

REPORTS AND AUDITED FINANCIAL STATEMENTS

CSI ALPHA FUND SERIES - CSI RMB INCOME FUND  
(A sub-fund of an open-ended umbrella unit trust established  
under the laws of Hong Kong)

31 December 2014



**EY** 安永

Building a better  
working world

CSI ALPHA FUND SERIES  
- CSI RMB INCOME FUND

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CSI ALPHA FUND SERIES  
- CSI RMB INCOME FUND

REPORT OF THE MANAGER

To our Investors and Friends,

The CSI RMB Income Fund (the "Sub-Fund") under the CSI Alpha Fund Series (the "Trust") was launched in February 2012 with the investment objectives to achieve long-term appreciation of the unit price through capital growth and income appreciation by investing primarily in a diversified portfolio of RMB denominated and settled debt instruments and RMB denominated and settled equities or equity related securities, subject to the investment restrictions applicable to the Fund. The full details of our Investment Objectives and Investment Policy are available in the Trust Prospectus and Fund Specific Prospectus which you will need to read and understand before you consider making any investment in our Sub-Fund.

We are pleased to report that by early 2015 we have 15 distribution agreements in place for the Sub-Fund.

We thank you for your continued interest and support.

Sincerely yours,



.....  
CITIC Securities International Investment Management (HK) Limited  
22 April 2015

Investments are subject to investment risks, fund value may go up as well as down and past performance is not indicative of future performance. Please refer to the Trust Prospectus and Fund Specific Prospectus for details including the risk factors. CITIC Securities International Investment Management (HK) Limited is the issuer of this report. This document has not been reviewed by the Securities and Futures Commission.

CSI ALPHA FUND SERIES  
- CSI RMB INCOME FUND

REPORT OF THE TRUSTEE

We hereby confirm that, in our opinion, the Manager, CITIC Securities International Investment Management (HK) Limited, has, in all material respects, managed CSI RMB Income Fund for the year ended 31 December 2014 in accordance with the provisions of the Trust Deed dated 25 June 2009 and its supplemental deeds.



.....  
BOCI-Prudential Trustee Limited  
22 April 2015

CSI ALPHA FUND SERIES  
- CSI RMB INCOME FUND

ADMINISTRATION AND MANAGEMENT

**MANAGER**

CITIC Securities International Investment  
Management (HK) Limited  
26/F CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

**TRUSTEE AND REGISTRAR**

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

**LEGAL ADVISERS**

Clifford Chance  
28th Floor, 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

**CUSTODIAN**

Bank of China (Hong Kong) Limited  
14/F, Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

**RQFII LOCAL CUSTODIAN**

Bank of China Limited  
No. 1 Fuxingmen Nei Dajie  
Beijing, 100818  
China



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

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**Independent auditors' report  
To the Trustee and Manager of  
CSI Alpha Fund Series - CSI RMB Income Fund**

(A sub-fund of CSI Alpha Fund Series, an open-ended unit trust established as an umbrella fund under the laws of Hong Kong)

We have audited the financial statements of CSI RMB Income Fund (a sub-fund of CSI Alpha Fund Series (the "Trust")) and referred to as the "Sub-Fund") set out on pages 6 to 32, which comprise the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows and the statement of distribution for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Trustee's and Manager's responsibility for the financial statements**

The Trustee and the Manager of the Sub-Fund are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the Trustee and the Manager 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 Trustee and the Manager also have a responsibility to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the constitutive documents of the Sub-Fund (the "Constitutive Documents") and the disclosure requirements specified in Appendix E to the Code on Unit Trusts and Mutual Funds of the Securities and Futures Commission of Hong Kong (the "SFC Code").

**Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. Our 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 International Standards on Auditing. 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 and whether the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Constitutive Documents and the disclosure requirements specified in Appendix E to the SFC Code.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation of 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 Trustee and the Manager, 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.

**Independent auditors' report (continued)**

**To the Trustee and Manager of**

**CSI Alpha Fund Series - CSI RMB Income Fund**

(A sub-fund of CSI Alpha Fund Series, an open-ended unit trust established as an umbrella fund under the laws of Hong Kong)

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial positions of the Sub-Fund as at 31 December 2014, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Report on Other Legal and Regulatory Requirements**

In our opinion, the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Constitutive Documents and the disclosure requirements specified in Appendix E to the SFC Code.



Certified Public Accountants  
Hong Kong  
22 April 2015

CSI ALPHA FUND SERIES  
- CSI RMB INCOME FUND

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 RMB	2013 RMB
<b>INCOME</b>			
Bank interest income		106,029	97,470
Interest income on debt securities held for trading		16,222,393	21,411,810
Other interest income		2,806	4,151
Net realised gain on financial assets at fair value through profit or loss		5,353,088	591,863
Net change in unrealised gain/(losses) on financial assets at fair value through profit or loss		10,071,073	( 4,843,724)
Other income	5	-	287
		<u>31,755,389</u>	<u>17,261,857</u>
<b>EXPENSES</b>			
Management fee	5	(2,952,455)	( 4,054,239)
Trustee and registrar fee	5	( 523,465)	( 683,136)
Custodian fee	5	( 211,059)	( 301,686)
Auditors' remuneration		( 200,277)	( 180,075)
Legal and professional fees		( 115,720)	( 76,343)
Publishing charges		( 55,572)	( 17,257)
Commission expenses		( 22,726)	( 53,038)
Handling and transaction fees		( 106,827)	( 192,456)
Other general expenses		( 3,500)	( 2,592)
		<u>(4,191,601)</u>	<u>( 5,560,822)</u>
<b>PROFIT BEFORE TAX</b>		27,563,788	11,701,035
Withholding tax	6	1,184,478	( 351,247)
<b>PROFIT AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>28,748,266</u>	<u>11,349,788</u>



CSI ALPHA FUND SERIES  
- CSI RMB INCOME FUND

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 RMB	2013 RMB
<b>CURRENT ASSETS</b>			
Deposits		63,496	252,003
Interest receivables		5,934,817	8,824,890
Subscription receivable		79,365	2,850,878
Financial assets at fair value through profit or loss	8	186,497,158	290,862,410
Cash at banks	10	19,883,490	49,189,041
<b>TOTAL CURRENT ASSETS</b>		<u>212,458,326</u>	<u>351,979,222</u>
<b>CURRENT LIABILITIES</b>			
Redemptions payable		-	1,567,676
Distribution payable to unitholders		9,991,726	12,948,367
Management fee payable	5	191,420	302,950
Trustee and registrar fee payable	5	42,667	52,018
Withholding tax payable		964,412	2,154,926
Other payables		210,770	197,452
<b>TOTAL CURRENT LIABILITIES</b>		<u>11,400,995</u>	<u>17,223,389</u>
<b>EQUITY</b>			
Units in issue		186,003,660	338,458,702
Reserves		15,053,671	( 3,702,869)
<b>TOTAL EQUITY</b>		<u>201,057,331</u>	<u>334,755,833</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>212,458,326</u>	<u>351,979,222</u>
<b>NET ASSET VALUE (calculated in accordance with IFRSs)</b>	12	201,057,331	334,755,833
Adjustment for distribution payable to unitholders	12	9,991,726	12,948,367
<b>NET ASSET VALUE (calculated in accordance with Trust Prospectus - Fund Specific Prospectus)</b>	12	<u>211,049,057</u>	<u>347,704,200</u>
<b>NUMBER OF UNITS IN ISSUE</b>			
Distribution unit class	11	18,166,774	34,074,650
Accumulation unit class		1,371,614	-
<b>NET ASSET VALUE PER UNIT (calculated in accordance with IFRSs)</b>			
Distribution unit class	12	10.25	9.82
Accumulation unit class		10.80	-

For and on behalf of  
中銀國際英國保誠信託有限公司  
BOCI-PRUDENTIAL TRUSTEE LIMITED

Trustee

Authorized Signature(s)

Manager

CSI ALPHA FUND SERIES  
- CSI RMB INCOME FUND

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Accumulation Unit Class		Distribution Unit Class		Total	
	Number of units	RMB	Number of units	RMB	Number of units	RMB
At 1 January 2013	-	-	37,606,883	373,976,136	37,606,883	373,976,136
Subscription of units	-	-	18,383,596	188,426,339	18,383,596	188,426,339
Redemption of units	-	-	(21,915,829)	(226,048,063)	(21,915,829)	(226,048,063)
Total comprehensive income for the year	-	-	-	11,349,788	-	11,349,788
Distribution	-	-	-	(12,948,367)	-	(12,948,367)
At 31 December 2013 and 1 January 2014	-	-	34,074,650	334,755,833	34,074,650	334,755,833
Subscription of units	2,304,720	24,709,742	6,406,736	64,575,364	8,711,456	89,285,106
Redemption of units	(933,106)	(10,068,214)	(22,314,612)	(231,671,934)	(23,247,718)	(241,740,148)
Total comprehensive income for the year	-	174,074	-	28,574,192	-	28,748,266
Distribution	-	-	-	(9,991,726)	-	(9,991,726)
At 31 December 2014	1,371,614	14,815,602	18,166,774	186,241,729	19,548,388	201,057,331

CSI ALPHA FUND SERIES  
- CSI RMB INCOME FUND

STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 RMB	2013 RMB
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		28,404,654	11,701,035
Adjustments for:			
Interest income		( 16,331,228)	( 21,513,431)
		<u>12,073,426</u>	<u>( 9,812,396)</u>
Decrease/(increase) in deposits		188,507	( 3)
Decrease in financial asset at fair value through profit or loss		104,365,252	60,440,244
Decrease in management fee payable		( 111,530)	( 29,102)
Decrease in trustee and registrar fee payable		( 9,351)	( 4,142)
Increase/(decrease) in other payables		<u>13,318</u>	<u>( 81,509)</u>
Net cash flows from operations		116,519,622	50,513,092
Interest received		19,221,301	23,364,728
Withholding tax paid		( 846,902)	( 23,247)
Net cash flows from operating activities		<u>134,894,021</u>	<u>73,854,573</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds on issue of units		92,056,619	185,575,461
Payments on redemption of units		( 243,307,824)	( 224,540,774)
Distribution paid to unitholders		( 12,948,367)	( 7,521,377)
Net cash flows used in financing activities		<u>( 164,199,572)</u>	<u>( 46,486,690)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		( 29,305,551)	27,367,883
Cash and cash equivalents at beginning of year		<u>49,189,041</u>	<u>21,821,158</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
		<u>19,883,490</u>	<u>49,189,041</u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash at banks	10	<u>19,883,490</u>	<u>49,189,041</u>

CSI ALPHA FUND SERIES  
- CSI RMB INCOME FUND

STATEMENT OF DISTRIBUTION

For the year ended 31 December 2014

	Note	RMB
At 1 January 2013		-
Total comprehensive income for the year		11,349,788
Add:		
Net change in unrealised losses on financial assets at fair value through profit or loss		4,843,724
Final cash dividend distribution (RMB0.38 per unit)	7	( 12,948,367)
Transfer to reserves		<u>( 3,245,145)</u>
Undistributed income at 31 December 2013 and 1 January 2014		-
Total comprehensive income for the year		28,748,266
Less:		
Net change in unrealised gains on financial assets at fair value through profit or loss		(10,071,073)
Final cash dividend distribution (RMB0.55 per unit)	7	( 9,991,726)
Transfer to reserves		<u>( 8,685,467)</u>
Undistributed income at 31 December 2014		<u><u>-</u></u>

The amount available for distribution is the total net amount receivable by the Sub-Fund in respect of the relevant period ("Total Income") minus any expenses chargeable against income, subject to adjustments made in accordance with the Trust Deed. Total Income includes amount receivable by way of interests (e.g. generated from bank deposits and debt securities), realised capital gains or losses, or other receipts as determined by the Manager to be in the nature of income. Unrealised capital gains or losses do not form part of Total Income and therefore would not impact on the amount available for distribution.

CSI ALPHA FUND SERIES  
- CSI RMB INCOME FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2014

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 (the "Trust Deed") entered into between CITIC Securities International Investment Management (HK) Limited (the "Manager") and BOCI-Prudential Trustee Limited (the "Trustee").

CSI RMB Income Fund (the "Sub-Fund") was constituted as a separate sub-fund of the Trust on 20 February 2012. The Sub-Fund is an open-ended unit trust and is authorised by the Securities and Futures Commission of Hong Kong (the "SFC") 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").

A separate sub-fund can be created and established to which assets and liabilities attributable to the relevant sub-fund applied. A separate class of units relating exclusively to each sub-fund can be issued. In addition to the Sub-Fund, the Trust has two other sub-funds CSI China-Hong Kong Leaders Fund and CSI RMB Short Maturity Bond Fund which have been authorised by the SFC. Authorisation by the SFC does not imply official approval and recommendation.

The assets of each sub-fund shall form part of that sub-fund and be segregated from the assets of all other sub-funds, and such assets shall not be used to discharge directly or indirectly the liabilities of or any claim against or amount payable out of any other sub-fund.

The Sub-Fund invests in debt securities issued within the People's Republic of China (the "PRC") and the PRC equity securities by using Renminbi Qualified Foreign Institutional Investors ("RQFII") quota of CITIC Securities International Limited, the intermediate holding company of the Manager. The available RQFII quota is RMB900 million with remaining quota of RMB441 million as at 31 December 2014.

As at 31 December 2014, 31.99% (2013: 27.65%) of the redeemable units of the Sub-Fund were held by companies related to the Manager, which are considered as related parties of the Sub-Fund.

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board ("IASB") and the relevant disclosure provisions specified in the SFC Code. The financial statements have been prepared on a historical basis, except for financial assets at fair value through profit or loss that have been measured at fair value.

The financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Sub-Fund, and all values are rounded to the nearest dollar, except where otherwise indicated.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial period, except for the following amendments to IFRSs effective as of 1 January 2014:

*Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32*

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Sub-Fund, since none of the entities in the Sub-Fund has any offsetting arrangements.

*Annual Improvements 2010-2012 Cycle*

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 *Fair Value Measurement*. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Sub-Fund.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Sub-Fund's financial statements are disclosed below. The Sub-Fund intends to adopt these standards, if applicable, when they become effective.

*IFRS 9 Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Sub-Fund's financial assets, but no impact on the classification and measurement of the Sub-Fund's financial liabilities.

*Annual Improvement 2011-2013 Cycle*

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Sub-Fund. They include:

*IFRS 13 Fair Value Measurement*

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

NOTES TO FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

(a) Classification

The Sub-Fund classifies its financial assets and financial liabilities into the following categories in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

*Financial assets and liabilities held for trading*

A financial asset is classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. This category includes interest bearing investments. The assets are acquired principally for the purpose of generating profit from short-term fluctuations in price. The Sub-Fund does not apply hedge accounting.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Sub-Fund includes in this category subscription receivable, interest receivables and other short-term receivables.

*Other financial liabilities*

This category includes all financial liabilities, other than those classified as held for trading. The Sub-Fund includes in this category amounts relating to redemptions payable, distribution payable to unitholders, management fee payable, trustee and registrar fee payable, and other short-term payables.

(b) Recognition

The Sub-Fund recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Sub-Fund commits to purchase or sell the asset.

(c) Initial measurement

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Loans and receivables and financial liabilities (other than those classified as held for trading) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(d) Subsequent measurement

After initial measurement, the Sub-Fund measures financial instruments which are classified as at fair value through profit or loss, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in "Net change in unrealised gains/(losses) on financial assets at fair value through profit or loss". Interest earned or paid on these instruments is recorded separately in interest income or expense.

Loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities other than those classified as at fair value through profit or loss, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

(e) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired; or the Sub-Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either: (a) the Sub-Fund has transferred substantially all the risks and rewards of the asset or (b) the Sub-Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Sub-Fund has transferred its rights to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Sub-Fund's continuing involvement in the asset. In that case, the Sub-Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Sub-Fund has retained. The Sub-Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.