

CSI ALPHA FUND SERIES

- CSI China – Hong Kong Leaders Fund

**(A sub-fund of an open ended unit trust established
as an umbrella fund under the laws of Hong Kong)**

Interim Report

For the period from 1 January 2012 to 29 June 2012

(Unaudited accounts)

**CSI ALPHA FUND SERIES
- CSI CHINA-HONG KONG LEADERS FUND**

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**CSI ALPHA FUND SERIES
- CSI CHINA-HONG KONG LEADERS FUND**

ADMINISTRATION AND MANAGEMENT

MANAGER

CITIC Securities International Investment
Management (HK) Limited
17/F, Chuang's Tower
30-32 Connaught Road Central
Central
Hong Kong

TRUSTEE AND REGISTRAR

BOCI-Prudential Trustee Limited
12/F & 25/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

LEGAL ADVISERS

Clifford Chance
28/F, Jardine House
1 Connaught Place, Central
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

CSI ALPHA FUND SERIES
- CSI CHINA-HONG KONG LEADERS FUND

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE PERIOD FROM 1 JANUARY 2012 TO 29 JUNE 2012

	For the period from 01/01/2012 to 29/06/2012 HK\$	For the period from 01/01/2011 to 30/06/2011 HK\$
INCOME		
Dividend income, net of withholding taxes	3,364,861	3,216,589
Interest income	1,766	1,301
Net realised (losses) / gains on financial assets and liabilities at fair value through profit or loss	(1,223,929)	2,423,040
Net change in unrealised gains / (losses) on financial assets and liabilities at fair value through profit or loss	1,961,937	(15,727,871)
Exchange gain	695	6,131
Other income	-	40,000
	<u>4,105,330</u>	<u>(10,040,810)</u>
EXPENSES		
Management fee	2,231,956	1,999,016
Trustee fee and registrar fee	195,345	154,137
Custodian fee	27,901	26,218
Auditor's remuneration	100,276	83,310
Legal & professional fee	151,248	-
License fee	5,969	5,949
Publishing charges	5,185	5,879
Commission expenses	158,044	680,046
Handling and transaction fees	643,643	641,935
Other general expenses	11,367	12,458
	<u>3,530,934</u>	<u>3,608,948</u>
PROFIT / (LOSS) FOR THE PERIOD AND COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	<u>574,396</u>	<u>(13,649,758)</u>

The accompanying notes are an integral part of these financial statements.

CSI ALPHA FUND SERIES
- CSI CHINA-HONG KONG LEADERS FUND

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

AS AT 29 JUNE 2012

	(Unaudited) 29/06/2012 HK\$	(Audited) 31/12/2011 HK\$
ASSETS		
Financial assets at fair value through profit or loss	170,810,909	159,662,673
Amount due from broker	22,783,027	21,328,188
Dividends receivable	1,915,623	186,691
Cash and cash equivalents	25,782,144	13,084,867
TOTAL ASSETS	<u>221,291,703</u>	<u>194,262,419</u>
LIABILITIES		
Financial liabilities at fair value through profit or loss	863,051	-
Amount due to broker	-	4,200,118
Management fee payable	345,798	316,875
Trustee fee payable and registrar fee payable	30,257	29,032
Accrued expenses and other payables	111,170	181,963
TOTAL LIABILITIES	<u>1,350,276</u>	<u>4,727,988</u>
EQUITY		
Units in issue	225,619,564	195,786,964
Accumulated losses	(5,678,137)	(6,252,533)
TOTAL EQUITY	<u>219,941,427</u>	<u>189,534,431</u>
TOTAL LIABILITIES AND EQUITY	<u>221,291,703</u>	<u>194,262,419</u>
NET ASSET VALUE		
(calculated at bid-ask market prices and in accordance with IFRS)	219,941,427	189,534,431
Adjustment from bid-ask market prices to last traded market prices	357,832	204,334
NET ASSET VALUE (calculated at last traded market prices)	<u>220,299,259</u>	<u>189,738,765</u>
NUMBER OF UNITS IN ISSUE	<u>21,451,942.524</u>	<u>18,543,664.841</u>
NET ASSET VALUE PER UNIT (at bid-ask market prices)	<u>10.25</u>	<u>10.22</u>

The accompanying notes are an integral part of these financial statements.

CSI ALPHA FUND SERIES
- CSI CHINA-HONG KONG LEADERS FUND

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE PERIOD FROM 1 JANUARY 2012 TO 29 JUNE 2012

	Number of units outstanding	Capital HK\$	Retained earnings/ (Accumulated losses) HK\$	Total equity HK\$
At 1 January 2011	18,572,263.693	196,077,664	15,142,198	211,219,862
Issue of units	32,120.071	352,941	-	352,941
Redemption of units	(20,000.000)	(213,200)	-	(213,200)
Total comprehensive loss for the period	-	-	(13,649,758)	(13,649,758)
At 30 June 2011	<u>18,584,383.764</u>	<u>196,217,405</u>	<u>1,492,440</u>	<u>197,709,845</u>
At 1 January 2012	18,543,664.841	195,786,964	(6,252,533)	189,534,431
Issue of units	2,925,822.919	30,019,608	-	30,019,608
Redemption of units	(17,545.236)	(187,008)	-	(187,008)
Total comprehensive income for the period	-	-	574,396	574,396
At 29 June 2012	<u>21,451,942.524</u>	<u>225,619,564</u>	<u>(5,678,137)</u>	<u>219,941,427</u>

CSI ALPHA FUND SERIES
- CSI CHINA-HONG KONG LEADERS FUND

STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE PERIOD FROM 1 JANUARY 2012 TO 29 JUNE 2012

	For the period from 01/01/2012 to 29/06/2012 HK\$	For the period from 01/01/2011 to 30/06/2011 HK\$
Cash flows from operating activities		
Net operating income/(loss) for the period	574,396	(13,649,758)
Adjustments for:		
Dividend income, net of withholding taxes	(3,364,861)	(3,216,589)
Interest income	(1,766)	(1,301)
Net realised losses/(gains) on financial investments at fair value through profit or loss	1,223,929	(2,423,040)
Net change in unrealised (gains)/losses on financial investments at fair value through profit or loss	(1,961,937)	15,727,871
Proceeds from sales of financial assets at fair value through profit or loss	205,553,576	251,241,619
Payments on purchases of financial assets at fair value through profit or loss and settlement of financial liabilities at fair value through profit or loss	(215,100,753)	(248,963,853)
	<u>(13,077,416)</u>	<u>(1,285,051)</u>
(Increase)/decrease in amount due from broker	(1,454,839)	396,178
Decrease in amount due to broker	(4,200,118)	-
Decrease in prepayments and other receivables	-	5,522
Decrease in accrued expenses and other payables	(40,645)	(166,910)
Net cash used in operations	<u>(18,773,018)</u>	<u>(1,050,261)</u>
Dividend received	1,635,929	2,306,639
Interest received	1,766	1,301
Net cash (outflow)/inflow from operating activities	<u>(17,135,323)</u>	<u>1,257,679</u>
Cash flows from financing activities		
Proceeds on issue of units	30,019,608	352,941
Payments on redemption of units	(187,008)	(213,200)
Net cash inflow from financing activities	<u>29,832,600</u>	<u>139,741</u>
Net increase in cash and cash equivalents	12,697,277	1,397,420
Cash and cash equivalents at the beginning of the period	<u>13,084,867</u>	<u>18,996,037</u>
Cash and cash equivalents at the end of the period	<u><u>25,782,144</u></u>	<u><u>20,393,457</u></u>
Analysis of balances of cash and cash equivalents:		
Bank balance	<u><u>25,782,144</u></u>	<u><u>20,393,457</u></u>

**CSI ALPHA FUND SERIES
- CSI CHINA-HONG KONG LEADERS FUND**

NOTES TO THE FINANCIAL STATEMENTS

AS AT 29 June 2012

1 THE SUB-FUND

CSI Alpha Fund Series (the "Trust") was constituted as an umbrella unit trust established under the laws of Hong Kong pursuant to a trust deed dated 25 June 2009, supplemented by a supplemental trust deed dated 9 April 2010, and further supplemented by a second supplemental trust deed dated 4 January 2012 (the "Trust Deed") entered into between CITIC Securities International Investment Management (HK) Limited (the "Manager") and BOCI-Prudential Trustee Limited (the "Trustee").

The Trust consists of two sub-funds, namely CSI China-Hong Kong Leaders Fund and CSI RMB Income Fund, as at 29 June 2012.

CSI China-Hong Kong Leaders Fund (the "Sub-Fund") was constituted as a separate sub-fund of the Trust on 24 July 2009. The Sub-Fund is an open-ended unit trust and is authorised by the Securities and Futures Commission of Hong Kong under Section 104(1) of the Securities and Futures Ordinance and is required to comply with the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the "SFC Code").

The investment objectives of the Sub-Fund is to achieve long-term appreciation of the unit price through capital growth and income appreciation by investing in a diversified portfolio of at least twenty three blue chip equities, and to a limited extent, ADRs and GDRs, that are listed primarily on Hong Kong stock exchange and/or any international securities exchange and/or other recognised securities markets that are open to the international public and on which such securities are regularly traded, subject to the investment restrictions applicable to the Sub-Fund.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial statements have been prepared on a historical basis, except for financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value. The financial statements are presented in Hong Kong dollars ("HK\$").

The accounting policies and methods of computation used in the preparation of these Interim Financial Statement are consistent with those used in the annual financial statement for the year ended 31 December 2011.

**CSI ALPHA FUND SERIES
- CSI CHINA-HONG KONG LEADERS FUND**

NOTES TO THE FINANCIAL STATEMENTS

AS AT 29 June 2012

3 Capital

The consideration received or paid for units issued or redeemed respectively is based on the value of the Sub-Fund's net asset value per unit at the date of the transaction. In accordance with the provisions of the Trust Deed, the Sub-Fund's investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions. According to the requirements of IAS 39, for the purposes of the statement of financial position as at 29 June 2012, the quoted market price used for financial assets held by the Sub-Fund is the closing bid price, and the appropriate quoted market price for financial liabilities is the closing ask price. The difference between the valuation of investment position as prescribed by IAS 39 and the methodology indicated in the Trust Deed results in a difference in the calculation of the Sub-Fund's net asset value of HK\$357,832 as at 29 June 2012 for the purpose of calculating the net asset value per unit for processing subscriptions and redemptions in the Sub-Fund.

A reconciliation of the Sub-Fund's net asset value as determined for the purposes of processing subscriptions and redemptions of the redeemable units to the net asset value as reported in the statement of financial position is as follows:-

	(Unaudited) 29/06/2012 HK\$	(Audited) 31/12/2011 HK\$
Net asset value (at last traded market prices)	220,299,259	189,738,765
Adjustment from last traded market prices to bid-ask market prices	(357,832)	(204,334)
Net asset value (at bid-ask market prices)	<u>219,941,427</u>	<u>189,534,431</u>

	<u>29/06/2012 (Unaudited)</u>		<u>31/12/2011 (Audited)</u>	
	At bid-ask market prices and in accordance with IFRS HK\$	At last traded market prices HK\$	At bid-ask market prices and in accordance with IFRS HK\$	At last traded market prices HK\$
Net asset value	<u>219,941,427</u>	<u>220,299,259</u>	<u>189,534,431</u>	<u>189,738,765</u>
Net asset value per unit	<u>HK\$ 10.25</u>	<u>HK\$ 10.27</u>	<u>HK\$ 10.22</u>	<u>HK\$ 10.23</u>

CSI ALPHA FUND SERIES
- CSI CHINA-HONG KONG LEADERS FUND

STATEMENT OF MOVEMENT IN PORTFOLIO HOLDINGS (UNAUDITED)

29 JUNE 2012

	(Unaudited) 29/06/2012	(Audited) 31/12/2011
Listed investments	<u>% of net asset value</u>	<u>% of net asset value</u>
Equities		
Hong Kong	75.31%	83.92%
Mutual Fund/UT		
Hong Kong	2.37%	0.00%
Index Futures		
Hong Kong	(0.40%)	0.32%
<hr/>		
Total investments	77.28%	84.24%
Other net assets	<u>22.72%</u>	<u>15.76%</u>
Total net assets	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>

CSI ALPHA FUND SERIES
- CSI CHINA-HONG KONG LEADERS FUND

PERFORMANCE TABLE (UNAUDITED)

29 JUNE 2012

Net asset value

	Net asset value per unit HK\$	Total net asset value HK\$
As at 29 June 2012 (Unaudited)	<u>10.25</u>	<u>219,941,427</u>
As at 31 December 2011 (Audited)	<u>10.22</u>	<u>189,534,431</u>

Highest issue price and lowest redemption price per unit

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$
Period from 1 January 2012 to 29 June 2012 (Unaudited)	<u>10.88</u>	<u>10.00</u>
Year ended 31 December 2011 (Audited)	<u>11.55</u>	<u>10.23</u>

CSI ALPHA FUND SERIES
- CSI CHINA-HONG KONG LEADERS FUND

STATEMENT OF INVESTMENT PORTFOLIO (UNAUDITED)

AS AT 29 JUNE 2012

<i>Listed securities</i> <i>Hong Kong</i>	Nominal value/ holdings	Fair value HK\$	% of NAV
<i>Equities</i>			
AGRICULTURAL BANK OF CHINA LTD-H	622,000	1,915,760	0.87%
BEIJING ENTERPRISES HLDGS LTD	148,500	6,875,550	3.13%
BOC HONG KONG (HLDGS) LTD	373,500	8,795,925	4.00%
CHEUNG KONG (HLDGS) LTD	39,000	3,687,450	1.68%
CHEUNG KONG INFRASTRUCTURE HLDGS LTD	124,000	5,778,400	2.63%
CHINA CONSTRUCTION BANK CORP-H	1,174,000	6,198,720	2.82%
CHINA LIFE INSURANCE CO LTD-H	586,000	11,661,400	5.30%
CHINA MOBILE LTD	97,000	8,220,750	3.74%
CHINA RESOURCES POWER HLDGS CO	334,000	5,303,920	2.41%
CHINA SHENHUA ENERGY CO LTD-H	358,500	9,679,500	4.40%
CHINA TAIPING INSURANCE HLDGS CO LTD	258,600	3,242,844	1.47%
CHINA TELECOM CORP LTD-H	1,172,000	3,926,200	1.79%
CLP HLDGS LTD	62,500	4,106,250	1.87%
CNOOC LTD	108,000	1,663,200	0.76%
DONGJIANG ENVIRONMENTAL CO LTD-H	108,000	3,510,000	1.60%
HAITONG SECURITIES CO LTD-H	221,200	2,366,840	1.08%
HANG SENG BANK LTD	22,000	2,323,200	1.06%
HKT TRUST AND HKT LTD	1,281,000	7,775,670	3.54%
HONG KONG EXCHANGES & CLEARING LTD	42,500	4,666,500	2.12%
HSBC HLDGS PLC	115,200	7,891,200	3.59%
HUANENG POWER INTL INC-H	858,000	4,976,400	2.26%
HUTCHISON WHAMPOA LTD	66,000	4,389,000	2.00%
INDUSTRIAL & COMMERCIAL BK OF CHINA-H	1,955,000	8,367,400	3.80%
LENOVO GROUP LTD	1,028,000	6,712,840	3.05%
PETROCHINA CO LTD-H	286,000	2,842,840	1.29%
PING AN INSURANCE GROUP CO OF CHINA LTD-H	116,000	7,145,600	3.25%
POWER ASSETS HLDGS LTD	70,000	4,063,500	1.85%
PRADA SPA	48,800	2,515,640	1.14%
SHENZHEN EXPRESSWAY CO LTD-H	616,000	1,724,800	0.78%
SHOUGANG FUSHAN RESOURCES GROUP LTD	910,000	1,801,800	0.82%
SUN HUNG KAI PROPERTIES LTD	51,000	4,648,650	2.11%
TENCENT HLDGS LTD	30,200	6,819,160	3.10%
		<u>165,596,909</u>	<u>75.31%</u>
<i>Mutual Fund/ Unit Trust</i>			
LINK REAL ESTATE INVESTMENT TRUST	165,000	5,214,000	2.37%
		<u>5,214,000</u>	<u>2.37%</u>
<i>Index Futures</i>			
Hang Seng Index Futures Jul 12		(652,051)	(0.30%)
H-Shares Index Futures Jul 12		<u>(211,000)</u>	<u>(0.10%)</u>
		<u>(863,051)</u>	<u>(0.40%)</u>
TOTAL INVESTMENTS, AT FAIR VALUE		169,947,858	77.28%
OTHER NET ASSETS		49,993,569	22.72%
TOTAL NET ASSETS		<u>219,941,427</u>	<u>100.00%</u>
TOTAL INVESTMENTS, AT COST		<u>168,914,961</u>	

Note: Investments are accounted for on a trade-date basis.