

**HSBC Saudi Companies 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 COMPANIES EQUITY FUND (MANAGED BY HSBC SAUDI ARABIA)**

**Introduction**

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

## Interim condensed statement of financial position

As at 30 June 2022

	Notes	30 June 2022 (Unaudited) SR	31 December 2021 (Audited) SR
<b>ASSETS</b>			
Bank balance		<b>31,545,769</b>	48,010,867
Financial assets at fair value through profit or loss ("FVTPL")	4	<b>2,170,831,279</b>	1,932,746,885
Dividend receivables and others		<b>38,120,420</b>	61,157,159
<b>TOTAL ASSETS</b>		<b>2,240,497,468</b>	2,041,914,911
<b>LIABILITIES</b>			
Management fee payable	5	<b>236,378</b>	435,152
Accrued expenses and other payables	6	<b>33,910,618</b>	4,353,133
<b>TOTAL LIABILITIES</b>		<b>34,146,996</b>	4,788,285
<b>EQUITY</b>			
Net assets attributable to unitholders of redeemable units		<b>2,206,350,472</b>	2,037,126,626
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,240,497,468</b>	2,041,914,911
Redeemable units in issue		<b>45,690,496</b>	46,353,669
Net asset value attributable to each per unit		<b>48.29</b>	43.95

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

# HSBC Saudi Companies Equity Fund

## Interim condensed statement of comprehensive income (unaudited)

For the six-month period ended 30 June 2022

	Notes	2022 SR	2021 SR
<b>INCOME</b>			
Net realized gain on financial assets at FVTPL		<b>445,166,706</b>	429,419,287
Net unrealized (loss) gain on financial assets at FVTPL		<b>(240,885,455)</b>	199,554,241
Dividend income		<b>21,394,015</b>	32,190,373
Other income		<b>56</b>	17,482
<b>TOTAL INCOME</b>		<b>225,675,322</b>	661,181,383
<b>EXPENSES</b>			
Management fees	5	<b>22,859,253</b>	24,315,448
Other expenses	7	<b>1,148,124</b>	1,253,097
<b>TOTAL EXPENSES</b>		<b>24,007,377</b>	25,568,545
<b>NET INCOME FOR THE PERIOD</b>		<b>201,667,945</b>	635,612,838
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>201,667,945</b>	635,612,838

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

# HSBC Saudi Companies 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>2,037,126,626</b>	2,263,484,572
Net income for the period	<b>201,667,945</b>	635,612,838
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<b>201,667,945</b>	635,612,838
Issue of units during the period	<b>79,766,696</b>	3,221,712
Redemption of units during the period	<b>(112,210,795)</b>	(276,026,887)
Net change	<b>(32,444,099)</b>	(272,805,175)
<b>EQUITY AT THE END OF THE PERIOD</b>	<b>2,206,350,472</b>	2,626,292,235

	<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>46,353,669</b>	73,720,987
Issue of units during the period	<b>1,513,481</b>	93,326
Redemption of units during the period	<b>(2,176,654)</b>	(7,405,024)
Net decrease in units	<b>(663,173)</b>	(7,311,698)
<b>UNITS AT THE END OF THE PERIOD</b>	<b>45,690,496</b>	66,409,289

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

# HSBC Saudi Companies 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 for the period	201,667,945	635,612,838
<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	240,885,455	(199,554,241)
	442,553,400	436,058,597
<i>Working capital adjustments:</i>		
(Increase) in financial assets at FVTPL	(478,969,849)	(203,832,619)
Decrease / (Increase) in dividend receivables and others	23,036,739	(45,331,736)
(Decrease)/ Increase in management fees payable	(198,774)	625,813
Increase in accrued expenses and other payables	29,557,485	45,837,673
Net cash flows from operating activities	15,979,001	233,357,728
<b>Financing activities</b>		
Proceeds from issuance of units	79,766,696	3,221,712
Payment on redemption of units	(112,210,795)	(276,026,887)
Net cash flows used in financing activities	(32,444,099)	(272,805,175)
<b>Net (decrease) in bank balance</b>	(16,465,098)	(39,447,447)
Bank balance at the beginning of the period	48,010,867	100,940,369
<b>Bank balance at the end of the period</b>	31,545,769	61,492,922

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

# HSBC Saudi Companies Equity FUND

## Notes to unaudited interim condensed financial statements

At 30 June 2022

### 1. INCORPORATION AND ACTIVITIES

HSBC Saudi Companies Equity 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

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. 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 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 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 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 Companies Equity FUND

## Notes to unaudited interim condensed financial statements

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 Companies 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)				
	% of Market value	Cost SR	Market value SR	Unrealised Gain (loss) SR
<i>Investments in equities (by sector)</i>				
Banks	37.9%	672,064,967	822,176,306	150,111,339
Materials	27.5%	659,602,900	596,141,481	(63,461,419)
Health Care Equipment & Svc	8.0%	157,423,014	173,293,793	15,870,779
Software & Services	5.9%	113,578,771	128,556,204	14,977,433
Energy	4.7%	100,479,490	101,712,867	1,233,377
Food & Staples Retailing	4.1%	78,722,024	88,147,018	9,424,994
Telecommunication Services	3.3%	77,687,501	72,137,093	(5,550,408)
Retailing	2.9%	66,536,997	62,804,629	(3,732,368)
Media and Entertainment	2.5%	58,013,208	55,240,081	(2,773,127)
Utilities	1.6%	35,953,535	35,473,041	(480,494)
Transportation	1.6%	38,859,826	35,148,766	(3,711,060)
<b>Total</b>	<b>100.00</b>	<b>2,058,922,233</b>	<b>2,170,831,279</b>	<b>111,909,046</b>
31 December 2021 (Audited)				
	% of Market value	Cost SR	Market Value SR	Unrealised gain(loss) SR
<i>Investments in equities (by sector)</i>				
Banks	39.9%	523,615,046	770,705,142	247,090,096
Materials	27.2%	475,165,383	526,539,555	51,374,172
Telecommunication Services	9.2%	162,085,470	177,281,551	15,196,081
Software & Services	5.2%	88,896,236	100,793,333	11,897,097
Health Care Equipment & Services	3.1%	61,272,870	59,709,966	(1,562,904)
Diversified Financials	2.7%	44,205,101	52,053,022	7,847,921
Utilities	2.2%	43,319,906	42,021,161	(1,298,745)
Insurance	2.2%	39,248,055	42,208,362	2,960,307
Retailing	2.2%	22,222,110	42,544,576	20,322,466
Energy	2.0%	39,828,914	39,411,397	(417,517)
Consumer Services	1.6%	20,349,082	30,011,733	9,662,651
Transportation	1.5%	38,436,872	28,304,448	(10,132,424)
Media and Entertainment	1.0%	21,307,340	21,162,640	(144,700)
<b>Total</b>	<b>100.0</b>	<b>1,579,952,385</b>	<b>1,932,746,885</b>	<b>352,794,501</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.

# HSBC Saudi Companies 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	22,859,253	24,315,448	236,378	990,340
	Administration fee	672,331	715,160	107,796	126,482
	Board member fee	9,863	9,917	14,403	10,247

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 date. The fee is intended to compensate the Fund Manager for administration of the Fund.

The management fees amounting to SR 22,859,253 (30 June 2021: SR 24,315,448) 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 2021, management fees amounting to SR 236,378 (31 December 2021: SR 990,340) are payable to the Fund Manager.

The units in issue at 30 June 2022 include 5,709 units held by the employees of the Fund Manager (31 December 2021: 4,329 units). There are Nil units in issue as at 30 June 2022 (31 December 2021: Nil units) that are held by the Fund Manager.

#### 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. ACCRUED EXPENSES AND OTHER PAYABLES

	30 June 2022 (Unaudited) SR	31 December 2021 (Audited) SR
Payable against purchase of investments	33,474,422	3,706,475
Redemptions payable	-	242,920
Shariah purification payable	10,512	-
Other payables	425,684	403,738
	<b>33,910,618</b>	<b>4,353,133</b>

### 7. OTHER EXPENSES

	2022 (Unaudited) SR	2021 (Unaudited) SR
Administrator fees	672,331	715,160
Custody fees	430,436	406,299
Others	45,357	131,638
	<b>1,148,124</b>	<b>1,253,097</b>

# HSBC Saudi Companies Equity Fund

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

At 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>
<b>ASSETS</b>			
Bank balance	31,545,769	-	31,545,769
Financial assets at FVTPL	2,170,831,279	-	2,170,831,279
Receivable from sold securities	37,765,236	-	37,765,236
Dividend receivables and others	355,184	-	355,184
<b>TOTAL ASSETS</b>	<b>2,240,497,468</b>	<b>-</b>	<b>2,240,497,468</b>
<b>LIABILITIES</b>			
Management fee payable	236,378	-	236,378
Accrued expenses and other payables	33,910,618	-	33,910,618
<b>TOTAL LIABILITIES</b>	<b>34,146,996</b>	<b>-</b>	<b>34,146,996</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	48,010,867	-	48,010,867
Financial assets at FVTPL	1,932,746,885	-	1,932,746,885
Receivables and advances	61,157,159	-	61,157,159
<b>TOTAL ASSETS</b>	<b>2,041,914,911</b>	<b>-</b>	<b>2,041,914,911</b>
<b>LIABILITIES</b>			
Management fee payable	435,152	-	435,152
Accrued expenses and other payables	4,353,133	-	4,353,133
<b>TOTAL LIABILITIES</b>	<b>4,788,285</b>	<b>-</b>	<b>4,788,285</b>

### 10. LAST VALUATION DAY

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

### 11. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

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