

**HSBC SAUDI CONSTRUCTION AND  
CEMENT EQUITY 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**



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## REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

To: **The Unitholders**  
**HSBC Saudi Construction and Cement Equity Fund**  
**Riyadh, Kingdom of Saudi Arabia**

### *Scope of Review*

We have reviewed the accompanying interim balance sheet of **HSBC Saudi Construction and Cement Equity 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 (11) 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 SAUDI CONSTRUCTION AND CEMENT EQUITY FUND**  
 Managed by HSBC Saudi Arabia Limited  
**INTERIM BALANCE SHEET (Un-audited)**  
 As at 30 June 2016  
 (Amounts in Saudi Arabian Riyals)

	<u>Note</u>	<u>2016</u>	<u>2015</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents		<b>108,385</b>	19,984
Held for trading investments	7	<b>21,057,813</b>	36,395,767
<b>TOTAL ASSETS</b>		<b>21,166,198</b>	36,415,751
<b><u>LIABILITIES</u></b>			
Other liabilities		<b>2,934</b>	9,274
<b>TOTAL LIABILITIES</b>		<b>2,934</b>	9,274
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<b>21,163,264</b>	36,406,477
<b>Units in issue (<i>numbers</i>)</b>		<b>3,268,884</b>	3,775,818
<b>Net assets attributable to each unit</b>		<b>6.47</b>	9.64

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

**HSBC SAUDI CONSTRUCTION AND CEMENT EQUITY FUND**  
 Managed by HSBC Saudi Arabia Limited  
**INTERIM STATEMENT OF INCOME (Un-audited)**  
 For the six month period ended 30 June 2016  
 (Amounts in Saudi Arabian Riyals)

	<u>Note</u>	<u>2016</u>	<u>2015</u>
<b>INCOME</b>			
Trading (loss) / gain, net	8	(1,084,995)	782,284
Dividend income		929,595	978,279
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
		(155,400)	1,760,563
<b>EXPENSES</b>			
Fund management fee	6	175,326	333,193
Other expense		—	6,046
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
		175,326	339,239
<b>NET (LOSS) / INCOME FOR THE PERIOD</b>			
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
		(330,726)	1,421,324

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

**HSBC SAUDI CONSTRUCTION AND CEMENT EQUITY FUND**  
 Managed by HSBC Saudi Arabia Limited  
**INTERIM STATEMENT OF CASH FLOWS (Un-audited)**  
 For the six month period ended 30 June 2016  
 (Amounts in Saudi Arabian Riyals)

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net (loss) / income for the period</b>	<b>(330,726)</b>	1,421,324
Adjustment for:		
Unrealized (gain) / loss on held for trading investments	<b>(1,237,233)</b>	4,394
	<b>(1,567,959)</b>	1,425,718
<b>Changes in operating assets and liabilities</b>		
Held for trading investments, net	<b>3,507,250</b>	2,274,419
Other liabilities	<b>752</b>	(46,214)
<b>Net cash generated from operating activities</b>	<b>1,940,043</b>	3,653,923
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of units	<b>1,954,547</b>	2,070,471
Payments against redemption of units	<b>(3,809,068)</b>	(5,773,309)
<b>Net cash used in financing activities</b>	<b>(1,854,521)</b>	(3,702,838)
<b>Net change in cash and cash equivalents</b>	<b>85,522</b>	(48,915)
Cash and cash equivalents at beginning of the period	<b>22,863</b>	68,899
<b>Cash and cash equivalents at end of the period</b>	<b>108,385</b>	19,984

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

**HSBC SAUDI CONSTRUCTION AND CEMENT EQUITY FUND**

Managed by HSBC Saudi Arabia Limited

**INTERIM STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS****(Un-audited)**

For the six month period ended 30 June 2016

(Amounts in Saudi Arabian Riyals)

	<u>2016</u>	<u>2015</u>
<b>Net assets attributable to unit holders at beginning of the period</b>	<b>23,348,511</b>	38,687,991
<b>Net (loss) / income for the period</b>	<b>(330,726)</b>	1,421,324
<b>Changes from unit transactions</b>		
Proceeds from issuance of units	1,954,547	2,070,471
Payments against redemption of units	(3,809,068)	(5,773,309)
<b>Net change from unit transactions</b>	<b>(1,854,521)</b>	<b>(3,702,838)</b>
<b>Net assets attributable to the unit holders at end of the period</b>	<b>21,163,264</b>	36,406,477

**UNIT TRANSACTIONS:**

	<i>(In numbers)</i>	
<b>Units at beginning of the period</b>	<b>3,597,795</b>	4,148,059
Units issued	308,435	205,526
Units redeemed	(637,346)	(577,765)
<b>Net change in units</b>	<b>(328,911)</b>	<b>(372,241)</b>
<b>Units at end of the period</b>	<b>3,268,884</b>	3,775,818

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

**HSBC SAUDI CONSTRUCTION AND CEMENT EQUITY FUND**  
Managed by HSBC Saudi Arabia Limited  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Un-audited)**  
For the six month period ended 30 June 2016

**1. THE FUND AND ITS ACTIVITIES**

HSBC Saudi Construction and Cement Equity 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 provide equity linked growth by investing in the Shariah compliant shares of construction and cement companies listed in Tadawul (Saudi equity market). The Fund became Shariah compliant on 17 January 2012.

The Fund is managed by the Fund Manager who also acts as the 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 Capital Market Authority (CMA) on 3 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 on each business day (a “Dealing Day”). The value of the Fund’s portfolio is determined on each business day (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 PRESENTATION**

**4.1 Statement of compliance**

These interim condensed financial statements have been presented in accordance with the requirements of the 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 and 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 the accrual basis of accounting and the going concern concept.

**4.3 Functional and presentation currency**

These interim condensed financial statements are presented in Saudi Arabian Riyals (SAR) which is the functional currency of the Fund. All financial information presented has been rounded to the nearest SAR.

**HSBC SAUDI CONSTRUCTION AND CEMENT EQUITY FUND**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Un-audited)**  
 For the six month period ended 30 June 2016  
 (Amounts in Saudi Arabian Riyal)

**4. BASIS OF PREPARATION (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 year in which the estimates are revised and are accounted for on a prospective basis.

**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.

The 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 AND FUND ADMINISTRATION FEES AND SUNDRY EXPENSES**

The Fund Manager charges to the Fund on each Valuation Day, a management fee at a rate of 1.7% per annum (2015: 1.7% 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 the 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 sector- wise composition of held for trading investments is summarized as follows:

	<u>2016</u>	<u>2015</u>
Cement	15,941,693	28,283,274
Building and construction	5,116,120	8,112,493
	<u>21,057,813</u>	<u>36,395,767</u>

**7.1** As at 30 June 2016, cost of the above mentioned held for trading investments amounted to SR 27.60 million (30 June 2015: SAR 33.70 million).

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

	<u>2016</u>	<u>2015</u>
Realised (loss) / gain on held for trading investments	<b>(2,322,228)</b>	786,678
Unrealised gain / (loss) on held for trading investments	<b>1,237,233</b>	(4,394)
	<u><b>(1,084,995)</b></u>	<u>782,284</u>



**HSBC SAUDI CONSTRUCTION AND CEMENT EQUITY FUND**  
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 For the six month period ended 30 June 2016  
 (Amounts in Saudi Arabian Riyal)

**9. 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 a 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 the six month 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)	
		2016	2015	2016	2015
HSBC Saudi Arabia Limited ( <i>Fund Manager</i> )	Fund management fee	175,326	333,193	(2,934)	(8,535)
	Other expenses	--	3,666	--	--
SABB ( <i>shareholder</i> )	Cash and cash equivalent	--	--	108,385	19,984

Other expenses include custody and administration fee at a rate of 0.2% per annum of the Fund's net assets value payable to the Fund Manager effective until 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 are deposited in a current account maintained with SABB under the name of the Fund Manager (HSBC Saudi Arabia Limited). No interest is receivable on this balance.

**10. 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 financial assets and financial liabilities.

The Fund's financial assets consist of a bank balance and held for trading investments whilst 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.

**11. LAST VALUATION DAY**

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