

**HSBC China and India Equity Freestyle Fund  
(Managed by HSBC Saudi Arabia)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REVIEW REPORT**

**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022**



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## INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE UNITHOLDERS OF HSBC CHINA AND INDIA EQUITY FREESTYLE FUND (MANAGED BY HSBC SAUDI ARABIA)

### Introduction

We have reviewed the accompanying interim condensed statement of financial position of HSBC China and India Equity Freestyle Fund (the "Fund") managed by HSBC Saudi Arabia (the "Fund Manager") as at 30 June 2022, and the related interim condensed statements of comprehensive income, changes in equity attributable to the unitholders and cash flows for the six-month period ended 30 June 2022, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

For Ernst & Young Professional Services

Fahad M. Al-Toaimi  
Certified Public Accountant  
License No. 354

Riyadh: 19 Muharram 1444H  
(17 August 2022)



# HSBC China and India Equity Freestyle Fund

## Interim condensed statement of financial position

As at 30 June 2022

	<i>Notes</i>	<b>30 June 2022 (Unaudited) USD</b>	<b>31 December 2021 (Audited) USD</b>
<b>ASSETS</b>			
Bank balance		<b>1,165,551</b>	1,061,416
Financial assets at fair value through profit or loss (FVTPL)	5	<b>19,398,250</b>	25,744,239
Dividend receivables		<b>51,497</b>	1,445
Other receivables		<b>168,914</b>	162,110
<b>TOTAL ASSETS</b>		<b>20,784,212</b>	26,969,210
<b>LIABILITIES</b>			
Management fee payable	6	<b>69,808</b>	115,404
Accrued expenses and other payables		<b>34,731</b>	45,497
<b>TOTAL LIABILITIES</b>		<b>104,539</b>	160,901
<b>EQUITY</b>			
Net assets attributable to unitholders of redeemable units		<b>20,679,673</b>	26,808,309
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>20,784,212</b>	26,969,210
Redeemable units in issue		<b>680,057</b>	704,798
Net asset value attributable to each per unit		<b>30.41</b>	38.04

The accompanying notes 1 to 11 form an integral part of these unaudited interim condensed financial statements.

## HSBC China and India Equity Freestyle Fund

### Interim condensed statement of comprehensive income (unaudited)

For the six-month period ended 30 June 2022

	<i>Note</i>	<b>30 June 2022 USD</b>	<b>30 June 2021 USD</b>
<b>INCOME</b>			
Net movement in unrealised (loss) gain on financial assets at FVTPL		<b>(5,631,549)</b>	504,713
Net realised gain on disposal of financial assets at FVTPL		<b>634,610</b>	4,427,725
Dividend income		<b>117,008</b>	195,588
Net exchange losses		<b>(3,423)</b>	(25,467)
Other income		-	48,663
<b>TOTAL (LOSS) INCOME</b>		<b>(4,883,354)</b>	5,151,222
<b>EXPENSES</b>			
Management fees	6	<b>300,193</b>	647,856
Other expenses		<b>67,140</b>	370,015
<b>TOTAL EXPENSES</b>		<b>367,333</b>	1,017,871
<b>NET (LOSS) INCOME FOR THE PERIOD</b>		<b>(5,250,687)</b>	4,133,351
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>		-	-
<b>TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD</b>		<b>(5,250,687)</b>	4,133,351

The accompanying notes 1 to 11 form an integral part of these unaudited interim condensed financial statements.

## HSBC China and India Equity Freestyle Fund

### Interim condensed statement of changes in equity attributable to the unitholders (unaudited)

For the six-month period ended 30 June 2022

	<i>2022</i> <i>USD</i>	<i>2021</i> <i>USD</i>
<b>EQUITY AT THE BEGINNING OF THE PERIOD</b>	<b>26,808,309</b>	43,955,528
Net (loss) income for the period	<b>(5,250,687)</b>	4,133,351
Other comprehensive income for the period	-	-
Total comprehensive (loss) income for the period	<b>(5,250,687)</b>	4,133,351
Issue of units during the period	<b>151,758</b>	7,437,793
Redemption of units during the period	<b>(1,029,707)</b>	(4,522,269)
Net changes from unit transactions	<b>(877,949)</b>	2,915,524
<b>EQUITY AT THE END OF THE PERIOD</b>	<b>20,679,673</b>	51,004,403
	<i>Units</i>	<i>Units</i>
<b>REDEEMABLE UNIT TRANSACTIONS</b>		
Transactions in redeemable units during the period are summarised as follows:		
<b>UNITS AT THE BEGINNING OF THE PERIOD</b>	<b>704,798</b>	1,140,017
Issue of units during the period	<b>4,445</b>	184,433
Redemption of units during the period	<b>(29,186)</b>	(112,641)
Net changes in units	<b>(24,741)</b>	71,792
<b>UNITS AT THE END OF THE PERIOD</b>	<b>680,057</b>	1,211,809

The accompanying notes 1 to 11 form an integral part of these unaudited interim condensed financial statements.

## HSBC China and India Equity Freestyle Fund

### Interim condensed statement of cash flows (unaudited)

For the six-month period ended 30 June 2022

	2022 USD	2021 USD
<b>OPERATING ACTIVITIES</b>		
Net (loss) income for the period	(5,250,687)	4,133,351
<i>Adjustments to reconcile net (loss) income to net cash flows from operating activities:</i>		
Net movement in unrealised loss / (gain) on financial assets at FVTPL	5,631,549	(504,713)
<i>Working capital adjustments:</i>		
Financial assets at FVTPL	714,440	(7,008,044)
Dividend receivables	(50,052)	1,462,746
Other receivables	(6,804)	-
Management fee payable	(45,596)	294,193
Accrued expenses and other payables	(10,766)	(657,196)
Net cash flows from (used in) operating activities	<u>982,084</u>	<u>(2,279,663)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of units	151,758	7,437,793
Payment on redemption of units	(1,029,707)	(4,522,269)
Net cash flows (used in) from financing activities	<u>(877,949)</u>	<u>2,915,524</u>
<b>INCREASE IN BANK BALANCE</b>	<b>104,135</b>	635,861
Bank balance at the beginning of the period	<u>1,061,416</u>	<u>507,360</u>
<b>BANK BALANCE AT THE END OF THE PERIOD</b>	<u><u>1,165,551</u></u>	<u><u>1,143,221</u></u>

The accompanying notes 1 to 11 form an integral part of these unaudited interim condensed financial statements.

# HSBC China and India Equity Freestyle Fund

## Notes to unaudited interim condensed financial statements

At 30 June 2022

### 1. INCORPORATION AND ACTIVITIES

HSBC China and India Equity Freestyle Fund (the “Fund”) is an open-ended investment fund created by an agreement between HSBC Saudi Arabia (the “Fund Manager”) and investors (the “Unitholders”) in the Fund. The address of the Fund Manager is as follows:

HSBC Saudi Arabia, Head Office  
HSBC Building 7267  
Olaya Street (Al-Murooj District)  
Riyadh 12283-2255  
Kingdom of Saudi Arabia

HSBC China and India Equity Freestyle Fund (“the Fund”) is an investment fund established through the agreement between HSBC Saudi Arabia (“the Fund Manager”) and the investors (“the Unitholders”).

The objective of the Fund is to seek equity linked growth by investing in the shares of companies listed in Chinese or Indian capital markets and in shares of the companies having substantial business or investments links in China or India and are listed on other stock exchanges and regulated markets.

The Fund is managed by the Fund Manager who also acts as the administrator of the Fund. The Fund Manager has appointed HSBC Global Asset Management (Hong Kong) Limited as the sub-investment advisor of the Fund and Albilad Capital as a custodian of the Fund in accordance with the Terms and Conditions of the Fund. All income is reinvested in the Fund and is reflected in the unit price.

The Fund Manager has made certain revisions to the Terms and Conditions of the Fund. The main changes were relating to applying the new regulation requirements related to the fund documentation. The Fund updated its terms and conditions which were approved by the CMA on 30 Rajab 1443H (corresponding to 3 March 2022).

The Fund Manager has announced that it agreed to transfer its asset management, retail brokerage and retail margin lending businesses to Alawwal Invest, a wholly owned subsidiary of the Saudi British Bank. Accordingly, the Fund Manager is in the process to obtain necessary approvals from CMA for transferring the management of the Fund to the new Fund Manager.

### 2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) issued by the Capital Market Authority (“CMA”) on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) and effective from 6 Safar 1438H (corresponding 6 November 2016) by the New Investment Fund Regulations (“Amended Regulations”) published by the CMA on 16 Sha’aban 1437H (corresponding to 23 May 2016) detailing requirements for all funds within the Kingdom of Saudi Arabia. The Regulations were further Amended by Resolution of the Board of the Capital Market Authority Number 2-22-2021 Dated 12 Rajab 1442H (Corresponding to 24 February 2021G). The amended regulations are effective from 19 Ramadan 1442H (Corresponding to 1 May 2021G).

### 3. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

#### 3.1. Basis of preparation

These unaudited interim condensed financial statements for the six-month period ended 30 June 2022 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia.

The unaudited interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Fund’s annual financial statements as at 31 December 2021. In addition, result for the six-month period ended 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

The unaudited interim condensed financial statements have been prepared on a historical cost basis, using the accrual basis of accounting except for financial assets held at FVTPL that are measured at fair value. These unaudited interim condensed financial statements are presented in US Dollars (“USD”), which is the Fund’s functional currency. All financial information presented has been rounded to the nearest USD.

# HSBC China and India Equity Freestyle Fund

## Notes to unaudited interim condensed financial statements

At 30 June 2022

### 3. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES (continued)

#### 3.2. New standards and amendments to standards

##### *New standards and amendments adopted by the Company*

The Fund has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Various amendments apply for the first time in 2022, but do not have an impact on the interim condensed financial statements of the Fund.

- Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions extension of the practical expedient (effective for annual periods beginning on or after 1 April 2021).
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (effective for annual periods beginning on or after 1 January 2022):
- Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial
- Reporting without changing the accounting requirements for business combinations.
- Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.
- Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a fund includes when assessing whether a contract will be loss-making.
- Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial Instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

##### *Standards issued but not yet effective*

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

- Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities (deferred until accounting periods starting not earlier than 1 January 2024).
- Narrow scope amendments to IAS 1, Practice Statement 2 and IAS 8 (annual periods beginning on or after 1 January 2023).
- Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction (annual periods beginning on or after 1 January 2023).
- IFRS 17, 'Insurance Contracts', as amended in June 2020 (annual periods beginning on or after 1 January 2023).
- A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts (annual periods beginning on or after 1 January 2023).

### 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The significant accounting judgements and estimates used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the Fund's annual financial statements for the year ended 31 December 2021.



# HSBC China and India Equity Freestyle Fund

## Notes to unaudited interim condensed financial statements (continued)

At 30 June 2022

### 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

The composition of the investment's portfolio on the last valuation day of the period/year end is summarised below:

<i>30 June 2022 (Unaudited)</i>				
	<i>% of Market value</i>	<i>Cost USD</i>	<i>Market value USD</i>	<i>Unrealised gain, net USD</i>
<i>Investments in equities (by countries)</i>				
India	53.39%	8,925,775	10,356,845	1,431,070
China	3.64%	665,969	705,907	39,938
Cayman Island	30.17%	6,298,296	5,853,333	(444,963)
Hong Kong	12.80%	1,927,707	2,482,165	554,458
<b>Total</b>	<b>100.00%</b>	<b>17,817,747</b>	<b>19,398,250</b>	<b>1,580,503</b>
<i>31 December 2021 (Audited)</i>				
	<i>% of Market value</i>	<i>Cost USD</i>	<i>Market value USD</i>	<i>Unrealised gain, net USD</i>
<i>Investments in equities (by countries)</i>				
India	54.25%	9,158,684	13,966,153	4,807,469
China	2.28%	565,739	587,656	21,917
Cayman Island	33.09%	6,995,072	8,518,030	1,522,958
Hong Kong	10.38%	1,812,692	2,672,400	859,708
<b>Total</b>	<b>100.00%</b>	<b>18,532,187</b>	<b>25,744,239</b>	<b>7,212,052</b>

### 6. TRANSACTIONS WITH RELATED PARTIES

#### A. *Transactions and balances with Fund Manager*

In the ordinary course of its activities, the Fund transacts business with Fund Manager and related parties. The following are the details of major related party transactions during the year:

<i>Related party</i>	<i>Nature of transactions</i>	<i>Amount of transactions</i>		<i>Balance</i>	
		<i>2022 USD</i>	<i>2021 USD</i>	<i>2022 USD</i>	<i>2021 USD</i>
HSBC Saudi Arabia (Fund Manager)	Fund management fee (including VAT)	<b>300,193</b>	647,856	<b>69,808</b>	115,404
	Cash at bank			<b>1,082,607</b>	1,061,418
Saudi British Bank (Parent of Fund Manager)	Cash at bank			<b>82,943</b>	64,615

The Fund pays the Fund Manager a management fee calculated at an annual rate of 2.30% per annum calculated on the net asset value at each valuation date. The fee is intended to compensate the Fund Manager for administration of the Fund.

The units in issue at 30 June 2022 include 351 units held by the employees of the Fund Manager (31 December 2021: 2,818 units). There are no units in issue held by the Fund Manager as at 30 June 2022 and 31 December 2021.

Board members compensation and other fees such as custodian fee and administration fee during the year has been borne and paid by HSBC Saudi Arabia ("the Fund Manager").

# HSBC China and India Equity Freestyle Fund

## Notes to unaudited interim condensed financial statements (continued)

At 30 June 2022

### 7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund has only investments at fair value through profit or loss which is measured at fair values and are classified within level 1 of the fair value hierarchy. All other financial assets and liabilities are classified as amortized cost and management believes that the fair value of all other financial assets and liabilities at the reporting date approximate their carrying values owing to their short-term tenure and the fact that these are readily liquid. These are all classified within level 3 of the fair value hierarchy. There were no transfers between various levels of fair value hierarchy during the current period or prior year.

### 8. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled respectively:

<i>As at 30 June 2022 (Unaudited)</i>	<i>Within 12 months USD</i>	<i>After 12 months USD</i>	<i>Total USD</i>
<b>ASSETS</b>			
Bank balance	1,165,551	-	1,165,551
Financial assets at fair value through profit or loss (FVTPL)	19,398,250	-	19,398,250
Dividend receivables	51,497	-	51,497
Other receivables	168,914	-	168,914
<b>TOTAL ASSETS</b>	<b>20,784,212</b>	<b>-</b>	<b>20,784,212</b>
<b>LIABILITIES</b>			
Management fee payable	69,808	-	69,808
Accrued expenses and other payables	34,731	-	34,731
<b>TOTAL LIABILITIES</b>	<b>104,539</b>	<b>-</b>	<b>104,539</b>
<i>As at 31 December 2021 (Audited)</i>	<i>Within 12 months USD</i>	<i>After 12 months USD</i>	<i>Total USD</i>
<b>ASSETS</b>			
Bank balance	1,061,416	-	1,061,416
Financial assets at fair value through profit or loss (FVTPL)	25,744,239	-	25,744,239
Dividend receivables	1,445	-	1,445
Other receivables	162,110	-	162,110
<b>TOTAL ASSETS</b>	<b>26,969,210</b>	<b>-</b>	<b>26,969,210</b>
<b>LIABILITIES</b>			
Management fee payable	115,404	-	115,404
Accrued expenses and other payables	45,497	-	45,497
<b>TOTAL LIABILITIES</b>	<b>160,901</b>	<b>-</b>	<b>160,901</b>

### 9. LAST VALUATION DAY

The last valuation day of the period/year was 30 June 2022 (year ended 31 December 2021: 30 December 2021).

## HSBC China and India Equity Freestyle Fund

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### Notes to unaudited interim condensed financial statements (continued)

At 30 June 2022

#### **10. SIGNIFICANT EVENT**

As the COVID-19 pandemic continues, Government is constantly taking measures to address public health issues and the economic impact. Accordingly, the Group's management continues to assess whether it will be affected by any developments and measures taken by Government and proactively assess its impact on its operations.

It is still uncertain to determine the size and extent of these effects, depending on future developments that cannot be accurately predicted at the present time, such as the rate of transmission of the virus and the size and effectiveness of the measures taken to contain it. In light of the uncertainty of the economic impact, it is not possible to make a reliable estimate of the resulting impact on the date of approval of these financial statements.

#### **11. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

These unaudited interim condensed financial statements were approved by the Fund's management on 19 Muharram 1444H (corresponding to 17 August 2022).