

**HSBC Saudi Freestyle Equity 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



Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
Head Office
Al Faisaliah Office Tower, 14th Floor
King Fahad Road
P.O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

C.R. No. 1010383821

Tel: +966 11 215 9898
+966 11 273 4740
Fax: +966 11 273 4730

ey.ksa@sa.ey.com
ey.com

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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of HSBC Saudi Freestyle Equity 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.

Basis for Qualified Conclusion

The financial information presented in the interim condensed financial statements are as at 29 June 2022. Management is unable to quantify the impact of not reporting the financial information as at 30 June 2022 and consequently the effects on the interim financial statements of the failure to report the financial information as at 30 June 2022 have not been determined.

Qualified Conclusion

Based on our review, because of the possible significance of the matter discussed in the Basis of Qualified Conclusion section of our review report, we are unable to conclude that the accompanying interim condensed financial statements are prepared, in all material respects, in accordance with IAS 34 that are 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 Saudi Freestyle Equity Fund

Interim condensed statement of financial position

As at 30 June 2022

	<i>Notes</i>	30 June 2022 (Unaudited) SR	31 December 2021 (Audited) SR
ASSETS			
Bank balance		17,305,949	27,063,968
Financial assets at fair value through profit or loss (FVTPL)	5	411,333,116	478,936,066
Advances for IPO subscription		-	5,699,471
Receivables against sold securities	6	3,160,712	11,726,821
Other receivables		15,134	-
TOTAL ASSETS		431,814,911	523,426,326
LIABILITIES			
Payable against purchased securities	6	1,353,124	10,578,047
Management fee payable	7	46,097	109,520
Accrued expenses and other payables		146,490	160,128
TOTAL LIABILITIES		1,545,711	10,847,695
EQUITY			
Net assets attributable to unitholders of redeemable units		430,269,200	512,578,631
TOTAL LIABILITIES AND EQUITY		431,814,911	523,426,326
Redeemable units in issue		10,765,807	14,195,859
Net asset value attributable to each per unit		39.97	36.11

The accompanying notes 1 to 12 form an integral part of these unaudited interim condensed financial statements.

HSBC Saudi Freestyle Equity Fund

Interim condensed statement of comprehensive income (unaudited)

For the six-month period ended 30 June 2022

	<i>Note</i>	30 June 2022 SR	30 June 2021 SR
INCOME			
Net movement in unrealised (loss) gain on financial assets at FVTPL		(21,846,591)	35,624,499
Net realised gain on disposal of financial assets at FVTPL		87,522,603	59,981,263
Dividend income		4,361,241	4,994,193
Other income		-	5,413
TOTAL INCOME		70,037,253	100,605,368
EXPENSES			
Management fees	7	4,992,825	3,475,477
Other expenses		288,232	214,467
TOTAL EXPENSES		5,281,057	3,689,944
NET INCOME FOR THE PERIOD		64,756,196	96,915,424
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		64,756,196	96,915,424

The accompanying notes 1 to 12 form an integral part of these unaudited interim condensed financial statements.

HSBC Saudi Freestyle Equity Fund

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

For the six-month period ended 30 June 2022

	2022 SR	2021 SR
EQUITY AT THE BEGINNING OF THE PERIOD	512,578,631	317,176,182
Net income for the period	64,756,196	96,915,424
Other comprehensive income for the period	-	-
Total comprehensive income for the period	64,756,196	96,915,424
Issue of units during the period	43,406,748	80,268,588
Redemption of units during the period	(190,472,375)	(53,118,339)
Net changes from unit transactions	(147,065,627)	27,150,249
EQUITY AT THE END OF THE PERIOD	430,269,200	441,241,855

	<u>Units</u>	<u>Units</u>
REDEEMABLE UNIT TRANSACTIONS		
Transactions in redeemable units during the period are summarised as follows:		
UNITS AT THE BEGINNING OF THE PERIOD	14,195,859	12,807,099
Issue of units during the period	1,043,002	2,688,580
Redemption of units during the period	(4,473,054)	(1,903,501)
Net changes in units	(3,430,052)	785,079
UNITS AT THE END OF THE PERIOD	10,765,807	13,592,178

The accompanying notes 1 to 12 form an integral part of these unaudited interim condensed financial statements.

HSBC Saudi Freestyle Equity Fund

Interim condensed statement of cash flows (unaudited)

For the six-month period ended 30 June 2022

	2022 SR	2021 SR
OPERATING ACTIVITIES		
Net income for the period	64,756,196	96,915,424
<i>Adjustments to reconcile net income to net cash flows from operating activities:</i>		
Net movement in unrealised loss (gain) on financial assets at FVTPL	21,846,591	(35,624,499)
<i>Working capital adjustments:</i>		
Financial assets at FVTPL	45,756,359	(88,930,629)
Advances for IPO subscription	5,699,471	-
Other receivables	(15,134)	(707,311)
Receivables against sold securities	8,566,109	3,208,745
Payable against purchased securities	(9,224,923)	17,504,565
Management fee payable	(63,423)	113,379
Accrued expenses and other payables	(13,638)	(241,503)
Net cash flows from (used in) operating activities	137,307,608	(7,761,829)
FINANCING ACTIVITIES		
Proceeds from issuance of units	43,406,748	80,268,588
Payment on redemption of units	(190,472,375)	(53,118,339)
Net cash flows (used in) from financing activities	(147,065,627)	27,150,249
NET (DECREASE) INCREASE IN BANK BALANCE	(9,758,019)	19,388,420
Bank balance at the beginning of the period	27,063,968	10,132,098
BANK BALANCE AT THE END OF THE PERIOD	17,305,949	29,520,518

The accompanying notes 1 to 12 form an integral part of these unaudited interim condensed financial statements.

HSBC Saudi Freestyle Equity Fund

Notes to unaudited interim condensed financial statements

30 June 2022

1. INCORPORATION AND ACTIVITIES

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

The objective of the Fund is to achieve capital appreciation over the medium to long-term by investing in Shariah compliant Saudi equities listed on Tadawul (Saudi Stock Market). The Fund invests in a concentrated portfolio and is managed in a manner that is both active and flexible to provide returns to investors that are not linked to a benchmark or weighting tied to an index.

The Fund is managed by the Fund Manager who also acts as the administrator of the Fund. Al Bilad Capital is the custodian 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 Investment Fund Regulation (IFR) 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 Saudi Arabian Riyals (“SR”), which is the Fund’s functional currency. All financial information presented has been rounded to the nearest SR.

HSBC Saudi Freestyle Equity Fund

Notes to unaudited interim condensed financial statements (Continued)

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 Company 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 Saudi Freestyle Equity Fund

Notes to unaudited interim condensed financial statements (Continued)

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:

	30 June 2022 (Unaudited)			
	<i>% of Market value</i>	<i>Cost SR</i>	<i>Market value SR</i>	<i>Unrealised gain (loss), net SR</i>
<i>Investments in equities (by sector)</i>				
Banks	40.04	116,336,891	164,685,631	48,348,740
Materials	21.99	101,955,191	90,469,888	(11,485,303)
Media and Entertainment	5.22	22,455,823	21,459,604	(996,219)
Health Care Equipment & Services	5.18	18,641,428	21,299,658	2,658,230
Software & Services	5.07	18,431,712	20,868,135	2,436,423
Food & Staples Retailing	5.07	18,078,983	20,839,970	2,760,987
Energy	4.83	17,664,698	19,872,597	2,207,899
Retailing	4.52	19,489,808	18,606,262	(883,546)
Utilities	4.02	16,138,024	16,557,196	419,172
Telecommunication Services	3.13	14,765,275	12,862,344	(1,902,931)
Transportation	0.93	3,683,571	3,811,831	128,260
Total	100.00	367,641,404	411,333,116	43,691,712

The above equity investments are listed on the Saudi Stock Exchange ("Tadawul"). The Fund Manager seeks to limit risk for the Fund by monitoring exposures in each investment sector and individual securities.

	31 December 2021 (Audited)			
	<i>% of Market value</i>	<i>Cost SR</i>	<i>Market value SR</i>	<i>Unrealised gain (loss), net SR</i>
<i>Investments in equities (by sector)</i>				
Banks	36.27	126,033,290	173,710,793	47,677,503
Materials	20.15	77,839,010	96,499,402	18,660,392
Telecommunication Services	9.34	45,497,376	44,727,220	(770,156)
Software & Services	7.36	32,926,088	35,255,318	2,329,230
Energy	7.34	36,717,833	35,155,707	(1,562,126)
Utilities	4.52	23,302,994	21,636,555	(1,666,439)
Health Care Equipment & Services	3.80	18,208,523	18,215,519	6,996
Diversified Financials	2.72	10,855,845	13,006,336	2,150,491
Transportation	2.60	17,666,225	12,434,544	(5,231,681)
Media and Entertainment	2.77	13,154,635	13,308,711	154,076
Retailing	2.11	6,023,811	10,121,421	4,097,610
Insurance	1.02	5,172,133	4,864,540	(307,593)
Total	100.00	413,397,763	478,936,066	65,538,303

6. RECEIVABLES AGAINST SOLD SECURITIES / PAYABLE AGAINST PURCHASED SECURITIES

Receivables against sold securities represents the receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date. The receivables against sold securities were received subsequently to the reporting date.

Payable against purchased securities are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date. The payable against purchased securities were paid subsequently to the reporting date.

HSBC Saudi Freestyle Equity Fund

Notes to unaudited interim condensed financial statements (Continued)

30 June 2022

7. TRANSACTIONS WITH RELATED PARTIES

A. Transactions and balances with Fund Manager

Related parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties of the Fund comprise HSBC Saudi Arabia (being the Fund Manager, the Fund Board and administrator of the Fund), mutual funds managed by the Fund Manager and The Saudi British Bank ("SABB") (being significant shareholder of the Fund Manager).

In the ordinary course of its activities, the Fund transacts business with Fund Manager and related parties. Related party transactions are governed by limits set by the regulations issued by CMA. All the related party transactions are undertaken at mutually agreed prices and approved by the Fund Manager. These transactions were carried out on the basis of approved Terms and Conditions of the Fund.

During the period/ year, the Fund entered into the following transactions with related parties in the ordinary course of business:

Related party	Nature of transactions	Amount of transactions		Balance	
		2022 SR	2021 SR	2022 SR	2021 SR
HSBC Saudi Arabia (Fund Manager)	Fund management fee (including VAT)	4,992,825	3,475,477	46,097	109,520
	Administration fee	146,848	102,220	20,740	25,329
	Board member fee	9,863	9,918	14,403	20,329
	Bank balances			17,305,949	8,904,393
Saudi British Bank (Parent of Fund Manager)	Bank balances			-	36,735

The Fund pays the Fund Manager a management fee calculated at an annual rate of 1.7% per annum, administrator fee 0.05% and custody fee 0.03% 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 15,946 units held by the employees of the Fund Manager (31 December 2021: 140 units) and units held by other funds managed by the Fund manager aggregating to 2,632,018 units (31 December 2021: 4,740,260 units).

The Saudi British Bank ("SABB") parent of the Fund Manager acts as the Fund's banker.

The independent directors are entitled to remuneration for their services at rates determined by the Fund's terms and conditions in respect of attending meetings of the board of directors or meetings of the Fund. Independent director's fees are currently up to SR 20,000.

B. Transactions and balances with Funds managed by the Fund Manager

Investments by other Funds in HSBC Saudi Freestyle Equity Fund are set out below:

Related party	Nature of transactions	Amount of transactions		Balance	
		2022 SR	2021 SR	2022 SR	2021 SR
HSBC Multi-Assets Defensive Fund	Issuance / redemption, net	(15,255,952)	9,618,429	-	15,255,952
HSBC Multi-Assets Balanced Fund	Issuance / redemption, net	(48,000,895)	64,739,407	56,505,994	104,506,889
HSBC Multi-Assets Growth Fund	Issuance / redemption, net	(2,710,500)	19,639,630	48,686,054	51,396,554

HSBC Saudi Freestyle Equity Fund

Notes to unaudited interim condensed financial statements (Continued)

30 June 2022

8. 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.

9. 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 SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Bank balance	17,305,949	-	17,305,949
Financial assets at fair value through profit or loss (FVTPL)	411,333,116	-	411,333,116
Other receivables	15,134	-	15,134
Receivables against sold securities	3,160,712	-	3,160,712
TOTAL ASSETS	431,814,911	-	431,814,911
LIABILITIES			
Management fee payable	46,097	-	46,097
Accrued expenses and other payables	146,490	-	146,490
Payable against purchased securities	1,353,124	-	1,353,124
TOTAL LIABILITIES	1,545,711	-	1,545,711
<i>As at 31 December 2021 (Audited)</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Bank balance	27,063,968	-	27,063,968
Financial assets at fair value through profit or loss (FVTPL)	478,936,066	-	478,936,066
Advances for IPO subscription	5,699,471	-	5,699,471
Receivables against sold securities	11,726,821	-	11,726,821
TOTAL ASSETS	523,426,326	-	523,426,326
LIABILITIES			
Management fee payable	109,520	-	109,520
Accrued expenses and other payables	160,128	-	160,128
Payable against purchased securities	10,578,047	-	10,578,047
TOTAL LIABILITIES	10,847,695	-	10,847,695

10. LAST VALUATION DAY

The last valuation day of the period was 29 June 2022 (year ended 31 December 2021: 30 December 2021).

HSBC Saudi Freestyle Equity Fund

Notes to unaudited interim condensed financial statements (Continued)

30 June 2022

11. SIGNIFICANT EVENT

As the COVID-19 pandemic continues, Government is constantly taking measures to address public health issues and the economic impact. Accordingly, the Fund'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.

12. 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).