

**HSBC CHINA AND INDIA EQUITY  
FREESTYLE FUND**  
Managed by HSBC Saudi Arabia Limited  
**INTERIM CONDENSED FINANCIAL  
STATEMENTS (Un-audited)**  
**For the six months period ended 30 June 2016**  
together with the  
**Review Report to the Unitholders**



**KPMG Al Fozan & Partners**  
**Certified Public Accountants**  
KPMG Tower  
Salahudeen Al Ayoubi Road  
P. O. Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia

Telephone +966 11 874 8500  
Fax +966 11 874 8600  
Internet www.kpmg.com

Licence No. 46/11/323 issued 11/3/1992

## REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

To: **The Unitholders**  
**HSBC China And India Equity Freestyle Fund**  
**Riyadh, Kingdom of Saudi Arabia**

### *Scope of Review*

We have reviewed the accompanying interim balance sheet of **HSBC China And India Equity Freestyle Fund** (the "Fund") managed by HSBC Saudi Arabia Limited (the "Fund Manager") as at 30 June 2016, the related interim statements of income, cash flows and changes in net assets attributable to unitholders for the six-month period then ended and the notes to the interim condensed financial statements from (1) to (12) which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Fund Manager and have been prepared by them and submitted to us together with all the information and explanations which we required. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

We conducted our review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

### *Conclusion*

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

**For KPMG Al Fozan & Partners**  
**Certified Public Accountants**

Abdullah Hamad Al Fozan  
License No. 348

Date: 7 August 2016  
Corresponding to: 4 Dhual-Qa'dah 1437H



**HSBC CHINA AND INDIA EQUITY FREESTYLE FUND**

Managed by HSBC Saudi Arabia Limited

**INTERIM BALANCE SHEET (Un-audited)**

As at 30 June 2016

(Amounts in US Dollars)

	<u>Note</u>	<u>2016</u>	<u>2015</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents		<b>930,895</b>	1,468,446
Held for trading investments	7	<b>36,042,633</b>	42,011,093
Other receivables		<b>140,388</b>	125,278
<b>TOTAL ASSETS</b>		<b><u>37,113,916</u></b>	<u>43,604,817</u>
<b><u>LIABILITIES</u></b>			
Other liabilities	9	<b>114,352</b>	123,634
<b>TOTAL LIABILITIES</b>		<b><u>114,352</u></b>	<u>123,634</u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<b><u>36,999,564</u></b>	<u>43,481,183</u>
<b>Units in issue (<i>numbers</i>)</b>		<b><u>1,867,808</u></b>	<u>1,964,743</u>
<b>Net assets attributable to each unit</b>		<b><u>19.81</u></b>	<u>22.13</u>

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

**HSBC CHINA AND INDIA EQUITY FREESTYLE FUND**

Managed by HSBC Saudi Arabia Limited

**INTERIM STATEMENT OF INCOME (Un-audited)**

For the six months period ended 30 June 2016

(Amounts in US Dollars)

	<u>Note</u>	<u>2016</u>	<u>2015</u>
<b>INCOME</b>			
Trading (loss) / gain, net	8	(1,081,007)	2,481,129
Dividend income		362,970	388,111
Other income		16,313	--
		<u>(701,724)</u>	<u>2,869,240</u>
<b>EXPENSES</b>			
Fund management fee	6	412,124	498,376
Custodian and fund administration fees		--	5,874
Other expenses		21,128	56,409
Exchange loss, net		2,389	3,845
		<u>435,641</u>	<u>564,504</u>
<b>NET (LOSS) / INCOME FOR THE PERIOD</b>		<u>(1,137,365)</u>	<u>2,304,736</u>

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

**HSBC CHINA AND INDIA EQUITY FREESTYLE FUND**  
 Managed by HSBC Saudi Arabia Limited  
**INTERIM STATEMENT OF CASH FLOWS (Un-audited)**  
 For the six months period ended 30 June 2016  
 (Amounts in US Dollars)

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss) / income for the period	(1,137,365)	2,304,736
Adjustment for:		
Unrealized (gain) / loss on held for trading investments	(451,958)	613,265
	(1,589,323)	2,918,001
<b>Changes in operating assets and liabilities</b>		
Held for trading investments, net	2,271,268	(2,029,109)
Other receivables	(135,396)	(120,117)
Other liabilities	63,503	49,145
<b>Net cash generated from operating activities</b>	610,052	817,920
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of units	657,535	642,725
Payments against redemption of units	(1,472,527)	(838,439)
<b>Net cash used in financing activities</b>	(814,992)	(195,714)
<b>Net change in cash and cash equivalents</b>	(204,940)	622,206
Cash and cash equivalents at beginning of the period	1,135,835	846,240
<b>Cash and cash equivalents at end of the period</b>	930,895	1,468,446

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

**HSBC CHINA AND INDIA EQUITY FREESTYLE FUND**  
 Managed by HSBC Saudi Arabia Limited  
**INTERIM STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE**  
**UNITHOLDERS (Un-audited)**  
 For the six months period ended 30 June 2016  
 (Amounts in US Dollars)

	<u>2016</u>	<u>2015</u>
<b>Net assets attributable to unit holders at beginning of the period</b>	<b>38,951,921</b>	41,372,161
<b>Net (loss)/income for the period</b>	<b>(1,137,365)</b>	2,304,736
<b>Changes from unit transactions</b>		
Proceeds from issuance of units	657,535	642,725
Payments against redemption of units	(1,472,527)	(838,439)
Net change from unit transactions	<b>(814,992)</b>	(195,714)
<b>Net assets attributable to the unit holders at end of the period</b>	<b>36,999,564</b>	43,481,183

**UNIT TRANSACTIONS:**

	<i>(In numbers)</i>	
<b>Units at beginning of the period</b>	<b>1,911,198</b>	1,973,760
Units issued	33,457	28,376
Units redeemed	(76,847)	(37,393)
Net change in units	<b>(43,390)</b>	(9,017)
<b>Units at end of the period</b>	<b>1,867,808</b>	1,964,743

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

# HSBC CHINA AND INDIA EQUITY FREESTYLE FUND

Managed by HSBC Saudi Arabia Limited

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Un-audited)

For the six months period ended 30 June 2016

### 1. THE FUND AND ITS ACTIVITIES

HSBC China and India Equity Freestyle Fund (“the Fund”) is an open-ended mutual investment fund created through agreement between HSBC Saudi Arabia Limited (“the Fund Manager”) and 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 acts as the local custodian and 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 in accordance with the terms and conditions of the Fund. HSBC Institutional Fund Services-Europe (IFS) acts as the global custodian of the Fund. HSBC Saudi Arabia Limited acts as the local custodian and the administrator of the Fund. All income is reinvested in the Fund and is reflected in the unit price.

The Fund updated its terms and conditions which were approved by the Capital Market Authority (CMA) on 20 Jumaada al-thaany 1437H (corresponding to 29 March 2016).

The interim results of the Fund may not be an indicator of its annual results of the operations.

### 2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (“the Regulations”) published by CMA on 03 Dhul Hijja 1427H (corresponding to 24 December 2006) detailing requirements for all funds within the Kingdom of Saudi Arabia.

### 3. SUBSCRIPTION/ REDEMPTION (DEALING DAY & VALUATION DAY)

The Fund is open for subscriptions/ redemptions of units twice weekly on Sunday and Wednesday (each being a “Dealing Day”). The value of the Fund’s portfolio is determined twice weekly on Monday and Thursday (each being a “Valuation Day”). The net asset value of the Fund for the purpose of purchase or sale of units is determined by dividing the net value of assets (fair value of fund assets minus fund liabilities) by the total number of outstanding fund units on the relevant valuation day.

### 4. BASIS OF PREPARATION

#### 4.1 Statement of Compliance

These interim condensed financial statements have been presented in accordance with the requirements of accounting standard on interim financial reporting issued by the Saudi Organization of Certified Public Accountants (“the SOCPA”). These interim condensed financial statements do not include all the information presented in annual financial statements; therefore, these interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015.

These interim financial statements were approved by the Fund’s Board of Directors on 7 August 2016 (corresponding to 4 Dhual-Qa’dah 1437H).

#### 4.2 Basis of Measurement

These interim condensed financial statements have been prepared under the historical cost convention, except for the measurement of held for trading investments which are stated at fair value, using accrual basis of accounting and the going concern concept.

#### 4.3 Functional and presentation currency

These interim condensed financial statements are presented in US Dollars (USD) which is the functional currency of the Fund. All financial information presented has been rounded to the nearest USD.

**HSBC CHINA AND INDIA EQUITY FREESTYLE FUND**  
 Managed by HSBC Saudi Arabia Limited  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Un-audited)**  
 For the six months period ended 30 June 2016  
 (Amounts in US Dollars)

**4. BASIS OF PRESENTATION (CONTINUED)**

**4.4 Use of estimates and judgments**

In the ordinary course of business, the preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

**5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES**

The significant accounting policies used in the preparation of these interim condensed financial statements are consistent with those used and disclosed in the annual financial statements for the year ended 31 December 2015.

Risk management policies are consistent with those as disclosed in the annual financial statements for the year ended 31 December 2015.

**6. MANAGEMENT FEE, CUSTODIAN & FUND ADMINISTRATION FEES AND SUNDRY EXPENSES**

The Fund Manager charges to the Fund on each valuation day, management fee at a rate of 2.3% per annum (2015: 2.3% per annum) and custody & administration fee at a rate of nil per annum (2015: nil per annum) of the Fund's net assets value. All fees and expenses related to the management of the Fund including but not limited to custody, administration, audit, regulatory fee, index fee, etc, are included in the management fee. The revision in management fee and other charges has been made on the basis of updated terms and conditions of the Fund.

**7. HELD FOR TRADING INVESTMENTS**

The geographical composition of held for trading investments is summarized as follows:

**EQUITIES**

<i>Description by geographical segment</i>	<u>2016</u>	<u>2015</u>
China	18,401,406	21,681,837
India	17,641,227	20,329,256
<b>Total equity investments</b>	<u>36,042,633</u>	<u>42,011,093</u>



**HSBC CHINA AND INDIA EQUITY FREESTYLE FUND**  
 Managed by HSBC Saudi Arabia Limited  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Un-audited)**  
 For the six months period ended 30 June 2016  
 (Amounts in US Dollars)

**7. HELD FOR TRADING INVESTMENTS (CONTINUED)**

The Fund has invested in a diversified portfolio of equities listed worldwide. The top ten largest holdings of the index are set out below:

<i>Description</i>	<u>% of value</u>	
	<u>2016</u>	<u>2015</u>
Tencent Holdings Limited	10	10
Alibaba Group Holding Limited	10	--
Baidu Inc ADR	6	6
China Mobile (Hong Kong) Limited	6	--
Wipro INR2	6	5
HCL Technologies	5	--
Glenmark Pharmaceuticals (Warrants 06/07/2015)	4	6
Maruti Suzuki India Limited	4	5
Oil & Natural Gas Co.	4	3
Infosys Limited	4	3
Emami Limited	3	5
Hero Motocrop limited	3	--
Dr Reddys Lab ADR	3	--
Coal India Limited	2	3
Cnooc Limited	--	4
Other equity holdings	70	50
<b>Total</b>	<u>100</u>	<u>100</u>

As at 30 June 2016, cost of the above held for trading investments amounted to USD 31.87 million (30 June 2015: USD 35.71 million).

**8. TRADING GAIN / (LOSS), NET**

	<u>2016</u>	<u>2015</u>
Realised (loss) / gain on held for trading investments	(1,532,965)	3,094,394
Unrealised gain / (loss) on held for trading investments	451,958	(613,265)
	<u>(1,081,007)</u>	<u>2,481,129</u>

**9. OTHER LIABILITIES**

This includes an amount of SR 12,500 payable to unit holders against redemption of units.

**HSBC CHINA AND INDIA EQUITY FREESTYLE FUND**  
 Managed by HSBC Saudi Arabia Limited  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Un-audited)**  
 For the six months period ended 30 June 2016  
 (Amounts in US Dollars)

**10. TRANSACTIONS WITH RELATED PARTIES**

Related parties of the Fund comprise HSBC Saudi Arabia Limited (being the Fund Manager, custodian and administrator of the Fund) 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 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.

Related party transactions for period ended 30 June 2016 and balances arising there from are described as under:

Related party	Nature of transactions	Amount of transaction during the period		Closing balance Receivable/(Payable)	
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
HSBC Saudi Arabia Limited <i>(Fund Manager)</i>	Fund management fee	412,124	498,376	(84,369)	(105,138)
	Custodian and fund administration fees	--	5,874	--	--
SABB <i>(Shareholder)</i>	Cash and cash equivalents	--	--	930,895	1,468,446

Custody and fund administration fee was charged at a rate of 0.2% per annum of the Fund's net assets value and was payable to the Fund Manager prior to 17 January 2015 in accordance with the terms and conditions applicable at that time. Subsequent to 17 of January 2015, the custody and administration fee is reduced to nil as per the updated terms and conditions.

Cash and cash equivalents of USD 81,572.51 are deposited in a current account maintained with SABB under the name of the Fund Manager (HSBC Saudi Arabia Limited) and USD 849,322 is held with HSBC Saudi Arabia (Custodian) under securities cash accounts. No interest is receivable on this balance.

**11. FAIR VALUES OF FINANCIAL INSTRUMENTS**

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Financial instruments comprise of financial assets and financial liabilities.

The Fund's financial assets consist of bank balance, held for trading investments and other receivables; its financial liabilities consist of other liabilities.

Investments are carried at fair values. The fair values of other financial instruments are not materially different from their carrying values.

**12. LAST VALUATION DAY**

The last valuation day of the period was 30 June 2016 (2015: 29 June 2015).