

**HSBC Saudi 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**

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

### Introduction

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

## Interim condensed statement of financial position

As at 30 June 2022

	<i>Notes</i>	<b>30 June 2022 (Unaudited) SR</b>	<b>31 December 2021 (Audited) SR</b>
<b>ASSETS</b>			
Bank balance		<b>4,946,010</b>	4,911,804
Financial assets at fair value through profit or loss ("FVTPL")	4	<b>143,216,047</b>	128,225,249
Receivables and advances		<b>1,147,768</b>	1,800,298
<b>TOTAL ASSETS</b>		<b>149,309,825</b>	134,937,351
<b>LIABILITIES</b>			
Management fee payable	5	<b>15,977</b>	28,450
Accrued expenses and other payables		<b>167,263</b>	1,641,395
<b>TOTAL LIABILITIES</b>		<b>183,240</b>	1,669,845
<b>EQUITY</b>			
Net assets attributable to unitholders of redeemable units		<b>149,126,585</b>	133,267,506
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>149,309,825</b>	134,937,351
Redeemable units in issue		<b>468,844</b>	474,660
Net asset value attributable to each per unit		<b>318.07</b>	280.76

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

## HSBC Saudi Equity Fund

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

For the six-month period ended 30 June 2022

	<i>Note</i>	<b>2022</b> <i>SR</i>	<b>2021</b> <i>SR</i>
<b>INCOME</b>			
Net realized income on financial assets at FVTPL		<b>23,967,630</b>	27,309,633
Net unrealized (loss) income on financial assets at FVTPL		<b>(5,132,502)</b>	16,665,050
Dividend income		<b>1,759,131</b>	3,063,653
Other income		-	2,980
<b>TOTAL INCOME</b>		<b>20,594,259</b>	47,041,316
<b>EXPENSES</b>			
Management fees	5	<b>1,541,692</b>	1,840,610
Other expenses		<b>134,445</b>	168,297
<b>TOTAL EXPENSES</b>		<b>1,676,137</b>	2,008,907
<b>NET INCOME FOR THE PERIOD</b>		<b>18,918,122</b>	45,032,409
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>18,918,122</b>	45,032,409

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

## HSBC Saudi 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
<b>EQUITY AT THE BEGINNING OF THE PERIOD</b>	<b>133,267,506</b>	174,206,677
Net income for the period	<b>18,918,122</b>	45,032,409
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<b>18,918,122</b>	45,032,409
Issue of units during the period	<b>21,437,940</b>	749,705
Redemption of units during the period	<b>(24,496,983)</b>	(21,831,657)
Net change	<b>(3,059,043)</b>	(21,081,952)
<b>EQUITY AT THE END OF THE PERIOD</b>	<b>149,126,585</b>	198,157,134

	<u>Units</u>	<u>Units</u>
<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>474,660</b>	861,153
Issue of units during the period	<b>64,431</b>	3,159
Redemption of units during the period	<b>(70,247)</b>	(91,855)
Net decrease in units	<b>(5,816)</b>	(88,696)
<b>UNITS AT THE END OF THE PERIOD</b>	<b>468,844</b>	772,457

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

## HSBC Saudi Equity Fund

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

For the six-month period ended 30 June 2022

	2022 SR	2021 SR
<b>Operating activities</b>		
Net income (loss) for the period	<b>18,918,122</b>	45,032,409
<i>Adjustments to reconcile net income (loss) to net cash flows from operating activities:</i>		
Movement in unrealised (gain)/ loss on financial assets at FVTPL	<b>5,132,502</b>	(16,665,050)
<i>Working capital adjustments:</i>		
(Increase) in financial assets at FVTPL	<b>(20,123,300)</b>	(20,213,131)
Decrease (increase) in receivables and advances	<b>652,530</b>	(2,181,823)
(Decrease) increase in management fee payable	<b>(12,473)</b>	46,578
(Decrease) increase in accrued expenses and other payables	<b>(1,474,132)</b>	20,488
Net cash flows from operating activities	<b>3,093,249</b>	6,039,471
<b>Financing activities</b>		
Proceeds from issuance of units	<b>21,437,940</b>	749,705
Payment on redemption of units	<b>(24,496,983)</b>	(21,831,657)
Net cash flows used in financing activities	<b>(3,059,043)</b>	(21,081,952)
<b>Net Increase (decrease) in bank balance</b>	<b>34,206</b>	(15,042,481)
Bank balance at the beginning of the period	<b>4,911,804</b>	15,400,144
<b>Bank balance at the end of the period</b>	<b>4,946,010</b>	357,663

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

# HSBC Saudi Equity Fund

## Notes to unaudited interim condensed financial statements

At 30 June 2022

### 1. INCORPORATION AND ACTIVITIES

HSBC Saudi Equity Fund (the "Fund") is an investment fund established through an agreement between HSBC Saudi Arabia (the "Fund Manager") and the 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

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. Albilad 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 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 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 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 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 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).

### 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 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)			
	<i>% of Market value</i>	<i>Cost SR</i>	<i>Market value SR</i>	<i>Unrealised gain/ (loss) SR</i>
<b><u>Investments in equities (by sector)</u></b>				
Banks	42%	47,530,044	59,705,574	12,175,530
Materials	19%	29,719,144	27,353,013	(2,366,131)
Energy	13%	15,930,666	17,993,349	2,062,683
Software & Services	8%	8,139,617	11,272,892	3,133,275
Health Care Equipment & Svc	5%	6,773,794	7,927,443	1,153,649
Food & Staples Retailing	4%	4,318,034	5,206,905	888,871
Telecommunication Services	4%	6,645,781	6,277,887	(367,894)
Retailing	3%	4,136,406	3,976,226	(160,180)
Media and Entertainment	2%	3,614,422	3,502,758	(111,664)
<b>Total</b>	<b>100.0%</b>	<b>126,807,908</b>	<b>143,216,047</b>	<b>16,408,139</b>

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) SR</i>
<b><u>Investments in equities (by sector)</u></b>				
Banks	44.90%	41,618,211	57,539,726	15,921,515
Materials	13.90%	14,940,683	17,878,973	2,938,290
Energy	8.60%	11,874,186	11,085,765	(788,421)
Telecommunication Services	8.40%	9,797,205	10,764,548	967,343
Software & Services	6.00%	7,112,113	7,697,945	585,832
Utilities	4.10%	4,147,484	5,266,991	1,119,507
Health Care Equipment & Services	2.80%	3,530,855	3,540,233	9,378
Diversified Financials	2.70%	2,867,130	3,435,095	567,965
Insurance	2.00%	2,745,613	2,527,499	(218,114)
Media and Entertainment	1.90%	2,388,500	2,417,162	28,662
Retailing	1.90%	1,302,911	2,395,497	1,092,586
Transportation	1.90%	3,474,721	2,441,172	(1,033,549)
Consumer Services	0.90%	884,996	1,234,643	349,647
<b>Total</b>	<b>100.0%</b>	<b>106,684,608</b>	<b>128,225,249</b>	<b>21,540,641</b>

## HSBC Saudi Equity 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	<b>1,541,692</b>	1,840,610	<b>15,977</b>	28,450
	Administration fee	<b>45,344</b>	54,135	<b>7,213</b>	9,519
	Board member fee	<b>9,863</b>	9,918	<b>14,403</b>	10,247

The Fund pays the Fund Manager a management fee calculated at an annual rate of 1.70% per annum calculated on the total asset value at each valuation date. The fee is intended to compensate the Fund Manager for administration of the Fund.

The management fees amounting to SR 1,541,692 (30 June 2021: SR 1,840,610) 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 15,977 (31 December 2021: SR 74,664) are payable to the Fund Manager.

There are Nil units in issue as at 30 June 2022 (31 December 2021: Nil units) that are held by the Fund Manager.

#### 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.

## HSBC Saudi Equity Fund

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

At 30 June 2022

#### 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>
<b>ASSETS</b>			
Bank balance	4,946,010	-	4,946,010
Financial assets at FVTPL	143,216,047	-	143,216,047
Receivables and advances	1,147,768	-	1,147,768
<b>TOTAL ASSETS</b>	<b>149,309,825</b>	<b>-</b>	<b>149,309,825</b>
<b>LIABILITIES</b>			
Management fee payable	15,977	-	15,977
Accrued expenses and other payables	167,263	-	167,263
<b>TOTAL LIABILITIES</b>	<b>183,240</b>	<b>-</b>	<b>183,240</b>
<i>As at 31 December 2021 (Audited)</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
<b>ASSETS</b>			
Bank balance	4,911,804	-	4,911,804
Financial assets at FVTPL	128,225,249	-	128,225,249
Receivables and advances	1,800,298	-	1,800,298
<b>TOTAL ASSETS</b>	<b>134,937,351</b>	<b>-</b>	<b>134,937,351</b>
<b>LIABILITIES</b>			
Management fee payable	28,450	-	28,450
Accrued expenses and other payables	1,641,395	-	1,641,395
<b>TOTAL LIABILITIES</b>	<b>1,669,845</b>	<b>-</b>	<b>1,669,845</b>

#### 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).