

**HSBC GCC Equity Income 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 INCOME FUND (MANAGED BY HSBC SAUDI ARABIA)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of HSBC GCC Equity Income 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)





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Qualified Conclusion

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For Ernst & Young Professional Services

Fahad M. Al-Toaimi
Certified Public Accountant
License No. 354

Riyadh: 18 Muharram 1444H
(16 August 2022)

HSBC GCC Equity Income Fund

Interim condensed statement of financial position

As at 30 June 2022

		<i>30 June 2022 (Unaudited) SR</i>	<i>31 December 2021 (Audited) SR</i>
ASSETS			
Bank balance		8,352,307	10,450,906
Financial assets at fair value through profit or loss (FVTPL)	5	118,531,526	108,758,036
Advances for IPO subscription and other receivables		-	1,474,750
Receivables from sold securities	6	2,907,948	20,314,417
TOTAL ASSETS		129,791,781	140,998,109
LIABILITIES			
Management fee payable	7	13,884	27,148
Accrued expenses and other payables		184,222	169,200
Payable against purchased securities	6	-	13,842,219
TOTAL LIABILITIES		198,106	14,038,567
EQUITY			
Net assets attributable to unitholders of redeemable units		129,593,675	126,959,542
TOTAL LIABILITIES AND EQUITY		129,791,781	140,998,109
Redeemable units in issue		9,371,531	9,860,728
Net asset value attributable to each per unit		13.83	12.88

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

HSBC GCC Equity Income Fund

Interim condensed statement of comprehensive income (unaudited)

For the six-month period ended 30 June 2022

	Note	30 June 2022 SR	30 June 2021 SR
INCOME			
Net movement in unrealised gain on financial assets at FVTPL		3,520,120	19,593,297
Net realised gain on disposal of financial assets at FVTPL		7,927,562	3,564,624
Dividend income		2,481,253	2,433,128
Net exchange loss		(103,826)	(14,974)
TOTAL INCOME		13,825,109	25,576,075
EXPENSES			
Management fees	7	1,340,089	1,197,812
Other expenses		6,446	6,085
TOTAL EXPENSES		1,346,535	1,203,897
NET INCOME FOR THE PERIOD		12,478,574	24,372,178
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		12,478,574	24,372,178

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

HSBC GCC Equity Income 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	126,959,542	120,520,198
Net income for the period	12,478,574	24,372,178
Other comprehensive income for the period	-	-
Total comprehensive income for the period	12,478,574	24,372,178
Issue of units during the period	3,653,235	3,222,295
Redemption of units during the period	(10,619,529)	(16,387,650)
Net changes from unit transactions	(6,966,294)	(13,165,355)
DIVIDENDS TO UNITHOLDERS	(2,878,147)	(3,273,769)
EQUITY AT THE END OF THE PERIOD	129,593,675	128,453,252
	<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	9,860,728	11,535,002
Issue of units during the period	253,748	282,756
Redemption of units during the period	(742,945)	(1,458,100)
Net changes in units	(489,197)	(1,175,344)
UNITS AT THE END OF THE PERIOD	9,371,531	10,359,658

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

HSBC GCC Equity Income 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	12,478,574	24,372,178
<i>Adjustments to reconcile net income to net cash flows from operating activities:</i>		
Net movement in unrealised gain on financial assets at FVTPL	(3,520,120)	(19,593,297)
	8,958,454	4,778,881
<i>Working capital adjustments:</i>		
Financial assets at FVTPL	(6,253,370)	(683,264)
Receivables from sold securities	17,406,469	(1,562,644)
Advances for IPO subscription and other receivables	1,474,750	28,188
Management fee payable	(13,264)	28,974
Accrued expenses and other payables	15,022	117,892
Payable against purchased securities	(13,842,219)	-
Net cash flows from operating activities	7,745,842	2,708,027
FINANCING ACTIVITIES		
Proceeds from issuance of units	3,653,235	3,222,295
Payment on redemption of units	(10,619,529)	(16,387,650)
Payment of dividends	(2,878,147)	(3,273,769)
Net cash flows used in financing activities	(9,844,441)	(16,439,124)
DECREASE IN BANK BALANCE	(2,098,599)	(13,731,097)
Bank balance at the beginning of the period	10,450,906	15,117,500
BANK BALANCE AT THE END OF THE PERIOD	8,352,307	1,386,403

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

HSBC GCC Equity Income Fund

Notes to unaudited interim condensed financial statements

At 30 June 2022

1. INCORPORATION AND ACTIVITIES

HSBC GCC Equity Income 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

HSBC GCC Equity Income Fund (“the Fund”) is an investment fund established through an agreement between HSBC Saudi Arabia (“the Fund Manager”) and investors (“the Unitholders”).

The Fund seeks to achieve long-term capital appreciation and income by investing in Shariah-compliant equities listed on the GCC stock markets that offer sustainable dividend yields and / or the potential for dividend growth over the long term. The fund invests in accordance with Shariah screening criteria, approved by the Shariah supervisory committee.

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. The fund pays semi-annual dividends according to the terms and conditions.

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 Rajab1442H (corresponding to 24 February 2021G). The amended regulation are effective from 19 Ramadan 1442H (corresponding to 1 May 2021).

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)

HSBC GCC Equity Income Fund

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2022

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 Income 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>
<u>Investments in equities (by sector)</u>				
Banks	9.85%	5,844,501	8,229,224	2,384,723
Diversified Financials	2.86%	1,372,104	2,391,264	1,019,160
Energy	14.33%	9,586,943	11,976,227	2,389,284
Food & Staples Retailing	5.55%	3,886,299	4,635,560	749,261
Materials	34.31%	30,778,919	28,667,042	(2,111,877)
REITs	7.72%	7,623,149	6,450,795	(1,172,354)
Retailing	2.32%	1,889,610	1,938,816	49,206
Software & Services	10.25%	5,649,518	8,566,040	2,916,522
Telecommunication Services	12.81%	10,472,688	10,704,908	232,220
Total	100.00%	77,103,731	83,559,876	6,456,145

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 (loss) SR</i>
<u>Investments (by country)</u>			
State of Kuwait	2,100,295	2,217,470	117,175
State of Qatar	3,626,400	3,525,664	(100,736)
Kingdom of Saudi Arabia	77,103,731	83,559,876	6,456,145
United Arab Emirates	25,933,972	29,228,516	3,294,544
Total	108,764,398	118,531,526	9,767,128

	31 December 2021 (Audited)			
	<i>% of Market value</i>	<i>Cost SR</i>	<i>Market value SR</i>	<i>Unrealised gain (loss), net SR</i>
<u>Investments in equities (by sector)</u>				
Materials	33.01	26,872,314	28,311,788	1,439,474
Banks	14.82	12,806,850	12,707,545	(99,305)
Telecommunication Services	13.85	10,242,620	11,878,432	1,635,812
Retailing	3.04	1,751,944	2,606,419	854,475
Energy	12.25	10,129,902	10,506,298	376,396
Software & Services	7.62	5,758,096	6,532,798	774,702
Utilities	4.13	3,234,534	3,538,968	304,434
Transportation	2.99	3,596,537	2,565,814	(1,030,723)
Real Estate Management and Development	4.46	4,231,675	3,821,176	(410,499)
Diversified Financials	3.83	2,770,920	3,301,622	530,702
Total	100.00%	81,395,392	85,770,860	4,375,468

HSBC GCC Equity Income 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)

	<i>Cost</i> SR	<i>Market value</i> SR	<i>Unrealised</i> <i>gain</i> SR
<i>Investments (by country)</i>			
Kingdom of Saudi Arabia	81,395,392	85,770,860	4,375,468
United Arab Emirates	21,115,636	22,987,176	1,871,540
Total	<u>102,511,028</u>	<u>108,758,036</u>	<u>6,247,008</u>

6. RECEIVABLES AGAINST SOLD SECURITIES / PAYABLE AGAINST PURCHASED 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 receivables against sold securities were received subsequently to the reporting date.

Payable against purchased securities are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date. The payable against purchased securities were paid subsequently to the reporting date.

7. TRANSACTIONS WITH RELATED PARTIES

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:

<i>Related party</i>	<i>Nature of transactions</i>	<i>Amount of transactions</i>		<i>Balance</i>	
		<i>2022</i> SR	<i>2021</i> SR	<i>2022</i> SR	<i>2021</i> SR
HSBC Saudi Arabia (Fund Manager)	Fund management fee (including VAT)	1,340,089	1,197,812	13,884	27,148
	Bank balance			8,352,307	10,450,906

The Fund pays the Fund Manager a management fee calculated at an annual rate of 2.30% 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 units in issue at 30 June 2022 include 3,845 units held by the employees of the Fund Manager (31 December 2021: 500 units).

The units in issue at 30 June 2022 include 2,000,000 units held by the Fund Manager (31 December 2021: 2,000,000 units).

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

HSBC GCC Equity Income 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>
ASSETS			
Bank balance	8,352,307	-	8,352,307
Financial assets at fair value through profit or loss (FVTPL)	118,531,526	-	118,531,526
Receivables from sold securities	2,907,948	-	2,907,948
TOTAL ASSETS	129,791,781	-	129,791,781
LIABILITIES			
Management fee payable	13,884	-	13,884
Accrued expenses and other payables	184,222	-	184,222
TOTAL LIABILITIES	198,106	-	198,106
<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	10,450,906	-	10,450,906
Financial assets at fair value through profit or loss (FVTPL)	108,758,036	-	108,758,036
Advances for IPO subscription and other receivables	1,474,750	-	1,474,750
Receivables from sold securities	20,314,417	-	20,314,417
TOTAL ASSETS	140,998,109	-	140,998,109
LIABILITIES			
Management fee payable	27,148	-	27,148
Accrued expenses and other payables	169,200	-	169,200
Payable against purchased securities	13,842,219	-	13,842,219
TOTAL LIABILITIES	14,038,567	-	14,038,567

9. LAST VALUATION DAY

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

HSBC GCC Equity Income Fund

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2022

10. 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.

11. 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).