



## الشركة الشرقية للتنمية Sharqiyah Development Co.

Asharqiyah Development Company (hereinafter referred to as the "Company" or "Asharqiyah Development"), is a Saudi public joint stock company registered with the Ministry of Commerce under the trade name "Asharqiyah Development Company" and established pursuant to Ministerial Resolution No. (1305) dated 25/06/1405H (corresponding to 17/03/1985G), and in accordance with Commercial Registration Certificate No. (2050016477) dated 19/01/1407H (corresponding to 24/09/1986G) issued in the City of Dammam. The Company's registered head office is in the City of Dammam - Al-Nakhil District in the Kingdom of Saudi Arabia - P.O. Box: 8117, Zip Code: 31462, Tel: 8099439. The Company's initial trade name was "Asharqiyah Agricultural Development Company" which has been amended to become the current trade name "Asharqiyah Development Company" following the EGA's approval on the amendment of the by-laws on 16/07/1428H (corresponding to 30/07/2007G). The Company's current paid up capital is seventy-five million (75,000,000) Saudi Riyals divided into seven million and five hundred thousand (7,500,000) ordinary shares with a fully paid nominal value of ten (10) Saudi Riyals (individually referred to as the "Existing Share" and collectively as the "Existing Shares"). As of the date of this prospectus, the Company does not have any major shareholder (owning directly 5% or more of the Company's shares).

The Company's Board of Directors (the "BoD" or the "Board") (and any reference to Directors or a Director is to a Board member) recommended in its meeting convened on 15/05/1442H (corresponding to 30/12/2020G) to increase the capital through rights offering by issuance of new shares; Offering twenty-two million five hundred thousand (22,500,000) ordinary shares at an Offering Price of ten (10) Saudi Riyals SAR per share through issuance of Rights Issue Shares with a total value of two hundred and twenty-five million Saudi Riyals (SAR 225,000,000) representing an increase of (300%) to increase the paid up capital to three hundred million Saudi Riyals (SAR 300,000,000) (the "Capital Increase") subject to obtain the necessary regulatory approvals and the EGA's approval. On 17/10/1444H (corresponding to 07/05/2023G), the EGA approved the Company's capital increase by way of a rights issue at an offering of ten (10) Saudi Riyal per share (hereinafter referred to as the "Offering Price") and a nominal value of ten (10) Saudi Riyals per share, in order to increase the Company's capital from seventy-five million (75,000,000) Saudi Riyals, divided into seven million five hundred thousand (7,500,000) ordinary shares to three hundred million (300,000,000) Saudi Riyals, divided into thirty million (30,000,000) ordinary shares representing an increase of 300% (the "Offering").

The rights issue shares will be issued as tradable securities (referred to collectively as the "Rights" and individually as the "Right") to the shareholders of, who own shares at the end of the trading day of the EGA approving the Capital Increase (referred to as the "Eligibility Date") and registered at the Depository Center at the end of the second trading day following the EGA approving the Capital Increase on the 19/10/1444H (referred collectively as the "Registered Shareholders" and individually as "Registered Shareholder"), and such Rights will be deposited in the Registered Shareholders portfolios after the EGA approving the Capital Increase, taking into account the settlement procedure of (3) Right(s) for every (1) share of the Company's share. Each Right gives its holder the right to subscribe to one (1) New Share at the Offering Price.

Registered shareholders and other investors (referred to as "New Investors") - who may trade the Rights and subscribe to the New Shares - will be able to trade and subscribe to the Rights Issue Shares in the Saudi Stock Exchange (referred to as "Tadawul" or the "Exchange").

The Trading Period and the Subscription Period start 3 Business Days post the EGA approval to increase the capital on 21/10/1444H (corresponding to 11/05/2023G), with the Trading Period ending on the day 28/10/1444H (corresponding to 18/05/2023G) (the "Trading Period") and the Subscription Period lasting up to 03/11/1444H (corresponding to 23/05/2023G) (the "Subscription Period"). It should be noted that the Trading Period and the Subscription Period will start on the same day, while the Trading Period will continue until the end of the sixth



### Trading Period

Starts on Thursday

21/10/1444H  
Corresponding to 11/05/2023G

Ends on Thursday

28/10/1444H  
Corresponding to 18/05/2023G



### Subscription Period

Starts on Thursday

21/10/1444H  
Corresponding to 11/05/2023G

Ends on Tuesday

03/11/1444H  
Corresponding to 23/05/2023G

## Rights Issue Prospectus

Asharqiyah Development Company is a Saudi public joint stock company established pursuant to the Ministerial Resolution No. (1305) dated 25/06/1405H (corresponding to 17/03/1985G) and Commercial Registration No. (2050016477) dated 19/01/1407H (corresponding to 24/09/1986G) issued in Dammam.

Offering twenty-two million five hundred thousand (22,500,000) ordinary shares at an Offering Price of ten (10) Saudi Riyals SAR per share through issuance of Rights Issue Shares with a total value of two hundred and twenty-five million Saudi Riyals (SAR 225,000,000) representing an increase of (300%) to increase the paid up capital to three hundred million Saudi Riyals (SAR 300,000,000).

(6) day of the beginning of the period, the Subscription Period will continue until the end of the ninth (9) day of the beginning of the same period.

Registered Shareholders will be able to trade the Rights during the Trading Period by selling the acquired Rights or part thereof or buying additional Rights through the Saudi Stock Exchange ("Tadawul" or the "Exchange") and New Investors will also be able to buy Rights through the Exchange and sell the Rights purchased during the Trading Period.

Subscription to the New Shares will be available during the Subscription Period in one phase as follows:

- (1) During this period, all Registered Shareholders and New Investors will be entitled to subscribe to the New Shares.
- (2) Registered Shareholder will be entitled to subscribe directly the number of this shares or less than the number of their shares during the Subscription Period, and if they acquire New Rights they will be able to subscribe to them after the end of the settlement period (two business days).
- (3) New Investors will be entitled to subscribe to the New Shares after the end of settlement period (two business days).
- (4) Subscription will be available electronically online through the investment portfolios in the trading platforms and applications through which purchase and sale orders are entered, in addition to subscription through other channels and means available at the broker.

In the event that any shares remain unsubscribed for at the end of the Subscription Period (referred to as "Rump Shares"), those shares will be offered at a minimum of the Offering Price to a number of institutional investors (referred to as "Institutional Investors") (this offering is referred to as the "Rump Offering"), and such Institutional Investors shall submit offers to purchase the Rump Shares. Receipt of such offers will start at 10:00 am on 08/11/1444H (corresponding to 28/05/2023G) until 5:00 pm on 09/11/1444H (corresponding to 29/05/2023G) (referred to as the "Rump Offering Period"). Rump Shares will be allocated to the Institutional Investors with the highest bid, then the lowest and the lowest (provided it is not lower than the Offering Price). The Shares will be allocated on proportionately to the Institutional Investors submitting the same offer. As for Fractional Shares (if any), they will be added to the Rump Shares and treated similarly. The total Offering Price of the Rump Shares will be paid to the Company and the rest and fractional shares. The sale proceeds of the Rump Shares and the fractional shares (i.e., in excess of the proceeds from the sale of those Rump Shares and the Fractional Shares (exceeding the Offering Price, if any) will be distributed without deducting any fees to the eligible persons who have not exercised their right to subscribe either in whole or in part, as well as holders of fractional shares, each according to what he or she may be entitled to no later than Monday 23/11/1444H (corresponding to 12/06/2023G).

In the event that the Institutional Investors have not subscribed in all the Rump Shares and Fractional Shares (if any), the remaining will be allocated to the Underwriter who will buy them at the Offering Price (please refer to Section 12 "Information Concerning the Shares and Terms & Conditions of the Offer"). The Company's paid up capital will become three hundred million (300,000,000) Saudi Riyals divided into thirty million (30,000,000) ordinary shares. The Net Offering Proceeds will be mainly used to finance the working capital for the purchase of raw materials and finished products, settling future loans with commercial banks, implementing a production efficiency control system, adding a production line for the processing of carpet backgrounds and a rug production line with digital printing, starting a unified operational footprint project and a project Central distribution center. (Please refer to Section (6) "Use of Offering Proceeds").

The Company has only one class of shares and no share give shall have any preferential right. The New Shares will be fully paid and rank identically with the existing shares. Each share entitles its holder to one vote and each shareholder ("Shareholder") has the right to attend and vote at the general assembly meetings ("General Assembly") of the Company

(whether ordinary or extraordinary) and vote in them. Holders of the New Shares shall be entitled to receive their portion of any dividends declared by the Company after their issuance date (if any).

The Company is considered to be one of the first companies which shares were listed on the Saudi Stock Exchange Market ("Tadawul") after obtaining the approval of the Ministry of Commerce and the Saudi Arabian Monetary Agency (the competent authority at the time) before the automated system for stock trading was established (in 2001G), as an alternative system to the electronic securities information system ESIS, which was working under the supervision of the Stock Control Department at the Saudi Arabian Monetary Agency (the competent authority at the time). The trading of the Company's shares began on 09/04/1405H (corresponding to 01/01/1985G). On 23/02/1423H (corresponding to 06/05/2002G) the EGA decided to reduce the capital from one hundred seventy-eight million three hundred and forty-three thousand four hundred and fifty (178,343,450) Saudi Riyals to seventy-five million (75,000,000) Saudi Riyals divided into one million five hundred thousand (1,500,000) ordinary shares with a fully paid nominal value of fifty (50) Saudi Riyals per share. On 03/03/1427H (corresponding to 01/04/2006G), the Extraordinary General Assembly (EGA) approved the reduction of the nominal value of the Company's shares from fifty (50) Saudi Riyals to ten (10) Saudi Riyals and the Company's paid up capital become seventy-five million (75,000,000) Saudi Riyals divided into seven million five hundred thousand (7,500,000) ordinary shares with a nominal value of ten (10) Saudi Riyals fully paid.

The number of shares listed as of the date of this Prospectus is seven million five hundred thousand (7,500,000) currently being traded in the Saudi Exchange ("Tadawul"). The Company has filed a request to the Capital Market Authority ("CMA") to register and offer the New Shares in accordance with this Prospectus. The Company has also submitted a request to the Saudi Stock Exchange Company ("Tadawul") to accept the listing of the New Shares. It has provided all supporting documents; and all the requirements of the relevant authorities have been fulfilled. The New Shares are expected to start being traded soon after the final allocation thereof and the refund (please refer to page (ix) "Key Dates and Subscription Procedure"). Trading in the New Shares - after they are registered and accepted for listing - will be available to citizens of Saudi Arabia, and legal residents therein, as well as GCC nationals and Saudi companies, banks, Saudi investment funds, GCC companies and institutions, as well as foreign investors from outside the KSA (through swap agreements or as qualified investors) are entitled to trade in the New Shares. Moreover, Qualified Foreign Investors and Approved QFI Clients will be permitted to trade in the New Shares under the Investment Rules for eligible foreign financial institutions to invest in listed securities. The Company has filed a request to the Capital Market Authority ("CMA") to register and offer the New Shares in accordance with this Prospectus. The Company has also submitted a request to the Saudi Stock Exchange Company ("Tadawul") to accept the listing of the New Shares. It has provided all supporting documents; and all the requirements of the relevant authorities have been fulfilled.

This Prospectus should be read in full and the "Important Notice" on page (i) and Section (2) "Risk Factors" should be considered carefully before making any investment decision related to the Rights or the New Shares.

**Tadawul** The offering of the Rights Shares pursuant to this Prospectus, is subject to the shareholders' approval in the meeting of the Extraordinary General Assembly ("EGA") on the capital increase as recommended by the Board of Directors ("Directors") and the regulatory approvals. A call for the Company's EGA has been published to approve the issuance of Rights Shares on 22/09/1444H (corresponding to 13/04/2023G). The shareholders should be aware that if no approval is obtained for the offering of Rights Shares, the Rights Issue shall be deemed to be cancelled and this Prospectus shall be considered void in which the Shareholders shall be notified thereof.

Financial Advisor, Lead Manager  
and Underwriter

الخير كابيتال  
ALKHAIR CAPITAL

This Prospectus includes information provided as part of the application for registration and offer of securities in compliance with the Rules on the Offer of Securities and Continuing Obligations of the Capital Market authority of the Kingdom of Saudi Arabia (the "Authority") and the application for listing of securities in compliance with the Listing Rules of the Saudi Exchange. The directors, whose names appear on page (iii), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The Authority and the Saudi Exchange do not take any responsibility for the contents of this Prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

This Prospectus is an unofficial English translation of the official Arabic Prospectus and is provided for information purposes only. The Arabic language Prospectus Published on the CMA's website ([www.cma.org.sa](http://www.cma.org.sa)) remains the only official, legal binding version and shall prevail in the event of any conflict between the two texts.

This Prospectus is dated 04/05/1444H (corresponding to 28/11/2022G).



الشركة الشرقية للتنمية  
Sharqiyah Development Co.

## Important Notice

This Prospectus (the “**Prospectus**”) contains detailed information about Asharqiyah Development Company and the Rights Issue Shares offered for subscription. When applying to subscribe for the New Shares, investors will be treated on the basis that their applications are based on the information contained in this Prospectus, a copy of which can be obtained from the Company, the Lead Manager or by visiting the website of the Company ([www.asharqiyah.com.sa](http://www.asharqiyah.com.sa)), the Financial Advisor and Lead Manager ([www.alkhaircapital.com.sa](http://www.alkhaircapital.com.sa)) and the Capital Market Authority ([www.cma.org.sa](http://www.cma.org.sa)).

This Prospectus shall be published and made available to the public within a period not less than (14) days prior to the date of the Extraordinary General Assembly (EGA) on the capital increase. In the event that the EGA does not approve the capital increase within six (6) months of the approval of the CMA's approval of registering and offering the Rights Issue Shares, the CMA's approval shall be considered void.

The Company has appointed “**Al-Khair Capital Company**” as a financial advisor (referred to as “**Financial Advisor**”), lead manager (“**Lead Manager**”) and as underwriter (“**Underwriter**”) in relation to the Rights Issue Offering to increase the Company's capital under this Prospectus.

This Prospectus contains information provided according to the requirements of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority. The Directors, whose names appear on page (iii), collectively and individually, accept full responsibility for the accuracy of the information contained in this Prospectus, and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading. Neither CMA nor the Saudi Exchange (Tadawul) do not take any responsibility for the contents of this Prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus at the date hereof, substantial portions of the information herein are derived from external sources, and while none of the Company, its managers, its Board of Directors, the Financial Advisor, or any of the Company's Advisors whose names appear on page (v) (“**the Advisors**”) of this Prospectus have any reason to believe that any of the information is materially inaccurate, such information has not been independently verified, and therefore no representation is made as to the accuracy and completeness of any of this information.

The information contained in the Prospectus as at the date hereof is subject to change. In particular, the actual financial condition of the Company and the value of the Offer Shares may be adversely affected by future developments such as inflation factors, interest rates, taxation, or other economic and political factors or other ones over which the Company has no control (please refer to Section 2 “**Risk Factors**”). Neither the delivery of this Prospectus nor any oral, written or printed interaction in relation to the Offering is intended to be, nor should be construed as or relied upon in any way as, a promise or representation as to future earnings, results or events.

The Prospectus shall not to be regarded as a recommendation by the Company, or the Board of Directors or any of the Advisors thereof to participate in the Offering. Moreover, the information contained in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs.

Prior to making an investment decision, each recipient (natural or legal) of this Prospectus shall be responsible for obtaining independent professional advice from a financial advisor licensed by CMA in relation to the Offering in order to assess the appropriateness of the investment opportunity and the information contained in this Prospectus with respect to his objectives, financial situation and needs.

Registered Shareholders and other public investors (“**New Investors**”) - who have the right to trade the Rights and subscribe to the New Shares - shall be able to trade and subscribe to Rights Issue Shares in the Saudi Stock Exchange (“**Tadawul**” or “**Exchange**”) during the Trading Period and the Subscription Period which will begin 3 Business Days post the EGA approval to increase the capital on 21/10/1444H (corresponding to 11/05/2023G). The Trading Period shall end at the end of the sixth day on Thursday 28/10/1444H (corresponding to 18/05/2023G) (the “**Trading Period**”), whereas the Subscription Period shall last until the end of the ninth day on Tuesday 03/11/1444H (corresponding to 23/05/2023G) (the “**Subscription Period**”).

It should be noted that the trading period and the Subscription Period will begin at the same time. Whereas Trading Period shall last until the end of the sixth day of the beginning of the period, while the Subscription Period will shall last until the end of the ninth day of the beginning of the same period.

Registered Shareholders will be able to trade the Rights during the Trading Period by selling the acquired Rights issue or part thereof or buying additional Rights through the Exchange, and New investors will also be able to buy Rights through the Exchange and sell Rights purchased during the Trading Period.

Subscription to the New Shares will be available during the Subscription Period in one phase as follows:

1. During this period, all Registered Shareholders and New Investors will be entitled to subscribe to the New Shares.
2. Registered Shareholders will be entitled to subscribe to the New Shares after the end of settlement period (two Business Days).
3. New Investors will be entitled to subscribe to the New Shares after the end of settlement period (two business days).



- Subscription will be available electronically through the investment portfolios in the trading platforms and applications through which sale and purchase are entered, in addition to subscription through other channels and means available at the broker.

In the event that any shares remain unsubscribed for at the end of the Subscription Period (the “**Rump Shares**”), those shares will be offered at a minimum of the Offering Price to a number of Institutional Investors (“**Institutional Investors**”) (this offering is referred to as (the “**Rump offering**”), and such Institutional Investors shall submit offers to purchase the Rump Shares. Receipt of such offers will start at 10 AM on Sunday 08/11/1444H (corresponding to 28/05/2023G) until 5 PM on Monday 09/11/1444H (corresponding to 29/05/2023G) (the “**Rump Offering Period**”). Rump Shares will be allocated to the Institutional Investors within the highest bid, then the lowest and the lowest (provided that it is not less than the Offering Price). the shares will be allocated proportionately to the Institutional Investors submitting the same offer. As for Fractional Shares (if any), they will be added to the Rump Shares and treated similarly. The total Offering Price of the Rump Shares will be paid to the Company and the rest of the proceeds from the sale of those Rump Shares and the Fractional Shares (exceeding the Offering Price, if any) will be distributed without deducting any fees to the eligible persons who have not exercised their right to subscribe either in whole or in part, as well as holders of fractional shares each according to what he may be entitled to no later than Monday 23/11/1444H (corresponding to 12/06/2023G).

In the event that Institutional Investors have not subscribed in all the Rump Shares and Fractional Shares, the remaining will be allocated to the Underwriters who will buy them at the Offering Price (please refer to Section 12 “**Information Concerning the Shares and Terms and Conditions of the Offer**”). The final allocation for the New Shares will be announced no later than Sunday 15/11/1444H (corresponding to 04/06/2023G) (the “**Allocation Date**”) (see Section 12 “**Information Concerning the Shares and Terms and Conditions of the Offer**”).

## Financial Information

The audited consolidated financial statements for the financial years ending December 31, 2019G, 2020G and 2021G have been prepared in accordance with International Financial Reporting Standards (IFRS) and the standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“**SOCPA**”).

The financial statements for the fiscal years 2019G and 2020G were audited by Al-Azm, Al-Sudairi, Al-Sheikh and Partners, Certified Accountants and Consultants, while the financial statements for the fiscal year 2021G, were audited by the Allied Accountants (RSM) for Accounting and Audit services.

The Company issues its financial statements in Saudi riyals. Certain financial and statistical information contained in this Prospectus have been subject to rounding adjustments. Accordingly, numbers presented for the same item may vary slightly in different tables, and totals in certain tables may not equal the addition of the individual items.

## Forecasts and Forward-looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of specific and announced assumptions mentioned in the relevant issues. Future operating conditions may differ from the assumptions used and consequently there is no assurance, affirmation, representation, or warranty or commitment given as to the accuracy or completeness of any of these forecasts. The Company confirms that the information contained in this Prospectus has been prepared with due care.

Some of the forecasts and statements in this Prospectus constitute “forward-looking statements”. Such statements can generally be identified by their usage of words that indicate future prospects such as “intends”, “plans”, “estimates”, “believes”, “expects”, or “possibly” or “will”, “intend”, “should”, “expected,” or “may” or the contrary thereof or other variations of such terms or comparable terminology.

These forward-looking statements reflect the Company’s and its management’s current views of future events, and are not a guarantee of any future actual performance of the Company. There are many factors that may affect Company’s actual results, performance or achievements or results leading to a significantly difference from the expected either explicitly or implicitly.

The most significant risks and factors that could lead to this were described in more detail in other sections of this Prospectus (please see section (2) “**Risk Factors**” of this Prospectus). In case that one or more of these risks is met, or if any of the projections and future statements in this Prospectus are incorrect e or inaccurate, the actual results of the Company may differ materially from those anticipated, estimated, planned or assumed in this Prospectus.

Subject to the Rules on the Offer of Securities and Continuing Obligations, the Company shall submit a supplementary Prospectus to the Capital Market Authority (CMA), if it is informed at any time after the date of the publication of this Prospectus and before the completion of the Offering of any of the following: (1) An important change in the material matters contained in this Prospectus, or any document required under the Listing Rules and the continuous disclosure requirements ; (2) Any significant issues that should have been included in the Prospectus have arisen.

With the exception of the abovementioned situations, the Company does not intend to update or amend any information, whether as a result of new information, future events or otherwise. As a result of the foregoing, risks, assumptions and other uncertainties, the projections of future events and circumstances described in this Prospectus may not occur as the Company expects or may not occur at all. Therefore, potential investors should examine all future statements in the light of these interpretations and should not rely on these future statements in the first place.

## Company's Directory

### BoD Members Appointed on 29/11/1441H (corresponding to 20/07/202G) <sup>\*</sup>

Name	Position	Nationality	Age	Status	On behalf of	Owned Shares		Ownership Percentage		Appointment Date
						Direct	Indirect <sup>**</sup>	Direct	Indirect <sup>**</sup>	
Ali bin Yahya bin Ali al-Jaafari	Chairman of the Board	Saudi	57	Non-Executive	Himself	300	-	0.0040000	-	29/11/1441H (corresponding to 20/07/202G)
Mansour bin Abdul Khaliq bin Jamaan Al-Ghamdi <sup>***</sup>	Deputy Chairman of the Board	Saudi	44	Independent	Himself	33,905	-	0.4520667	-	29/11/1441H (corresponding to 20/07/202G)
Muhammad bin Abdullah bin Hujailan Al-Hujailan	Delegate Member	Saudi	61	Executive	Himself	244	-	0.0032533	-	29/11/1441H (corresponding to 20/07/202G)
Salman bin Ahmed bin Yahya Jassas <sup>****</sup>	Board Member	Saudi	41	Independent	Himself	-	-	-	-	29/11/1441H (corresponding to 20/07/202G)
Abdul Rahman bin Muhammad bin Abdul Rahman Al Drees <sup>****</sup>	Board Member	Saudi	44	Independent	Himself	-	-	-	-	29/11/1441H (corresponding to 20/07/202G)

Source: The Company

<sup>\*</sup> The 42nd Ordinary General Assembly, held on 16/10/1441H (corresponding to 08/06/2020G), approved the appointment of the above-mentioned members of the Board of Directors for the current session, which begins on 29/11/1441H (corresponding to 20/07/2020G) and ends on 01/01/1445H (corresponding to 19/07/2023G).

<sup>\*\*</sup> Means the shares owned indirectly by Board Members in the Company through their ownership in companies owning shares in the Company, or the shares owned by Board Members' relatives, either directly or through their ownership in companies owning shares in the Company.

<sup>\*\*\*</sup> On 10/11/1442H (corresponding to 20/06/2021G), the Board of Directors decided to appoint Eng. Mansour bin Abdul-Khaleq bin Jamaan Al-Ghamdi as Vice Chairman of the Board of Directors.

<sup>\*\*\*\*</sup> On 03/11/1442H (corresponding to 13/06/2021G), Bandar bin Muhammad Al Mahmoud and Faris bin Hamad bin Faris submitted a request to resign from their positions as members of the Board of Directors (Independent) and members of the Nomination and Remuneration Committee, and the Board approved the resignation requests and considered them valid from 07/11/1442H (corresponding to 17/06/2021G). The Board of Directors approved the appointment of Salman bin Ahmed bin Yahya and Abdul Rahman bin Muhammad bin Abdul Rahman Al-Drees as members of the Board of Directors (Independent) and members of the Nomination and Remuneration Committee, and this appointment was approved by the 46th General Assembly held on 23/12/1442H (corresponding to 02/08/2021G).

## Company's Address:

### Asharqiyah Development Company

Dammam - Al Nakhil District - King Khalid Bin  
Abdul Aziz - Clock Tower - Office No. 605  
PO Box 7118  
Tel: +966 (13) 809 9439  
Fax: +966 (13) 809 9438  
Website: www.asharqiyah.com.sa  
E-mail: info@asharqiyah.com.sa



الشركة الشرقية للتنمية  
Sharqiyah Development Co.

### First Authorized Company Representative

#### Ali bin Yahya al-Jaafari

Chairman of the Board of Directors  
Asharqiyah Development Company  
Riyadh  
Tel: +966 (13) 809 9436, ext(30)  
Fax: +966 (13) 809 9438  
Website: www.asharqiyah.com.sa  
E-mail: aljaafari@asharqiyah.com.sa

### Second Authorized Company Representative

#### Mohammed bin Abdullah Al-Hujailan

CEO and Managing Director  
Asharqiyah Development Company  
Riyadh  
Tel: +966 (13) 809 9436, ext(44)  
Fax: +966 (13) 809 9438  
Website: www.asharqiyah.com.sa  
E-mail: mhujailan@asharqiyah.com.sa

### Saudi Exchange (Tadawul)

King Fahd Road - Olaya 6897  
Unit No.: 15  
P.O. Box: 60612, Riyadh 11555  
Kingdom of Saudi Arabia  
Phone: +966 (11) 218 1200  
Fax: +966 (11) 218 1260  
Website: www.saudiexchange.sa  
E-mail: csc@saudiexchange.sa



## Advisors

### Financial Advisor, Lead manager and Underwriter

#### Alkhair Capital Saudi Company

King Abdul Aziz Road - Ministries District - Madarat Towers  
PO Box 69410 Riyadh 11547  
Kingdom of Saudi Arabia  
Phone: +966 (11) 215 5678  
Fax: +966 (11) 219 1270  
Website: [www.alkhaircapital.com.sa](http://www.alkhaircapital.com.sa)  
E-mail : [info@alkhaircapital.com.sa](mailto:info@alkhaircapital.com.sa)

الخير كابيتال  
ALKHAIR CAPITAL



### Legal Advisor

#### Al-Saleh, Al-Sahli & Partners Law Firm

Al Seef Center - King Abdullah Road - Al Worood District  
P.O. Box: 90549 Riyadh 11623  
Saudi Arabia  
Phone: +966 (11) 205 4555  
Fax: +966 (11) 205 4222  
Website: [www.ssfim.com.sa](http://www.ssfim.com.sa)  
Email: [corporate@ssfim.com.sa](mailto:corporate@ssfim.com.sa)

الصالح والساهلي ومشاركوهم  
للمحاماة والاستشارات القانونية  
Alsaleh, Alsaleh & Partners Law Firm  
in co - operation with Daher Firm



### The Company's Legal Accountant for the Years 2018G, 2019G and 2020G Chartered Accountants for the Last Three Years

#### Al Azem, Al Sudairi, Al-Shaikh & Partners Co. Chartered Accountants and Consultants

Al-Khobar, King Fahd Road, Al-Bandariah 11443  
PO Box 10504  
Kingdom of Saudi Arabia  
Tel: +966 (13) 803 5666  
Fax: +966 (13) 803 5999  
Website: [www.crowe.com.sa](http://www.crowe.com.sa)  
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 Crowe Horwath.

### Chartered Accountants for the Year 2021G

#### United Accountants for Professional Consulting RSM

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 RSM

Note: All of the aforementioned Advisors have given and not withdrawn, as of the date of this Prospectus, their written consent to the publication of their names, logos and statements in the manner set forth in this Prospectus. Neither the Advisors nor any of their employees or relatives hold any shares or any interest of any kind in the Company as of the date of this Prospectus.

## Summary of the Offering

Investors wishing to subscribe to shares of this offering must read the entire Prospectus before deciding to invest in the offered Company's shares, as the offering summary is not sufficient to make an investment decision. Below is a summary of the offering:

Issuer's Name, Description and Information about its Incorporation	Asharqiyah Development Company (hereinafter referred to as the "Company" or "Asharqiyah Development"), is a Saudi public joint stock company registered with the Ministry of Commerce under the trade name "Asharqiyah Development Company" and established pursuant to Ministerial Resolution No. (1305) dated 25/ 06/1405H (corresponding to 17/03/1985G), and in accordance with Commercial Registration Certificate No. (2050016477) dated 19/01/1407H (corresponding to 24/09/1986G) issued in the City of Dammam. The Company's initial trade name was "Asharqiyah Agricultural Development Company" which has been amended to become the current trade name "Asharqiyah Development Company" following the EGA's approval on the amendment of the by-laws on 16/07/1428H (corresponding to 30/07/2007G). The Company's registered head office is in the City of Dammam - Al-Nakhil District in the Kingdom of Saudi Arabia - P.O. Box: 8117, Zip Code: 31462, Tel: 8099439.																					
Issuer's Activity	The Company's activities, as stated in the Commercial Registry, are as follows: growing vegetables in greenhouses, and a variety of open-field vegetables, hydroponic crop production, mixed farming (mixed crop-livestock production), irrigation projects (operating irrigation systems for agricultural projects), installation of farm houses, supporting activities for livestock production.																					
Issuer's Substantial Shareholders, their Ownership Percentages and Number of Shares Pre-offering	Persons who own 5% or more of the Company's share capital. As of the date of this Prospectus, the Company has no substantial (major) shareholders.																					
Nature of the Offer	Capital increase through a Rights Issue																					
Purpose Beyond the Proposed Rights Issue	The Company intends to increase its capital by offering Rights Issue Shares to finance its working capital in order to implement all the projects included in its strategic plan. However, given the poor liquidity resources, the Company will gradually execute its operational plan, as management will use its offering proceeds and subscription to start implementing the integrated poultry project, (for more details, please refer to Section No. (6) "Use of Offering Proceeds and Future Projects").																					
Total Proceeds Expected to Be Raised and a Detailed Breakdown and Description of the Proposed Use of Proceeds	<p>It is expected that the total proceeds of the subscription for the rights issue will reach two hundred twenty-five million (225,000,000) SAR. The net subscription proceeds will be used after deducting all the costs of the offering to finance the Company's future plans and expand its different activities as well as devoting part of the subscription proceeds to pay previous and overdue liabilities.</p> <p>The following table shows the use of the net offering proceeds:</p> <table border="1"> <thead> <tr> <th colspan="3">Table of the Use of Net Offering Proceeds (in SAR)</th> </tr> <tr> <th>Items</th> <th>Total (Thousands SAR)</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Expansion of the Company's Business in the Poultry Sector</td> <td>177,300</td> <td>78.8%</td> </tr> <tr> <td>Paying off Obligations and Liabilities</td> <td>29,000</td> <td>12.89%</td> </tr> <tr> <td>Working Capital</td> <td>15,000</td> <td>6.67%</td> </tr> <tr> <td>Offering Costs</td> <td>3,700</td> <td>1.64%</td> </tr> <tr> <td><b>Total</b></td> <td><b>225,000</b></td> <td><b>100%</b></td> </tr> </tbody> </table> <p>Source: Company's Management</p> <p>*The ratio is approximative</p>	Table of the Use of Net Offering Proceeds (in SAR)			Items	Total (Thousands SAR)	Percentage	Expansion of the Company's Business in the Poultry Sector	177,300	78.8%	Paying off Obligations and Liabilities	29,000	12.89%	Working Capital	15,000	6.67%	Offering Costs	3,700	1.64%	<b>Total</b>	<b>225,000</b>	<b>100%</b>
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Offering Costs	The offering costs are expected to be around three million seven hundred thousand (3,700,000) Saudi Riyals, which includes the fees of: the financial advisor, the lead manager, the underwriter, the legal advisor, the auditor and marketing expenses, printing, distribution and other expenses related to subscription, (for more details, please refer to section No. (6) "Use of Offering Proceeds and Future Projects").																					
Net Offering Proceeds	It is expected that the net offering proceeds will amount to about two hundred and twenty-one million three hundred thousand (221,300,000) Saudi Riyals (please refer to section No. (6) "Use of Offering Proceeds and Future Projects" of this prospectus).																					
Issuer's Capital before Offering	Seventy-five million (75,000,000) Saudi Riyals																					
Issuer's Capital after Offering	Three hundred million (300,000,000) Saudi Riyals																					
Issuer's Total Number of Shares before Offering	Seven million five hundred thousand (7,500,000) shares																					
Issuer's Total Number of Shares after Offering	Thirty million (30,000,000) shares																					
Nominal Value of Share	Ten (10) Saudi Riyals per share																					



<b>Total Number of Offered Shares</b>	Twenty-two million five hundred thousand (22,500,000) ordinary shares
<b>Percentage of Offered Shares to the Capital</b>	300%
<b>Price of Offering</b>	Ten (10) Saudi Riyals per share
<b>Total Value of Offering</b>	Two hundred twenty-five million (225,000,000) Saudi Riyals
<b>Total Number of Shares Underwritten</b>	Twenty-two million five hundred thousand (22,500,000) Ordinary Shares
<b>Total Underwritten Sum</b>	Two hundred twenty-five million (225,000,000) SAR
<b>Types of Targeted Investors</b>	Registered Shareholders and New Investors.
<b>Registered Shareholders</b>	Shareholders at the end of the trading day of the (Extraordinary) General Assembly approving the Capital Increase who are registered in the Company's shareholders register at the Depository Center at the end of the second trading day following the (Extraordinary) General Assembly approving the Capital Increase on 19/10/1444H (corresponding to 09/05/2023G).
<b>New Investors</b>	All investors whether individual and institutional investors - other than Registered Shareholders - who purchased Rights during the Trading Period.
<b>Rights Issue</b>	Rights are tradable securities giving their holder the priority right to subscribe to the New Shares offered, after approval of the capital increase. These securities are considered a right acquired by all Registered Shareholders. The Rights may be traded during the Trading Period. Each Right grants its holder eligibility to subscribe to one New Share at the Offer Price. The Rights will be deposited in the portfolio of Registered shareholders within two business days following the meeting of the Extraordinary General Assembly at which the capital increase has been approved. The Rights will appear in the portfolios of the Registered Shareholders under a new code designated for Rights.
<b>Number Of Issued Rights</b>	Twenty-two million five hundred thousand (22,500,000) Rights.
<b>Eligibility Factor</b>	Each registered shareholder is granted (3) rights for each (1) share he owns, and this factor is the result of dividing the number of New Shares by the number of the existing shares of the Company.
<b>Eligibility Date</b>	Shareholders at the end of the trading day of the Extraordinary General Assembly approving the Capital Increase who are registered in the Company's shareholders register at the Depository Center at the end of the second trading day, following the Extraordinary General Assembly approving the Capital Increase, on 17/10/1444H (corresponding to 07/05/2023G).
<b>Subscription Period</b>	The Subscription Period starts 3 business days post EGA approval of increase in capital on Thursday 21/10/1444H (corresponding to 11/05/2023G) and continues until the end of day Tuesday 28/10/1444H (corresponding to 18/05/2023G). During this period, all Rights holders - whether they are Registered Investors or New Investors - may exercise their rights to subscribe to the New Shares.
<b>Subscription Procedure</b>	Eligible persons wishing to subscribe for the New Shares must apply electronically through electronic broker sites' and platforms that offer this service to subscribers or through any other means offered by the brokers.
<b>Practicing Subscription in Rights Issue</b>	<p>Eligible Persons are entitled to subscribe for Rights Issue Shares electronically through the electronic websites and platforms of brokers that provide these services for subscribers or through any other means provided by brokers. Eligible Persons can also exercise their Rights as follows:</p> <ol style="list-style-type: none"> <li>1. Registered Shareholders shall be entitled during the Subscription Period to exercise the Rights granted to them on the Eligibility Date and any additional Rights they have purchased during the Trading Period. They are also entitled to take no action on the Rights they own.</li> <li>2. During the Subscription Period New investors have the right to exercise the Rights they have purchased during the Trading Period. They are also entitled to take no action on the Rights they own.</li> </ol> <p>In the event that neither the Registered Shareholders nor the New Investors exercise their rights to subscribe for the New Shares during the Subscription Period, the shares associated with such rights shall be offered in the Rump Offering Period.</p>
<b>Indicative Value of the Right</b>	The indicative value of the Right is the difference between the market value of the Company's shares during the Trading Period and the Offering price. Tadawul will calculate and publish the indicative value of the Right during, the Trading Period. on its website, five (5) minutes late. Market information providers will also publish this information, so that investors can see the indicative value of the Right when entering orders.
<b>Trading Price of the Right</b>	It is the price at which the Right is traded. This price is determined by the market supply and demand mechanism, and therefore may differ from the indicative value of the Right.
<b>Rump Offering</b>	In the event that shares remain unsubscribed for at the end of the Subscription Period (the "Rump Shares"), those shares will be offered to a number of Institutional Investors (the Institutional Investors), and such Institutional Investors shall submit offers to purchase the Rump Shares. Receipt of such offers will start at 08/11/1444H (corresponding to 28/05/2023G) until five o'clock in the evening. From the day of 09/11/1444H (corresponding to 29/05/2023G) (the Rump Offering Period). Rump Shares will be allocated to Institutional Investors with the highest bid, then the lowest and the lowest (provided that it is not less than the Offering Price). The shares will be allocated proportionately to the Institutional Investors submitting the same offer. As for the Fractional Shares (if any), they will be added to the Rump Shares and treated similarly.

<b>Methods of Allocation and Excess Refund</b>	Shares will be allocated to each investor based on the number of Rights properly and fully exercised. Fractional shares (if any) will be added together and offered to Institutional Investors during the Rump Offering Period. The Company will received the total Offering Price of the sale of the Rump Shares and Fractional Shares, while the rest of the proceeds (the amount over the Offering Price, if any) will be distributed to those who have not fully or partially subscribed for the New Shares and to persons entitled to Fractional Shares (Please see section (12) "Information Concerning the Shares and Terms and Conditions of the Offer"). Excess Funds (if any) will be returned to subscribers without any commissions or deductions by the Lead Manager.
<b>Allocation Date</b>	Shares will be allocated no later than 08/11/1444H (corresponding to 04/06/2023G).
<b>Date of Excess Refund from Subscription</b>	Excess monies from the subscription (if any) will be refunded to the subscribers without any commissions or deductions from the Underwriter no later than 23/11/1444H (corresponding to 12/06/2023G).
<b>Payment of Compensation (If any)</b>	Cash compensation will be paid to Eligible Persons who have not fully or partially exercised their right to subscribe in the New Shares and to those who are entitled to fractional shares, without any deductions, by no later than 23/11/1444H (corresponding to 12/06/2023G). Note that the amounts of compensation represent the remaining proceeds of the sale of the Rump Shares and fractional shares (the amount over the Offering Price) of the Rump Offering.
<b>Adjusted Price</b>	The Company's share price has been on the Saudi Stock Exchange (Tadawul) has been adjusted to SAR (21.76) per share, by the end of trading day of the Extraordinary General Assembly approving the Capital Increase. This represents a decrease in the share price by of SAR (35.24) per share
<b>Trading of New Shares</b>	Trading of new shares in Tadawul begins after completing all procedures related to registering, allocating and listing the new shares. Provided that the period between the end of subscription for Rights Issue and deposit of shares in the shareholders' portfolios is 9 business days.
<b>Listing and Trading in Offer Shares</b>	Tadawul is preparing mechanisms to regulate Rights trading in its systems, and a separate Rights symbol will be designated, distinct from the symbol used for the Company's existing shares on Tadawul's interface. During the Trading Period, the shareholders have several options, including selling the Rights or any part thereof in the Exchange, purchasing additional Rights through the Exchange or abstaining from taking any action on the Rights Issue Shares either by selling them or purchasing additional Rights. During the Trading Period, New Investors will have the right to buy Rights in the Exchange, or sell it all or in part, or take no action on Rights acquired during the Trading Period. "Tadawul" system will void the Company's Rights symbol after the end of the Trading Period, and the trading of Rights will cease upon the end of this period.
<b>Legibility for Profits</b>	Owners of the new shares will be entitled to any dividends the Company announces after the date it is issued.
<b>Voting Rights</b>	All shares of the Company are of one class, and no share gives its holder preferential rights. The new shares will be fully valued and equal to the existing shares. Each share gives its holder the right to one vote, and every shareholder in the Company has the right to attend the meeting of the general assembly of shareholders (whether ordinary or extraordinary) and vote in it.
<b>Limitations of Shares Trading</b>	There are no restrictions imposed on trading the Company's shares, except for regulatory restrictions imposed on publicly listed shares.
<b>Limitations of Shares Trading</b>	There are no restrictions imposed on trading Rights.
<b>Previously Listed Shares</b>	The Company is considered to be one of the first companies which shares were listed on the Saudi Stock Exchange Market ("Tadawul") after obtaining the approval of the Ministry of Commerce and the Saudi Arabian Monetary Agency (the competent authority at the time) before the automated system for stock trading was established (in 2001G), as an alternative system to the electronic securities information system ESIS, which was working under the supervision of the Stock Control Department at the Saudi Arabian Monetary Agency (the competent authority at the time). The trading of the Company's shares began on 09/04/1405H (corresponding to 01/01/1985G). On 23/02/1423H (corresponding to 06/05/2002G) the EGA decided to reduce the capital from one hundred seventy-eight million three hundred and forty-three thousand four hundred and fifty (178,343,450) Saudi Riyals to seventy-five million (75,000,000) Saudi Riyals divided into one million five hundred thousand (1,500,000) ordinary shares with a fully paid nominal value of fifty (50) Saudi Riyals per share. On 03/03/1427H (corresponding to 01/04/2006G), the Extraordinary General Assembly (EGA) approved the reduction of the nominal value of the Company's shares from fifty (50) Saudi Riyals to ten (10) Saudi Riyals and the Company's paid up capital become seventy-five million (75,000,000) Saudi Riyals divided into seven million five hundred thousand (7,500,000) ordinary shares with a nominal value of ten (10) Saudi Riyals fully paid.
<b>Terms of Subscription for New Shares</b>	Eligible persons wishing to subscribe must meet the relevant subscription requirements. For more information, see Section (12) "Information Concerning the Shares and Terms and Conditions of the Offer".
<b>Risk Factors</b>	Investment in this Rights Issue Shares involves certain risks, and these risks can be classified into: <ol style="list-style-type: none"> <li>1. Risks related to the Company's activities;</li> <li>2. Risks Related to the market and industry; and</li> <li>3. Risks Related to the New shares.</li> </ol> <p>These risks are described in Section (2) "Risk Factors" of this Prospectus, and they must be carefully studied before making any investment decision in the Rights Issue.</p>

Note: The "Important Notice" on page "i" and Section (2) ("Risk Factors") of this Prospectus should be carefully considered prior to making a decision to invest in this Rights Issue Shares in accordance with this Prospectus.

## Key Dates and Subscription Procedures

Event	Date
Date of the Extraordinary General Assembly approving the Capital Increase and setting the Eligibility Date and Eligible Shareholders. Eligible Shareholders are the shareholders who own shares at the end of the trading day of the Extraordinary General Assembly and are registered in the Company's shareholders register at the Depository Center at the end of the second trading day following the Extraordinary General Assembly	17/10/1444H (corresponding to 07/05/2023G)
Trading Period	The trading period starts 3 business days post EGA approval of increase in capital on 21/10/1444H (corresponding to 11/05/2023G) and ends on 28/10/1444H (corresponding to 18/05/2023G). During this period, all Rights holders of - whether they are Registered Shareholders or New Investors - to trade Rights.
Subscription Period	The subscription period 3 business days post EGA approval of increase in capital starts on Thursday 21/10/1444H (corresponding to 11/05/2023G) and lasts until the end of day Tuesday 03/11/1444H (corresponding to 23/05/2023G). During this period, all Rights holders - whether they are Registered Shareholders or New Investors - may exercise their right to subscribe to the new shares.
Date of End of the Subscription Period	The Subscription Period and the receipt of subscription requests ends with the end of day on Tuesday 03/11/1444H (corresponding to 23/05/2023G).
Rump Offering Period	The Rump Offering Period starts from 10:00am on Sunday 08/11/1444H (corresponding to 28/05/2023G) until 5:00 pm on 09/11/1444H (corresponding to 29/05/2023G).
Final Allocation Notice	On Sunday 15/11/1444H (corresponding to 04/06/2023G).
Payment of Compensation (if any) for Eligible Person who did not participate in the subscription in whole or in part and for those who are eligible for fractional shares (if any)	On Monday 23/11/1444H (corresponding to 12/06/2023G).
Trading date of the New Shares	The shares offered for subscription will be traded upon completion of all relevant regulatory procedures. It will be announced later on the Tadawul website. Provided that the period between the end of subscription for Rights Issue and the deposit of shares in the shareholders' portfolios is 9 business days.

Note: All dates mentioned in the above table are approximate. Actual dates will be announced on the website of the Saudi Stock Exchange (Tadawul). ([www.tadawul.com.sa](http://www.tadawul.com.sa)).

## Key Announcement Dates

Announcement	Announcer	Date
Announcement regarding the invitation to the Extraordinary General Assembly on the capital increase	The Company	On Thursday 09/22/1444H (corresponding to 04/13/2023G)
Announcement of the Extraordinary General Assembly on the Capital Increase result	The Company	On Monday 10/18/1444H (corresponding to 08/05/2023G)
Announcement of the amendment of the Company's share price adjustment, the deposit of the Rights and the indicative value of the Right	Tadawul	On Monday 10/18/1444H (corresponding to 08/05/2023G)
Announcement on adding the Rights	Edaa	On Monday 10/18/1444H (corresponding to 08/05/2023G)
Announcement of the Trading Period and Subscription Period	Tadawul	On Thursday 10/21/1444H (corresponding to 05/11/2023G)
A reminder of the start of the rights trading period and the new shares subscription period	The Company	On Thursday 10/21/1444H (corresponding to 05/11/2023G)
A reminder a about the last day for trading of the Rights and the importance of selling the Rights for those who do not wish to subscribe	The Company	On Thursday 10/28/1444H (corresponding to 05/18/2023G)
Announcement of: - Results of the subscription - Details of the sale of Rump Shares (if any) and the commencement of the Rump Offering Period	The Company	On Wednesday 04/11/1444H (corresponding to 05/24/2023G).
Announcement of the results of the Rump Offering and notice of final allocation	The Company	On Sunday 11/15/1444H (corresponding to 06/04/2023G)
Announcement of the deposit of the New Shares in the investors' portfolios	Edaa	Tuesday 11/17/1444H (corresponding to 06/06/2023G)
Announcement regarding distribution of the compensation amounts (if any)	The Company	On Monday 11/23/1444H (corresponding to 06/12/2023G).

Note: The above-mentioned timetables and dates are indicative. Actual dates will be announced on the website of the Saudi Stock Exchange (Tadawul) ([www.tadawul.com.sa](http://www.tadawul.com.sa)) in coordination with the Depository Center Company (Edaa) to determine date for depositing the shares.

It should also be noted that if an advertisement related to the offering is published in a local newspaper after the publication of the Prospectus, the announcement must include the following:

1. The name and commercial registration certificate of the issuer.
2. The securities that are subject of the relevant application for registration and offer and their value, type and class.
3. The addresses and locations where the public may obtain the Prospectus.
4. The date of publication of the Prospectus.
5. A statement that the disclosure is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.
6. The names of the lead manager, the underwriter, the financial and legal advisors.
7. A disclaimer as follows: "The Capital Market Authority and the Saudi Stock Exchange (Tadawul) take no responsibility for the contents of this disclosure, make no representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this disclosure they have".

## How to Apply for Subscription

Subscription to Rights issue shares is limited to Eligible Persons, whether they are Registered Shareholders or New Investors. In the event that the Rights of Eligible Persons are exercised, any Rump Shares that were not subscribed for by Eligible Persons shall be offered to Institutional Investors during the Rump Offering Period.

The Eligible Persons wishing to subscribe for New Shares must submit their subscription application through the means and services provided by the broker to the investors, provided that the subscribing Eligible Person has an investment account with one of the brokers who provide these services.

Subscription applications are submitted through the investment portfolio in the trading platforms (through which buy and sell orders are entered) in addition to the possibility of subscribing through any other means provided by the broker to the investors and the custodian of shares.

The Company reserves the right to reject any application for the New Shares subscription in whole or in part if it does not fulfill any of the conditions or requirements of the subscription. It is not permissible to amend or withdraw the subscription application after its submission and delivery. The subscription application, upon submission, constitutes a binding contract between the Company and the Eligible Person.

## Questions and Answers on Rights Issue

### *What is a Rights Issue?*

Rights are tradable securities that give their holder the right to subscribe to the new shares offered, upon approval of the capital increase. All shareholders registered in the Company's shareholders register (at the Depository Center) at the end of the second trading day following the date the Extraordinary General Assembly at which the capital increase has been approved will be entitled to receive the Rights. Each right grants its holder eligibility to subscribe for one new share at the offering price.

### *Who is granted the Rights?*

All registered shareholders in the Company's shareholders register at the Depository Center at the end of the second trading day following the Extraordinary General Assembly approving the capital increase.

### *When are the Rights deposited?*

After the Extraordinary General Assembly convenes and its approval of the capital increase through the offering of Right Issue Shares, the Rights are deposited as securities in the shareholders' own portfolios in the Company's shareholders' register at the Depository Center at the end of the second trading day after the extraordinary general meeting; and will be listed in the shareholders' portfolios under a new symbol. These rights will only be traded or subscribed to at the beginning of the Trading and Subscription Period.

### *How are the investors notified of the Rights being deposited in their portfolios?*

The notification is made through announcement on the Tadawul website, as well as through the (Tadawulaty) service provided by the Securities Depository Center Company, and short text messages (SMS) sent through the brokerage companies.

### *How many Rights Issue can be acquired by a registered shareholder?*

The number is subject to the rights issue ratio and the number of the current shares held by the registered shareholder as at the end of the second trading day following the Extraordinary General Assembly approving the capital increase.

### *What is the Eligibility Factor?*

It is the ratio that enables registered shareholders to know how many Rights he/she is entitled to in relation to the current shares that he/she already owned at the end of the second trading day following the Extraordinary General Assembly approving the capital increase. This factor is calculated by dividing the number of new shares by the number of the current shares of the Company, and accordingly, the eligibility factor is (3) rights approximately for every (1) share owned by the registered shareholder on the eligibility date, thus, if a registered shareholder owns (1,000) shares on the eligibility date, then he will be allocated (3,000) rights in exchange for the shares he owns.

### *Will the name and symbol for trading these rights differ from the name and symbol of the Company's shares?*

Yes, the acquired rights will be deposited in the investors' portfolios under the original name, adding the Rights Issue term as well as a new symbol for these rights.



### *What is the value of the Rights at the beginning of trading?*

The opening price of the Rights is the difference between the closing price of the Company's shares on the day prior to the inclusion of the rights and the offering price.

For example (using hypothetical prices): if the closing price of a share on the preceding day is SAR (15) fifteen Saudi Riyals and the offering price is SAR (10) ten Saudi Riyals, then the opening price for the Rights will, at the beginning of trading, be SAR (5) five Saudi Riyals (which is the difference between the above mentioned two prices).

### *Who is a Registered Shareholder?*

Any shareholder owning shares at the end of trading on the day of the extraordinary general assembly approving the capital increase, and registered in the company's shareholders registry at the Depository Center at the end of the second trading day following the extraordinary general assembly approving the capital increase.

### *Can registered shareholders subscribe to additional shares?*

Yes, the registered shareholders can subscribe for additional shares by purchasing new rights through the market during the Trading Period.

### *Is it possible for a shareholder to lose his eligibility to subscribe even if he has the right to attend the Extraordinary General Assembly and vote on increasing the capital through a rights issue?*

Yes, the shareholder loses his right to subscribe if he sells his shares on the day of the Extraordinary General Assembly approving the capital increase or one business day before it.

### *How does the offering take place?*

Subscription requests are submitted through the investment portfolio in the trading platforms through which the buy and sell orders are entered, in addition to the possibility of subscribing through any other means provided by the broker to the investors and the custodian of shares.

### *Can the eligible person subscribe to more shares than the rights owned by him?*

The eligible person cannot subscribe to more shares than the rights owned by him.

### *In the event that the Company's shares are owned through more than one investment portfolio, in which portfolio the Rights will be deposited?*

Rights will be deposited in the same portfolio where the Company's rights-related shares are deposited. For example, if a shareholder owns (1,000) (one thousand) shares in the company, (800) of them in portfolio (A) and (200) shares in portfolio (B), then the total number of rights to be deposited are (3,000) (three thousand) rights, on the basis that each share has (3) rights. In this case, (2,400) two thousand and four hundred rights shall be deposited in portfolio (A) and (600) six hundred rights shall be deposited in portfolio (B).

### *Are share certificate holders allowed to subscribe and trade?*

Yes, they are allowed to subscribe. However, they will only be able to trade after depositing their share certificates in investment portfolios through brokers or the Tadawul's Securities Depository Center Company ("Edaa") and as well as submitting the requisite documents.

### *Are additional Rights purchasers entitled to trade them once again?*

Yes, purchaser of additional rights may sell them and purchase other rights only during the trading period only.

### *Is it possible to sell part of these rights?*

Yes, the investor can sell part of these rights and subscribe to the remaining part.

### *When can a shareholder subscribe to the rights, he/she purchased during the Trading Period?*

After settlement of the purchase of Rights (which is two business days), provided that the subscription for Rights is completed during the Subscription Period.

### *Can the holder of Rights sell or assign the Rights after the end of the Trading Period?*

No, it cannot. After the expiry of the Trading Period, the Eligible Person may only exercise the right to subscribe to the share capital increase or not exercise it. In the event that the Right is not exercised, the investor may be vulnerable to loss or decline in the value of his/her investment portfolio.

*What happens to Rights that are unsold or unsubscribed during the trading and subscription period?*

In the event that the new shares are not fully subscribed during the subscription period, the remaining new shares shall be offered during the Rump Offering organized by the Lead Manager, and the compensation value (if any) is calculated for the rights owner after deducting the subscription price. Note that the investor may not receive any consideration if the sale is made in the Rump offering period at the offering price.

*Who has the right to attend the Extraordinary General Assembly and vote to increase the Company's capital by offering Rights issue shares?*

A shareholder who is registered in the Company's shareholders' register at the Depository Center at the end of the second trading day following the Extraordinary General Assembly Day, has the right to attend the Extraordinary General Assembly and vote on increasing the Company's capital by offering Rights issue shares.

*When is the share price adjusted as a result of the Company's capital increase by offering Right issue shares?*

The share price is adjusted by the market before the start of trading on the day following the day of the Extraordinary General Assembly.

*If an investor purchases security on the day of the assembly, is he entitled to obtain the Rights resulting from the issuer's capital increase?*

Yes, as the investor will be registered in the Company's shareholders' register two business days from the date of purchasing the shares (i.e., at the end of the second trading day following the day of the Extraordinary General Assembly approving the capital increase), taking into consideration that the rights issue will be granted to all shareholders registered in the Company's shareholders' register at the end of the second trading day following the date of the Extraordinary General Assembly approving the capital increase. However, he/she will not be entitled to attend or vote in the Extraordinary General Assembly of the capital increase.

*If the investor has more than one portfolio with more than one brokerage firm, how will the rights be calculated for him?*

The investor's share will be distributed to the portfolios owned thereby, according to the percentage of ownership in each portfolio. If there are fractions, those fractions will be added together and if they came to a whole number, that number is added to the portfolio in which the investor has the largest number Rights.

*What are the Trading and Subscription periods?*

Trading Period and Subscription Period commence on the same day 3 business days post EGA approval of increase in capital until the end of Trading on the sixth day, while the Subscription Period continues until the ninth day, according to what is mentioned in this Prospectus and the Company's announcements.

*Is it possible to subscribe during the weekend?*

No, it is not possible.

*Can public investors other than registered shareholders subscribe to rights issue shares?*

Yes, after completing the purchase of Rights through the market during the Trading Period.

**Further Assistance:**

In the event of any inquiries, please contact the Company on the e-mail at [info@Asharqiyah.com.sa](mailto:info@Asharqiyah.com.sa) for legal reasons, the Company will only be able to provide the information contained in this Prospectus and will not be able to advise on the merits of issuing rights or even provide financial advice or Tax, legal or investment.

For more information on the subscription terms, conditions and instructions of the offering, please see section (12) "Information Concerning the Shares and Terms and Conditions of the Offer" and the rest of the information contained in this Prospectus.

## Summary of Key Information

This summary is a brief overview of the key information contained in this Prospectus. As a summary, it does not contain all of the information that may be of interest to shareholders and other general institutional and individual investors. Recipients of this Prospectus should read it in full and carefully before making any investment decision related to the Rights or the New Shares.

## Company Overview

Asharqiyah Development Company (“**Asharqiyah Development**” or “**the Company**”) is a Saudi joint stock company, established under the name “**Asharqiyah Agricultural Development Company**” pursuant to Ministerial Resolution No. (1305) dated 25/06/1405H (corresponding to 17/03/1985G) and with a commercial registry No. (2050016477), dated 19/01/1407H (corresponding to 24/09/1986G) and is headquartered in Dammam in the Kingdom of Saudi Arabia. The trading name has been modified to become the current name “**Asharqiyah Development Company**” pursuant to the approval of the Extraordinary General Assembly of the Company’s shareholders held on 16/07/1428H (corresponding to 30/07/2007G).

## Capital Structure

The Company was initially established under the trading name “**Asharqiyah Agricultural Development Company**” as a joint stock company under Commercial Registration Certificate No. (2050016477) dated 19/01/1407H (corresponding to 24/09/1986G) in Dammam in the Kingdom of Saudi Arabia, with a capital of three hundred and fifty-six million Six hundred and eighty-six thousand nine hundred (356,686,900) SAR split into three million five hundred and sixty-six thousand eight hundred and sixty-nine (3,566,869) shares with a nominal amount of one hundred (100) SAR per share.

When the Company was established, the number of founding shareholders reached two hundred and ten (210) who subscribed for one million six hundred thousand (1,600,000) shares, and the rest of the shares were offered for public subscription with a number of one million nine hundred and sixty-six thousand and eight hundred and sixty-nine (1,966,869) shares.

On 19/08/1412H (corresponding to 23/02/1992G), the reduction of the share’s nominal amount from one hundred (100) SAR to fifty (50) SAR per share was approved, thus bringing the Company’s capital to one hundred and seventy-eight million three hundred and forty-three thousand four hundred and fifty (178,343,450) SAR split into three million five hundred and sixty-six thousand eight hundred and sixty-nine (3,566,869) shares.

On 23/02/1423H (corresponding to 06/05/2002G), it was approved to reduce the Company’s capital again from one hundred and seventy-eight million three hundred forty-three thousand and four hundred fifty (178,343,450) SAR to become seventy-five million (75,000,000) SAR, and hence reducing the number of shares from three million five hundred sixty-six thousand eight hundred and sixty-nine (3,566,869) shares to one million five hundred thousand (1,500,000) shares of equal value, with the nominal amount of each share being fifty (50) SAR, by canceling two million sixty-six thousand eight hundred and sixty-nine (2,066,869) shares of the Company’s total shares. The reason for the reduction is due to the amortization of losses staged from the year 2000G, amounting to fifty-four million seven hundred and fifty-one thousand two hundred and sixty-five (54,751,265) SAR, and transferring the amount of fifteen million and forty-two thousand one hundred and eighty-five (15,042,185) SAR to the statutory reserve, and distributing the remainder, the value of which is thirty-three million five hundred and fifty thousand (33,550,000) SAR to shareholders.

On 27/02/1427H (corresponding to 27/03/2006G), the Capital Market Authority Resolution No. (4-145-2006) was issued to divide the shares of joint stock companies into four stages, according the Council of Ministers’ Resolution stipulating that the shares’ nominal amount of joint stock companies shall be ten (10) SAR per share, and thus the Company’s EGA approved on 03/03/1427H (corresponding to 01/04/2006G) to split its shares, amounting to one million five hundred thousand (1,500,000) shares, with a nominal amount of fifty (50) SAR per share to seven million five hundred thousand (7,500,000) shares of equal value, the value of each is ten (10) SAR and all are ordinary cash shares.

On 15/05/1442H (corresponding to December 30, 2020G), the Board of Directors recommended to the shareholders’ EGA to increase the Company’s capital by an amount of two hundred and twenty-five million (225,000,000) SAR, bringing the Company’s capital to three hundred million (300,000,000) SAR, by offering rights issue equal to twenty-two million five hundred thousand (22,500,000) new shares.

## Adjustments Made to the Company's Capital

Nature of Capital Increase/Decrease	Number of Shares	Share's Nominal amount (SAR)	Company's Capital (SAR)	Year
Company's Capital Upon Incorporation	3,566,869	100	356,686,900	1986G
Reduction of the Shares' Nominal Amount from SAR (100) to SAR (50) per share	3,566,869	50	178,343,450	1992G
Reduction of the Company's Capital by SAR (103,343,450)	1,500,000	50	75,000,000	2002G
Reduction of the Shares' Nominal Amount from SAR (50) to SAR (10) per share	7,500,000	10	75,000,000	2006G

## Summary of the Company's Main Activities

- Article (3) of the Company's Bylaws stipulates the field of its main activities, which are the following:
  1. Agriculture and fishing
  2. Electricity, gas, power, water and its branches
  3. Construction
  4. Trading
  5. Mines, petroleum and its branches
  6. Transportation, storage and refrigeration
  7. Information technology
  8. Financial and business services and other type of services
  9. Social, collective and personal services
  10. Transformational industries and their branches according to industrial licenses.
  11. Real Estate Investment

The Company carries out its activities in accordance with the applicable regulations and after obtaining the necessary licenses from the competent authorities, if any:

- The Commercial Registration data indicates that the Company's main and licensed activities are as follows: (vegetable/crop cultivation in greenhouses, open field vegetable farming, hydroponics for vegetable production, mixed cultivation (mixed production of crops and livestock without having a specialized production in in this specific field), irrigation projects (operating the irrigation system for agricultural projects), installation of farm houses, support activities for livestock production).
- The Company may establish branches, offices or agencies inside or outside the KSA pursuant to a Board Resolution. As of the date of this prospectus, the Company has established one branch in the city of Riyadh.
- Moreover, the Company may establish companies on its own (with limited liability (LLC) or closed joint stock (CJSC)) in accordance with the provisions of the Companies Law. It may also own shares in other existing companies or merge with them, and it has the right to participate with others in the establishment of joint stock or limited liability companies, after fulfilling the requirements of the rules, regulations and instructions followed in this regard. The Company may also dispose of these shares, provided that this does not include mediation in their trading.

As of the date of this Prospectus, the Company has investments in two (2) associate companies inside the Kingdom of Saudi Arabia, namely: the National Seed and Agriculture Services Company – Buthor (the Company's ownership percentage: 2.797%) and the United Dairy Farms Company (the Company's ownership percentage: 8.28%).

- The Company conducts its activities through its Head Office and Branch. The Company's main activities are the following:

### Agricultural Activity:

The Company's main activities in the agricultural sector are as follows:

- Production of many agricultural products such as vegetables of all kinds and some types of fruits,
- Rose production and exportation through the use of greenhouse technology,
- Investment in livestock and poultry production,
- Production of honey through beekeeping.

## Industrial Activity:

The Company's main activities are in the transformational and manufacturing industries in relation to food security and the animal feed industry.

## Investment Activity:

Pursuant to Royal Decree No. 4/1016 dated 03/06/1406H (corresponding to 12/02/1986G), pursuant to which the Ministerial Resolution No. 288 was issued on 30/05/1440H (corresponding to 05/02/2019G), the Company owns an area of the total granted land that the Company received on 08/06/1441H (corresponding to 02/02/2020G). It is a Resolution issued by the Ministry of Environment, Water and Agriculture No. 321450/1062/1441H dated 06/05/1441H (corresponding to 01/01/2020G), which includes the ownership of Asharqiyah Development Company an area of seventy-two million one hundred and seventy-eight thousand and seven hundred square meters (72,178,700) of the total area of the land granted to the Company, as the Ministry of Environment, Water and Agriculture's Resolution required the approval of the High Commissioner to be implemented.

On 04/01/1444H corresponding to (02/08/2022G) the Company's management received a letter from the Ministry of Environment, Water and Agriculture issued on 01/12/1443H corresponding to (30/06/2022G) bearing the number 361029/278/1443 referring to a telegram issued by His Excellency the Minister of Environment, Water and Agriculture No. (281223) on 28/08/1443H (corresponding to 31/03/2022G), which included the direction of the General Authority for State Real Estate to coordinate with the concerned authorities to inform the Asharqiyah Development Company of the following:

1. that the land, allocated to the Company by Royal Decree No. 4/1016 dated 03/06/1406H (corresponding to 12/02/1986G and the aforementioned ownership resolution that was issued on the aforesaid area, became among the confiscations of the Saudi Aramco Company by virtue of Royal Decree No. (40008) on 28/06/1443H (corresponding to 31/01/2022G). However, it is not legally possible to issue a deed in the name of the Company since that contradicts with the content stipulated in paragraph (c) of Article (6-1) of the concession agreement between the government and Saudi Aramco, which states that "the government shall not issue sukuk, licenses, or equivalents on any land located in the reserved areas."
2. that the Company can make use of the land until the actual need of Saudi Aramco is fulfilled, and then act legally as required by law in this regard.
3. in the event that the land or part of it is seized by Saudi Aramco in accordance with the necessary regulatory procedures in this regard - the government agencies - each within its jurisdiction - do the necessary to issue a deed in the name of Asharqiyah Development Company - if it was legally based at the time on the land plot or part of it.

The Company is currently exploiting the land plot to generate rental income as it leases parts to telecom companies (STC/ Mobily/Zain) with the aim of placing towers inside the Company's land and collects rental income for these leased areas. In addition, the Company leases the existing cowsheds on the that land to one of the institutions working in the field of beef production "Ahmed Al-Hariri Foundation", and generates rental income from the leasing of these barns. (For additional information, kindly revise paragraph (9.4.2) "Lease Contracts" of paragraph (9.4) "Summary of Material Agreements" of Section (9) "Legal Information" of this Prospectus).

## The Company's Vision

The Company seeks to provide national products with high standards, specifications and quality in compliance with international standards.

## The Company's Message

The Company strives to be among the pioneers in the field of poultry production and industry, and adopts high quality standards through continuous development of production levels.

## The Company's Business Strategy

The Company's stated strategy includes the following goals and objectives:

- Being keen on its social, national and environmental responsibilities so as to be a positive contributor to the national economy,
- Adopting international programs in preserving the environment, preventing pollution, and disposing of waste by scientific methods,
- Rationalizing water and electricity and treating wastewater with modern technology in line with the Kingdom's Vision 2030.



## The Company's Strengths and Competitive Advantages

The strengths and competitive advantages of the Company are as follows:

- Its privileged location in the richest region in the Kingdom and a few miles away from the Gulf Cooperation Council countries' ports.
- Being one of the most important sea ports in the Arabian Gulf and Aramco oil and gas refineries.

## Market Overview

According to the data of the General Authority for Statistics, the Gross Domestic Product (GDP) at current prices in the first quarter of 2021G amounted to (706,410) million SAR, compared to (697,563) million SAR in the fourth quarter of 2020G, and (2,625,442) million SAR in 2020G, compared to (2,973,626) million SAR with a decrease of (11.7%). According to the National Accounts Indicators Report issued by the General Authority for Statistics, the volume of government final consumer spending at current prices in the first quarter of 2021G reached (164,082) million SAR, compared to (232,789) million SAR in the fourth quarter of 2020G, and (749,112) million SAR in 2020G compared to (709,171) million SAR in 2019G, with an increase of (5.6%). While the volume of final consumer spending of the private sector at current prices in the first quarter of 2021G reached (314,937) million SAR, compared to (300,495) million SAR in the fourth quarter of 2020G, and (1,128,712) million SAR in 2020G, compared to (1,157,819) million SAR in 2019G, with a decrease of (-2.5%).

## Agricultural and Food Sector

The food and agriculture sector, the health care sector and the technology sectors are among the Company's priority sectors. The COVID-19 pandemic has shed light on the importance of achieving self-sufficiency and sustainability in these sectors. The agricultural and food sector in the Kingdom of Saudi Arabia has significantly improved over the past decades and has overcome the consequences of the emerging Coronavirus disease (COVID-19) and its challenges, which despite the many negative effects, has an advantage represented in the growing attention towards the agricultural sector in order to achieve self-sufficiency and reduce food imports by providing a high-quality national product, and diversifying the food source. The upcoming period will strengthen the Saudi tendency to provide financing programs for the agricultural and food sector, which has resulted in an expansion of new and existing projects, at a time when specialists estimated that the sector would witness a growth of (6%) at the beginning of the year 2021G. In implementation of the Kingdom's Vision 2030, the sector will contribute by (12%) to the GDP. According to the data of the General Authority for Statistics, the GDP at current prices in the agricultural sector in the first quarter of the year 2021G amounted to (18,524) million SAR, compared to (15,574) million SAR in the fourth quarter of the year 2020G, and (67,279) million SAR in 2020G compared to (66,411) million SAR in 2019G, with an increase of (1.3%). The growth rate of the GDP in the first quarter of 2021G was (6.2%), compared to (2.5%) in the fourth quarter of 2020G, and (1.3%) in 2020G compared to (1.2%) in 2019G. According to the data of the agricultural survey of the General Authority for Statistics, the production of agricultural crops in 2019G reached (11,912,754) tons, and the agricultural areas amounted to (857,759) hectares. compared to (12,258,999) tons and (869,905) hectares in 2018G. Livestock in 2019G amounted to (25,400,000) animals, including camels, sheep, goats, cows and poultry compared to (68,484,268) animals in 2018G.

The Kingdom of Saudi Arabia seeks to increase the self-sufficiency of some agricultural products and help cover agricultural supply chains, support logistics and others, to continue its growth and enhance its role to contribute in achieving food security in line with the Kingdom's agricultural policy and vision 2030. Among the most prominent support received by the agricultural sector is the launch of the Sustainable Agricultural Rural Development Program 2018G-2025G, supporting the Kingdom's food security initiative, by his Majesty the Custodian of the Two Holy Mosques King Salman bin Abdul Aziz, with a generous financial support amounting to about 12 billion SAR. The launch of the program - in cooperation with the Food and Trade Organization of the United Nations "FAO", is based on the KSA V2030 that aims at achieving a balanced economic and social development by raising efficiency, optimal and sustainable exploitation of renewable natural agricultural and water resources, in addition to benefiting from the comparative advantage in different regions according to natural resources, agricultural potential and population. Besides, the Kingdom seeks to develop the sector of small livestock breeders by modernizing traditional animal production systems, improving productivity and increasing the income of small breeders, raising red meat production and increasing milk, dairy products and agricultural production in order to provide 43% of the total food energy needs of the targeted areas' population, and about 19% of the total needs of the Kingdom. Furthermore, the Kingdom aspires to ensure easy access to food, a safe and healthy food consumption, a stable food supply, and to increase the rates of women's participation in the labor market according to the V2030's goals.

## Summary of Risk Factors

There are a number of risks associated with this rights issue which are covered in three main groups: 1) Risks Related to the Company's Activity and Operations, 2) Risks Related to the Market and Sector and 3) Risks Related to Shares. These risks have been discussed in detail in Section No. (2) "Risk Factors" of this prospectus, and they should be carefully studied before deciding to invest in the rights issue shares.

### 1. Risks Related to the Company's Activities and Operations

- Risks Related to Business Interruption
- Risks Related to the Company's Continuity
- Risks Related to the Coronavirus (COVID-19) Pandemic
- Risks Related to Transactions with Related Parties
- Risks Related to the Company's Business Concentration in Specific Geographic Areas
- Risks Related to Reliance on Major Suppliers
- Risks Related to the Change of the Company's Products' Prices
- Risks Related to Lease Contracts
- Risks Related to Owning Land Granted by the Government
- Risks Related to Reliance on Major Customers
- Risks Related to the Customers' Failure, Procrastination and Inability to Pay the Amounts Due to the Company
- Risks Related to the Company's Inability to Pay off its Financial Obligations
- Risks Related to Existing and Potential Zakat Entitlements
- Risks Related to Capital Management
- Risks Related to Funding Sources
- Risks Related to Management Decisions
- Risks Related to Liquidity
- Risks Related to Credit and Collection
- Risks Related to Potential Liabilities
- Risks Related to Changes in Accounting Standards and Adoption of New Standards
- Risks Related to the Expansion Strategy's Failure
- Risks Related to Delay in the Implementation of Future Projects
- Risk Related to the Future Projects' Capital Costs Exceeding the Expected Value
- Risks Related to Unprofitability of Future Projects
- Risks Related to Reliance on Major Human Resources
- Risks Related to Employee Errors or Misconduct
- Risks Related to Reliance on Non-Saudi Employees
- Risks Related to Government Fees Applicable to Non-Saudi Employees
- Risks Related to Saudization
- Risks Related to the Adequacy of Insurance Coverage
- Risks Related to Litigation
- Risks Related to Not Extracting or Not Renewing Licenses and Certificates
- Risks Related to the Failure of Registering the Company's Trademark
- Risks Related to Imposing a Fine for Violating Labor Laws
- Risks Related to Corporate Governance Implementation
- Risks Related to Non-compliance with Rules, Regulations and Policies Associated with Corporate Governance

### 2. Risks Related to Market and Sector

- Risks Related to Environmental Regulations and Standards
- Risks Related to the Increase in Energy and Water Prices
- Risks Related to the Company's Operations Being Affected by Economic Risks in the KSA
- Risks Related to Political and Economic Instability in the Region
- Risks Related to Growth Opportunity

- Risks Related to Competition
- Risks Related to Natural Disasters
- Risks Related to Changes in Relevant Laws and Regulations
- Risks Related to the Value-Added Tax (VAT) Application
- Risks Related to the Imposition of New Duties or Taxes

### **3. Risks Related to Shares**

- Risks Related to Potential Fluctuations in the Share Price
- Risks Related to Potential Fluctuations in the Rights Issue Price
- Risks Related to Unprofitability or Sale of Rights Issue
- Risks Related to the Lack of Demand for the Company's Rights Issue and Shares
- Risks Related to Speculation in Rights Issue
- Risks Related to Ownership Rate Decline
- Risks Related to Not Exercising the Rights Issue in a Timely Manner
- Risks Related to Dividends Distribution to Shareholders
- Risks Related to Selling a Large Amount of Shares
- Risks Related to the Possibility of Issuing New Shares
- Risks Related to Future Data
- Risks Related to a Decrease in Demand for the Company's Rights Issue and Shares

## Summary of Financial Information

The summary of the financial information presented below is based on the Company's audited financial statements for the fiscal years ended December 31, 2019G, 2020G and 2021G and the notes attached thereto.

The audited financial statements of the Company were prepared for the fiscal years ended December 31, 2019G, 2020G and 2021G in accordance with International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia and the standards and versions approved by the Saudi Organization for Auditors and Accountants (SOCPA).

The financial statements for the fiscal years 2019G and 2020G were reviewed by Al Azm, Al Sudairi, Al-Shaikh and Co., Chartered Accountants and Consultants. As for the financial statements for the fiscal year 2021G, they were reviewed by the United Accountants Company for Professional Consulting RSM.

The Company issues its financial statements in Saudi riyals.

The summary of the financial statements below is based on the audited financial statements for the fiscal years ended December 31, 2019G, 2020G and 2021G including the attached notes thereto, hence it should be read in conjunction with them.

### Statement of Financial Position

Financial Year Ended December 31			
(SAR'000)	2019G (Audited)	2020G (Audited)	2021G (Audited)
Total Non-current Assets	185,780	185,123	184,483
Total Current Assets	1,470	211	357
<b>Total Assets</b>	<b>187,250</b>	<b>185,335</b>	<b>184,840</b>
Total current Liabilities	41,988	42,283	42,005
Total Non-current Liabilities	18	47	168
<b>Total Liabilities</b>	<b>42,006</b>	<b>42,330</b>	<b>42,173</b>
Total Shareholders' Rights	145,244	143,005	142,667
<b>Total Liabilities and Shareholders' Rights</b>	<b>187,250</b>	<b>185,335</b>	<b>184,840</b>

Source: The Company's Financial Statements

### Income Statement

Financial Year Ended December 31			
(SAR'000)	2019G (Audited)	2020G (Audited)	2021G (Audited)
Sales	0	0	0
Sales Cost	(936)	0	0
<b>Total Profit (Loss)</b>	<b>(936)</b>	<b>0</b>	<b>0</b>
Loss from Operations	(4,095)	(2,594)	(4,781)
Other Revenue	354	533	950
Net Profit/ (Loss) before Zakat	(67,473)	(2,204)	(4,181)
<b>Net Profit (Loss)</b>	<b>(67,473)</b>	<b>(2,222)</b>	<b>(237)</b>

Source: The Company's Financial Statements

### Cash Flow Statement

Financial Year Ended December 31			
(SAR'000)	2019G (Audited)	2020G (Audited)	2021G (Audited)
Net cash resulting from operating activities	(6,131)	(566)	(2,211)
Net cash resulting from investing activities	544	198	(3)
Net cash resulting from financing activities	5,098	409	2,361
<b>Net cash flow during the period</b>	<b>(489)</b>	<b>41</b>	<b>148</b>
Cash and cash equivalents at the beginning of the period	573	84	125
<b>Cash and cash equivalents at the end of the period</b>	<b>84</b>	<b>125</b>	<b>273</b>

Source: The Company's Financial Statements

### Key Performance Indicators (KPI)

Financial Year Ended December 31			
(SAR'000)	2019G (Audited)	2020G (Audited)	2021G (Audited)
Sales Growth	(100%)	0.0%	0.0%
Gross Profit Margin (Loss)	-	-	-
Operating Profit (Loss) Margin	-	-	-
Gross Net Profit (Loss)	-	-	-
General and Administrative Expenses (% Sales)	-	-	-
Total Current Assets/Total Current Liabilities	0.035	0.005	0.008
Return on Assets	(36.0%)	(1.2%)	(0.18%)
Return on Shareholders' Rights	(46.5%)	(1.55%)	(0.16%)
Debt-to-Rights Ratio	28.9%	29.6%	29.5%

Source: The Company's Financial Statements



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## 1

## Definitions and Terms

Term	Definition
"The Company" or "Asharqiyah Development" or "the Issuer"	Asharqiyah Development Company, a Saudi public joint stock company.
Head Office / Headquarters	The Head Office is located in the city of Dammam - Al Nakhil District, PO Box: 7118 - Postal Code: 31462 - Tel: 8099439.
The Administration	The Company's management team
The Kingdom	The Kingdom of Saudi Arabia (KSA)
Bylaws	The Bylaws of Joint Stock Companies are the legal document that contain the rules and regulations established to organize the Company's internal management. They should be issued in accordance with the provisions of the Saudi Companies Law and approved by the Shareholders General Assembly; As for the Asharqiyah Development Company / Asharqiyah, the Bylaws' articles and clauses have been approved by all shareholders, and have been last modified according to the EGA's Resolution dated 13/07/1441H (corresponding to 08/03/2020G), approved by the Ministry of Commerce on 17/03/1444H (corresponding 13/10/2022G) and can be viewed at the Company's Head Office.
Rules on the Offer of Securities and Continuing Obligations	Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority (CMA), pursuant to Resolution No. (3-123-2017) dated 09/04/1439H (corresponding to 27/12/2017G), according to the Capital Market Law issued by Royal Decree No. M/30 dated 02/06/1424H, amended by Resolution of the Board of the No. 1-94-2022 dated 24/01/1444H (corresponding to 22/08/2022G).
The Board or the Board of Directors (BOD) or the BOD's Members	The Company's Board of Directors whose names appear on the page (iii)
The Advisors	The Company's advisors regarding the offering process whose names are shown on page (v)
The Capital Market Authority or the Authority (CMA)	The Capital Market Authority in the Kingdom of Saudi Arabia
The Capital Market Authority (CMA)	The Capital Market Authority (CMA) issued by Royal Decree No. M/30 dated 02/06/1424H (corresponding to 31/07/2003G), and amended by Resolution No. 3-45-2018, dated 07/08/1439H (corresponding to 23/04/2018G), and amended by the Authority's Board Resolution No. (104-1-2019) dated 02/01/1441H (corresponding to 09/30/2019G) pursuant to Royal Decree No. (M/16) dated 19/01/1441H (corresponding to 18/09/2019G).
The Saudi Stock Exchange Market, the Capital Market, the Stock Market or the Market	The Saudi Stock Exchange Market
Tadawul	The Saudi Stock Market Exchange
Tadawul System	Automated System for trading of securities on the Saudi Stock Exchange
The Companies Law	The Companies Law in the Kingdom of Saudi Arabia, issued by Royal Decree No. (M/3) on 28/01/1437H (corresponding to 10/11/2015G) and which entered into force on 25/07/1437H (corresponding to 02/05/2016G), and amended by Royal Decree No. (M/79) dated 25/07/1439H (corresponding to 11/04/2018G).
The Commercial Register Law	The Commercial Register Law issued by Royal Decree No. (M/1) dated 21/02/1416H (corresponding to 19/07/1995G) and its executive regulations issued by Ministerial Resolution No. (1003) dated 21/09/1416H (corresponding to 11/02/1996G).
The Trademark Law	The Trademarks Law issued by Royal Decree No. (M/21) dated 28/05/1423H (corresponding to 07/08/2002G).
The General Assembly (GA)	The General Assembly that is held in the presence of the Company Shareholders in accordance with the provisions of the Companies Law and the Company's Bylaws. It may be ordinary or extraordinary.
The Ordinary General Assembly (OGA)	The Ordinary General Assembly of the Company's Shareholders
The Extraordinary General Assembly (EGA)	The Extraordinary General Assembly of the Company's Shareholders
The Government	The Government of the Kingdom of Saudi Arabia

Term	Definition
<b>The Corporate Governance Regulations</b>	The Corporate Governance Regulations in KSA issued by the Board of the CMA under Resolution No. (16-8-2017G) dated 16/05/1438H (corresponding to 13/02/2017G) pursuant to the Companies Law issued by Royal Decree M / 3 dated 28/01/1437H and amended by the CMA Board Resolution No. 1-94-2022 dated 24/01/1444H (corresponding 22/08/2022G).
<b>Related Parties</b>	According to the Rules for the Offer of Securities and Continuing Obligations, the list of terms used in the CMA Rules and Regulations issued by the CMA Board according to Resolution (4-11-2004) dated 20/08/1425H (corresponding to 04/10/2004G) and amended by CMA Board Resolution No. (1-94-2022) dated 24/01/1444H (corresponding to 22/08/2022G), the Related Parties are meant to be the following: <ol style="list-style-type: none"> <li>1. The Issuer's subsidiaries.</li> <li>2. Major Shareholders in the Issuer.</li> <li>3. The Issuer's Board of Directors and Senior Executives.</li> <li>4. Board Members and Senior Executives of the Issuer's subsidiaries.</li> <li>5. Board Members and Senior Executives of the Issuer's major shareholders.</li> <li>6. Any relatives of the persons referred to in (1, 2, 3, 4 or 5) above.</li> <li>7. Any Company controlled by any person referred to in (1, 2, 3, 4, 5 or 6) above.</li> </ol>
<b>Listing Rules</b>	The listing rules issued by the Saudi Stock Exchange (Tadawul) and approved by CMA Board Resolution No. (3-123-2017), dated 09/04/1439H (corresponding to 27/12/2017G), amended by Resolution No. (1-104-2019), dated 01/02/1441H (corresponding to 30/09/2019G), amended pursuant to Resolution No. (01-22-2021) dated 12/07/1442H (corresponding to 24/02/2021G), amended pursuant to Resolution No. (01-19-2022) dated 12/07/1443H (corresponding to 13/02/2022G), amended by Resolution No. (01-52-2022) dated 12/09/1443H (corresponding to 13/04/2022G). The last amendment was made pursuant to Resolution No. (03-96-2022) dated 10/02/1444H (corresponding to 06/09/2022G).
<b>International Financial Reporting Standards (IFRS)</b>	The Financial Reporting Standards and Interpretation issued by the International Financial Reporting Standards (IFRS).
<b>Fiscal/Financial Year(s)</b>	It is the period of time given to present the result of the Company's activity. Its beginning and end are specified in the Articles of Association or Bylaws of the concerned Company. It should be noted that the Company's fiscal year ends on December 31 of each Gregorian year.
<b>Saudization</b>	It is the process of replacing a foreign worker with a Saudi citizen in private sector jobs.
<b>Riyal / Saudi Riyal / SAR</b>	The official currency of the Kingdom of Saudi Arabia.
<b>The Saudi Organization for Chartered and Professional Accountants (SOCPA)</b>	The Saudi Organization for Chartered and Professional Accountants in the Kingdom of Saudi Arabia. (Formerly the Saudi Organization for Certified Public Accountants).
<b>Food and Drug Administration (FDA)</b>	Food and Drug Administration in the Kingdom of Saudi Arabia
<b>General Organization for Social Insurance (GOSI)</b>	The General Organization for Social Insurance in the Kingdom of Saudi Arabia
<b>Ministry of Human Resources and Social Development</b>	The Ministry of Human Resources and Social Development in the Kingdom of Saudi Arabia
<b>Ministry of Commerce</b>	The Ministry of Commerce in the Kingdom of Saudi Arabia
<b>The Ministry of Environment, Water and Agriculture</b>	The Ministry of Environment, Water and Agriculture in the Kingdom of Saudi Arabia
<b>The Ministry of Interior</b>	The Ministry of Interior in the Kingdom of Saudi Arabia
<b>The Ministry of Municipal, Rural Affairs and Housing</b>	The Ministry of Municipal, Rural Affairs and Housing* in the Kingdom of Saudi Arabia * On 06/11/1442H (corresponding to 01/24/2021G), Royal Decree No. (A/322) was issued to merge the Ministry of "Housing" into the Ministry of "Municipal and Rural Affairs", and amend its name to be the "Ministry of Municipal, Rural Affairs and Housing".
<b>The General Authority of Meteorology and Environmental Protection</b>	A governmental body established in 1370H (corresponding to 1950G), which is responsible for the environment in the Kingdom of Saudi Arabia in addition to its role in the field of meteorology.
<b>The Zakat, Tax and Customs Authority (ZTCA)</b>	The Zakat, Tax and Customs Authority* in the Kingdom of Saudi Arabia. The General Authority for Zakat and Income Tax (formerly the Department of Zakat and Income Tax), which is one of the government agencies that are organizationally linked to the Minister of Finance, and is the body entrusted with the work of levying Zakat and tax collection. * On 22/09/1442H (corresponding to 04/05/2021G), the Council of Ministers approved the merging of the General Authority of Zakat and Tax and the General Authority of Customs, into a single body called "Zakat, Tax and Customs Authority".
<b>Business day</b>	A business day means any day except any Friday, any Saturday, or any day which is a federal legal holiday in the KSA, or any day on which banking institutions are authorized or required by law or other governmental procedures to close.
<b>Labor Law</b>	The Saudi Labor Law approved by Royal Decree No. M/51 dated 23/08/1426H (corresponding to 27/09/2005G), and the amendments thereto.

Term	Definition
Hijri Calendar	H
Gregorian Calendar	G
The Securities Depository Center Company ("Edaa")	It was established in 2016G as a closed joint stock company wholly owned by the Saudi Stock Exchange Company (Tadawul) in accordance with the Saudi Companies Law issued by Royal Decree No. M/3 dated 28/01/1437H (corresponding to 11/11/2015G).
Vision 2030	It is a strategic economic framework to reduce Saudi Arabia's dependence on oil, diversify its economy, and develop public service sectors such as health, education, infrastructure, recreation and tourism.
Value Added Tax (VAT)	On 02/05/1438 H (corresponding to 30/01/2017G), the Council of Ministers decided to approve the unified agreement for value-added tax for the GCC countries, which came into effect from January 1, 2018G, as a new tax was added to the law of taxes and other fees must be applied by specific sectors in KSA and GCC countries. The amount of this tax is (5%), and some products are excluded from it (such as basic foods, services related to health care and education). The Board of Directors of the General Authority for Zakat and Tax (2-3-20) dated 17/10/1441H (corresponding to 09/06/2020G) decided to amend the VAT Law to become 15%, starting from 01/07/2020G, according to its authorities and based on Article 5 of the General Authority for Zakat and Tax Organization issued by Cabinet Resolution (465) dated 20/07/1438H after reviewing Royal Decree A / 638 dated 15/10/1441H regarding the amendment of the VAT law to allow an increase the basic tax rate to 15% as on July 1, 2020G.
Gulf Cooperation Council (GCC) Countries	The Gulf Cooperation Council (GCC) countries are: the United Arab Emirates, Saudi Arabia, Qatar, Oman, Kuwait and Bahrain.
Rights Issue	Rights are issued as tradable securities giving their holders the priority to subscribe for the New Shares offered, upon approval of the capital increase. All shareholders registered in the Company's register at the end of trading on the day of the EGA held on 10/17/1444H (corresponding to 05/07/2023G) will be entitled to receive the Rights. Each right grants its holder eligibility to subscribe for one New Share at the Offer Price. Rights Issue will be deposited after the EGA at which the capital increase has been approved. The Rights will appear in the portfolios of the Registered Shareholders under a new symbol specifying the Rights Issue. The Registered Shareholders will be notified of the deposit of rights in their portfolios.
Right Indicative Value	The difference between the market value of the Company's shares during the trading period and the offering price.
Right Trading Price	It is the price at which the right is traded, knowing that it is determined through the mechanism of supply and demand, and therefore it may differ from the indicative value of the right.
Underwriter	Alkhair Capital SA (CJSC)
Underwriting Manager	Alkhair Capital SA (CJSC)
Subscription Period	The period starting 3 business days post EGA approval of increase in capital starting from On Thursday 21/10/1444H (corresponding to 11/05/2023G) End of Tuesday 03/11/1444H (corresponding to 23/05/2023G).
Offer / Subscription Price	Ten SAR (10) per share.
Remaining Rights Issue Shares (Rump Shares)	The remaining shares that were not subscribed during the subscription period.
Rump Offering Period	The period starting at 10 am as on Sunday 08/11/1444H (corresponding to 05/28/2023G) until 5 pm as Monday 09/11/1444H (corresponding to 05/29/2023G).
New Shares	Twenty-two thousand five hundred (22,500,000) ordinary shares, which will be issued to increase the Company's capital.
Eligibility Factor	It is the result of dividing the number of new shares by the number of the Company's Existing Shares.
Eligible Persons	All holders of Rights, whether they are Registered Shareholders or those who purchased Rights during the Trading Period.
Major Shareholders	Major shareholders in the company are any person (whether natural or legal) who owns 5% or more of the company's shares. As on the date of this prospectus, there are no major shareholders in the Company.
The Public	As per the Rules for the Offer of Securities and Continuing Obligations, the public are the persons not mentioned below: 1. The Issuer's subsidiaries. 2. Major Shareholders in the Issuer. 3. The Issuer's Board of Directors and Senior Executives. 4. Board Members and Senior Executives of the Issuer's subsidiaries. 5. Board Members and Senior Executives of the Issuer's major shareholders. 6. Any relatives of the persons referred to in (1, 2, 3, 4 or 5) above. 7. Any Company controlled by any person referred to in (1, 2, 3, 4, 5 or 6) above. 8. Persons who act in agreement together and collectively own (5%) or more of the class of shares to be listed.



Term	Definition
Net Offering Proceeds	Net offering proceeds after deducting the offering fees.
The Person	A natural or legal person.
Prospectus	It is this document prepared by the Company concerning the Offering of Rights Shares.
Listing	Listing securities on the main market or - where context allows it - submitting a listing application to the Saudi Stock Exchange (Tadawul).
Registered Shareholders	A shareholder listed in the Company's register as at the close of the trading on the day of the Extraordinary General Assembly at which the capital increase has been approved and are registered in the Company's register with the Depository Center at the close of the second trading day following the convening of the (Extraordinary) General Assembly for the capital increase held on 19/10/1444H (corresponding to 09/05/2023G).
New Investors	In general, individual and institutional investors - except for registered shareholders - who purchased Right issue during the trading period.
Shares	The Company's Existing Shares of seven million five hundred thousand (7,500,000) ordinary shares, with a nominal amount of ten SAR (10) per share.
Brokers	Market institutions that are licensed through the CMA to engage in the activity of dealing in securities in the capacity of an agent.
Institutional investors	<p>Include a group of institutions, which are as follows:</p> <ol style="list-style-type: none"> <li>1. Governmental and government-owned companies, directly or through a private portfolio manager, or any international body recognized by the Authority, the Market, and any other financial market recognized by the Authority or the depository center.</li> <li>2. Public Investment Funds established in the Kingdom that are publicly offered in addition to private funds that invest in securities listed on the Saudi Stock Exchange if the terms and conditions of the fund allow it to do so, while adhering to the provisions and restrictions stipulated in the investment funds regulations.</li> <li>3. People who are authorized to deal in securities in an authentic manner, while adhering to the requirements of financial sufficiency.</li> <li>4. Persons / Clients authorized to engage in management business, provided that they are appointed to take decisions regarding the participation in offerings and investments in the Saudi Stock Exchange on behalf of the client without the need to obtain prior approval from him.</li> <li>5. Any other legal persons who may open an investment account in the Kingdom and an account at the Depository Center, taking into account the investment controls of companies listed in securities, provided that the participation of the company does not lead to any conflict of interest.</li> <li>6. Gulf Nationals Investors who have a legal personality, which includes companies and funds established in the countries of the Cooperation Council for the Arab States of the Gulf.</li> <li>7. Eligible Foreign Investors.</li> <li>8. An ultimate beneficiary of legal personality in a swap agreement concluded with a licensed person in compliance with the terms and conditions of the swap agreements.</li> </ol>
Subscriber	Any person who subscribes to shares offered for subscription.
Compound Annual Growth Rate (CAGR)	A method used to calculate the growth rate of a particular item over a specified period of time.
Underwriting Agreement	Underwriting agreement between the Company and the Underwriter.
The Gross Domestic Product (GDP)	The gross domestic product of the Kingdom of Saudi Arabia, which is the market value of all locally recognized final goods and services.
Rules for Qualified Foreign Financial Institutions Investment in Listed Securities	They are rules for regulating investment in securities by non-Saudis residing outside the Kingdom, issued by the Board of the Capital Market Authority pursuant to Resolution (1- 42- 2015) dated 15/07/1436H (corresponding to 04/05/2015G) and amended by the Financial CMA Council Resolution No. (3-65-2019) dated 14/10/1440H (corresponding to 17/06/2019G).
Instructions and Procedures Related to Listed Companies with Accumulated Losses Reaching (20%) or More of their Share Capital	They are special rules for companies with accumulated losses issued by the Authority's Board pursuant to Resolution No. 4-48-2013 dated 15/01/1435H (corresponding to 18/11/2013G) and amended by the Authority's Council Resolution No. 1- 77-2018 dated 05/11/1439H Corresponding to 18/07/2018G).
Registered Shareholder	The investor registered in the Issuer's securities ownership registry.
Eligible Shareholders	Shareholders registered in the Company's Shareholders Register at the close of trading on the eligibility date.

Term	Definition
Nitaqat	<p>The Saudization Program (Nitaqat) was approved by the Minister of Labor Decision No. (4040) dated 12/10/1432H (corresponding to 10/09/2011G) pursuant to Ministerial Resolution No. (50) dated 21/4/1415H (corresponding to 27/09/1994G). The Ministry of Human Resources and Social Development in the Kingdom launched the program to provide incentives for establishments to employ Saudis, the program evaluates the performance of the establishment on the basis of specific ranges (platinum, green, and red) according to the activity and sector under which the company falls. On 29/03/1441H (corresponding to 16/11/2019G), Ministerial Resolution No. 63717 was issued, which stipulated the abolition of the yellow band in the Nitaqat Program. On 11/10/1442H (corresponding to 23/05/2021G), the Ministry of Human Resources and Social Development launched the developed "Nitaqat" Program, which offers three main advantages: The first: a clear and transparent Saudization plan for the next three years with the aim of increasing organizational stability in the sector's facilities. The second: a direct relationship is adopted between the number of employees and the required Saudization percentages for each establishment or entity, through a linear equation that is proportionally related to the number of employees at the establishment, instead of the current Saudization percentage system based on classifying the establishments into specific and fixed sizes. The third: a simplification of the program design to improve the customer's experience by merging the categories of activities with common characteristics, to become 32 activities instead of 85 activities in "Nitaqat". This program will also contribute to providing more than 340,000 jobs until 2024G.</p>

## 2

## Risk Factors

Prospective investors should carefully consider all of the information contained in this Prospectus, including the risks described below, prior to making any investment decision with respect to the Rights and the New Shares. However, the risks listed below do not necessarily comprise all risks that the Company may encounter or additional risks that are not currently known by the Company, which may have an adverse effect on the Company's operational performance if they occur. The Board Members declare that they are not aware of any other material risks than those set out below that may have an adverse effect on the Company's business, its financial position, results of operations, cash flows and future expectations as of the date of this Prospectus.

Investing in the offered shares is only suitable for investors who are able to assess the risks and benefits of that investment and who have sufficient resources to bear any loss that may result from that investment. A prospective investor who is doubtful about investing in the New Shares should seek advice from a specialist licensed by the CMA.

The BOD's Members also acknowledge, to the best of their knowledge and belief, that there are no material risks that may affect the investors' decision as of the date of this Prospectus. Moreover, they state that this section contains all substantial information, without any lack or prejudice, according to which investors may take a decision to invest as of the date of this Prospectus.

In the event of the occurrence of one of the risks that the Company's management ("the Management") currently believes to be important, or any other risks that the Management could not identify or which it believes to be immaterial, the Company's activity, its financial headquarters, financial statements, business results, cash flows and future expectations which may have an adverse and material effect. The occurrence of one or some of these risks may lead to the price of the Company's shares decreasing in the market and investors losing part of or all their investments in the New Shares.

It should be noted that the risks set out below are not ordered based on their importance. Additional risks and uncertainties, including those unknown or deemed non-essential at the present time, may have the effects described above.

### 2.1 Risks Related to the Company's Activities and Operations

#### 2.1.1 Risks Related to Business Interruption

As a result of the decline in the operational business of Ash Sharqiyah Development Company which led to a weak cash flow and a sharp decrease in the volume of liquidity, the Company was hence unable to provide the required types of cattle feed supplement and digestive tonic that contribute in raising milk production rates. Thus, the cows' welfare status deteriorated, and mortality rates escalated among the herd which prompted the Company's Board of Directors to take a decision to sell the entire herd and to completely stop the activity of cows' production as of August 2017G.

The Company also completely stopped the agricultural activity's operations represented in the fodder crops production on 03/11/2018G, in compliance with the Kingdom's directive to rationalize the consumption of groundwater reserves and the accompanying issuance of Resolution No. 66 obligating companies to stop growing animal feed, after giving them a period of time to finish their agricultural crops. Consequently, the Company ceased animal feed's production and its agricultural activity. At that time, the Company was only producing animal feed but completely stopped its activity as of the third quarter of 2018G.

Accordingly, the Company does not currently bear any expenses related to these suspended activities, and therefore it does not have operations that generate income in this field. The suspension of the Company's food and agricultural activities has significantly weakened its revenues, as revenues decreased by about 100% due to the suspension of the cow production activity and the cessation of green fodder cultivation. In general, and with the Company's intention to expand in the poultry sector in the future, the occurrence of any interruption in the its future business will lead to the suspension of the its revenues in whole or in part, which will result in losses and business interruption. (For more information about the Company's business, please refer to subparagraph (5.5) "Results of Operations" of Section (5) "Financial Information, and Management Discussion and Analysis" of this Prospectus).

#### 2.1.2 Risks Related to the Company's Continuity

The financial statements prepared for the financial years ended December 31, 2019G, 2020G and 2021G included a material uncertainty on the part of the chartered accountant about the continuity of the Company. On December 31, 2019G, the Company's current liabilities exceeded its current assets SAR (40,518,625) (compared to SAR (37,988,854) for the year 2018G). On December 31, 2020G, the Company's current liabilities exceeded its current assets by SAR (42,071,751). As for the fiscal year ended December 31, 2021G, the Company's current liabilities exceeded its current assets by SAR (41,648,627) and its current liquidity ratio amounted to 0.035, 0.005 and 0.008 times as of December 31, 2019G, 2020G and 2021G, respectively.

As a consequence, and in light of the fact that the Company did not achieve any sales without starting operational activities and having current liabilities continue to exceed current assets, the financial statements for the above-mentioned years included a fundamental uncertainty on the part of the chartered accountant about the Company's ability to continue and manage its liquidity. In the event that the Company fails to secure sufficient cash flow to meet the existing obligations, it will face risks related to its continuity as an existing establishment.

### **2.1.3 Risks Related to the Coronavirus (COVID-19) Pandemic**

The novel coronavirus (Covid-19) began to spread in December 2019G, and the World Health Organization December declared it a global pandemic in March 2020G. The virus then spread widely and quickly and affected more than 194 countries around the world which was now facing a health and economic crisis. Many countries began to impose public health containment measures to delay its spread and enhance the capacity of the health sector. The escalation of the situation led to a sudden stagnation in economic activities alongside with a sharp December line in economic prospects. As a result, the outbreak of the virus had a significant impact on the global economy and put pressure on individuals, companies and governments worldwide.

The Saudi government-imposed health and economic containment measures following the footsteps of international and regional countries. Health measures included imposing a complete and partial closure of economic and governmental activities, quarantine, and travel restrictions. The economic measures comprised financial support for citizens and people affected by the coronavirus pandemic, family and sick leaves paid by the state, the expansion of unemployment compensation, the delay of tax payments, and additional measures to assist companies amidst this health crisis.

During the Covid-19 pandemic that tremendously affected the entire world and the KSA, and despite the Kingdom's government taking a package of measures that mitigate the losses incurred by Saudi companies, the Company did not benefit directly from all the means of support provided by the state, due to the cessation of all its operational activities before the Coronavirus outbreak. It also did not profit from any support programs provided by the government to assist companies, such as the Sand Program, due to the lack of employees.

The Company is committed to the instructions issued by the Ministry of Health and the Ministry of Human Resources and Social Development to implement preventive measures and precautions by applying social distancing, determining the number of employees present in the workplace, measuring the temperature of each employee when entering the Company's headquarters and wearing a mask when being inside its headquarters or one of its facilities. However, the Company does not guarantee that one of its employees will not be infected with the Coronavirus, which may lead to interruption from work during the 14-day quarantine period and may negatively affect the Company's performance.

All regions and cities of the Kingdom of Saudi Arabia are subject to continuous evaluation by the Ministry of Health, which may necessitate the re-imposition of complete or partial closures in some cities of the Kingdom, but it is difficult to predict the impact of the Covid-19 pandemic on the Company's activity if the full or partial ban is re-imposed in the cities of the Kingdom which will have a fundamentally negative impact on the Company's business, financial position, results of operations and future prospects.

### **2.1.4 Risks Related to Transactions with Related parties**

As of the date of this Prospectus, the Company has not entered into any agreements or contracts with related parties. However, the financial statements for the years covered by this Prospectus show the existence of transactions with related parties represented by payments made by these parties on behalf of the Company, and they were included in the financial statements as liabilities to these parties. These transactions amounted to SAR (47,900) and SAR (456,669) and SAR (0) as of December 31, 2019G, 2020G and 2021G, respectively (for more details, please see sub-paragraph (9.4.1) "Contracts and Transactions with Related Parties" of Paragraph No. (9.4) "Summary of Material Agreements" From Section (9) "Legal Information" of this Prospectus).

In the event that the Company concludes contracts or agreements with related parties in the future, it must adopt a policy based on the approval or consent of all related party transactions by the Board of Directors and the General Assembly, in compliance with all laws and regulations governing related party transactions, including guidelines, rules and regulations issued by the CMA and financial accounting standards issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

If the General Assembly (GA) does not approve the transactions with related parties when presented, the Company will be obliged to search for other unrelated parties to deal with. If the Company does not commit to presenting these transactions to the GA of shareholders to vote on and obtain approval, or the contracts concluded under framework agreements are not documented, if they are not concluded on commercial grounds, or the Company is unable to collect the amounts due, this could negatively and fundamentally affect the its business, financial position, results of operations and future prospects.

### **2.1.5 Risks Related to Concentrating the Company's Business in Specific Geographic Areas**

If the Company's future business is concentrated in specific geographical areas, the company will then face the risks of changing demand or supply, increasing competition, or the occurrence of any emergency in these areas – God forbid – such as natural disasters and others, and this will negatively and fundamentally affect the results of the its operations, profitability and financial condition.

### 2.1.6 Risks Related to Dependence on Key Suppliers

Although the Company's operational activities have stopped during the last three years, it was dependent on some major suppliers that provide raw materials (such as the Arabian Agricultural Services Company "ARASCO") and quality grains classified as nutritional supplements for cows. As for the agricultural activity, the Company was dependent on the supply of certain types of seeds provided by Al Jouf Agricultural Development Company. If the Company relies on a specific base of suppliers for its future activities, it will probably face the risks arising from the possibility of any change in the terms, prices or quality of the supplied materials, or a sudden interruption of supply for any reason, which will negatively and directly affect the its business and operational results and may in turn lead to a decrease in its profitability, an increase in its losses, and a material negative impact on its financial position.

### 2.1.7 Risks Related to Price Change in the Company's Products

Change in product prices is an important risk factor. Although there have been little operations for the last three years, the reactivation of the Company's activities and its sales prices may be affected with the change in the prices of production inputs. It should be noted that prior to the company's activities' suspension, the sharp drop in sale prices of raw milk was one of the reasons for the decline in the Company's revenues, whether in the cattle or the agricultural sectors.

Therefore, changing the prices of the Company's products as a result of a change in supply and demand or for other reasons, and where the price is a key factor for the consumer, the level of demand may decrease due to the rise in product prices and the change in the consumer's taste and the availability of competitive goods at a lower price. This will have a negative impact on the Company's sales, business results, financial position and future prospects.

### 2.1.8 Risks Related to Lease Contracts

The Company has concluded a number of lease contracts, whether as a lessor or a lessee (for more information about these contracts, please refer to paragraph (9.4.2) "Lease Contracts" of paragraph (9.4) "Summary of Material Agreements" of Section (9) "Legal Information" from this Prospectus). Its inability to maintain the continuity of the lease contracts related to these sites and renew them on the same current terms or preferential terms, or its failure to use the leased property for the designated purpose for any reason, will force it to vacate the leased property and find other more suitable places to conduct its activity, without a guarantee of getting favorable lease terms as those currently in existence. In the event of the occurrence of any of the aforementioned risks associated with the lease contracts for the leased properties, the company's expected business results, operational and financial statements will be negatively affected.

It is worth noting that Ministerial Resolution No. (292) was issued on 16/05/1438H (corresponding to 13/02/2017G) and stated that the lease contract not registered on the electronic network is not considered a valid contract that produces administrative and judicial effects. Moreover, the Rental Services E-Network "Ejar" was then launched in cooperation between the Ministries of Justice and Housing on 17/05/1439H (corresponding to 03/02/2018G), and the Ministry of Justice issued a circular approving its application to all contracts concluded after 04/05/1440H (corresponding to 10/01/2019G). As of the date of this Prospectus, the Company has concluded six (6) lease contracts, four (4) of which as a lessor and two (2) contracts as a lessee, but they were not electronically documented on Rental Services E-Network "Ejar". Therefore, if any dispute between the company and any of the lessors in relation to lease contracts that are not electronically registered occurs, it may not be considered by the Saudi courts. Thus, the Company, as a plaintiff, may not be able to protect its rights if any of the lessors or tenants breach their contractual obligations which will negatively and fundamentally affect its business and future aspirations.

### 2.1.9 Risks Related to the Acquisition of Land Granted by the Government

With regard to the developments of acquiring the Company's project land in the Al-Fadhili area, according to Cabinet Decision No. 319 issued on 08/07/1436H (corresponding to 27/04/2015G), which grants the Company the right to ownership of land plots out of the total area of land handed over to Ash Sharqiyah Development Company, which is estimated at six hundred (600) million square meters, pursuant to Royal Decree No. 4/1016/M dated 03/06/1406H, the Company's management began in 2014G to prove what has been revived from the total area of the land, in preparation for ownership. The Ministry of Environment, Water and Agriculture commissioned one of the accredited cadastral offices to conduct a complete survey of the revived lands, and it was found at the time that the total area amounted to one million two hundred and fifty-four thousand square meters (1,012,540,000m<sup>2</sup>). Accordingly, and in conjunction with the issuance of the resolution compelling joint stock companies to switch to the use of international accounting standards starting from the fiscal year 2017G, the Company's management recorded the viable area in its records, in accordance with the International Standards (20) and (41). However, at the beginning of the fiscal year 2020G, the Company's management received a Resolution issued by the Ministry of Environment, Water and Agriculture and approved by a Royal Decree stating that the Company owns a land plot of seventy-two million one hundred and seventy-eight thousand seven hundred square meters (72,178,700 m<sup>2</sup>), according to a new survey that the Ministry of Agriculture had assigned one of the consulting offices to organize. On the other hand, the Company has actually started the procedures for issuing the ownership land deed based on the new coordinates delivered by the ministry. Nonetheless, the deed's issuance was delayed as a result of suspending all governmental departments and agencies business hours amidst the Coronavirus pandemic. After work resumed in competent departments, and the Company followed up on the procedures for issuing the title deed, it found out that the land file had been transferred from the notary public to the Ministry of Energy. It should be noted that on 04/01/1444H corresponding to (02/08/2022G), the Company's management received a letter from the Ministry of Environment, Water and Agriculture issued on 01/12/1443H (corresponding to 30/06/2022G) bearing the reference number (1443/278/361029) mentioned in the telegram of His Excellency the Minister of Environment, Water and Agriculture No. (281223) on 28/08/1443H (corresponding to 31/03/2022G), which instructed the General Authority for State Real Estate

to coordinate with the concerned authorities in order to inform Ash- Sharqiyah Development Company of the following:

1. The land plot that was allocated to it by Royal Decree No. 4/1016 dated 03/06/1406H (corresponding to 12/02/1986G), and the aforementioned ownership resolution that was issued on the indicated area - became among the confiscations of the Saudi Aramco Company by virtue of the Royal Decree No. (40008) issued on 28/06/1443H (corresponding to 31/01/2022G). Legally speaking, it is not possible to issue a deed in the name of the company since it contradicts with the stipulation of paragraph (c) of Article (6-1) of the Concession Agreement between the government and Saudi Aramco which indicates that "the government shall not issue bonds, licenses or their equivalent on any land plot located in the reserved areas".
2. That the Company can make use of the land plot until the actual need of Saudi Aramco is fulfilled, and then adopt the necessary procedures required by law in this regard.
3. Should the land or part of it is seized by Saudi Aramco in accordance with the necessary statutory procedures in this regard, the government agencies - each within its jurisdiction - take the necessary procedures to issue a deed in the name of Ash- Sharqiyah Development Company - if it was legally established at the time on the land plot or part thereof.

It is worth mentioning that the Company is currently exploiting the land plot to generate rental income as it has leased parts of it to telecom companies (Saudi Telecom/Mobily/Zain) with the aim of placing towers and collecting rental income. In addition, the Company has leased the existing cowsheds on its land to an establishment that operates in the field of beef production, which is the "Ahmed Al-Hariri Establishment", and it generates rental income from leasing these barns (for more information about these contracts, please see paragraph (9.4.2) "Lease Contracts" of paragraph (9.4) "Summary of Material Agreements" from Section (9) "Legal Information" of this Prospectus). Despite the issuance of a Royal Order to seize the land in favor of Saudi Aramco, the Company continues to benefit from it by leasing parts of this land plot to external parties and establishing projects before obtaining the title deed. However, the aforementioned land plot may be withdrawn from the Company in any time which may adversely affect its current revenues, projects and future plans and have a negative impact on its business, financial position and results of operations.

#### **2.1.10 Risks of Reliance on Major Customers**

The concentration of the Company's sales on limited customers entails high risks. The Company has tested the risks of relying on major customers, in the period prior to the cessation of its activities, as it was adopting a one-customer policy in selling its raw milk production. The one-client policy is one of the dangers it has presented to stop its milk production activity in the past.

Therefore, several risks will entail when the Company resumes its activities in the future, and in case it relies on major customers. If the relationship with any of these customers is affected, the Company's sales, financial position and profitability will be fundamentally influenced.

#### **2.1.11 Risks Related to the Failure of the Company's Customers, their Procrastination and Inability to Pay the Amounts Due to the Company**

As the Company resumes its activities, its income will depend on the revenue generated from the production and sale of its products; therefore, if some customers are unable, late or procrastinating to pay the amounts owed to the Company (determining the nature of the receivables) on their due dates, this will have a negative and material impact on the Company's cash flow, and consequently on its ability to meet its financial obligations and continue its business.

#### **2.1.12 Risks Related to the Company's Inability to Pay its Financial Obligations**

There is a number of financial obligations that the Company must undertake, as the current liabilities include the discretionary Zakat provision, a short-term loan, accrued expenses, other liabilities and trade payables. These accounts constituted 96.6%, 95.7% and 90% out of the total current liabilities as of December 31, 2019G, 2020G, 2021G respectively. In the event that the Company is unable to achieve sufficient cash flow, it will not be able to meet its obligations, which will negatively affect its credit reputation and ability to obtain credit facilities in the future and will thus have a negative impact on its business and financial position. (For more details, please refer to subparagraphs (5.5.2.4) and (5.5.2.4.4) "Accrued Expenses and Other Liabilities" and "Accrued Expenses and Other Credit Balances" of Section (5) "Financial Information, and Management Discussion and Analysis").

#### **2.1.13 Risks Related to Existing and Potential Zakat Entitlements**

The Company submitted its Zakat declaration for the fiscal year ended December 31, 2019G and obtained a Zakat certificate from the Zakat, Tax and Customs Authority (ZTCA) with the number (1110601837) dated 02/08/1441H (corresponding to 26/03/2020G). It is valid until 18/09/1442H (corresponding to 30/04/2021G) and enables it to finalize all its transactions, including the payment of its final dues on contracts. After the Company submitted its Zakat declaration for the fiscal year ended December 31, 2020G and 2021G, it failed to pay the Zakat, due to the lack of sufficient liquidity, and to obtain a Zakat certificate from the Authority valid after 18/09/1442H (corresponding to 30/04/2021G).



The Company received from the ZTCA the final assessment from 31/07/1991G to 31/07/1994G, and the Authority instructed it to pay the amount of three million seven hundred and sixty-two thousand two hundred and thirty-two (3,762,232) Saudi riyals. Accordingly, the Company submitted an objection to the aforementioned assessment. On 09/01/2017G, the Company received another letter from the Authority for the years under review from 1991G to 2014G, according to which the Company is required to pay Zakat amounting to (19,200,000) Saudi riyals. As a result, the Company submitted an objection to the aforementioned assessment in relation to the mentioned period and then formed a provision for Zakat for these years in the amount of eighteen million nine hundred thousand (18,900,000) Saudi riyals.

On 28/07/2018G, the Company received the Decision of the First Instance Committee on Zakat and Tax Objection, which included its opinion on the Company's objection to the Zakat assessment from 1995G to 2014G. The Committee supported five Zakat items and rejected nine items that the Company objected to. Hence, the Company, through its Zakat Advisor, appealed the Committee's decision which was issued on 03/06/2021G, rejecting the appeal request submitted by the Company.

During the year 2018G, the Company paid the amount of Zakat due for the fiscal year 2015G, which amounted to one hundred and ninety-two thousand nine hundred and ninety-one (192,991) Saudi riyals, based on the Zakat returns submitted by it. On 27/06/1441H (corresponding to 22/02/2020G), the Company was informed of the existence of amounts payable to the ZTCA, with a total amount of nineteen million seven hundred and forty-five thousand four hundred and fifty-six (19,745,456) Saudi riyals and was given a deadline of twenty (20) days from the date of the claim to pay the amounts due under penalty of applying the mandatory collection procedures.

As a consequence, the Company formed an additional Zakat provision in the amount of nine hundred and sixty-three thousand seven hundred and ninety-two (963,792) Saudi riyals, which was recorded in the financial statements for the year 2019G. The Company also received, during Q3 2020G, other amendment notices to the Zakat assessments for the years 2015G and 2017G, with a total amount of one hundred and seventy-five thousand one hundred and thirty-two (175,132) Saudi riyals. During the year 2021G, the Authority issued an amended final assessment to reduce the Zakat obligation from (19,938,849) Saudi riyals to (15,995,179) Saudi riyals. Thus, the Company reduced its Zakat provision by (3,943,670) Saudi riyals. The Company contacted the concerned authorities in the ZTCA with the aim of negotiating a specific mechanism to pay the due payments.

Nevertheless, the Company cannot predict whether the General Authority of Zakat, Tax and Customs will accept the negotiations with the Company to settle the due Zakat payments or it will accept its Zakat estimates or require it to pay Zakat differences in the future. If the General Authority for Zakat and Income requires the Company to pay such differences, the Company's profits, results of its operations, financial position and future prospects will be negatively and fundamentally affected.

#### **2.1.14 Risks Related to Capital Management**

When managing its capital, the Company aims to ensure its ability to continue so that it can continue to provide returns to shareholders and maintain adequate basic capital to support its business. The Company may be exposed to the risk of capital mismanagement and loss of its ability to continue to provide returns to shareholders and support its business. On the other hand, the Company's management manages capital by monitoring returns on net assets and the total liabilities' ratio to its total assets, and it may make adjustments to the capital in proportion to changes in economic conditions in the future or for the purpose of preserving or adjusting the capital. The Company may increase its capital in the future to ensure the achievement of its objectives and strategic plans. In the event that the Company's management is unable to make the necessary capital adjustments, it may face the risks of business discontinuity.

#### **2.1.15 Risks Related to Funding Sources**

The Company relies on credit facilities to finance its operations and has entered into a credit facility agreement with the Saudi Investment Bank that is compatible with the Shariah regulations. The total value of the facilities amounted to ten million SAR (10,000,000) to be annually renewed (for more details about loans, please refer to sub-paragraph (5.5.2.4.2) "Short-term Loans" of Section (5) "Financial Information, and Management Discussion and Analysis" and sub-paragraph (9.4.6) "Loans and Credit Facilities" of Section No. (9). "Legal Information" of this Prospectus). The purpose of the facility granted under this agreement (Murabaha - Financing the Purchase and Sale of Commodities) is to finance short-term working capital requirements.

In addition, the Company is subject to restrictions stipulated in financing agreements and credit facilities, notably with regard to distributing profits and financial commitments, maintaining the liquidity ratio of the limit stipulated in each agreement, having the net rights not less than the amount in Saudi riyals specified in each agreement and the financial leverage ratio not more than the percentage specified in the provisions of each agreement (and for more details about financing agreements and facilities, please refer to sub-paragraph (9.4.6) "Loans and Credit Facilities" of Section No. (9) "Legal Information" of this Prospectus).

If the Company does not comply with some of the terms and conditions of the loan agreements, it will allow the lender to request immediate payment of the loan's full value and may initiate judicial execution procedures on the mortgaged assets in its favor for sale and collection of the loans' value from sale proceeds. On the other hand, if the Company is unable to meet its payment obligations under the loan and credit facility agreements, or breaches any of the obligations or commitments related to the debts incurred by it in the future, the lenders may immediately request payment of the debt and collect the guarantees provided by the Company. In this case, there is no guarantee that the Company will be able to obtain sufficient alternative sources of financing to meet the repayment of those debts. Any of these factors will have a material negative impact on the Company's business and financial position.



### **2.1.16 Risks related to providing personal guarantees from the CEO to guarantee the Facilities Agreement**

The Company entered into a facility agreement with the Saudi Investment Bank. In order to guarantee these facilities, the CEO Mr. Mohammed Abdullah Hujailan Al-Hujailan provided a promissory note in the amount of 10,000,000 Saudi riyals as an irrevocable continuous guarantee duly signed by him.

In accordance with the terms of this Agreement, the Bank may require the Company to pay all dues in specific cases. While the Company still maintains the facilities and are still personally guaranteed by the current CEO as of the date of this Prospectus, the Company may be obligated to pay the amounts due immediately in the event of any change in the employment status of the company's CEO, which would have a negative impact on the company's financial position, performance and prospects future.

### **2.1.17 Risks Related to Management Decisions**

The results of the Company's business depend mainly on the ability of its management to take the right and appropriate decisions in relation to its business and activities. If the Company's management makes wrong decisions regarding its business, its performance, results of operations and profitability will be substantially affected.

### **2.1.18 Risks related to Liquidity Risks**

The Company faces liquidity risks when it fails to provide the necessary funds to meet on time its liabilities and financial obligations arising from operating activities. The Company suffers from liquidity risks due to the absence of any regular and continuous operating income to provide sufficient liquidity. It can't guarantee that no emergency or sudden events will occur requiring immediate liquidity, which will affect its operational performance and financial position. The Company's current liquidity ratio reached 0.035, 0.005 and 0.008 as of December 31, 2019G, 2020G and 2021G respectively.

### **2.1.19 Risks Related to Credit and Collection**

The Company faces credit risks when one of the parties fails to meet a specific financial obligation or to fulfill its obligations towards it. If these parties are unable to perform their obligations towards the Company, its financial position and the results of its operations will be negatively affected. In addition, the non-compliance of these parties may be a result of the Company's inability to collect its dues from third parties, which has a negative impact on the Company's business and financial position. The Company's net receivables amounted to SAR (12,500) as of December 31, 2019G and SAR (0) as of December 31, 2020G. The Company's net receivables amounted to (0) Saudi riyals as of 31/12/2021G.

### **2.1.20 Risks Related to Contingent Liabilities**

Some potential liabilities may arise, such as costs related to Zakat, taxes, and other expenses or obligations associated to the Company's activity, such as issuing the necessary government licenses to conduct business. In this case, these expenses and obligations will negatively affect the Company's financial position, results of operations and future prospects.

### **2.1.21 Risks Related to Changes in Accounting Standards and Adoption of New Standards**

The financial statements of the Company are prepared in accordance with the International Financial Reporting Standards (IFRS) approved in the KSA and other standards and publications approved by the Saudi Organization for Certified Public Accountants (SOCPA). The Company is required to apply the amendments or the changes occurring to these standards from time to time. Therefore, any changes in these standards or the mandatory application of some new standards could adversely affect the financial statements and, consequently, the Company's financial results and financial position.

Actually, the adoption of the application of the new accounting standard for lease contracts (IFRS 16) from January 1, 2019G has resulted in an increase in financing costs by (4.5 million) Saudi riyals.

### **2.1.22 Risks Related to the Failure of the Expansion Strategy**

The Company's expected future growth depends on the success of its expansion strategy and modernization of existing activities and expansion. Thus, inability to implement expansion plans or failure of those expansion plans will negatively affect future growth opportunities, affecting in turn the Company's financial position and operations results. Moreover, in the event of implementation these expansion plans and the achievement of the desired results is not certain, as it is linked to future expectations. Hence, in the event that the desired results are not fully or partially achieved, the Company's business, financial position, operations' results, cash flows and future expectations will be negatively affected.

### 2.1.23 Risks Related to Delays in Implementing Future Projects

By increasing its capital through the issuance of Rights shares, subject of this Prospectus, the Company intends to secure necessary funding to implement future plans and projects, to expand the poultry project by establishing breeding centers for broiler mothers and a slaughterhouse for slaughtering and preparing broiler chickens and hatcheries for the production of broiler chicks (For more information, please refer to Section (6) "Use of Offering Proceeds and Future Projects" of this Prospectus). Although the Company has prepared an action plan to implement these projects according to a specific schedule, there are several factors that could not be controlled by it and which, if occurred, may lead to a delay or a temporary or permanent suspension in the implementation of projects. These factors include, for example: obtaining Government approvals and licenses, the commitment of contractors, reaching agreements with other parties, availability of work force and other factors leading to temporary or permanent cease of work. Thus, it influences the possibility of achieving the desired benefit from these projects as planned, which will negatively affect the Company's operations and its financial position.

### 2.1.24 Risks Related to Future Projects' Capital Costs Exceeding the Expected Value of Financing

Although the Company has carried out a set of necessary studies to determine the capital costs of future projects, it is possible, due to circumstances beyond its control, that those costs may rise above the expected value, which may affect the financial feasibility of those projects. Hence, the Company will be forced to search for new financing sources to cover this increase. Therefore, the profitability of these projects will be negatively affected, which will negatively affect the profitability of the Company and its financial position.

### 2.1.25 Risks Related to the Unprofitability of Future Projects

If the current or future business projects do not achieve the desired results and expected profits or are exposed to losses, the results of the Company's operations and financial position will be substantially affected.

### 2.1.26 Related to Reliance on Major Human Resources

The Company aims to attract and employ qualified people to ensure the efficiency and quality of its business through effective management and proper operation. The Company's success depends on its ability to attract and retain qualified employees. It may however resort to employees' layoffs to cut payroll costs and reduce expenses, as happened previously. Therefore, the Company's loss of qualified human resources or inability to retain them will negatively affect its business and profitability, notably if it is obliged to pay higher salaries and benefits to retain them.

The total number of employees as of 31/12/2021G is equivalent to (6) distributed as follows: (3) Saudis and (3) non-Saudis. The number of employees in the Company's branch is one Saudi employee and there are no non-Saudis. The following table sets forth the number of employees according to their nationalities:

Table No. (1): Distribution of the Number of Saudi and Non-Saudi Employees at the Company and its Branches.

Company	Saudi	Non-Saudi	Total
Asharqiyah Development Company	3	3	6

Source: The Company

Among the factors that may affect the Company's ability to retain qualified non-Saudi employees is the imposition by the Saudi government of additional fees for each non-Saudi employee and financial fees for the dependents and bodyguards of non-Saudi employees. For more information, kindly refer the risk factor related to government fees on non-Saudi employees No. (2.1.26) of Section No. (2) "Risk Factors" of this Prospectus.

### 2.1.27 Risks Related to Employees Errors or Misconduct

The Company is required to adopt an internal work regulation according to the form prepared by the Ministry of Human Resources and Social Development. The Company may include in its internal work regulations additional terms and provisions that do not contradict the provisions of the Labor Law, its implementing regulations and ministerial resolutions thereto. The Company must announce the aforementioned internal work regulations, as well as any amendment thereto, in a public place in its premises or via any other method that is clear to all its employees.

The Company has an internal work organization regulation, approved by the Ministry of Human Resources and Social Development with the number (997625) and the date of 23/03/1444H (corresponding to 19/10/2022G). All employees are informed of this regulation immediately after joining the Company and any amendments thereto are sent via email and placed in the employees' offices.

However, the Company cannot guarantee to avoid employees' misconduct or mistakes such as fraud, intentional or unintentional errors, embezzlement, theft, forgery, misuse of property and unauthorized acting on behalf of the Company. Consequently, these actions may entail consequences and responsibilities for the Company, statutory penalties, or financial liability. Therefore, the Company cannot guarantee that the misconduct of its employees will not materially harm its financial position or its operations results.

### **2.1.28 Risks Related to Reliance on Non-Saudi Employees**

The percentage of non-Saudi employees in the Company represents about (50%) of the total number of employees, and the percentage of non-Saudi employees in leadership positions is (50%). Therefore, if the Company and its subsidiaries were unable to maintain the non - Saudi employees, find others with the same skills and experience, or if a change has occurred in the policies and regulations of the Ministry of Human Resources and Social Development that resulted in an increase in the proportion of the Saudization sector, the results of the Company's business and financial position will be fundamentally and adversely influenced. For more information on non-Saudi employees, kindly refer to sub-paragraph (3.12) "Employees and Saudization" of Section No. (3) "Company Overview and Nature of Business" of this Prospectus.

### **2.1.29 Risks Related to Government Fees Applicable to non-Saudi Employees**

During 2016G, the government approved a number of decisions aimed at carrying out comprehensive reforms of the labor market in the Kingdom of Saudi Arabia, including the approval of imposing additional fees for each non-Saudi employee working for a Saudi entity as of 01/01/2018G of four hundred SAR (400) per month for each non-Saudi employee for the year 2018G, to reach six hundred SAR (600) per month for the year 2019G, and eight hundred SAR (800) per month for the year 2020G. This led to an increase in the Company's costs in general, which adversely affect its business, financial performance and results of operations.

In addition, the government has imposed fees in return for money on the dependents and escorts of non-Saudi employees as of 01/07/2017G, at the rate of one hundred SAR (100) per month for each dependent in 2017G, and it increases annually to reach four hundred SAR (400) per month for each dependent in 2020G. Hence, the fees that a non-Saudi employee will bear on behalf of his family will result in an increase in his cost of living, which will pull or encourage him to work in other countries where the cost of living is lower. For that reason, the Company will face difficulty in maintaining its non-Saudi employees, which may force it to bear these costs for non-Saudi employees or part of them directly, or indirectly by raising the wages of non-Saudi employees, which will lead to an increase in the Company's costs and will negatively affect the results of its operations.

### **2.1.30 Risks Related to Saudization**

Compliance with the Saudization policy is considered to be a systematic requirement issued by the Ministry of Human Resources and Social Development and implemented by the Ministry of Labor and Social Development in the KSA, whereby Saudi companies and enterprises are required to fill up their workforce with Saudi nationals up to certain levels and maintain them. According to the "Nitaqat" Program issued by the Ministry of Human Resources and Social Development, the Saudization rate reached approximately (50%), and it is classified within the low green range.

The Company is currently committed to the required Saudization rates, however if it fails to maintain them, or if the Ministry of Human Resources and Social Development decides to impose more stringent Saudization policies in the future which the Company is unable to comply with, then it will incur penalties imposed by governmental agencies, such as suspending work visa applications and transferring sponsorship to non-Saudi workers, which will have a fundamental negative impact on its business, financial position, results of operations and prospects (for more information, kindly refer to sub-paragraph (3.12) "Employees and Saudization" of Section No. (3) "Company Overview and Nature of Business" of this Prospectus).

### **2.1.31 Risks Related to the Adequacy of Insurance Coverage**

Asharqiyah Development Company "Asharqiyah" has a health insurance document bearing the number (22100277) with the Company for Cooperative Insurance (Tawuniya). It is valid from 03/04/2022G until 02/04/2023G and provides health and medical care for the employees working in the Company and their family members (husband or wife - children from the date of birth - unmarried sons with a maximum of 25 years - unmarried, divorced and widowed unemployed daughters according to the insurance company's policy). These documents cover health care through a network of service providers appointed by the Company, provided that the case is covered by insurance (For more information on insurance coverage, please refer to sub-paragraph (9.7) "Insurance" of Section (9) "Legal Information" of this Prospectus).

These insurance contracts include deductible amounts and factors excluded from the insurance coverage, in addition to other restrictions related to the insurance coverage to be negotiated with insurance companies, and it adopts the possibility that the Company obtains compensation from the relevant insurance company according to its financial solvency and ability to meet the value of this compensation. Therefore, the insurance may not cover all the losses incurred by the Company, and there is no guarantee that the Company will not incur losses beyond the limits of the insurance policies or outside the scope of coverage contained in these policies. Moreover, it is possible that cases may arise in which the value of the claim exceeds the value of the insurance held by the Company, the compensation claim submitted by the Company to the relevant insurance company is rejected or the claim and compensation period is prolonged, which will negatively affect the Company's business, future prospects, results of operations and financial position.

With the exception of medical insurance, which is being renewed, the Company, as an insured, did not provide insurance policies to cover some of the risks that its assets or property may be exposed to in the course of its activity (such as vehicle insurance, property insurance against fire accidents, some natural disasters and all risks related to assets and property). These accidents, if they occur (God forbid), may result in serious damages that will lead to material losses that the Company will not be able to compensate in part or in full due to the lack of appropriate insurance coverage, which will negatively affect its operations and ability to bear the amounts resulting from losses or to temporarily suspend its business operations, and this will have a negative impact on its financial results and profits.

### **2.1.32 Risks of Litigation and Lawsuits**

As of the date of this Prospectus, the Company is a party to one existing lawsuits as a plaintiff (for more details, please refer to sub-paragraph (9.5) of Section No. (9) "Legal Information"). The Company is also party to a two lawsuits filled against it as a plaintiff in which a judgment of execution has not yet been issued. Therefore, the Company may have additional financial obligations estimated at three hundred thousand (300,00) Saudi riyals and may be unable to pay them and fulfill its obligations, which will negatively affect the company's business, future expectations, results of its operations and financial position.

The Company not guarantee that there will be no future disputes between it and internal parties (such as employees or managers), or external parties such as customers, suppliers, distributors and others, which may lead to legal actions (such as labor claims, financial claims, or claims for the termination of existing contracts for breach of one of the contractors' obligations or commitments or those related to Zakat and tax matters) at the competent judicial authorities. As a result, the Company may be subject to lawsuits filed by governmental agencies and departments and investigations. Certainly, the Company can't anticipate the results of such claims if they occur, nor does it guarantee that such claims will not have a material impact on its business, financial position and results of operations.

### **2.1.33 Risks Related to Non-issuance or Non-renewal of Licenses and Certificates**

The Company is required to obtain and maintain various permits, licenses and regulatory approvals in relation to their activities. These include the following: the registration certificate issued by the Ministry of Commerce, the Chamber of Commerce membership certificate, the Saudization and Zakat certificates, the Revenue and VAT registration certificates, the social insurance and other certificates issued by the Ministry of Environment Water & Agriculture (For more information about the licenses and certificates obtained by the Company, please refer to sub-paragraph (9.2) of Section No. (9) "Legal Information" of this Prospectus).

The Company does not have a Civil Defense Certificate for Security and Safety valid until the date of issuance of this Prospectus which is considered a violation that may expose the Company to penalties and fines stipulated in Article (30) of the Civil Defense Law stating that: "Any person violating any of the provisions of this Law, its regulations, or decisions issued thereupon, shall be subject to imprisonment for a term not exceeding six months, a fine not exceeding SAR (30,000), or both and even an order to close the site leased by the Company which will negatively affect its financial condition, results of operations and future prospects.

The Company's failure to renew its current licenses, permits and certificates or to obtain any of the licenses necessary for its business, if any of its licenses are suspended, expired or renewed on conditions that are not suitable for the Company, or if the Company is unable to obtain additional licenses, permits and certificates that may be requested from it in the future, this will expose it to suspension and prohibition from carrying out its business, which will result in disruption of its operations and incur additional costs, which will have a negative and fundamental impact on the Company's business, financial position, results of operations and future prospects.

### **2.1.34 Risks Related to Unregistered Trademark**

The Company has a logo that it uses in dealings and transactions (Asharqiyah), but the logo has not been registered as a trademark with the competent government authority (the Saudi Authority for Intellectual Property). The issuance of a trademark registration certificate grants the Company exclusive use of this trademark on its own products and the permission to place it on the external facade of its building and offices. Therefore, if the Company continues to use its trademark without obtaining the logo's necessary legal protection in accordance with the trademark law, it will expose its interests to risks, which will have a negative impact on its business, financial position, results of operations and future prospects.

### **2.1.35 Risks Related to the Imposition of Fines Over Labor Law Violations**

The Labor Law and Regulations stipulates that the employment contract with any employee and worker must be executed in duplicate, with one copy per party. According to the Ministry of Human Resources and Social Development work contracts shall be electronically documented by uploading and updating the information related to the workers' work contracts and giving workers the opportunity to verify the validity of their contract data through the General Organization for Social Insurance's e-service portal (GOSI) pursuant to the Ministerial Resolution No. (156309) and dated 18/08/1440H (corresponding to 23/04/2019G). It should be noted that all contracts concluded after the date of this resolution must be directly documented. As for those concluded prior to that date, the contracts' documentation is mandatory and during stages that end in Q4 2020G. The Company's failure to comply with these regulations may be considered a violation of the Labor Law, hence it will be subject to a fine of SAR (1,000) according to the number of violating workers and the table of violations and penalties issued under Ministerial Resolution No. (178743) dated 27/09/1440H (corresponding to 01/06/2019G), which will negatively affect the Company's business and results of operations.

### 2.1.36 Risks Related to the Application of the Companies Law

The Companies Law imposes some statutory requirements that the Company must abide by. This will require it to take procedures and measures so as to comply with such requirements, which is time-consuming and may affect its business strategy.

The Company complied with the Companies Law issued by Royal Decree No. (M/3) dated (28/01/1437H) corresponding to 10/11/2015G (and published in the Official Saudi Gazette) on 22/01/1437H (corresponding to 04/12/2015G), which came into effect on 27/01/1437H (corresponding to 04/05/2016G) and amended by Royal Decree No. (M/79) dated 25/07/1439 H (corresponding to 11/04/2018G). It also adheres to Article (224) of the Companies Law in terms of bylaws' amendments. The latest version of the bylaws was issued pursuant to EGA Resolution dated on 26/10/1438H (corresponding to 20/07/2017G). It was later approved by the Ministry of Commerce on 01/01/1439H (corresponding to 21/09/2017G). The latest version of the bylaws was issued pursuant to EGA Resolution on 13/07/1441H (corresponding to 08/03/2020G) and approved by the Ministry on 17/03/1444H (corresponding to 13/10/2022G).

The current Companies Law also imposed more stringent penalties for violating its mandatory regulations. According to the Companies Law (Article 213), they may reach SAR (500,000), as stipulated in Article (214) of the Companies Law stipulates that: "Penalties shall be doubled in the event of repeated violations".

Hence, the Company will be subject to such penalties in the event of non-compliance with those regulations and provisions, which would adversely and materially affect the Company's business, financial position and results of its operations.

### 2.1.37 Risks Related to Non-compliance with Corporate Governance Regulations

The Company has a Corporate Governance that was prepared in accordance with the requirements of the Corporate Governance Regulations issued by the Capital Market Authority (CMA), pursuant to Resolution No. (8-16-2017) dated 16/05/1438H (corresponding to 13/02/2017G), by virtue of the Companies Law issued by Royal Decree No. M/ 3 dated 28/01/1437H, amended pursuant to the CMA Resolution No. (1-94-2022) and dated 24/01/1444H (corresponding to 22/08/2022G). The following are the articles that the Company did not comply with as of the date of this prospectus:

- **Article 22/4:** Developing a written policy that regulates the relationship with Stakeholders pursuant to the provisions of these Regulations;
- **Article 22/5:** Setting policies and procedures to ensure the Company's compliance with the laws and regulations and the Company's obligation to disclose material information to shareholders and Stakeholders, and ensuring the compliance of the Executive Management with these policies and procedures;
- **Article 23/1:** Approving and developing internal policies in respect of the Company's business, including specifying the duties, competencies and responsibilities assigned to the various organizational levels;
- **Article 86:** Establishing a policy for professional conduct and ethical values at the Company;
- **Article 91/b:** The Board shall make available sufficient copies of the audit committees' report at the Company's head office, and publish them on the Company's and the Exchange's websites when publishing the invitation to convene the General Assembly, to enable shareholders to get a copy thereof. Summary of the report shall be read at the General Assembly. Publication of the audit committee's report on the company's website.

The Company's failure to implement the Corporate Governance Regulations issued by the Authority may expose it to financial penalties under Paragraph (c) of Article (59) of the Capital Market Law issued by Royal Decree No. (M/30) dated 02/06/1424H (corresponding to 31/07/2003G), as amended by Cabinet Resolution No. (52) dated 18/01/1441H (corresponding to 17/09/2019G), which states that the Capital Market Authority may - if it finds out that the company has committed or embarked on acts that constitute a violation of any of the provisions the laws or rules issued by the Authority - Doing all or any of the following:

1. Alerting the Company
2. Obligating the Company to take the necessary steps to avoid the occurrence of the violation, or to take the necessary corrective steps to address the consequences of the violation.
3. Imposing a financial fine by the Board on any person responsible for violating this Law and its implementing regulations, the regulations of the Market, the Depository Center and the Clearing Center and its rules, and the fine imposed shall not exceed five million (5,000,000) SAR for each violation committed by the violator.

The Company's failure to implement the Corporate Governance Regulations issued by the Authority may expose it to fines, which may have a negative and material impact on the its business, results of operations, financial position and future prospects.



## **2.2 Risks Related to Market and Sector**

### **2.2.1 Risks Related to Environmental Regulations and Standards**

The Company's business related to agriculture and animal husbandry (the breeding and raising of livestock for agricultural purposes) requires compliance with the environmental legislation, regulations and instructions applied in the Kingdom, and the Company is committed to abide by all official directives and instructions issued by all official authorities.

It should be noted that failure to fully comply with environmental legislation and regulations may lead to the closure of the Company's industrial facilities and will expose it to violations, fines or penalties that may be imposed by regulatory authorities. This will negatively affect the Company's operations, limit the growth of its revenues, suspend its work or license which will in turn affect its ability to conduct its business and its financial results and profitability.

### **2.2.2 Risks Related to the Increase in Energy and Water Costs**

The Council of Ministers issued Resolution No. (95) dated 17/03/1437H (corresponding to 28/12/2015G) to raise the prices of energy products, the tariff for electricity consumption, the price of water and sewage services for the residential, commercial and industrial sectors, as part of the policies related to rationalizing energy consumption and reducing government's subsidies in the Kingdom. The Ministry of Energy also issued a statement on 24/03/1439H (corresponding to 12/12/2017G) regarding the financial balance program's plan to correct energy products' costs, starting on 14/04/1439H (corresponding to 01/01/2018G). The Company and its subsidiaries' operations depend on the availability of energy and electricity products; therefore, any interruption or reduction in the supply of these products or any increase in their costs would significantly affect the Company's profitability, results of operations and future prospects.

### **2.2.3 Risks Related to the Saudi Economy's Impact on the Company's Operations**

The Company's operations and assets are centered and located in KSA, which is considered to be an emerging market. Although the Kingdom continues to implement economic diversification to increase the contributions of non-oil sectors, the oil sector is still the number one source of Revenue to implement and develop economic plans. Accordingly, any Decrease in oil prices may lead to an economic slowdown or significantly reduce government spending, which will negatively affect the Saudi economy as a whole and all sectors and businesses operating in the Kingdom. Consequently, the Company's business, results of operations and financial position will be adversely influenced.

### **2.2.4 Risks Related to Political and Economic Instability in the Region**

Some countries in the Middle East region are suffering from economic, political or security instability at the present time. There are no guarantees that these economic, political and security conditions in those countries or any other countries will stabilize. These conditions will have a negative impact on the Company's business, the results of operations, financial position and future prospects.

### **2.2.5 Risks Related to Growth Opportunities**

The Company's ability to develop its business depends on the competition in the market, the availability of material and human resources and the capacity of its management team, bylaws and others. There is no guarantee that a continuous growth rate will be maintained, as the Company may face difficulties in expanding its activity, developing its market share and increasing its sales. Therefore, if the Company is not able to positively manage its growth, its ability to develop its activity, increase or maintain its market share, increase the profits of its business and improve the returns to its shareholders, its business, results of operations and financial position will be substantially affected.

### **2.2.6 Risks Related to Competition**

Competition usually occurs when other companies operate in the Company's business sector of and provide similar or competing services. The food production sector is one of the highly competitive sectors. Some of the Company's competitors have large financial and non-financial resources, especially local companies that have large market shares and gain the confidence of local customers.

With regard to previous activities, specifically fodder cultivation and raw milk production, the Company was facing a huge and very strong competitive market. In terms of raw milk production, the market was full of producers, led by huge dairy companies that were selling surplus raw milk after sporadic production operations at very competitive prices, since these companies did not rely on selling raw milk as a main selling commodity, which made them reduce the selling price to be able to discharge raw milk in excess of its needs, such as Almarai, NADEC, Nada and Al Safi Companies, in addition to local dairy producers and small producers.

With regard to the future projects that the Company intends to establish in the poultry sector, it will face local competition with existing companies and institutions in order to ensure the distribution of its production, achieve profits and continued acquisition of customers, in addition to competing with imported poultry meat products for local production. There are many companies specialized in raising and producing poultry in the local market that offer various services such as skinning operations. The most important competition factors in the local poultry meat markets are the production of whole chicken,

chopped poultry meat, and processed meat, as there are many companies working in this sector and it makes the level of competition high.

Therefore, there is no guarantee that the Company will be highly and strongly competitive while conducting its business. Moreover, any change in the competitive environment may lead to a change in costs, a Decrease in profit margins or a loss of market share, which will have an adverse effect on the Company's business, financial position, results of operations, and future prospects.

### **2.2.7 Risks Related to Natural Disasters**

In the event of the occurrence of natural disasters that can't be controlled by the Company, such as floods, earthquakes, storms, etc., and that may damage the Company's facilities, the Company will incur heavy costs. Natural disasters may also affect the Company's ability to continue its operations and thus reduce its Revenue from those operations. Therefore, if such disasters occur and damage the Company's facilities, the Company's business, results of operations and financial position will be negatively and substantially affected.

### **2.2.8 Risks Related to Changes in Relevant Laws and Regulations**

Like other companies operating in the Kingdom of Saudi Arabia, the Company is subject to a number of regulations and laws such as the companies' law, the Labor law, the municipal and Civil Defense laws, the CMA laws and regulations and others, which may change or get updated by the competent authorities. Moreover, new laws and regulations may be issued by the relevant official authorities from time to time. Accordingly, the business of the Company and its subsidiaries may be adversely affected if any substantial change in any of the related laws or the issuance of additional laws that have a direct impact on the performance and profitability of the Company.

Likewise, the Company, as a joint stock company may be subject to penalties and fines if it does not fulfil the requirements of the CMA and the rules of offering securities and continuing obligations issued by the CMA and the listing rules issued by Tadawul, in terms of not disclosing some of the substantial events according to Article (80), in addition to the financial reports required on time according to Articles (81) and (82) of the rules on the offer of securities and continuing obligations or in case of delaying the time of disclosure, which will have a negative and substantial impact on the business, results of operations, financial position and future prospects of the Company.

Moreover, subparagraph (f) of Article (72) of the Rules on the Offer of Securities and Continuing Obligations also obligates public joint stock companies to disclose to the public in the event of a difference of (5%) or more between the actual use of proceeds of the issue of rights shares as set out in the relevant Prospectus as soon as becoming aware of it.

Sub-paragraph (6.2) "Using the Offering Proceeds" of Section (6) "Using the Offering Proceeds and Future Projects", explains how the Company uses the offering proceeds which is the subject of this Prospectus. In the event that the Company's management does not comply with this usage or if any deviation occurs, the Company will be obliged to directly disclose that on Tadawul's website. Following this event, the Company must also present that at the first meeting of the General Shareholders Assembly in order to approve the amendment or deviation that occurred in the method of using the proceeds disclosed in this Prospectus. In the event of failure to comply with the procedures, legal risks will be entailed on the Company if one of the shareholders protested against obtaining the approval of the General Assembly, which will negatively affect the Company's operations and financial position.

### **2.2.9 Risks Related to Value-added Tax (VAT)**

On 02/05/1438H, the Saudi Arabian Council of Ministers decided to approve the unified VAT agreement for the GCC countries, which came into force on 01/01/2018G, as a new tax amounting to 5% of the sale price to be added to the rest of the taxes and other fees on specific sectors in the Kingdom, including the sectors in which the Company operates. On 17/10/1441H corresponding to 09/06/2020G, the Board of Directors of the General Authority of Zakat and Tax (GAZT) issued Decision No (2-3-20) stipulating the increase of VAT rate to 15% of the selling price starting from 01/07/2020G. Since the value-added tax is borne by the final consumer of goods and services because it is included in the price paid, the Company raises the prices of its products to reflect the value of the added tax.

As a consequence, the prices of the Company's services, including the VAT, will increase, which may lead to a decrease in demand, and thus the Company's operations and profits will be negatively affected. However, if the Company doesn't succeed in completely transferring the VAT to the customer due to competition or other factors, it will have to bear the value of the uncollected tax from the customer, which will negatively affect its profits and operations.

### **2.2.10 Risks Related to the Imposition of New Duties or Taxes**

The Company is not currently subject to any types of taxes except for Zakat and VAT (15%). If new corporate taxes or fees other than those currently applied are imposed, the net profits of the Company will be directly affected, thus impacting its business, operations results, financial position and future prospects.



## **2.3 Risks Related to New Shares**

### **2.3.1 Risks Related to Potential Volatility in Share Price**

The Company's share price may be subject to considerable fluctuations and may not be stable due to several factors including, but not limited to: stock market conditions related to shares, any regulatory changes in the sector in which the Company operates, deterioration of the Company's business results, inability to execute future plans, the entry of new competitors and speculation on the Company's operations. It should be noted that the market price of the Company's shares during the period of Rights issue offering is not an indication of its market price after the offering. Furthermore, there is no guarantee that the market price of the Company's shares, once listed on Tadawul, will not be lower than the Offer Price, which negatively affect the investors.

### **2.3.2 Risks Related to Potential Fluctuations in the price of the Rights Issue**

The market price of the Rights may be subject to considerable fluctuations due to the change in Tadawul trends in respect of the Company's shares. Such fluctuations may be considerable because of the difference between the daily fluctuation percentage allowed to the Rights compared to the daily fluctuation percentage allowed to Company's shares.

The trading price of the Rights Issue depends on the Company's current share price and the market perception of the Rights' fair price after subscription. These factors (in addition to the abovementioned factors under the "Potential Fluctuations in the Share Price") may also adversely affect the trading price of the Rights.

### **2.3.3 Risks Related to Unprofitability or Sale of Rights**

There is no guarantee of profitability of the share by trading it at a higher price. In addition, there is no guarantee that it will be sold at all, which indicates that there is no guarantee of sufficient demand in the market to exercise the Rights or receive compensation from the Company.

### **2.3.4 Risks Related to Lack of Demand for Company's Rights and Shares**

There is no guarantee that there will be sufficient demand for the Company's Rights during the Trading period in order to enable the holder of such Rights (whether a Registered Shareholder or a New Investor) to sell the Rights and realize a profit, or enable him to sell these Rights at all. There is also no guarantee that there will be sufficient demand for the Company's Rump Shares by the Institutional Investors during the Rump Offering. In case the Institutional Investors do not subscribe for the Rump Shares at a high price, the compensation amount may not be sufficient in order to be distributed to the holders of unexercised Rights. Moreover, there can be no assurance that there will be sufficient market demand for the New Shares after it is traded; and this will negatively affect the share price, the Company and shareholders' profitability.

### **2.3.5 Risks Related to Speculation in Rights Issue**

Speculation in Rights Issue is subject to risks that could cause substantial losses. The range of permissible change in the Rights Issue tradable prices ("Right Indicative Value") exceeds the percentage that the share is subject to. There is a direct relationship between the Company's share price and the Right's indicative value. Accordingly, the daily price limits for the tradable right are affected by the daily price limits for share trading.

In the event that the speculator does not sell the existing Rights before the end of the trading period, he will be forced to use these rights to subscribe to new shares, and will be thus exposed to losses.

### **2.3.6 Risks Related to Dilution of Ownership**

If the holders of the Rights do not fully exercise their Rights with respect to the acquisition of New Shares in the Offering, their shareholding percentage and voting rights will be reduced. In case the Registered Shareholder wishes to sell his Rights during the Trading Period, there can be no assurance that its returns will be sufficient to fully compensate the drop of its shareholding percentage in the Company's capital resulting from the Company's Capital Increase.

### **2.3.7 Risks Related to Failure to Exercise the Rights in a Timely Manner**

The subscription period will start 3 business days post EGA approval of increase in capital On Thursday 10/21/1444H (corresponding to 05/11/2023G) and ends On Tuesday 11/03/1444H (corresponding to 05/23/2023G). The Eligible Persons and brokers representing them should take the appropriate measures to comply with all required instructions and receive their certificates prior to the expiry of the Subscription Period. If the holders of the Rights and the brokers are not able to properly follow the procedures for the trading of the Rights, the Subscription application form may be rejected (please refer to Section 12 "Information Concerning the Shares and Terms and Conditions of the Offer"). If the Eligible Persons are not able to exercise their subscription rights properly by the end of the Subscription Period, according to the Rights held by them, there can be no assurance that a compensation will be distributed to the eligible shareholders who did not subscribe in the New Shares.

### **2.3.8 Risks Related to Dividends**

Future dividends will depend on, amongst other things, future profit, financial position, capital requirements, distributable reserves, available credit of the Company, and general economic conditions; in addition to several other factors decided by the Board of Directors. Further, the Capital increase may lead - if the Company is not able to achieve greater profits in the future - to dilution in the profitability of the shares in the future because the Company's dividends would be distributed among a larger number of shares. The Company does not make any assurance that any dividends will actually be paid nor any assurance as to the amount that will be distributed in any given year.

Furthermore, dividend is subject to certain conditions and controls stipulated in the Company's Bylaws.

### **2.3.9 Risks Related to Selling a Large Number of Shares**

Selling a large number of the Company's shares in the financial market after the subscription or anticipating such process will negatively affect the prices of the Company shares in the financial market in general and the Company's shares price in particular.

### **2.3.10 Risks Related to Potential Issuance of New Shares**

If the Company decides to increase its capital by issuing New Shares and preventing existing shareholders from exercising their Rights upon issuing New Rights (i.e., to support the Company's projects or increasing its capital to acquire a Company or an asset) after obtaining the required approvals, their ownership will proportionally decline along with their consequent right to vote and right to receive dividends. Any additional offering may have a material impact on the share market price.

### **2.3.11 Risks Related to Future Date**

The Company's future results and performance data cannot be actually predicted, as the achievements and ability of the Company to develop are determined by actual results. The inaccuracy of information and results is one of the risks that any shareholder must be aware of in order not to affect his investment decision.

### **2.3.12 Risks Related to a Decrease in the Demand for Rights Issue and Company Shares**

There is no guarantee that there will be sufficient demand for the Rights Issue during the Trading Period to enable the Rights Issue holder (whether it is a registered shareholder or a new investor) to sell Rights and make a profit, or to sell the Rights in general. Moreover, there is no guarantee that there will be sufficient demand for the Company's shares by institutional investors during the Rump Offering Period. If institutional investors do not submit high purchase offers for the rump shares, there may not be insufficient compensation to be distributed to Rights Issue holders who did not exercise their right to subscribe. Furthermore, there is no guarantee that there will be sufficient demand in the market for the shares obtained by a subscriber either through the exercise of the Rights Issue, the Rump Offering or the open market.

## 3

## Company Overview and Nature of Business

### 3.1 Company Overview

Asharqiyah Development Company ("Asharqiyah Development" or "the Company") is a Saudi joint stock company, established under the name "Asharqiyah Agricultural Development Company" pursuant to Ministerial Resolution No. (1305) dated 26/06/1405H (corresponding to 17/03/1985G) and with a registration certificate in the Commercial Register No. (2050016477) dated 19/01/1407H (corresponding to 9/24/1986G). The Head Office of the Company is located in the city of Dammam in the Kingdom of Saudi Arabia. The trading name has been modified to become the current name "Asharqiyah Development Company" based on the approval of the Extraordinary General Assembly of the Company's Shareholders held on 16/06/1428H (corresponding to 30/06/2007G).

According to its Bylaws, the Company is engaged in the following activities:

- Agriculture and fishing
- Electricity, Gas, Power, Water and its Branches
- Construction
- Trading
- Mines, Petroleum and its Branches
- Transportation, Storage and Refrigeration
- Information Technology
- Financial and Business Services and other Services
- Social Services, Collective and Individual Services
- Real Estate Investment

The Company carries out its activities in accordance with the applicable regulations and after obtaining the necessary licenses from the competent authorities, if any.

### 3.2 Historical Background About the Company and Major Capital Structure Developments

- The Company was initially established under the trading name "Asharqiyah Agricultural Development Company" as a joint stock company under Commercial Registration Certificate No. (2050016477) dated 19/01/1407H (corresponding to 24/09/1986G) in Dammam in the Kingdom of Saudi Arabia, with a capital of three hundred and fifty-six million Six hundred and eighty-six thousand nine hundred SAR (356,686,900) divided into three million five hundred and sixty-six thousand eight hundred and sixty-nine (3,566,869) shares with a nominal amount of one hundred SAR (100) per share.
- On 19/08/1412H (corresponding to 23/02/1992G), the nominal amount of the share was reduced from one hundred SAR (100) to fifty SAR (50) per share, bringing the Company's capital to one hundred and seventy-eight million three hundred and forty-three thousand four hundred and fifty SAR (178,343,450) divided into three million five hundred and sixty-six thousand eight hundred and sixty-nine (3,566,869) shares.
- On 23/02/1423H (corresponding to 06/05/2002G), the Company's capital was reduced again to seventy-five million SAR (75,000,000), distributed over one million and five hundred thousand (1,500,000) shares, with a nominal amount of SAR (50) per share. The reason for the reduction is due to the amortization of losses staged in 2000G, amounting to fifty-four million seven hundred and fifty-one thousand two hundred and sixty-five SAR (54,751,265), and transferring the amount of fifteen million and forty-two thousand one hundred and eighty-five SAR (15,042,185) to the statutory reserve and distributing the remainder which is a sum of three thirty million five hundred and fifty thousand SAR (33,550,000), to shareholders.
- Pursuant to the Council of Ministers' Resolution and the subsequent Resolution No. (4-145-2006) issued by the CMA on 27/02/1427H (corresponding to 27/03/2006G), which required the value of the shares of the nominal joint stock companies to be fixed at ten SAR (10), and on 03/03/1427H (corresponding to 01/04/2006G), the Company divided its shares from one million five hundred thousand (1,500,000) shares to seven million five hundred thousand (7,500,000) shares at a value of ten SAR (10) per share.
- On 16/07/1428H (corresponding to 30/07/2007G), the Company's trading name was modified to become "Asharqiyah Development Company / Asharqiyah Development Company".
- On 15/05/1442H (corresponding to 30/12/2020G), the Board of Directors recommended to the (Extraordinary) General Assembly of Shareholders to increase the Company's capital by an amount of two hundred and twenty-five million SAR (225,000,000), bringing the capital to SAR (300,000,000), by offering twenty-two million five hundred thousand (22,500,000) new shares.

### 3.3 The Company's Main Activities

Asharqiyah Development Company is engaged in three (3) main activities:

- Agricultural Activity
- Industrial Activity
- Investment Activity

**Agricultural Activity (Animal Feed):** Since its establishment, the Company's main activity was based on the agricultural and animal production sectors, and it has worked over this period to produce many agricultural products such as: vegetables of all kinds, some types of fruits, roses and their exportation, through the use of greenhouse technology, in addition to the cultivation of wheat, barley and some types of grains and animal feed. Moreover, the Company is specialized in animal husbandry (a branch of science that deals with the practice of breeding, farming and care of farm animals such as cattle, sheep by humans for advantages and refers to livestock raising and selective breeding). Hence, it worked on raising and trading sheep, producing cow milk and adopting it as a raw selling commodity by raising a herd of milking cows of the breed known for milk production and finally the production of honey through beekeeping.

However, in its last years, the Company has reduced its operational work to keep its main activity based on the production of raw cow's milk and the production and cultivation of animal feed such as alfalfa, rhododendrons and barley.

However, in compliance with the Kingdom's directions to rationalize the consumption of groundwater, accompanied by the issuance of a decision compelling agricultural companies to stop the cultivation of animal feed and any other crops that adopt the technology of sprinklers and agricultural axes in the irrigation process and give them a period of time to finish all seasons and agricultural crops, the Company was prompted to follow the policy of gradual reduction of its operations based on the production of animal feed up to a complete cessation in 2018G, which led to the complete halt of its agricultural activity.

**Industrial Activity (Raw Milk Production):** The Company worked on obtaining a license to breed cows so as to be able to produce and trade raw milk. It imported a herd of German Holstein Friesian cows, which are known for their abundant milk production. Then operations started and were based on raising cows for two years, during which the fertilization process takes place, and after nine months of the breeding and reproduction process, milk production begins, through advanced automatic milking parlors, where the Company's management provided high-tech devices, equipment and mechanisms for investment in this field. At the beginning of work in this sector, the production rate of one cow of raw milk reached 50 liters per day, focusing on high quality feed and food fortifiers that enable the herd to increase milk production, but the volume of production began to decrease gradually due to the company's inability to provide quality food and tonics. Which enables the cows to raise the level of production due to the high cost of their purchase in light of the continuous decrease in selling prices of milk and the increase in the number of milk producers, which led to a gradual decrease in the volume of revenues and consequently a noticeable deterioration in the health status of the cows, which led the company's board of directors to take a decision in 2017G. By selling the entire herd and stopping the milk production activity, as the entire herd of cows was sold in mid-August 2017G.

**Investment Activity (Real Estate):** Due to noncompletion of the procedures for issuing the ownership's deed of land plot granted by the government until today, and despite the issuance of a resolution and the adoption of the Royal Decree to grant the Company a land plot of (72,168,700) square meters, the Company can't expand its investment operations in the granted land, except in a very modest way, through leasing telecom companies (Saudi Telecom / Mobily / Zain) in order to put cell towers on its property, in addition to leasing cow sheds to one of the institutions working in the field of beef production, which is the Ahmed Hariri Foundation.

It should be noted that on 04/01/1444H corresponding to 02/08/2022G, the Company's management received a letter from the Ministry of Environment, Water and Agriculture issued on 01/12/1443H and bearing No. 1443/361029/278 referred to the telegram of His Excellency the Minister of Environment, Water and Agriculture No. (281223) dated 28/08/1443H (corresponding to 31/03/2022G), which instructed the General Authority for State Real Estate to coordinate with the concerned authorities to inform Asharqiyah Development Company of the following:

1. The land plot allocated to it by Royal Decree No. 4/1016 dated 03/06/1406H (corresponding to 12/02/1986G) and the aforementioned ownership resolution was issued on the mentioned area - became among the confiscations of the Saudi Aramco Company by virtue of the Royal Decree No. (40008) in 28/06/1443H (corresponding to 31/01/2022G), and it is not legally possible to issue a deed in the name of the Company since it contradicts with the stipulation of paragraph (c) of Article (6-1) of the concession agreement between the government and Saudi Aramco, which states that "the government shall not issue bonds, licenses, or their equivalent on any land located in the reserved areas."
2. That the Company can make use of the land until the actual need of Saudi Aramco in it is fulfilled, and then take the necessary required procedures by law in this regard.
3. That in the event of the land's seizure or part of it by Saudi Aramco, in accordance with the necessary statutory procedures in this regard, the government agencies - each within its jurisdiction - shall take the necessary procedures to issue a deed in the name of the Asharqiyah Development Company - if it was legally established at the time on the land's area or part thereof.

### 3.4 The Company's Branches

In addition to the main Branch in the City of Dammam, the Company has a branch registered in the Commercial Register under Branch Registration Certificate No. (1010480322) dated 27/03/1440H (corresponding to 05/12/2018G), in the city of Riyadh under the trading name "Branch of Asharqiyah Development Company, Public Joint Stock Company (PJSC)" which expires on 27/03/1445H (corresponding to 12/10/2023G). According to the Commercial Register Data, the activity of this branch is the management and leasing of owned or leased properties (residential and non-residential), and other activities related to real estate in owned or leased properties. The branch is managed by Mr. Mohammed Abdullah Hujailan Al-Hujailan.

The Company confirms that it does not have any material assets outside the Kingdom of Saudi Arabia.

### 3.5 Investments in Other Companies

The Company has investments in companies in the Kingdom of Saudi Arabia. The table below shows a summary of Asharqiyah Development Company's shares' ownership:

Table No. (2): Investments in Other Companies as of the Date of this Prospectus

Company's Name	Place of Establishment (Location)	Activity	Owned Shares As of 31/12/2020G and 31/12/2021G	Book Value as of 31/12/2020G and 31/12/2021G	Percentage (%) as of 31/12/2020G and 31/12/2021G
The National Seed and Agriculture Services Company – Buthor	Riyadh	Trading, developing and improving seeds and plant tissues, discovering the strains that suit the geographical and climatic conditions in the KSA, providing them to farmers, carrying out agricultural services, purchasing lands for construction, and investing these buildings by selling or investing for the benefit of the Company.	20,000	825,600	2.797
United Dairy Farms Company	Riyadh	Veterinary Drugs Warehouse under the license of the Food and Drug Authority No. 060100123 dated 12/08/1433H	6,000	600,000	8.28

Source: The Company

### 3.6 The Company's Major Shareholders

As of the date of this prospectus, the Company doesn't have any of the major shareholders who own (5%) or more of its capital.

### 3.7 The Company's Vision

The Company seeks to "provide national products with high quality standards and specifications compatible with international criteria and standards".

### 3.8 The Company's Mission

The Company aim to "be one of the pioneers in the field of poultry production and industry by adopting high quality standards and continuously developing production levels".

### 3.9 The Company's Strategy

The Company's strategy is based on "its keenness towards its social, national and environmental responsibilities which makes it a positive contributor to the national economy, in addition to the adoption of global programs in preserving the environment, preventing pollution, waste disposal by scientific methods, rationalizing water, electricity and treating wastewater with modern technology in line with the Kingdom's Vision 2030".

### 3.10 The Company's Strengths and Competitive Advantages

The Company enjoys a number of competitive advantages, including:

- Its privileged location in the richest region in the Kingdom and miles away from the ports of the GCC countries,
- One of the most important sea ports in the Arabian Gulf and Aramco oil and gas refineries.

### 3.11 Business Interruption

The decrease in the Company's business operations led to weak cash flows and a sharp decrease in the volume of liquidity, which resulted in the Company's inability to provide the required types of food and tonics that help cows raise milk production rates and the cows' health status' deterioration and high mortality rates among the herd. Consequently, the Company's Board of Directors took the decision of selling the entire herd and to completely stop the production of cows, in August 2017G.

As for the agricultural production sector, the Cabinet Resolution No. (66) was issued on 25/02/1437H stipulating to stop the cultivation of green fodder before 25/02/1440H (corresponding to 03/11/2018G), in an effort to conserve undisturbed groundwater. The renewables are in the sedimentary shelf areas that exceed (50) hectares and include the provinces of: Riyadh, Sharqiyah, Qassim, Hail, Al-Jouf, Tabuk. Accordingly, the Company stopped producing animal feed and ceased its entire agricultural activity, as it was only producing animal feed and the complete suspension started from the third quarter of 2018G.

The Resolution indicated the possible alternative options in the event of stopping the cultivation of green fodder, according to the administrative and technical requirements of the Ministry of Environment, Water and Agriculture, as follows:

- Investment in integrated feed mills provided that inputs are imported
- Investment in poultry projects and industries
- Investment in farming livestock (raising, breeding and feeding) and animal husbandry that depend on integrated feeds for their nutrition
- Investment in advanced greenhouses that contribute to achieving food security
- Investment in the cultivation of pastoral plants, provided that modern irrigation systems are used according to the types and areas determined by the Ministry of Environment, Water and Agriculture
- Investment in fisheries projects in salt water.
- Investment in water-saving tourism project

### 3.12 Employees and Saudization

According to the Nitaqat Program issued by the Ministry of Human Resources and Social Development, the Saudization rate as of the date of this Prospectus was (50%) classified within the (low green) of the Nitaqat program.

The following table shows the numbers of the employees for the past three years of 2018G, 2019G, 2020G and 2021G.

**Table No. (3): The Company's Employees Distribution for the Past Three (3) years (2018G, 2019G, 2020G, 2021G and until the date of this Prospectus):**

Employees Number	2018G		2019G		2020G		2021G	
	No.	%	No.	%	No.	%	No.	%
Saudis	3	50%	3	50%	3	50%	3	50%
Non-Saudis	3	50%	3	50%	3	50%	3	50%
<b>Total</b>	<b>6</b>	<b>100%</b>	<b>6</b>	<b>100%</b>	<b>6</b>	<b>100%</b>	<b>6</b>	<b>100%</b>

Source: The Company

As of 31/12/2021G, the number of the Company's employees reached six (6) employees, of whom three (3) are Saudis and three (3) are non-Saudis.

# 4

## The Company’s Organizational Structure

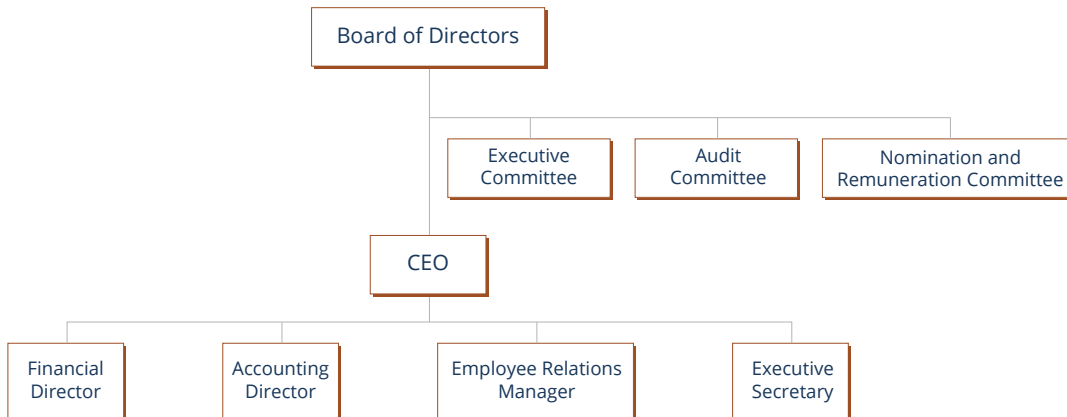
### 4.1 Organizational Structure

The Company has an organizational structure that lay down the different departments and delegation of powers and works among them. The Company’s administrative structure consists of the Board of Directors and a team of senior executives (senior management). The organizational structure is headed by the Board of Directors and supported by the senior management, which is responsible for supervising the daily management of the Company. The Board is responsible for the general guidance, supervision and control of the Company. The Board has delegated the responsibility to implement the strategic plans and the Company’s day-to-day business operations to the senior management, headed by the CEO. Moreover, the Board is responsible in laying down the necessary policies and procedures to ensure the efficiency and effectiveness of the Company’s management and its internal control system and to ward off risks as much as possible.

In addition to the audit committee, the Company established an executive committee and remuneration and nomination committee, whose task is to submit reports to the board of directors. The executive management, who have been delegated by the Board of Directors with specific executive power, has the responsibility for managing the daily operations of the Company.

The following chart sets out the organizational structure of the Company but is not yet approved by the Board of Directors s of the date of this Prospectus.

Figure No. (1): The Organizational Structure of the Company



Source: The Company



## 4.2 The Board of Directors

The following table shows the BOD Members:

Table No. (4): BOD Members

Members of Board										
Board of Directors appointed on 29/11/1441H (corresponding to 20/07/2020G) <sup>†</sup>										
Name	Position	Membership Status <sup>***</sup>	On behalf of	Nationality	Age	Owned Shares		Ownership Percentage		Appointment Date
						Direct	Indirect <sup>**</sup>	Direct	Indirect <sup>**</sup>	
Ali bin Yahya bin Ali al-Jaafari	Chairman of Board of Directors	Non-Executive	Himself	Saudi	57	300	--	0.0040000	--	29/11/1441H (corresponding to 20/07/2020G)
Mansour bin Abdul Khaliq bin Jamaan Al-Ghamdi <sup>***</sup>	Vice Chairman of the Board	Independent	Himself	Saudi	44	33,905	--	0.4520667	--	29/11/1441H (corresponding to 20/07/2020G)
Muhammad bin Abdullah bin Hujailan Al-Hujailan	Managing Director	Executive	Himself	Saudi	61	244	--	0.0032533	--	29/11/1441H (corresponding to 20/07/2020G)
Salman bin Ahmed bin Yahya Jassas <sup>****</sup>	Member of the Board of Directors	Independent	Himself	Saudi	41	--	--	--	--	29/11/1441H (corresponding to 20/07/2020G)
Abdul Rahman bin Muhammad bin Abdul Rahman Al Drees <sup>****</sup>	Member of the Board of Directors	Independent	Himself	Saudi	44	--	--	--	--	29/11/1441H (corresponding to 20/07/2020G)

Source: The Company

<sup>†</sup> The 42nd Ordinary General Assembly, held on 10/16/1441H (corresponding to 06/08/2020G), approved the election of the above-mentioned members of the Board of Directors for the current session. Which started on 29/11/1441H (corresponding to 20/07/2020G) and ended on 01/01/1445H (corresponding to 19/07/2023G).

<sup>\*\*</sup> Means the Company's shares indirectly owned by members of the Board of Directors through their ownership in companies owning shares in the Company or shares owned BOD members' relatives, either directly or through their ownership in companies that own shares in the Company.

<sup>\*\*\*</sup> On 10/11/1442H (corresponding to 20/06/2021G), the Board of Directors decided to appoint Eng. Mansour bin Abdul-Khaleq bin Jamaan Al-Ghamdi as Vice Chairman of the Board of Directors.

<sup>\*\*\*\*</sup> On 03/11/1442H (corresponding to 13/06/2021G), Bandar bin Muhammad Al-Mahmoud, Faris bin Hamad bin Faris (Independent Members of the Board of Directors and Members of the Nomination and Remuneration Committee) submitted their resignation from their positions. The Board approved their resignation and considered it valid as of its date. On 07/11/1442H (corresponding to 17/06/2021G), the Board approved the appointment of Salman bin Ahmed bin Yahya and Abdul Rahman bin Muhammad bin Abdul Rahman Al-Drees as Members of the Board of Directors (Independent) and Members of the Nomination and Remuneration Committee. This appointment was made by the forty-sixth General Assembly held on 23/12/1442H (corresponding to 02/08/2021G).

### 4.3 Mandatory Board Positions

According to Article (20) of the Company's Bylaws, the Board of Directors shall appoint from among its members a chairman and a vice chairman, and it may appoint a managing director. It is not permissible to combine the position of the chairman of the Board of Directors with any executive position in the Company. The Board of Directors shall have the powers listed in Article (20) of the Bylaws. Whereas the powers of chairman, vice chairman, the managing director or the CEO, and the secretary, are set out in Article (20) of the By-laws. The Board's Secretary shall undertake the tasks and powers assigned thereto by the Board. The Company is in compliance with the By-laws and the Corporate Governance Regulations with respect to the mandatory appointment in the following compulsory positions.

**Table No. (5): Summary of the Board's Resolutions of Appointment in Mandatory Positions**

Position	Date of Board Resolution	Appointee
Chairman of the Board	The meeting's minutes of the Board of Directors held on 29/11/1441H (corresponding to 20/07/2020G)	Mr. Ali bin Yahya al-Jaafari
Vice Chairman of the Board	The meeting's minutes of the Board of Directors held on 10/11/1442H (corresponding to 20/06/2021G)	Eng. Mansour bin Abdul Khaliq bin Jamaan Al-Ghamdi
Managing Director and CEO	The meeting's minutes of the Board of Directors held on 10/11/1442H (corresponding to 20/06/2021G)	Mr. Mohammed bin Abdullah Al-Hujailan
Secretary of the Board	The meeting's minutes of the Board of Directors held on 29/11/1441H (corresponding to 20/07/2020G)	Mr. Ibrahim bin Abdullah the Caliph

Source: The Company

### Board Meetings

- According to Article (21) of the By-laws, the Board shall be convened at least (2) twice per year upon a written invitation given by the Chairman. The Chairman shall call a meeting of the Board by written invitation, delivered personally, by mail, fax or e-mail. The Chairman must call a meeting of the Board if requested by any two Directors.
- The minutes of the Board of Directors' meetings for the years 2018G, 2019G, 2020G and 2021G show that the Company is in compliance with the provisions of the By-laws.
- The following table sets forth the Company's commitment to the By-laws in terms of the number of meetings (in addition to certain meetings conducted via phone).

**Table No. (6): Number of Board Meetings During the Last Four Years**

Administrative Authority	2018G	2019G	2020G	2021G
Board of Directors	9	4	8	7

Source: The Company

## 4.4 Board Committees

The Board has formed a number of specialized committees, whether in accordance with the requirements of the Companies Law, the Capital Market Authority Law and Regulations, or in light of the Company's business need, to assist the Board in managing its tasks more effectively. They are as follows:

### 4.4.1 Audit Committee

The Board of Directors formed the Audit Committee in accordance with the requirements of the Companies Law and the Corporate Governance Regulations. The Audit Committee is responsible for the following:

Table No. (7): Members of the Audit Committee

Name	Position	Membership Status	Appointment Date
Mansour Abdul-Khaleq Al-Ghamdi	Committee Chairman	Independent Board Member	01/12/2020G
Abdul KariM Abdullah Al-Shamekh	Committee Member	Non-Board Member (Independent)	01/12/2020G
Jassim Shaheen Al-Rumaihi	Committee Member	Non-Board Member (Independent)	01/12/2020G

Source: The Company

#### 4.4.1.1 Duties and Responsibilities of the Audit Committee

The Audit Committee is responsible to oversee the Company's business and fully review reports, financial statements and internal control systems. The Committee's responsibilities include, in particular, the following:

- Reviewing the Company's interim and annual financial statements and the related announcements, and presenting them to the Board.
- Providing technical opinion, at the request of the Board, regarding whether the Board's report and the Company's financial statements are fair, balanced, understandable and contain information that allows shareholders and investors to assess the Company's financial position, performance, strategy and business model.
- Reviewing any important or emerging issues included in the financial reports.
- Thoroughly examining the accounting estimates in respect of significant matters that are contained in the financial reports and raised by the Company's financial manager, compliance officer, or auditor.
- Verifying accounting estimates in the material issues contained in the financial reports.
- Studying the accounting policies and principles followed in the Company and its subsidiaries according to the nature of their work, and expressing opinion and recommendation to the Board of Directors in this regard.
- Monitoring and supervising the performance and activities of the internal auditor and the internal audit department in order to verify the availability of the necessary resources and their effectiveness in carrying out the assigned work and tasks.
- Studying the internal audit reports and following up the implementation of corrective actions for the observations contained therein.
- Studying and reviewing the Company's internal and financial control and risk management systems.
- Recommending to the Board of Directors the appointment of the director of the internal audit unit or department or the internal auditor and suggesting his remuneration.
- Recommending the Board of Directors to nominate and dismiss auditors, determine their fees, and evaluate their performance after confirming their independence and reviewing the scope of their work and the terms of their contract.
- Verifying the auditor's independence, objectivity and fairness, and the effectiveness of audit work, taking into account the relevant rules and standards.
- Reviewing the Company's auditor's plan and work, and verifying that he has not submitted technical or administrative works outside the scope of the audit work, and providing its views in this regard.
- Responding to the auditor's inquiries.
- Reviewing the reports and comments of the external auditor in relation to the Company's financial statements and following up on the actions taken in this regard.
- Verifying the Company's compliance with relevant laws, regulations, policies and instructions.
- Reviewing contracts and transactions to be concluded by the Company with Related Parties, and making recommendations to the Board in relation to the same.
- Ensuring the efficiency of the internal audit in the invested companies by reviewing the annual evaluation of these companies' internal audit's quality as permitted by the partners' agreements, and submitting to the Board of Directors what it deems appropriate in this regard.

- Ensuring the effectiveness of the procedures for the formation and performance of audit committees in (controlled) subsidiaries and submitting to the Board of Directors what it deems appropriate in this regard.
- Ensuring the efficiency of the external auditor and his appointment's procedures in the (controlled) subsidiaries and submitting to the Board of Directors what it deems appropriate in this regard
- Carrying out special tasks related to the investee companies upon request from the Board of Directors.
- Submitting any issues deemed necessary to take action on to the Board of Directors and making recommendations for the actions to be taken.
- The Committee shall establish a mechanism that allows employees to confidentially submit observations regarding any wrongdoing or breach in financial statements or other reports. It shall also verify the application of this mechanism by conducting an independent investigation that is commensurate with the extent of the error or abuse, and adopting appropriate follow-up procedures.

#### 4.4.1.2 Audit Committee Meetings

In accordance with Article (57) of the Corporate Governance Regulations and Article (33) Paragraph "Committee Meetings and Decisions" of the Company's Corporate Governance Regulations, the Audit Committee meets periodically, provided that its meetings are not less than four during the company's financial year.

The table below shows the number of meetings of the Audit Committee during the years 2018G, 2019G, 2020G and 2021G:

**Table No. (8): Number of Audit Committee Meetings During the Last Four Years**

	2018G	2019G	2020G	2021G
AUDIT COMMITTEE	6	4	6	5

Source: The Company

#### 4.4.2 Remuneration & Nomination Committee (R&NC)

The Remuneration & Nomination Committee (R&NC) was created in accordance with the requirements of the Corporate Governance Regulations issued by the Capital Market Authority and the R&NC Regulations. The duties of the Remuneration & Nomination Committee include the following:

**Table No. (9): Members of the Remuneration and Nomination Committee**

Name	Position	Membership Status	Appointment Date
Salman bin Ahmed bin Yahya Jassas	Committee Chairman	Board Member (Independent)	17/06/2021G
Mansour bin Abdul Khaliq Al-Ghamdi	Committee Member	Board Member (Independent)	20/07/2020G
Abdul Rahman bin Muhammad bin Abdul Rahman Al-Drees	Committee Member	Board Member (Independent)	17/06/2021G

Source: The Company

##### 4.4.2.1 Duties and Responsibilities of the Nomination and Remuneration Committee

- Preparing a clear policy for the remuneration of members of the BOD, its Committees and Executive Management, and submitting it to the BOD to be considered for approval by the General Assembly, provided that such policy takes into account the adoption of performance-related standards, its disclosure, and verification of its implementation.
- Clarifying the relationship between the remunerations granted and the applicable policy, and indicate any substantial deviations from the policy and the causes beyond these deviations.
- Periodically reviewing the remuneration policies, and evaluating their effectiveness in achieving the desired goals.
- Recommending to the Board of Directors to remunerate Board Members, committees and Senior Executives in accordance with the approved policies.
- Suggesting clear policies and criteria to the Board and Executive Board membership.
- Recommending to the Board of Directors to appoint and re-elect Board members according to the relevant criteria, taking into consideration that they have never been indicted for or convicted of a crime or a felony prejudicial to honor and integrity.
- Preparing a description of the capabilities and qualifications required to fill Board membership and executive management positions.
- Determining the time that members must devote for the Board's agenda.

- Annually reviewing the necessary needs for skills or appropriate expertise for membership of the Board and executive management functions.
- Reviewing the Board and Executive Management's structure and submitting recommendations regarding the possible and adequate changes.
- Annually verifying the independence of independent members and the absence of any conflict of interest if the member is a member of another company's board.
- Developing job descriptions for executive and non-executive members, independent members and senior executives of the Company.
- Establishing special procedures to resolve the position vacancy of a member of the Board of Directors, committees or senior executives.
- Identifying the weaknesses and strengths in the Board of Directors and Committees, and submit the recommendations and proposals regarding a mechanism to address weaknesses and take advantage of strengths in accordance with the Company's interest

#### 4.4.2.2 Nomination and Remuneration Committee (N&RC) Meetings for the Last Three Years

In accordance with Article (34), Paragraph "Committee Meetings and Decisions" of the Company's Corporate Governance Regulations, the N&RC shall meet periodically at least every six months and whenever necessary.

The table below shows the number of meetings of the N&RC during the years 2018G, 2019G, 2020G and 2021G:

Table No. (10): Number of Meetings of the N&RC During the Last Four Years

Nomination and Remuneration Committee	2018G	2019G	2020G	2021G
	1	3	4	2

Source: The Company

#### 4.4.3 Executive Committee

The Board of Directors formed the Executive Committee in accordance with the requirements of the Companies Law and the Corporate Governance Regulations as follows:

Table No. (11): Members of the Executive Committee

Name	Position	Membership Status	Appointment Date
Ali bin Yahya al-Jaafari	Committee Chairman	Non-Executive Board Member	20/07/2020G
Mansour bin Abdul Khaliq Al-Ghamdi	Committee Member	Independent Board Member	20/07/2020G
Mohammed bin Abdullah Al-Hujailan	Committee Member	Executive (Non-Independent) Board Member	20/07/2020G

Source: The Company

##### 4.4.3.1 Duties and Powers of the Executive Committee

The Committee shall assume the powers entrusted to it in accordance with the Company's financial, legal and administrative powers list, approved by the Board of Directors. If the Company does not have this list, its duties and powers are as follows:

- All duties assigned to the Committee by the Board of Directors to study and take decisions in their regard.
- Reviewing related parties deals and transactions.
- Following up the Company's business operations and investments.

The Committee may seek the assistance of external experts specialized in its field of work when needed.

#### 4.4.3.2 Executive Committee Meetings

In accordance with Article (32), Paragraph "The Committee's Procedures, Method of Work, and Meetings" of the Company's Corporate Governance Regulations, the Committee shall hold at least four meetings a year at the invitation of its Chairman.

The table below shows the number of the Executive Committee's meetings during the years 2018G, 2019G and 2020G:

Table No. (12): Number of Executive Committee Meetings During the Last Three Years

Executive Committee	2018G	2019G	2020G	2021G
	5	2	2	0

Source: The Company

## 4.5 Executive Management

The following table shows the details of the names of the executive management employees:

Table No. (13): Executive Management Members

Executive Management									
Name	Position	Nationality	Age	Date of Joining the Company	Owned Shares				
					Direct		Indirect		
					Nb.	%	Nb.	%	
Mohammed bin Abdullah Al-Hujailan	Chief Executive Officer CEO	Saudi	61	01/01/2019G	244	0.0032533	-	-	
Youssef Kamal Zaydan	Chief Financial Officer CFO	Jordanian	47	15/11/2018G	-	-	-	-	
Mojib Hasan Nooman	Account Manager AM	Yemeni	42	15/11/2018G	-	-	-	-	
Ibrahim Abdallah Al-Khalifa	Executive Secretary in Charge of Personnel Management	Saudi	35	07/08/2017G	-	-	-	-	

Source: The Company

## 4.6 Compensation and Remuneration of Board Members and Senior Executives

The remuneration of the Board of Directors is made up in accordance with the provisions of Article (19) of the Bylaws, provided that if the Company achieves profits, a percentage equal to (10%) of the remaining net profit may be distributed after deducting the reserves decided by the General Assembly in application of the provisions of Article (43) of the Bylaws and after distributing a profit to shareholders representing (5%) of the Company's paid-up capital, provided that the entitlement to this reward is proportional to the number of sessions attended by the member.

In all cases, the total remunerations and financial benefits that a Board Member receives doesn't exceed the amount of SAR (500,000) five hundred thousand annually.

In accordance with the remuneration policy of the BOD and the Executive Management, the BOD may obtain additional remunerations, provided that they are not subject to the maximum value of SAR (500,000) in return for its membership in the Audit Committee formed by the General Assembly. Any other executive, technical, administrative or advisory duties performed by a Board member shall be paid in addition to the remuneration that he/she may receive as a Member of the BOD or the Committees formed by the Board pursuant to the Companies Law and the Company's Bylaws.

The remuneration of independent members does not have to be in the form of a percentage of the Company's net profit and is not directly or indirectly determined based on the Company's profitability.

The report of the BOD submitted to the Ordinary General Assembly must include a comprehensive statement of all that the Board members received during the fiscal year in terms of remuneration, expense allowance and other benefits. It should also contain a statement of what the Board members received in their capacity as employees or administrators, or what they obtained in return for technical, administrative or advisory work. Moreover, it shall comprehend a statement of the number of Board sessions and the number of sessions attended by each member from the date of the last meeting of the General Assembly.

Suggesting and recommending compensation and remuneration to members of the Board of Directors and senior executives is the responsibility of the N&RC. The following table shows the value of salaries, bonuses and allowances received by members of the Board of Directors and senior executives during the last three years:

**Table No. (14): Compensation and Remuneration of Board Members and Senior Executives**

SAR'000	2019G	2020G	2021G
BOD Members	269,500	315,750	284,000
Senior Executives	67,500	67,500	860,004
<b>Total</b>	<b>337,000</b>	<b>283,250</b>	<b>1,144,004</b>

Source: The Company

## 4.7 Employees

### 4.7.3.1 Employee's share scheme in place prior to filling the Application for Registration and Offering of Securities under this Prospectus

As of the date of this Prospectus, the Company does not have any share allocation scheme for its employees.

### 4.7.3.2 Arrangements involving the Employees in the Company's Capital

As the date of this Prospectus, there are no arrangements for participation of the employees to in the Company's capital.



## 5

## Financial Information, and Management Discussion and Analysis

### 5.1 Introduction

The following discussion and analysis of the financial position and results of operations are based on the Company's audited financial statements and supplementary clarifications for the fiscal years ended December 31, 2019G, 2020G and 2021G, which were reviewed, audited and examined by Al-Azem, Al-Sudairy, Al-Shaikh & Partners (Accountants and Certified Auditors) and Allied Accountants (RSM).

The audit for the fiscal years ended December 31, 2019G, 2020G and 2021G was carried out in accordance with the IFRS approved in the Kingdom of Saudi Arabia and other standards. The issuances are approved by the Saudi Organization for Certified Public Accountants (SOCPA).

Al Azem, Al Sudairy, Al-Shaikh & Partners CPA's and Consultants Company and Allied Accountants (RSM) don't own any share or have interest of any kind in the Company, whether by themselves or through their subsidiaries or sisters' companies. They have irrevocably given their written consent regarding the publication of their respective names, logos and statements in this Prospectus as the Company's auditors for the above-mentioned years.

It should be noted that the numbers in this section have been rounded in thousand Saudi riyals (unless otherwise indicated). Therefore, the percentages of these numbers are rounded to the nearest decimal place; so, when calculating the percentage, it may increase/decrease using the numbers in the tables (showed in SAR thousands and rounded), and may differ from what is mentioned in the tables.

### 5.2 Directors' Declarations for Financial statements

The Directors declare, to the best of their knowledge and belief, that:

1. All material facts related to the Company and its financial performance have been disclosed in this Prospectus, and that there are no other information, documents or facts if they are admitted, the data contained in this Prospectus will become misleading.
2. The financial information presented in this section is extracted without material change from the Company's consolidated audited financial statements for the financial years ending on December 31, 2019G, 2020G and 2021G, as well as the supplementary notes which are attached thereto. All aforementioned statements are prepared in accordance with the International Financial Reporting Standards (IFRS).
3. The Company incurred losses during the years ended December 31, 2019G, 2020G and 2021G. With the exception of what is disclosed in this Prospectus, there has been no material adverse change in the financial and business position of the Company during the three financial years ended December 31, 2019G, 2020G and 2021G immediately preceding the date of an application submission for Rights Issue, in addition to the end of the period covered by the certified accountant's report in the approval of the Prospectus.
4. The Company does not have information about any governmental, economic, financial, monetary, political, or any other factors that affected or may have (directly or indirectly) a material impact on the Company's operations, except as disclosed in Section (2) "Risk Factors".
5. Except as disclosed in this Prospectus, no commissions, discounts, brokerage fees or other non-cash compensation were granted by the Company to any of the Directors, senior executives, persons offering or placing the securities, or experts who received such payments or benefits during the financial years ending on December 31, 2019G, 2020G, and 2021G, that are subject to this Prospectus in connection with the Rights Issue; immediately preceding the submission date of the offering application of this Prospectus.
6. The Company do not have any contractual securities or other assets whose value is subject to fluctuations or whose value is difficult to verify, and which significantly affect the assessment of the Company's financial position.
7. The Company does not have any potential liabilities or guarantees or any important fixed assets that it intends to buy or lease except for what was disclosed in this Section, paragraph (5.6 "Prospective Obligations and Undertakings").
8. The Company does not have any loans or other debts except for the information disclosed in this Section, paragraph (5.5.2.4.2 "Short-term Loan"). It also acknowledges that there are no obligations under acceptance, acceptance credit or lease purchase obligations except as disclosed in this Section (5.5.2.3 "Non-Current Liabilities"). and paragraph (5.5.2.4: "Current Liabilities").
9. The Company and its subsidiaries do not have any mortgages, rights, or charges on their properties as at the date of this Prospectus, except as disclosed in this section and other sections of this Prospectus.

10. Except as disclosed in this section, the Company does not have any contingent liabilities or guarantees.
11. There is no right of option on the Company's capital as of the date of this Prospectus.
12. The Company did not witness any capital adjustments during the three years immediately preceding the submission date of the offering application.
13. There are non-seasonal factors or economic cycles related to the Company's activity that may have an impact on the business and the financial position of the Company, except as disclosed in Section (2) "Risk Factors" of this Prospectus.
14. Except as disclosed in this Section, paragraph (5.5.2.4.2 "Short-term Loan"), the Company does not have any issued or outstanding debt instruments, mortgages, rights or charges on the Company's property, as of the date of this Prospectus.

## 5.3 Major Accounting Policies

The accounting policies used in preparing these financial statements are set out below. These policies have been consistently applied to all presented years, unless otherwise mentioned.

### Financial Instruments

A financial instrument is a contract that creates a financial asset in an entity and a financial liability or equity instrument in another entity. The financial assets or financial liabilities are recognized at fair value. The transaction price represents costs directly attributable to the acquisition or issue of financial assets or financial liabilities (excluding financial assets and financial liabilities that are subsequently measured at fair value through profit or loss), which are added to or reduced from the fair value of financial assets or financial liabilities, as necessary, upon initial recognition.

### Financial Assets

#### *Classification and Measurement*

In accordance with IFRS (9), on initial recognition, financial assets are classified as carried at: amortized cost; Fair value through other comprehensive income - debt investments, fair value through other comprehensive income - equity investments; or fair value through profit or loss. Financial assets are not reclassified subsequently after initial recognition, except in the period after the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the financial reporting period after the change in business model.

A financial asset is measured at amortized cost if the following two conditions are met and is not designated at fair value through profit or loss:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows on specified dates that are solely payments that are limited to principal and interest on the principal amount outstanding. On initial recognition of equity investments that are not held for trading, the Company may irrevocably decide to present subsequent changes at fair value through other comprehensive income. This decision is taken on an investment-by-investment basis. The Company does not have any financial assets designated at fair value through other comprehensive income.

All financial assets not classified at amortized cost or in value fair through the other comprehensive income as shown above are measured in value fair through profit or loss. On initial recognition, the Company may irrevocably designate a financial asset that meets the requirements to be measured at amortized cost or fair value through other comprehensive income because its measurement at fair value through profit or loss (FVTPL) eliminates or significantly reduces an accounting mismatch that would otherwise arise.

#### *Business Model Evaluation*

The Company makes an evaluation of the objective of the business model in which the asset is held at the portfolio level because it reflects the best way of conducting business and providing information to management. The considered information includes the following:

- Establishing policies and objectives for the portfolio and their implementation in practice. In particular, the extent to which management's strategy is focused on achieving contracted commission income, maintaining a certain commission rate, matching the period of financial assets with the period of financial liabilities, expected cash outflows, or realizing cash flows through the sale of assets;
- Conducting a Portfolio's performance evaluation and reporting it to management;
- Assessing the risks that affect the business model's performance (and the financial assets held within it), and their management;

- Compensating business managers, and whether compensation is based on the fair value of the assets under management or the contractual cash flows collected; and
- Studying the frequency, volume and timing of sales of financial assets in previous periods, the reasons for those sales and their expectations regarding future sales activity. However, these sales cannot be taken into account alone, but as part of the overall evaluation of how the Company will reach the goals set for managing assets and achieve cash flows.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not sales of purpose, consistent with the Company's continuing recognition of the assets. Financial assets that are held for trading or management purposes and whose performance is measured on a fair value basis, are measured at fair value through profit or loss. The evaluation of the business model is done according to scenarios that can reasonably occur without taking into account the so-called "worst case" or "stress case" scenarios.

If, after initial recognition, cash flows are realized differently from the original Company's expectations, the Company does not change the classification of the remaining financial assets held within that business model, but instead takes into account this information when evaluating the business model for financial assets to be used or purchased in the future. Financial assets that are held for trading and whose performance is measured on a fair value basis are measured at fair value through profit or loss because these financial assets are not held to collect contractual cash flows and sell financial assets.

#### **Testing whether the contractual cash flows of an asset are solely payments of principal and interest (the "SPPI Test")**

For the purpose of this test, "Principal" is defined as the fair value of financial assets on initial recognition. "Interest" is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding over a given period of time and for other basic lending options, risks and costs (such as liquidity risk and administrative costs) as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains contractual terms that could change the timing or amount of contractual cash flows such that they would not meet this condition.

When making the assessment, the Company takes into account:

- Contingent events that change the amount and timing of cash flows;
- Terms that modify the contractual coupon rate, including variable rate features;
- Prepaid and rollover benefits; and
- Conditions that limit the Company's claim to cash flows from specific assets (such as irrevocable asset features).

An advance payment benefit is consistent with the Standard on Principal and Interest Payments if the advance payment substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include an additional consideration acceptable for early termination. In addition, for financial assets that are acquired at a discount or premium to the contractual nominal price, a feature that allows or requires prepayment is treated at an amount representing the contractual value of the contract.

Besides the contractually accrued (but not paid) interest (which may also comprise an acceptable additional consideration for early termination) as compliant with this Standard if the fair value of the prepayment characteristic is immaterial on initial recognition.

The Company classifies its financial assets in each of the following categories:

- loans and receivables;
- until the due date;
- investments available for sale; and
- At fair value through profit or loss, and within this category as follows:
  - held for trading;
  - designated at fair value through profit or loss.

## Financial Assets - Subsequent Measurement, Profit and Loss:

Financial assets at fair value through profit or loss	These assets are subsequently measured at fair value. The net gain or loss, including any interest or dividend income, is recognized in profit or loss.
Financial assets at amortized cost	Financial assets are subsequently measured at amortized cost using the effective interest rate method. The amortized cost is reduced by the impairment loss on the assets. Interest income, gains and losses from foreign exchange changes and impairment, if any, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Loans and receivables	They are measured at amortized cost using the effective interest rate method.
Equity investments at fair value through other comprehensive income	These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss and other comprehensive income, unless the dividends clearly represent a recovery of part of the investment's cost. Other net gains and losses are recognized in other comprehensive income but not reclassified to profit or loss.
Financial assets available for sale	They are measured at fair value and any changes therein (other than impairment losses, interest income and foreign exchange differences on debt instruments) are recognized in other comprehensive income and the cumulative change is shown in the fair value reserve. On derecognition of these assets, the cumulative gain or loss in equity is reclassified to profit or loss.

### Financial Liabilities

## Classification, Measurement, Profit and Loss

Financial liabilities are classified as carried at amortized cost or fair value through profit or loss. Financial liabilities that are classified as held for trading are labelled at fair value through profit or loss, or if it is a hedging instrument, or should be accounted for on this basis from the date of initial recognition. Financial liabilities are measured at fair value through profit or loss and any net profits or losses are recognized including interests' expenses, in profit or loss. Other financial liabilities (including loans, withdrawals, accounts payable and others) are later measured at amortized cost using the effective interest rate method. Interest expenses and loss of foreign currency exchange rate changes are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

## Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating the interest income over the relevant period. For financial instruments other than purchased financial assets or of an impaired principal value, the effective interest rate is the rate that exactly discounts estimated future cash flow payments (including all fees and points paid or received that are an integral part of the effective interest rate, transaction costs and premiums or other discounts) excluding expected credit losses through the expected life of the financial liability or, where appropriate, a shorter period, to the net book value at first recognition.

Regarding financial assets that are purchased or have an impaired principal value, the adjusted effective interest rate is calculated by discounting the expected future cash flows, including the expected credit losses and the amortized cost of the debt instrument upon initial recognition.

## Derecognition

### *Financial Assets*

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or the right to receive the contractual cash flows is transferred in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Company transfers or retains all risks and benefits of ownership while not retaining control over the financial assets.

On derecognition of a financial asset, the difference between the book value of the asset (or the book value assigned to the part of the asset that is derecognized) and the consideration received (including any new assets acquired less any new liabilities incurred) is recognized in profit or loss. Any interest in transferred financial assets created or retained by the Company is recognized as a separate asset or liability.

### *Financial Obligations*

The Company derecognizes a financial liability when its contractual obligations are satisfied, cancelled, or expire. It also derecognizes financial liabilities when their terms are modified and cash flows of the modified liabilities significantly differ, in which case a new financial liability is recognized based on the modified terms at fair value.

Upon derecognition of a financial liability, the difference between the book value no longer exists, and the consideration paid, including non-monetary assets transferred or liabilities incurred, is recognized in profit or loss.

## Clearing

The amounts of financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position only when the Company has a legal right to set off the amounts and intends either to settle it on a net basis or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis of profits or losses arising from financial instruments at fair value through profit or loss and gains and losses from changes in foreign currencies exchange rates.

## Impairment of Financial Assets

IFRS 9 requires the Company to record an expected credit loss provision for all loans and other debt assets and financial assets not held at fair value through profit or loss, in addition to loan commitments and financial guarantee contracts.

The provision is based on the expected credit loss associated with the probability of default within the next twelve months, unless there has been a significant increase in credit risk since its inception. If the financial assets meet the definition of credit-impaired financial assets, purchased or originated, then the provision is based on the change in the expected credit loss over the life of the assets. Under IFRS 9, credit losses are recognized earlier than the previous accounting standard.

The Company applies the simplified method of IFRS 9 to measure expected credit losses that use a provision for expected losses over the expected life of trade and other receivables. To measure the expected credit loss (ECL), trade and other receivables are grouped based on common credit risk characteristics and days past due.

In determining whether the credit risk of a financial asset has significantly increased since initial recognition and when estimating the expected credit loss, the Company considers relevant supporting information that is available without undue cost or effort. This includes obtaining quantitative and qualitative information, carrying out analysis based on the Company's past experience and a good credit assessment, including forecast information.

The Company considers a financial asset to be in default when:

- it is unlikely that the borrower will pay its credit obligations to the Company in full, without resorting to measures such as the use of collateral (if any); or
- the financial asset is past due.

Lifetime ECL represents the expected credit loss that will result from potential hypothetical events over the expected life of the financial instrument. The maximum credit period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

### *Measuring Expected Credit Losses:*

Expected credit losses are a weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (that is, the difference between the cash flows owed to the entity as per the contract, and the cash flows the Company expects to receive). Expected credit losses are discounted at the financial asset's original effective profit rate.

### *Low-credit Financial Assets*

The Company assesses at each financial statement date whether financial assets carried at amortized cost and debt securities at fair value through other comprehensive income (FVOCI), if any, are credit impaired. A financial asset is considered impaired when one or more events that have a negative impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is impaired includes the following observable events:

- due to significant financial difficulty of the borrower or issuer;
- breach of contract, such as default or late payment;
- rescheduling of the financial asset by the Company on terms that are not otherwise indispensable to the Company;
- the borrower will probably enter into bankruptcy or other financial reorganization; or
- the absence of an active market for a security due to financial difficulties.

### *Display of the Expected Credit Loss Provision in the Statement of Financial Position*

Loss provisions for financial assets measured at amortized cost are deducted from the total assets' book value.

## Write off

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is an adequate assessment of its uncollectibility. For example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Written-off financial assets may continue to be subject to enforcement activities under the Company's recovery procedures, subject to legal advice where appropriate. Any recoveries are recognized in profit or loss.

## Property, Plant and Equipment (PPE)

Property, plant and equipment are stated at cost, after deducting accumulated depreciation and impairment loss, if any, as well as the estimated residual value on disposal, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the asset. Financial costs on loans that are directly used to finance the construction of the assets are capitalized over the period of time required to complete the assets and prepare them for their intended use.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the item of property, plant and equipment. All other expenses are recognized in profit or loss as incurred. Capital profits and losses on the disposal of property, plant and equipment, arising from the difference between the proceeds from the disposal value and the net book value of the disposed asset, are recognized in profit or loss. The administration determines the useful lives of property, plant and equipment for the purposes of calculating depreciation and amortization. This estimate is determined after considering the expected usage of the assets, replacement and renewal factors. The useful life and depreciation method are periodically reviewed to ensure that the method and period of depreciation are commensurate with the expected economic benefits from property, plant and equipment.

Depreciation is charged to profit or loss and calculated on a straight-line basis over the estimated useful lives of each individual item of property, plant and equipment less the estimated residual value on disposal as shown above. The estimated useful lives of major items of property, plant and equipment for the current and comparative periods are as follows:

Item	Depreciation Rate
Hangars & Construction	2-15%
Plant & Equipment	10-25%
Vehicles & Transportation	12.5-20%
Furniture & Office Equipment	20%

## Impairment of Non-financial Assets

Non-financial assets are tangible assets such as property and equipment.

The values of the Company's non-financial assets (other than inventories, assets held for sale and assets arising from construction contracts, if any) are studied at the date of the financial statements to determine whether there has been an event or change in circumstances that indicates if the asset's book value exceeds its recoverable amount. When such indicator exists, the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is its value in use less costs to sell or its fair value, whichever is higher. The impairment of an asset is the difference between the book value of the asset or the related cash-generating unit and its recoverable amount, discounted using the effective rate of return.

The effective rate of return is the rate that exactly discounts estimated future cash payments and receipts through the expected life of the asset or liability to the total book value of the asset or to the amortized cost of the liability. A cash-generating unit is the smallest identifiable group of assets that generate cash flows that are largely independent of cash flows from other assets or groups of assets. Impairment losses for the cash-generating unit are recognized by first reducing the impairment assets or proportionately reducing them from the cash-generating unit's assets. At the end of each reporting period, impairment losses on other non-financial assets previously charged from prior periods are measured if there are indicators that the impairment is reversal. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

Impairment is achieved when an asset's book value or cash-generating unit exceeds its recoverable amount/value, which is its fair value less costs to sell and its value in use, whichever is higher. The fair value less costs to sell account is calculated based on available data from binding sales transactions, on a commercial basis, for similar assets or observable market prices less incremental costs of selling the asset. The value in use is calculated based on a discounted cash flow model. Cash flows are derived from the budget for the subsequent five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that would enhance the asset's performance of the cash-generating unit being tested for impairment. The recoverable amount is most sensitive to the discount rate used in the discounted cash flow method, as well as the expected future inflows of cash and the growth rate used for extrapolation purposes.

The significant provisions made by management in applying the Company's accounting policies and the main sources of uncertain estimations were the same as those described in the last financial statements, except for new significant provisions and main sources of uncertainties' estimation associated with the application of IFRS 13.

## Trade and Other receivables

Trade and other receivables are shown at the invoice amount minus the provisions made for amounts deemed uncollectible by management. Bad debts are written off when identified and approved by the Board of Directors.

## Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand, cash in current accounts with banks and other short-term highly liquid investments with original maturities of three months or less (if any) that are available to the Company without any restrictions. The statement of cash flows has been prepared using the indirect method.

## Accounts Payable and Receivables

Liabilities are recognized for amounts to be paid in the future for goods and services, whether billed by suppliers or not.

## Inventory

Inventories are valued at cost or net realizable value, whichever is lower. The cost of inventory is determined on the basis of the weighted average price method and includes expenses incurred in acquiring the inventory as well as all other costs incurred in bringing the inventory to its present condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

## Loans

Loans are recognized at the amount received after deduction of the incurred transaction's expenses costs. Interest is amortized over the term of the loan using a straight-line method which is not materially different from the application of the prevailing interest rate. Borrowing costs that are directly attributable to the construction of an asset until it reaches a stage at which substantially all the activities necessary to get it ready for its intended use are capitalized as part of the asset's cost. Otherwise, such costs are charged to the statement of profit or loss.

## Restricted Government Grants

Government grants are recognized when there is reasonable assurance that grants will be obtained and all conditions necessary for their entitlement will be complied with. It is proven when the following two conditions are met:

1. The establishments will abide by the conditions attached thereto.
2. Grants will be received.

## Allocation

A provision is recognized if the Company has a present legal or constructive obligation, as a result of a past event, that can be estimated reliably, and it is probable that the Company will use economic resources to settle the obligation. The amounts recognized as provisions are the best estimate of the consideration required to settle the current obligations at the end of the financial year, taking into account the risks and uncertainties surrounding those obligations. When a provision is measured using the estimated cash flows to settle the present obligation, its book value is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is certain that the amount due will be received and the indebtedness can be reliably measured.

## Zakat Provision

The estimated Zakat is the Company's estimated obligation, and a provision for it is recorded in the financial statements by charging it to profit or loss in accordance with the Zakat standard issued by SOCPA, where it is approximately calculated for the year according to the accrual principle.

Zakat is calculated at the end of the year according to the adjusted net profit or the Zakat base, whichever is higher, in accordance with the regulations of the Zakat, Tax and Customs Authority (ZTCA) in the KSA. Any differences in the estimate are recorded when the final assessment is approved when the assessment is received.



## Value-added Tax (VAT)

Net revenues, expenses and assets are recognized after deduction of the VAT except when:

- the incurred value on the purchase of assets or services is not recoverable from the tax authorities. In this case, VAT is recognized as part of the costs for acquiring the asset or as part of an expense item appropriate; and
- accounts receivable and payment are recorded with the amount of VAT included.

The net amount of VAT recoverable or payable to the ZTCA is included as part of accounts receivable or payable in the statement of financial position.

## Employee Benefits

End-of-service benefits are due to all working employees in accordance with the terms and conditions of Labor and Workmen Law at the end of their service contracts. The cost of specific end-of-service benefits and the present value of the related obligations are determined using actuarial valuations. The actuarial valuation involves making various assumptions that may differ from actual developments in the future. It also includes determining the discount rate, future salary increases, withdrawal before the natural retirement age, death rates, and others. Because of the valuation's difficulty and underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. Remeasurements that include actuarial profits and losses are recognized in the statement of financial position, while profits and losses are recognized in the statement of other comprehensive income for the year in which they are incurred, and the remeasurement recognized in other comprehensive income is recognized in retained earnings immediately.

## Measuring the Fair Value of Financial Instruments

A number of the Company's accounting policies and disclosures require the measurement of the fair value of both financial and non-financial assets and liabilities.

Fair value represents the price that would be received when an asset is sold or paid to transfer a liability in an orderly transaction between market participants at the measurement date of the principal amount, or if it is not located in the most advantageous market to which the Company has access at that date. The obligation's fair value reflects the risk of non-performance.

When an active market is available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is considered "active" if transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

When specific prices are not available in an active market, the Company uses valuation techniques that maximize the use of relevant observable inputs and reduce the use of unobservable inputs. The valuation technique chosen includes all factors that market participants will take into account when pricing a transaction.

If an asset or liability measured at fair value has a bid price and an ask price, the Company measures the assets and long positions at the bid price and liabilities and short positions at the ask price.

The best evidence for determining the fair value of a financial instrument on initial recognition is usually the transaction price - i.e., the fair value of the consideration paid or received. If the Company determines that the fair value at initial recognition is different from the transaction price, and there is evidence that the fair value is neither at a quoted price in an active market for the asset or liability nor in accordance with the valuation technique, then any unobservable inputs are considered unrelated to the measurement. Hence, the financial instrument is initially measured at fair value. After adjustment, the difference between the fair value at initial recognition and the transaction price is deferred. Subsequently, this difference is recognized in profit or loss on an appropriate basis depending on the life of the instrument, but provided that it does not exceed the date when the valuation is fully supported by observable market data or closed.

When measuring the fair value of an asset or liability, the Company uses observable market data to the extent possible. Fair value is classified into different levels in the fair value hierarchy based on the inputs used in the valuation methods as follows:

**Level 1:** Quoted (unadjusted) prices in active markets for identical assets or liabilities;

**Level 2:** Inputs other than quoted prices that are included in Level 1 and observable for the asset or liability, directly (such as prices) or indirectly (derived from prices);

**Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the entire fair value measurement is categorized in the same level of the fair value hierarchy, as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

When it is not possible to measure the fair value of financial assets and liabilities listed in the statement of financial position based on quoted prices in active markets, their fair value is determined using valuation techniques that include

the discounted cash flow model. Inputs for these models are taken from observable markets, but when that is not possible, a degree of judgment is required in determining fair values. Provisions include input considerations such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the disclosed fair value of financial instruments.

## Transactions with Related Parties

### *Related Party*

The related party is the person or entity associated with the Company whose financial statements are prepared.

- a. If the person or a member of his family, is closely related to the Company whose financial statements are being prepared:
  1. has control or joint control of the Company whose financial statements are being prepared;
  2. has a material effect on the Company whose financial statements are being prepared; or
  3. is a member of the Senior Management of the Company whose financial statements are being prepared, or the Parent Company of the Company whose financial statements are being prepared.
- b. If the facility is related to the Company whose financial statements are being prepared if any of the following conditions are met:
  1. The entity and the Company whose financial statements are being prepared are members of the same group (which means that the Parent Company and its subsidiaries and associates are related to each other).
  2. One company is an associate or joint venture of the other company (or an associate or joint venture of a member of a group of which the other company is a member).
  3. Both companies are joint ventures of the same third party.
  4. One of the two companies is a joint venture of a third company and the other company is an associate of the third company.
  5. The Company is a post-employment benefit plan for the benefit of employees of any company that prepares its financial reports or a company related to the company that prepares its financial statements. If the company preparing its financial statements is the same as preparing those plans, the business sponsors are also related to the company preparing its financial statements.
  6. The company is controlled or jointly controlled by a person specified in paragraph (a).
  7. The person specified in paragraph (a) "1" has a material influence on the Company or is a member of the Senior Management of the Company (or the Parent Company).
  8. The Company or any member of a group thereof provides part of the services of the Senior Management's employees of the Company that prepares its financial statements or to the Parent Company of the Company that prepares its financial statements.

## Lease Contracts

Lease contracts are classified as financial leases when, under the terms of the leases, the ownership's risks and rewards are substantially transferred to the lessee. All other lease contracts are classified as operating leases.

At the inception of the lease, the Company determines whether the contract is a lease or includes a lease. A contract is a lease or includes a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In assessing whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

At initiation or upon modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of the proportionate, independent prices of the lease component. However, for property leases, the Company has elected not to separate the non-lease components and to account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability on the commencement date of the lease. The right-of-use asset is initially measured at cost, which includes the initial amount of the lease liability adjusted for any lease payments made on or before the lease commencement date, plus any direct costs incurred and an estimate of the costs of dismantling and removing the underlying assets or restoring the leased asset or the site on which it is located, less any received lease incentives.

The right-of-use asset is subsequently depreciated using the straight-line method from the start date of the lease to the end of the lease term, unless the lease transfers ownership of the contract asset to the Company at the end of the lease contract, or the cost of the right-of-use asset indicates that the Company will use the purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the contract asset, which is determined on the same basis as those

assets and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for remeasurement of certain lease obligations. The lease liability is initially measured at the present value of the unpaid lease payments at the inception of the lease, discounted using the interest rate implicit in the lease or the Company's incremental borrowing rate, if the implicit interest rate cannot be readily determined.

Generally, the Company uses the incremental borrowing rate as the discount rate. It determines the incremental borrowing rate by obtaining interest rates from various external sources of financing and making certain adjustments to reflect the terms of the lease and the type of leased asset. The lease payments included in the measurement of the lease liability include the following:

- fixed payments, including fixed payments in substance;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the start date of the lease;
- amounts expected to be paid under the residual value guarantee; and
- price use under the purchase option that will certainly be used by the Company. Lease payments in an optional renewal period if the Company is reasonably certain to use the extension option, and penalties for early termination of the lease unless the Company is certain it will not terminate early.

The lease liability is measured at amortized cost using the effective interest rate method. It is re-measured when a change occurs in future lease payments arising from a change in index or rate, if there is a change in the amount expected by the Company to be paid under the residual value guarantee, or if the Company changes its assessment about whether to use the buy-in, extension or termination option or if there is an adjusted fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the book value of the right-of-use asset or recognized in profit or loss if the book value of the right-of-use asset is reduced to zero.

## Leases and Short-term Leases of Low-value Assets

The Company has decided to de-recognize right-of-use assets, lease liabilities, leases of low-value assets and short-term leases. It recognizes lease payments associated with these leases as an expense on a straight-line basis over the term of the lease.

## Contingent Liabilities

Contingent liabilities are not recognized in the statement of financial position. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent liabilities are recorded in the statement of financial position under accounts payable or other payable. A contingent asset is not recognized in the statement of financial position, but is disclosed when an outflow of economic benefits is probable.

## Sales

Revenue is measured at the fair value of the consideration received or receivable, taking into account the payment terms specified in the contract and excluding taxes or discounts. Revenue is recognized to the extent of the probability of having economic benefits flow to the Company and revenue and costs measured reliably.

The Company recognizes revenue by contracts with customers based on a five-step model as described in IFRS 15:

**Step One:** Identify the contract(s) with customers.

**Step Two:** Identify the separate performance obligations in the contract.

**Step Three:** Determine the transaction price, which is the amount of consideration that an entity expects to be entitled to in exchange for the promised goods or services.

**Step Four:** Allocate the transaction price to the separate performance obligations.

**Step Five:** Recognize revenue when the Company satisfies performance requirements.

The Company satisfies the performance obligation and recognizes revenue over time, when the following conditions are met:

- a. The Company's performance does not create any asset that has an alternative use to the Company with any alternative uses, and it has an enforceable right to receive payment for performance carried out to date.
- b. The Company's performance creates or improves the controlled asset when the asset is created or improved.
- c. The customer receives the benefits provided by the Company's performance and consumes them while the Company is performing.

For performance obligations that do not meet any of the above conditions, revenue is recognized at a point in time at the time when the performance obligation is fulfilled.

When the Company fulfills the performance obligation by delivering the promised goods or services, a contract-based asset for the financial consideration is achieved from that performance. When the value of the consideration received from the customer exceeds the value of the recognized revenue, a contract obligation arises.

## Other Revenue

Other revenue is recognized when due in the statement of profit or loss.

## Expenses

All other expenses, other than direct costs, are classified as general and administrative expenses. Allocations of common expenses between cost of sales, selling and marketing expenses, and general and administrative expenses, if required, are made on a regular basis.

## Dividends

Interim dividends are recorded in the financial statements in the period approved by the Board of Directors. Final dividends are recorded in the financial statements during the year they are approved by the General Assembly of shareholders.

## Foreign Currency Translation

Transactions made in foreign currencies are converted into Saudi riyals (SAR) at the exchange rates prevailing at the time of the transactions. As for monetary assets and liabilities that are denominated in foreign currencies, they are converted to their equivalent in Saudi riyals at the exchange rates prevailing on that date. Foreign currency exchange differences are recognized in profit or loss for the current period.

## 5.4 Key Performance Indicators

The following table shows the Company's key performance indicators for the financial years ended December 31, 2019G, 2020G and 2021G.

Table No. (15): Key Performance Indicators

	Unit	Fiscal Years Ended December 31		
		2019G Audited	2020G Audited	2021G Audited
Return on Assets	%	(36.0%)	(1.2%)	(0.1%)
Return on Rights	%	(46.5%)	(1.6%)	(0.2%)
Current Assets / Current Liabilities	x	0.035	0.005	0.006
Total Assets / Total Liabilities	x	4.458	4.378	4.353
Debt to Total Rights Ratio	x	0.289	0.296	0.298

Source: The Company

## 5.5 Results of Operations

### 5.5.1 Income Statement

The following table shows the Company's Income statement for the financial years ended December 31, 2019G, 2020G, 2021G.

Table No. (16): Income Statement

SAR'000	Fiscal year ended December 31			Increase /(Decrease)		CAGR
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G	2019G -2021G
Sales	-	-	-	NA	NA	NA
Sales cost	(936)	-	-	(100.0%)	NA	(100.0%)
Total loss	(936)	-	-	(100.0%)	NA	(100.0%)
General and Administrative Expenses	(3,159)	(2,594)	(4,781)	(17.9%)	(84.3%)	23.0%
Net Loss of Major Operations	(4,095)	(2,594)	(4,781)	(36.7%)	(84.3%)	8.0%
Financing Expenses	(542)	(143)	(350)	(73.6%)	144.5%	(19.6%)
Dividends from Investments in Companies	180	-	-	(100.0%)	NA	(100.0%)
Losses of Excluding Part of Government Grants	(63,370)	-	-	(100.0%)	NA	(100.0%)
Other Revenue	354	533	950	50.7%	78.2%	63.9%
Net Loss Prior to Zakat	(67,473)	(2,204)	(4,181)	(96.7%)	89.7%	(75.1%)
Zakat	-	(18)	3,944	NA	NA	NA
Net Loss for the Year	(67,473)	(2,222)	(237)	(96.7%)	(89.3%)	(94.1%)

Source: Financial Statements and Management Information

Note: 'Not applicable' refers to aspect ratios/custom greater than 500.0% and does not calculate aspect ratio, citation, or width for the presence of 'zeroes'.

The Company generates its sales by selling animal feed and raw milk production. It did not record sales during 2019G, 2020G and 2021G, respectively. This is primarily due to the suspension of the fodder cultivation by the Company, after the Saudi Council of Ministers Decision no. (66) corresponding to 25/02/1437H to stop the cultivation of green fodder in the Kingdom, to conserve the non-renewable groundwater in the sedimentary shelf areas, which include Riyadh and Asharqiyah, Al-Qassim, Hail, Al-Jouf, and Tabuk. During 2017G, the Company also stopped the production of raw milk and silted the herd of cows, after studying the status of the cow herd, reviewing its performance, the difficulties it faces, and the inability to continue giving and producing in a meaningful and profitable manner for the Company, as the raw milk production activity achieved consecutive losses of SAR 31.5 million on a five-year period between 2012G and 2016G. During 2020G, the Company announced the issuance of the initial licenses for its new projects, which include the hydroponics for vegetable production (hydroponic), the aquaponics for fish farming (aquaponics), providing the marketing services on behalf of others, raising, and producing the broiler chickens, operating their hatcheries, and producing the eggs and types of poultry meat, rabbits, and birds. The Company is seeking to implement these new projects on the land of the government grant provided to the Company, which has an estimated area of 72,178,700 square meters. It is worth noting that the Company is currently in the process of issuing the land.

The cost of the sales includes the depreciation of the fixed assets and the direct expenses such as the fertilizer seeds, the pesticides, the fuels, and the maintenance, as well as the salaries and the other allowances. The cost of the sales decreased by 100% from SAR 0.9 million in 2019G to SAR zero in 2020G. The cost of sales did not witness significant fluctuations in 2021G compared to 2020G because of the permanent cessation of activity and the closing of depreciation of assets in general and administrative expenses, where the method of calculating depreciation expenses of operational assets was included in sales costs, despite the cessation of the Company's activities since 2018G, but at the request of the Company's auditor, operating depreciation expenses were reclassified within administrative and general expenses starting in 2020G.

General and administrative expenses mainly include the employee salaries and benefits, the subscription fees, the Zakat assessments for the previous years, the allowances, and the remunerations for the members of the BOD, as well other committees, the maintenance, and the fuel, the professional and the consulting fees, the litigation expenses, the rents, and the other expenses. General and administrative expenses decreased by 17.9% from SAR 3.2 million in 2019G to SAR 2.6 million in 2020G. This decrease is mainly the result of a decrease in the employee salaries and benefits, the professional and advisory fees, and the case expenses in 2020G. General and administrative expenses also decreased by 6.2% from SAR 2.6 million in 202G to SAR 4.8 million in 2021G. This is mainly due to calculating the CEO's salary and allowances after approving the employment contract.

Other revenue consists of cow barn rental income, communication tower rental income, gain on sale of property and equipment, scrap disposal gain, dividends received and other income. General and administrative expenses increased by 50.7% from SAR 0.4 million in 2019G to SAR 0.5 million in 2020G. This resulted in higher profits from the sale of property, plant and equipment as well as higher other revenue. Other revenue increased by 87.2% from 0.5 million Saudi riyals in 2020G to 1.0 million Saudi riyals in 2021G. The increase in other revenue is due to the recording of scrap disposal gains of (352,000) Saudi riyals during 2021G, as scrap and waste collected at the project site in Al-Fadhili were sold, in addition to the profits of shareholder companies, where some revenues were reclassified at the request of the auditor.

The Company owns investments in the National Company for Seed Production and the United Dairy Farms Company with an ownership percentage of 2.8% and 8.28%, respectively. The value of dividends payable on investments in the United Dairy Farms Company amounted to 0.2 million Saudi riyals in 2019G.

Financing costs decreased by 73.7% from SAR 0.5 million in 2019G to SAR 0.1 million in 2020G. The decline was mainly related to the non-calculation of installment interests during 2020G due to the Coronavirus Pandemic. Financing costs increased by 144.5% to 0.4 million in 2021G, as the financings were renewed in 2021G, and the refinancing interests and administrative expenses were calculated to renew the agreement, unlike in 2020G, where no interests were calculated due to exemptions from the Coronavirus Pandemic.

### 5.5.1.1 General and Administrative Expenses

The following table shows the Company's administrative and general expenses for the financial years ended December 31, 2019G, 2020G and 2021G.

Table No. (17): General and Administrative Expenses

SAR'000	Fiscal Year Ended December 31			Increase /(Decrease)		CAGR
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G	2019G -2021G
Zakat Assessments Related to Previous Years	964	175	-	(81.8%)	(100.0%)	(100.0%)
Fees and Subscriptions	507	227	276	(55.2%)	21.5%	(26.2%)
Employee Salaries and Benefits	468	398	3,027	(14.8%)	659.7%	154.4%
Allowances and Remuneration for Members of the BOD and Other Committees	393	409	406	4.1%	(0.8%)	1.6%
Consumptions	342	663	643	93.7%	(3.0%)	37.1%
Maintenance and Fuel	121	34	27	(71.5%)	(21.7%)	(52.8%)
Leases	119	119	116	(0.1%)	(2.1%)	(1.1%)
Professional & Advisory Fees	117	130	200	11.0%	53.8%	30.6%
Advertising	23	-	-	(100.0%)	NA	(100.0%)
Phone and Mail	20	-	-	(100.0%)	NA	(100.0%)
Lawsuits Expenses	14	276	-	1,938.8%	(100.0%)	(100.0%)
Stationery and Publications	5	-	-	(100.0%)	NA	(100.0%)
Vehicles Expenses	5	-	-	(100.0%)	NA	(100.0%)
Hospitality and cleanliness	2	-	-	(100.0%)	NA	(100.0%)
Provision for Impairment of Accounts Receivable	-	4	-	NA	(100.0%)	NA
Fine Fees	-	-	-	NA	NA	NA
Other Expenses	60	158	86	165.5%	(45.7%)	20.1%
<b>Total</b>	<b>3,159</b>	<b>3,594</b>	<b>4,781</b>	<b>(17.9%)</b>	<b>84.3%</b>	<b>23.0%</b>

Source: Financial statements and management information

The Zakat assessments for previous years amounting to SAR 1.0 million in 2019G relate to the difference in provisions formed from the last claim up to 2014G. While the Zakat assessments amounted to SAR 0.2 million in 2020G, the Zakat recalculation for 2015G and 2017G was related to SAR 105.0 thousand and SAR 70.0 thousand, respectively.

Subscription fees decreased by 55.2% from SAR 0.5 million in 2019G to SAR 0.2 million in 2020G, due to the noticeable increase in some items of these expenses during 2019G, such as the payment of the Chamber of Commerce subscription fees for the Riyadh branch and the lawyers' fees to follow up on some cases, in addition to the consulting fees to study the file of the capital increase and the completion of the ore contract. The contribution fees did not witness material fluctuations in 2020G and 2021G.

The employees' salaries and benefits accounted for 14.8%, 15.4% and 63.3% of the total public expenses in 2019G, 2020G and 2021G, respectively. The employees' salaries and benefits increased by 659.7% from SAR 0.4 million in 2020G to SAR

3.0 million in 2021G. The increase was due to the calculation of the CEO's salary and allowances after the approval of the employment contract.

The allowances and the remunerations of the members of the BOD and other committees relate to the annual allowances and remunerations provided to the members of the BOD of the Company and the other committees. The allowances and the remuneration of the members of the BOD and the other committees did not witness material fluctuations during the period under analysis.

Depreciation expense increased by 93.7% from 0.3 million Saudi riyals in 2019G to 0.7 million Saudi riyals in 2020G due to the permanent cessation of activity and the closure of depreciation of assets in general and administrative expenses. Depreciation expense did not witness substantial fluctuations between 2020G and 2021G. The maintenance expenses of the fuels include the expenses of maintaining the equipment and sprinklers for the fields, the maintenance of the generator and the water-lifting engine at the project site in Al-Fadhili and other expenses related to maintenance. The fluctuations in these expenses are due to the normal course of business of the company. Maintenance and fuel expenses decreased by 21.7% from 34,000 Saudi riyals in 2020G to 27,000 Saudi riyals in 2021G, due to turning off generator and operating it for only a few hours per day.

Lease expenses include the rent of the Company's office in Dammam and the Riyadh branch. Lease expenses did not witness significant fluctuations between 2019G and 2021G.

Professional and advisory fees are related to the auditor's fees and the legal advisor's fees for the previous acquisition transaction. Professional and advisory fees increased by 53.8% from 0.1 million Saudi riyals in 2020G to 0.2 million Saudi Riyals in 2021G due to the increase in the Company's auditor's fees after appointing a new firm.

Lawsuits expenses are related to the expenses of lawsuits filed against the Company by the office of Abdulaziz Al-Fahd, which relate to the fees of financial advisory in the acquisition of one of the companies in 2009G, as the CMA rejected the deal, which led to the Company's refusal to pay the dues to the office of Abdulaziz Al-Fahd. (For more details, please see sub-paragraph (9.5) of Section No. (9) "Legal Information"). Lawsuits expenses increased from 14.0 thousand Saudi riyals in 2019G to 0.3 million Saudi riyals in 2020G. This is due to the filing of a lawsuit by the office of Abdulaziz Al-Fahd against the Company to obtain his attorney's fees for the case filed against the Company.

The provision for the decline in the values of receivables amounted to 4,000 Saudi riyals in 2020G, with the registration of a provision for VAT on the Saudi Telecom Company due on their lease of space for telecom towers on the Company's land, which has not been paid till date.

Other expenses include electricity expenses, cleaning materials, social insurance expenses, administration office supplies, the Riyadh office, job services, telephone and postal expenses, publications, irregularities, advertising, media and miscellaneous petty expenses. Other expenses increased by 165.5% from 60.0 thousand Saudi riyals in 2019G to 158 thousand Saudi riyals in 2020G. This is due to the Company incurring fines and violations from Tadawul in the amount of 80,000 Saudi riyals during 2020G, while it did not bear any fines or additional expenses during 2019G. Other expenses decreased by 45.7% from 158 thousand Saudi riyals in 2020G to 86 thousand Saudi riyals in 2021G. This is due to the Company incurring fines and violations from Tadawul in the amount of 80,000 Saudi riyals during 2020G, whereas it did not bear any fines or additional expenses during 2021G.

The following table shows the Company's other revenue for the fiscal years ended 2019G, 2020G and 2021G.

**Table No. (18): Other Revenue**

SAR'000	Fiscal year ended December 31			Increase /(Decrease)		CAGR
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G	(2019G - 2021G)
Cow Barn Rent Revenue	140	140	140	-	-	-
Cell Towers Lease Revenue	110	110	110	-	-	-
Profits on Sale of Property, Plant and Equipment	103	204	-	97.1%	(100.0%)	(100.0%)
Scrap Sale Profits	-	-	352	NA	NA	NA
Distribution of Received Profits	-	-	300	NA	NA	NA
Other Revenue	.	80	48	NA	(39.1%)	NA
<b>Total</b>	<b>354</b>	<b>533</b>	<b>950</b>	<b>50.7%</b>	<b>78.2%</b>	<b>63.9%</b>

Source: Financial statements and management information.

Revenue from renting cow sheds was related to the revenue generated from leasing cow sheds located in the Al-Fadhili area, after the Company liquidated the cow herd due to successive losses during the previous years. Cow barn rental revenue remained stable in 2019G, 2020G and 2021G, respectively.

Revenue from the sale of property, plant and equipment amounted to 0.1 million Saudi riyals in 2019G related to the sale of equipment, cars and some equipment. The Company recorded profits from the sale of PPE, amounting to 0.2 million Saudi riyals in 2020G, after selling sheep pens and an electricity generator.



Revenue from the sale of scrap amounting to 0.4 million Saudi riyals in 2021G is relate to the sale of depreciated hose-reel sprinklers and irrigation machines, the sale of sheds in cow sheds, iron cages, fuel tanks, damaged water intake pumps, desert air-conditioners and different other scrap materials.

Dividends received amounting to SR 0.3 million in 2021G are related to the Company's entitlement to the profits of one of its investees, the United Dairy Company.

Other revenue includes employee end-of-service deductions and differences. Other revenue increased by 19,875.9% from (400) SAR in 2019G to (80,000) SAR in 2020G. The increase was driven by compensation for a car accident, in addition to the VAT for an invoice that was fully recorded in the expenses in 2019G. The VAT was recovered in 2020G. Other revenue decreased by 39.1% to SAR (48,000) in 2021G due to the Company's receipt of an insurance amount on a car accident and a refundable tax on the advisor's invoice from the previous capital increase transaction.

### 5.5.1.2 Distribution of Profits from Companies' Investments

The Company owns investments in the National Company for Seed Production and the United Dairy Farms Company with an ownership percentage of 2.8% and 8.28%, respectively. The value of dividends payable on investments in the United Dairy Farms Company amounted to SAR 0.2 million 2019G.

### 5.5.1.3 Losses Due to Cancellation of Part of the Governmental Donations

On 08/06/1441H (corresponding to 02/02/2020G), the Company received a Resolution by the Ministry of Environment, Water and Agriculture no. 321450/1441/1062, dated 06/05/1441H (corresponding to 01/01/2020G), including the Company's ownership of 72.178,700 square meters of the total land area of the grant provided to the Company, since the Ministry of Environment, Water and Agriculture Resolution required the approval of the High Commissioner to be enforced.

In line with the IAS 10 - Events after the reporting period - as this Resolution refers to the events that provide evidence of the circumstances that existed at the end of the reporting period for the year ended December 31, 2019G, requiring the amendments to the financial statements, these statements have been amended on December 31, 2019G which requires an amendment to the financial statements. The financial statements for the year ended December 31, 2019G have been modified by an amount of 63,369,605 Saudi riyals, so that the value of the land item has become 171,307,811 Saudi riyals.

### 5.5.1.4 Financing Expenses

Financing expenses decreased by 73.6% from SAR 0.5 million in 2019G to SAR 0.1 million in 2020G. The decline was mainly a consequence of the non-calculation of installment interests during 2020G, due to the Coronavirus Pandemic. Financing expenses increased by 144.5% to 0.4 million Saudi riyals in 2021G due to the renewal of financing in 2021G and the calculation of refinancing interests and administrative expenses in order to renew the agreement, unlike in 2020G, where no interest was calculated due to exemptions from the Covid-19 Pandemic.

## 5.5.2 Financial Position Statement

The following table provides a statement of the Company's financial position as on December 31, 2019G, 2020G, 2021G.

Table No. (19): Financial Position Statement

SAR'000	Fiscal Year Ended December 31			Increase /(Decrease)		CAGR
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G	2019G -2021G
<b>Non-Current Assets</b>						
Net Property, Machinery/Plant and Equipment	184,355	183,698	183,058	(0.4%)	(0.3%)	(0.4%)
Investments in Equity Instruments	1,426	1,426	1,426	-	-	-
<b>Total Non-Current Assets</b>	<b>185,780</b>	<b>185,123</b>	<b>184,483</b>	<b>(0.4%)</b>	<b>(0.3%)</b>	<b>(0.3%)</b>
<b>Current Assets</b>						
Trade Receivables, Prepaid Expenses and Other Receivables	1,386	87	84	(93.7%)	(2.9%)	(75.4%)
Cash and Cash Equivalents	84	125	273	48.4%	118.6%	80.1%
<b>Total Current Assets</b>	<b>1,470</b>	<b>211</b>	<b>357</b>	<b>(85.6%)</b>	<b>68.8%</b>	<b>(50.7%)</b>
<b>Total Assets</b>	<b>187,250</b>	<b>185,335</b>	<b>184,840</b>	<b>(1.0%)</b>	<b>(0.3%)</b>	<b>(0.6%)</b>
<b>Shareholders' Equity</b>						
Capital	75,000	75,000	75,000	-	-	-
Statutory Reserve	3,277	3,277	3,277	-	-	-

SAR'000	Fiscal Year Ended December 31			Increase /(Decrease)		CAGR
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G	2019G - 2021G
Retained Earnings	66,967	64,728	64,390	(3.3%)	(0.5%)	(1.9%)
<b>Total Shareholders' Equity</b>	<b>145,244</b>	<b>143,005</b>	<b>142,667</b>	<b>(1.5%)</b>	<b>(0.2%)</b>	<b>(0.9%)</b>
<b>Non-Current Liabilities</b>						
Provision for Employee Benefit Obligations	18	47	168	163.8%	256.8%	206.8%
<b>Total Non-Current Liabilities</b>	<b>18</b>	<b>47</b>	<b>168</b>	<b>163.8%</b>	<b>256.8%</b>	<b>206.8%</b>
<b>Current Liabilities</b>						
Estimated Zakat Provision	19,745	19,939	15,995	1.0%	(19.8%)	(10.0%)
Dividends Due to Shareholders	1,359	1,359	1,359	-	-	-
Short-term Loan	10,000	10,000	10,000	-	-	-
Related Party Liability	48	457	2,818	853.4%	517.1%	667.0%
Trade Payables and Other Payables	10,836	10,528	11,833	(2.8%)	12.4%	4.5%
<b>Total Current Liabilities</b>	<b>41,988</b>	<b>42,283</b>	<b>42,005</b>	<b>0.7%</b>	<b>(0.7%)</b>	<b>0.0%</b>
<b>Total Liabilities</b>	<b>42,006</b>	<b>42,330</b>	<b>42,173</b>	<b>0.8%</b>	<b>(0.4%)</b>	<b>0.2%</b>
<b>Total Shareholders' Equity and Liabilities</b>	<b>187,250</b>	<b>185,335</b>	<b>184,840</b>	<b>(1.0%)</b>	<b>(0.3%)</b>	<b>(0.6%)</b>

Source: Financial Statements and Management Information

Non-current assets did not witness material fluctuations between December 31, 2019G and December 31, 2021G.

Current assets decreased by 85.6% from SAR 1.5 million as of December 31, 2019G to SAR 0.2 million as of December 31, 2020G, primarily due to a decrease in trade receivables, prepaid expenses and other receivables. Current assets increased by 68.8% from SAR 0.2 million as of December 31, 2020G to SAR 0.4 million as of December 31, 2021G due to an increase in cash and cash equivalents by about 0.2 million Saudi riyals as of December 31, 2021G.

Total shareholders' equity decreased by 1.5% from SAR 145.2 million as of December 31, 2019G to SAR 143.0 million as of December 31, 2020G mainly due to a decrease in retained earnings after recording a net loss of SAR 2.2 million and SAR 0.2 million in 2020G and 2021G, respectively. Total shareholders' equity did not witness material fluctuations between December 31, 2020G and December 31, 2021G.

Non-current liabilities consist of employee benefit obligations only. Non-current liabilities increased by 163.8% from SAR 18,000 as of December 31, 2019G to SAR 47,000 as of December 31, 2020G.

Non-current liabilities increased again by 256.8% to SAR 168,000 as of December 31, 2021G due to the CEO's addition of employee disclosure and actuarial analysis calculation.

Total current liabilities did not witness material fluctuations between December 31, 2019G and December 31, 2021G.

### 5.5.2.1 Non-Current Assets

The following table provides a summary of the non-current assets as of December 31, 2019G, 2020G and 2021G.

Table No. (20): Non-current Assets

SAR'000	Fiscal year ended December 31			Increase /(Decrease)		CAGR
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G	2019G - 2021G
Net Property, Plant & Equipment (PPE)	184,355	183,698	183,058	(0.4%)	(0.3%)	(0.4%)
Investments in Equity Instruments	1,426	1,426	1,426	-	-	-
<b>Total Non-Current Assets</b>	<b>185,780</b>	<b>185,123</b>	<b>184,483</b>	<b>(0.4%)</b>	<b>(0.3%)</b>	<b>(0.3%)</b>

Source: Financial Statements and Management Information

Non-current assets mainly include the PPE net book value of which constituted 99.2%, 99.2% and 99.2% of the total non-current assets as of December 31, 2019G, 2020G, and 2021G, respectively.

### 5.5.2.1.1 Property, Plant and Equipment (PPE)

The following table provides a summary of the net book value of the Company's PPE as of December 31, 2019G, 2020G, 2021G.

Table No. (21): Property, Plant and Equipment

SAR'000	Fiscal Year ended December 31			Increase /(Decrease)		CAGR
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G	2019G - 2021G
Agricultural Lands	171,308	171,308	171,308	-	-	-
Buildings and Constructions	13,011	12,375	11,740	(4.9%)	(5.1%)	(5.0%)
Plant and Equipment	9	6	3	(34.9%)	(53.5%)	(45.0%)
Vehicles and Means of Transportation	0.001	0.001	0.001	-	-	-
Furniture and Office Equipment	27	9	7	(65.6%)	(26.7%)	(49.8%)
<b>Net Book Value</b>	<b>184,355</b>	<b>183,698</b>	<b>183,058</b>	<b>(0.4%)</b>	<b>(0.3%)</b>	<b>(0.4%)</b>

Source: Financial Statements and Management Information

The agricultural land item consists of the government grant land located in the Al-Fadhili area, with a total area of 72,178,700 square meters. The value of the land remained stable between December 31, 2019G and December 31, 2021G.

It comprehends buildings and constructions of cement houses, caravans and wooden hangars. The net book value of the hangar and construction decreased by 4.9% from SAR 13.0 million as of December 31, 2019G to SAR 12.4 million as of December 31, 2020G. The net book value of buildings and constructions also dropped by 5.1% to reach 11.7 million Saudi riyals as of December 31, 2021G mainly due to depreciation during 2020G and 2021G. The remaining plant and equipment include water well pumps, hydraulic balance, and laboratory devices and equipment. The net book value of plant and equipment decreased by 34.9% from SAR 9,000 as of December 31, 2019G to SAR 6,000 as of December 31, 2020G. The net book value of plant and equipment also decreased by 53.5% to reach SAR 3,000 as of December 31, 2021G mainly due to calculating the annual depreciation rates for plant and equipment.

The net book value of furniture and appliances decreased by 65.6% from SAR 27,000 as of December 31, 2019G to SAR 9,000 as of December 31, 2019G due to the depreciation of furniture and some devices/appliances, as they were completely depreciated and no longer useful during December 31, 2020G, which caused a significant decrease in consumption values between the years 2019G and 2020G. The net book value of furniture and devices/appliances decreased by 26.7% to reach SAR 7,000 as of December 31, 2021G, and the decrease is attributed to the annual consumption of furniture and devices/appliances.

### 5.5.2.1.2 Investments in Companies

The following table provides a summary of the investments in companies as of December 31, 2019G, 2020G, and 2021G.

Table No. (22): Investments in Companies

SAR'000	Fiscal Year Ended December 31				
	Company Headquarters	Ownership Percentage	2019G Audited	2020G Audited	2021G Audited
National Seed & Agriculture Service Company (Buthor)	KSA	2.8%	826	826	826
United Dairy Farms Company	KSA	8.28%	600	600	600
<b>Total</b>		<b>11.08%</b>	<b>1,426</b>	<b>1,426</b>	<b>1,426</b>

Source: Financial Statements and Management Information

The Company owns investments in the National Company for Seed Production and the United Dairy Farms Company with an ownership percentage of 2.8% and 8.28%, respectively. The value of the dividends payable on investments in the United Dairy Farms Company amounted to SAR 0.2 million, and SAR 0.3 million in 2019G, and 2020G, respectively.

### 5.5.2.2 Current Assets

The following table provides a summary of the current assets as of December 31 2019G, 2020G, and 2021G.

**Table No. (23): Current Assets**

SAR'000	Fiscal Year Ended December 31			Increase /(Decrease)		CAGR
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2020G	2019G - 2021G
Trade Receivables, Prepaid Expenses and Other Receivables	1,326	87	84	(93.7%)	(2.9%)	(75.4%)
Cash and Cash Equivalents	84	125	273	48.4%	118.6%	80.1%
<b>Total Current Assets</b>	<b>1,470</b>	<b>211</b>	<b>357</b>	<b>(85.6%)</b>	<b>68.8%</b>	<b>(50.7%)</b>

Source: Financial Statements and Management Information

Current assets mainly include cash and cash equivalents which constituted 59.0% and 76.4% of the total current assets as of December 31, 2020G and 2021G, respectively.

#### 5.5.2.2.1 Trade Receivables, Pre-paid Expenses and Other Receivables

The following table provides a summary of the Trade Receivables, Prepaid Expenses and Other Receivables as of December 31, 2019G, 2020G, and 2021G.

**Table No. (24): Trade Receivables, Pre-paid Expenses and Other Receivables**

SAR'000	Fiscal Year Ended December 31			Increase /(Decrease)		CAGR
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G	2019G - 2021G
Trade Receivables	1,306	1,357	1,357	3.9%	-	1.9%
Deducted: Provision for Impairment of Trade Receivables	(1,294)	(1,357)	(1,357)	4.9%	-	2.4%
Net Trade Receivables	13	-	-	(100.0%)	-	(100.0%)
Employees Receivables	860	787	787	(8.6%)	-	(4.4%)
Provision of Decline in Employees Receivables	(846)	(787)	(787)	(7.0%)	-	(3.6%)
VAT	-	-	53	-	-	NA
Prepaid Expenses	5	87	31	1,756.4%	(63.8%)	159.4%
Advance Payments to Suppliers	2	-	-	(100.0%)	-	(100.0%)
Dividends Receivables	180	-	-	(100.0%)	-	(100.0%)
Other Trade Receivables	1,173	-	-	(100.0%)	-	(100.0%)
<b>Balance as of December 31</b>	<b>1,386</b>	<b>87</b>	<b>84</b>	<b>(93.7%)</b>	<b>(2.9%)</b>	<b>(75.4%)</b>

Source: Financial Statements and Management Information

Trade receivables did not experience material fluctuations between December 31, 2019G and 2021G primarily due to the suspension of the Company's main activities, pursuant to the Saudi Council of Ministers Resolution No. (66) corresponding to 25-2-1437H to stop the cultivation of green fodder in the Kingdom, with the aim of preserving non-renewable groundwater in the sedimentary shelf areas, which include: Riyadh, Ash Sharqiyah, Al Qassim, Hail, Al-Jawf, and Tabuk. During 2017G, the Company also stopped the production of raw milk and silted the herd of cows, after studying the status of the cow herd, reviewing its performance, the difficulties it faces and the inability to continue giving and producing in a meaningful and profitable manner, as raw milk production activity achieved successive losses of (31.5 million) Saudi riyals over a period of five years between 2012G and 2016G. The impairment provision for trade receivables represented 99.0%, 100.0% and 100.0% of the total trade receivables as of December 31, 2019G, 2020G and 2021G, respectively.

Other receivables include dividends from investee companies and employees' trust in addition to the transaction expenses of real estate assets located in the city of Riyadh and owned by Mr. Omar Saleh Babaker during the years 2018G and 2019G.

Employee receivables represent advances and other payments made to employees. The balance of employee receivables did not witness material fluctuations between December 31, 2019G and December 31, 2021G. Dividends receivable amounting to (0.2 million) Saudi riyals as of December 31, 2019G relate to the Company's entitlement to dividends from United Dairy Company.

Prepaid expenses include the Riyadh office's lease, employees' medical insurance, in addition to the VAT. Prepaid expenses increased from (5,000) Saudi riyals as of December 31, 2019G to (87,000) Saudi riyals as of December 31, 2020G due to the registration and refund of the VAT on the invoice related to the real estate acquisition transaction. Prepaid expenses decreased by 63.8% from SAR 87,000 as of December 31, 2020G to SAR 31,000 as of December 31, 2021G.

This decrease was attributed to the medical insurance expenses charged for the first fiscal quarter, and the VAT drop due to the Company with the General Authority for Zakat and Income, in addition to the amount deducted from the first quarter's declaration.

Advances to suppliers in the amount of SAR 2,000 as of December 31, 2019G, the period under analysis, relate to an advance paid to the Silos and Grains Corporation in return for the supply of barley seeds.

### 5.5.2.2.2 Provision for Impairment of Accounts Receivable

The following table provides a summary of the provision for impairment of accounts receivable as of December 31, 2019G, 2020G, and 2021G.

Table No. (25): Provision for Impairment of Accounts Receivable

SAR'000	Fiscal Year Ended December 31			Increase /(Decrease)		CAGR
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G	2019G - 2021G
Balance on January 1	1,294	1,294	1,357	-	4.9%	2.4%
Component During the Year	-	63	-	-	(100.0%)	NA
<b>Balance as of December 31</b>	<b>1,294</b>	<b>1,357</b>	<b>1,357</b>	<b>4.9%</b>	<b>-</b>	<b>2.4%</b>

Source: Financial Statements and Management Information

### 5.5.2.2.3 Cash and Cash Equivalents

The following table provides a summary of cash and cash equivalents as of December 31, 2019G, 2020G and 2021G.

Table No. (26): Cash and Cash Equivalents

SAR'000	Fiscal Year Ended December 31			Increase /(Decrease)		CAGR
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G	2019G - 2021G
Cash in Banks	84	125	273	48.3%	118.6%	80.1%
<b>Total</b>	<b>84</b>	<b>125</b>	<b>273</b>	<b>48.3%</b>	<b>118.6%</b>	<b>80.1%</b>

Source: Financial Statements and Management Information

Cash in banks increased by 48.3% from SAR 84,000 to SAR 125,000 as of December 31, 2020G, due to the decrease in cash used in the operating business activities from SAR 6.1 million in 2019G to SAR 0.6 million in 2020G. Cash in banks increased by 118.6% from SAR 125,000 as of December 31, 2020G to SAR 273,000 as of March 31, 2021G mainly attributed to the suspension of services that was imposed on the Company due to executive issues, which prevented it from disposing of or withdrawing any amounts of revenue deposited in its accounts.

### 5.5.2.3 Non-Current Liabilities

The following table provides a summary of the non-current liabilities as of December 31, 2019G, 2020G, and 2021G.

Table No. (27): Non-Current Liabilities

SAR'000	Fiscal year ended December 31			Increase/(Decrease)		CAGR
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G	2019G - 2021G
Provision for Employee Benefit Obligations	18	47	168	163.8%	256.8%	206.8%
<b>Total Non-Current Liabilities</b>	<b>18</b>	<b>47</b>	<b>168</b>	<b>163.8%</b>	<b>256.8%</b>	<b>206.8%</b>

Source: Financial Statements and Management Information

### 5.5.2.3.1 Employee Benefits Obligations Provision

The following table provides a summary of the provision for employee benefit obligations as of December 31, 2019G, 2020G and 2021G.

Table No. (28): Employee Benefits Obligations Provision

SAR'000	Fiscal Year Ended December 31			Increase /(Decrease)		CAGR
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G	2019G -2021G
Balance as of January 1	7	18	47	155.6%	163.8%	(86.5%)
<b>Profit or Loss Component During the Year</b>						
Current Service Cost	14	12	21	(15.1%)	70.8%	(67.6%)
<b>Statement of Other Comprehensive Income Component</b>						
Remeasurement of Employee Benefits	(3)	17	100	(629.4%)	482.4%	NA
Paid During the Year	-	-	-	NA	-	-
<b>Balance as of December 31</b>	<b>18</b>	<b>47</b>	<b>168</b>	<b>163.8%</b>	<b>256.8%</b>	<b>159.7%</b>

Source: Financial Statements and Management Information

The provision for the employee benefits obligations for their periods of service at the date of the statement of the financial position is set aside; the provision for the employee benefits obligations is made according to the expected unit method in accordance with the IAS 19 "Employee Benefits" considering the Saudi Labor and Workmen Law. The provision is recognized based on the present value of the defined benefit obligation. The present value of the defined benefit obligation is calculated using assumptions of the average annual percentage of the salary increase, the average tenure of the employees and the appropriate discount rate. The probabilities used are calculated on a consistent basis for each period and reflect management's best estimates. The discount rate is determined based on the best available estimates of the market returns currently available at the reporting date. The balance of the provision for the employee benefits obligations increased by 163.8% from SAR 18,000 as of December 31, 2019G, to SAR 47,000 as of December 31, 2020G, and by 256.8% to reach SAR 168,000 as of December 31, 2020G due to the CEO's addition of employee disclosure and actuarial analysis calculation.

### 5.5.2.4 Current Liabilities

The following table provides a summary of current liabilities as of December 31, 2019G, 2020G, and 2021G.

Table No. (29): Current Liabilities

SAR'000	Fiscal Year Ended December 31			Increase /(Decrease)		CAGR
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G	2019G -2021G
Estimated Zakat Allowance	19,745	19,939	15,995	1.0%	(19.8%)	(10.0%)
Dividends Due to Shareholders	1,395	1,359	1,359	-	-	-
Short-term Loan	10,000	10,000	10,000	-	-	-
Related Party Liability	48	457	2,818	853.4%	517.1%	667.0%
Accounts Payable and Other Payables	10,836	10,528	11,833	(2.8%)	12.4%	4.5%
<b>Total Current Liabilities</b>	<b>41,988</b>	<b>42,283</b>	<b>42,005</b>	<b>0.7%</b>	<b>(0.7%)</b>	<b>0.0%</b>

Source: Financial Statements and Management Information

Current liabilities mainly include the discretionary Zakat provision, a short-term loan, the accrued expenses, the other liabilities, and the trade payables. These accounts constituted 96.6%, 95.7%, and 90.1% of the total current liabilities as of December 31, 2019G, 2020G, 2021G, respectively.

### 5.5.2.4.1 Estimated Zakat Provision

The following table presents the estimated Zakat provision for the Company as of December 31, 2019G, 2020G, and 2021G.

Table No. (30): Estimated Zakat Provision

SAR'000	Fiscal Year Ended December 31			Increase /(Decrease)		CAGR
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G	2019G -2021G
Balance at the Beginning of the Year	18,782	19,745	19,939	5.1%	1.0%	3.0%
Component During the Year	-	18	-	NA	(100.0%)	NA
Increase/Decrease of the Previous Years Provision	964	175	(3,944)	(81.8%)	NA	NA
<b>Balance as of December 31</b>	<b>19,745</b>	<b>19,939</b>	<b>15,995</b>	<b>1.0%</b>	<b>(19.8%)</b>	<b>(10.0%)</b>

Source: Financial Statements and Management Information

The Company received from the Department of Zakat and Income the final assessment for the period from 31/7/1991G to 31/7/1994G, in which the Zakat and Income Department asked the Company to pay SAR 3,762,232; the Company recorded this amount within the estimated Zakat provision; it submitted an objection to the aforementioned assessment.

On 09/01/2017G, the Company received another letter from the Department of Zakat and Income for the years under review from 1991G to 2014G, stating that the Company was required to pay SAR 19.2 million for Zakat; the Company had formed a Zakat provision for those years amounted to SAR 8.9 million. Therefore, the Company formed an additional provision amounting to SAR 10 million to cover these additional amounts in the previous financial statements. The Company has submitted an objection to the assessment again for the above-mentioned period.

On 28/06/2018G, the Company's management received the decision of the primary tax Zakat objection committee, which includes the committee's opinion on the Company's objection to the Zakat assessment for 1995G to 2014G, as this decision includes the committee's support for the Company's objection in five Zakat items, while the Company's objection submitted in nine other items was rejected. An appeal was submitted by the Zakat advisor to the Company. During 2018G, the Company's management paid the due amount of Zakat for the fiscal year 2015G, which amounted to SAR 192,991.

On 22/02/2020G, the Company was informed that it should pay SAR 19,745,456 to the General Authority for Zakat and Income. Hence, it created an additional provision of SAR 963,792, which was recorded in the financial statements for the year 2019G. The letter also included that the Zakat, Tax and Customs Authority will resort to applying the mandatory collection procedures against the Company in the event of failure to pay all amounts due within a maximum period of (20) days. Since the date of the claim, the Company received notices of other amendments to the Zakat assessments for the years 2015G and 2017G with a total amount of SAR 175,132.

During 2021G, the Authority issued a revised final assessment reducing the Zakat obligation from SAR 19,938,849 to SAR 15,995,179, and the Company reduced its Zakat provision by SAR 3,943,670.

The Company's management is currently seeking, through direct communication with the concerned authorities at the Zakat, Tax and Customs Authority, to negotiate a specific mechanism for settling the due Zakat payments. The Company has submitted its Zakat returns to the Zakat, Tax and Customs Authority for the previous years and up to 2020G.

### 5.5.2.4.2 Short-term Loan

During 2018G, the Company obtained a credit facility from a local bank as a short-term loan to finance its working capital requirements, with a total value of SAR 10.0 million, for a period of one year, subject to renewal. It has a profit margin of 3% annually. These facilities were secured by the member of the BOD through a continuous and irrevocable guarantee of solidarity, in addition to a promissory note in favor of the bank. The financing expenses for the year ended December 31, 2021G amounted to SAR 350,141 December 31, 2020G: SAR 141,716. During 2020G, the amounts due from the loan were rescheduled to the end of Q2 2022G.



### 5.5.2.4.3 Related Parties Liabilities

The following table provides the requirements of the related parties to the Company as of December 31, 2019G, 2020G and 2021G.

Table No. (31): Related Parties Liabilities

SAR'000	Fiscal Year Ended December 31			Increase /(Decrease)		CAGR
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G	2019G -2021G
Mr. Mohammed Al-Hejailan	48	197	2,558	311.2%	1,199.0%	630.8%
Mr. Sami Al Kathiri	-	260	260	NA	-	NA
<b>Balance as of December 31</b>	<b>48</b>	<b>457</b>	<b>2,818</b>	<b>853.4%</b>	<b>517.1%</b>	<b>667.0%</b>

Source: Financial Statements and Management Information

The liabilities of Mr. Mohammed Al-Hejailan SAR48,000, SAR 197,000 and SAR 2,558 as of December 31, 2019G, 2020G and 2021G, respectively) represent the payment of the expenses and some employees' salaries due to the lack of liquidity in the Company.

The liabilities of Mr. Sami Al Kathiri SAR 260,000 as of December 31, 2020G represent the payment of the project site survey's cost.

### 5.5.2.4.4 Accrued Expenses and Other Liabilities

The following table provides a summary of the due expenses, and other liabilities as of December 31, 2019G, 2020G, 2021G.

Table No. (32): Accrued Expenses and Other Liabilities

SAR'000	Fiscal Year Ended December 31			Increase /(Decrease)		CAGR
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G	2019G -2021G
Accounts Payable	3,878	3,934	4,770	1.4%	21.3%	71.6%
Allowances and Remuneration for BOD Members and Committees	1,343	1,752	2,165	30.5%	23.6%	NA
Accrued Employee Expenses	1,200	1,225	79	2.1%	(93.5%)	NA
Provision for Lawsuits Filed Against the Company	854	1,072	1,106	25.5%	3.2%	NA
Accounts Payable to a Consulting Firm	2,168	1,046	1,046	(51.8%)	0.0%	NA
Interest Due on Loans	-	-	225	NA	-	NA
Lease Payments in Advance	176	136	142	(22.7%)	4.4%	NA
Accrued Rent	23	122	173	442.4%	41.4%	NA
Accrued Professional Expenses	-	327	405	NA	24.0%	NA
Tickets and Leaves Provision	-	52	298	NA	471.4%	NA
Accrued Social Insurance Expenses	-	156	185	NA	18.9%	NA
Other Expenses	1,194	707	1,239	(40.8%)	75.2%	NA
<b>Total</b>	<b>10,836</b>	<b>10,528</b>	<b>11,833</b>	<b>(2.8%)</b>	<b>12.4%</b>	<b>1,483.3%</b>

Source: Financial Statements and Management Information

Accounts payable includes receivables from suppliers. Accounts payable increased by 1.4% from SAR 3.9 million as of December 31, 2019G, to SAR 3.9 million as of December 31, 2020G. Accounts payable increased by 21.3% to reach SAR 4.8 million as of December 31, 2021G. The increase was as a result of proving Tadawul's bills for the year 2021G, as well as the reclassification of Tadawul's indebtedness for the year 2020G, as it was approved within the accrued expenses and not within the accounts payable.

Accounts payable to a consulting firm decreased by 51.8% from SAR 2.2 million as of December 31, 2019G to SAR 1.0 million as of December 31, 2020G. This is attributed to the payment of dues related to the real estate acquisition transaction. Accrued expenses, studies and consultations remained constant between December 31, 2020G and December 31, 2021G.

The allowances and remunerations of Members of the Board of Directors and other committees increased by 30.5% from SAR 1.3 million as of December 31, 2019G to SAR 1.8 million as of December 31, 2020G due to the registration of additional accrued allowances and remunerations during the years 2019G and 2020G. Allowances and remunerations of Board Members and other committees also increased by 23.6% to reach SAR 2.2 million as of December 31, 2021G due to meeting allowances and remunerations during the period.

Accrued employees' expenses did not experience material fluctuations between December 31, 2019G, and December 31, 2020G. They decreased by 93.5% from SAR 1.2 million as of December 31, 2020G to SAR 79,000 as of December 31, 2021G due to the reclassification of the CEO's salaries, which were part of the employee's accrued expenses as of December 31, 2020G, while the CEO's salary and benefits were classified under other accrued expenses instead of employees' benefits during December 31, 2021G.

The provision for lawsuits brought against the company represents the one made by the Company against the case of Abdul-Aziz Al-Fahd. The provision increased by 25.5% from SAR 0.8 million as of December 31, 2019G to SAR 1.1 million as of December 31, 2020G, due to the recording of potential attorney fees for the aforementioned lawsuit. Legal proceedings' provision brought against the Company did not witness material fluctuations between December 31, 2020G and December 31, 2021G.

The rents received in advance include the amounts paid to the Company in return for leasing cowsheds on the project land and leasing areas of the Company's land to telecommunication companies. The rise and fall in the rent received in advance item was correlated with the rise and fall in the rent received in advance, which pertain to leasing cowsheds and land areas to telecommunications companies.

Rent payable relates to the rent of the Company's office in Dammam and Riyadh branch. The outstanding rent balance increased by 442.4% from SAR 23,000 as of December 31, 2019G to SAR 122,000 as of December 31, 2020G. This is due to non-payment of rent for the Dammam and Riyadh offices. The outstanding rents' balance increased by 41.4% to reach SAR 173,000 as of December 31, 2021G due to the accumulation and non-payment of the rent of the office in the Asharqiyah Province.

Accrued expenses and other liabilities include service dues, attorney contracts, social insurance, travel tickets, renewal of residence permits for employees, fees for expansion studies of the new Company's project, allowances for board sessions and other committees, salaries and rents dues, rent payments received in advance, loan interest and vacation allowance. These receivables decreased by 40.8% from SAR 1.2 million as of December 31, 2019G to SAR 0.7 million as of December 31, 2020G, within the normal course of business where these expenses continuously fluctuate. The balance of other receivables increased by 75.2% to reach SAR 1.2 million as of December 31, 2021G due to recording the allowances for the sessions and the remunerations of Board and Committees Members.

### 5.5.2.5 Shareholders Equity

The following table provides a summary of the shareholders' equity as of December 31, 2019G, 2020G and 2021G.

Table No. (33): Shareholders Equity

SAR'000	Fiscal Year Ended December 31			Increase /(Decrease)		CAGR
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G	2019G -2021G
Capital	75,000	75,000	75,000	-	-	-
Statutory Reserve	3,277	3,277	3,277	-	-	-
Retained Profits	66,967	64,728	64,390	(3.3%)	(0.5%)	(1.9%)
<b>Total Shareholders' Equity</b>	<b>145,244</b>	<b>143,005</b>	<b>142,667</b>	<b>(1.5%)</b>	<b>(0.2%)</b>	<b>(0.9%)</b>

Source: Financial Statements and Management Information

#### 5.5.2.5.1 Capital

As of December 31, 2020G, the Company's capital amounted to SAR 75.0 million, divided into 7.5 million shares; each of which is worth SAR 10.

#### 5.5.2.5.2 Statutory Reserve

The Companies Law in the Kingdom of Saudi Arabia and the Company's Bylaws require that 10% of the annual profit must be transferred to the statutory reserve until the balance of this reserve reaches 30% of the capital. This reserve is not available for distribution to shareholders.

#### 5.5.2.5.3 Retained Profits

Retained earnings decreased by 3.3% from SAR 67.0 million as of December 31, 2019G to SAR 64.7 million as of December 31, 2020G, and by 0.5% to reach SAR 64.4 million as of December 31, 2021G. This is due to the net loss, which amounted to SAR 2.2 million and SAR 0.2 million in 2020G and 2021G, respectively.

### 5.5.3 Cash Flow

The following table presents a summary of the Company's cash flow statement for the fiscal years ended December 31, 2019G, 2020G and 2021G.

Table No. (34): Statement of Cash Flow

SAR'000	Fiscal year ended December 31			Increase /(Decrease)		CAGR
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G	2019G -2021G
Net cash used in operating activities	(6,131)	(566)	(2,211)	(90.8%)	290.3%	(40.0%)
Net cash (used in) received from investing activities	544	198	(3)	(63.6%)	(101.5%)	NA
Net cash received from financing activities	5,098	409	2,361	(92.0%)	477.7%	(31.9%)
<b>Net change in cash and cash equivalents</b>	<b>(489)</b>	<b>41</b>	<b>148</b>	<b>(108.3%)</b>	<b>263.6%</b>	<b>NA</b>
Cash and cash equivalents at the beginning of the year	573	84	125	(85.3%)	48.4%	(53.3%)
<b>Cash and cash equivalents at the end of the year</b>	<b>84</b>	<b>125</b>	<b>273</b>	<b>48.4%</b>	<b>118.6%</b>	<b>80.1%</b>

Source: Financial Statements and Management information

#### 5.5.3.1 Cash Flow from Operating Activities

The following table presents a summary of cash flow statement from the Company's operating activities for the fiscal years ended December 31, 2019G, 2020G and 2021G.

Table No. (35): Statement of Cash Flow from Operating Activities

SAR'000	Fiscal Year Ended December 31			Increase /(Decrease)		CAGR
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G	2019G -2021G
Loss before Zakat	(67,473)	(2,222)	(4,181)	(96.7%)	88.2%	(75.1%)
<b>Adjustments for Non-cash Items</b>						
Depreciation of Property, Plant and Equipment	1,119	663	643	(40.8%)	(3.0%)	(24.2%)
Profits from the Sale of Property, Plant and Equipment	(103)	(204)	-	97.1%	(100.0%)	(100.0%)
Provision for Impairment of Accounts Receivable	-	4	-	NA	(100.0%)	NA
Zakat Related to Previous Years	964	175	-	(81.8%)	(100.0%)	(100.0%)
Losses of Excluding Part of the Governmental Grants	63,370	-	-	(100.0%)	NA	(100.0%)
Component of Damaged and Slow-moving Goods Provision	159	-	-	(100.0%)	NA	(100.0%)
Component of Zakat Provision	-	18	-	NA	(100.0%)	NA
Component of Employee Benefit Obligations Provision	14	12	21	(15.1%)	70.8%	20.5%
Changes in Items of Working Capital (WC)	(1,951)	(1,554)	(3,518)	NA	126.3%	34.3%
Accounts Receivable, Prepaid Expenses and Other Receivables	49	1,295	2	2,544.1%	(99.8%)	(77.4%)
Trade and Other Payables	(4,229)	(307)	1,305	(92.7%)	(524.5%)	NA
<b>Net Cash Flow Used in Operating Activities</b>	<b>(6,131)</b>	<b>(566)</b>	<b>(2,211)</b>	<b>(90.8%)</b>	<b>290.3%</b>	<b>(40.0%)</b>

Source: Financial Statements and Management information

Net cash flow used in operating activities decreased by 90.8% from SAR 6.1 million in 2019G to SAR 0.6 million in 2020G, mainly due to a decrease in receivables, prepaid expenses and other receivables, in addition to an increase in trade and other payables in 2020G. Net cash flow used in operating activities increased by 290.3% from SAR 0.6 million in 2020G to SAR 2.2 million in 2021G mainly due to an increase in loss before Zakat.

### 5.5.3.2 Cash Flow from Investing Activities

The following table presents a summary of the statement of the cash flow from the Company's investment activities for the fiscal years ended December 31, 2019G, 2020G, and 2021G.

Table No. (36): Statement of Cash Flow from Investing Activities

SAR'000	Fiscal Year Ended December 31			Increase /(Decrease)		CAGR
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G	2019G -2021G
Purchase of Property, Plant and Equipment	-	(6)	(3)	NA	(46.0%)	NA
Proceeds from the Sale of Property, Plant and Equipment	544	204	-	(62.6%)	(100.0%)	(100.0%)
<b>Net Cash Generated from/ (Used in) Investing Activities</b>	<b>544</b>	<b>198</b>	<b>(3)</b>	<b>(63.6%)</b>	<b>(101.5%)</b>	<b>NA</b>

Source: Financial Statements and Management Information

Net cash used in the investment activities decreased by 63.6% from SAR 0.5 million in 2019G to SAR 0.2 million in 2020G due to the decrease in the proceeds from the sale of property, plant and equipment from SAR 0.5 million in 2019G to SAR 0.2 million in 2020G. In 2021G, property, plant and equipment were purchased at an amount of SR 3,000 which was linked to the purchase of a laptop computer for the financial manager.

### 5.5.3.3 Cash Flow from Financing Activities

The following table sets forth a summary of the cash flow statement from the Company's financing activities for the fiscal years ended December 31, 2019G, 2020G, and 2021G.

Table No. (37): Statement of Cash Flow from Financing Activities

SAR'000	Fiscal Year Ended December 31			Increase /(Decrease)		CAGR
	2019G Audited	2020G Audited	2021G Audited	December 2020G	December 2021G	2019G -2021G
Related Parties Liabilities	(902)	409	2,361	(145.3%)	477.7%	NA
Creditor Bank	-	-	-	NA	NA	NA
Short Term Loan	6,000	-	-	(100.0%)	NA	(100.0%)
<b>Net Cash Generated from/ (used in) Financing Activities</b>	<b>5,098</b>	<b>409</b>	<b>2,361</b>	<b>(92.0%)</b>	<b>477.7%</b>	<b>(31.9%)</b>

Source: Financial Statements and Management Information

Net cash from financing activities decreased by 92.0% from SAR 5.1 million in 2019G to SAR 0.4 million in 2020G because no loans were registered. Net cash received from financing activities increased by 477.7% from SAR 0.4 million in 2020G to SAR 2.4 million in 2021G due to the increase in the balance of related parties.

## 5.6 Prospective Obligations and Undertakings

The Company received on 08/06/1441H (corresponding to 02/02/2020G), a Resolution issued by the Ministry of Environment, Water and Agriculture No. (321450/1441/1062) dated 06/05/1441H (corresponding to 01/01/2020G) that includes granting Asharqiyah Company the ownership of a plot of land of 72,178,700 square meters from the total land area. The Ministry's Resolution required the High Commissioner's approval for the grant to be enforced and to be in line with the IFRS 10 - Events after the reporting period - as this Resolution refers to the events that provide the evidence of conditions that existed at the end of the reporting period for the year ended December 31, 2019G, which necessitates an amendment to the financial statements. Financial statements for the year ended December 31, 2019G of SAR 63,369,605 have been amended so that the value of the land plot became SAR 171,307,811. The Company is currently following up with the concerned authorities in order to issue the title deed, as it has confidence in its eligibility to own the land mentioned in the title deed.

Another lawsuit is filed against the Company by the heirs of one of the shareholders to demand Asharqiyah Development Company "Asharqiyah" to pay an amount of SAR 6 million, representing the value of the three share bonds owned by their deceased father since the establishment of the Company, despite of the deceased's payment of a quarter of the value of the shares at the time, and the Company's notification to all shareholders of the need to pay the due amount in a legal regular manner. The Company's management believes that there is no possible obligation that may arise because of the aforementioned order, and therefore, no provisions have been made in the financial statements.

## 6

## Use of Offering Proceeds and Future Projects

### 6.1 Net Offering Proceeds

The total proceeds of the Rights Issue will reach SAR (225,000,000) out of which SAR (3,700,000) will be paid to cover the offering expenses, which include the fees of: the financial advisor, the lead manager, the legal advisor, the legal accountant, the media and public relations advisor, in addition to the expenses of: the underwriter, the marketing, the printing, the distribution and other expenses related to the Offering.

The Net Offering Proceeds will be equivalent to SAR (221,300,000) and will be used to support the expansion of the Company's activity. The shareholders will not receive any of the Offering Proceeds.

The Company will disclose to the public on the website of the Saudi Stock Exchange (Tadawul) before the opening of the trading session, when there is a difference of (5%) or more between the actual use of the Offering Proceeds against what has been disclosed in this Prospectus. as soon as it becomes aware of this in accordance with paragraph (f) Article (72) of the Rules on the Offer of Securities and Continuing Obligations, which states that “

The issuer must, in the event of any discrepancy of 5% or more between the actual use of the proceeds from a rights issue and the planned use of proceeds that was disclosed in the relevant prospectus, disclose such discrepancy to the public as it becomes aware of such discrepancy.

### 6.2 Use of the Offering Proceeds

The Company intends to use the proceeds of the offering to implement its operational plan gradually, as the Company's management will use the proceeds from this Rights Issue to start implementing the integrated poultry project.

The Company mainly intends to use the proceeds of the offering to finance the expansion plans in the poultry sector through the development of an integrated project consisting of 3 projects, namely the broiler breeding project, the slaughterhouse project, and the incubator project, in addition to using part of the proceeds of the offering to finance the working capital requirements and to reduce the proportion of liabilities and debts. The following table shows the expected schedule for the use of the proceeds of the offering:

Table No. (38): Use of the Offering Proceeds

Items	Total (SAR'000)	Percentage* (%)
Expansion of the Company's Business in the Poultry Sector	177,300	78.8%
Paying Obligations and Liabilities	29,000	12.89%
Working Capital	15,000	6.67%
Offering Costs	3,700	1.64%
<b>Total</b>	<b>225,000</b>	<b>100%</b>

Source: The Company

\*Approximatively

Expansion plans will focus on the poultry sector through the development of an integrated poultry project that produces the poultry meat, the hatching eggs, the broiler chicks, and the other products that the Company seeks to produce during the life cycle of these poultry. This project will include the development of a poultry project for the broiler mothers, the slaughterhouse project, and the incubator project, that seek to produce many basic products, such as the fertilized eggs, the chicks of excellent broiler breeds and the poultry meat, as well as the secondary products, such as fertilizers.

Moreover, the Company plans to use a part of the proceeds of the offering to reduce the proportion of its debts and obligations. Shareholders will not receive any proceeds arising from the Offering.

The Company will use the net proceeds of the Offering as follows:

**a. Poultry Project:**

The Company intends to expand its activity by developing an integrated the poultry project, as this project includes three complementary projects and aims to produce many poultry products during all the stages of the life of these poultry. These projects are as follows:

• **Broiler Chicken Production Project:**

Special farms will be established to produce broiler chickens; one farm will consist of 6 pens; each shed will have an area of 2,046 square meters, accommodating up to 115 thousand birds. The project facilities will also be established, including the warehouses, the water tanks, the workers' housing, and the civil works for those farms. This project will generate revenue for the Company through the sale of the broiler chicken products. The Company intends to allocate SAR 124,078 million for the establishment of the broiler chicken project.

• **Hatchery Project:**

This project seeks to hatch fertilized eggs; 2,881 square meters will be allocated on the Company's land. This project will have a production capacity of 30,191,616-day-old broiler chicks annually. The Company will equip the project with 18 incubation units, each with a capacity of 120,000 eggs; the total capacity of incubation units is 2,160,000 eggs, as well as 9 hatching units with a capacity of 40,000 eggs; the total capacity of hatching units will be 360,000 eggs. This project will generate revenue for the Company through the sale of chicks. The Company intends to allocate SAR 8,678 million for the establishment of the hatchery project.

• **Slaughterhouse and Broiler Processing Project**

In this project, poultry meat produced in the form of whole poultry or parts of poultry will be skinned and prepared according to the preferred types of the consumer; it will increase the marketing opportunities for the local chickens. The project aims to develop an automated slaughterhouse for the slaughtering and the processing broiler chickens, with a production capacity of 13,500 birds/hour. In addition, this project will enable the Company to exploit the resulting factory waste, such as the resulting bones and the feathers, and convert them into fertilizers. This project will generate revenue for the Company through the sale of the whole chicken, the cut chicken, and the by-products. The Company intends to allocate SAR 44,544 million to establish an automated slaughterhouse project for the slaughtering and preparing broiler chickens.

**b. Payment of Obligations and Liabilities:**

The Company has a short-term credit facility guaranteed by a member of the BOD through a continuous guarantee of the irrevocable solidarity, as well as a promissory note in favor of the bank, obtained in 2018G. These credit facilities are a short-term loan to finance the Company's working capital requirements, with a total worth of SAR 10 million, for 1 renewable year.

The Company also recorded provisions for Zakat during the previous years, where the balance of the Zakat provision as on 31/12/2021G amounted to SAR 19.9 million, to cover the Zakat claims for 1991G to 2014G.

The Company intends to settle the above-mentioned obligations and liabilities from the net proceeds of the Offering; the payment of these liabilities will contribute to strengthening the financial position of the Company, and reduce the cost of financing due from these liabilities; this, will enhance the financial position of the Company, and reduce its expenses.

**c. Working Capital:**

Reactivate the Company's business operations and the expansion of the Company's activities requires providing the working capital that supports the Company's liquidity levels in addition to achieving the Company's strategy. Resuming the Company's activity will require settling some short-term current obligations and providing the necessary liquidity to meet the Company's needs in carrying out its daily activities in the medium and long term. As the Company's business halt during the past years and weak cash flows have led to the existence of dues from salaries, the allowances, and the bonuses due to the employees and the current members of the Company's and previous BOD. The total of these dues amounted to SAR 3.1

million. The Company must pay these dues from the net proceeds of the offering. In addition, the expansion of the Company's business through the development and the operation of the poultry project will require the Company to provide working capital to enable it to meet its operational obligations; with the Company's business interruption and the weak current cash flows that negatively affect the Company's ability to generate working capital that supports the financial position, the Company intends to allocate SAR 11.9 million from the total proceeds of the offering to provide the necessary liquidity to support the Company's activities during the period of project development and start-up.

All the above-mentioned activities will be fully financed through the Offering, Proceeds according to the following schedule:

**Table No. (39): Use of the Offering Proceeds**

SAR'000	2022G		2023G				Total
	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter	
Expansion of the Company's Business in the Poultry Sector	500	12,000	29,500	55,400	51,500	28,400	177,300
Paying Obligations and Liabilities	16,000	4,000	4,000	5,000	0	0	29,000
Working Capital	1,500	1,500	2,500	2,500	3,000	4,000	15,000
Offering Costs	3,700	0	0	0	0	0	3,700
<b>Total</b>	<b>21,700</b>	<b>17,500</b>	<b>36,000</b>	<b>62,900</b>	<b>54,500</b>	<b>32,400</b>	<b>225,000</b>

Source: The Company



# 7

## Statements by Experts

The Advisors whose names appear on page (v), have given their consents to the inclusion of their names, logos and statements in the form and content included in this Prospectus and have not withdrawn such a consent until the date of this Prospectus. None of such consents have been withdrawn until the date of this Prospectus. Nor do any of them or their employees or any of their relatives have any shares or interest of any kind in the Company.

## 8

## BOD Members Declarations

As of the date of this Prospectus, the Company's Directors declare the following:

- Other than what has been mentioned in subparagraph 2.1.1 Section 2 "**Risk Factors**" and subparagraph 3.11 Section 3 "**Company Overview and Nature of Business**", there has not been any interruption in the business of the Company which may have or has had a significant impact on the financial position during the last 12 months.
- No commissions, discounts, brokerage fees or any non-cash compensation have been granted within the three years immediately preceding the application for registration and the offer of securities that are subject to this Prospectus in connection with the issue or offer of any securities by the Issuer.
- Other than what has been stated in sub-paragraph (2.1.2) "**Risks Related to the Company's Continuity**" of paragraph (2.1) "**Risks Related to the Company's Activities and Operations**" of Section (2) "**Risk Factors**", there has not been any material adverse change in the financial and trading position of the Issuer during the three years immediately preceding the application for registration and offer of securities that are subject to this Prospectus, in addition to the period from the end of the period covered in the external auditor's report up to and including the date of approval of the Prospectus.
- Other than what has been mentioned in page (iii) of this Prospectus, the Directors do not have any shareholding or interest of any kind in the Company, and nor does any relative of theirs.
- The Company did not keep treasury shares, and the Extraordinary General Assembly did not approve the purchase of the Company's shares.

## 9

## Legal Information

## 9.1 Introduction to the Company and the Key Changes That Have Occurred

- **Company's Trade Name:** Asharqiyah Development Company is a Saudi public joint Stock Company registered under the C.R. no. (2050016477) dated 19/01/1407H (corresponding to 24/09/1986G) and is valid until 29/05/1444H (corresponding to 23/12/2022G). The Company was registered at the commercial register upon its incorporation under the trade name "Asharqiyah Agricultural Development Company". In 2007G, the Company trading name was changed to become "Asharqiyah Development Company", based on the approval of the EGA of shareholders held on 16/07/1428H (corresponding to 30/07/2007G), which is the current trading name; no amendment took place after that to the name until the date of this Prospectus.
- **Company's Incorporation and Capital Development Phases:**
  - Asharqiyah Development Company was initially established as a Saudi joint stock Company, based on the approval of the Minister of Commerce pursuant to the Ministerial Resolution no. 1305 dated 25/06/1405H (corresponding to 17/03/1985G) and the Ministerial Resolution announcing the establishment of the Company no. 406 dated 11/11/1406H (corresponding to 28/07/1986H). It was registered at the Commercial Register in Dammam, under the C.R. number (2050016477) dated 19/01/1407H (corresponding to 24/09/1986G); it is valid until 29/05/1444H (corresponding to 23/12/2022G).
  - The Company's capital upon incorporation amounted to SAR (356,686,900), divided into (3,566,869) nominal shares of equal value; each of which is worth SAR (100).
  - Upon its incorporation, the number of founder shareholders reached 210 founder shareholders who subscribed for (1,600,000) shares; the rest of the shares were offered for public subscription with (1,966,869) shares.
  - On 19/08/1412H (corresponding to 23/02/1992G), it was approved to reduce the capital from SAR (356,686,900) to SAR (178,343,450) divided into (3,566,869) shares; each of which is worth SAR (50), given the size of the needs of the existing projects, their actual income, and the cost of the future projects whose results were revealed through the economic and technical feasibility study for them.
  - On 23/02/1423H (corresponding to 06/05/2002G), it was approved to reduce the Company's capital from SAR (178,343,450) to SAR (75,000,000), and to reduce the number of shares from (3,566,869) shares to (1,500,000) shares of equal value; each of which is worth SAR (50). This is done by canceling (2,066,869) shares of the Company's total shares. The reason for the reduction is due to the amortization of the losses staged in 2000G, amounting to SAR (54,751,265), and transferring the amount of SAR (15,042,185) to the statutory reserve and distributing the rest, the value of which is SAR (33,550,000) to the shareholders.
  - On 27/02/1427H (corresponding to 27/03/2006G), the Capital Market Authority Resolution no. 4-145-2006 was issued to divide the shares of the joint Stock companies in four stages, based on the decision of the Council of Ministers, mentioning that the nominal amount of the shares of the joint stock companies must be SAR 10/share; accordingly, the EGA, on 03/03/1427H (corresponding to 01/04/2006G) approved to split the Company's shares to (1,500,000) shares with a nominal amount of SAR (50/share) to (7,500,000) shares of equal value; each of which is worth SAR (10); all of which are ordinary shares.
- **Capital:** The current capital of the Company is SAR (75,000,000) divided into (7,500,000) nominal shares of equal value; each of which is worth SAR (10), all of which are ordinary shares. Since the Company establishment until the date of this Prospectus, the Company capital has been amended many times. (For more information, please see the subsection "Bylaws" of this section).
- **Major Shareholders:** As of the date of this Prospectus, there is no major shareholder (whose percentage exceeds 5% of the Company shares).
- **Head Office:** The Company's Head Office is located in Dammam, Al Sa'a Tower, Al-Nakheel District, Sixth Floor, Office 605, P.O. 7118, Postal Code 31462, Tel: 8099439. According to the Article (5) of the By-laws, the Company may establish branches, offices, or agencies inside or outside the Kingdom by a decision of the BOD. (For more information, please see the subsection 9.2.2. "Company Branches and Points of Sale" of this section).
- **Duration:** Article (6) of the Company's Bylaws stipulates the duration of the Company that shall be (99) Gregorian years, starting from the date of the issuance of the Ministerial decision announcing its establishment. The commercial registration certificate indicates the expiry of the Company's term on 22/11/1496H (corresponding to 22/11/2075G).
- **Objectives:** Article (3) of the Bylaws stipulates the activities that the Company is entitled to practice after the approval of the Commercial Registry Department and the competent authority (if any) in contrast to any of these activities in the Commercial Registry Certificate. Pursuant to the C.R., the Company is licensed to

carry out the following activities: Growing vegetables in greenhouses, growing a variety of open vegetables, hydroponics for vegetable production, mixed farming (mixed production between crops and animals without specialized production in crops and animals, irrigation projects (operating irrigation systems for agricultural projects, installation of farm houses, supporting activities for its production. The Company carries out its activities through its head office and its branches, which the Company has established in the Kingdom in accordance with the applicable regulations and after obtaining the necessary licenses from the competent authorities. The Company has obtained the necessary licenses from the competent authorities to conduct its activity.

(For further information, please see subparagraph 9.2 “Licenses and Permits Obtained by the Company” from this section).

- **Management:** According to Article (15) of the Bylaws, the Company is managed by a BOD of (5) members, elected by the Ordinary General Assembly of shareholders, for not more than three years; the members of the BOD may be reappointed. On 16/10/1441H (corresponding to 08/06/2020G), the Ordinary General Assembly of shareholders elected the members of the BOD for a new term of three years starting 29/11/1441H (corresponding to 20/07/2020G), and ending 01/01/1445H (corresponding to 19/07/2023G). The BOD names for the session are indicated in subparagraph 4.2 “The Board of Directors” Section (4) “The Company’s Organizational Structure” of this Prospectus. The Company follows the Companies Law and the Corporate Governance Regulations with respect the number of Board members which is not less than (3) and not more than (11). Further, the Company complies with Article (16) of the Corporate Governance Regulations, which requires that any listed companies have most of their board members composed from non-executive members and that the number of its independent members is not less than two members or less than one-third of the board members (whichever is more). The Company appointed (1) non-executive members, (1) executive member and (3) independent members. (For further information about the Company compliance with the Corporate Governance Regulations, please see subparagraph 9.3.7 “Continuous Obligations According to the Ministry of Environment, Water and Agriculture Requirements” from this section).

**Table No. (40): BOD Members Elected by The Ordinary General Assembly on 16/10/1441H (corresponding to 08/06/2020G)**

Name	Position	Representing	Nationality	Age	Membership Status	Owned Shares			Total Ownership %	Appointment Date
						Direct	Indirect*	Total		
Ali bin Yahya bin Ali al-Jaafari	Chairperson of Board of Directors	Himself	Saudi	57	Non-executive	300	N/A	300	0.0040000	20/07/2020G
Mansour bin Abdul Khaliq bin Jamaan Al-Ghamdi ***	Deputy Chairperson of the Board	Himself	Saudi	44	Independent	33,905	N/A	33,543	0.4520667	20/07/2020G
Mohammed bin Abdullah bin Hejailan Al-Hejailan	Managing Director	Himself	Saudi	61	Executive	244	N/A	244	0.0032533	20/07/2020G
Salman bin Ahmed bin Yahya Jassas****	Member	Himself	Saudi	41	Independent	-	N/A	-	-	17/06/2021G
Abdul Rahman bin Mohammed bin Abdul Rahman Al-Drees****	Member	Himself	Saudi	44	Independent	-	N/A	-	-	17/06/2021G

Source: The Company.

\* The 42nd Ordinary General Assembly, held on 16/10/1441H (corresponding to 08/06/2020G), approved the election of the above-mentioned members of the Board of Directors for the current session, which began on 29/11/1441H (corresponding to 20/07/2020G) and ends on 01/01/1445H (corresponding to 19/07/2023G).

\*\* It means the shares owned, indirectly, by the BOD members in the Company through their ownership in companies owning shares in the Company, or the shares owned by the relatives of the BOD members, directly or through their ownership in the companies’ owning shares in the Company.

\*\*\* On 10/11/1442H (corresponding to 20/06/2021G), the BOD decided to appoint Eng. Mansour bin Abdul-Khaleq bin Jamaan Al-Ghamdi as Vice- Chairperson.

\*\*\*\* On 11/03/1442H (corresponding to 13/06/2021G), Bandar bin Mohammed Al Mahmoud and Faris bin Hamad bin Faris submitted a request to resign from their positions as independent BOD members, and members of the Nominations and Remunerations Committee; so, the Board approved their request. On 11/07/1442H (corresponding to 17/06/2021G), the BOD approved the appointment of Salman bin Ahmed bin Yahya and Abdul Rahman bin Mohammed bin Abdul Rahman Al-Drees as independent members of the BOD, and members of the Nominations and Remunerations Committee; this appointment was approved by the forty-sixth GA held on 23/12/1442H (corresponding to 08/02/2021G).

- The BOD'S powers are defined in the Article 18 of the Company's By-laws.
- **Board Meetings:** The Company is committed to the Article 21 of the By-laws, in terms of the number of board meetings, if it is not less than 2 meetings per year, by the invitation of its chairperson. The invitation is in writing and may be delivered by hand or sent by e-mail or fax. To call for a meeting when requested to do so by two of the members. The Company is committed to the minimum number of board meetings. During 2019G, the Board of Directors held 4 meetings, while during 2020G, it held 7 meetings.
- **Board Remuneration:** The BOD remuneration is made up in accordance with the provisions of Article (19) of the By-laws, providing that the annual remuneration for one member of the Board of Directors does not exceed the limit stipulated in the Companies Law (five hundred thousand Saudi riyals). The report of the Board of Directors for the fiscal year ended December 31, 2019G, approved by the OGA held on 16/10/1441H (corresponding to 08/06/2020G), was disclosed about the criteria adopted by the Company in paying the BOD remuneration. It also included a comprehensive statement of all that the BOD members receive during the fiscal year, including the salaries, the share in profits, the attendance allowance, the expenses, and the other benefits. (For more details, please see sub-paragraph 4.6 "Compensation and Remuneration of Board Members and Senior Executives" Section 4 "The Company's Organizational Structure" of this Prospectus).

## Board Committees:

### • Audit Committee

- According to the Article 34 of the Company's By-laws, the Audit Committee must consist of 3 members; the number of the current members of the Committee is 3 members. Members of the Audit Committee were appointed by the OGA held on 16/04/1442H (corresponding to 01/12/2020G); it ends at the end of the current Board of Directors term on 19/07/2023G, and consists of the following members:

Table No. (41): Members of the Audit Committee

Name	Position	Membership Status	Other positions
Mr. Mansour bin Abdul-Khaleq Al-Ghamdi	Chairman	Independent - BOD member	BOD member; Nominations and Remunerations Committee member; Executive Committee of Asharqiyah Development Company member; Vice Chairperson of the Board of Directors of Al Hamrani Group of Companies; CEO of Al Hamrani Company for Commercial Investment
Mr. Abdul Karim bin Abdullah Al Shamekh	Member	Independent - From outside the Board	BOD member; Audit Committee member of Samnan Holding Group; BOD member of Al-Oruba International Company for education
Mr. Jassem bin Shaheen Al-Rumaihi	Member	Independent - From outside the Board	BOD member and Chairperson of the Audit Committee of Knowledge Economic City; Audit Committee member of Alujain Company.

Source: The Company.

- The work regulation of the Audit Committee was approved by the EGA of Shareholders on 25/10/1438H (corresponding to 20/07/2017G).
- The duties of the committee include: Supervising the internal audit department in the Company, in order to verify its effectiveness in carrying out the work and tasks assigned to it by the Board of Directors; studying and reviewing the Company's internal and financial control system and risk management; preparing a written report on its opinion and recommendations in this regard; studying internal audit reports; following up the implementation of corrective actions for the notes contained therein; recommending the BOD to appoint and dismiss certified accountants, determine their fees, review the scope of their work and the terms of contracting with them, taking in consideration their independence; following up the work of the chartered accountants; approving any work outside the scope of the audit work they are assigned to do while they are performing the audit work; studying the audit plan with the chartered accountant and expressing its observations thereon; studying the auditor's report and its notes on the financial statements and following up on what has been done in this regard; studying the preliminary and annual financial statements before presenting them to the BOD and expressing an opinion and recommendation in this regard; studying the accounting policies followed in the Company and expressing an opinion and recommendation to the BOD in this regard.
- The Committee shall hold at least 2 meetings per year, upon the invitation of its Chairperson. The Chairperson of the Committee shall invite the Committee to hold a meeting whenever requested in writing by two members. The Committee held 6 meetings during 2018G, 4 meetings during 2019G, 4 meetings during 2020G and 5 meetings during 2021G.

### • Remuneration and Nomination Committee (R&NC):

- The Remuneration and Nominations Committee shall consist of a minimum of three members by a decision of the BOD; its members shall be independent BOD members. It is permissible to seek the assistance of non-executive members or people who are not members of the Board, whether they are shareholders or others.

- The Remuneration and Nomination Committee was formed according to the Board Minutes no. 248 dated 29/11/1441H (corresponding to 20/07/2020G) for three years, starting from 20/07/2020G; it consisted of the following members:

**Table No. (42): Members of the Remuneration and Nomination Committee**

Name	Position	Membership Status	Other positions
Mr. Salman bin Ahmed bin Yahya Jassas	Chairman	Independent	Head of leasing, operation, and collection department of Retail Real Estate Company
Mr. Mansour bin Abdul-Khaleq Al-Ghamdi	Member	Independent	BOD member; Chairperson of the Audit Committee; Executive Committee member of Asharqiyah Development Company; Vice Chairperson of the BOD of Al Hamrani Group of Companies; CEO of Al Hamrani Commercial Investment Company
Mr. Abdul Rahman bin Mohammed bin Abdul Rahman Al-Drees	Member	Independent	General Manager of Marketing and Animal Production, Al Nafud Al Arabiya Company Ltd.

Source: The Company.

- The Remuneration and Nominations Committee work regulations were approved by the OGA of shareholders held on 29/06/1432H (corresponding to 01/06/2011G).
- The committee holds its meetings on a regular basis every 6 months at least and whenever the need arises. An invitation to attend the committee meeting, as well as the agenda, are sent at least one week in advance. The committee held 1 meeting during 2018G, 3 meetings during 2019G, 4 meetings during 2020G and 2 meetings during 2021G.
- Executive Committee:**
  - According to the Article 32 of the Company's By-laws, the BOD forms the Executive Committee; the number of its members is not less than 3; the BOD appoints its chairperson.
  - The tasks of the Executive Committee include the powers entrusted to it in accordance with the list of the financial, the legal and the administrative powers of the Company, approved by the BOD, as well as all the tasks that the BOD assigns the Committee to study and take decisions, and follow up on the Company's operation and investments; the Committee can ask for, if necessary, the assistance of the external experts specialized in its field of work.
  - The Executive Committee was formed in accordance with the Board Minutes no. 248 dated 29/11/1441H (corresponding to 20/07/2020G) for three years starting from 20/07/2020G; it consisted of the following members:

**Table No. (43): Members of the Executive Committee**

Name	Position	Membership Status	Other positions
Mr. Ali Bin Yahya Al-Jaafari	Chairman	Non-Executive Member	BOD Chairperson of Asharqiyah Development Company; Partner in JAS Financial Consulting
Mr. Mohammed bin Abdullah Al-Hejailan	Member	Executive Member	Managing Director and CEO of Asharqiyah Development Company
Mr. Mansour bin Abdul-Khaleq Al-Ghamdi	Member	Independent	BOD member and Chairperson of the Audit Committee; member of the Nominations and Remunerations Committee at Asharqiyah Development Company; BOD Vice Chairperson of Al Hamrani Group of Companies; CEO of Al Hamrani Company for Commercial Investment

Source: The Company.

- The Executive Committee shall hold at least four meetings per year, upon the invitation of its Chairperson. The Chairperson of the Committee shall invite the Committee to hold a meeting whenever requested in writing by two members. The Committee held 5 meetings during 2018G, 2 meetings during 2019G and 2 meetings during 2020G. However, it didn't hold any meetings during 2021G.
- By-laws:** The current version of the Company's By-laws was issued based on the resolution of the EGA held on 13/07/1441H (corresponding to 08/03/2020G) and approved by the Ministry of Commerce on 17/03/1444H (corresponding to 13/10/2022G). The By-laws articles were amended several times according to the following:
- The Company was established in 1986G with a capital of SAR 356,686,900, divided into 3,566,869 nominal shares of equal value, each of which amounted to SAR 100. The founders, whose number at incorporation was 210 founding shareholders, have subscribed 1,600,000 shares; the rest of the shares were offered for public subscription with 1,966,869 shares.

- On 19/08/1412H (corresponding to 23/02/1992G), it was approved to increase the capital from SAR 356,686,900 to SAR 178,343,450, divided into 3,566,869 shares with a nominal amount of SAR 50/share, given the size of the needs of existing projects, their actual income, and the cost of the future projects whose results, were revealed through their economic and the technical feasibility study.
- On 23/02/1423H (corresponding to 06/05/2002G), it was approved to increase the Company's capital from SAR 178,343,450 to SAR 75,000,000, as well the number of shares from 3,566,869 to 1,500,000 shares of equal value. The nominal amount of each share is SAR 50. This is done by canceling 2,066,869 shares of the Company's total shares. The reason for the reduction is due to the amortization of the losses staged in 2000G, amounting to SAR 54,751,265, and transferring SAR 15,042,185 to the statutory reserve and distributing the rest, the value of which is SAR 33,550,000 to the shareholders.
- On 27/02/1427H (corresponding to 27/03/2006G), the CMA Resolution no. 4-145-2006 was issued to divide the shares of the joint Stock companies in four stages, based on the decision of the Council of Ministers that the nominal amount of the shares of the joint Stock companies must be SAR 10/share; accordingly, the Company's EGA approved on 03/03/1427H (corresponding to 01/04/2006G) to split the 1,500,000 Company's shares with a nominal amount of SAR 50/share, to 7,500,000 shares of equal value; each of which is SAR 10; all of which are ordinary shares.
- On 16/07/1428H (corresponding to 30/07/2007G), the EGA of shareholders approved the amendment of the Company's trade name from Asharqiyah Agricultural Development Company to become Asharqiyah Development Company, a listed joint stock Company.
- On 30/02/1435H (corresponding to 22/12/2014G), the EGA of shareholders approved the amendment of the most By-laws articles that reached 31 articles.
- On 26/10/1438H (corresponding to 20/07/2017G), the EGA of shareholders approved the amendment and the updating of the Company's By-laws, in line with the amendments that occurred to the companies' By-laws; so, the Company's By-laws was amended.
- On 23/07/1439H (corresponding to 09/04/2018G), a memorandum of understanding was signed between Asharqiyah Development Company and Mr. Omar bin Saleh Babaker, in order to acquire two Income-generating real estate assets in Riyadh, in addition to the Babaker Catering Market chain, which will increase the capital of Asharqiyah from SAR 75,000,000 divided into 7,500,000 ordinary shares, to one SAR 120,000,000 divided into 12,000,000 ordinary shares by issuing 4,500,000 new ordinary shares to Mr. Omar Saleh Babaker in return for acquiring these two real estate assets, with a nominal amount of SAR 10/share, and a value Market of SAR 30/share; so, the total value of the new shares is SAR 135,000,000. On 13/07/1441H (corresponding to 08/03/2020G), the increase was presented to the EGA of shareholders at the third meeting; it was rejected after publishing the shareholders' circular regarding the capital increase process to acquire the original on 10/12/2019G.
- On 13/07/1441H (corresponding to 08/03/2020G), the EGA of Shareholders approved the amendment of the Article 3 of the By-laws related to the Company's purposes by adding real estate investment activity.
- On 15/05/1442H (corresponding to 30/02/2020G), the BOD recommended to the EGA of Shareholders to increase the Company's capital from SAR 75,000,000 to SAR 300,000,000 through issuing 22,500,000 ordinary shares, with a total value of SAR 225,000,000 to enable the Company to implement its strategic and its operational plans and support its future activities. This recommendation obliges the Company to obtain the approvals of the competent authorities (the CMA "the Authority", the Capital Market Company "Tadawul", the Ministry of Commerce, and EGA shareholders). The EGA approval must be obtained within 6 months from the date of the Authority approval; if not, the Authority approval is considered null, and the Company must resubmit the request if it desires to increase its capital. The Company obtained "CMA" and "Tadawul" approval on 04/05/1444H (corresponding to 28/11/2022G) and 15/03/1444H (Corresponding to 11/10/2022G) respectively, as the EGA approval on 10/17/1444H (corresponding to 05/07/2023G).



## 9.2 Licenses and Permits Obtained by the Company

### 9.2.1 Licenses, Certificates and Permits Pertaining to the Head Office

The Company obtained necessary legal and operational licenses, certificates, and approvals from the competent authorities to conduct its activity, in accordance with the regulations in force in the Kingdom; these licenses are renewed periodically.

The following tables show the Company current licenses, Certificates and Approvals, related to its main registry.

Table No. (44): Approvals, Licenses, Certificates, and Permits under which the Company operates

Type of license	Purpose	License holder	License number	Date of issue / renewal	Expiry date	Issuing authority	Note
Commercial Register	Registration of the Company at the Commercial register (Shareholding Company)	Asharqiyah	2050016477	19/01/1407H corresponding to 24/09/1986G	29/05/1444H corresponding to 23/12/2022G	Ministry of Commerce Commercial Register Office Dammam	
The Chambre of Commerce Membership Certificate (1st degree)	The Company commitment to the commercial register law that requires the Company to participate in the Chamber of Commerce and Industry	Asharqiyah	1323	01/06/1443H corresponding to 04/01/2022G	29/05/1444H corresponding to 23/12/2022G	Chamber of Commerce and Industry Asharqiyah	
Zakat Certificate	To state that the Company has submitted its annual declaration and has paid Zakat	Asharqiyah	1110601837	02/08/1441H corresponding to 26/03/2020G	18/09/1442H corresponding to 30/04/2021G	Zakat, Tax and Customs Authority	under process
VAT Registration Certificate	To state that the Company is registered for VAT	Asharqiyah	300809399900003	23/02/1439H corresponding to 12/11/2017G	N/A (Issued only once)	Zakat, Tax and Customs Authority	
Company entity Evaluation Certificate (Nitaqat)	Evaluation of the Company's entity according to Nitaqat program, which indicates that the Company is in the range (small green)	Asharqiyah	N/A	12/08/1442H corresponding to 25/03/2021G	N/A	E-Services Department, Ministry of Human Resources and Social Development	
Social Security Certificate *	The Company's commitment to the insurance institution	Asharqiyah	45603543	09/09/1443H corresponding to 10/04/2022G	08/10/1443H corresponding to 09/05/2022G	General Organization for Social Insurance	
Certificate of compliance to the wages' protection system**	To indicate that the Company is committed to the wages' protection program controls	Asharqiyah	20042211002352	16/04/1444H corresponding to 10/11/2022G	17/06/1444H corresponding to 10/01/2023G	Human Resources and Social Development	
Saudization Certificate***	To indicate that the Company is committed to the required Saudization percentage according to the Nitaqat program	Asharqiyah	20002103017231	09/08/1442H corresponding to 22/03/2021G	12/11/1442H corresponding to 22/06/2021G	Human Resources and Social Development	

Type of license	Purpose	License holder	License number	Date of issue / renewal	Expiry date	Issuing authority	Note
Business Activity Permit	The permit granted by the municipality to the Company to exercise its business activity from its headquarter	Asharqiyah	3909268915	12/05/1437H corresponding to 21/02/2016G	11/05/1445H corresponding to 25/11/2023G	Ministry of Municipal and Rural Affairs Dammam Municipality	
Civil Defense Permit (safety)	In compliance with the Civil Defense Safety & Security Standards and Conditions	Asharqiyah	14370428144891	28/04/1437H corresponding to 07/02/2016G	28/04/1439H corresponding to 15/01/2018G	Ministry of Interior General Directorate of Civil Defense	under process
Permit to breed and produce broiler mothers and operate their hatcheries	Initial permit to establish a broiler chicken mothers project	Asharqiyah	160077	07/05/1443H corresponding to 22/12/2021G	07/05/1444H corresponding to 11/12/2022G	Ministry of Environment, Water and Agriculture	It is not allowed to set up a project except after providing the Ministry with the technical and economic study of the project and the approvals of other government agencies.
Poultry Farming Permit	Initial permit to establish a broiler poultry project	Asharqiyah	160078	07/05/1443H corresponding to 11/12/2021G	07/05/1444H corresponding to 11/12/2022G	Ministry of Environment, Water and Agriculture	It is not allowed to set up a project except after providing the Ministry with the technical and economic study of the project and the approvals of other government agencies.
Permit to produce fresh poultry, rabbit, and bird meats	Initial permit to establish a robotic slaughterhouse project	Asharqiyah	160080	07/05/1443H corresponding to 22/12/2021G	07/05/1444H corresponding to 11/12/2022G	Ministry of Environment, Water and Agriculture	It is not allowed to set up a project except after providing the Ministry with the technical and economic study of the project and the approvals of other government agencies.
Egg production permit	Preliminary permit to establish a hatchery project	Asharqiyah	160079	07/05/1443H corresponding to 11/12/2021G	07/05/1444H corresponding to 01/12/2022G	Ministry of Environment, Water and Agriculture	It is not allowed to set up a project except after providing the Ministry with the technical and economic study of the project and the approvals of other government agencies.

Type of license	Purpose	License holder	License number	Date of issue / renewal	Expiry date	Issuing authority	Note
Hydroponics permit for vegetable production	Initial permit to establish a hydroponics project to produce vegetables and fish farming (Aquaponics)	Asharqiyah	160049	01/05/1443H corresponding to 05/12/2021G	01/05/1443H corresponding to 05/12/2021G	Ministry of Environment, Water and Agriculture	It is not allowed to set up a project except after providing the Ministry with the technical and economic study of the project and the approvals of other government agencies.
Permit to provide marketing services on behalf of others	Initial permit to establish a marketing services project (storage, sale and distribution of animal, vegetable, and fish products)	Asharqiyah	160050	01/05/1443H corresponding to 05/12/2021G	01/05/1444H corresponding to 25/11/2022G	Ministry of Environment, Water and Agriculture	It is not allowed to set up a project except after providing the Ministry with the technical and economic study of the project and the approvals of other government agencies.
Hydroponics permit for vegetable production	Initial permit to establish a hydroponic project to produce vegetables (hydroponic)	Asharqiyah	160048	01/05/1443H corresponding to 05/12/2021G	01/05/1444H corresponding to 05/12/2022G	Ministry of Environment, Water and Agriculture	It is not allowed to set up a project except after providing the Ministry with the technical and economic study of the project and the approvals of other government agencies.

Source: The Company

\* GOSI compliance certificate, valid for 1 month and is electronically renewable upon request.

\*\* Compliance certificate, valid for a maximum of 60 days and is electronically renewable upon request.

\*\*\* Compliance certificate, valid for 3 months and is electronically renewable upon request.

## 9.2.2 Company Branches and Points of Sale

- Article (5) of the Company By-laws stipulates that the Company may establish branches, offices, or agencies within the KSA or abroad by a BOD Resolution.
- As of the date of this Prospectus, the Company has established 1 branch in the KSA according to the following:

Table No. (45): Current licenses and approvals obtained by the Company's branch (Asharqiyah Company Branch)

Type of license	Purpose	License holder	License number	Date of issue / renewal	Expiry date	Issuing authority
Commercial Register	Registration of the Company at the Commercial register (Shareholding Company)	Asharqiyah Branch	1010480322	27/03/1440H corresponding to 05/12/2018G	27/03/1445H corresponding to 12/10/2023G	Ministry of Commerce Commercial Register Office Riyadh
The Chambre of Commerce Membership Certificate (1st degree)	The Company commitment to the commercial register law that requires the Company to participate in the Chamber of Commerce and Industry	Asharqiyah Branch	488869	04/07/1440H corresponding to 11/03/2019G	27/03/1445H corresponding to 12/10/2023G	Riyadh Chamber of Commerce and Industry

Source: The Company

## 9.2.3 Subsidiaries

According to the Article (4) of the Company By-laws, the Company may establish its own companies as a limited liability or a closed joint Stock, provided that the capital is not less than SAR (5 million). It may also acquire shares in other existing companies or merge with them and has the right to participate with others in establishing joint Stock companies or limited liability companies, after fulfilling the requirements of the regulations and instructions followed in this regard. The Company may also dispose of these shares, if this does not include brokerage in its trading. As of the date this Prospectus, the Company has no subsidiaries within or outside the Kingdom.

The Company invests in two associate companies, namely the United Dairy Farms Company, with a shareholding of (8.28%), and the National Seed Production Company, with a share of (2.80%).

Table No. (46): Intercorporate Investments of Less Than (30%) of Ownership Interest

#	Company Name	Number of Shares	Total value	Shareholding Percentage
1	United Dairy Farms Company	6,000	600,000	8.28%
2	National Seed Production Company	8,256	825,600	2.80%

Source: The Company.

## 9.3 Continuous Obligations Imposed on the Company and its Subsidiaries in their Capacity (as “Licensee”) by the Relevant Governmental Authorities

### 9.3.1 Continuous Obligations According to the Ministry of Commerce Requirements

- The Company follows the Commercial Register Act and has been registered with the Commercial Register at Dammam, where the headquarters is located, and obtained the Certificate no. 2050016477 dated 19/01/1407H (corresponding to 24/09/1986G), which will expire on 29/05/1444H (corresponding to 23/12/2022G).
- The Company follows the Companies Law and the amendments thereto and its By-laws has been updated in line with the new amendments of the Companies Law, which was approved by the Ministry of Commerce and the EGA on 26/10/1438 (corresponding to 20/07/2017G) and approved by the Corporate Governance Department (Ministry of Commerce) on 01/01/1439H (corresponding to 21/09/2017G). It is worth noting that the Extraordinary General Assembly, held on 13/07/1441H (corresponding to 08/03/2020G) agreed to amend the By-laws approved by the Ministry of Commerce on 17/03/1444H (corresponding to 13/10/2022G). The company complied with the requirements of the Capital Market Authority and the Saudi Stock Exchange

(Tadawul) in terms of uploading a copy of the By-laws on the Company's page on the Tadawul website. It is worth noting that the uploaded copy of the By-laws is the one issued based on the EGM resolution on 26/10/1438 (corresponding to 20/07/2017G) and approved by the Ministry of Commerce on 01/01/1439H (corresponding to 21/09/2017G).

- The Company follows the Commercial Register Act and obtained the Chamber of Commerce and Industry membership certificate number 1323 dated 01/06/1443H (corresponding to 04/01/2022G), which will expire on 29/05/1443H (corresponding to 23/12/2022G).
- The Company is also committed to completing the procedures for establishing its branch in the city of Riyadh, and a registration certificate was issued in the commercial registry in Riyadh bearing the number (1010480322), dated 27/03/1440H (corresponding to 05/12/2018G) and a membership certificate in the Chamber of Commerce and Industry in Riyadh with the number (488869) dated 11/03/2019G (corresponding to 04/07/1440H) and is valid until 27/03/1445H (corresponding to 12/10/2023G).
- The Company follows the Commercial Register Act in terms of reversing any amendment to the Commercial Register data within 30 days from the occurrence of the amendment; the Commercial Register data was updated in terms of changing the name of the Company and the names of the BOD members, according to what is mentioned in this Prospectus.

Except for what has been mentioned above and in Section 2 ("Risk Factors") of this Prospectus, the Company follows the Ministry of Commerce and Investment requirements.

### 9.3.2 Continuous Obligations According to the General Authority for Zakat and Income Requirements

- Likewise other registered establishments and companies operating in KSA, the Company is required to submit its Zakat and tax returns within 120 days of the end of the fiscal year for renewing the certificate issued by the General Authority for Zakat and Tax. The Company was registered as a taxpayer under the distinct tax no. (3008093999). The Company submitted a unified Zakat declaration for the fiscal year ended December 31, 2019G, and have obtained the Zakat Certificate no. (1110601837) dated 02/08/1441H (corresponding to 26/03/2020G) which is valid until 18/09/1442H (corresponding to 30/04/2021G). After the Company has submitted its Zakat declaration for the fiscal year ended December 31, 2020G, it was unable to pay the Zakat due to the lack of its sufficient liquidity; it did not receive the new Zakat certificate from the authority valid for on new year, from 18/09/1442H (corresponding to 30/04/2021G).
- It should be noted that the Zakat due and paid to the General Authority for Zakat and Income for the fiscal year ended December 31, 2019G amounted to zero Saudi Riyals.
- The Company received from the General Authority for Zakat and Income Tax the final assessment for the period from 31/07/1991H to 31/07/1994G, where the Authority asked the Company to pay SAR 3,762,232; so, the Company presented an objection. On 09/01/2017G, the Company received another letter from the General Authority for Zakat for the years (under review) from 1991G to 2014G, asking the Company to pay SAR (19,200,000); so, the Company presented, for the second time, an objection. Accordingly, the Company established a provision for Zakat equal to SAR (18,900,000) for these years.

On 28/07/2018G, the Company received the primary decision of the Zakat and Tax Objection Committee, including its opinion on the Company's objection to the Zakat assessment from 1995G to 2014G; the Committee supported five Zakat items and rejected nine of the items presented by the Company; hence, the Company submitted an appeal request for the committee's decision; no final judgment was issued as of the date of this Prospectus.

During 2018G, the Company paid the amount of Zakat due on it for the fiscal year 2015G, which amounted to SAR (192,991). On 27/06/1441H (corresponding to 22/02/2020G), the Company was asked to pay SAR (19,745,456) for the General Authority for Zakat and Income, within a period of twenty (20) days from the date of the claim. As a consequence, the Company formed an additional Zakat provision of SAR (963,792) recorded in the financial statements of 2019G. Moreover, the Company received, during Q3 2020G, other amendment notices to the Zakat assessments for 2015G and 2017G, with a total of SAR (175,132).

During 2021G, the Authority issued an amended final assessment to reduce the Zakat obligation from SAR (19,938,849) to SAR (15,995,179). Thus, the Company reduced its Zakat provision by SAR (3,943,670).

The Company is currently seeking to negotiate a specific mechanism for settling the due Zakat payments with the relevant authorities.

It should be noted that if the Company's file is accepted from among the settlement programs approved by the settlement committees, the Company will be able to obtain a valid zakat certificate. Also the Company expect that the due amount of zakat will be reduced in addition to the adoption of a mechanism based on scheduling the payment of these amounts in installments. The company expects to receive a response from the settlement committees regarding its file during February 2023G.

- The Company follows the VAT Law and its executive regulations. Moreover, it is registered in the General Authority of Zakat, Tax and Customs under the subscription certificate no. (300809399900003) dated 23/02/1439H (corresponding to 12/11/2017G), noting that the Company was registered since 23/02/1439H (corresponding to 12/11/2017G).

- Pursuant to the requirements of the General Authority for Zakat, Tax and Customs, a Company branch has been opened in Riyadh.
- The Company submitted its Zakat Declarations for the previous years until the fiscal year ended December 31, 2020G.

Except for what is specified above, and in Section 2 "Risk Factors" herein, the Company abides by the General Authority for Zakat and Tax requirements.

### 9.3.3 Continuous Obligations According to the Ministry of Human Resources and Social Development Requirements

- A file was opened at the Ministry of Human Resources and Social Development (Labor Office) with the standard No. (4-6456) according to the Saudization certificate. As of the date of this Prospectus, the Company benefits from the Ministry's E-services. As the Company is classified in the small green range (A), a Saudization certificate was issued indicating that the Company follows the required rate of nationalization (50%) according to Nitaqat Program. The Company is classified under the following activity: (Very Small Consolidated Entities).
- The Company has an internal work regulation By-laws (HR - Policies and Procedures Manual) approved by the Ministry of Human Resources and Social Development (Labor Office) by the number (997625) and date of 23/03/1444H (corresponding to 19/10/2022G).

- **Wage Protection System (WPS)**

The Wage Protection System is one of the programs of the Ministry of Human Resources and Social Development that aims to provide an appropriate and safe work environment in the private sector, in terms of raising the level of transparency and preserving the rights of the contracting parties. The extent of the establishments' commitment to pay wages on time and at the value agreed upon between the contracting parties, with the aim of reducing wage differences between establishments and workers in the private sector. This System obliges the Company to upload the wage disbursement file on the Ministry's e-services portal and to update the employment data periodically as soon as any changes occur. Where the program monitors the monthly wage disbursement data for the establishments and compares them with the data registered with them. The Ministry monitors the employer's discipline by paying on time and at the agreed value, according to what has been registered in the WPS.

The implementation of the program has become mandatory for all establishments having between 1- 4 workers and above, as of December 1, 2020G.

The Company obtained a compliance certificate with the WPS depositing the wages of its employees through local banks and regularly raising the wage protection file, by the certificate number (20042211002352) and date 16/04/1444H (corresponding to 10/11/2022G) valid till 17/06/1444H (corresponding to 10/01/2023G).

- **Documentation of Employment Contracts**

The labor law and its implementing regulations require that all employment contracts with any employee and worker be written and in two copies. The Ministry of Human Resources and Social Development also required that employment contracts be electronically documented and to provide the opportunity for employees to verify the validity of their contract data by documenting contracts through the electronic services portal of the General Organization for Social Insurance, in accordance with Ministerial Resolution No. (156309) dated 08/18/1440H (corresponding to 04/23/2019G).

Until the date of this prospectus, the Company has committed the documentation of a number of employment contracts, and is committed to completing procedures for documenting all contracts by the end of the fiscal year 2022G.

Except for what is specified in Section 2 "Risk Factors" herein, the Company follows the Ministry of Human Resources and Social Development requirements.

### 9.3.4 Continuous Obligations According to the General Organization for Social Insurance (GOSI) Requirements

- A file for the Company was opened at the General Organization for Social Insurance (GOSI). The Company is subscribed, under the subscription No. (20001997), in the Pension and Occupational Hazards Branches for Saudi subscribers. As for non-Saudi subscribers, participation in the Occupational Hazards Branch, it is according to Social Insurance Certificate No. (45603543) dated 09/09/1443H (corresponding to 10/04/2022G). It should be noted that GOSI grants registered establishments a certificate of commitment that is valid for a period of one month (maximum) and is renewable for a similar period.
- The value of contributions paid to the General Organization for Social Insurance amounted to SAR (140,859) and SAR (21,575) for 2019G and 2020G, respectively.

Table No. (47): Number of Saudi and Non-Saudi Employees

Authority	Reference	Number of Saudi Employees	Number of Non-Saudi Employees	Total	As of
Social Security	Insurance Certificate	1	2	3	10/04/2022G
Labor Office	Nitaqat Certificate	1	2	3	25/03/2021G
Passports - Resident	Extract from Residents	NA	2	2	10/04/2022G
Company	Salary	-	-	6	30/06/2021G

Source: The Company.

- It should be noted that there is a discrepancy in the number of employees registered with the General Organization for Social Insurance (3 registered workers) and the internal data of the company (6 workers according to the payroll). The Company has resolved the reasons that led to the suspension of its government services, and it is in the process of completing the registration of all employees with the GOSI and expects to complete these procedures by the end of December 2022G.
- Unemployment Insurance Law (SANED): The Company is in compliance with Unemployment Insurance Law (SANED) in accordance with the Royal Decree M/18 dated 12/03/1435H (corresponding to 14/01/2014G) stipulating the support of Saudi workers in private establishments affected by Covid-19 repercussions through the SANED Law, as well as in accordance with the royal decree extending the support period for an additional three months, provided that the support percentage is a maximum of 70% of the Saudi workers in the establishments most affected by the pandemic, and a maximum of 50% of Saudi workers in the least affected ones, to fully benefit from the initiatives announced since the beginning of the Pandemic.

Except for what is specified in Section 2 "Risk Factors" herein, the Company follows the General Organization for Social Insurance requirements.

### 9.3.5 Continuous Obligations According to the Capital Market Authority (CMA) Requirements

- The Authority obliges the listed companies to adhere to the rules of offering securities, continuing obligations and special instructions issued by the Authority, especially the obligation concerning the periodically disclose the material and financial developments and the BOD report. The advertisement forms included in the instructions for companies' announcements of their financial results must be adhered to. The Company must also submit a statement of all the causes and effects of the change in the financial results of the current fiscal year with the comparison period, so that the reasons include all the items of the financial results announcement.
- The Authority also required companies listed on the financial market to disclose the stages of their compliance with the transition to international accounting standards. On 12/05/1438H (corresponding to 09/02/2017G), the Company announced on Tadawul website that it is committed to this regulation.
- On 23/01/1438H (corresponding to 24/10/2016G), Board Resolution no. (1-130-2016) was issued to amend the procedures and instructions for companies whose shares are listed in the market whose accumulated losses amounted to (50%) or more of their capital in light of the new Companies Law, whose name has been amended to read "Procedures and Instructions for Companies Listed in the Market whose accumulated losses amounted to (20%) or more of their capital, as amended by CMA Board Resolution No. (1-77-2018) dated 05/11/1439H (corresponding to 18/07/2018G). On 23/07/143H (corresponding to 20/04/2017G), the Company announced that its accumulated losses reached (38.8%) of the capital.
- The Authority has also obligated companies listed in the Capital Market to follow the list of instructions for announcements of joint-Stock companies whose shares are listed in the financial market issued pursuant to the Authority's Board Resolution No. (1-199-2006) dated 18/07/1427H (corresponding to 12/08/2006G), as amended according to Resolution No. (1-104-2019) dated 01/02/1441H (corresponding to 30/09/2019G).
- The Authority required companies listed in the financial market to appoint representatives thereof at the CMA for all purposes related to its implementation and regulations. The Company is committed to this regulation, as the BOD, in accordance with its Resolution dated 29/11/1441H (corresponding to



20/07/2020G), appointed Mr. Mohammed bin Abdullah Al-Hejailan (Managing Board Member and CEO) and Mr. Ibrahim bin Abdullah Al-Khalifa (BOD Secretary), and then Mr. Mohammed bin Abdullah Al-Hejailan as CEO, in accordance with a Board Resolution dated 20/06/2021G as of 01/01/2021G.

- Regarding Corporate Governance, the table below includes a summary of the Company compliance with the Corporate Governance Regulations issued by the CMA.

**Table No. (48): The Company's Compliance with the Corporate Governance Regulations Issued by the CMA**

Article of the Corporate Governance Regulations	Details	Responsible Authority	Commentary
9/B	The BOD must set a clear policy regarding the distribution of dividends in the interests of the shareholder and the Company in accordance with the Company By-laws	BOD	Compliant - There is no independent written policy, and the provisions of the Company's Corporate Governance Regulations and By-laws are adopted
8/A	Provide a copy of the information about the candidate for membership of the BOD on the Company's website	BOD	Compliant
12/5 & 54	Form the Audit Committee	General Assembly of Shareholders	Compliant - Members of the Audit Committee were appointed by the EGA held on 01/12/2020G
54/C	The Company's GA - based on a proposal from the BOD - shall issue the Audit Committee's By-laws provided that this regulation includes the controls and procedures for the committee work, tasks and rules for selecting members, nominating them, and setting the term of their membership, their remuneration, and a mechanism for temporarily appointing members in the event of vacancy.	General Assembly of Shareholders	Compliant - The Audit Committee's Bylaws were approved by the OGA held on 25/10/1438H (corresponding to 20/07/2017G)
12/6	Approval of the 2020G financial statements	General Assembly of Shareholders	Compliant - The financial statements for the fiscal year ended 31/12/2020G were approved by the OGA held on 16/10/1442H (corresponding to 28/06/2021G)
12/7	Approval of the BOD annual report for 2020G	General Assembly of Shareholders	Compliant - The BOD ' report for the fiscal year ended 31/12/2019G was approved by the OGA held on 18/11/1442H (corresponding to 08/06/2021G)
12/9 & 81	Appointing the Company's auditors, determining their remuneration, reappointing them, replacing them, and approving their reports.	General Assembly of Shareholders	Compliant - The OGA held on 18/11/1442H (corresponding to 28/06/2021G) voted to appoint an auditor (Al-Azem & Al-Sudairy Co. Crowe Horwath) as the Company's auditors upon the recommendation of the Audit Committee, to examine, review and audit the financial statements for Q2 & Q3 2021G, as well as the annual statement of the same year, and Q1 2022G, and asked to determine the fees.
13/D	Announcement's publication of the GA meeting's date, place, and agenda at least twenty-one days ahead on the Company's website.	BOD	Compliant with the announcement - The Company is working on updating the specified period for the announcement stipulated in the By-laws to be (21) days instead of (10) days.
14/C	Make available to the shareholders through the Company's website - when publishing the invitation to convene the GA - obtaining information related to the items of the GA agenda, especially the BOD report, the auditor, the financial statements, and the Audit Committee's report.	BOD	Compliant - Via Tadawul
22/1	laying down the plans, policies, strategies, and main objectives of the Company		Compliant - The Company has a strategic plan that clarifies its objectives and future operational plans and was approved by the Chairman of the Board on 03/15/1442H (corresponding to 11/01/2020G).

Article of the Corporate Governance Regulations	Details	Responsible Authority	Commentary
22/2	Establishing regulations and controls for internal control and general supervision, including: Establishing a written policy to address actual and potential “conflicts of interest” cases for both members of the BOD, Executive Management, and shareholders, including misuse of the Company assets and facilities, and misbehavior resulting from transactions with related parties. Ensuring the integrity of the financial and accounting regulations, including those related to the preparation of financial reports. Verifying the application of appropriate control regulations to measure and manage risks, by developing a general perception of the risks that the Company may face, creating an environment familiar with the culture of risk management at the Company's level and presenting it transparently with stakeholders and related parties. Annually reviewing the effectiveness of the internal control procedures.	BOD	There is no independent written policy, and the provisions of the Company's Corporate Governance Regulations and By-laws are adopted.
22/3	Establishing clear and specific policies, standards, and procedures for membership in the BOD, and putting them into effect after their approval by the GA.	General Assembly of Shareholders	Compliant - The Bylaws were approved by the EGA meeting held on 24/06/1434H (corresponding to 04/05/2015G)
22/4	Establishing a written policy that organizes the relationship with stakeholders in accordance with the provisions of the Governance Regulations, and must cover the following:  Mechanisms for compensation to stakeholders in the event of violation of their rights recognized by the regulations and protected by contracts.  Mechanisms for settling complaints or disputes that may arise between the Company and stakeholders.  Appropriate mechanisms to establish good relationships with customers and suppliers and to maintain the confidentiality of information related to them.	BOD	There is no independent written policy, and the provisions of the Company's Corporate Governance Regulations and By-laws are adopted.
22/5	Establishing policies and procedures that ensure the Company compliance with laws and regulations and its commitment to disclosing essential information to shareholders and stakeholders, and verifying the executive management compliance with these policies.	BOD	There is no independent written policy, and the provisions of the Company's Corporate Governance Regulations and By-laws are adopted.
22/13 & 50 & 60 & 60/A & 64	Forming specialized committees emanating from it by resolutions specifying the committee term, powers, and responsibilities, and the way they will be monitored by the Board, provided that the formation resolution includes naming members and specifying their duties, rights, and duties, along with evaluating the performance and work of these committees and their members.	BOD	Compliant – The Nomination & Remuneration Committee and Executive Management were appointed by the BOD on 29/11/1441H (corresponding to 20/07/2020G)
23/1	Approving and developing internal policies related to the Company's work and business, including defining the tasks, specializations and responsibilities assigned to the various organizational levels.	BOD	Compliant
23/2	Adopting a written and detailed policy specifying the powers delegated to the Executive Management and a table explaining those powers, the method of implementation and the duration of delegation, and the BOD may request the Executive Management to submit periodic reports on its practices of the delegated powers.	BOD	Compliant - The list was approved by the OGA held on 24/06/1434H (corresponding to 04/05/2015G)

Article of the Corporate Governance Regulations	Details	Responsible Authority	Commentary
25	Appointing the Chief Executive Officer	BOD	Compliant - Mr. Mohammad Bin Abdullah Al Hejailan was appointed according to the BOD Resolution dated 29/11/1441H (corresponding to 20/07/2020G)
26/5	Establishing the organizational and functional structures of the Company and submitting them to the BOD for consideration and approval	BOD	Compliant - There is no decision to approve the Company organizational structure
26/10	Suggesting a policy and the types of remuneration to be granted to workers, such as fixed bonuses, performance-related bonuses, and bonuses in the form of shares	BOD	The provisions of the Company's Corporate Governance Regulations and By-laws are adopted.
43	A written and clear policy for dealing with current or potential conflicts of interest situations that may affect the performance of members of the BOD, executive management, or other Company employees when they deal with the Company or other stakeholders	BOD	There is no independent written policy, and the provisions of the Company's Corporate Governance Regulations and By-laws are adopted.
55/B/4 & 74	Appointing a director of the internal audit unit or department or the internal auditor and proposing his remuneration	BOD	Compliant - The internal audit work has been outsourced
60/B & 64/B	The general assembly of the Company - based on a proposal from the BOD - shall issue a work bylaw for the Remuneration and Nomination Committee, provided that this list includes the committee controls, procedures, and work plan, its functions, the rules for selecting its members, how they are nominated, term of their membership, Compensation and temporarily appointment in case one of the seats of the committee	General Assembly of Shareholders	Compliant - The Remuneration and Nomination Committee Regulations were approved by the OGA held on 29/06/1432H (corresponding to 01/06/2011G).
61/1	The Remuneration and Nominations Committee shall prepare a clear policy for the remuneration of the members of the BOD and the committees emanating from the Board and the Executive Management, and submit it to the BOD for consideration in preparation for its approval by the General Assembly, so that the follow- up of this policy and the follow-up of that policy are considered	General Assembly of Shareholders	Compliant - The provisions of the Company's Corporate Governance Regulations and By-laws are adopted.
65/3	Preparing a description of the capabilities and qualifications required for membership of the BOD and for occupying executive management positions	Nomination and Remuneration Committee	There is no independent written policy, and the provisions of the Company's Corporate Governance Regulations and By-laws are adopted.
68	Publication of the announcement of candidacy for membership of the BOD on the Company website	BOD	Compliant - The announcement was made on Tadawul on 01/03/2020G
84	Policies or procedures for stakeholders to file complaints or report violating practices	BOD	The provisions of the Company corporate governance regulation and the Company articles of association are based on
86	A policy of professional conduct and ethical values	BOD	Non-compliant
89	Written disclosure policies, supervisory procedures, and regulations thereof in accordance with the disclosure requirements contained in the Companies Law and the Financial Market Law	BOD	There is no independent written policy, and the provisions of the Company's Corporate Governance Regulations and By-laws are adopted.
91/B	Publication of the Audit Committee's report on the Company website	BOD	Non- compliant
94	The Company's Corporate Governance Regulations do not contradict with the mandatory provisions issued by the Authority's Corporate Governance Regulations.	BOD	Compliant - The Corporate Governance Regulations were approved by the OGA held on 11/10/1439H (corresponding to 25/06/2018G).

Source: The Company

- With reference to the above table, it appears that the Company is not committed to a number of articles of the Corporate Governance Regulations according to the following:
  - **Appointing an internal auditor or forming an internal audit and risk management department:** The Company is committed to contracting with an audit office to assign it internal audit tasks by the end of the first quarter of 2023G.
  - **Article 22/2:** Setting systems and controls for internal control and general supervision thereof. The Company is committed to setting these regulations by the end of the first quarter of the year 2023G.
  - **Article 22/4:** Developing a written policy that regulates the relationship with stakeholders. The company states that there is no independent policy in this regard, but rather a policy has been developed to regulate the relationship with stakeholders according to Article (45) of the Company's governance regulations.
  - **Article 22/5:** Developing policies and procedures that ensure the Company's compliance with laws and regulations and its commitment to disclosing material information to shareholders and stakeholders, and verifying the executive management's compliance with them. The Company states that there are no independent policies or procedures in this regard, but Article (35) of its corporate governance regulations regulate the policy and procedures for disclosing material information to shareholders and stakeholders, and verifying that the executive management adheres to it.
  - **Article 23/2:** Adopting a written and detailed policy defining the powers delegated to the executive management and a table showing those powers, the method of implementation and the duration of the delegation. The Board of Directors may request the executive management to submit periodic reports on its practices of the delegated powers. The Company is committed to developing policies related to the powers of the executive management and having them approved by the Board of Directors at the end of the first quarter of the year 2023G.
  - **Article 26/5:** Submitting the organizational and functional structures of the company for approval. The Company is committed to approving the company's organizational structure before March 31, 2023G.
  - **Article 10/26:** Suggesting a policy and types of rewards to be granted to employees, such as fixed rewards, performance-related rewards, and rewards in the form of shares. The Company is committed to proposing a policy and types of rewards to be granted to employees by the end of the first quarter of the year 2023G.
  - **Article 43:** The Board of Directors sets a written and clear policy to deal with existing or potential conflicts of interest that may affect the performance of the members of the Board of Directors, executive management or other employees of the company when dealing with the company or with other stakeholders. The Company reports its policy in dealing with conflicts of interest has been addressed and explained in accordance with Article (29) of its governance regulations.
  - **Article 61/1:** Preparing a clear policy for the remuneration of members of the Board of Directors, the committees emanating from the Board, and the Executive Management, and submitting it to the Board of Directors for consideration in preparation for its approval by the General Assembly. The Company reports that Articles (26), (32), (33) and (34) of its governance regulations clarify the company's policy in determining the remuneration of the members of the Board and its committees.
  - **Article 65/3:** Preparing a description of the capabilities and qualifications required for membership of the Board of Directors and for occupying executive management positions. The Company states that Article (17) of its governance regulations includes the capabilities and qualifications required to fill a position as a member of the Company's board of directors.
  - **Article 84:** Developing the necessary policies or procedures to be followed by stakeholders in submitting their complaints or reporting violating practices. The Company states that Article (45) of its governance regulations includes policies and procedures for submitting complaints and observations by stakeholders.
  - **Article 86:** Setting a policy for professional behavior and ethical values in the Company. The Company states that Articles (41) and (46) of its Governance Regulations, in addition to Articles (37), (38), (39) and (40) of the approved Work Regulations, include policies for professional behavior and ethical values.
  - **Article 89:** Written policies for disclosure and supervisory procedures and systems in accordance with the disclosure requirements contained in the Companies Law and the Capital Market Law. The Company states that Article (35) of its governance regulations includes policies and procedures related to disclosure and transparency.
  - **Article 91:** Publishing the report of the audit committee on the Company's website and the market's website when publishing the invitation to convene the general assembly; To enable any shareholder who wishes to obtain a copy thereof. The Company is committed to completing the procedures for preparing the website at the end of March 2023G, and the Company is committed to publishing the audit committee report on the website during this period.
- In accordance with Article (20) of the Company's By-laws, the BOD appoints from among its members a Chairman and a Vice-Chairman/Deputy Chairman; the BOD may appoint a managing director. It is not permissible to combine the position of the chairperson of the BOD with any executive position in the Company; the BOD must appoint a secretary of the board.

- The Company is committed to the By-laws and the Corporate Governance Regulations in terms of mandatory appointment to these positions, as the BOD approved appointment to these positions according to the following:

**Table No. (49): Mandatory Positions on the BOD.**

Position	Decision	Name
Chairman of the BOD	Minutes of the Board of Directors meeting held on 29/11/1441H (corresponding to 20/07/2020G)	Mr. Ali bin Yahya Al-Jaafari
Deputy Chairman of the Board	Minutes of the Board of Directors meeting held on 10/11/1442H (corresponding to 20/06/2021G)	Mr. Mansour bin Abdul Khaliq Al-Ghamdi
Chief Executive Officer	Minutes of the Board of Directors meeting held on 10/11/1442H (corresponding to 20/06/2021G)	Mr. Mohammed bin Abdullah Al-Hejailan
Secretary of the BOD	Minutes of the Board of Directors meeting held on 29/11/1441H (corresponding to 20/07/2020G)	Mr. Ibrahim bin Abdullah Al-Khalifa

Source: The Company

- The Chairman, the Deputy Chairman, the Chief Executive Officer, and the Secretary of the BOD have powers that are defined in the Article (20) of the Company's By-laws. The Secretary of the BOD shall assume the duties and the powers assigned to him by the BOD.
- The Chief Executive Officer is headed by the Managing Director and CEO; this position is currently appointed to (Mr. Mohammed bin Abdullah Al-Hejailan) on 20/06/2021G; his duties, powers and reward have been defined in accordance with the Minutes of the Board of Directors meeting held on 10/11/1442H (corresponding to 20/06/2021G).
- The following table shows the Executive Management according to the first job level, based on the organizational structure form mentioned in paragraph (4.1) Section (4) "The Company's Organizational Structure" of this Prospectus.

**Table No. (50): Statement of Leading Employees/Senior Executives**

Name	Position	Nationality	Age	Hiring date	Shares number			
					Direct		Indirect	
					Number	%	Number	%
Mohammed bin Abdullah Al-Hejailan	Chief Executive Officer	Saudi	61	01/01/2019G*	244	0.0032533	-	-
Youssef Kamal Zeidan	Chief Financial Officer	Jordanian	47	15/11/2018G	-	-	-	-
Mujeeb Hassan Neaman	Audit Manager	Yemeni	42	15/11/2018G	-	-	-	-
Ibrahim Abdullah Al-Khalifa	Executive Secretary in Charge of Personnel Management	Saudi	35	07/08/2017G	-	-	-	-

Source: The Company

\* On 10/11/1442H (corresponding to 20/06/2021G), the Company ended the designation of Mr. Mohammed bin Abdullah Al-Hejailan as the designated CEO, pursuant to a Board resolution dated 20/06/2021G as CEO of the Company as on 01/01 /2021G.

- The Company was subjected to financial penalties imposed by the CMA during 2020G for violating Paragraph A, Article (79) of the Rules for Offering Securities and Continuing Obligations, and Sub-paragraph (5) Paragraph (a) of the General Instructions of the Company's announcements.

**Except for what is specified in Section 2 "Risk Factors" herein, the Company follows the CMA Corporate Governance Regulations.**

### 9.3.6 Continuous Obligations According to the Ministry of Municipal & Rural Affairs Requirements

- A Municipal License should be obtained for administrative offices and branches, so that the Company can operate, by submitting copies of the following documents: a copy of the Commercial Register, (By-laws), lease contract and building permit for the rented building, food establishment, shop (showroom/gallery), the rented warehouse, a real estate license and a remote photograph of the building with the billboard (with a copy of the billboard bill and the property registration of the Company's trademark to be used on the facade) in addition to the Civil Defense License.
- The Company has (1) site leased for the purpose of conducting its activity. (For further information, please refer to sub-paragraph (9.4.2) "Lease Contracts" of this Section).

Table No. (51): List of the Obtained Municipality Licenses for the Company's Head Office and Branches (Regional Administrations)

#	Company Branches	License Number	Issuance Date	Expiry Date	Address	Safety Permit (civil defense)
1	Asharqiyah Development Company	3909268915	12/05/1437H corresponding to 21/02/2016G	11/05/1445H corresponding to 12/11/2023G	City of Dammam - Al Nakheel District - King Khalid Street	Compliant, in accordance with License no. (14370428144891) ending on 28/04/1439H corresponding to 15/01/2018G

Source: The Company

- As for the branch in Riyadh, the lease contract for the branch site has expired and handed over to its owner, and the Company no longer carries out any commercial activity through it at the present time. Therefore, it is not obligated to obtain a municipal license or safety certificate.

Except for what is specified in Section 2 ("Risk Factors") of this Prospectus, the Company follows the Ministry of Municipal and Rural Affairs requirements.

### 9.3.7 Continuous Obligations According to the Ministry of Environment, Water and Agriculture Requirements

- The Company has industrial licenses issued by the Ministry of Environment, Water and Agriculture: permit for breeding and producing broiler mothers and operating their hatcheries; permit for poultry farming; permit to produce types of poultry meat, rabbits, and fresh birds; permit for egg production; permit for hydroponics to produce vegetables; permit to provide marketing services on the behalf of the Company.
- Regarding the continuous obligations according to the requirements of the mentioned Ministry, the Ministry requires the licensing parties to adhere to the following conditions to maintain the license:
  1. The project is implemented in accordance with the technical-economic feasibility study approved by the Ministry; no modification shall be made prior to obtaining the Ministry's written approval.
  2. The investor may not dispose of the project by selling, transferring ownership, leasing, assigning it, or adding partners (whether the land is leased from the Ministry or owned by a title deed), it is available only when obtaining a written approval.
  3. Providing the Ministry relevant departments with complete and correct data it requests about the project; allowing the Ministry's employees to enter the project and review its progress.
  4. The Ministry shall have the right to cancel the license if the investor does not apply to renew the license after its expiry date.
  5. This license does not exempt the investor from obtaining other necessary licenses for the project from any other official authorities according to the rules and regulations.
  6. The Company shall apply the issued laws and regulations issued, according to the type of its project activity, as follows:
    - a. Licenses for stock projects and their support services: The investor must abide by the system, its executive regulations, and procedures for preventing environmental pollution.
    - b. Licenses for fisheries projects and their support services: The investor must abide by the provisions of the Law on Living Aquatic Wealth, the Ministry By-laws, and regulations, as well as by the relevant authorities.
    - c. Licenses for agricultural and veterinary laboratories, water, soil and fish analysis and their support services: The investor must comply with the provisions of the private laboratories system, the Ministry By-laws, and regulations, as well as by the relevant authorities.

- d. Licenses for vegetations' projects and their support services: The investor must abide by the Ministry rules, regulations, and conditions, as well as by the relevant authorities.
  - e. The investor must be fully committed to the following modern irrigation systems that rationalize the use of water in agriculture.
7. This license shall expire in the following cases:
    - a. The presence of any environmental damage that cannot be removed from the residential communities;
    - b. The breach of any condition of the license;
    - c. The expiry of the license term.

In addition, the establishment of the project is only allowed after providing the Ministry with the technical and economic study of the project, and the approvals of other governmental agencies.

Except for what is specified in Section 2 ("Risk Factors") of this Prospectus, the Company follows the Ministry of Environment, Water and Agriculture requirements.

## 9.4 Summary of Material Agreements

### 9.4.1 Related Parties Contracts and Arrangements

Table No. (52): Related Parties Contracts and Arrangements

Related Party	Nature of relationship	Due from Related Parties (SAR)			
		2018G	2019G	2020G	2021G
Muhammad Al-Hujailan	CEO & Delegate Member	950,000*	47,900	196,951	2,558,400**
Sami Al Kathiri	Shareholder	--	--	259,718	259,718
<b>Total</b>		<b>950,000</b>	<b>47,900</b>	<b>456,669</b>	<b>2,818,118</b>

Source: The Company

\* Due from a related party represents amounts paid by Mr. Muhammad Al-Hujailan on behalf of the Company as repayments of part of the due amounts. These amounts are not subject to interest, and there are no specific conditions for payment (the value of 950,000 Saudi riyals for the year 2018G) paid by Mr. Muhammad Rahma (former CEO of the Company) was repaid during the year 2019G.

\*\* On 02/06/2021G, the Board of Directors decided to terminate the assignment of the CEO appointed as of 01/01/2021G, and according to the services contract signed with him, all the financial benefits of the CEO were retroactively calculated from the date of his appointment as the Company's CEO as of 01/01/2019G.

### 9.4.2 Lease Contracts

- The Company has concluded (2) lease contracts in its capacity as a tenant/lessee, consisting of offices, in order to conduct its activity. While the lease contract for its branch in Riyadh has expired, the lease contract concluded for its Head Office in Dammam is still valid.
- The Company has also concluded (4) lease contracts in its capacity as a lessor, consisting of land plots, used for the commercial activity of the lessee.

Most of these contracts are traditional lease contracts (i.e., they stipulate the amount of rent that the Company annually pays to the lessor), are renewable, and considered void if the tenant is late in settling the lease. The tenant is not entitled to sublet the property without taking the written consent of the landlord. The method of using the leased property or the activity may not be changed without the consent of the lessor. The following is a list of the Company's sites leases and their most important details:



Table No. (53): List of Valid & Renewed Lease Contracts for the Sites Operated by the Company

#	Contract Date	Lessor	Tenant/ Lessee	Site	Real Estate/ Property Type	Contract Value (Annually)	Contract Duration	Renewal	Remarks
1	01/06/1440H (corresponding to 06/02/2019G)	Dr. Abdul Ilah bin Saad Abdul Aziz bin Saeed	Asharqiyah Company	Riyadh Al-Nakheel District Al-Nakheel Al-Gharbi Building	Office	SAR (56,000)	3 years binding on both parties starting from 06/01/1440H (corresponding to 02/06/2019G)	The contract is renewable at the owner's consent.	No longer valid.
2	13/11/1436H (corresponding to 28/08/2015G)	Dr. Abdullah Hamid Khaled Al-Ghamdi	Asharqiyah Company	Dammam City Clock Tower	Office (605) 6th Floor	SAR (80,000)	Three years starting from 15/11/1436H (corresponding to 30/08/2015G)	Automatically and annually renewable unless one of the parties formally informs the other of its desire to cancel the contract, three months at least prior to its expiry date.	Valid. On 13/07/2020G the annual lease was reduced to SAR (60,000).
<b>Lease Contracts Concluded by the Company as a Lessor</b>									
3	22/11/1438H (corresponding to 14/08/2017G)	Asharqiyah Company	Ahmad AlHariri Butcery	Al Fadhilli Province	Square land plot of (600 m2) length and (536 m2) width	SAR (140,000)	One year starting from the date of signing the contract 14/08/2017G.	Renewable according to the parties' agreement.	Still Valid
4	04/09/1435H (corresponding to 01/07/2014G)	Asharqiyah Company	Saudi Telecom	Al fadhili Street (Abou Hadriyah Quarter) (AlJubail City) (AlJubail District)	Site with an area of (400) m2	SAR (40,000)	10 Gregorian years starting from 01/01/2012G.	Automatically renewable for a similar period or periods unless the second party notifies the first of its unwillingness to renew six months before the end of the original or renewed duration.	-
5	04/11/1433H (corresponding to 20/09/2012G)	Asharqiyah Company	Saudi Mobile Telecommunications Company	Asharqiyah Province	Property with an area of (400) m2	SAR (40,000)	-	Automatically renewable unless one of the parties informs the other of its desire not to renew the contract three months before the end of the original or renewed period.	-
6	23/10/1428H (corresponding to 04/11/2007G)	Asharqiyah Company	Etihad Etisalat Company "Mobily"	Dammam City/Al fadhili (120 Km away)	Farm with an area of (4,000) acres	The first 5 years without any financial fees and the second 5 years with an annual rent of SAR (30,000)	-	Automatically renewable if one of the parties is not willing to renew the contract, he shall send the other a written notice 90 days prior to the expiry date.	-

Source: The Company

- Legal persons with whom the Company deals with as a tenant or lessor do not have any direct or indirect relationship with the members of the Board of Directors.
- It should be noted that the Council of Ministers Resolution (292) dated 16/05/1438H (corresponding to 13/02/2017G) states that any lease contract unregistered in the electronic network is not considered a valid contract that produces its administrative and judicial effects. Since the electronic network of rental services was launched in cooperation between the Ministries of Justice and Housing on 17/05/1439H., a Ministry of Justice circular was issued approving its application to all contracts concluded after 05/05/1440H. As of the date of this Prospectus, the above lease contracts were not registered in accordance with the requirements of the Minister of Justice circular. The Company is committed to taking the necessary measures to document lease contracts on the “Ejar” platform, by December 31, 2022G.

### 9.4.3 Advisory Services Contracts

While exercising its activities, the Company concluded some advisory services contracts that provided financial and auditing services according to the following details:

Table No. (54): Advisory Services Contracts

Date	Parties	Subject	Duration	Value
04/11/1441H corresponding to 25/06/2020G	Asharqiyah Development Company & And Al-Rakaz Office for Zakat and Income Tax Consultation	Providing Zakat services and advice to the first party and following up on its transactions related to the objection to the Zakat assessment issued by the GOSI from 1991G to 2014G.	Valid until the end of the agreed services.	Stipulated under the contract.
12/05/1441H (corresponding to 07/01/2020G)	Asharqiyah Development Company & Haw' Kamah Solutions Company (HSC)	Executing the comprehensive internal audit work ended December 31, 2020G	1 year	Stipulated under the contract.
01/11/1441H (corresponding to 22/06/2020G)	Asharqiyah Development Company & Al-Azem, Al-Sudairy, Al-Sheikh and Partners Certified Public Accountants	Providing audit services for the Company's financial statements for the year ended December 31, 2020G and examining the quarterly condensed interim financial statements for the period ended April 01, 2020G until March 31, 2021G (3 quarters).	1 year	Stipulated under the contract.

Source: The Company.

### 9.4.4 Supply Agreements and Contracts

The Company does not have any written agreements with suppliers. Before the cessation of the Company's operational activities, it was dependent on some of the main suppliers to buy raw materials, such as ARASCO that supplied the Company with quality grains classified as nutritional supplements for cows. As for its agricultural activity, the Company relied on Al-Jouf Agricultural Company to provide it with seeds.

### 9.4.5 Contracts and Agreements Related to Real Estate Assets

While conducting its activities, the Ministry of Environment, the Company obtained a grant from the Ministry of Environment, Water and Agriculture:

Table No. (55): Grants and Acquisitions Decisions

Date	No.	Party	Subject	Location	Duration	Remarks
22/07/1406H corresponding to 02/04/1986G	1/4/049078	The Ministry of Agriculture and Water (currently the Ministry of Environment, Water and Agriculture)	Granting Asharqiyah the right of jurisdiction over agricultural land to invest it in accordance with the purposes stated in its By-laws and the boundaries of the land	The agricultural land located 17 km from Al-Fadhili Triangle, Abu Hadriyah, Dammam, with an area of (60,000) hectares, according to Plan No. (1209).	(12) years as a period of competence to revive the entire area handed over to the Company.	The Company shall not own any part of the land except what is revived during the mentioned period, and it shall be recovered from it unless it is revived after the end of that period.

Source: The Company

- Based on Ministerial Resolution no. (288) dated 30/05/1440H (corresponding to 05/02/2019G), the Minister of Environment, Water and Agriculture issued on 06/05/1441H (corresponding to 01/01/2020G) Resolution no. 321450/1062/1441 giving the right to Asharqiyah to own the land plot (72,178,700 square meters), located 17 km from the Al-Fadhili Triangle, Abu Hadriyah, and shown on plan No. (1209), dated 02/09/1404H and granted by the Ministry to the Company under Resolution no. 1/4/049078 dated 22/07/1406H (corresponding to 02/04/1986G).
- On 01/04/1444H (corresponding to 08/02/2022G), the Company's management received a letter from the Ministry of Environment, Water and Agriculture issued on 01/12/1443H bearing No. (361029/278/1443) referring to the circular No. (281223) of his Excellency Minister of the Environment, Water and Agriculture on 28/08/1443H (corresponding to 31/03/2022G), which included instructing the General Authority for State Real Estate to coordinate with the concerned authorities and inform Asharqiyah Development Company of the following:
  - The allocated land plot by Royal Decree No. (4/1016) dated 03/06/1406H (corresponding to 12/02/1986G) and the aforementioned title's ownership decision was issued on the indicated area - became among the confiscations of Saudi Aramco by virtue of Royal Decree No. (40008) on 28/06/1443H Corresponding to 31/01/2022G), and it is not legally possible to issue a deed in the name of the Company because it contradicts the content of paragraph (c) of Article (6-1) of the concession agreement between the Government and Saudi Aramco, which states that "the Government shall not issue Sukuk, licenses, or their equivalents, on any land located in the reserved areas".
  - The Company can benefit from the land plot until the actual need of Saudi Aramco is fulfilled in this land, and then take the necessary regulations in this regard.
  - In the event that the land or part of it is seized by Saudi Aramco in accordance with the necessary regulatory procedures in this regard, government agencies - each within its jurisdiction - take the necessary procedures to issue a deed in the name of Asharqiyah Development Company - if it was legally based at the time on the land plot or part of it.

#### 9.4.6 Loans And Credit Facilities

The Company has several loan and credit facilities agreements to support client and expand factories, according to the following details:

Table No. (56): Loans and Credit Facilities

Financing Entity	Expiry Date	Credit Limit (SAR)	Amounts Used as of 31/12/2021G	Amounts Paid Until 31/12/2021G	Remaining Amount as of 31/01/2021G	Remarks
The Saudi Investment Bank	31/03/2019G	SAR 10,000,000	SAR 10,000,000	0	SAR 10,000,000	Promissory note of SAR 10,000,000 Irrevocable guarantee/ guarantee of continuous solidarity duly signed by Mr. Muhammad Abdullah Hejailan Al-Hejailan (CEO and Managing Director)

Source: The Company

- According to the terms of the agreement, the Company undertakes not to make any change in the ownership or control of its shares (whether direct or indirect) without the prior written approval of the Bank (except for shares in a listed joint stock Company whose transfer does not require the approval of the CMA). Since the Company is covered by the exception, it is not obligated to obtain the bank's prior approval of the capital increase process and the offering of rights shares.

## 9.5 Litigation

- Except for the cases shown in the table below, the Company is not a party to any litigation, claim, arbitration, combined or individual administrative proceedings that exist or may exist, and that may have a material adverse effect on the Company's financial position.

*Lawsuits Filed Against the Company (as Defendant) Are Detailed in the Following Table:*

Table No. (57): List of Lawsuits Filed Against the Company (as Defendant)

Lawsuit Number	Date	Plaintiff	Allegation	Lawsuit Value	Lawsuit Legal Actions	Judicial Authority / City
127583	03/07/1441H (Corresponding to 27/02/2020G)	Mohammed bin Fayez bin Mohammed Al Ameri	A lawsuit filed by the heirs of one of the founders of the Company claiming the ownership of 3 Stock bonds owned by the founder.	SAR 6,000,000	Ongoing Deliberations, no execution judgment has been issued yet.	Commercial Court / Dammam

Source: The Company.

Except for the aforementioned information and in Section 2 ("Risk Factors") of this Prospectus, the Company is not involved in lawsuits that would adversely affect its business activity.

## 9.6 Trademarks

- The Company has a logo used in deals and transactions (Asharqiyah), but it has not been registered as a trademark with the competent government authority (the Saudi Authority for Intellectual Property); The issuance of a trademark registration certificate would grant the Company the exclusive use of the trademark on its own products, placing it on the external facade of the building or offices, and giving it the necessary legal protection in accordance with the Trademark Law, as well as protecting all interests associated to it. The Company is committed to completing the procedures for registering its logo as a trademark with the Saudi Authority for Intellectual Property during the second quarter of the year 2023G.
- It should be noted that the Company does not have any intangible assets, except for its trademark as of the date of this Prospectus.
- The Company should register its website: [www.asharqiyah.com.sa](http://www.asharqiyah.com.sa) with the Communications and Information Technology Commission.

## 9.7 Insurance

Asharqiyah Development Company has a health insurance policy No. (2210027) with The Company for Cooperative Insurance (Tawuniya), a Company licensed to operate in the Kingdom; it is valid from 03/04/2022G until 02/04/2023G. This insurance provides health and medical care for the employees in the Company and their family members (spouse; children from the date of birth; unmarried sons with a maximum of 25 years; unmarried, divorced, and widowed unemployed daughters according to the insurance Company's policy). Moreover, this insurance policy covers health care through a network of service providers appointed by the Company and provided that the case is covered by insurance. The total insurance premium amounted to thirty thousand two hundred and ninety-four riyals and forty-five halalas (30,294.45) Saudi riyals.

## 9.8 Substantial information that has changed since the Authority's approval of the latest Rights Issue Prospectus

The following is a summary of the most important information that has changed since the Company's establishment and listing of its shares on Tadawul on 01/01/1985G:

- **Capital:** The Company's capital was reduced several times until the current capital reached seventy-five million (75,000,000) Saudi riyals divided into seven million and five hundred thousand (7,500,000) shares of equal value, the value of each is ten (10) Saudi riyals, pursuant to the approval of the Extraordinary General Assembly on 03/03/1427H (corresponding to 01/04/2006G) for the reasons summarized in paragraph (9.1) of this Section.
- **Name:** The Company's trade name "Asharqiyah Agricultural Development Company" became "Asharqiyah Development Company" according to the approval of the EGA on 16/07/1428H (corresponding to 30/07/2007G).

- **Committees:** The Board founded some Committees, such as: the Audit Committee, the Nomination and Remuneration Committee, and the Executive Committee.
- **Retained Profits:** In 2017G, the Company proved the value of the revived land from the government grant provided to the Company, which was granted by the Ministry to the Company under Resolution No. (1/4/049078) dated 22/07/1406H (corresponding to 02/04/1986G), where the Company proved that it revived 101 million square meters of the total area of land; accordingly, the Company realized SAR (220.6 million) retained profits. The total accumulated losses, from the previous years, have been amortized, and the losses resulting from the transition of the international standards as well as the losses during Q1 2017G, have been decreased, and the net balance of retained profits has become SAR (154,142,387) on 31/03/2017G.
- **Losses:** Accumulated losses reached more than (20%) of the capital. They attained (38.8%) as of 31/12/2016G. In 2019G, the Company's accumulated losses reached SAR (67,470,000); in 2020G, they decreased by (96.7%) to become SAR (2,220,000) due to a drop in the operating and administrative expenses.
- **By-laws:** The Company has amended and updated its By-laws according to the EGA Resolution on 26/10/1438H (corresponding to 20/07/2017G). The By-laws were adopted by the Ministry of Commerce (Corporate Governance Department) on 01/01/1439H (corresponding to 21/09/2017G). The latest version of the Company's by-laws was issued based on the EGM resolution on 13/07/1441H (corresponding to 08/03/2020G) and approved by the Ministry of Commerce on 17/03/1444H (corresponding to 13/10/2022G).
- **Main Activities Suspension:** The Company's main activities were suspended in 2018G, pursuant to the BOD Resolution dated 13/07/2017G, that suspended the activities related to the milk production and cow liquefaction, as well as activities related to the green fodder agriculture, implementing Ministerial Decision No. (66) which led to the lack of revenue from operating activities.
- **Land Title (Ownership of a Land Plot):** The Minister of Environment, Water and Agriculture issued Decision No. (321450/1062/1441) dated 06/05/1441H (corresponding to 01/01/2020G) stipulating that the Company shall own (72,178,700) square meters of the total area of land (600 million square meters) handed over to the Company according to Allocation Decision No. (49078) dated 22/07/1406H (corresponding to 02/04/1986G). This land title has been approved by the virtue of Royal Decree No. (24682) dated 15/04/1441H (corresponding to 12/12/2019G).
- **Shareholders' Circular Regarding the Capital Increase:** On 12/05/2019G, an agreement was signed to acquire income-generating real estate assets located in Riyadh, owned by Mr. Omar Saleh Babaker; it consists of two residential complexes, Russell Compound, a closed residential compound consisting of (90) housing units, comprising (42) villas and (48) apartments, and Al Rabie, consisting of (6) residential buildings, containing (86) apartments, by increasing the Company's capital through the issuance of Company shares in return for the seller's benefit, with the value of the assets to be acquired.
- **On 05/12/2019G, the CMA approved the Company's capital increase request from SAR (75 million) to SAR (120 million), by issuing (4.5 million) ordinary shares to acquire two real estate assets. On 10/12/2019G, the Company published the shareholders' circular regarding the capital increase; on 08/03/2020G, the EGA of Shareholders, in its third meeting, rejected this circular.**
- **Fines:** The Capital Market Authority (CMA) imposed fines on the Company amounting to SAR (20,000) on 20/04/2020G, and SAR (80,000) on 03/09/2020G, due to the violation of paragraph (a) of Article (79) of the Rules on Offer of Securities and Continuing Obligations, and subparagraph (5) of Paragraph (a) of the "General Instructions" of the Company's Announcements Instructions.

## 9.9 BOD Members Declarations Pertaining to the Legal Information Section

In addition to the other declarations referred to in this Prospectus, the members of the BOD declare the following:

- The issuance does not constitute a breach of the relevant Saudi laws and regulations.
- The issuance does not constitute a breach of any contract or agreement concluded by the Company.
- All material legal issues concerning the Company and its subsidiaries have been disclosed in this Prospectus.
- The Company and its subsidiaries are not subject to any lawsuits, claims, litigious cases or any other type of legal proceedings that could individually or collectively have a material effect on the business of the Company or its financial position other than what has been mentioned in this Prospectus.
- The Directors are not subject to any claims, or any other type of legal proceedings that could individually or collectively have a material effect on the business of the Company or its financial position.

## 10 Underwriting Arrangement

The Company and the Underwriter (ALKHAIR CAPITAL), have entered into an undertaking agreement to cover the subscription of (22,500,000) ordinary shares, at a price of SAR (10)/share, with a total value of SAR (225,000,000), representing the entire amount of the Rights Shares being offered for subscription (“Underwriting Agreement”).

### 10.1 Underwriters

#### Underwriters

##### ALKHAIR CAPITAL SAUDI ARABIA

Riyadh, King Abdul Aziz Road,  
District Ministries, Madarat Towers  
Kingdom Saudi Arabia  
Tel: +966 (11) 215 5678  
Fax: +966 (11) 219 1270  
Website: [www.alkhaircapital.com.sa](http://www.alkhaircapital.com.sa)  
Email: [info@alkhaircapital.com.sa](mailto:info@alkhaircapital.com.sa)

الخير كابيتال  
ALKHAIR CAPITAL 

### 10.2 Underwriting Agreement Summary

1. The Company undertakes to the Underwriter that on the Allocation Date, it will issue and allocate to the Underwriter all the rights issue shares that the Underwriter undertakes to cover in this Offering under the Underwriting Agreement which have not been subscribed to by the Eligible Shareholders at the Offering Price. Such shares shall be issued as additional shares at the Offering Price.
2. The Underwriter undertakes to the Company that on the Allocation Date, it will purchase all the underwritten shares in the Offering, which have not been subscribed to by the Eligible shareholders at the Offering Price.
3. The Underwriter shall receive specified fee for underwriting, which will be paid from the Offering Proceeds.

## 11 Waivers

The Company has not submitted any requests to the CMA to be exempted from any of the requirements set forth in the OSCO and the Listing Rules in relation to this Offering.



# 12

## Information Concerning the Shares and Terms and Conditions of the Offer

The Company has applied to the CMA for registration and offer of securities and to the Saudi Exchange for listing them. All the requirements have been met under the Rules on the Offer of Securities and Continuous Obligations and the Listing Rules.

All Eligible Persons (i.e. Registered Shareholders and purchasers of the Rights during the Trading Period) and bidding investors of the institutional investors must read the Information Concerning the Shares and Terms and Conditions of the Offer carefully before subscribing online or submitting the Subscription Application through a broker or filling the Rump Offering Form.

The submission of the Subscription Application Form, or signing and delivering the Rump Offering Form shall be deemed an approval and acceptance of the terms and conditions mentioned.

### 12.1 The Offering

The Offering is for the increase of the Company share capital to SAR (225,000,000) through a rights issue with a total offering value of SAR (150,000,000) divided into (22,500,000) ordinary shares, with a nominal amount of SAR (10)/share, at an offer price of SAR (10)/share.

### 12.2 How to Apply for Subscription to the Rights (New Shares)

Eligible shareholders wishing to subscribe to the Rights Issue shall submit the Subscription Applications during the Subscription Period through the investment portfolio in the trading platforms used to insert purchase and sale orders in addition to subscribing through other channels available at the broker and shares Custodian. If there is a Rump offering period, Subscription Application Forms can also be submitted during such period by Institutional Investors for any Rump Shares only.

By submitting the Subscription Application Form, the subscriber declares the following:

- Agreement to his subscription to the Company's shares in the number of such shares specified in the Subscription Application Form.
- He has fully read the Prospectus and all its contents and carefully examined and understood it.
- Agreement to the Company's Bylaws and the terms of the Prospectus.
- Accepting the shares allocated under the Subscription Application Form and accepting all the subscription terms and conditions contained in the Application and in the Prospectus.
- Guarantee that the application is not canceled or modified after it is submitted to the receiving entity.

### 12.3 Subscription Application Form

Eligible Persons wishing to exercise their full right and subscribe for all the New Shares to which they are entitled must fill and submit a completed Subscription Application Form through the investment portfolio in the trading platforms used to insert purchase and sale orders in addition to subscribing through other channels available at the broker and shares Custodian.

The number of Shares to which the Eligible Person is entitled to subscribe will be calculated based upon the number of Rights held by him. As for the subscription monies that the subscriber must pay will be calculated by multiplying the number of Rights owned prior to closing of the Subscription Period by SAR 10.

### 12.4 Trading, Offering and Rump Offering Periods

Eligible Shareholders wishing to subscribe to the Rights shall submit the Subscription Application during the Subscription Period, which begins 3 business days post EGA approval of increase in capital on Thursday 10/21/1444H (corresponding to 05/11/2023G) and ends on Tuesday 03/11/1444H (corresponding to 05/23/2023G).

The EGA held on 10/17/1444H (corresponding to 05/07/2023G), approved the recommendation of the BOD to increase the Company share capital through Rights Issue. Under this Prospectus, 22,500,000 Ordinary Shares, representing 300% of the Company Capital, will be offered for subscription at a nominal amount of SAR 10/share, and at an Offer Price of SAR 10/share, with a total value of SAR 225,000,000. New shares will be issued with one share for every one Right. Rights Subscription is

entitled to all Shareholders registered in the Company register as of the close on the second trading day following the EGA Meeting dated 19/10/1444H (corresponding to 09/05/2023G), and to those Eligible Persons who purchased the offered Rights during the Trading Period in addition to the Registered Shareholders who purchased additional Rights alongside the Rights they already own.

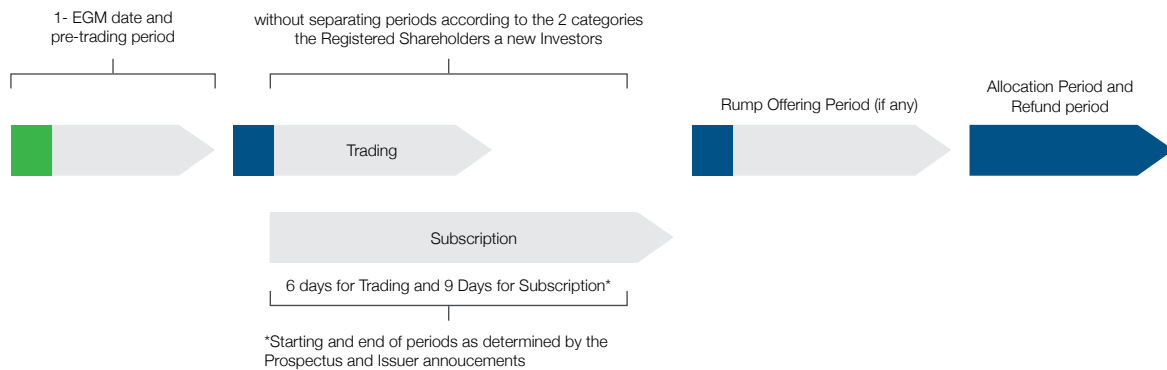
If the Eligible Persons do not exercise their right to subscribe to the New Shares at the end of the Offering Period, the Rump Shares, in addition to Fractional Shares (if any) will be offered to the Institutional Investors during the Rump Offering Period.

The Registered Shareholders may trade in the Rights deposited in their portfolios through the Tadawul system. Such Rights are deemed a right entitled to all Shareholders registered in the Company register as of the close on the second trading day following the EGA Meeting for the capital increase. Each Right grants its holder eligibility to subscribe to one New Share at the Offer Price. The Rights will be deposited after the EGA. The Shares will appear in the portfolios of the Registered Shareholders under a new symbol that designates Priority Rights; so, these Registered Shareholders will be notified of their Rights in their portfolios.

Rights shares will be offered according to the phases and dates set out below:

1. **Eligibility Date:** the end of the trading day following the day of the Extraordinary General Assembly approving the Capital Increase on Sunday 10/17/1444H (corresponding to 05/07/2023G).
2. **Trading Period and Offering Period:** The Trading Period and Offering Period start 3 business days post EGA approval of increase in capital on Thursday 10/21/1444H (corresponding to 05/11/2023G), and the Trading Period will end on Thursday 10/28/1444H (corresponding to 05/18/2023G), while the Offering Period will continue until the end of the end of Tuesday 11/03/1444H (corresponding to 05/23/2023G).
3. **Rump Offering Period:** The period will start at 10:00 a.m. on Sunday 11/08/1444H (corresponding to 05/28/2023G), until the following day at 05:00 p.m. on Monday 09/11/1444H (corresponding to 05/29/2023G). During this period, Rump Shares will be offered to several institutional investors (referred to as "Investment Institutions"). These investment institutions shall make offers to buy the Rump Shares during the Rump Offering Period. The Rump Shares will be allocated to the Investment Institutions in order of priority based on the price per Share offered (if it is not less than the Offering Price) with shares being allocated on a proportional bases among those Institutional Investors that tendered offers at the same price. Fractional Shares will be added to the Rump Shares and treated in the same manner. The price of the unsubscribed shares will be lower than the offer price. If the price of the unsubscribed shares is higher than the offer price, the difference (if any) shall be distributed as compensation to holders of priority rights who did not subscribe for their rights in proportion to the rights they own.
4. **Final Allocation of Shares:** Shares will be allocated to each investor based on the number of Rights properly and fully exercised thereby. As for Shareholders entitled to fractional Shares, these shall be accumulated and offered to Institutional Investors during the Rump Offering. The total remaining Offering Price will be paid to the Company, and the remaining proceeds from the sale of the Rump Shares and fractional shares shall be paid to the Eligible Persons, (without calculating any fees or deductions exceeding the Offering Price), each according to what he is entitled to, no later than Sunday 11/15/1444H (corresponding to 04/06/2023G).
5. **Trading of New Shares on the Exchange:** Trading in the New Shares will start on Tadawul upon the completion of all procedures relating to the registration and allocation of the New Shares, provided that the time period between the end of subscription for the Rights Issue and the deposit of shares in the shareholders' portfolios shall be (9) business days.

Figure No. (2): Mechanism for Trading and Subscribing to the Traded Rights Issue



The Company has applied to the CMA for registration and offering of the New Shares, as well as to Tadawul for listing the New Shares.

## 12.5 Allocation and Refund

The Company and the Lead Manager will open an escrow account in which the proceeds of the Offering will be deposited. The Rights shall be allocated to Eligible Persons based on the number of Rights properly and fully exercised by it. As for the fractional Shares, these shall be accumulated and offered to Institutional Investors during the Rump Offering. The total remaining offering price will be paid to the Company, and the remaining proceeds from the sale of the Rump Shares and fractional shares (above the offering price) shall be paid to Eligible Persons, whichever is due by the date of Monday 11/23/1444H (corresponding to 06/12/2023G). Excess unsubscribed Shares shall purchase by and allocated to the Underwriter at the launch price. If Shares remain unsubscribed after that, the underwriter will purchase those remaining new shares that will be allocated to him; there is no compensation for investors who did not subscribe or did not sell their rights during the remaining offering period.

Final notice for the number of Shares allocated to each Eligible Person is expected to take place by depositing the shares into the accounts of Subscribers without any charges or withholdings by the Lead Manager. Eligible Persons shall contact the Broker where they have submitted the Subscription Application Form to obtain any further information. The announcement regarding the allocation shall be made no later than Sunday 11/15/1444H (corresponding to 04/06/2023G).

The Cash compensation amounts (the remaining proceeds of the offering process beyond the offering price) will be paid to the Eligible Persons who did not subscribe wholly or partially to the Rights (if any) without any commissions or deductions no later than one day, dated Monday 11/23/1444H (corresponding to 06/12/2023G).

## 12.6 Supplementary Prospectus

In accordance with the requirements of the Rules on the Offer of Securities and Continuing Obligations, a supplementary Prospectus must be submitted to CMA if, at any time after the date of the publication of this Prospectus and before the completion of the offering, the Company becomes aware that:

- There has been a significant change in material matters contained in this Prospectus.
- Additional significant matters have become known which would have been required to be included in this Prospectus.

The investor who subscribed for the new shares prior to the publication of the supplementary Prospectus may cancel or amend his subscription for these shares before the end of the offering period.

## 12.7 Suspension or Cancellation of the Offering

The CMA may at any time issue a decision to suspend the offering if it deems that the offering may result in a breach of the capital market law, its implementing regulations, or the market rules. In addition, the offer will be canceled if the EGA does not approve this Rights Issue.

## 12.8 Questions and Answers on Rights Issue

### *What is a Rights Issue?*

Rights are tradable securities that give their holder the right to subscribe to the new shares offered, upon approval of the capital increase. All shareholders registered in the Company's shareholders register (at the Depository Center) at the end of the second trading day following the date the Extraordinary General Assembly at which the capital increase has been approved will be entitled to receive the Rights. Each right grants its holder eligibility to subscribe for one new share at the offering price.

### *Who is granted the Rights?*

All registered shareholders in the Company's shareholders register at the Depository Center at the end of the second trading day following the Extraordinary General Assembly approving the capital increase.

### *When are the Rights deposited?*

After the Extraordinary General Assembly convenes and its approval of the capital increase through the offering of Right Issue Shares, the Rights are deposited as securities in the shareholders' own portfolios in the Company's shareholders' register at the Depository Center at the end of the second trading day after the extraordinary general meeting; and will be listed in the shareholders' portfolios under a new symbol. These rights will only be traded or subscribed to at the beginning of the Trading and Subscription Period.

### *How are the investors notified of the Rights being deposited in their portfolios?*

The notification is made through announcement on the Tadawul website, as well as through the (Tadawulat) service provided by the Securities Depository Center Company, and short text messages (SMS) sent through the brokerage companies.

### *How many Rights Issue can be acquired by a registered shareholder?*

The number is subject to the rights issue ratio and the number of the current shares held by the registered shareholder as at the end of the second trading day following the Extraordinary General Assembly approving the capital increase.

### *What is the Eligibility Factor?*

It is the ratio that enables registered shareholders to know how many Rights he/she is entitled to in relation to the current shares that he/she already owned at the end of the second trading day following the Extraordinary General Assembly approving the capital increase. This factor is calculated by dividing the number of new shares by the number of the current shares of the Company, and accordingly, the eligibility factor is (3) rights approximately for every (1) share owned by the registered shareholder on the eligibility date, thus, if a registered shareholder owns (1,000) shares on the eligibility date, then he will be allocated (3,000) rights in exchange for the shares he owns.

### *Will the name and symbol for trading these rights differ from the name and symbol of the Company's shares?*

Yes, the acquired rights will be deposited in the investors' portfolios under the original name, adding the Rights Issue term as well as a new symbol for these rights.

### *What is the value of the Rights at the beginning of trading?*

The opening price of the Rights is the difference between the closing price of the Company's shares on the day prior to the inclusion of the rights and the offering price.

For example (using hypothetical prices): if the closing price of a share on the preceding day is SAR (15) fifteen Saudi Riyals and the offering price is SAR (10) ten Saudi Riyals, then the opening price for the Rights will, at the beginning of trading, be SAR (5) five Saudi Riyals (which is the difference between the above mentioned two prices).

### *Who is a Registered Shareholder?*

Any shareholder owning shares at the end of trading on the day of the extraordinary general assembly approving the capital increase, and registered in the company's shareholders registry at the Depository Center at the end of the second trading day following the extraordinary general assembly approving the capital increase.

### *Can registered shareholders subscribe to additional shares?*

Yes, the registered shareholders can subscribe for additional shares by purchasing new rights through the market during the Trading Period.

### *Is it possible for a shareholder to lose his eligibility to subscribe even if he has the right to attend the Extraordinary General Assembly and vote on increasing the capital through a rights issue?*

Yes, the shareholder loses his right to subscribe if he sells his shares on the day of the Extraordinary General Assembly approving the capital increase or one business day before it.

### *How does the offering take place?*

Subscription requests are submitted through the investment portfolio in the trading platforms through which the buy and sell orders are entered, in addition to the possibility of subscribing through any other means provided by the broker to the investors and the custodian of shares.

### *Can the eligible person subscribe to more shares than the rights owned by him?*

The eligible person cannot subscribe to more shares than the rights owned by him.

*In the event that the Company's shares are owned through more than one investment portfolio, in which portfolio the Rights will be deposited?*

Rights will be deposited in the same portfolio where the Company's rights-related shares are deposited. For example, if a shareholder owns (1,000) (one thousand) shares in the company, (800) of them in portfolio (A) and (200) shares in portfolio (B), then the total number of rights to be deposited are (3,000) (three thousand) rights, on the basis that each share has (3) rights. In this case, (2,400) two thousand and four hundred rights shall be deposited in portfolio (A) and (600) six hundred rights shall be deposited in portfolio (B).

*Are share certificate holders allowed to subscribe and trade?*

Yes, they are allowed to subscribe. However, they will only be able to trade after depositing their share certificates in investment portfolios through brokers or the Tadawul's Securities Depository Center Company ("Edaa") and as well as submitting the requisite documents.

*Are additional Rights purchasers entitled to trade them once again?*

Yes, purchaser of additional rights may sell them and purchase other rights only during the trading period only.

*Is it possible to sell part of these rights?*

Yes, the investor can sell part of these rights and subscribe to the remaining part.

*When can a shareholder subscribe to the rights, he/she purchased during the Trading Period?*

After settlement of the purchase of Rights (which is two business days), provided that the subscription for Rights is completed during the Subscription Period.

*Can the holder of Rights sell or assign the Rights after the end of the Trading Period?*

No, it cannot. After the expiry of the Trading Period, the Eligible Person may only exercise the right to subscribe to the share capital increase or not exercise it. In the event that the Right is not exercised, the investor may be vulnerable to loss or decline in the value of his/her investment portfolio.

*What happens to Rights that are unsold or unsubscribed during the trading and subscription period?*

In the event that the new shares are not fully subscribed during the subscription period, the remaining new shares shall be offered during the Rump Offering organized by the Lead Manager, and the compensation value (if any) is calculated for the rights owner after deducting the subscription price. Note that the investor may not receive any consideration if the sale is made in the Rump offering period at the offering price.

*Who has the right to attend the Extraordinary General Assembly and vote to increase the Company's capital by offering Rights issue shares?*

A shareholder who is registered in the Company's shareholders' register at the Depository Center at the end of the second trading day following the Extraordinary General Assembly Day, has the right to attend the Extraordinary General Assembly and vote on increasing the Company's capital by offering Rights issue shares.

*When is the share price adjusted as a result of the Company's capital increase by offering Right issue shares?*

The share price is adjusted by the market before the start of trading on the day following the day of the Extraordinary General Assembly.

*If an investor purchases security on the day of the assembly, is he entitled to obtain the Rights resulting from the issuer's capital increase?*

Yes, as the investor will be registered in the Company's shareholders' register two business days from the date of purchasing the shares (i.e., at the end of the second trading day following the day of the Extraordinary General Assembly approving the capital increase), taking into consideration that the rights issue will be granted to all shareholders registered in the Company's shareholders' register at the end of the second trading day following the date of the Extraordinary General Assembly approving the capital increase. However, he/she will not be entitled to attend or vote in the Extraordinary General Assembly of the capital increase.

*If the investor has more than one portfolio with more than one brokerage firm, how will the rights be calculated for him?*

The investor's share will be distributed to the portfolios owned thereby, according to the percentage of ownership in each portfolio. If there are fractions, those fractions will be added together and if they came to a whole number, that number is added to the portfolio in which the investor has the largest number Rights.

*What are the Trading and Subscription periods?*

Trading Period and Subscription Period commence on the same day 3 business days post EGA approval of increase in capital until the end of Trading on the sixth day, while the Subscription Period continues until the ninth day, according to what is mentioned in this Prospectus and the Company's announcements.

*Is it possible to subscribe during the weekend?*

No, it is not possible.

*Can public investors other than registered shareholders subscribe to rights issue shares?*

Yes, after completing the purchase of Rights through the market during the Trading Period.

**Additional Help:**

In the event of any inquiries, please contact the Company at: info@asharqiyah.com.sa. For legal reasons, the Company will only be able to provide the information contained in this Prospectus or to advise on the merits of issuing Rights or even provide financial advice on Tax, legal or investment matters.

## **12.9 Resolutions and Approvals Under Which the New Shares are Offered**

The Company's Board of Directors has recommended on 15/05/1442H (corresponding to 30/12/2020G) to increase the Company's capital by issuing Rights Issue Share amounting to (225,000,000) Saudi Riyals, after obtaining the necessary statutory approval and the Extraordinary General Assembly approval.

On Sunday 10/17/1444H (corresponding to 05/07/2023G), the Extraordinary General Assembly approved the Board of Directors recommendation on the Company's capital increase by issuance of (22,500,000) ordinary shares at an offer price of SAR 10/share, and at a nominal amount of SAR 10/share, to increase the Company's shares from (75,000,000) ordinary shares to (30,000,000) ordinary shares.

Tadawul approved the Company's application for listing the New Shares on 15/03/1444H (corresponding to 11/10/2022G), as well as this Prospectus and all the supporting documents requested by the Capital Market Authority (CMA) have been approved on the date of its announcement on the CMA's website on 04/05/1444H (corresponding to 28/11/2022G).

## **12.10 Miscellaneous Items**

Subscription Application and all related terms, conditions and undertakings are binding and for the benefit of the applicants, their successors, assignees, will executors, estate managers and heirs, provided that, except for what is specifically stipulated in this Prospectus, the application or any rights, interests or obligations arising out of it shall not be waived or delegated to any of the parties referred to in this Prospectus without obtaining the prior written consent of the other party.

These instructions, the conditions and any receipt of the Subscription Application or related contracts shall be governed, construed, interpreted and enforced in accordance with the laws of the Kingdom of Saudi Arabia.

This Prospectus can be distributed in both Arabic and English. In the event of a difference between the two versions, the Arabic prevails.

## **12.11 Statement on any Existing Arrangements to Prevent Disposal of Certain Shares**

There are no arrangements in place to prevent the disposal of any share.

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## Change in Share Price as a Result of the Capital Increase

The closing price of the Company's share on the day of the Extraordinary General Assembly approving the Capital Increase is SAR (57.00) and is expected to reach SAR (21.76) at the opening of the following day. The change represents a decrease of (61.8%). In case any of the shareholders registered in the Company's shareholders register at the Depository Center fails to subscribe at the end of the second trading day following the date of the Extraordinary General Assembly approving the Capital Increase, this will lead to a decrease in their ownership percentage in the Company.

The method of calculation for the share price of the share capital increase:

*First: Calculation of the closing market value of the Company on the day of the Extraordinary General Assembly approving the Capital Increase:*

The number of shares at the end of the Extraordinary General Assembly approving the Capital Increase X The closing price of the Company's share on the day of the Extraordinary General Assembly approving the Capital Increase = the market value of the Company at the close of trading on the day of the Extraordinary General Assembly approving the Capital Increase.

*Second: Calculation of the share price at the opening of trading on the day following the y Extraordinary General Assembly approving the Capital Increase:*

(The market value of the Company at closing the day of the Extraordinary General Assembly approving the Capital Increase + the value of the Rights Issue Shares) / (the number of shares at the end of the Extraordinary General Assembly approving the Capital Increase + the number of New Shares offered for subscription) = the share price expected in the opening day following the day of the Extraordinary General Assembly approving the Capital Increase.



# 14 Subscription Undertakings/Declarations

## 14.1 Overview of the Subscription Application and the Covenants

Subscription can be done through trading platforms or through any other means provided by the broker to the investors. The new shares will be subscribed in upon one phase according to the following:

1. During this period, all Registered Shareholders and New Investors will be entitled to subscribe to the New Shares.
2. Registered Shareholders will be entitled to subscribe directly to the number of their shares or less than the number of their shares during the Subscription Period, and if they acquire New Rights, they will be able to subscribe to them after the end of the settlement period (two business days).
3. New Investors will be entitled to subscribe to the New Shares after the end of settlement period (two business days).
4. Subscription will be available electronically through the investment portfolios in the trading platforms and applications through which sale and purchase orders are entered, in addition to subscription through other channels and means available at the broker.

Each Right gives its holder the right to subscribe in one New Share at the Offering Price. Subscribers in New Shares acknowledge the following:

- Acceptance of all the terms and conditions stated in this Prospectus.
- They have carefully read this Prospectus and understood its contents.
- Acceptance of the Company's by-laws.
- Commitment not to cancel or amend the subscription application after its admission

## 14.2 Allocation Process

The Rights shall be allocated to Eligible Persons based on the number of Rights they have exercised in a complete and correct manner. As for the fractions of shares, such fractions will be summed and offered to investment institutions during the Rump Offering period. The total price of the Rump Shares will be paid to the Company. The rest of the proceeds from the sale of the Rump Shares and fractions of shares (if any) (exceeding the Offering Price) shall be distributed to the Eligible Persons not later than Monday 11/23/1444H (corresponding to 06/12/2023G). If shares remain unsubscribed for, then the Undertakers will purchase the Rump Shares and they will be allocated to them, within any compensation to the investors who did not subscribe or sell their rights, as well as to the possessors of the fractions of shares during the Rump Offering period.

Eligible Persons must contact the agent through which the application was submitted for additional information. The results of the allocation will be announced no later than Sunday 11/15/1444H (corresponding to 04/06/2023G).

## 14.3 Saudi Stock Exchange (Tadawul)

Tadawul system was established in 2001G as an alternative system for the electronic securities information system. The electronic Stock trading started in the KSA in 1990G. The trading process is carried out through an integrated electronic system from the execution of the trade transaction through settlement thereof. Trading occurs on each business day of the week between from 10 a.m. and 03:00 p.m., from Sunday to Thursday of each week, during which orders are executed. However, during other than those times, orders are permitted to be entered, amended, and cancelled from 9:30 a.m. until 10 a.m.

Transactions are conducted through an Automatically matching of orders. Each valid order shall be executed according to the price level. In general, market orders (orders made based on the best price) will be executed first, followed by the fixed price orders (orders made based on a fixed price), taking into consideration cases in which multiple orders are made for the same price and shall be executed first based on the time of entry.

The Tadawul system distributes a comprehensive range of information through different channels, most notably the Tadawul website on the Internet, which provides up-to-date market information for information providers such as Reuters. Transactions are Automatically settled within two business days (T + 2).

The Company must disclose all decisions, and important information through Tadawul, which is responsible for monitoring the market in its capacity as the operator of the mechanism through which the market works to ensure the fairness and easy flow of share exchange.

## 14.4 Trading of the Company Shares on the Saudi Stock Exchange

An application has been submitted to the CMA and Tadawul to register and list the Rights in the Saudi Stock Exchange. This Prospectus has been approved and all requirements have been met. Registration and the commencement of trading in the Rights in the Saudi Stock Exchange are expected after the final allocation of the Offering Shares is completed and will be announced on Tadawul website. The dates mentioned in this Prospectus are tentative, and may be changed with the approval of the CMA.

Although the existing shares are listed on the Saudi Stock Exchange and the Company Shares are listed on Tadawul, the new shares can only be traded after the final allotment of shares has been made and deposited in the subscribers' portfolios. Trading in the new shares is strictly prohibited before the allocation is approved.

Subscribers and bidders in the Rump Offering who engage in prohibited trading activities shall bear full liability for them, and the Company shall not be liable in such a case.

## 15 Documents Available for Inspection

The following documents will be available for inspection at the Head Office of the Company in Dammam, Al-Nakheel quarter (King Khaled Street, Al Sa'a Tower, near Gaz station), during the official working hours, between 8:00 a.m. and 4:00 p.m., from Sunday till Thursday, starting from the first working day after the Extraordinary General Meeting invitation, 14 days before the EGA. These documents will be available until the end of the Offering:

- By-laws
- Commercial Registration Certificate.
- CMA's approval of the Company's capital increase through Rights Issue Offering
- Tadawul's approval for the Rights Issue Offering
- Recommendation of the BOD regarding capital increase
- Feasibility studies for the poultry project that will be financed from the offering proceeds
- Written consents from the Financial Advisor, the Lead Manager, the Underwriters, the Legal Advisor, and the Auditors to include their names, logos, and statements in the Prospectus
- Underwriting Agreement and Lead Management Agreement.

... [www.asharqiyah.com.sa](http://www.asharqiyah.com.sa)



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