

ChinaAMC Leveraged/Inverse Series

ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product

Unaudited Semi-Annual Report

For the period from
14 March 2017 (date of inception)
to 14 September 2017



华夏基金
ChinaAMC

UNAUDITED SEMI-ANNUAL REPORT

ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product
(Stock Code: 7221)
(a Sub-Fund of ChinaAMC Leveraged/Inverse Series)

For the period from 14 March 2017 (date of inception) to
30 June 2017

ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product
(a Sub-Fund of ChinaAMC Leveraged/Inverse Series)

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IMPORTANT:

Any opinion expressed herein reflects the Manager's view only and is subject to change. For more information about the Sub-Fund, please refer to the prospectus of the Sub-Fund which is available at our website: (<http://www.chinaamc.com.hk>)

Investors should not rely on the information contained in this report for their investment decisions.

ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product
(a Sub-Fund of ChinaAMC Leveraged/Inverse Series)

MANAGEMENT AND ADMINISTRATION

Manager

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

Directors of the Manager

Mr. Yang Minghui
Mr. Zhang Xiaoling
Mr. Gan Tian

Trustee & Registrar

HSBC Institutional Trust Services (Asia) Limited
1 Queen's Road
Central, Hong Kong

Auditor

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

Investment Adviser

Rafferty Asset Management LLC
1301 Avenue of the Americas
28/F New York, NY10019
United States of America

Listing Agent

China International Capital Corporation Hong
Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Legal Adviser to the Manager

Simmons & Simmons
13/F, One Pacific Place
88 Queensway
Hong Kong

Service Agent

HK Conversion Agency Services Limited
1/F, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

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MANAGEMENT AND ADMINISTRATION (continued)

Participating Dealers

ABN AMRO Clearing Hong Kong Limited
70/F, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

KGI Securities (Hong Kong) Limited
41/F Central Plaza
18 Harbour Road
Wanchai, Hong Kong

BNP Paribas Securities Services
21/F, PCCW Tower
Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

Merril Lynch far East Limited
55/F, Cheung Kong center
2 Queen's Road Central
Central, Hong Kong

China International Capital Corporation Hong Kong
Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Morgan Stanley Hong Kong Securities Limited
46th Floor, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
Central, Hong Kong

UBS Securities Hong Kong Limited
46 -52/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

Credit Suisse Securities (Hong Kong) Limited
Level 88, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Yue Kun Research Limited
17/F, China Building
29 Queen's Road
Central, Hong Kong

Citigroup Global Markets Asia Limited
50/F, Champion Tower
3 Garden Road
Central, Hong Kong

Deutsche Securities Asia Limited
Level 52, International Commerce Centre
1 Austin West
Kowloon, Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road
Central, Hong Kong

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road
Central, Hong Kong

ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product
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REPORT OF THE MANAGER TO THE UNITHOLDERS

Introduction

ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product (the “Sub-Fund”) is a product of ChinaAMC Leveraged/Inverse Series, an umbrella unit trust established under Hong Kong law. Units of the Sub-Fund are traded on The Stock Exchange of Hong Kong Limited like stocks. It is a futures-based product which invests directly in Hang Seng Index futures contracts (“HSI Futures”) which are traded on the Hong Kong Futures Exchange Limited so as to give the Sub-Fund twice the daily performance of the Hang Seng Index (the “Index”). The Sub-Fund is denominated in Hong Kong dollar (“HKD”). Creations and redemptions are in HKD only.

China Asset Management (Hong Kong) Limited (the “Manager”) and Rafferty Asset Management LLC (the “Investment Adviser”) intend to adopt a futures-based replication investment strategy to achieve the investment objective of the Sub-Fund, through directly investing in the spot month HSI Futures, subject to the rolling strategy discussed below, to obtain the required exposure to the Index. The Sub-Fund’s exposure to HSI Futures will be 200% of its Net Asset Value (“NAV”). In entering the spot month HSI Futures, it is anticipated that no more than 20% of the NAV of the Sub-Fund from time to time will be used as margin to acquire the HSI Futures. Under exceptional circumstances (e.g. increased margin requirement by the exchange in extreme market turbulence), the margin requirement may increase substantially. At least 80% of the NAV (this percentage may be reduced proportionately under exceptional circumstances, as described above) will be invested in cash and other HKD denominated investment products, such as deposits with banks in Hong Kong and Securities and Futures Commission (“SFC”) authorised money market funds in accordance with the requirements of the Code on Unit Trusts and Mutual Funds. The Sub-Fund will not enter into securities lending, repurchase, reverse-repurchase transactions or other similar over-the-counter transactions

At or around the close of the trading of the underlying futures market on each business day, the Sub-Fund will seek to rebalance its portfolio, by decreasing inverse exposure in response to the Index’s daily gains or increasing inverse exposure in response to the Index’s daily losses, so that its daily inverse exposure ratio to the Index is consistent with the Sub-Fund’s investment objectives.

Performance of the Sub-Fund

The investment objective is to provide daily investment results, before fees and expenses, which closely correspond to twice the daily performance of the Index. The Sub-Fund does not seek to achieve its stated investment objective over a period of time greater than one day.

The performance of the Sub-Fund is in below (total returns in respective currency^{1,2}):

	1-Month	3-Month	Since Launch ³
The Index	1.42%	8.50%	9.82%
The Sub-Fund (NAV-to-NAV)	1.47%	15.44%	18.44%
The Sub-Fund (Market-to-Market)	1.93%	15.59%	18.63%

¹ Source: Bloomberg, as of 30 June 2017. Performances of the Index and market price of the Sub-Fund are calculated in HKD while performance of NAV of the Sub-Fund is calculated in United State dollar.

² Past performance figures are not indicative of the future performance of the Sub-Fund.

³ Calculated since 14 March 2017.

ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product
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REPORT OF THE MANAGER TO THE UNITHOLDERS (continued)

Activities of the Sub-Fund

According to Bloomberg, the average daily trading volume of the Leveraged Sub-Fund was approximately 3,422,805 units from 14 March 2017 (date of inception) to 30 June 2017. As of 30 June 2017, there were 40,100,000 units outstanding.

China Asset Management (Hong Kong) Limited
24 August 2017

ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product
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STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	30 June 2017 (Unaudited) HKD
ASSETS	
Margin deposit	59,631,773
Cash and cash equivalents	321,217,648
TOTAL ASSETS	<u>380,849,421</u>
LIABILITIES	
Derivative financial instruments	1,568,599
Audit fee payable	72,996
Management fee payable	323,077
Trustee and registrar fees payable	39,161
Other payables and accruals	380,272
TOTAL LIABILITIES	<u>2,384,105</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>378,465,316</u>
Number of units in issue	<u>40,100,000</u>
Net asset value per unit	<u>9.4380</u>

ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product
(a Sub-Fund of ChinaAMC Leveraged/Inverse Series)

STATEMENT OF COMPREHENSIVE INCOME

For the period from 14 March 2017 (date of inception) to 30 June 2017

	Period from 14 March 2017 (date of inception) to 30 June 2017 (Unaudited) HKD
INCOME	
Interest income	1,904
	<u>1,904</u>
EXPENSES	
Management fees	(1,165,674)
Trustee and registrar fees	(141,294)
Accounting professional fees	(25,816)
Audit fee	(72,795)
Brokerage and other transaction fees	(277,840)
Formation costs	(523,250)
Other operating expenses	(177,763)
	<u>(2,384,432)</u>
LOSS BEFORE INVESTMENT GAINS AND EXCHANGE DIFFERENCES	(2,382,528)
INVESTMENT GAINS AND EXCHANGE DIFFERENCES	
Net realised gains on derivative financial instruments	71,443,988
Net change in unrealised losses on derivative financial instruments	(1,568,599)
Foreign exchange gains	11,565
	<u>69,886,954</u>
OPERATING PROFIT AND TOTAL COMPREHENSIVE INCOME	<u>67,504,426</u>

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STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the period from 14 March 2017 (date of inception) to 30 June 2017

	Period from 14 March 2017 (date of inception) to 30 June 2017 (Unaudited) HKD
At 14 March 2017 (date of inception)	-
Issue of units	407,741,520
Redemption of units	(96,780,630)
Total comprehensive income	<u>67,504,426</u>
At 30 June 2017	<u><u>378,465,316</u></u>

ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product
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STATEMENT OF CASH FLOWS

For the period from 14 March 2017 (date of inception) to 30 June 2017

	Period from 14 March 2017 (date of inception) to 30 June 2017 (Unaudited) HKD
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating profit	67,504,426
Adjustments for:	
Interest income	(1,904)
Net realised gains on derivative financial instruments	(71,443,988)
Net change in unrealised losses on derivative financial instruments	1,568,599
Operating loss before changes in working capital	(2,372,867)
 Proceeds from sale of derivative financial instruments	 71,443,988
Increase in margin deposit	(59,631,773)
Increase in audit fee payable	72,996
Increase in management fee payable	323,077
Increase in trustee and registrar fees payable	39,161
Increase in other payables and accruals	380,272
Cash generated operations	10,254,854
 Interest received	 1,904
Net cash generated from operating activities	10,256,758
 CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issue of units	407,741,520
Payments on redemption of units	(96,780,630)
Net cash flows from financing activities	310,960,890
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 321,217,648
Cash and cash equivalents at the beginning of the period	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	321,217,648
 ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	
Cash at bank	321,217,648

ChinaAMC Direxion Hang Seng Index Daily (2x) Leveraged Product
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INVESTMENT PORTFOLIO (UNAUDITED)

As at 30 June 2017

	<u>Expiration date</u>	<u>Contracts</u>	<u>Fair Value</u> HKD	<u>% of</u> <u>NAV</u>
Futures contracts				
Hong Kong				
HANG SENG IDX FUT				
JUL 28/07/2017	28 July 2017	597	<u>(1,568,599)</u>	<u>(0.41)</u>
Total futures contracts			<u>(1,568,599)</u>	<u>(0.41)</u>
Total derivative financial instruments, at fair value (Total investments, at cost: Nil)			(1,568,599)	(0.41)
Other net assets			<u>380,033,915</u>	<u>100.41</u>
Net assets attributable to unitholders			<u>378,465,316</u>	<u>100.00</u>

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MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)

For the period from 14 March 2017 (date of inception) to 30 June 2017

<u>Investments</u>	Holdings as at 14 March 2017 (date of inception)	<u>Additions</u>	<u>Disposals</u>	Holdings as at 30 June 2017
Futures contracts				
HANG SENG IDX FUT MAR 30/03/2017	-	681	(681)	-
HANG SENG IDX FUT APR 27/04/2017	-	646	(646)	-
HANG SENG IDX FUT MAY 29/05/2017	-	674	(674)	-
HANG SENG IDX FUT JUN 29/06/2017	-	702	(702)	-
HANG SENG IDX FUT JUL 28/07/2017	-	597	-	597

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PERFORMANCE RECORD (UNAUDITED)

For the period from 14 March 2017 (date of inception) to 30 June 2017

1. Net Asset Value

	Net asset value per unit HKD	Total net asset value HKD
As at:		
30 June 2017 (Unaudited)	9.4380	378,465,316

2. Highest issue and lowest redemption prices per unit^A

	Highest issue unit price HKD	Lowest redemption unit price HKD
During the period from:		
14 March 2017 (date of inception) to 30 June 2017 (Unaudited)	9.6140	7.9711

3. Comparison of the scheme performance and the actual Index performance^A

The table below illustrates the comparison between the Sub-Fund's performance (Market-to-Market) and that of the Index during the period from 14 March 2017 (date of inception) to 30 June 2017:

	The Index (since 14 March 2017)	The Sub-Fund (since 14 March 2017)
During the period from:		
14 March 2017 (date of inception) to 30 June 2017 (Unaudited)	9.82%	18.63%

^A Past performance figures shown are not indicative of the future performance of the Sub-Fund.

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DISTRIBUTION DISCLOSURE (UNAUDITED)

For the period from 14 March 2017 (date of inception) to 30 June 2017

The Manager may in its absolute discretion distribute income to unitholders at such time or times as it may determine in each financial period or determine that no distribution shall be made in any financial period. The amount to be distributed to unitholders, if any, will be derived from the net income of the Sub-Fund.

The Sub-Fund did not make any distribution during the period from 14 March 2017 (date of inception) to 30 June 2017.

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INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE (UNAUDITED)

As at 30 June 2017

Pursuant to the SFC's Guidelines for Regulating Index Tracking Exchange Trade Funds, the Sub-Fund's holding of any such constituent securities should not exceed their respective weightings in the underlying index, except where the weightings are exceeded as a result of changes in the composition of the underlying index and the excess is only transitional and temporary in nature.

The Sub-Fund did not have any constituent securities that individually accounted for more than 10% of the NAV of the Sub-Fund and its respective weightings of the Index as at 30 June 2017.

