

**HSBC Saudi Equity Income 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 SAUDI EQUITY INCOME FUND (MANAGED BY HSBC SAUDI ARABIA)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of HSBC Saudi equity income 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 Equity Income 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		5,462,575	7,087,192
Financial assets at fair value through profit or loss ("FVTPL")	4	162,274,224	170,261,667
Receivable and advances		5,069,652	10,549,558
TOTAL ASSETS		172,806,451	187,898,417
LIABILITIES			
Management fee payable		18,496	39,260
Accrued expenses and other payables		142,460	4,070,905
TOTAL LIABILITIES		160,956	4,110,165
EQUITY			
Net assets attributable to unitholders of redeemable units		172,645,495	183,788,252
TOTAL LIABILITIES AND EQUITY		172,806,451	187,898,417
Redeemable units in issue		1,209,344	1,359,388
Net asset value attributable to each per unit		142.76	135.20

The accompanying notes 1 to 9 form an integral part of these interim condensed financial statements.

HSBC Saudi Equity Income

Interim condensed statement of comprehensive income (unaudited)

For the six-month period ended 30 June 2022

	<i>Note</i>	2022 <i>SR</i>	2021 <i>SR</i>
INCOME			
Net realized gain on financial assets at FVTPL		21,721,929	18,663,882
Net unrealized (loss) gain on financial assets at FVTPL		(5,604,378)	34,616,093
Dividend income		2,634,171	5,754,984
Other income		-	1,701
TOTAL INCOME		18,751,722	59,036,660
EXPENSES			
Management fees	5	1,859,524	2,686,984
Other expenses		136,467	187,639
TOTAL EXPENSES		1,995,991	2,874,623
NET INCOME FOR THE PERIOD		16,755,731	56,162,037
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		16,755,731	56,162,037

The accompanying notes 1 to 9 form an integral part of these interim condensed financial statements.

HSBC Saudi Equity Income 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	183,788,252	255,781,204
Net income for the period	16,755,731	56,162,037
Dividend paid during the period	(4,413,140)	(3,032,057)
Total comprehensive income for the period	12,342,591	53,129,980
Issue of units during the period	2,108,990	1,931,172
Redemption of units during the period	(25,594,338)	(32,588,456)
Net change	(23,485,348)	(30,657,284)
EQUITY AT THE END OF THE PERIOD	172,645,495	278,253,900
	<i>Units</i>	<i>Units</i>
REDEEMABLE UNIT TRANSACTIONS		
Transactions in redeemable units during the period are summarised as follows:		
UNITS AT THE BEGINNING OF THE PERIOD	1,359,388	2,268,138
Issue of units during the period	13,869	15,833
Redemption of units during the period	(163,913)	(246,068)
Net decrease in units	(150,044)	(230,235)
UNITS AT THE END OF THE PERIOD	1,209,344	2,037,903

The accompanying notes 1 to 9 form an integral part of these interim condensed financial statements.

HSBC Saudi Equity Income 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	16,755,731	56,162,037
<i>Adjustments to reconcile net (loss) income to net cash flows from operating activities:</i>		
Movement in unrealised loss (gain) on financial assets at FVTPL	5,604,378	(34,616,093)
	22,360,109	21,545,944
<i>Working capital adjustments:</i>		
Decrease /(increase) in financial assets at FVTPL	2,383,065	(17,451,726)
(Decrease) / increase in management fee payable	(20,764)	64,351
Decrease / (increase) in receivables and advances	5,479,906	(3,624,696)
(Decrease) in accrued expenses and other payables	(3,928,445)	(261,068)
Net cash flows from operating activities	26,273,871	272,805
Financing activities		
Proceeds from issuance of units	2,108,990	1,931,172
Payment on redemption of units	(25,594,339)	(32,588,456)
Dividends distributed during the period	(4,413,139)	(3,032,057)
Net cash flows used in financing activities	(27,898,488)	(33,689,341)
Net (decrease) increase in bank balance	(1,624,617)	(33,416,536)
Bank balance at the beginning of the period	7,087,192	34,827,748
Bank balance at the end of the period	5,462,575	1,411,212

The accompanying notes 1 to 9 form an integral part of these interim condensed financial statements.

HSBC Saudi Construction and Cement Companies Equity Fund

Notes to unaudited interim condensed financial statements

At 30 June 2022

1. INCORPORATION AND ACTIVITIES

HSBC Saudi Equity Income Fund (the “Fund”) is an investment fund established through an agreement between HSBC Saudi Arabia (the “Fund Manager”) and investors (the “Unitholders”). 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 Equity Income 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 is managed by the Fund Manager who also acts as the administrator of the Fund. Al Bilad Capital is the custodian of the Fund. The Fund distributes income, subject to the approval of the Fund Board, on a semi-annual basis.

The Fund Manager has made certain revisions to the Terms and Conditions of the Fund. The main changes were relating to applying the new 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 CMA on 3 Dhu Al-Hijjah 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 12/7/1442H. 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 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.

3.2 *New standards, interpretations and amendments*

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.

HSBC Saudi Equity Income Fund

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2022

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

3.2 *New standards, interpretations and amendments (continued)*

- 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).
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3 (a) 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 Equity Income Fund

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2022

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 2022 (Unaudited)			
	% of Market value	Cost SR	Market value SR	Unrealised gain/ (loss) SR
<i>Investments in equities (by sector)</i>				
Materials	25.3%	40,901,168	41,001,533	100,365
Telecommunication Services	14.9%	25,586,377	24,237,859	(1,348,518)
Energy	14.3%	20,158,139	23,132,861	2,974,722
Banks	9.9%	14,434,799	15,984,625	1,549,826
REITs	7.8%	14,974,404	12,681,142	(2,293,262)
Software & Services	7.6%	8,588,712	12,277,564	3,688,852
Capital Goods	5.2%	9,997,857	8,379,466	(1,618,391)
Retailing	5.1%	8,063,352	8,248,680	185,328
Food & Staples Retailing	4.3%	5,750,706	6,917,731	1,167,025
Health Care Equipment & Svc	3.9%	6,553,686	6,337,939	(215,747)
Diversified Financials	1.9%	1,754,654	3,074,824	1,320,170
Total	100.0%	156,763,854	162,274,224	5,510,370

	31 December 2021 (Audited)			
	% of Market value	Cost SR	Market value SR	Unrealised gain/ (loss), net SR
<i>Investments in equities (by sector)</i>				
Materials	27.10%	43,114,168	46,183,100	3,068,932
Real Estate management & development	15.20%	27,839,252	25,828,107	(2,011,145)
Telecommunication Services	14.30%	21,933,794	24,332,015	2,398,221
Energy	12.00%	19,806,734	20,403,458	596,724
Banks	8.60%	14,940,307	14,668,192	(272,115)
Software & Services	8.40%	13,006,650	14,271,959	1,265,309
Retailing	4.90%	3,952,192	8,316,768	4,364,576
Utilities	4.50%	6,820,242	7,707,220	886,978
Diversified Financials	2.70%	3,892,980	4,664,161	771,181
Media and Entertainment	2.30%	3,840,600	3,886,687	46,087
Total	100.0%	159,146,919	170,261,667	11,114,748

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.

HSBC Saudi Equity Income Fund

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2022

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	
		2022 SR	2021 SR	2022 SR	2021 SR
HSBC Saudi Arabia (Fund Manager)	Fund management fee	1,859,524	2,686,984	18,496	105,524
	Administration fee	54,692	79,029	8,377	13,692
	Board member fee	9,863	9,918	14,403	10,247
Saudi British Bank (Parent of Fund Manager)	Cash at bank	-	-	7,443	-

The Fund pays the Fund Manager a management fee calculated at an annual rate of 1.7% per annum calculated on the net asset value at each Valuation Day. The fee is intended to compensate the Fund Manager for administration of the Fund.

The management fees amounting to SR 1,859,524 (30 June 2021: SR 2,686,984) reflected in the interim condensed statement of comprehensive income represent the fees charged by the Fund Manager during the period as described above. As at 30 June 2022, management fees amounting to SR 18,496 (31 December 2021: SR 39,260) are payable to the Fund Manager.

The units in issue at 30 June 2022 include 619 units held by the employees of the Fund Manager (31 December 2021: 477 units).

There are no units in issue as at 30 June 2022 (31 December 2021: Nil units) that are held by the Fund Manager.

HSBC Saudi Equity Income Fund

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2022

5. TRANSACTIONS WITH RELATED PARTIES (continued)

B. Transactions with Board of Directors

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 SR 5,000 per meeting up to a maximum of 2 meetings per annum per director which is paid equally by all funds supervised by the board.

6. 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.

7. 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	5,462,575	-	5,462,575
Financial assets at FVTPL	162,274,224	-	162,274,224
Trade settlement			
Other receivables	5,069,652	-	5,069,652
TOTAL ASSETS	172,806,451	-	172,806,451
LIABILITIES			
Management fee payable	18,496	-	18,496
Accrued expenses and other payables	142,460	-	142,460
TOTAL LIABILITIES	160,956	-	160,956
<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	7,087,192	-	7,087,192
Financial assets at FVTPL	170,261,667	-	170,261,667
Other receivables	10,549,558	-	10,549,558
TOTAL ASSETS	187,898,417	-	187,898,417
LIABILITIES			
Management fee payable	39,260	-	39,260
Accrued expenses and other payables	4,070,905	-	4,070,905
TOTAL LIABILITIES	4,110,165	-	4,110,165

HSBC Saudi Equity Income Fund

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2022

8. LAST VALUATION DAY

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

9. APPROVAL OF THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

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