

CSI ALPHA FUND SERIES
- CSI RMB INCOME 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 20 February 2012 (date of inception) to
29 June 2012 (Unaudited accounts)

**CSI ALPHA FUND SERIES
- CSI RMB INCOME FUND**

CONTENTS

	Pages
ADMINISTRATION AND MANAGEMENT	1
STATEMENT OF COMPREHENSIVE INCOME	2
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF CHANGES IN EQUITY	4
STATEMENT OF CASH FLOWS	5
NOTES TO THE FINANCIAL STATEMENTS	6-7
STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS	8
PERFORMANCE TABLE	9
INVESTMENT PORTFOLIO	10

**CSI ALPHA FUND SERIES
- CSI RMB INCOME 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 RMB INCOME FUND**

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

**FOR THE PERIOD FROM 20 FEBRUARY 2012 (DATE OF INCEPTION)
TO 29 JUNE 2012**

	RMB
INCOME	
Interest income on financial assets and financial liabilities at fair value through profit or loss	4,763,212
Interest income on bank deposits	367,138
Net realised gains on financial assets and financial liabilities at fair value through profit or loss	882,288
Net change in unrealised gain on assets and liabilities at fair value through profit or loss	5,601,697
Other income	850,206
	<u>12,464,541</u>
EXPENSES	
Management fee	1,137,153
Trustee fee	192,704
Custodian fee	117,978
Auditors' remuneration	55,291
Legal & professional fee	193,367
Preliminary expenses	552,902
Publishing charges	3,866
Brokerage fee and other transaction costs	170,469
Other general expenses	4,165
	<u>2,427,895</u>
PROFIT BEFORE TAX	10,036,646
Taxation	<u>(1,719,211)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>8,317,435</u></u>

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

**CSI ALPHA FUND SERIES
- CSI RMB INCOME FUND**

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

AS AT 29 JUNE 2012

	RMB
ASSETS	
Financial assets at fair value through profit or loss	373,294,231
Interest receivable	6,759,826
Preliminary expenses	947,098
Subscription proceeds receivable	273,744
Prepayments	22
Cash and cash equivalents	<u>18,416,931</u>
TOTAL ASSETS	<u><u>399,691,852</u></u>
LIABILITIES	
Amount due to brokers	1,095
Management fee payable	312,174
Trustee fee payable	52,769
Redemption proceeds payable to unitholders	344,376
Accrued expenses and other payable	159,830
Tax provision	<u>1,716,298</u>
TOTAL LIABILITIES	<u>2,586,542</u>
EQUITY	
Units in issue	<u>397,105,310</u>
TOTAL EQUITY	<u><u>397,105,310</u></u>
TOTAL LIABILITIES AND EQUITY	<u><u>399,691,852</u></u>
NET ASSET VALUE	
(calculated at bid-ask market prices and in accordance with IFRS)	397,105,310
Adjustment from bid-ask market prices to last traded market prices	<u>948,611</u>
NET ASSET VALUE (calculated at last traded market prices)	<u><u>398,053,921</u></u>
NUMBER OF UNITS IN ISSUE	<u><u>38,905,513.5560</u></u>
NET ASSET VALUE PER UNIT (at bid-ask market prices)	<u><u>10.21</u></u>

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

**CSI ALPHA FUND SERIES
- CSI RMB INCOME FUND**

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE PERIOD FROM 20 FEBRUARY 2012 (DATE OF INCEPTION) TO 29 JUNE 2012

	Number of units outstanding	Capital RMB	Retained earning RMB	Total equity RMB
At 20 February 2012 (Date of inception)	-	-	-	-
Issue of units	43,278,250.2010	433,203,089	-	433,203,089
Redemption of units	(4,372,736.6450)	(44,415,214)	-	(44,415,214)
Total comprehensive income for the Period	<u>-</u>	<u>-</u>	<u>8,317,435</u>	<u>8,317,435</u>
At 29 June 2012	<u>38,905,513.5560</u>	<u>388,787,875</u>	<u>8,317,435</u>	<u>397,105,310</u>

**CSI ALPHA FUND SERIES
- CSI RMB INCOME FUND**

STATEMENT OF CASH FLOWS (UNAUDITED)

**FOR THE PERIOD FROM 20 FEBRUARY 2012 (DATE OF INCEPTION)
TO 29 JUNE 2012**

	For the period from 20/02/2012 (Date of Inception) to 29/06/2012
	RMB
Cash flows from operating activities	
Net operating income for the Period	8,317,435
Adjustments for:	
Net realised gains on financial investments at fair value through profit or loss	(882,288)
Net change in unrealised gain on financial investments at fair value through profit or loss	(5,601,697)
Proceeds from sales of financial assets at fair value through profit or loss	401,357,695
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	(768,167,941)
Preliminary expenses	552,902
Taxation	1,719,211
	<u>(362,704,683)</u>
Payment of preliminary expenses	(1,500,000)
Increase in interest receivable	(6,759,826)
Increase in prepayments	(22)
Increase in amount due to brokers	1,095
Increase in management fee payable	312,174
Increase in trustee fee payable	52,769
Increase in accrued expenses and other payable	159,830
Net cash used in operations	<u>(370,438,663)</u>
Tax paid	(2,913)
Net cash outflow from operating activities	<u>(370,441,576)</u>
Cash flows from financing activities	
Increase in subscription proceeds receivable	(273,744)
Increase in redemption proceeds payable to unitholders	344,376
Proceeds on issue of units	433,203,089
Payments on redemption of units	(44,415,214)
Net cash flow provided by financing activities	<u>388,858,507</u>
Net increase in cash and cash equivalents	18,416,931
Cash and cash equivalents at the beginning of the Period	-
Cash and cash equivalents at the end of the Period	<u>18,416,931</u>
Analysis of balances of cash and cash equivalents:	
Bank Balance	<u>18,416,931</u>

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

**CSI ALPHA FUND SERIES
- CSI RMB INCOME FUND**

AS AT 29 JUNE 2012

NOTES TO THE FINANCIAL STATEMENTS

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 RMB Income Fund (the “Sub-Fund”) was constituted as a separate sub-fund 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 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 objective of the Sub-Fund is 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 policy and restrictions applicable to the Fund, as set out in the trust prospectus of the Trust, the fund specific prospectus of the Sub-Fund and related amendments or supplements from time to time.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities classified at fair value through profit or loss that have been measured at fair value. The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilised in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates. The financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest RMB except where otherwise indicated.

**CSI ALPHA FUND SERIES
- CSI RMB INCOME FUND**

AS AT 29 JUNE 2012

NOTES TO THE FINANCIAL STATEMENTS

3 CAPITAL

Under the requirements of IAS 39, in preparing 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 Sub-Fund's Trust Deed results in a difference in the calculation of the Sub-Fund's net asset value of RMB948,611 as of 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 net asset value as reported in the statement of financial position to the net asset value as determined for the purposes of processing unit subscriptions and redemptions is provided below:

	29 June 2012 RMB
Net asset value (calculated at last traded market prices)	398,053,921
Adjustment from last traded market prices to bid-ask market prices	(948,611)
Net asset value (calculated at bid-ask market prices and in accordance with IFRS)	<u>397,105,310</u>

The Sub-Fund's net asset value per unit is calculated by dividing the Sub-Fund's net assets with the total number of outstanding units.

	At bid-ask market prices RMB	At last traded market prices RMB
As at 29 June 2012		
Net asset value	397,105,310	398,053,921
Net asset value per unit	<u>10.21</u>	<u>10.23</u>

CSI ALPHA FUND SERIES
- CSI RMB INCOME FUND

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)

29 JUNE 2012

	% of net asset value
<u>Fixed income securities - China</u>	
Listed	34.81%
Unlisted	59.19%
Total listed / quoted investments	94.00%
Other net assets	6.00%
Net assets as at 29 June 2012	100.00%

CSI ALPHA FUND SERIES
- CSI RMB INCOME FUND

PERFORMANCE TABLE (UNAUDITED)

AS AT 29 JUNE 2012

	<u>Highest issue price per unit (RMB)</u>	<u>Lowest redemption per unit (RMB)</u>
For the period from 20/02/2012 (Date of Inception) to 29/06/2012	<u>10.25</u>	<u>9.98</u>

**CSI ALPHA FUND SERIES
- CSI RMB INCOME FUND**

STATEMENT OF INVESTMENT PORTFOLIO (UNAUDITED)

AS AT 29 JUNE 2012

	Nominal Value/ Holdings	Fair value RMB	% of NAV
<u>LISTED FIXED INCOME SECURITIES</u>			
China			
Denominated in RMB			
CHINA VANKE CO LTD 7% A 05SEP2013	252,892	26,132,848	6.58%
CITIC GUOAN INFORMATION INDUSTRY CO LTD 1.2% A 14SEP2013 WW	89,735	8,621,739	2.17%
GUANGDONG ELECTRIC POWER DEVELOPMENT CO LTD 5.5% A 10MAR2015	50,000	4,905,500	1.24%
NORTHEAST PHARMACEUTICAL GROUP CO LTD 7.05% A 02NOV2014	20,000	2,018,800	0.51%
SHANXI XISHAN COAL & ELECTRICITY POWER CO LTD 5.38% A 19OCT2014	50,000	5,063,000	1.27%
XINJIANG GOLDWIND SCIENCE & TECHNOLOGY CO LTD 6.63% A 23FEB2015	60,000	6,192,000	1.56%
ZOOMLION HEAVY INDUSTRY SCIENCE AND TECHNOLOGY CO 6.5% A 21APR2016	91,560	9,540,552	2.40%
BEIJING URBAN CONSTRUCTION INVESTMENT & DEVELOPMENT CO LTD 6.8% A	500	50,795	0.01%
CHINA COMMUNICATIONS CONSTRUCTION CO LTD 4.7% A 21AUG2014	55,000	5,494,500	1.38%
CHINA GEZHOUBA GROUP CO LTD 0.6% A 26JUN2014	20,000	1,870,200	0.47%
CHINA PETROLEUM & CHEMICAL CORP 0.8% A 20FEB2014	5,580	531,272	0.13%
CHINA RAILWAY GROUP LTD 4.48% A 27JAN2015	100,000	9,780,000	2.46%
DAQIN RAILWAY CO LTD 5.48% A 18AUG2013	22,700	2,313,130	0.58%
FUJIAN EXPRESSWAY DEVELOPMENT CO LTD 5.8% A 08MAR2017	37,420	3,854,260	0.97%
GEMDALE CORP 5.5% A 10MAR2016	30,000	3,026,100	0.76%
HUANENG POWER INTL INC 5.2% A 08MAY2018	10,000	960,000	0.24%
JIANGXI COPPER CO LTD 1% A 22SEP2016 WW	165,570	14,348,296	3.61%
POLY REAL ESTATE GROUP CO LTD 7% A 11JUL2013	22,720	2,310,851	0.58%
SHANGHAI DAZHONG PUBLIC UTILITIES GROUP 1W SHIF+2.95% S/A 06JAN2018	50,160	5,191,560	1.31%
SHENZHEN EXPRESSWAY CO LTD 6% A 27JUL2016	20,000	2,060,000	0.52%
SINOCHEM INTL CORP 1.8% A 01DEC2012	126,010	12,474,990	3.14%
SUZHOU NEW DISTRICT HI-TECH INDUSTRIAL CO LTD 5.5% A 09NOV2014	58,480	5,883,088	1.48%
TSINGTAO BREWERY CO LTD 0.8% A 02APR2014	59,410	5,584,540	1.41%
WUHAN IRON & STEEL CO LTD 4.75% A 02MAR2015	390	38,220	0.01%
		<u>138,246,241</u>	<u>34.81%</u>
<u>UNLISTED FIXED INCOME SECURITIES</u>			
China			
Denominated in RMB			
CHINA MINISTRY OF RAILWAYS 4.6% A 23FEB2017	100,000	10,199,570	2.57%
CHINA NATIONAL PETROLEUM CORP 4.35% A 17MAY2017	200,000	20,258,720	5.10%
CHINA NATIONAL PETROLEUM CORP 4.8% A 15MAR2022	100,000	9,950,860	2.51%
CHINA NATIONAL TRAVEL SERVICE HK GROUP CORP 4.85% A 24MAY2019	100,000	9,982,160	2.51%
CHINA SOUTH INDUSTRIES GROUP CORP 4.78% A 01MAR2017	300,000	30,711,270	7.73%
CHINA STATE GRID CORP 5.14% A 08DEC2021	100,000	10,192,530	2.57%
FUJIAN PROVINCIAL EXPRESSWAY CO LTD 4.93% A 02APR2015	300,000	30,533,490	7.69%
SHANGHAI ZHENHUA HEAVY INDUSTRIES CO LTD 5.85% A 25FEB2016	300,000	31,383,840	7.90%
SHENHUA GROUP CORP LTD 4.71% A 04MAY2017	200,000	20,569,920	5.18%
TIANJIN INFRASTRUCTURE CONSTRUCTION & INVESTMENT 4.48% A 02APR2015	300,000	30,328,440	7.64%
TIANJIN PORT GROUP CO LTD 4.97% A 30MAR2017	200,000	20,529,380	5.17%
WUHAN URBAN CONSTRUCTION INVESTMENT & DEVELOPMENT 5.68% A 29MAR2016	100,000	10,407,810	2.62%
		<u>235,047,990</u>	<u>59.19%</u>
TOTAL INVESTMENTS AT FAIR VALUE		373,294,231	94.00%
TOTAL OTHER NET ASSETS		<u>23,811,079</u>	<u>6.00%</u>
NET ASSETS AS AT 29 JUNE 2012		<u>397,105,310</u>	<u>100.00%</u>
TOTAL INVESTMENT AT COST		<u>367,692,534</u>	