STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

Manager's responsibilities

The Manager of Polaris Taiwan Top 50 Tracker Fund (H.K.) (the "Fund") is required by the Code on Unit Trusts and Mutual Funds established by the Hong Kong Securities and Futures Commission (the "SFC Code") and the Trust Deed dated 27 July 2009 (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
POLARIS TAIWAN TOP 50 TRACKER FUND (H.K.)
(A SUB-FUND OF POLARIS TRACKER FUND (H.K.) SERIES)

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 period from 27 July 2009 (date of inception) to 31 December 2009.

For and on behalf of
HSBC INSTITUTIONAL TRUST SERVICES (ASIA) LIMITED

Authorized Signature(s)

23 April 2010

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF
POLARIS TAIWAN TOP 50 TRACKER FUND (H.K.) (THE "FUND")
(A SUB-FUND OF POLARIS TRACKER FUND (H.K.) SERIES)

Report on the Financial Statements

We have audited the financial statements of the Fund set out on pages 5 to 21, which comprise the statement of financial position as at 31 December 2009, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 27 July 2009 (date of inception) to 31 December 2009, and a summary of significant accounting policies and other explanatory notes.

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

The Manager and the Trustee 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the 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.

In addition, the Manager and the Trustee have the responsibilities to ensure that the financial statements are in accordance with the relevant provisions of the Trust Deed dated 27 July 2009 (the "Trust Deed"), as amended, and the Code on Unit Trusts and Mutual Funds (the "Code") issued by the Hong Kong Securities and Futures Commission ("SFC").

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement 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. We are also required to assess whether the financial statements are in accordance with the relevant disclosure provisions of the Trust Deed, as amended, and the relevant financial statement disclosure requirements specified in Appendix E of the Code issued by the SFC.

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF
POLARIS TAIWAN TOP 50 TRACKER FUND (H.K.) (THE "FUND")
(A SUB-FUND OF POLARIS TRACKER FUND (H.K.) SERIES) - 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 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 the Manager and the Trustee, as well as evaluating the overall presentation of the financial statements.

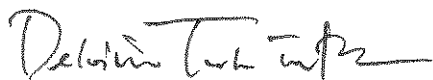
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2009 and of its financial results and cash flows for the period from 27 July 2009 (date of inception) to 31 December 2009 in accordance with Hong Kong Financial Reporting Standards.

Report on matters under the relevant disclosure provisions of the Trust Deed, as amended, and the relevant financial statement disclosure requirements specified in Appendix E of the Code issued by the SFC

In our opinion, the financial statements of the Fund have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed, as amended, and the relevant financial statement disclosure requirements specified in Appendix E of the Code issued by the SFC.



Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 April 2010

POLARIS TAIWAN TOP 50 TRACKER FUND (H.K)
(A SUB-FUND OF POLARIS TRACKER FUND (H.K.) SERIES)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 27 JULY 2009 (DATE OF INCEPTION)
TO 31 DECEMBER 2009

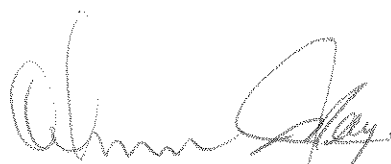
	<u>NOTES</u>	HKD
INCOME		
Dividend income	5	4,409,509
Interest income		438
Other income		1,507,750
		<u>5,917,697</u>
EXPENSE		
Auditor's remuneration		220,000
Management fee	6(b)	355,170
Trustee fee	6(c)	119,971
Trustee set up fee		39,000
Safe custody and bank charges		77,499
Other expenses		773,333
Withholding tax	5	779,714
		<u>2,364,687</u>
NET PROFIT BEFORE INVESTMENT AND EXCHANGE GAIN		<u>3,553,010</u>
NET INVESTMENT AND EXCHANGE GAIN		
Net exchange gain		76,108
Realised gain on sale of investments		8,166,350
Unrealised appreciation in value of investments		34,287,478
		<u>42,529,936</u>
PROFIT FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u><u>46,082,946</u></u>
BASIC EARNINGS PER UNIT	15	<u><u>2.08</u></u>

POLARIS TAIWAN TOP 50 TRACKER FUND (H.K.)
(A SUB-FUND OF POLARIS TRACKER FUND (H.K.) SERIES)

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2009

	NOTES	HKD
CURRENT ASSETS		
Cash and cash equivalents	7	2,143,772
Margin accounts	8	2,544,952
Investments	9	213,253,039
Other assets		2,265,205
Total current assets		220,206,968
CURRENT LIABILITIES		
Management fee payable		67,504
Trustee fee payable		26,000
Other accounts payable		276,418
Total current liabilities		369,922
NET CURRENT ASSETS		219,837,046
CAPITAL AND RESERVE		
Units		176,340,000
Retained earnings		43,497,046
TOTAL EQUITY		219,837,046
Units in issue		18,500,000
Net asset value per unit		11.88

The financial statements on pages 5 to 21 were approved by the Trustee and the Manager on 23 April 2010 and are signed on their behalf by:



TRUSTEE
HSBC INSTITUTIONAL
TRUST SERVICES
(ASIA) LIMITED



MANAGER
POLARIS SECURITIES
(HONG KONG) LIMITED

POLARIS TAIWAN TOP 50 TRACKER FUND (H.K)
(A SUB-FUND OF POLARIS TRACKER FUND (H.K.) SERIES)

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 27 JULY 2009 (DATE OF INCEPTION)
TO 31 DECEMBER 2009

	<u>Units</u> HKD	<u>Retained</u> <u>earnings</u> HKD	<u>Total</u> HKD
Date of inception	-	-	-
Profit for the period and total comprehensive income for the period	-	46,082,946	46,082,946
Proceeds on issue of units	254,920,000	-	254,920,000
Payments on redemption of units	(78,580,000)	-	(78,580,000)
Distributions	-	(2,585,900)	(2,585,900)
Balance at 31 December 2009	<u>176,340,000</u>	<u>43,497,046</u>	<u>219,837,046</u>

Number of units in issue

	<u>Units</u>
Units in issue at the beginning of the period	-
Issue of units	25,500,000
Redemption of units	<u>(7,000,000)</u>
Units in issue at the end of the period	<u>18,500,000</u>

POLARIS TAIWAN TOP 50 TRACKER FUND (H.K.)
(A SUB-FUND OF POLARIS TRACKER FUND (H.K.) SERIES)

STATEMENT OF CASH FLOWS
 FOR THE PERIOD FROM 27 JULY 2009 (DATE OF INCEPTION)
 TO 31 DECEMBER 2009

	HKD
OPERATING ACTIVITIES	
Profit for the period	46,082,946
Adjustments for:	
Unrealised appreciation in value of investments	(34,287,478)
Operating cash flows before movements in working capital	11,795,468
Increase in margin accounts	(2,544,952)
Increase in investments	(178,965,561)
Increase in other assets	(2,265,205)
Increase in management fee payable	67,504
Increase in trustee fee payable	26,000
Increase in other accounts payable	276,418
NET CASH USED IN OPERATING ACTIVITIES	(171,610,328)
FINANCING ACTIVITIES	
Proceeds from issuance of units	254,920,000
Payments for redemption of units	(78,580,000)
Distributions paid	(2,585,900)
NET CASH FROM FINANCING ACTIVITIES	173,754,100
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,143,772
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances	2,143,772

POLARIS TAIWAN TOP 50 TRACKER FUND (H.K.)
(A SUB-FUND OF POLARIS TRACKER FUND (H.K.) SERIES)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 27 JULY 2009 (DATE OF INCEPTION)
TO 31 DECEMBER 2009

1. THE FUND

Polaris Taiwan Top 50 Tracker Fund (H.K.) (the "Fund") is a sub-fund of Polaris Tracker Fund (H.K.) Series (the "Trust"), an open ended unit trust established under the laws of Hong Kong pursuant to a Trust Deed dated 27 July 2009, as amended from time to time, entered into between Polaris Securities (Hong Kong) Limited (the "Manager" of the Trust), and HSBC Institutional Trust Services (Asia) Limited (the "Trustee" of the Trust).

The Fund is authorised by the Hong Kong Securities and Futures Commission (the "SFC") pursuant to Section 104 of the Hong Kong Securities and Futures Ordinance.

The Fund is an exchange traded fund ("ETF") listed on The Stock Exchange of Hong Kong Limited (the "SEHK") on 19 August 2009. It is a feeder fund aims at investing at least 90% all of its assets in Polaris Taiwan Top 50 Tracker Fund (the "Master Fund") listed on the Taiwan Stock Exchange.

The Master Fund's investment objective is to provide investment results that, after expenses, closely linked to or correspond to the performance of the TSEC Taiwan 50 Index (the "Index").

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current period, which is the first financial period for the Fund, the Fund has applied all the new and revised Standards, Amendments and Interpretations ("new and revised HKFRS") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective during the period.

The Fund has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 24 (Revised)	Related party disclosures ⁶
HKAS 27 (Revised)	Consolidated and separate financial statements ¹
HKAS 32 (Amendment)	Classification of rights issues ⁴
HKAS 39 (Amendment)	Eligible hedged items ¹
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters ³
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters ⁵
HKFRS 2 (Amendment)	Group cash-settled share-based payments transactions ³
HKFRS 3 (Revised)	Business combinations ¹
HKFRS 9	Financial instruments ⁷
HK(IFRIC) - INT 14 (Amendment)	Prepayments of a minimum funding requirement ⁶
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners ¹
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments ⁵

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

- ¹ Effective for annual periods beginning on or after 1 July 2009.
- ² Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
- ³ Effective for annual periods beginning on or after 1 January 2010.
- ⁴ Effective for annual periods beginning on or after 1 February 2010.
- ⁵ Effective for annual periods beginning on or after 1 July 2010.
- ⁶ Effective for annual periods beginning on or after 1 January 2011.
- ⁷ Effective for annual periods beginning on or after 1 January 2013.

The Manager and Trustee of the Fund anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the relevant disclosure provisions of the Trust Deed, as amended, and the relevant financial statement disclosure requirements specified in Appendix E of the Code issued by the SFC. The principal accounting policies adopted in the preparation of the financial statements are set out below.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Fund becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in statement of comprehensive income.

Financial assets

The Fund's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets at FVTPL

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset is designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Fund's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in the statement of comprehensive income in the period in which they arise. The net gain or loss recognised in statement of comprehensive income excludes any dividend or interest earned on the financial assets.

The fair value of investments is based on their quoted market bid prices at the reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including cash and cash equivalents are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in statement of comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through statement of comprehensive income to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Fund are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Fund after deducting all of its liabilities.

Puttable financial instruments that meet the definition of a financial liability are classified as equity where certain strict criteria are met. Those criteria include: the puttable instruments shall entitle the holder to a pro-rata share of net assets in the event of liquidation; the puttable instruments must be the most subordinated class and that class's features must be identical; there shall be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and the total expected cash flows from the puttable instrument over its life must be based substantially on the profit or loss of the issuer; and there are no other financial instruments or contracts whose total cash flows are based substantially on profit or loss, changes in recognised net assets or changes in fair value of recognised and unrecognised net assets of the entity and have the effect of substantially restricting or fixing residual return to the puttable instrument holders.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments

Financial liabilities and equity - continued

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities

Financial liabilities including management fee payable, trustee fee payable and other accounts payable are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Fund are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Fund have transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of comprehensive income.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in statement of comprehensive income.

Revenue recognition

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments including financial assets at fair value through profit or loss is recognised when the unitholders' rights to receive payment have been established.

Expenses

All expenses are recognised in the statement of comprehensive income on an accrual basis.

POLARIS TAIWAN TOP 50 TRACKER FUND (H.K.)
(A SUB-FUND OF POLARIS TRACKER FUND (H.K.) SERIES)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currency

In preparing the financial statements of the Fund, transactions in currencies other than the functional currency of the Fund (foreign currencies) are recorded in its functional currency at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the statement of comprehensive income in the period in which they arise.

4. CRITICAL ACCOUNTING JUDGEMENTS

In the application of the Fund's accounting policies, which are described in Note 3, the management is required to make judgements that have effect on the amounts recognised in financial statements.

Critical judgment

Functional currency

The Manager and the Trustee consider Hong Kong dollar as the functional currency of the Fund. Hong Kong dollar is the currency in which the Fund measures its performance and report its results, as well as the currency in which the Fund determines the net asset value per unit at the time of issue or redemption. This determination also considers that the Fund is listed on the Stock Exchange of Hong Kong Limited and its units are quoted in Hong Kong dollar.

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

Dividend income received by the Fund in respect of its holdings in Master Fund will be subject to a withholding tax of 17.68%. Withholding taxes are shown as a separate item in the statement of comprehensive income.

POLARIS TAIWAN TOP 50 TRACKER FUND (H.K.)
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6. TRANSACTIONS WITH RELATED PARTIES

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 (the "Code") established by the SFC. All transactions entered into during the period between the Fund and its related parties, including the Manager and its connected persons were carried out in the normal course of business. To the best of the Manager's knowledge, the Fund does not have any other transactions with 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 obtained from the Trustee. As of 31 December 2009, the directors and officers of the Manager together held 757,600 units in the Fund.

(b) Management fee

The Manager is entitled to receive a management fee from the Fund, currently at the rate of 0.38% per annum of the net asset value of the Fund accrued daily and calculated as at each dealing day and payable monthly in arrears. Such fee is payable out of the assets of the Fund.

The management fee currently payable by the Master Fund to the Master Fund's manager, Polaris International 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.

(c) Trustee fee

The Trustee is entitled to receive a trustee fee from the Fund, currently at the rate of 0.115% per annum of the net asset value of the Fund (subject to a minimum of HKD312,000 per annum) accrued daily and calculated as at each dealing day and payable monthly in arrears. Such fee is payable out of the assets of the Fund.

7. CASH AND CASH EQUIVALENTS

HKD

Cash at bank

2,143,772

8. MARGIN ACCOUNTS

Margin accounts represent margin deposits held in respect of open exchange-traded futures contracts.

POLARIS TAIWAN TOP 50 TRACKER FUND (H.K.)
(A SUB-FUND OF POLARIS TRACKER FUND (H.K.) SERIES)

9. INVESTMENTS

	HKD
Listed investments	
- Master Fund	213,146,019
- MSCI Taiwan Index Futures	107,020
	<u>213,253,039</u>

The notional amount of MSCI Taiwan Index Futures is HKD6,885,133. Their expiry date is 29 January 2010.

10. SOFT COMMISSION ARRANGEMENTS

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 Code allows the Fund to invest in funds whose constituent securities issued by a single issuer account 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 31 December 2009 were as follows:

	Respective weighting in the Index (%)	% of net asset value
Taiwan Semiconductor Manufacturing Company Limited	15.75	15.27
Hon Hai Precision Industry Company Limited	<u>12.25</u>	<u>11.88</u>

POLARIS TAIWAN TOP 50 TRACKER FUND (H.K)
(A SUB-FUND OF POLARIS TRACKER FUND (H.K.) SERIES)

12. FINANCIAL RISK MANAGEMENT

Categories of financial instruments are as follows:

	HKD
FVTPL asset, designated at fair value	213,146,019
FVTPL assets, held for trading	107,020
Loans and receivables, at amortised cost	4,688,724
Other financial liabilities, at amortised cost	369,922

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 fund assets in the Master Fund. 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

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 the Master Fund. 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.

Market risk

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 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 31 December 2009, the overall market exposure was as follows:

	<u>Fair value</u> HKD	<u>% of net</u> <u>asset value</u>
Listed investments		
- Master Fund	213,146,019	96.95%
- MSCI Taiwan Index Futures	107,020	0.05%
	<u>213,253,039</u>	<u>97.00%</u>

POLARIS TAIWAN TOP 50 TRACKER FUND (H.K)
(A SUB-FUND OF POLARIS TRACKER FUND (H.K.) SERIES)

12. FINANCIAL RISK MANAGEMENT - continued

Strategy in using financial instruments - continued

Market risk - continued

Market price risk - continued

As the Fund is an index tracking fund of TSEC Taiwan 50 Index by investing in Master Fund, movements in the Index are expected to result in substantially the same percentage change in the Fund's profit for the period.

	Increase (decrease) in profit for the period HKD
TSEC Taiwan 50 Index increase (decrease) by 26.04%	55,531,091

Currency risk on non-monetary items

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

The Fund has significant currency risk as substantially a large portion of its investment assets (Master Fund) and certain cash at bank are denominated in Taiwanese dollar.

	Increase (decrease) in on profit for the period Total exposure	HKD
Taiwanese dollar (TWD) strengthen (weaken) against HKD by 2.67%	213,467,556	5,699,584

The sensitivity measure is based on management estimation after considering historical performance.

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. Any excess cash is invested at short-term market interest rates.

POLARIS TAIWAN TOP 50 TRACKER FUND (H.K)
(A SUB-FUND OF POLARIS TRACKER FUND (H.K.) SERIES)

12. FINANCIAL RISK MANAGEMENT - continued

Strategy in using financial instruments - continued

Credit risk

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

The Fund's financial assets which are potentially subject to 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 good credit standings.

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.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in settling a liability.

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 investment securities are considered readily realisable, as they are listed on the Taiwan 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.

	Less than <u>1 month</u> HKD
<u>At 31 December 2009</u>	
Management fee payable	67,504
Trustee fee payable	26,000
Other accounts payable	276,418
Total financial liabilities	<u>369,922</u>

POLARIS TAIWAN TOP 50 TRACKER FUND (H.K.)
(A SUB-FUND OF POLARIS TRACKER FUND (H.K.) SERIES)

12. FINANCIAL RISK MANAGEMENT - continued

Fair value

The Fund's investments are grouped into Level 1 based on the degree to which the fair value is observable. Level 1 fair value measurements are those derived from quoted bid prices (unadjusted) in active market for identical assets.

	<u>Level 1</u>
Listed investments	
- Master Fund	213,146,019
- MSCI Taiwan Index Futures	107,020
	<u>213,253,039</u>

The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models (e.g. discounted cash flows analysis using observable and/or unobservable inputs). The Manager and the Trustee considered that the fair value of other financial assets and financial liabilities approximate their amortised cost.

13. CAPITAL RISK MANAGEMENT

The holders of the units are entitled to receive all dividends declared and paid by the Fund. Upon winding up, the holders are entitled to a return of capital based on the net asset value per unit.

The Fund's objective is to provide investment results that closely correspond to the performance of the Index. Notwithstanding the unitholders' rights to redemptions at any time at the net asset value per unit, the Manager has the right to exercise discretion, as set out in its prospectus, to manage redemption levels and maintain the strength of the Fund's capital base. The Manager may:

- redeem and issue new units in accordance with the constitutional documents of the Fund;
- exercise discretion when determining the amount of distributions of the Fund to holders of redeemable units.

The Manager monitors the Fund's liquidity position on a daily basis to determine redemption application.

14. DISTRIBUTIONS

	HKD
Distributions declared on 6 November 2009	
- HKD0.1361 per unit on 19,000,000 units paid on 4 December 2009	<u>2,585,900</u>

15. BASIC EARNINGS PER UNIT

The calculation of the basic earnings per unit is based on the following data:

	HKD
Earnings	<u>46,082,946</u>
Weighted average number of units	<u>22,124,113</u>

16. SEGMENTAL INFORMATION

In the opinion of the Manager and the Trustee, all activities of the Fund are in the single business of investment activities conducted mainly in Hong Kong. The chief operating decision maker of the Fund is its Manager.

POLARIS TAIWAN TOP 50 TRACKER FUND (H.K.)
 (A SUB-FUND OF POLARIS TRACKER FUND (H.K.) SERIES)

INVESTMENT PORTFOLIO
 AS AT 31 DECEMBER 2009

	<u>Holdings</u>	<u>Fair value</u> HKD	<u>% of net</u> <u>asset value</u>
<u>Taiwan</u>			
Listed investments			
- Polaris Taiwan Top 50 Tracker Fund	15,573,000	213,146,019	96.95%
- MSCI Taiwan Index Futures	30	107,020	0.05%
Total investments		213,253,039	97.00%
Other net assets		6,584,007	3.00%
Net asset value as at 31 December 2009		219,837,046	100.00%
Total investments, at cost		178,965,561	

POLARIS TAIWAN TOP 50 TRACKER FUND (H.K.)
(A SUB-FUND OF POLARIS TRACKER FUND (H.K.) SERIES)

STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO
 FOR THE PERIOD FROM 27 JULY 2009 (DATE OF INCEPTION)
 TO 31 DECEMBER 2009

	<u>Holdings</u>			<u>31.12.2009</u>
	<u>27.07.2009</u>	<u>Additions</u>	<u>Disposals</u>	
<u>Taiwan</u>				
Listed investments				
- Polaris Taiwan Top 50 Tracker Fund	-	21,288,000	(5,715,000)	15,573,000
- MSCI Taiwan Index Futures	-	272	(242)	30

POLARIS TAIWAN TOP 50 TRACKER FUND (H.K)
 (A SUB-FUND OF POLARIS TRACKER FUND (H.K.) SERIES)

PERFORMANCE TABLE
 FOR THE PERIOD FROM 27 JULY 2009 (DATE OF INCEPTION)
 TO 31 DECEMBER 2009

1. NET ASSET VALUE

	Net asset value HKD	Net asset value per unit HKD
At the end of financial period		
31 December 2009	<u>219,837,046</u>	<u>11.88</u>

2. HIGHEST AND LOWEST NET ASSET VALUE PER UNIT

	Highest net asset value per unit HKD	Lowest net asset value per unit HKD
Financial period ended		
31 December 2009 (since inception)	<u>11.88</u>	<u>9.68</u>

3. FUND PERFORMANCE

During the period, the TSEC Taiwan 50 Index increased by 16.0%, while the net asset value per unit of the Fund increased by 18.80%.

POLARIS TAIWAN TOP 50 TRACKER FUND (H.K.)
(A SUB-FUND OF POLARIS TRACKER FUND (H.K.) SERIES)

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