

**Polaris Taiwan Top 50  
Tracker Fund (H.K.)**

(A Sub-fund of Polaris Tracker Fund (H.K.) Series)

**Interim Report  
30 June 2012**

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## **Management and Administration**

### **Manager**

Polaris Securities (Hong Kong) Limited  
1003-1004 Admiralty Centre Tower 1  
18 Harcourt Road  
Hong Kong

### **Trustee and Registrar**

HSBC Institutional Trust Services (Asia) Limited  
1 Queen's Road 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


**Condensed statement of assets and liabilities**  
**as at 30 June 2012**  
*(Expressed in Hong Kong dollars)*

	<i>Note</i>	<i>30 June 2012</i>	<i>31 December 2011</i>
<b>Assets</b>			
Cash and cash equivalents	6	\$ 336,415	\$ 1,328,646
Margin accounts	5	454,155	433,894
Financial assets at fair value through profit or loss	4	25,308,364	30,032,296
Other assets		<u>102,100</u>	<u>531,872</u>
<b>Total assets</b>		<u>\$ 26,201,034</u>	<u>\$ 32,326,708</u>
<b>Liabilities</b>			
Management fee payable	9(a)	\$ 7,713	\$ 10,192
Trustee fee payable	9(b)	26,000	26,000
Other payables		<u>168,040</u>	<u>259,352</u>
<b>Total liabilities</b>		<u>\$ 201,753</u>	<u>\$ 295,544</u>
<b>Net assets attributable to unitholders</b>	11	<u>\$ 25,999,281</u>	<u>\$ 32,031,164</u>
Representing:			
<b>Total equity</b>		<u>\$ 25,999,281</u>	<u>\$ 32,031,164</u>

**Condensed statement of assets and liabilities**  
**as at 30 June 2012 (continued)**  
*(Expressed in Hong Kong dollars)*

	<i>Note</i>	<i>30 June 2012</i>	<i>31 December 2011</i>
<b>Total number of units in issue</b>	9(c), 10	<u>2,500,000</u>	<u>3,000,000</u>
<b>Net asset value per unit</b>		<u>\$ 10.40</u>	<u>\$ 10.68</u>

Approved and authorised for issue by the the Manager on 21 AUG 2012


 ) For and on behalf of  
 ) Polaris Securities (Hong Kong)  
 ) Limited, Manager  
 )  
 )

The notes on pages 7 to 12 form part of these condensed financial statements.

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## Condensed statement of comprehensive income for the period ended 30 June 2012

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2012	Six months ended 30 June 2011
<b>Income</b>			
Interest income	7	\$ -	\$ 3
Other income		4,055	19,080
		<u>\$ 4,055</u>	<u>\$ 19,083</u>
<b>Expenses</b>			
Auditor's remuneration		\$ (92,764)	\$ (45,781)
Management fee	9(a)	(61,753)	(251,772)
Trustee fee	9(b)	(154,322)	(156,000)
Safe custody and bank charges		(10,883)	(51,083)
Registration fee	9(b)	(19,340)	(19,340)
Valuation fee	9(b)	(135,720)	(134,550)
Transaction fees paid to trustee	9(b)	(2,250)	(1,800)
Transactions cost		(13,825)	(22,184)
Sundry expenses		(506,846)	(497,773)
Legal and professional fees		(311,875)	(72,599)
Withholding tax	3	-	(1)
		<u>\$ (1,309,578)</u>	<u>\$ (1,252,883)</u>
<b>Net loss before investment and exchange gain/(loss)</b>		\$ (1,305,523)	\$ (1,233,800)
<b>Net investment and exchange gain/(loss)</b>			
Net foreign exchange gain		490,176	622,971
Net gain/(loss) from financial instruments at fair value through profit or loss	8	<u>\$ 68,464</u>	<u>\$ (4,325,124)</u>
<b>Loss after tax and total comprehensive income for the period</b>		<u>\$ (746,883)</u>	<u>\$ (4,935,953)</u>

The notes on pages 7 to 12 form part of these condensed financial statements.

**Condensed statement of changes in equity**  
**for the period ended 30 June 2012**  
*(Expressed in Hong Kong dollars)*

		<i>Six months ended</i> <i>30 June</i> <i>2012</i>	<i>Six months ended</i> <i>30 June</i> <i>2011</i>
	<i>Note</i>		
<b>Net assets at the beginning of the period</b>		\$ 32,031,164	\$ 140,727,732
Loss after tax and total comprehensive income for the period		(746,883)	(4,935,953)
		-----	-----
<b>Transaction with unitholders recorded directly in equity</b>			
Redemption of units	10	(5,285,000)	(6,770,000)
		-----	-----
<b>Total transactions with unitholders</b>		(5,285,000)	(6,770,000)
		-----	-----
<b>Net assets at the end of the period</b>		<u>\$ 25,999,281</u>	<u>\$ 129,021,779</u>

The notes on pages 7 to 12 form part of these condensed financial statements.

**Condensed cash flow statement**  
**for the period ended 30 June 2012**  
*(Expressed in Hong Kong dollars)*

	<i>Six months ended</i> <i>30 June</i> <i>2012</i>	<i>Six months ended</i> <i>30 June</i> <i>2011</i>
<b>Operating activities</b>		
Loss after tax and total comprehensive income for the period	\$ (746,883)	\$ (4,935,953)
Adjustment for:		
Net change in unrealised gain or loss from financial instruments at fair value through profit or loss	<u>(69,655)</u>	<u>(5,270,601)</u>
<b>Operating cash flows before changes in working capital</b>	\$ (816,538)	\$ (10,206,554)
(Increase)/decrease in margin accounts	(20,261)	275,125
Decrease in financial assets at fair value through profit or loss	4,793,587	15,436,812
Decrease in other assets	429,772	429,773
Decrease in management fee payable	(2,479)	(2,253)
Decrease in other payables	<u>(91,312)</u>	<u>(120,606)</u>
<b>Net cash generated from operating activities</b>	<u>\$ 4,292,769</u>	<u>\$ 5,812,297</u>
<b>Financing activities</b>		
Payments for redemption of units	<u>\$ (5,285,000)</u>	<u>\$ (6,770,000)</u>
<b>Net cash used in financing activities</b>	<u>\$ (5,285,000)</u>	<u>\$ (6,770,000)</u>
<b>Net decrease in cash and cash equivalents</b>	\$ (992,231)	\$ (957,703)
<b>Cash and cash equivalents at the beginning of the period</b>	<u>1,328,646</u>	<u>2,231,395</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>\$ 336,415</u>	<u>\$ 1,273,692</u>

The notes on pages 7 to 12 form part of these condensed financial statements.



## **Notes to the condensed 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 at least 90% all of its assets in Polaris Taiwan Top 50 Tracker Fund (the “Master Fund”) listed on the Taiwan Stock Exchange.

### **2 Significant accounting policies**

#### **(a) Statement of compliance**

These condensed financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs) HKAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements as at and for the year ended 31 December 2011, which have been prepared in accordance with HKFRSs.

The interim financial statements have not been audited or reviewed by the Company’s auditors.

#### **(b) Basis of preparation of the condensed financial statements**

The accounting policies applied in these condensed financial statements are the same as those applied by the Fund in its financial statements as at and for the year ended 31 December 2011.

### **3 Taxation**

No provision for Hong Kong Profits Tax has been made in the condensed 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 period represents non-recoverable withholding tax on dividend income.

### **4 Financial instruments and associated risks**

The Fund's financial risk management objectives and policies during the six months ended 30 June 2012 are consistent with that disclosed in the financial statements as at and for the year ended 31 December 2011.

### **5 Margin accounts**

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

### **6 Cash and cash equivalents**

	<i>30 June 2012</i>	<i>31 December 2011</i>
Cash at bank	\$ <u>336,415</u>	\$ <u>1,328,646</u>

### **7 Interest income**

During the period, the Fund earned all its interest income from cash and cash equivalents.

### **8 Net gain/(loss) from financial instruments at fair value through profit or loss**

	<i>Six months ended 30 June 2012</i>	<i>Six months ended 30 June 2011</i>
Net realised gain	\$ 138,119	\$ 945,477
Net change in unrealised gain or loss	<u>(69,655)</u>	<u>(5,270,601)</u>
Total net gain/(loss)	\$ <u>68,464</u>	\$ <u>(4,325,124)</u>

## 9 Transactions with related parties

The following is a summary of transactions with related parties during the period 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. (2011: Polaris International Securities Investment Trust Co., Ltd., which was merged with Yuanta Securities Investment Trust Co., Ltd. on 6 May 2012), 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.

- (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 HK\$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
- (c) The Fund allows the Manager and its connected persons to transact in the units of the Fund. The holding in the Fund by the Manager as at 30 June 2012 was 114,800 units (31 December 2011: 126,200 units).
- (d) The Fund did not utilise the services of Polaris Securities Co., Ltd. ("PSCL") and Yuanta Securities Co., Ltd. ("YSCL"), the intermediate holding companies of the Manager (PSCL for the period from 1 January 2012 to 31 March 2012; and YSCL for the period from 1 April 2012 to 30 June 2012) in purchase and sale of investments for the six months ended 30 June 2012. Details of transactions executed and fees paid during the period 1 January 2011 to 30 June 2011 were as follows:

<i>Value of transactions executed through PSCL Six months ended 30 June 2011</i>	<i>% of total value of transactions of the Fund Six months ended 30 June 2011</i>	<i>Commission paid to PSCL. Six months ended 30 June 2011</i>	<i>Average commission rate Six months ended 30 June 2011</i>
\$ 25,364,000	100%	\$ 12,676	0.05%

## 10 Units in issue

	<i>Six months ended</i> <i>30 June</i> <i>2012</i> Units	<i>Year ended</i> <i>31 December</i> <i>2011</i> Units
Balance at the beginning of the period/year	3,000,000	10,000,000
Units redeemed during the period/year	<u>(500,000)</u>	<u>(7,000,000)</u>
Balance at the end of the period/year	<u>2,500,000</u>	<u>3,000,000</u>

## 11 Reconciliation of net asset values

The Trustee and the Manager would like to highlight that the principles for calculating the published unit price as set out in the Explanatory Memorandum of the Fund are different from those required for calculating the net assets attributable to unitholders and hence the corresponding net asset value per unit for financial reporting purposes under HKFRSs. The net assets attributable to unitholders as reported in the condensed financial statements are therefore different from the adjusted total net assets for valuation purposes at the balance sheet date. The reconciliation between the net assets attributable to unitholders as reported in the condensed financial statements and the adjusted total net assets for valuation purposes is as follows:

	<i>30 June</i> <i>2012</i>	<i>31 December</i> <i>2011</i>
Net assets attributable to unitholders as reported in the financial statements	\$ 25,999,281	\$ 32,031,164
Adjustments for different principles adopted by the Fund in arriving at the adjusted total net assets for valuation purposes:		
– Use of closing price instead of bid price in valuing futures	<u>23,035</u>	<u>1,631</u>
Adjusted total net assets for valuation purposes	<u>\$ 26,022,316</u>	<u>\$ 32,032,795</u>
Total number of units in issue	<u>2,500,000</u>	<u>3,000,000</u>
Net asset value per unit for valuation purpose	<u>\$ 10.40</u>	<u>\$ 10.67</u>

## 12 Soft dollar commission

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

## 13 Fair value information

The Fund's financial instruments are measured at fair value on the balance sheet date. 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 measures fair values using the three levels of fair value hierarchy defined in HKFRS 7, *Financial instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are as defined as follow:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

The investments held by the Fund are either listed on the Taiwan Stock Exchange or traded on the Singapore Futures Exchange and their fair values are based on quoted market prices in active markets.

### 13 Fair value information (continued)

#### *Valuation of financial instruments (continued)*

The following analyses financial instruments at fair value at the end of the period/year, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	<i>Level 1</i>	
	<i>30 June 2011</i>	<i>31 December 2011</i>
Polaris Taiwan Top 50 Tracker Fund	\$ 25,314,181	\$ 30,030,120
MSCI Taiwan Index futures	(5,817)	2,176
	<u>\$ 25,308,364</u>	<u>\$ 30,032,296</u>

The notional amount of MSCI Taiwan Index futures is \$572,378 (31 December 2011: \$1,374,917). Their expiry date is 27 July 2012.

There are no significant transfers between the levels during the period.

### 14 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 period.

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

**Performance of Polaris Taiwan Top 50 Tracker Fund (H.K.)  
and FTSE TWSE Taiwan 50 Index  
From 1 January 2012 to 30 June 2012 (unaudited)**

<i>Fund/Index</i>	<i>Performance in Hong Kong dollars</i>
Polaris Taiwan Top 50 Tracker Fund (H.K.) <sup>(1)</sup>	-0.38%
FTSE TWSE Taiwan 50 Index <sup>(2)</sup>	<u>+1.20%</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 30 June 2012 (unaudited)**

Those constituent stocks that accounted for more than 10% of the weighting of the FTSE TWSE Taiwan 50 Index ("the Index") as at 30 June 2012 are listed below.

	<i>Weighting in the Index %</i>
Taiwan Semiconductor Manufacturing	<u>19.40</u>



**Investment portfolio**  
**as at 30 June 2012 (unaudited)**  
*(Expressed in Hong Kong dollars)*

<i>Investment</i>	<i>Holdings</i>	<i>Market value</i>	<i>% of total net asset attributable to unitholders</i>
Polaris Taiwan Top 50 Tracker Fund	1,945,000	\$ 25,314,181	97.36
MSCI Taiwan Index futures	3	(5,817)	(0.02)
<b>Total investments</b>		<b>\$ 25,308,364</b>	<b>97.34</b>
<b>Other net assets</b>		<b>690,917</b>	<b>2.66</b>
<b>Total net assets attributable to unitholders</b>		<b>\$ 25,999,281</b>	<b>100.00</b>

**Statement of movements in portfolio holdings  
as at 30 June 2012 (unaudited)**

	<i>% of total net assets attributable to unitholders</i>	
	<i>30 June 2012</i>	<i>31 December 2011</i>
Polaris Taiwan Top 50 Tracker Fund	97.36	93.75
MSCI Taiwan Index futures	(0.02)	0.01
<b>Total investments</b>	<b>97.34</b>	<b>93.76</b>
<b>Other net assets</b>	<b>2.66</b>	<b>6.24</b>
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

**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 30 June 2012	<u>\$ 25,999,281</u>	<u>\$ 10.40</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>

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

	<i>Highest offer price during the period/year</i>	<i>Lowest bid price during the period/year</i>
1 January 2012 to 30 June 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>