

**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 2021



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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 2021, 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 2021, 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.

Other matter

The financial statements of the Fund for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 8 April 2021. Further, the interim condensed financial statements of the Fund for the six months period ended 30 June 2020 were reviewed by another auditor who expressed an unmodified review conclusion on those interim condensed financial statements on 24 August 2020.

For Ernst & Young


Saad M. Al-Khathlan
Certified Public Accountant
License No. 509

Riyadh: 7 Muharram 1443H
(15 August 2021)



HSBC China and India Equity Freestyle Fund

Interim condensed statement of financial position

As at 30 June 2021

	Note	30 June 2021 (Unaudited) USD	31 December 2020 (Audited) USD
ASSETS			
Bank balance		1,143,221	507,360
Financial assets at fair value through profit or loss (FVTPL)	4	50,629,764	43,117,007
Receivables and advances		196,842	1,659,588
TOTAL ASSETS		51,969,827	45,283,955
LIABILITIES			
Management fee payable	5	587,662	293,469
Accrued expenses and other payables	6	377,762	1,034,958
TOTAL LIABILITIES		965,424	1,328,427
EQUITY			
Net assets attributable to unitholders of redeemable units		51,004,403	43,955,528
TOTAL LIABILITIES AND EQUITY		51,969,827	45,283,955
Redeemable units in issue		1,211,809	1,140,017
Net asset value attributable to each per unit		42.09	38.56

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 2021

	Note	30 June 2021 USD	30 June 2020 USD
INCOME			
Net unrealized gain on financial assets at FVTPL		504,713	98,050
Net realized gain on disposal of financial assets at FVTPL		4,427,725	1,614,934
Dividend income		195,588	127,794
Net exchange losses		(25,467)	(21,783)
Other income		48,663	8,675
TOTAL INCOME		5,151,222	1,827,670
EXPENSES			
Management fees	5	647,856	341,702
Other expenses		370,015	7,358
TOTAL EXPENSES		1,017,871	349,060
NET INCOME FOR THE PERIOD		4,133,351	1,478,610
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		4,133,351	1,478,610

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 2021

	2021 USD	2020 USD
EQUITY AT THE BEGINNING OF THE PERIOD	43,955,528	29,441,695
Net income for the period	4,133,351	1,478,610
Other comprehensive income for the period	-	-
Total comprehensive income for the period	4,133,351	1,478,610
Issue of units during the period	7,437,793	3,712,629
Redemption of units during the period	(4,522,269)	(4,169,991)
Net changes	2,915,524	(457,362)
EQUITY AT THE END OF THE PERIOD	51,004,403	30,462,943
	<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	1,140,017	1,045,196
Issue of units during the period	184,433	155,236
Redemption of units during the period	(112,641)	(163,039)
Net change in units	71,792	(7,803)
UNITS AT THE END OF THE PERIOD	1,211,809	1,037,393

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 2021

	2021 USD	2020 USD
Operating activities		
Net income for the period	4,133,351	1,478,610
<i>Adjustments to reconcile net income to net cash flows from operating activities:</i>		
Movement in unrealised gain on financial assets at FVTPL	(504,713)	(98,050)
<i>Working capital adjustments:</i>		
Increase in financial assets at FVTPL	(7,008,044)	(524,125)
Decrease in receivables and advances	1,462,746	365,187
Increase in management fee payable	294,193	62,391
Decrease in accrued expenses and other payables	(657,196)	(1,034,324)
Net cash flows (used in) from operating activities	(2,279,663)	249,689
Financing activities		
Proceeds from issuance of units	7,437,793	3,712,629
Payment on redemption of units	(4,522,269)	(4,169,991)
Net cash flows from (used in) financing activities	2,915,524	(457,362)
Net increase (decrease) in bank balance	635,861	(207,673)
Bank balance at the beginning of the period	507,360	1,315,708
Bank balance at the end of the period	1,143,221	1,108,035

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 2021

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 in the Terms and Conditions relates to the enhancement of investment objectives. The Fund updated its terms and conditions which were approved by the CMA on 11 Rabi Al-Awwal 1442H (corresponding to 28 October 2020).

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) issued by the CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) and effective from 6 Safar 1438H (corresponding to 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 12/7/1442H. Corresponding to 24/2/2021G.

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 2021 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 2020.

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.

3.2 New standards, interpretations and amendments

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Fund’s annual financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The fund has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed financial statements of the fund.

HSBC China and India Equity Freestyle Fund

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2021

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

3.2 New standards, interpretations and amendments (continued)

Interest Rate Benchmark Reform–Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the interim condensed financial statements of the Fund.

The Fund intends to use the practical expedients in future periods if they become applicable.

4. 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 2021 (Unaudited)			
	% of Market value	Cost USD	Market value USD	Unrealised gain, net USD
<i><u>Investments in equities (by countries)</u></i>				
India	53.48%	19,194,527	27,074,703	7,880,176
China	46.52%	14,421,265	23,555,061	9,133,796
Total	100.00%	33,615,792	50,629,764	17,013,972
	31 December 2020 (Audited)			
	% of Market value	Cost USD	Market value USD	Unrealised gain, net USD
<i><u>Investments in equities (by countries)</u></i>				
India	50.13%	14,021,625	21,613,543	7,591,918
China	49.87%	12,586,123	21,503,464	8,917,341
Total	100.00%	26,607,748	43,117,007	16,509,259

HSBC China and India Equity Freestyle Fund

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2021

5. TRANSACTIONS WITH RELATED PARTIES

A. *Transactions and balances with Fund Manager*

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

Related party	Nature of transactions	Amount of transactions		Balance	
		2021 USD	2020 USD	2021 USD	2020 USD
HSBC Saudi Arabia (Fund Manager)	Fund management fee	647,856	341,702	587,662	293,469
	Cash at bank	-	-	996,273	471,705
Saudi British Bank (Parent of Fund Manager)	Cash at bank			146,948	35,655

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 2021 include 2,818 units held by the employees of the Fund Manager (31 December 2020: 2,818 units) and units held by other funds managed by the Fund manager aggregating to 82,083 units (31 December 2020: 114,564 Units).

The units in issue at 30 June 2021 include Nil units held by the Fund Manager (31 December 2020: Nil units).

B. *Transactions with Board of Directors*

Board member compensation and other fees such as custodian fee and administration fee during the period has been borne and paid by HSBC Saudi Arabia (“the Fund Manager”).

6. ACCRUED EXPENSES AND OTHER PAYABLES

	30 June 2021 (Unaudited) USD	31 December 2020 (Audited) USD
Payable against purchase of investments	323,730	970,625
Redemptions payable	26,835	-
Shariah purification payable	17,320	64,333
Other payables	9,877	-
	377,762	1,034,958

HSBC China and India Equity Freestyle Fund

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2021

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 2 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:

	Within 12 months USD	After 12 months USD	Total USD
As at 30 June 2021 (Unaudited)			
ASSETS			
Bank balance	1,143,221	-	1,143,221
Financial assets at FVTPL	50,629,764	-	50,629,764
Receivables and advances	196,842	-	196,842
TOTAL ASSETS	51,969,827	-	51,969,827
LIABILITIES			
Management fee payable	587,662	-	587,662
Accrued expenses and other payables	377,762	-	377,762
TOTAL LIABILITIES	965,424	-	965,424
As at 31 December 2020 (Audited)			
ASSETS			
Bank balance	507,360	-	507,360
Financial assets at FVTPL	43,117,007	-	43,117,007
Receivables and advances	1,659,588	-	1,659,588
TOTAL ASSETS	45,283,955	-	45,283,955
LIABILITIES			
Management fee payable	293,469	-	293,469
Accrued expenses and other payables	1,034,958	-	1,034,958
TOTAL LIABILITIES	1,328,427	-	1,328,427

9. LAST VALUATION DAY

The last valuation day of the period/year was 28 June 2021 (year ended 31 December 2020: 31 December 2020).

HSBC China and India Equity Freestyle Fund

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2021

10. IMPACT OF COVID-19 ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

During March 2020, the World Health Organisation (“WHO”) declared the Coronavirus (“COVID-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

In response to the rapid spread of the virus and the resulting disruption of some social and economic activities and business continuity, the Fund Manager has taken a series of preventive and precautionary measures, including activating of remote work to ensure the safety of its employees and their families.

The impact of the pandemic on the Fund’s operations and financial results till the date of the unaudited interim financial statements has been reflected in the net assets value and investments value. These developments could further impact our future financial results, cash flows and financial condition and the Fund Manager will continue to assess the nature and extent of the impact on its business and financial results.

11. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These unaudited interim condensed financial statements were approved by the Fund’s management on 7 Muharram 1443H (corresponding to 15 August 2021).