

**HSBC GCC 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



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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of HSBC GCC 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 GCC Equity 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		2,671,719	4,018,987
Financial assets at fair value through profit or loss (FVTPL)	5	124,191,531	112,506,858
Receivable against sold securities	6	4,537,763	-
Advances for IPO subscription		-	1,266,723
Other receivables		17,275	-
TOTAL ASSETS		131,418,288	117,792,568
LIABILITIES			
Management fee payable	7	349,708	33,946
Accrued expenses and other payables		512,259	366,632
TOTAL LIABILITIES		861,967	400,578
EQUITY			
Net assets attributable to unitholders of redeemable units		130,556,321	117,391,990
TOTAL LIABILITIES AND EQUITY		131,418,288	117,792,568
Redeemable units in issue		5,419,771	5,317,730
Net asset value attributable to each per unit		24.09	22.08

The accompanying notes 1 to 12 form an integral part of these unaudited interim condensed financial statements.

HSBC GCC Equity Fund

Interim condensed statement of comprehensive income (unaudited)

For the six-month period ended 30 June 2022

	<i>Notes</i>	30 June 2022 SR	30 June 2021 SR
INCOME			
Net movement in unrealised loss on financial assets at FVTPL		(10,305,458)	(218,248)
Net realised gain on disposal of financial assets at FVTPL		21,245,331	12,685,535
Dividend income		1,383,500	1,204,819
Net exchange loss		(84,353)	(6,355)
TOTAL INCOME		12,239,020	13,665,751
EXPENSES			
Management fees	5	1,840,490	807,131
Other expenses		9,382	715
TOTAL EXPENSES		1,849,872	807,846
NET INCOME FOR THE PERIOD		10,389,148	12,857,905
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		10,389,148	12,857,905

The accompanying notes 1 to 12 form an integral part of these unaudited interim condensed financial statements.

HSBC GCC 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
EQUITY AT THE BEGINNING OF THE PERIOD	117,391,990	56,434,256
Net income for the period	10,389,148	12,857,905
Other comprehensive income for the period	-	-
Total comprehensive income for the period	10,389,148	12,857,905
Issue of units during the period	14,812,770	24,520,954
Redemption of units during the period	(12,037,587)	(5,750,406)
Net changes from unit transactions	2,775,183	18,770,548
EQUITY AT THE END OF THE PERIOD	130,556,321	88,062,709

	<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	5,317,730	3,526,039
Issue of units during the period	570,245	1,260,718
Redemption of units during the period	(468,204)	(334,351)
Net changes in units	102,041	926,367
UNITS AT THE END OF THE PERIOD	5,419,771	4,452,406

The accompanying notes 1 to 12 form an integral part of these unaudited interim condensed financial statements.

HSBC GCC Equity 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	10,389,148	12,857,905
<i>Adjustments to reconcile net income to net cash flows from operating activities:</i>		
Net movement in unrealised loss on financial assets at FVTPL	10,305,458	218,248
	<u>20,694,606</u>	<u>13,076,153</u>
<i>Working capital adjustments:</i>		
Financial assets at FVTPL	(21,990,131)	(38,797,106)
Advances for IPO subscription and other receivables	1,249,448	(26,499)
Management fee payable	315,762	32,082
Receivable against sold securities	(4,537,763)	-
Accrued expenses and other payables	145,627	(454,919)
	<u>(4,122,451)</u>	<u>(26,170,289)</u>
Net cash flows used in operating activities		
	<u>(4,122,451)</u>	<u>(26,170,289)</u>
FINANCING ACTIVITIES		
Proceeds from issuance of units	14,812,770	24,520,954
Payment on redemption of units	(12,037,587)	(5,750,406)
	<u>2,775,183</u>	<u>18,770,548</u>
Net cash flows from financing activities		
	<u>2,775,183</u>	<u>18,770,548</u>
DECREASE IN BANK BALANCE	(1,347,268)	(7,399,741)
Bank balance at the beginning of the period	4,018,987	10,449,137
	<u>4,018,987</u>	<u>10,449,137</u>
BANK BALANCE AT THE END OF THE PERIOD	2,671,719	3,049,396
	<u><u>2,671,719</u></u>	<u><u>3,049,396</u></u>

The accompanying notes 1 to 12 form an integral part of these unaudited interim condensed financial statements.

HSBC GCC Equity Fund

Notes to unaudited interim condensed financial statements

At 30 June 2022

1. INCORPORATION AND ACTIVITIES

HSBC GCC Equity Fund (the “Fund”) is an open-ended investment fund created by an agreement between HSBC Saudi Arabia (the “Fund Manager”) and investors (the “Unitholders”) in the Fund. 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 provide capital appreciation through investing in a well-diversified portfolio of equities in the GCC markets over the long-term. The fund invests in accordance with Shariah investment guidelines as determined by the Shariah supervisory committee of the Fund.

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 regulation 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 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 Rajab 1442H (corresponding to 24 February 2021G). The amended regulations are effective from 19 Ramadan 1442H (corresponding to 1 May 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. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES (continued)

3.2. New standards and amendments to standards

New standards and amendments adopted by the Company

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.

- 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).

4. 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 GCC Equity Fund

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2022

5. 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, net SR</i>
<i>Investments in equities (by sector)</i>				
Banks	40.57%	32,562,664	36,455,558	3,892,894
Telecommunication Services	3.46%	3,346,999	3,111,106	(235,893)
Transportation	2.53%	2,422,763	2,277,304	(145,459)
Retailing	4.32%	4,062,863	3,886,685	(176,178)
Materials	22.91%	22,426,713	20,589,989	(1,836,724)
Energy	5.29%	4,402,697	4,750,766	348,069
Software & Services	7.93%	5,694,508	7,130,980	1,436,472
Food & Staples Retailing	4.20%	3,311,094	3,777,580	466,486
Utilities	2.15%	2,007,980	1,933,331	(74,649)
Media and Entertainment	2.31%	2,127,450	2,076,971	(50,479)
Health Care Equipment & Services	4.33%	3,607,976	3,887,520	279,544
Total	100.00%	85,973,707	89,877,790	3,904,083

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.

	<i>Cost SR</i>	<i>Market Value SR</i>	<i>Unrealised gain SR</i>
<i>Investments (by country)</i>			
Kingdom of Saudi Arabia	85,973,707	89,877,790	3,904,083
United Arab Emirates	24,009,856	24,937,496	927,640
State of Qatar	9,099,185	7,069,649	(2,029,536)
State of Kuwait	2,184,711	2,306,596	121,885
Total	121,267,459	124,191,531	2,924,072

HSBC GCC Equity Fund

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2022

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL) (continued)

	31 December 2021 (Audited)			
	% of Market value	Cost SR	Market value SR	Unrealised gain, net SR
<i>Investments in equities (by sector)</i>				
Banks	42.42%	29,756,293	36,884,862	7,128,569
Telecommunication Services	11.48%	9,638,056	9,984,267	346,211
Transportation	1.94%	2,206,764	1,689,636	(517,128)
Retailing	2.83%	1,917,543	2,458,052	540,509
Materials	18.44%	14,719,925	16,032,523	1,312,598
Utilities	2.70%	2,462,540	2,343,925	(118,615)
Consumer Services	2.51%	1,514,803	2,179,128	664,325
Insurance	1.88%	1,504,509	1,636,587	132,078
Health Care Equipment & Services	2.81%	2,453,026	2,439,319	(13,707)
Energy	2.01%	1,771,410	1,752,088	(19,322)
Software & Services	5.57%	4,158,753	4,840,504	681,751
Diversified Financials	3.31%	2,402,505	2,878,430	475,925
Media and Entertainment	2.10%	1,808,000	1,829,696	21,696
Total	100.00%	76,314,127	86,949,017	10,634,890

	Cost SR	Market Value SR	Unrealised gain SR
<i>Investments (by country)</i>			
Kingdom of Saudi Arabia	76,314,127	86,949,017	10,634,890
United Arab Emirates	22,963,201	25,557,841	2,594,640
Total	99,277,328	112,506,858	13,229,530

6. RECEIVABLES AGAINST SOLD SECURITIES

Receivables against sold securities represents the receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date. The receivable against sold securities were received subsequently to the reporting date.

HSBC GCC Equity Fund

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2022

7. TRANSACTIONS WITH RELATED PARTIES

A. Transactions and balances with Fund Manager

Related parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties of the Fund comprise HSBC Saudi Arabia (being the Fund Manager, the Fund Board and administrator of the Fund), mutual funds managed by the Fund Manager and The Saudi British Bank ("SABB") (being significant shareholder of the Fund Manager).

In the ordinary course of its activities, the Fund transacts business with Fund Manager and 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. These transactions were carried out on the basis of approved Terms and Conditions of the Fund

During the period / year, the Fund entered into the following transactions with related parties in the ordinary course of business:

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 (including VAT)	1,840,490	807,131	349,708	33,946
	Bank balances			2,671,719	4,018,987

The Fund pays the Fund Manager a management fee calculated at an annual rate of 2.30% 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 units in issue at 30 June 2022 include 4,009 units held by the employees of the Fund Manager (31 December 2021: 20,030 units) and units held by other funds managed by the Fund manager aggregating to 3,860,872 units (31 December 2021: 3,809,030 Units).

Fund Board member compensation and other fees such as custodian fee and administration fee during the year has been borne and paid by HSBC Saudi Arabia ("the Fund Manager")

Following mutual funds managed by the Fund Manager had transactions in units of the Fund:

B. Transactions and balances with Funds managed by the Fund Manager

Investments by other Funds in HSBC Global Equity Index Fund are set out below:

Related party	Nature of transactions	Amount of transactions		Balance	
		2021 SR	2020 SR	2021 SR	2020 SR
HSBC Multi-Assets Defensive Fund	Issuance / redemption, net	1,787,305	9,874,784	14,845,098	13,057,793
HSBC Multi-Assets Balanced Fund	Issuance / redemption, net	4,061,860	43,402,361	58,602,982	54,541,122
HSBC Multi-Assets Growth Fund	Issuance / redemption, net	3,068,371	13,711,711	19,556,088	16,487,717

The balance at reporting date also includes movements due to fair value adjustments.

HSBC GCC 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. Other assets all are 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>
ASSETS			
Bank balance	2,671,719	-	2,671,719
Financial assets at fair value through profit or loss (FVTPL)	124,191,531	-	124,191,531
Receivable against sold securities	4,537,763	-	4,537,763
Other receivables	17,275	-	17,275
TOTAL ASSETS	131,418,288	-	131,418,288
LIABILITIES			
Management fee payable	349,708	-	349,708
Accrued expenses and other payables	512,259	-	512,259
TOTAL LIABILITIES	861,967	-	861,967
<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	4,018,987	-	4,018,987
Financial assets at fair value through profit or loss (FVTPL)	112,506,858	-	112,506,858
Advances for IPO subscription	1,266,723	-	1,266,723
TOTAL ASSETS	117,792,568	-	117,792,568
LIABILITIES			
Management fee payable	33,946	-	33,946
Accrued expenses and other payables	366,631	-	366,631
TOTAL LIABILITIES	400,577	-	400,577

HSBC GCC Equity Fund

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2022

10. LAST VALUATION DAY

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

11. SIGNIFICANT EVENT

As the COVID-19 pandemic continues, Government is constantly taking measures to address public health issues and the economic impact. Accordingly, the Group's management continues to assess whether it will be affected by any developments and measures taken by Government and proactively assess its impact on its operations.

It is still uncertain to determine the size and extent of these effects, depending on future developments that cannot be accurately predicted at the present time, such as the rate of transmission of the virus and the size and effectiveness of the measures taken to contain it. In light of the uncertainty of the economic impact, it is not possible to make a reliable estimate of the resulting impact on the date of approval of these financial statements.

12. APPROVAL OF THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

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