

**HSBC Saudi Construction and Cement
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 2021



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

Introduction

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

Interim condensed statement of financial position

As at 30 June 2021

	<i>Notes</i>	30 June 2021 (Unaudited) SR	31 December 2020 (Audited) SR
ASSETS			
Bank balance		1,791,342	3,032,174
Financial assets at fair value through profit or loss ("FVTPL")	4	123,056,177	71,791,523
Receivables and advances		17,184	16,980
TOTAL ASSETS		124,864,703	74,840,677
LIABILITIES			
Management fee payable	5	20,093	11,951
Accrued expenses and other payables		160,893	70,340
TOTAL LIABILITIES		180,986	82,291
EQUITY			
Net assets attributable to unitholders of redeemable units		124,683,717	74,758,386
TOTAL LIABILITIES AND EQUITY		124,864,703	74,840,677
Redeemable units in issue		12,820,216	9,594,746
Net asset value attributable to each per unit		9.73	7.79

The accompanying notes 1 to 10 form an integral part of these interim condensed financial statements.

HSBC Saudi Construction and Cement Companies Equity Fund

Interim condensed statement of comprehensive income (unaudited)

For the six-month period ended 30 June 2021

	<i>Notes</i>	2021 <i>SR</i>	2020 <i>SR</i>
INCOME			
Net realized gain (loss) on financial assets at FVTPL		10,425,251	(740,194)
Net unrealized gain (loss) on financial assets at FVTPL		10,737,279	(14,620,715)
Dividend income		2,763,218	1,832,117
Other income		1,098	7,399
		<hr/>	<hr/>
TOTAL INCOME (LOSS)		23,926,846	(13,521,393)
EXPENSES			
Management fees	5	1,026,293	589,008
Other expenses		101,090	85,135
		<hr/>	<hr/>
TOTAL EXPENSES		1,127,383	674,143
		<hr/>	<hr/>
NET INCOME (LOSS) FOR THE PERIOD		22,799,463	(14,195,536)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
		<hr/>	<hr/>
		-	-
		<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		22,799,463	(14,195,536)
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The accompanying notes 1 to 10 form an integral part of these interim condensed financial statements.

HSBC Saudi Construction and Cement Companies Equity Fund

Interim condensed statement of changes in equity attributable to the unitholders (unaudited)

For the six-month period ended 30 June 2021

	2021 SR	2020 SR
EQUITY AT THE BEGINNING OF THE PERIOD	74,758,386	73,759,430
Net income (loss) for the period	22,799,463	(14,195,536)
Other comprehensive income for the period	-	-
Total comprehensive income (loss) for the period	22,799,463	(14,195,536)
Issue of units during the period	53,031,115	40,612,769
Redemption of units during the period	(25,905,247)	(37,545,097)
Net change	27,125,868	3,067,672
EQUITY AT THE END OF THE PERIOD	124,683,717	62,631,566

	<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	9,594,746	11,133,101
Issue of units during the period	6,196,270	6,321,165
Redemption of units during the period	(2,970,800)	(6,266,706)
Net increase in units	3,225,470	54,459
UNITS AT THE END OF THE PERIOD	12,820,216	11,187,560

The accompanying notes 1 to 10 form an integral part of these interim condensed financial statements.

HSBC Saudi Construction and Cement Companies Equity Fund

Interim condensed statement of cash flows (unaudited)

For the six-month period ended 30 June 2021

	2021 SR	2020 SR
Operating activities		
Net income (loss) for the period	22,799,463	(14,195,536)
<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	(10,737,279)	14,620,715
	<u>12,062,184</u>	425,179
<i>Working capital adjustments:</i>		
(Increase) decrease in financial assets at FVTPL	(40,527,375)	547,726
(Increase) decrease in receivable and advances	(204)	8,948,365
Increase (decrease) in management fee payable	8,142	(5,786)
Increase (decrease) in accrued expenses and other payables	90,553	(8,839,987)
	<u>(28,366,700)</u>	1,075,497
Net cash flows (used in) / from operating activities	<u>(28,366,700)</u>	<u>1,075,497</u>
Financing activities		
Proceeds from issuance of units	53,031,115	40,612,769
Payment on redemption of units	(25,905,247)	(37,545,097)
	<u>27,125,868</u>	3,067,672
Net cash flows from financing activities	<u>27,125,868</u>	<u>3,067,672</u>
Net (decrease) increase in bank balance	(1,240,832)	4,143,169
Bank balance at the beginning of the period	3,032,174	694,589
Bank balance at the end of the period	<u>1,791,342</u>	<u>4,837,758</u>

The accompanying notes 1 to 10 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 2021

1. INCORPORATION AND ACTIVITIES

HSBC Saudi Construction and Cement 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 objective of the Fund is to achieve capital appreciation over the medium to long-term by investing in Shariah compliant shares of construction and cement companies listed on Tadawul (Saudi Stock Market). The Fund has become shariah compliant with effect from 17 January 2012.

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

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 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 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 accounting policies adopted in the preparation of the unaudited 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 unaudited interim condensed financial statements of the fund.

HSBC Saudi Construction and Cement Companies Equity 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 unaudited 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)			
	<i>% of Market value</i>	<i>Cost SR</i>	<i>Market value SR</i>	<i>Unrealised gain / (loss) SR</i>
<i><u>Investments in equities (by sector)</u></i>				
Materials	83.0%	81,876,624	102,175,466	20,298,842
Capital goods	15.4%	12,529,993	18,963,582	6,433,589
Real estate management & development	1.6%	1,613,922	1,917,129	303,207
Total	100.0	96,020,539	123,056,177	27,035,638
	31 December 2020 (Audited)			
	<i>% of Market Value</i>	<i>Cost SR</i>	<i>Market Value SR</i>	<i>Unrealised Gain / (loss) SR</i>
<i><u>Investments in equities (by sector)</u></i>				
Materials	93.5%	51,885,052	64,975,316	13,090,264
Capital goods	6.5%	3,608,112	6,816,207	3,208,095
Total	100.0%	55,493,164	71,791,523	16,298,359

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 Construction and Cement Companies Equity 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 SR	2020 SR	2021 SR	2020 SR
HSBC Saudi Arabia (Fund Manager)	Fund management fee	1,026,293	589,008	20,093	11,951
	Administration fee	30,185	17,324	5,911	3,522
	Board member fee	9,917	9,945	10,246	16,118
Saudi British Bank (Parent of Fund Manager)	Cash at bank			58,589	-

The Fund pays the Fund Manager a management fee calculated at an annual rate of 1.7% 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 1,026,293 (30 June 2020: SR 589,008) reflected in the unaudited interim condensed statement of comprehensive income represent the fees charged by the Fund Manager during the period as described above.

As at 30 June 2020, management fees amounting to SR 20,093 (31 December 2020: SR 11,951) are payable to the Fund Manager.

The units in issue at 30 June 2021 include 1,036.38 units held by the employees of the Fund Manager (31 December 2020: Nil units).

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 2 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 Construction and Cement Companies Equity Fund

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2021

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 2021 (Unaudited)</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Bank balance	1,791,342	-	1,791,342
Financial assets at FVTPL	123,056,177	-	123,056,177
Receivables and advances	17,184	-	17,184
TOTAL ASSETS	124,864,703		124,864,703
LIABILITIES			
Management fee payable	20,093	-	20,093
Accrued expenses and other payables	160,893	-	160,893
TOTAL LIABILITIES	180,986	-	180,986
<i>As at 31 December 2020 (Audited)</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Bank balance	3,032,174	-	3,032,174
Financial assets at FVTPL	71,791,523	-	71,791,523
Receivables and advances	16,980	-	16,980
TOTAL ASSETS	74,840,677	-	74,840,677
LIABILITIES			
Management fee payable	11,951	-	11,951
Accrued expenses and other payables	70,340	-	70,340
TOTAL LIABILITIES	82,291	-	82,291

8. LAST VALUATION DAY

The last valuation day of the period was 30 June 2021 (year ended 31 December 2020: 31 December 2020).

9. 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.

10. APPROVAL OF THE UNAUDITED 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).