Prospectus

Issue of 66,375,000 new Shares representing 46.95% of Advanced Polypropylene Company's issued share capital through an initial public offer at an Offer Price of SR 10 per Offer Share

Advanced Polypropylene Company

Advanced Polypropylene Company
A Saudi Joint Stock Company registered with Commercial Registration Number 2050049604 dated 27 Shaban 1426H (corresponding to 1 October 2005G)

The Offer Period is from 04/11/1427H to 13/11/1427H
(corresponding to 25/11/2006G to 04/12/2006G)

Advanced Polypropylene Company ("APPC" or the "Company") was formed as a Saudi closed joint stock company with Commercial Registration Number 2050049604 dated 27 Shaban 1426H (corresponding to 1 October 2005G). At the date of this document, the share capital of the Company is SR 750,000,000 (75,000,000 shares with a nominal value of SR 10 each (each a "Share")). The Company plans to increase its share capital by SR 663,750,000 by issuing 66,375,000 new Shares through an initial public offering of those Shares. Following the increase in capital, the total share capital of the Company will be SR 1,413,750,000 consisting of 141,375,000 Shares.

The initial public offer (the "Offer") of 66,375,000 new unpaid Shares (the "Offer Shares"), representing 46.95% of the enlarged issued share capital of the Company, is directed at, and may be accepted by, Saudi nationals only. A Saudi woman who is divorced or widowed and who has children from a non-Saudi husband may subscribe for Offer Shares in the name(s) of her children who are minors. Following receipt of the relevant approvals from the Capital Market Authority of Saudi Arabia ("CMA" or the "Authority") and the Ministry of Commerce and Industry ("MoCI"), the Company held an Extraordinary General Meeting to approve the Offer and the increase in the share capital of the Company. Upon completion of the Offer, the Founding Shareholders will collectively own 53.05% of the enlarged issued share capital of the Company and will consequently retain a controlling interest in the Company. The net proceeds from the Offer will be retained by the Company and utilised to fund part of the Project cost.

The Offer will commence on 04/11/1427H (corresponding to 25/11/2006G) and will remain open for a period of 10 Business Days up to and including 13/11/1427H (corresponding to 04/12/2006G) (the "Offer Period"). Subscription to Offer Shares can be made through branches of each of the Receiving Banks (as listed on page (vi)) during the Offer Period.

Each applicant applying for Offer Shares (an "Applicant" and, collectively, the "Applicants") must apply for a minimum of 50 Offer Shares and not more than 25,000 Offer Shares. Each Applicant will be allocated a minimum of 50 Offer Shares with any remaining Offer Shares being allocated on a pro-rata basis to the number of Offer Shares applied for by the Applicant. The Company does not guarantee the minimum allocation of 50 Offer Shares in the event that the number of Applicants exceeds 1,327,500, in which case the Offer Shares will be allocated equally between all Applicants. Excess subscription monies, if any, will be refunded to Applicants without any charge or withholding by the relevant Receiving Bank. Notification of the final allotment and refund of subscription monies, if any, will be made no later than 18/11/1427H (corresponding to 09/12/2006G) (see Section 12 "*Subscription Terms and Conditions*").

The Company has one class of Share. Each Share entitles the holder to one vote and each shareholder (the "Shareholder") holding at least 20 Shares has the right to attend and vote at the general assembly meeting of the Company (the "General Assembly Meeting"). The Offer Shares will entitle holders to receive any dividends declared by the Company in respect of its 2006G fiscal year and subsequent fiscal years although the Directors do not currently anticipate that any dividends will be declared until the first full financial year after commercial production has commenced. For further information, see Section 8.17 "*Dividend Policy*".

Prior to the Offer, there has been no public market for the Shares in Saudi Arabia or elsewhere. An application has been made to the CMA for the admission of the Shares to the Official List and all supporting documents requested by the CMA have been supplied, and all relevant approvals pertaining to this Prospectus and required to conduct the Offer have been granted. Trading in the Offer Shares is expected to commence on the Exchange soon after the final allocation of the Shares (see the *"Key Dates for Investors"* section on page (xi)). Following Admission, Saudi and GCC nationals, companies, banks and funds, and non-Saudi nationals holding valid residency permits in Saudi Arabia, will be permitted to trade in the Offer Shares.

The "*Important Notice*" and "*Risk Factors*" sections in this Prospectus should be considered carefully prior to making an investment decision in the Offer Shares.

Financial Adviser

Co-Underwriters

Receiving Banks

This Prospectus includes information given in compliance with the Listing Rules of the CMA. The Directors, whose names appear on page (iv), 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 CMA and the 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 reliance upon, any part of this document.

This Prospectus is dated 25/10/1427H (corresponding to 16/11/2006G)
English translation of the Official Arabic Prospectus

IMPORTANT NOTICE

This Prospectus provides full details of information relating to the Company and the Offer Shares. In applying for Offer Shares, investors will be treated as applying on the basis of the information contained in this Prospectus, copies of which are available for collection from the Receiving Banks or by visiting the Company's website (www.appc.com.sa) and the website of the CMA (www.cma.org.sa).

Gulf International Bank B.S.C has been appointed by the Company to act as its Financial Adviser and Lead Manager in relation to the Offer. Samba Financial Group has been appointed to act as the Lead Manager.

This Prospectus includes details given in compliance with the Listing Rules. The Directors, whose names appear on page (iv), 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.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, substantial portions of the market and industry information herein are derived from external sources. While neither the Company nor GIB has any reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information.

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

This Prospectus is not to be regarded as a recommendation on the part of Company, the Directors, the Founding Shareholders or any of their respective advisers to participate in the Offer. Moreover, information provided 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 of this Prospectus is responsible for obtaining independent professional advice in relation to the Offer and for considering the appropriateness of the information herein with regard to individual objectives, financial situations and needs.

The Offer is being made to, and is only capable of acceptance by, nationals of Saudi Arabia. The distribution of this Prospectus and the sale of the Offer Shares in any jurisdiction other than Saudi Arabia is expressly prohibited. The Company, the Founding Shareholders and the Financial Advisor require recipients of this Prospectus to inform themselves about and to observe all such restrictions.

Industry and Market Data

The source for a significant portion of the market information contained in Section 2 (*Market Description*) is Nexant (formerly ChemSystems), an independent consulting firm that is engaged in the business of providing market and industry studies and economic consulting assignments for the petrochemical industry.

Nexant was formed in 2000G to provide technology solutions and consulting services to the global energy industry. Since its formation, Nexant has established ten offices in the US and overseas, and completed four acquisitions to grow its business. Nexant has completed several hundred consulting and technology projects in over 60 countries. Nexant is owned by certain of its management and employees and by a select group of investors.

The information used in Section 2 (*Market Description*)) has been derived from a Nexant report commissioned by the Company in 2005G. Nexant does not itself, nor do any of its affiliates, shareholders, directors or their relatives, hold any shareholding or interest of any kind in the Company. Nexant has given and not withdrawn its written consent to the use of the market data and research in the manner and format set out in the Prospectus.

Financial Information

The audited financial statements of the Company for the period from the incorporation of the Company (being 1 October 2005G) to 30 June 2006G and the accompanying notes included in Section 6 (*Audited Financial Statements*), have been prepared in accordance with the accounting standards issued by SOCPA.

Forecasts and Forward Looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of certain stated assumptions. Future operating conditions may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts.

Certain statements in this Prospectus constitute "forward-looking statements". Such statements can generally be identified by their use of forward-looking words such as "plans", "estimates", "believes", "expects", "may", "will", "should", or "are expected", "would be", "anticipates" or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (see Section 1 (*Risk Factors*)). Should any one or more of the risks or uncertainties materialize, or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus.

Subject to the requirements of the Listing Rules, the Company shall publish a supplementary Prospectus if at any time after the Prospectus has been approved by the CMA and before Admission, it becomes aware that (a) there has been a significant change in material matters contained in the Prospectus or any document required by the Listing Rules or (b) additional significant matters have become known which would have been required to be included in the Prospectus. With the exception of these two events, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects or at all. Prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

Definitions and Technical Terms

For an explanation of certain defined terms, please refer to Section 14 (*Definitions and Abbreviations*), and of certain technical terms relating to the petrochemical industry, please refer to Section 15 (*Glossary of Technical Terms*).

Corporate Directory

Existing Directors

The following people have been appointed Directors.

Name	Title
Mr. Khalifa bin Abdul Latif bin Abdullah Al Mulhem	Chairman of the Board
Mr. Abdulla bin Abdul Rahman bin Thunayan Al Obeikan	Director
Mr. Moayed bin Abdul Karim bin Saleh Al Mattir Al Saleh	Director
Mr. Mumtaz Khan Rodad Khan	Director
Mr. Abdul Mohsin bin Rashid bin Abdul Rahman Al Rashid	Director
Mr. Ahmed bin Sulaiman bin Abdul Aziz Al Rajhi	Director
Mr. Alex Segers	Director

Registered Office

The business address of the Company is:
Advanced Polypropylene Company
SAMIC Building
Gulf Road, Corniche, P.O. Box 7215
Dammam 31462, Kingdom of Saudi Arabia
Telephone: +9663-834-9341
Fax: +9663-834-7721

Authorized Representative

Khalifa bin Abdul Latif bin Abdullah Al Mulhem
P.O. Box 7215
Dammam 31462
Kingdom of Saudi Arabia
Telephone: 9663-834-9341
Fax: +9663-834-7721

Board of Directors' Secretary

Adel Ali Saeed Al-Ghamdi
P.O. Box 7215
Dammam 31462
Kingdom of Saudi Arabia

Share Registrar

TADAWUL
SAUDI STOCK MARKET
Abraj Attuwenya
King Fahd Road
P.O. Box 60612
Riyadh, 11555
Kingdom of Saudi Arabia
E-mail: webinfo@tadawul.com.sa

ADVISORS

Financial Adviser

Gulf International Bank B.S.C.
Abraj Atta'awuneya, King Fahad Road,
P.O. Box 93413
Riyadh 11673
Kingdom of Saudi Arabia

Legal Advisers to the Transaction

C L I F F O R D
C H A N C E

Clifford Chance LLP
3rd Floor, The Exchange Building
Dubai International Financial Centre
P. O. Box 9380
Dubai
United Arab Emirates

Al Jadaan Law Firm (in association with Clifford Chance LLP)
5th Floor, Al Umam Commercial Center, Siteen St, Al Malaz
P.O. Box 3515
Riyadh 11481
Kingdom of Saudi Arabia

Auditors and Reporting Accountants

Deloitte & Touche
Bakr Abulkhair & Co.
Public Accountants License No. 96
P.O. Box 182, Dammam 31411
Kingdom of Saudi Arabia

Economic Advisor for Studies and Market Researches

Nexant Limited
Griffin House
1st Floor South
161 Hammersmith Road
London W6 8BS, UK

FLOATATION PROCESSING AGENT, UNDERWRITERS AND RECEIVING BANKS

Floatation Processing Agent

Samba Financial Group
P.O. Box 833, Riyadh-11421, Kingdom of Saudi Arabia

Underwriters

Gulf International Bank B.S.C.
P.O. Box 1017, Manama, Bahrain

National Commercial Bank
P.O. Box 3555, Riyadh-21481, Kingdom of Saudi Arabia

Riyad Bank
P.O. Box 22622, Riyadh-11416, Kingdom of Saudi Arabia

Samba Financial Group
P.O. Box 833, Riyadh-11421, Kingdom of Saudi Arabia

Receiving Banks

Al Rajhi Banking and Investment Corp.
P.O. Box 28, Riyadh-11411, Kingdom of Saudi Arabia

Arab National Bank
P.O. Box 9806, Riyadh-11423, Kingdom of Saudi Arabia

Bank Albilad
P.O. Box 140, Riyadh-11411, Kingdom of Saudi Arabia

Bank Aljazira
P.O. Box 6277, Riyadh-21442, Kingdom of Saudi Arabia

Banque Saudi Fransi
P.O. Box 56006, Riyadh-11554, Kingdom of Saudi Arabia

National Commercial Bank
P.O. Box 3555, Riyadh-21481, Kingdom of Saudi Arabia

Riyad Bank
P.O. Box 22622, Riyadh-11416, Kingdom of Saudi Arabia

Saudi British Bank
P.O. Box 9084, Riyadh-11413, Kingdom of Saudi Arabia

Samba Financial Group
P.O. Box 833, Riyadh-11421, Kingdom of Saudi Arabia

Saudi Hollandi Bank
Al-Dhabab Street, P.O. Box 1467, Riyadh-11431, Kingdom of Saudi Arabia

The Saudi Investment Bank
P.O. Box 3533, Riyadh-11481, Kingdom of Saudi Arabia

PRINCIPAL BANKERS TO THE COMPANY

Bank Al-Jazira
P.O. Box 1161
Eastern Region
Dammam 31431
Kingdom of Saudi Arabia

Gulf International Bank B.S.C
P.O. Box 1017
Manama
Bahrain

The Saudi British Bank
P.O. Box 394
Eastern Province Management Office
Al-Khobar 31952
Kingdom of Saudi Arabia

SUMMARY OF TERMS OF THE OFFER

Company	Advanced Polypropylene Company, a Saudi closed joint stock company with Commercial Registration Number 2050049604 dated 27 Shaban 1426H (corresponding to 1 October 2005G)
Share capital pre-Offer	SR 750,000,000
Total value of Offer Shares	SR 663,750,000
Share capital post-Offer	SR 1,413,750,000
Total number of issued Shares pre-Offer	75,000,000
Total number of Offer Shares	66,375,000
Total number of issued Shares post-Offer	141,375,000
Offer Price	SR 10 per Offer Share
Nominal value of Shares	SR 10 per Share
Percentage of issued share capital	The Offer Shares represent 46.95% of the Company's enlarged issued share capital
Minimum number of Offer Shares to be applied for	50
Minimum subscription amount	SR 500
Maximum number of Offer Shares to be applied for	25,000
Maximum subscription amount	SR 250,000
Eligible investors	The Offer is only capable of acceptance by natural nationals of the Kingdom of Saudi Arabia. A Saudi woman who is divorced or widowed and who has children from a non-Saudi husband may subscribe for Offer Shares in the name(s) of her children who are minors.
Use of proceeds	The proceeds of the Offer are expected to be SR 663,750,000 and, after deduction of all costs and expenses in connection with the Offer, will be received by the Company and will be used to assist in funding the costs of the Project. The Founding Shareholders will not receive any proceeds from the Offer. Please refer to Section 7 *(Use of Proceeds)* for further information.
Offer Period	The Offer will commence on 04/11/1427H (corresponding to 25/11/2006G) and will remain open for a period of 10 Business Days to 13/11/1427H (corresponding to 04/12/2006G) (inclusive).

Allocations	Allocation of the Offer Shares is expected no later than 18/11/1427H (corresponding to 09/12/2006G). Subject to the total number of Applicants, each Applicant will be allocated a minimum of 50 Offer Shares with the remaining Offer Shares being allocated on a pro-rata basis to the number of Offer Shares applied for by each Applicant. The Company does not guarantee the minimum allocation of 50 Offer Shares per Applicant in the event that the number of Applicants exceeds 1,327,500, in which case the Offer Shares will be allocated equally between all Applicants.
Refund of excess subscription amounts	Excess of Subscription monies will be refunded to Applicants without any charge or withholding by the Receiving Banks on 18/11/1427H (corresponding to 09/12/2006G). Please refer to Section 12 *(Subscription Terms and Conditions)* for further information.
Listing and Trading of Shares	Prior to the Offer, there has been no public market for the Shares in Saudi Arabia or elsewhere. An application has been made to the Authority for listing the Shares on the Official List and relevant regulatory approvals required to conduct the Offer have been granted. Trading in the Offer Shares is expected to commence on the Exchange soon after the final allocation of the Offer Shares and after all related regulatory requirements have been completed. Please refer to page (xi) *(Key Dates for Investors).*
Voting rights	The Company has one class of Shares, which do not carry any preferential voting rights. Each Share entitles the holder to one vote. Each Shareholder holding at least 20 Shares has the right to attend and vote at the General Meeting and the Shareholder may delegate another Shareholder who is not a board member to attend the General Meeting. Further details of the Shares and the voting rights attached thereto are set out in Sections 9.5 *(Shares),* 9.6 (*Rights of the holders of shares)* and 9.15 *(General Meeting Procedures)*.
Lock-in Period	Founding Shareholders may not dispose of any Shares (i) for a period of three years from the date the Company was incorporated as a joint stock company (being 1 October 2005G) or (ii) until the date on which commercial operations commence, whichever is the later. In addition, the sale of Shares by certain of the Founding Shareholders is restricted by covenants in the Commercial Term Loan Facility Agreement as described in Section 4 *(Financing Structure).*
Dividends	The Offer Shares will entitle holders to receive any dividends declared by the Company in respect of its 2006G fiscal year and subsequent fiscal years. The Directors do not currently anticipate that any dividends will be declared until the first full financial year after commercial production has commenced, subject to any restrictions on the payments of dividends in agreements entered into by the Company as described in Section 4 (*Financing Structure)*. For further information, see Section 8.17 (*Dividend Policy*).

Risk Factors	There are certain risks relating to an investment in the Offer, namely: (i) risks relating to the Company, its operations and activities; (ii) risks relating to the market; (iii) risks relating to the region; and (iv) risks relating to the Shares. These risks are described in Section 1 (*Risk Factors*) and should be considered carefully prior to making an investment decision in the Offer Shares.
Costs	The Company will be responsible for all costs associated with the Offer, which are estimated at SR 24,000,000. This figure includes the fees of each of the financial advisor, underwriters, legal adviser to the Company and reporting accountants, in addition to receiving bank expenses, marketing expenses, printing and distribution expenses and other related expenses.

KEY DATES FOR INVESTORS[1]

Event	Date
Offer Period	04/11/1427H to 13/11/1427H (corresponding to 25/11/2006G to 04/12/2006G)
Last day for submission of Subscription Application Forms and Subscription Monies	13/11/1427H (corresponding to 04/12/2006G)
Refund of Subscription Monies for which no Offer Shares have been allocated (in the event of over-subscription)	18/11/1427H (corresponding to 09/12/2006G)
Trading of Offer Shares*	Upon completion of all related regulatory procedures.

** Commencement of trading will be announced in newspapers and/or on the Tadawul web site.*

HOW TO APPLY

Subscription Application Forms will be available during the Offer Period at branches of each Receiving Bank. Applicants who have participated in recent public offerings in Saudi Arabia may apply for Offer Shares via the Internet, phone banking or an ATM through any of the Receiving Banks which provides these services, subject to the following two conditions:

1. the Applicant has an account at the Receiving Bank; and

2. no modification has occurred to the Applicant's details.

Subscription Application Forms must be completed in accordance with the instructions described in Section 12 (*Subscription Terms and Conditions*).
The Offer is only capable of acceptance by natural nationals of the Kingdom of Saudi Arabia. A Saudi woman who is divorced or widowed and who has children from a non-Saudi husband may subscribe for Offer Shares in the name(s) of her children who are minors.

[1] The timetable and dates therein are indicative. Actual dates will be communicated through announcements appearing in Arabic daily newspapers.

SUMMARY OF KEY INFORMATION

This summary of key information is intended to give an overview of the information contained in this Prospectus. As such, it does not contain all the information that may be important to interested investors. Recipients of this Prospectus are advised to read the entire Prospectus before making a decision to invest in the Offer Shares. Capitalised and abbreviated terms have the meanings ascribed to such terms in Section 14 (Definitions and Abbreviations) and Section 15 (Glossary of Technical Terms) and elsewhere in this Prospectus.

THE PETROCHEMICAL INDUSTRY IN SAUDI ARABIA

Over the last twenty-five years, the Kingdom has established itself as a leading producer of petrochemicals. The petrochemicals industry in the Kingdom continues to grow and accounts for approximately 7%[2] of the global supply for basic and intermediary petrochemical products. The Kingdom's strong infrastructure, significant cost advantage due to lower average variable and fixed costs and competitive natural gas prices make it an attractive proposition for investments in crackers of Olefins and derivatives. Moreover, the Kingdom's energy strategy promotes diversification into downstream and the development of export-oriented plastic conversion industries resulting in further opportunities. Strategic foresight on the part of the Kingdom's leadership has resulted in a winning formula in petrochemical investments exemplified by the Jubail and Yanbu industrial cities, and the creation of a gas network by Aramco which has formed the backbone of the Kingdom's petrochemical industrial plants. The industry's success story, and investor confidence, is mirrored by the large investment commitments made by global companies over the last few years through joint ventures and expansions. Over 70% of the first projects in 2004G were in the form of joint ventures with the likes of ExxonMobil, Shell and Mitsubishi and these were followed by newcomers ChevronPhillips, Sumitomo, Basell and Acetex. This resulted in over 36 million tons of petrochemicals being produced by 2004G by 15 industrial plants.[3]

THE COMPANY

The Company was established as a closed joint stock company in the Kingdom of Saudi Arabia on 27 Shaban 1426H (corresponding to 1 October 2005G) with Commercial Registration No. 2050049604 to develop an integrated propane dehydrogenation and polypropylene complex in Al-Jubail (the "Project").

At the date of this document, the share capital of the Company is SR 750,000,000 consisting of 75,000,000 Shares. The Company plans to increase its share capital by SR 663,750,000 by issuing 66,375,000 new Shares through the Offer. Following the increase in capital, the total share capital of the Company will be SR 1,413,750,000 consisting of 141,375,000 Shares.

THE PROJECT

Once completed, the Project will produce 450,000 tonnes per annum ("tpa") of polypropylene. The Company will utilise proven technologies provided by Saudi Arabian Basic Industries Corporation ("SABIC") and Novolen Technology Holdings C.V. ("NTH"), a subsidiary of ABB Lummus Global Inc. ("Lummus"). SABIC, together with Lummus, has granted the Company the right to utilise its CATOFIN® "PDH" technology, and NTH has granted the Company the right to utilise its NOVOLEN® polypropylene production technology.

The Plant is being engineered and constructed by Samsung Engineering Company Limited ("SECL") and its affiliate Samsung Saudi Arabia Limited ("SSAL") (together, "Samsung"). This is being done under a lump sum, turnkey, engineering, procurement and construction arrangement. Engineering and initial procurement commenced on 30 May 2005G. Mechanical completion is scheduled for 3 February 2008G and completion of the Project is scheduled for 3 June 2008G.

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[2] Source: Saudi General Investment Authority
[3] Source: Saudi General Investment Authority

The overall EPC progress at October 2006G is approximately 79% which is six to eight weeks ahead of overall planned progress. Cumulative detailed engineering progress at October 2006G was 100% in line with planned progress. Procurement and construction progress were approximately 86% and 34% respectively, both of which were also ahead of planned progress.

The forecast schedule shows that the detailed engineering, critical equipment deliveries and construction activities are all on or ahead of the planned schedule. Samsung is targeting mechanical completion two months ahead of the contractual schedule. Critical path activities to achieve early completion are being identified in all areas.

Key Project dates pursuant to the EPC Contract

Milestone	**Date**
Forecast mechanical completion date	Beginning of December 2007[4]
Scheduled mechanical completion date	3 February 2008
Testing and Commissioning Period	120 days from mechanical completion date
Scheduled Commencement of commercial production	3 June 2008

Source: APPC

[4] This date is indicative only and is based on progress to date which is assumed will continue at or above this level. If this assumption proves to be incorrect, this date may change.

STRATEGY

Mission Statement

The Company's mission statement is: "To use the specialist knowledge and experience of our Founding Shareholders and employees, together with the resources and infrastructure of the Kingdom, to develop a new petrochemical project which will enhance the national economy while providing substantial returns to investors and fulfilling work to our employees."

Business Strategy

The Company's strategy is to establish itself as an efficient, low-cost producer of polypropylene by following international operating and business standards.

To maximize sales of its products in the international markets, the Company plans to rely on international offtakers who have global sales capabilities and have the ability to sell polypropylene even during difficult periods. The Company believes its business strategy, together with the competitively priced feedstock and the infrastructure available in Jubail, provides it with the appropriate resources to become another commercially successful Saudi based petrochemical company.

COMPETITIVE ADVANTAGES

The Company expects to benefit from the following competitive advantages:

- the adoption of proven technology which has been successfully implemented in other similar projects in Saudi Arabia;
- a competitively priced EPC Contract entered into with Samsung Engineering Company, Ltd, which has recent relevant experience of a similar project in Saudi Arabia;
- long-term contracts with three international offtakers who are expected to assist in marketing the total production of the Project;
- the availability of favourably priced feedstock from Aramco; and
- a group of foreign strategic investors, including an affiliate of the Technology Providers and the main offtaker (Vinmar International Limited), who have shown their belief in, and commitment to, the Project by making equity investments in the Company.

FOUNDING SHAREHOLDERS

The Founding Shareholders consist of 27 Shareholders comprising leading Saudi and regional businesses and individuals, IDB Infrastructure Fund and strategic international partners, including affiliates of the Technology Providers and two of the Offtakers. The Founding Shareholders are listed below.

Name	Pre-Offer		Post-Offer
	Number of Shares	Percentage of total Shares (%)	Percentage of Ownership (%)
Dar Al Kimaweyat	22,500,000	30.00	15.92
IDB Infrastructure Fund	12,750,000	17.00	9.02
National Poly Propylene Company Limited	11,250,000	15.00	7.96
Gulfvin Investment Limited	3,750,000	5.00	2.65
Mada Industrial and Commercial Investment Company	3,750,000	5.00	2.65
Rashid Abdul Rahman Al Rashid and Sons Company	3,600,000	4.80	2.55
Lummus Catalyst Company Ltd	3,375,000	4.50	2.39
Al Ghurair Private Company	2,050,000	2.73	1.45
Khalid bin Abdul Rahman bin Saleh Al Rajhi	1,750,000	2.33	1.24
Domo N.V.	1,500,000	2.00	1.06
Rowla bint Nafid bin Saleh Mustafa	1,250,000	1.67	0.88
Rashid bin Saad bin Abdul Rahman Al Rashid	900,000	1.20	0.64
Nasser bin Haza'a Al Subai'i and Brothers Company Ltd	750,000	1.00	0.53
Abdulla bin Mohamed bin Abdulla Al Huqail	750,000	1.00	0.53
Al Mishel Commercial Group Company Limited	700,000	0.93	0.50
Waleed bin Mohamed bin Abdulla Al Jaffari	662,500	0.88	0.47
Khalid bin Omar bin Jasir Al Baltan	650,000	0.87	0.46
Mohamed bin Mutlaq Al Mohamed Al Mutlaq	650,000	0.87	0.46
Abdulla bin Saad bin Abdul Rahman Al Rashid	450,000	0.60	0.32
Prince Khalid bin Mohamed bin Abdul Aziz bin Ayaf Al Muqren	400,000	0.53	0.28
Waleed bin Abdul Rahman Sulaiman Al Buraikan	325,000	0.43	0.23
Abdul Latif bin Mohamed bin Salem Al Barrak	300.000	0.40	0.21
Al Bahrawi Trading Company	300,000	0.40	0.21
Abdulla bin Abdul Latif bin Abdulla Al Mulhem	250,000	0.33	0.18
Fahad bin Abdul Rahman bin Thunayan Al Obeikan	200,000	0.27	0.14
Fuad bin Fahad bin Mohamed Al Saleh	100,000	0.13	0.07
Abdul Aziz bin Saleh bin Abdulla Al Rebdy	87,500	0.12	0.06
Total	**75,000,000**	**100**	**53.05**

Summary Of Key Parties

Technology Providers

ABB Lummus Global Inc./Novolen Technology Holdings B.V.	Lummus is part of the ABB Group. It is a US company with a worldwide network of integrated project execution centres, providing advanced process technologies, project management, engineering, procurement and construction-related services. Lummus and its affiliate, NTH, own the CATOFIN® PDH and NOVOLEN technologies, respectively.
SABIC	SABIC was founded in 1976 as a Saudi joint stock company and is currently the largest petrochemical company in the Middle East. In 1994, SABIC acquired the right to grant sub-licenses for the CATOFIN® PDH process within the GCC region. SABIC has granted the Company a sub-license to utilise the CATOFIN® PDH process.

EPC Contractor

Samsung Engineering Company Limited and Samsung Saudi Arabia Limited	Samsung has participated in over 1,500 projects, both in South Korea and internationally. Samsung has specific EPC experience in similar petrochemical projects and its operations cover Asia, the Middle East and Africa.

Offtakers

Vinmar International, Limited	Vinmar International, Limited is a subsidiary of the Vinmar Group, which was established in 1978. The Vinmar Group has its headquarters in Houston, Texas and specialises in trading chemicals, plastics and raw materials.
Mitsubishi Corporation	Mitsubishi is Japan's largest general trading company with over 200 bases of operations in approximately 80 countries worldwide. Mitsubishi owns and operates a number of polypropylene and polyethylene plants globally and is familiar with polymer and its downstream processors and consumers.
Domo N.V.	Domo is a manufacturer focusing on chemicals and polymers, fibres and yarns and floor coverings. Domo also owns an 180,000 tpa polypropylene plant in the Netherlands.

SUMMARY FINANCIAL INFORMATION

The summary financial information of the Company set out below should be read in conjunction with Section 6 (*Audited Financial Statements*). The Company was formed in October 2005G and is currently in the process of constructing the Plant. During 2005G, the only income generated by the Company was commission income received on cash deposits placed with financial institutions. The Company expects to commence commercial operations in 2008G.

The summary financial information set out below is based on the audited financial statements of the Company audited by Deloitte & Touche Bakr Abulkhair & Co. for the period since incorporation, being 1 October 2005G, up to 30 June 2006G which are set out in Section 6 *(Audited Financial Statements).*

Summary of historical financial statements

	For the period since incorporation (1 October 2005G) up to 30 June 2006G
Balance sheet	
Cash in hand and at banks	13,036,662
Other receivables, prepayments and deposits	255,961
Total current assets	**13,292,623**
Total non-current assets	895,589,158
Total assets	**908,881,781**
Accounts payable	40,687,107
Short term loans	116,250,000
Total current liabilities	**156,937,107**
Non current liabilities	8,875
Total equity	751,935,799
Total liabilities & equity	**908,881,781**
Operating activities	
Net sales	-
Gross profit	-
Other income	2,974,522
General and administrative expenses	(970,498)
Net income for the period	**2,004,024**
Cash flow data	
Cash provided by / (used in) operating activities	
Cash used in investing activities	(853,213,338)
Cash provided by (used in) financing activities	866,250,000

Source: Audited Financial Statements for the period from 1 October 2005G to 30 June 2006G

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TABLES

1. Risk Factors

Before deciding whether to purchase Offer Shares, prospective investors are advised to carefully consider all the information in this Prospectus, particularly the risk factors described below.

The Company's business, prospects, financial condition, results of operations, cash flows and its future projections could be materially and adversely affected if any of the following risks, which the Existing Directors currently believe to be material, or any other risks that the Existing Directors have not identified or that they do not currently consider to be material, actually occur or become material.

If any of these events occur, the value of the Offer Shares may be materially reduced and prospective investors may lose all or part of their investment.

1.1 Risks relating to the Company, its activities and operations

1.1.1 Financing risk

The total cost of the Project is estimated at SR 2,925 million, which is expected to be financed by approximately 52% by debt and 48% by equity. In order to finance or assist in the financing of the Project, the Company may rely on its ability to procure commercial and other loans, including loans from the SIDF. Should the Company be unable to obtain such financing in the future, or fail to meet its financing obligations (including compliance with covenants and ratios to which it is subject), the operations and financial performance of the Company, and its ability to maintain and expand its business, might be adversely impacted.

The Company's financial position may become highly leveraged due to its heavy reliance on commercial and other debt to finance the Project. While the Company may utilise a variety of financial hedging instruments, to the extent that it relies on various sources of commercial and other debt financing, the Company is exposed to the risk of interest rate fluctuation, which might increase its debt servicing costs and, therefore, adversely affect its financial performance.

1.1.2 Feedstock supply and price risk

Pursuant to the Allocation Letter, the Company has certain commitments from Aramco for the supply and delivery of 23 Mbd of propane feedstock and 15 MMscfd of sales gas (natural gas). There are certain conditions applicable to Aramco's obligation to supply propane and sales gas. Although the Company has committed to comply with the terms and conditions of the Allocation Letter, any failure or delay in doing so could result in amendments to, or termination or non-renewal of, the Allocation Letter. Furthermore, in the event the Company does not receive a supply of feedstock as anticipated, then it is likely that the Company would be materially and adversely impacted as the Project would not be able to meet the planned production schedules or sales commitments.

The price payable by the Company for propane is fixed until 2011G. This price is based on a series of factors applied to naphtha prices specified in the Ministerial Decree 260 dated 23/10/1422H (corresponding to 07/01/2002G), which results in a reduction of approximately 30% on the international price for naptha. Such factors may be altered by the Government of Saudi Arabia after 2011, which may adversely impact the financial performance of the Company.

Further details regarding the expected terms of the Propane Supply Agreement with Aramco are set out in Section 10 (*Summary of Project Contracts*).

1.1.3 Technology risk

The Company has obtained commercially proven technologies from Lummus and NTH, both of which are leading international technology developers. Technologies and processes are being continuously developed in the petrochemical sector worldwide. Significant developments in technology could result in existing technologies and processes currently utilised by the Company becoming uncompetitive, thereby adversely impacting the Company's competitiveness. The Company has the right to use these technologies under long-term technology licences. However, if due to certain unforeseeable events (which may, for instance, include non-payment of license fees) the Technology Providers terminate the technology licences before the licence fees have been fully paid, the performance of the Company may be adversely impacted.

1.1.4 Management Ability and Technical Expertise Risk

A large number of petrochemical projects are being implemented in the Kingdom and the GCC region. The Company may not be able to attract and/or retain key employees with the management and technical skills and experience necessary to implement and operate the Project. The Company intends to operate and maintain the Plant itself, however it has entered into two support agreements with Domo B.V. and Comerint for assistance in training, recruitment and Project management. A shortage of experienced personnel could affect the Company's ability to run its operations effectively and materially impact its financial performance.

1.1.5 Construction and completion risk

The Company has entered into a construction contract with Samsung, which it considers to be a reputable contractor, to construct the Plant pursuant to the EPC Contract. Samsung has provided appropriate guarantees in the EPC Contract to cover the risk of delay in completion or deficient performance of the Plant and is obliged to pay liquidated damages in the event completion of the Project is delayed or for any failure to achieve the performance guarantees. Such guarantees are backed, in part, by bonds issued by the Korean Development Bank. While Samsung has a successful record of completing projects of this type, there remains a risk of cost over-runs and delays, which may adversely impact the operations of the Company. However, this risk is partially mitigated by the fact that engineering work is complete and the construction of the Plant is, as at the date of this document, approximately eight weeks ahead of schedule. Further details on this and the EPC Contract are set out in Section 3 (*The Company*) and Section 10 (*Summary of Project Contracts*).

1.1.6 Operating risk

The smooth and uninterrupted operation of the Plant is largely dependent on the performance and reliability of the equipment and machinery. Under the terms of the EPC Contract, Samsung guarantees the performance of the Plant on testing. The Project is based on a conservative assumption of 8,000Hpa of availability. A comprehensive insurance program will cover the risk of business interruption resulting from fire or machinery breakdown. Any unforeseen shutdown, breakdown, failure or malfunctioning of the equipment/machinery, or any part of the production process, may result in the loss of Plant efficiency and production delays.

1.1.7 Offtake Agreement risk

The Company has entered into long-term Offtake Agreements with the Offtakers in relation to the sale of a quantity of product equal to the design capacity of the Plant. The term of each Offtake Agreement is for 10 years and this may be extended to 12 years at the Company's option. To the extent that the Company fails to fulfill its supply obligations under these contracts, it will be required to pay compensation to the Offtakers at an agreed rate (subject to a cap). Each of the Offtakers is required to provide a standby letter of credit to partially cover its payment obligations under its Offtake Agreement. If one Offtaker is unable to lift and sell the Product, such available amounts can be offered first to the other two Offtakers. If any one or more of the Offtakers fails to meet, or defaults on, its contractual obligations under the Offtake Agreements, the financial performance of the Company may be adversely impacted. Further details on the Offtake Agreements are set out in Section 10 (*Summary of Project Contracts*).

1.1.8 Insurance risk

The Company has arranged a comprehensive construction phase insurance programme with AON, the Company's risk management advisor, to cover the Project during the construction phase. In addition to other risks, this programme will cover the Company against risks related to third party liability, all construction risk and marine and shipping. The Company will also arrange for an insurance programme to cover sabotage and terrorism and delay in start-up. The programme for the construction phase insurances and the operational phase insurances will be controlled by the Company to ensure that the Project's interests, as well as those of other parties, are protected. A significant portion of the Project's insurances will be reinsured offshore in the international insurance market. However, there is no guarantee that the insurance coverage will be sufficient in all circumstances. Future unforeseen events may render the insurance coverage insufficient or invalid, which may adversely affect the Company.

1.1.9 Saudisation

The Company intends to adopt a Saudisation policy and will attempt to raise the percentage of Saudi nationals in its workforce by encouraging Saudi nationals to seek employment at the Company.

As the Company will employ more than 20 personnel, it will be required, pursuant to a circular issued by the Ministry of Labour on 1 Jumada Althani 1423H (corresponding to 10 August 2002G), to ensure that 30% of its workforce comprise Saudi nationals.

If at least 20% of a company's workforce is comprised of Saudi nationals, it has a Saudisation plan and it provides a written undertaking to increase the Saudi element of its workforce, the company will be issued with a Saudisation certificate and be permitted to sponsor non-Saudi employees. However, companies with a workforce comprising less than 20% of Saudi nationals will not be issued with Saudisation certificates or be allowed to sponsor non-Saudi employees.

Pursuant to Cabinet Resolution No. 50 dated 21/04/1415H, the failure by an employer to meet the Saudisation obligations arising in connection with Resolution No. 50 can be sanctioned by all or some of the following penalties:

- the suspension of the employer's applications for work visas;
- the suspension of the employer's applications to transfer the sponsorship of an employee or potential employee;
- exclusion from application for Saudi government tenders;
- denial of Saudi government loans; and/or
- denial of Saudi government subsidization to the private sector.

Occurrence of any such event will impact the business of the Company adversely and may result in a decline in financial performance.

For more information regarding the Company's Saudisation programme, see Section 3.15 (*Human resources and Saudisation*).

1.2 Risks related to the market

1.2.1 Commodity price risk

The expected future performance of the Company is largely based upon certain assumptions including those relating to the future conditions of the markets in which the Company intends to sell its products. These markets are global commodity markets driven by global supply and demand. Actual changes in market conditions in the region or elsewhere may affect commodity prices, the accuracy of the assumptions and/or the future prospects of the Company.

1.2.2 Competition (price and volume) risk

The markets in which the Company will sell its products are generally highly competitive and governed by forces of global supply and demand. Such markets are highly cyclical. There have been several new entrants to the markets in which the Company will operate and several market participants have undergone significant capacity additions leading to increased levels of supply and competition. Increased levels of competition and volatility might result in global excess capacity, which would significantly impact the Company's profit margins and adversely affect its performance.

1.2.3 Changes in consumer requirements

The key consumers of PP are downstream, consumer-related plastic industries. Changes in technology, tastes and preferences of the consumer group could adversely affect the future demand for the Company's products.

1.2.4 Environmental risk

Environmental contamination and associated penalties, fines and costs are risks inherent to the petrochemical manufacturing industry. In addition to compliance with applicable local environmental regulations, the Company is expected to conduct its operations in accordance with the environmental standards set by the Environmental Regulations. In the event of any changes to the environmental regulations (including additional regulations being imposed), the Company could be adversely impacted and may be required to incur significant expenditure in order to comply with such regulatory changes.

1.2.5 Regulatory risk

The Company is required to obtain certain regulatory approvals to build and operate the Plant. As of the date of this Prospectus, the Company has obtained the relevant approvals from the Royal Commission to build the Plant and has applied for the required approvals from the Presidency of Metrological and Environmental Protection. In the event of any changes to the regulations (including additional regulation being imposed), the Company could be adversely impacted and may be required to incur significant expenditure in order to comply with such regulatory changes.

1.2.6 Instability of foreign exchange rates

The Offtakers will pay for the products lifted under the Offtake Agreements in US dollars (Vinmar and Mitsubishi) and Euro (Domo). Some of the Company's loan facilities are denominated in US dollars. Adverse movements in the value of US dollars or Euros against other currencies may negatively impact the Company’s results.

1.3 Risks related to the region

1.3.1 World Trade Organisation Membership

The Kingdom became the 149th member of the WTO on 11 December 2005G. It is possible that membership might have an effect on the market conditions in the Kingdom, and an adverse impact on the future success of the Company. This risk will only have an impact on local manufacturers since the effect of the Kingdom becoming a member of the WTO will be to increase the free movement of goods and services between the Kingdom and the member countries and an end to the protection of locally produced products.

1.4 Risks relating to the Shares

1.4.1 Effective control by the Founding Shareholders

The Founding Shareholders will remain in a position to vote in relation to all matters requiring shareholder approval, including the election of the Board Members and significant corporate transactions.

Following completion of the Offer, the Founding Shareholders will own approximately 53% of the Shares in issue. Therefore, the Founding Shareholders (acting together) will be able to influence all matters requiring Shareholder approval since they will be able to pass ordinary resolutions without the need for further Shareholders to vote in favour and, similarly, prevent other Shareholders from passing ordinary and special resolutions by voting against them. They may exercise these rights in a manner that could have a significant effect on the Company's business, financial condition and results of operations.

1.4.2 Absence of prior trading market and potential volatility of the price of Offer Shares

There has been no prior market for the Offer Shares and there can be no assurance that, following Admission, an active trading market for the Offer Shares will develop. If an active trading market is developed, there is no assurance that this will continue after the Admission or for how long.

Various factors, including variations in actual or anticipated operating results, changes in, or failure to meet, earnings estimates or forecasts, market conditions in the industry, regulatory actions, general economic conditions or other factors beyond the Company's control could cause significant fluctuations in the price and liquidity of the Offer Shares.

1.4.3 Future Share sales

Substantial sales of the Offer Shares in the public market following completion of the Offer, or the perception that these sales will occur, could adversely affect the market price of the Offer Shares.

The Founding Shareholders are prevented from selling their Shares (i) for a period of three years from the date the Company was incorporated as a joint stock company (being 1 October 2005G) or (ii) until the date commercial operations commence, whichever is the later (the "Lock-In Period"). Furthermore, some of the Founding Shareholders may be prevented from selling their Shares for longer than the Lock-In Period under the terms and conditions of the Commercial Loan Facility Agreement (see Section 4 (*Financing Structure*)). In addition, the Company does not currently intend to issue additional Shares immediately following the Offer. Nevertheless, the issuance by the Company, or the sale by any of the Founding Shareholders following the Lock-In Period, of a substantial number of Shares could have an adverse effect on the market for the Shares and result in a lower market price of the Shares.

1.4.4 *Investment risk and ability to pay dividends*

The value of the Offer Shares may vary depending on the development of the Project. In addition, the Company may wish to raise funds through the offer of new Shares to the public or to one or more strategic Shareholders or investors. The Company may not always pay dividends, especially in the early years of operations, due to restrictions in certain of its loan agreements. Any decision to pay cash dividends to Shareholders will be at the discretion, and upon the recommendation, of the Board and approval of the General Assembly, after taking into account various factors then existing, including the Company's financial condition and future operating needs (see Section 8.17 (*Dividend Policy*)).

2. Market Description

The source for a significant amount of the market information contained in this section is Nexant (formerly ChemSystems), an independent consulting firm that is engaged in the business of providing market and industry studies and economic consulting assignments for the petrochemical industry.

Nexant was formed in 2000G to provide technology solutions and consulting services to the global energy industry. Since its formation, Nexant has established ten offices in the US and overseas, and has completed four acquisitions to grow its business. Nexant has completed several hundred consulting and technology projects in over 60 countries. Nexant is owned by certain of its management and employees, and by a select group of investors.

The information used in this section has been derived from a Nexant report prepared for the Company. Nexant does not itself, nor do any of its affiliates, shareholders, directors or their relatives, hold any shareholding or interest of any kind in the Company. Nexant has given and not withdrawn its written consent to the use of the market data and research in the manner and format set out in the Prospectus.

2.1 Polypropylene industry overview

During the 1990's, a doubling of the number of polyolefin producers, together with structural and economic changes in Asia and Latin America, caused many companies to redefine their strategies and focus on world-scale production technologies implemented in areas that offer maximum feedstock advantages and an increasing emphasis on sustainable profitability. Olefin products (namely ethylene and propylene) are primary building blocks for polyolefin products. Polyolefin products are used in apparels, automotives, home furnishing, carpets and non-woven fabrics.

This trend is expected to continue. In 2004G, the demand growth for PP was estimated at 6.5%, demonstrating its continued penetration into applications that were served by traditional materials including metals, wood and ceramics, and also some growth at the expense of other polymers.

2.1.1 Saudi Arabia's competitive position in the global petrochemical industry

The Saudi Arabian economy showed robust growth in 2005G, on the back of strong oil prices and excessive liquidity. The Kingdom's real Gross Domestic Product ("GDP") grew by approximately 6.8% in 2005G while the oil and gas sector during the same period expanded by 14.3%. The Government of Saudi Arabia is continuing with its efforts to diversify the economy with particular emphasis on the private sector. This strategy over the last few years has resulted in steady growth in private enterprise and with the current strong economic position of the Kingdom it is expected that the trend will continue. In 2005G, oil export revenue reached a 22 year high.[5]

[5] Source: Saudi American Bank

2.1.2 Other polypropylene projects in the Kingdom

According to Nexant, the following are some of the other stand alone PP projects that are either operational or are expected to become operational by 2008-2009G.

Table 1: Competing polypropylene plants in Saudi Arabia

Project Name	Capacity (tons)	Location
Saudi Polyolefin Company	450,000	Jubail
National Petrochemicals	400,000	Yanbu
Al Waha	450,000	Jubail

Source: Nexant

Despite the incremental new capacity that will come on stream over the next two to four years in the PP business in Saudi Arabia, the demand for PP is strong and continues to grow. However, due to the significant cost advantage that PP producers in Saudi Arabia enjoy vis-a-vis producers in other parts of the world, the addition of new capacity is not likely to significantly impact the market for PP produced in Saudi Arabia.

2.2 Demand for polypropylene

As a large proportion of demand for PP is for use in durable and semi-durable applications (e.g. automotive parts, carpets, appliances and furniture), PP demand cycles typically follow GDP cycles. Global demand for PP has grown from 34.8 million tpa in 2002G to over 42 million tpa in 2005G, an average increase of 6.5% per annum. The majority of current PP demand is from the US, Asia Pacific and Western Europe which, together, accounted for 77% of total global demand in 2005G.

Table 2: Global polypropylene demand by region

(000' tonne)	2002G	2003G	2004G	2005G
North America	7,616	7,722	8,228	7,937
Latin America	1,504	1,633	1,780	1,901
Japan	2,429	2,511	2,580	2,689
Asia Pacific	12,027	13,023	14,058	15,064
Western Europe	7,580	7,931	8,180	8,199
Eastern Europe	1,201	1,300	1,362	1,516
Middle East	1,590	1,798	2,126	2,316
Africa	882	965	1,053	1,148
Global	**34,829**	**36,884**	**39,367**	**40,770**

Source: Nexant

Growth in demand for PP has been supported by product performance improvements in many areas, and inter-polymer competition where PP has successfully displaced other, higher value polymers (including polystyrene, polyolefins and other traditional materials (e.g. paper, glass and wood)).

Demand is dominated by fibre, film and injection moulding applications, though PP is also used in blow moulding, extrusion coating and other extrusion and miscellaneous applications.

Table 3: Global polypropylene applications

Application	% Share 2002G	% Share 2003G	% Share 2004G	% Share 2005G
Injection moulding	42.2	42.4	42.4	41.9
Fibre	28.1	27.8	27.5	27.8
Film	17.1	17.3	17.4	17.5
Extrusions	9.3	9.2	9.3	9.4
Others	3.3	3.3	3.4	3.4
Total	**100**	**100**	**100**	**100**

Source: Nexant

The three major application categories for PP are described below.

Injection molding

The largest single use for PP is injection moulding, with a wide range of uses including containers, crates, house wares, appliances, automotive products and outdoor furniture.

Fibres

Fibres are used primarily for carpet manufacture, clothing, ropes, belts and furniture fabrics. New developments have also been made which has resulted in the use of fibres in applications such as hygiene and medical products.

Film

Films are ideal for use in food packaging (such as snack foods, rice or pasta), cigarette wrappings and wrappings for shirts or flowers.

2.3 Polypropylene supply

Global PP supply increased from 38.8 million tpa in 2002G to 43.8 million tpa in 2005G. PP global capacity is forecast to continue to grow in the near future. A significant portion of this capacity growth is expected to occur in the Middle East with a number of new grassroot PP projects being constructed or in advance planning stages. This growth of new capacity is due to the large volume of gas available at competitive prices and the region's proximity to growth markets. The region will become a major exporter of PP to Western Europe and Asia, and in particular China, where demand is expected to nearly double in the next five years. This is despite significant capacity growth expected in Asia.

Globally, by region, net PP capacity is as follows:

Table 4: Projected polypropylene net capacity 2002G to 2005G

(tpa 000's)	2002G	2003G	2004G	2005G
North America	8,460	8,575	8,766	8,720
Latin America	1,942	2,026	2,066	2,219
Western Europe	9,405	9,564	9,689	9,787
Eastern Europe	1,313	1,413	1,423	1,657
Africa	625	625	625	625
Middle East	1,435	1,515	1,828	2,097
Japan	2,898	2,928	3,188	3,091
Asia Pacific	12,721	13,387	13,963	14,728
Total	**38,799**	**40,033**	**41,548**	**42,925**

Source: Nexant

2.4 Demand and supply balance

Over the period 2002G to 2005G, growth in capacity has outstripped average demand growth. Accordingly, plant-operating rates recovered from 90% in 2002G to a peak of 97% in 2005G. Reflecting the Middle East's growing importance as a leading exporter of PP produced from low-cost feedstock sources, the operating rates in the Middle East region are expected to exceed global expectations.

On the supply side, in 2004G, the Middle East accounted for 4.4% of the global PP capacity. The development of new propane dehydrogenation, especially in the Kingdom, together with the addition of refinery units planned in Oman, Iran, Kuwait and the Kingdom, will increase the region's supply potential. The result will be a shift from the region's current small net polypropylene importing position.

Table 5: Global polypropylene supply/demand balance

(tpa 000's)	2002G	2003G	2004G	2005G
Firm capacity	38,799	40,033	41,548	42, 925
Production	34,766	37,155	39,213	40,799
Operating rate	90%	93%	94%	95%
Consumption	34,829	36883	39,367	40,770

Source: Nexant

2.5 Historic polypropylene prices

While the pricing formula adopted in the Offtake Agreements will leave the Company exposed to fluctuations in PP prices internationally, this risk is common in other grassroots petrochemicals projects.

Whilst over the long term, PP prices conform to trends linked to the price of crude oil, in the short term prices exhibit some volatility due to a number of factors resulting from the business being "event driven".

Since 1995G, PP prices in North West Europe and South East Asia have fluctuated between US$465 per tonne, to US$1,090 per tonne.

Table 6: Historic polypropylene prices

US$	1995G	1996G	1997G	1998G	1999G	2000G	2001G	2002G	2003G	2004G
North West Europe	1,090	828	814	640	600	710	632	672	824	1,027
South East Asia	950	798	705	465	529	597	512	566	695	955

Source: Nexant

In general, the price of the polymer is correlated to the underlying value of crude oil and propylene monomer derived from it. When local supply and demand conditions override the influences of crude oil based pricing, the general trend is for a price decline. In lesser-developed markets (Middle East, South Asia and China), the price mechanism is driven by competitive responses to tenders for imports. In general, the prices in these markets are more erratic and tend to be lower as producers utilise these opportunities to off-load production, which is not absorbed into the primary user market places that are served.

3. THE COMPANY

3.1 Introduction

The Company was established on 27 Shaban 1426H (corresponding to 1 October 2005G) as a closed joint stock company for the purposes of developing an integrated PDH and PP complex in Al-Jubail with an authorised capital of SR 750 million of which SR 375 million was paid. As of 30 June 2006G, the Founding Shareholders have contributed the remaining outstanding equity balance of SR 375 million. The Project was initially being developed by NPPC, a limited liability company owned by Khalifa Al-Mulhem, the current Chairman of the Board, and Munther Al-Lahiq who were the two initial sponsors of the Project. The Project Contracts were entered into by either (i) NPPC (and subsequently novated or transferred to the Company) or (ii) the Company. The Project will produce 450,000 tpa of PP utilising proven technologies provided by SABIC and NTH, an affiliate of Lummus. SABIC, together with Lummus, has granted the Company the right to utilise its CATOFIN® PDH technology, and NTH has granted the Company the right to utilise its NOVOLEN® PP production technology.

The Plant will be engineered and constructed by Samsung, under a lump sum, turnkey, engineering, procurement and construction arrangement. A summary of the terms of the EPC Contract are set out in Section 10 (*Summary of Project Contracts*). Engineering and initial procurement commenced on 30 May 2005G and mechanical completion is scheduled to occur under the EPC Contract by 3 February 2008G. Commercial production is scheduled for 3 June 2008G subsequent to a 120 day commissioning and testing period.

Table 7: Key Project dates pursuant to the EPC Contract

Milestone	Date
Forecast mechanical completion date	Beginning of December 2007[6]
Scheduled mechanical completion date	3 February 2008
Testing and Commissioning Period	120 days from mechanical completion date
Scheduled Commencement of commercial production	3 June 2008

Source: APPC

3.2 Mission statement

The Company's mission statement is: "To use the specialist knowledge and experience of our Founding Shareholders and employees, together with the resources and infrastructure of the Kingdom, to develop a new petrochemical project which will enhance the national economy while providing substantial returns to investors and fulfilling work to our employees."

3.3 Business strategy

The Company's strategy is to establish itself as an efficient, low-cost producer of polypropylene by following international operating and business standards.

[6] This date is indicative only and is based on progress to date which is assumed will continue at or above this level. If this assumption proves to be incorrect, this date may change.

To maximize sales of its products in the international markets, the Company plans to rely on international offtakers who have global sales capabilities and have the ability to sell polypropylene even during difficult periods.

3.4 Competitive advantages

The Company believes it will benefit from the following competitive advantages:

- the adoption of proven technology;
- a competitively priced EPC Contract;
- long-term contracts with three international offtakers (Vinmar, Mitsubishi and Domo) who are expected to assist in marketing the total production of the Project;
- the availability of favourably priced feedstock from Aramco; and
- a group of foreign strategic investors.

3.5 Plant location

The site allocated to the Company for the Plant is 650,334m^2 in size and is located in the northern portion of Section Q of the Primary Industries Park. The Royal Commission entered into a thirty year Land Lease Agreement with the Company, in accordance with established Royal Commission policies and procedures (see Section 10 (*Summary of Project Contracts*)).

3.6 Products

Propylene is a colourless gas with a boiling point of -47.8ºC. Around 98% of propylene has been historically produced as a by-product of other operations. The CATOFIN® PDH process represents an alternative method for direct production. All of the propylene produced will be used in the production of PP.

First produced in 1957, PP is produced commercially in a white pelletised form. Its major characteristics include:

- ease of extrusion;
- ease of moulding when heated under pressure; and
- an ability to hold colours.

Accordingly, there are a wide range of end uses for PP including carpet fibres, ropes, clothing and other textiles, automotive plastics, pipes, bottles, household, toys and packaging.

3.7 Production facilities

The Company has elected to utilise CATOFIN® PDH technology licensed from SABIC and Lummus to convert propane to propylene, and the NOVOLEN® PP process which is licensed by NTH, an affiliate of Lummus, to convert the propylene to PP. Each process utilises a different type of catalyst. The catalyst used for the CATOFIN® PDH technology will be made available to the Project under a long-term catalyst supply agreement with SCI. The catalyst used for the NOVOLEN® technology is widely available in the market. The catalyst will be supplied initially by NTH, however the Company has structured its supply agreement with NTH to retain the flexibility to obtain catalyst from third parties should it become economically advantageous to do so.

3.7.1 CATOFIN PDH Plant

The CATOFIN PDH unit is designed to produce 455,000 tpa of polymer grade propylene in 8,000 hpa. The CATOFIN® PDH technology is already operating successfully on a commercial scale at

SPC's 450,000 tpa plant in Al-Jubail, and NSP's 210,000 tpa plant in Belgium. The successful start-up and operation of the SPC plant in 2005G confirms the validity of the CATOFIN® PDH technology.

3.7.1.1 Production process

The PDH process converts propane to propylene using a fixed-bed chrome-alumina catalyst. The CATOFIN® PDH process is endothermic, and takes place in fixed-bed reactors that operate on a cyclic basis to permit continuous uninterrupted flow of the major process streams. In one complete cycle, propane is dehydrogenated and the reactor is then purged with steam and blown with air to reheat the catalyst and burn off the small amount of coke (<0.1 wt% on catalyst) which is deposited during the reaction cycle. These steps are followed by an evacuation and reduction before another cycle is begun.

3.7.2 Polypropylene plant

The NOVOLEN® process for PP production was commercialised nearly 35 years ago. Today it ranks within the top five processes for PP production by volume, with the top five processes accounting for 75% in aggregate of total global capacity. In total, the NOVOLEN® process has been licensed for thirty-seven lines for approximately 3.1 million tpa of combined capacity. Continuous developments have been made to both the process and the catalyst. The PP unit is designed to produce 450,000 tpa of commercial grade homopolymers and random copolymers in 8,000 hpa of operation.

3.7.2.1 Production process

The reactors are fed by propylene and other required comonomers, then hydrogen is added to control the molecular weight. The propylene is converted to PP by setting up the appropriate polymerisation conditions (temperature, pressure and reactant). The reaction itself is exothermic and reactor cooling is achieved by flash heat exchange, where liquefied reactor gas is mixed with fresh feed and injected into the reactor.

At atmospheric pressure, the polymer powder is discharged and separated from the reactor. The PP powder is transported to powder silos and is then converted into pellets.

The product will be sold in either 25kg bags or in bulk isocontainers.

3.8 Process technologies

Lummus and its affiliate, NTH, own both the CATOFIN® PDH and the NOVOLEN® technologies respectively. In 1994, SABIC acquired the right to grant sub-licenses for the CATOFIN® PDH process within the GCC region. SABIC has granted the Company a sub-license against the payment of a license fee to utilise the technology.

The Company has contracted with NTH to utilise NOVOLEN® technology. Lummus acquired the exclusive right from NTH to provide engineering services for the NOVOLEN® process for the production of PP.

3.9 Propane feedstock

3.9.1 Propane supply

Pursuant to the Allocation Letter, Aramco has made an allocation of 23 Mbd of propane feedstock to the Project, which is sufficient to cover the Project's feedstock needs. There are certin conditions applicable to Aramco's obligation to supply propane and sales gas. Although the Company has committed to comply with the terms and conditions of the Allocation Letter, any failure or delay in doing so could result in amendments to, or termination or non-renewal of, the Allocation Letter.

Pursuant to the draft Propane Supply Agreement, Aramco will supply the Company with propane rich gas (for use as feedstock in the Plant). The Propane Supply Agreement will remain in effect for a period of 20 years. Aramco is understood to have sufficient reserves of propane to meet this commitment.

The propane will be supplied to the Project through Petrokemya's propane supply pipeline, which supplies a number of propane users in Al-Jubail pursuant to a Propane Pipeline Grid System Agreement. The term of the agreement with Petrokemya is for 30 years with automatic renewal for five year periods if not terminated. The agreement is a standard form agreement used by all Al-Jubail operations linked to Petrokemya’s propane supply system pipeline grid. The Project is responsible for installing and maintaining its own dedicated pipeline, metering station and surge capacity between the site and the Petrokemya pipeline tie-in point. Summaries of the draft Propane Supply Agreement and the Propane Pipeline Grid System Agreement are set out in Section 10 (*Summary of Project Contracts*).

3.9.2 Propane pricing

Propane originating from gas production is currently priced as a function of naphtha posted price (Japan naphtha pricing netted back to the Arab Gulf) multiplied by a conversion factor in accordance with the Council of Ministers Resolution No. 260 of 23/10/1422 H (corresponding to 07/01/2002G). This conversion factor gradually increases from 0.687 in 2008G to reach a value of 0.720 in 2011G. The propane price that will result from this pricing mechanism should still result in continued advantageous propane pricing for domestic usage versus full export parity propane pricing. Beyond 2011G, the Company anticipates the conversion factor for pricing propane to be held constant at the 2011G level or for it to rise modestly (see Section 1.1.2 (*Feedstock supply and price risk*)).

*Price = Product Factors * (Price of Naphtha at Japan (C&F Japan) - Freight Cost)*

Saudi Arabia joined the WTO on 11 December 2005G and, according to the membership negotiations, it is expected that feedstock pricing will remain at current levels while tariffs imposed by other countries on the Saudi exports are expected to reduce, which would have a positive impact on Saudi exports.

3.10 Catalysts

The CATOFIN®PDH catalyst will be supplied by SCI for a period of 16 years. The expected operating life of the catalyst is two years. The lead-time for delivery of a full change of catalyst is about six months from the date of order. Accordingly, some catalyst will be maintained in inventory for emergencies.

The PP catalyst will be supplied by NTH. The catalyst is consumed in the polymerisation process and is supplied in powder form.

A summary of the Catalyst Supply Agreements is set out in Section 10 (*Summary of Project Contracts*).

There is also a requirement in the Technical Services Agreement for Lummus to provide on-going support and catalyst selection.

3.11 Utilities

The key components of the on-site utility systems required by the Company include: an instrument air system; a distributed control system; an inert gas system (nitrogen); high pressure steam; cooling systems; potable water; treatment pond, pumps and sewer systems; a fire water system including water storage tanks/ponds for up to eight hours of continuous use; and product storage and pumping facilities.

The Project will also require administration and services buildings comprising: a site administration office; a maintenance building with integral offices; a central control room with space for operations' offices; a laboratory, a main security building and gate houses; an electrical substation; and a mosque.

Reliable suppliers will provide off-site utilities to the Project:

- Aramco will supply the Project with 15 MMscfd of natural gas, which will be used to fire boilers and heaters in the PDH Plant. The Project will require the construction of a gas pipeline, which will be connected to a natural gas header in Al-Jubail. Samsung will construct a fuel gas line between the new header and the site.
- GAS will supply nitrogen by pipeline to the Project. Nitrogen is used as an inert gas in most petrochemical plants. Requirements during normal operation are small but can become large when large vessels are purged for maintenance. GAS provides oxygen and nitrogen to all industrial users in Al-Jubail.
- Historically, the Royal Commission, under the terms of land lease agreements, has provided water to industries in Al-Jubail. Marafiq will take over this supply operation from the Royal Commission and will supply the Company. This water will meet part of the Project requirements for production of demineralized water for boiler feed water and process water.
- Marafiq will supply 5,000 m^3/hr of seawater coolant to meet the requirement for the Plant pursuant to a Utility User Agreement.
- SEC will supply up to 25,000 kVA of power at 115 kV to a new sub-station to be built at the Plant and to be connected to an existing SEC substation by two feeders.
- Marafiq also provides other services, including final treatment of wastewater from all industries in Al-Jubail, sanitary wastewater, solid waste disposal, and the Royal Commission will provide access to the King Fahd Port, which the Company will use for the import of equipment and materials.

In common with other polymer producers, the Company will use the Dammam container port to export containerized PP product. Local trucking companies are available to transfer containers from the Plant to Dammam and to return empty containers from the port.

3.12 Insurance

The Company has arranged a comprehensive construction phase insurance programme with AON, the Company's risk management advisor, to cover the Project during the construction phase. In addition to other risks, this programme will cover the Company against risks related to third party liability, all construction risk and marine and shipping. The Company will also arrange for an insurance programme to cover sabotage and terrorism and delay in start-up. In addition, the EPC Contractor is obliged to take out insurances for workers' compensation and employers' liability, motor vehicle liability and plant and equipment including aircraft or watercraft and liabilities arising out of the use thereof.

The Company will arrange a new operational phase insurance programme when the Project is completed and becomes operational. The term of the operational phase insurance programme is expected to be annual.

The programme for the construction phase insurances and the operational phase insurances will be controlled by the Company to ensure that the Project's interest, as well as those of the

Commercial Lenders, are protected. A significant portion of the Project's insurances will be reinsured offshore in the international insurance market.

3.13 Environmental, safety and quality control

3.13.1 Environmental considerations

The Company will be subject to the requirements of both the Royal Commission and the Presidency of Metrological and Environmental Protection in relation to environmental protection (including ground and waste water quality and sea discharges) and safety. These are derived from the Saudi Arabian Meteorological and Environmental Protection Agency's standards which, in turn, are based on the US Environmental Protection Agency's standards for air, water and solid wastes. The standards also cover noise, transport and storage.

The Company will be subject to ongoing monitoring for compliance with its permit conditions. After commissioning of the Plant, the Company will be required to submit monthly reports to the Royal Commission demonstrating permit compliance for specified air streams and water discharges, with quarterly reporting required thereafter. Monthly reports will also be made to the Company's Central Safety Committee and Management.

The Company is also subject to the environmental law of the Kingdom, which requires an environmental impact assessment report approved by the Presidency of Metrology and Environment. There are no known natural hazards such as flooding, risk of tidal waves, landslide or seismic activity affecting the proposed Project site.

3.13.2 Health and safety

In view of the flammable or otherwise hazardous nature of some of the petrochemicals streams processed, the Company will operate strict health and safety policies. These will include monitoring of both production areas and the exposure of individual personnel to specific chemicals. Employees will be monitored for specific risks associated with the work place. The Company will adopt many elements of the US Occupational Safety and Health Association's Process Safety Management guide as a matter of good practice. The Company will conduct monthly health audits on the adherence to safe working practices.

3.13.3 Quality control

The Company's quality control plan will include internal checks and reviews, audit and other key reporting mechanisms. The quality control plan is considered an integral part of the Project's execution plan, and will govern all of the project management contractors' work. The quality control plan will be activity and deliverables based (with reference to all standards, checklists, review procedures, methods and criteria used to govern techniques applied in the performance of the work), in order to ensure that all Project requirements are met.

The Company's approach to quality will be governed by ISO 9000-2000 principles and requirements and its work processes and procedures will be documented in accordance with the ISO standards for quality performance. The Company is not expected to have a specific ISO total quality management certification plan in the short term. However, the Company intends that any projects it undertakes will follow best industry practice and will consider seeking ISO total quality management certification at a later stage.

3.14 Product offtake

The Company has negotiated Offtake Agreements with Vinmar, Mitsubishi and Domo for the sale of 100% of the Plant's nameplate production capacity. The term of each Offtake Agreement is 10 years and this may be extended to 12 years at the Company's option.

Summaries of the Offtake Agreements are set out in Section 10 (*Summary of Project Contracts*).

The target markets for the Company's products will be predominantly Europe, South East Asia, in particular China, and the Middle East. The Company intends to sell any excess product not sold to the Offtakers to local users in the GCC region. A small team with sales, logistics and accounts responsibility will support this effort.

3.15 Human resources and Saudisation

The Company's recruitment strategy is as follows. For key positions, the Company plans to hire individuals experienced in operating and managing similar facilities within the GCC member states. At the technical operation levels, the Company will hire Saudi nationals who have either just completed high school, graduated from a technical college or have less than three years of experience in working on similar projects. The Company will arrange to provide full operational training through its technical partners (ABB, Domo B.V., Comerint and Samsung) and other outside parties to ensure that it has a fully trained work force by the start-up of the Project. In addition, the Company will recruit and train a mixture of experienced and recently graduated Saudi Arabian professionals as needed prior to commencement of operations. Including the executive management team, it is expected that the Company will require a total workforce of almost 258 people, made up as follows:

Table 8: Estimated employee breakdown

Function	Headcount
Executive Management[7]	**5**
In-Plant Operations	
Polypropylene Plant	70
Propylene Plant	38
Sub-Total	**108**
Operational Support Services	
Technical Support	24
Quality Control and Analyzers Maintenance	14
Inspection and Maintenance	28
Safety, Security and Environment	25
Warehouse Staff	4
Sub-Total	**95**
Marketing and Associated Resources	
Marketing	7
Logistics Support	Out-sourced
Sub-Total	**7**
Other General and Administrative Staff	
Procurement	4
Human Resources	7
Financial and Accounting	10
M.I.S.	6
Legal Services	-
Administrative Services	16
Sub-Total	**43**
Total	**258**

Source: APPC

[7] Excludes in-plant managers.

Employee training will be provided with periodic re-training and courses for all employees in accordance with defined professional development plans. Where necessary, the ongoing training may include attending external technical and managerial courses.

4. FINANCING STRUCTURE

4.1 Financial structure and uses of funds

The Project will cost an estimated SR 2,925 million (US$ 780 million) to complete and will be financed through a combination of equity and debt sources. The Company has arranged a typical financing structure used in previous private sector petrochemical projects in the Kingdom.

Following completion of the Offer, equity capital of SR 1,413.75 million contributed by Shareholders will be used to fund approximately 48% of the estimated cost of the Project. Of this amount, SR 750 million was contributed by the Founding Shareholders and SR 663.75 million is expected to be raised through the Offer. The Company has used the equity contributed to date by the Founding Shareholders, together with the proceeds of the GIB Loan and the SIDF Bridge Facility, to make payments to Samsung and to other Project parties.

The funding for the Project is based on 52% debt and 48% equity with total debt estimated at SR 1,511.2 million and total equity of SR 1,413.8 million as detailed in the table below:

Table 9: Sources and uses of funds

Source of funds	SR million	%	Use of funds	SR million
Equity contributions	1,413.8	48%	EPC, technology and other capex	2,372.6
SIDF Loan	400.0	14%	Other costs	315.4
Commercial Loan	1,111.2	38%	Contingency	112.5
			Total capital expenditures	2,800.5
			Total financing cost	124.5
Total financing	**2,925.0**	**100%**	**Total financing requirements**	**2,925.0**

Source: APPC

The Company currently has no plans to undertake any investment other then the construction of the Plant.

The Company has debt funding commitments from the following parties:

1. the SIDF has approved a loan facility of SR 400 million (the "SIDF Loan"); and
2. a commercial term loan facility of SR 1,369 million has been approved by the Commercial Lenders (the "Commercial Term Loan Facility").

The Company entered into the SIDF Loan on 4 September 2006G, and is in the process of finalising the Commercial Term Loan Facility Agreement which it hopes to enter into by 31 December 2006.

As a result of planned sources of funds not being available when originally expected, for instance the proceeds of the Offer, the SIDF Loan and the Commercial Term Loan Facility, and in order for the Company to meet its ongoing payments relating to the Project, it has also secured and utilised short term facilities in the amounts of US$31 million with GIB (the “GIB Loan”) and a SR 243,750,000 million Murabaha facility (together with a Sale with Deferred Payment Agreement) with Bank Aljazira (the “SIDF Bridge Facility”).

To ensure that the Company can continue to meet the costs of implementing the Project as planned, it is in discussions with certain financial institutions to provide a bridge facility as described in Section 4.6 (*The IPO Bridge Facility*) below.

It is the intention of the Board to consider Shar'iah compliant structures to finance the Project in the future. Islamic funding structures are available in the Kingdom and are increasingly being used to fund long-term petrochemical projects similar to the Project. The Management intends to evaluate Islamic financing structures to fulfil this financing objective of the Company.

Further information on each of these loans, including their principal terms, is set out below:

4.2 The SIDF Loan

4.2.1 Scope

On 4 September 2006G, the Company entered into the SIDF Loan under which SIDF granted the Company a SR400 million term loan facility. The facility is to finance part of the Project costs and services.

4.2.2 Availability of the facility

The facility established under the SIDF Loan is available up until 31 August 2008G.

Certain special conditions need to be satisfied prior to first utilisation.

Prior to disbursement of the final 20 per cent. of the SIDF Loan amount, the Company is required to establish a technically supported body for marketing, sales and distribution and to submit a detailed pre-marketing plan.

4.2.3 Loan amount

The maximum available amount under the SIDF Loan is SR 400 million.

The SIDF Loan will be repaid in 13 equal instalments commencing on 27 July 2010G, with the last instalment to be repaid on 22 May 2016G.

4.2.4 Security

The SIDF Loan must be secured through personal guarantees from certain key shareholders while the Company is a closed joint stock company. At all times during the term of the SIDF Loan, the following security package must remain in place:

(a) a mortgage over the physical assets of the Project; and

(b) an assignment of all intellectual proprietorship rights in manufacturing processes and technologies to be employed by the Project.

In addition, the SIDF will be named as the first loss payee of any insurance proceeds.

4.2.5 Governing law and disputes

The SIDF Loan and associated agreements are governed by the laws and regulations of the Kingdom of Saudi Arabia and subject to the exclusive jurisdiction of the Saudi Courts (except on occurrence of certain events of default where SIDF may collect the amount of the loan pursuant to the "Public Funds Collection Act").

4.3 The Commercial Term Loan Facility

4.3.1 Scope

The Commercial Lenders have committed to provide US$ 365 million in term loan facilities comprising:

- The Base Facility. This facility cannot be drawn until the total shareholder equity in the Company has been fully utilised; and

- The Standby Facility. This facility may be drawn to meet cost overruns and provide cash support for operations following completion of the Project.

The Commercial Term Loan Facility Agreement will permit the Company to, inter alia, arrange for a bank guarantee to be issued in favour of Aramco pursuant to the requirements of the draft Propane Supply Agreement and to avail of short-term facilities to meet working capital requirements.

4.3.2 Repayment

The total drawings shall be repaid in 18 equal semi-annual installments beginning six months after the completion of the Project.

4.3.3 Share retention requirements

The Founding Shareholders are not permitted to sell any of their Shares during the Lock-In Period. In addition, certain key Founding Shareholders will be required to retain a minimum specified percentage of their Shares for a period to be agreed which may exceed the Lock-In Period.

4.3.4 Security package

As the SIDF security package already encompasses a mortgage over the fixed assets and the assignment of technology rights, the security package available to Commercial Lenders will comprise the following:

- an assignment of rights in any proceeds of enforcement of security granted in favour of SIDF after enforcement by SIDF;
- a charge (or equivalent security) over all Project accounts. The majority of the balances are expected to be held in offshore accounts (over which English law security will be available) except for the Riyal related accounts that will be held onshore;
- a second charge of insurance policies (including, to the extent feasible, an assignment of reinsurances) ranking after SIDF claims;
- a charge, to the extent permissible under the laws of Saudi Arabia, over the Company's fixed and floating assets (other then those secured to SIDF); and
- direct agreements with the relevant counterparties in respect of the EPC Contracts, Offtake Agreements and, subject to the requirements of SIDF, technology-related agreements (and, to the extent that direct agreements cannot be entered into, an assignment by the Company of its rights under such agreements).

4.3.5 Covenants

Under the terms of the Commercial Term Loan Facility Agreement, the Company is required to comply with certain standard financial covenants which include certain restrictions on the distribution of dividends.

4.4 The GIB Loan

4.4.1 Scope

Under the GIB Loan, GIB granted the Company a US$31 million term loan facility. The GIB Loan is to bridge, in part, the receipt of the proceeds of the Offer and to finance, in part, Project costs.

4.4.2 Availability of the facility and loan amount

The facility established under the GIB Loan has been fully drawn up to the maximum available amount of US$31 million.

4.4.3 Repayment

The Company must repay the GIB Loan in full on the earlier of (i) 29 December 2006G or (ii) the date that the proceeds of the Offer or any other equity increase by the Company are received by the Company.

4.4.4 Governing law and disputes

The GIB Loan is governed by English law and is subject to the non-exclusive jurisdiction of the English Courts.

4.5 The SIDF Bridge Facility

4.5.1 Scope

The Company entered into the SIDF Bridge Facility on 1 August 2006G under which Bank Aljazira granted the Company a SR 243,750,000 term financing facility. The SIDF Bridge Facility is intended to bridge any delay in receipt of loan proceeds from SIDF under the SIDF Loan. Any funds received under the SIDF Bridge Facility must be used to cover materials and facilities costs eligible for financing under the SIDF Loan.

As part of the commodities-based Murabaha facility, the Sale With Deferred Payment Agreement provides for the mechanics of the sale by Bank Aljazira to the Company of commodities on deferred payment terms and the granting of a power of attorney by the Company to Bank Aljazira to sell the commodities to third parties. The proceeds of the sale of the commodities are immediately made available to the Company.

4.5.2 Availability of the loan

The availability period is from 1 August 2006G until 31 July 2007G. The SIDF Bridge Facility is fully drawn.

The Company is not entitled to use any funds received under the SIDF Bridge Facility to pay a due debt.

4.5.3 Loan amount

The maximum amount available under the SIDF Bridge Facility is SR 243,750,000.

Any amounts drawn under the SIDF Bridge Facility are repayable, in instalments, within six months from the date of each respective drawdown.

4.5.4 Delays in payment

If the Company is late (by a maximum of 90 days) in paying a due instalment, all other instalments become immediately due and payable.

If the Company delays paying sums due to Bank Aljazira, after having twice been notified of such delay, the Company must pay a fine on the late payment amount together with any current sums which are due as a consequence of the delay.

4.5.5 Obligations

When the Company purchases any commodity, it must issue a voucher in the form of a promissory note which is to be provided at the time of acceptance of the sale of the commodities.

4.5.6 Assignment of security

The Company has assigned the proceeds of the SIDF Loan to Bank Aljazira by way of security.

4.5.7 Governing law and disputes

The SIDF Bridge Facility is governed by the laws and regulations of the Kingdom of Saudi Arabia. Bank Aljazira must adhere to the rules and regulations of the Saudi Arab Monetary Fund in a way which does not contradict with the Islamic Sharia Laws.

If there are any disputes between the Bank Aljazira and the Company in interpreting any of the terms of the SIDF Bridge Facility or associated documentation then, failing an amicable resolution, the dispute shall be referred to the SAMA Committee.

4.6 The IPO Bridge Facility

The Company is currently in discussions with certain financial institutions in relation to them providing a bridge facility up to an estimated maximum aggregate amount of US$120,000,000 for the purposes of (i) financing the costs of the Project pending the receipt of the net proceeds from the Offer and (ii) refinancing the GIB Loan (the "**IPO Bridge Facility**").

The net proceeds from the Offer will be used in part by the Company to repay the aggregate amount drawn down under the IPO Bridge Facility.

5. CORPORATE GOVERNANCE

5.1 Major Shareholders

The following is a description of the Company's major Founding Shareholders. The ownership percentages in the Company are stated as of the date of this Prospectus.

5.1.1 DAR Chemicals Limited (30%)

DAR is an entity established under the laws of the Kingdom with Commercial Registration No. 1010194428 dated 1/1/1425. DAR participates in the chemical and petrochemical sectors in the Kingdom and neighbouring countries.

The equity in DAR is divided equally among the following shareholders: A.K. Al-Muhaidib & Sons Company; Omar K. Al-Esayi Marketing Company; Abdullah Ibrahim Al-Khorayef Sons Company; Obeikan Industrial Investments Company; and Golden Shell Co.

5.1.2 IDB Infrastructure Fund L.P. (17%)

The IDB Fund commenced operations in January 2002G and seeks to work with governments, international project sponsors and local companies in investing in infrastructure projects in IDB member countries. Emerging Markets Partnership (Bahrain) E.C. is the General Partner & Manager and IDB is the principal sponsor of the IDB Fund. The lead sponsors are Dar Al-Maal Al-Islami Trust, the Government of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam, the Kingdom of Saudi Arabia represented by the Saudi Pension Fund and the Kingdom of Bahrain.

The IDB Fund invests primarily for long-term capital appreciation through equity and equity-related investments in infrastructure companies and projects. The IDB Fund is expected to benefit IDB member countries by assisting in the mobilization of investment capital, attracting foreign investment, and developing national and regional capital markets through listings of companies in which the IDB Fund invests.

5.1.3 National Polypropylene Company Limited (15%)

The original sponsors of the Project, Mr. Khalifa Al-Mulhem and Mr. Munther Al- Lahiq, are the only shareholders in NPPC. Further information on Mr. Al-Mulhem is set out in Section 5.2 (*Board of Directors*).

5.1.4 Foreign Shareholders (11.5%)

The following key foreign Founding Shareholders have a strategic interest in the Project:

Lummus Catalyst Company Limited (4.5%)

Lummus Catalyst Company Limited is an affiliate of Lummus. Lummus, together with its affiliate NTH, is a Technology Provider to the Project. Lummus and NTH will also provide ongoing technical support and services to the Company. Affiliates of Lummus are providing project management services to the Project both inside and outside the Kingdom.

Lummus is a technology-oriented company focused on the hydrocarbon industry with around 4,000 engineers, scientists and support staff. Lummus is a major participant in the oil and gas sector (approximately 1,400 projects have been completed since incorporation), in the petroleum refining sector (with around 850 existing refining units) and the petrochemicals and chemicals sector.

Gulfvin Investments Limited (5%)

Gulfvin is part of the Vinmar Group. Vinmar, a Vinmar Group subsidiary, is the Project's main Offtaker. The Vinmar Group was established 25 years ago and is headquartered in Texas, the United States of America

The Vinmar Group is engaged in the marketing and distribution of chemicals, plastic products and raw materials throughout the world. The Vinmar Group has global distribution channels in 14 countries. Vinmar is negotiating with other GCC entities for the offtake of several other petrochemical products.

Domo N.V. (2%)

Domo is a manufacturer of chemicals, polymers, fibres, yarns and floor coverings. Domo also owns a 180,000 tpa PP plant in The Netherlands. Domo is one of the Project's three Offtakers, a portion of which will be for internal consumption in its downstream manufacturing facilities. The remainder of Domo's offtake volume will be sold in the European market. Domo will provide support services for the operation and maintenance of the Plant through its affiliate, Domo B.V.

The table below describes the ownership structure of the key corporate Founding Shareholders:

Table 10: Ownership structure of key corporate Founding Shareholders

Founding Shareholders	Direct Ownership
Dar Al Kimaweyat	A.K. Al-Muhaidib & Sons Company (20%) Omar K. Al-Esayi Marketing Company (20%) Abdullah Ibrahim Al-Khorayef Sons Company (20%) Obeikan Industrial Investments Company (20%) Golden Shell Co (20%)
IDB Infrastructure Fund	Dar Al-Maal Al Islami Trust The Government of His Majesty the Sultan and yang Di-Pertuan of Brunei Darussalam Saudi Pension Fund Kingdom of Bahrain
National Polypropylene Company Limited	Khalifa Al-Mulhem (90%) Munther Al Lahiq (10%)
Lummus Catalyst Company Limited	ABB Lummus
Gulfvin Investments Limited	Vinmar Group

5.2 Board of Directors

5.2.1 *The Directors*

The Directors are committed to good corporate governance, as demonstrated by the Executive Committees to be established following the Offer (see paragraph 5.3.1 below), and will adopt sound practices to maximize long-term Shareholder value. An Extraordinary General Meeting will be convened following the Offer at which two independent Directors will be appointed by the Shareholders.

The current Board consists of the following individuals:

Table 11: Directors

Name	Title	Nationality	Age
Mr. Khalifa bin Abdul Latif bin Abdullah Al Mulhem	Chairman	Saudi	52
Mr. Abdullah bin Abdul Rahman bin Thunayan Al Obeikan	Director	Saudi	42
Mr. Moayed bin Abdul Karim bin Saleh Al Mattir Al Saleh	Director	Saudi	56
Mr. Mumtaz Khan Rodad Khan	Director	Pakistani	58
Mr. Abdul Mohsin bin Rashid bin Abdul Rahman Al Rashid	Director	Saudi	49
Mr. Ahmed bin Sulaiman bin Abdul Aziz Al Rajhi	Director	Saudi	39
Mr. Alex Segers	Director	Belgian	43

Source: APPC

Mr. Adel Al-Ghamdi, a Saudi national, is currently the Board Secretary.

Mr. Khalifa bin Abdul Latif Al Mulhem

Chairman of the Board (Age: 52 years)

Mr. Al Mulhem graduated in 1978 from the University of Colorado, Boulder, Colorado with a Bachelor's degree in Business Administration (with a major in Finance). Mr. Al Mulhem is Chairman of the Executive Committee and a board member of The Saudi White Cement Company, Arabian Industrial Development Co. (NAMA) and Arabia Alkali Co. (SODA).

Mr. Abdullah bin Abdul Rahman bin Thunayan Al Obeikan

Board Member (Age: 42 years)

Mr. Al Obeikan graduated in 1986 from King Saud University, Riyadh with a Bachelor's degree in Electrical Engineering. Mr. Al Obeikan joined Obeikan Industrial Investment Group in 1987 and was appointed as the CEO in 2000G. Mr. Al Obeikan is a board member of several Obeikan group companies and is also a member of National Industrial Committee and Riyadh Municipality.

Mr. Moayed bin Abdul Karim bin Saleh Al Mattir Al Saleh

Board Member (Age: 56 years)

Mr. Al Saleh graduated in 1971 from Strathclyde University, Glasgow, UK with a Master's degree in Science (with a major in Statistics). Mr. Al Saleh is an Executive Director with Dar Chemicals. He also is an advisor to the board of directors of Riyadh Cables. Previously, Mr. Al Saleh spent approximately 11 years with SABIC in various positions including Vice President, New Business and was a Board Member of IBN-SINA, a SABIC joint venture affiliate.

Mr. Mumtaz Khan Rodad Khan
Board Member (Age: 58 years)

Mr. Khan graduated in 1970 from Iran Center for Management Studies in Tehran with a Master's degree in Business Administration. Prior to this, he completed his Bachelor's degree in Mechanical Engineering from the University of Engineering and Technology in Lahore, Pakistan. Mr. Khan is in charge of Emerging Markets Partnership (Bahrain) E.C. (EMP) and has worked for EMP (or one of its affiliates) since 1994. From 1997 to date, Mr. Khan has been responsible for organizing and ultimately managing the IDB Infrastructure Fund in his position as CEO. Prior to joining EMP, Mr. Khan was with the IFC for 13 years, where he was a Manager in the Asia Department based in Washington D.C. and Resident Representative based in Jakarta, responsible for investment in Indonesia and Malaysia.

Mr. Abdul Mohsin bin Rashid bin Abdul Rahman Al Rashid
Board Member (Age: 49 years)

Mr. Al Rashid graduated in 1982 from the University of Seattle in Washington with a Bachelor's degree in Business Administration. He currently holds the position of executive director for the Rashid AbdulRahman Al Rashid & Sons group of companies. In addition, he holds a position on the boards of many of the leading companies in Saudi Arabia and is the chairman of Al Ahsa Foodstuff Manufacturing Company.

Mr. Ahmed bin Sulaiman bin Abdul Aziz Al Rajhi
Board Member (Age: 39 years)

Mr. Al Rajhi graduated in 1993 from King Fahad University of Petrochemicals and Minerals with a Bachelor's degree in Industrial Engineering. Mr. Al Rajhi has a strong career history in which he has been involved in the management and running of a number of successful companies in Saudi Arabia such as the National Block Company and the National Plastic Company. Currently, Mr. Al Rajhi is the General Manager for the National Factory for Food Stuffs (Al Waha) and the Riyadh Carton Factory.

Mr. Alex Segers
Board Member (Age: 42 years)

Mr. Segers graduated in 1990 from the University of Brussels with a Bachelor's degree in Engineering Electromechanics. Prior to joining Domo in 1992, Mr. Segers was a plant engineer in the carpet mill at Eurantex. In 1993, Mr. Segers became Group Project Manager of Eurantex, participating in the acquisition of the caprolactam plant in Germany. Mr. Segers became CEO of Domo CaproLeuna in April 1994. In 2001G, Mr. Segers led the acquisition of Domo's PP plant at Rozenburg from BASF and successfully integrated this business into the Chemicals & Polymers division of Domo. In December 2002G, Mr. Segers was appointed Chief Operating Officer of Domo and became a member of Domo's Board of Directors in 2005G.

Mr Adel Ali Saeed Al-Ghamdi
Board Secretary and General Manager Administration (Age: 47 years)

Mr. Al-Ghamdi graduated in 1999 from the Arabic Academy for Science and Technology, Egypt, with a Bachelor's degree in Business Administration. He has also attended a number of professional courses and seminars. Mr. Al-Ghamdi has approximately 25 years of professional experience, a significant portion of which was spent with the Royal Commission at different managerial positions. Mr. Al-Ghamdi is responsible for human resources, government and public relations, industrial safety and general services and is Secretary to the Board. Mr. Al-Ghamdi is responsible for ensuring that approvals from the Ministry of Labour, the Ministry of Commerce and Industry, the Royal Commission and other regulators and government agencies are available.

5.3 Executive Management

The following individuals hold key executive positions within the Company.

Table 12: Summarised details of management team

Name	Position	Nationality	Age	Year joined	Qualification
Ali A. Al-Ghamdi	Chief Executive Officer	Saudi	43	2006	Chemical Engineer
Fahad Al-Mis'hal	Chief Financial Officer	Saudi	40	2006	BSc Economics and Administration
Eric Leys	Vice President	Belgian	51	2003*	Chemical Engineer
Adel Ghamdi	Board Secretary and GM Administration	Saudi	47	2005	BS Business
David Troutman	Advisor – Banking and Corporate Finance	American	59	2004*	BA, MLIR

Source: APPC

Mr. Ali Abdul Razag Al-Ghamdi
Chief Executive Officer

Mr. Al-Ghamdi graduated in 1986 from King Fahd University for Petroleum and Minerals, Saudi Arabia with a Bachelor's degree in Chemical Engineering. Mr. Al-Ghamdi spent the first fifteen years of his professional career with Ibn Zahr (a SABIC subsidiary), where he eventually held the position of General Manager, Technical. Mr Al-Ghamdi joined Gulf Stabilizers Industries (a joint venture between Zamil Holdings and Chemtura Corporation). In 2004G, Mr Al-Ghamdi became Chief Operating Officer of Al Waha Petrochemical Company (an affiliate of SAHARA). During this period, Mr Al-Ghamdi also served on the Board of Gulf Stabilizers.

Mr Fahad Al-Mis'hal
Chief Financial Officer

Mr. Al-Mis'hal graduated in 1989 from Qatar University with a Bachelor's degree in Economics and Administration (Accounting Section). Mr Al-Mis'hal started his career with SCECO East where he remained for more than six years before joining IBN ZAHR (a SABIC subsidiary) where he spent approximately 11 years vorking on various accounting, finance, planning and expansion projects. In his previous position at IBN ZAHR, Mr Al-Mis'hal was Finance and Planning Manager. Mr Al-Mis'hal was also IBN Zahr board secretary and a Member of the Company Polypropylene & MTBE Business Committees and SABIC Shared Services User Council (Accounting & IT).

Mr Eric Leys
Vice President, Engineering and Operations

Mr Leys graduated in 1977 from Provincial Higher Institute for Chemistry (Belgium) with a Bachelor's degree in Chemical Engineering. He has more than 25 years of experience of leading teams in large-scale petrochemical and chemical complexes. A significant part of Mr Leys' professional career has been spent working with sponsors during the development phase of petrochemical and chemical projects. Before joining the Company, Mr. Leys worked for a number of integrated oil and gas and petrochemical companies, which include Saudi Olefins Company, NSP Olefins – Kallo, ExxonMobil and BASF. Mr Leys is currently responsible for developing, reviewing and negotiating contracts related to feedstock and catalyst supply, operations and maintenance, license agreements and EPC. Furthermore, Mr Leys is also responsible for the development of the operations and maintenance philosophy and organization blueprint with its associated recruitment and hiring schedule.

Mr Adel Ali Saeed Al-Ghamdi
General Manager Administration

Please refer to Section 5.2.1 (*The Directors*) for Mr Al-Ghamdi's biography.

Mr David Troutman
Advisor - Banking and Corporate Finance

Mr. Troutman graduated in 1972 from Michigan State University with a Master's degree in Business Administration. Mr. Troutman has more than 30 years commercial, investment banking and treasury management experience in the Gulf, Europe, and North America. Prior to joining NPPC, Mr. Troutman worked for SABIC in Riyadh as a Finance and Investment Advisor for 10 years. Mr. Troutman has been Chief Financial Officer for two privately held companies in the Gulf and has completed the Chase Manhattan Credit Training programme.

Declaration in respect of directors and key officers

The Directors, Chief Executive Officers, Chief Financial Officer and the Company secretary declare that:

- they have not at any time been declared bankrupt or been subject to bankruptcy proceedings;
- except as disclosed in this document, they do not , nor do any of their relatives or affiliates, have direct or indirect interests in the shares or debt instruments of the Company; and
- except as disclosed in this document, they do not, nor do any of their relatives or affiliates, have any material interest in any written or verbal contract or arrangement in effect or contemplated at the time of the Prospectus, which is significant in relation to the business of the Company.

Conflicts of Interest

Members of the Board must declare to the Board any personal interest, whether direct or indirect, in any proposal, transaction or contract made for the account of the Company. Such declaration must be recorded in the minutes of the Board Meeting, and the interested Board member shall not participate in voting on the relevant resolution to be adopted.

5.3.1 Executive Committees

The Board intends to establish two executive committees, the Audit Committee and the Compensation Committee, to help develop effective administration of the business of the Company. In order to institute a culture of transparency and professionalism at all levels, the Board have resolved to appoint independent members (non-directors) to both these committees.

Audit Committee

The Audit Committee will comprise three members, two of whom will be independent and will act on behalf of the Board in supervising the Company’s policies and monitoring its practices and performance in the financial, accounting, legal and contractual areas.

The Audit Committee will also oversee the internal audit function of the Company, review audit reports and financial statements, and recommend corrective measures with regard to any and all observations made by the external auditor. The nominations for the Audit Committee will be made at the time of the first General Assembly Meeting following the Offer.

Compensation and Benefits Committee

The Compensation and Benefits Committee will comprise three members. It will be responsible for managing matters relating to human resources, provisions and remuneration for employees and the approval of related policies and plans. The nominations for the Compensation and Benefits Committee will be made at the time of the first General Assembly Meeting following the Offer.

5.3.2 Compensation of Board Members and Executive Management

For the year ended 31 December 2005G, no compensation was paid to the members of the Board, including the Chairman. An amount totaling SR 1,339,650 was paid as salary and benefits to the Executive Management of the Company.

5.4 Finance Department

5.4.1 Accounting Department

The Accounting Department is responsible for reviewing collections and deposits to banks, completing related documentation, obtaining approval from authorized personnel and registering all transactions and inputting them on to the Company's computer system. It prepares balances for monthly review, quarterly balances and an analysis of the balance sheet and income statement. It coordinates with the external auditors and provides required data for audits to be carried out.

5.4.2 Internal Audit

The Company is currently in the process of formally establishing its internal audit function. It is anticipated that the Internal Audit department will recruit between three and five individuals to perform this function. The Head of Internal Audit will report directly to the Chief Executive Officer, but will only be answerable to the Audit Committee. It is expected that the Internal Audit department will be responsible for ensuring that the requisite financial and operating controls are in place and operating correctly and that the policies of the Company are being adhered to.

5.4.3 Internal Controls Department

When established, the Internal Controls Department will be responsible for reviewing all transactions, ensuring accuracy and reviewing all documentation before being entered in the general ledger. Additional functions will be to review accounts of customers and commission, salaries and other remuneration and conduct a deductions review.

5.4.4 IT Department

The IT Department is responsible for all computer-related matters, provides hardware, maintains the IT networks and updates software.

6. AUDITED FINANCIAL STATEMENTS

The audited financial statements for the period from the incorporation of the Company (being 1 October 2005G) to 30 June 2006G and the accompanying notes, which are attached at Annex A, have been prepared in accordance with the accounting principles issued by SOCPA. The Company publishes its financial statements in Saudi Arabian Riyals.

6.1 Director's declaration for financial information

The Directors declare that:

a) the financial information presented in the Prospectus is extracted without material change from the audited financial statements;

b) the audited financial statements have been prepared in accordance with SOCPA Accounting Standards; and

c) there has been no material adverse change in the financial position of the Company since the issuance of last audited financial statements.

7. USE OF PROCEEDS

The total proceeds from the Offer are estimated to be SR 663,750,000 of which approximately SR 24,000,000 will be applied by the Company towards the payment of fees and expenses incurred in connection with the Offer. These include fees of each of the financial adviser, underwriters, reporting accountants and the legal advisers to the Company plus receiving bank expenses, marketing expenses, printing and distribution expenses and other Offer related expenses.

The net proceeds of approximately SR 639,750,000 will be received by the Company and will be used to assist in funding the costs of the Project.

The Founding Shareholders will not receive any part of the proceeds from the Offer.

8. Legal Information

8.1 Date and details of incorporation

The Company was formed as a Saudi closed joint stock company with Commercial Registration Number 2050049604 dated 27 Shaban 1426H (corresponding to 1 October 2005G).

8.2 Shareholders

The ownership structure of the Company as at the date of this document and post-Offer is set out below:

Table 13: Ownership structure

Name	Pre-Offer		Post-Offer	
	Number of Shares	Percentage of total Shares (%)	Number of Shares	Percentage of total Shares (%)
Dar Al Kimaweyat	22,500,000	30.00	22,500,000	15.92
IDB Infrastructure Fund	12,750,000	17.00	12,750,000	9.02
National Poly Propylene Company Limited	11,250,000	15.00	11,250,000	7.96
Gulfvin Investment Limited	3,750,000	5.00	3,750,000	2.65
Mada Industrial and Commercial Investment Company	3,750,000	5.00	3,750,000	2.65
Rashid Abdul Rahman Al Rashid and Sons Company	3,600,000	4.80	3,600,000	2.55
Lummus Catalyst Company Ltd	3,375,000	4.50	3,375,000	2.39
Al Ghurair Private Company	2,050,000	2.73	2,050,000	1.45
Khalid bin Abdul Rahman bin Saleh Al Rajhi	1,750,000	2.33	1,750,000	1.24
Public Limited Company (DOMO)	1,500,000	2.00	1,500,000	1.06
Rowla bint Nafid bin Saleh Mustafa	1,250,000	1.67	1,250,000	0.88
Rashid bin Saad bin Abdul Rahman Al Rashid	900,000	1.20	900,000	0.64
Nasser bin Haza'a Al Subai'i and Brothers Company Ltd	750,000	1.00	750,000	0.53
Abdulla bin Mohamed bin Abdulla Al Huqail	750,000	1.00	750,000	0.53
Al Mishel Commercial Group Company Limited	700,000	0.93	700,000	0.50
Waleed bin Mohamed bin Abdulla Al Jaffari	662,500	0.88	662,500	0.47
Khalid bin Omar bin Jasir Al Baltan	650,000	0.87	650,000	0.46
Mohamed bin Mutlaq Al Mohamed Al Mutlaq	650,000	0.87	650,000	0.46
Abdulla bin Saad bin Abdul Rahman Al Rashid	450,000	0.60	450,000	0.32
Prince Khalid bin Mohamed bin Abdul Aziz bin Ayaf Al Muqren	400,000	0.53	400,000	0.28
Waleed bin Abdul Rahman Sulaiman Al Buraikan	325,000	0.43	325,000	0.23
Abdul Latif bin Mohamed bin Salem Al Barrak	300.000	0.40	300.000	0.21
Al Bahrawi Trading Company	300,000	0.40	300.000	0.21
Abdulla bin Abdul Latif bin Abdulla Al Mulhem	250,000	0.33	250,000	0.18
Fahad bin Abdul Rahman bin Thunayan Al Obaikan	200,000	0.27	200,000	0.14
Fuad bin Fahad bin Mohamed Al Saleh	100,000	0.13	100,000	.07
Abdul Aziz bin Saleh bin Abdulla Al Rebdy	87,500	0.12	87,500	.06
New Shareholders	-	-	66,375,000	46.95
Total	**75,000,000**	**100**	**141,375,000**	**100**

Source: APPC

The Company has deposited 1,000 Shares for each Director of the Company with Bank Aljazira as guarantee shares in accordance with the provisions of the Companies Regulations.

8.3 Ownership of Shares by Directors, senior executives and relatives or affiliates

Table 14: Indirect shareholding of members of the Board

Name	Title	Nationality	Shareholding %
Mr. Khalifa bin Abdul Latif bin Abdullah Al Mulhem	Chairman of the Board	Saudi	13.50
Mr. Abdulla bin Abdul Rahman bin Thunayan Al Obeikan	Director	Saudi	3.06
Mr. Abdul Mohsin bin Rashid bin Abdul Rahman Al Rashid	Director	Saudi	0.94
Mr. Ahmed bin Sulaiman bin Abdul Aziz Al Rajhi	Director	Saudi	1.67

Save as set out in the table above and paragraph 8.2, no Directors, senior executives or any of their relatives or affiliates has any direct or indirect interest (including an option or otherwise) in the Shares or debt instruments of the Company.

8.4 Head office

The Company's head office is SAMIC Building, Gulf Road, Corniche, P.O. Box 7215, Dammam 31462, Kingdom of Saudi Arabia.

8.5 Share capital

Following the Offer, the Company will have an authorized, issued and fully paid up share capital of SR 1,413,750,000 divided into 141,375,000 Shares. Prior to the Offer, the Company will increase its share capital by an amount of SR 663,750,000 (divided into 66,375,000 Shares) by obtaining the requisite approval from the MoCI, subsequent to which a resolution will be passed at the Extraordinary General Assembly to increase the share capital and approve the amendment in the By-laws of the Company.

All Offer Shares shall be tradeable once Admission becomes effective and any restriction on trading in the Offer Shares must firstly be approved by the CMA. The Company shall provide information to investors about the Shares, and any proposed changes to the share capital of the Company in accordance with the Listing Rules and the regulations of CMA.

The Company is not subject to any agreement or arrangement that may require the issue, sale or transfer of further Shares.

8.6 Directors' and Executive Management's service contracts

As of the date of this document, no Director has entered into any service or employment contract with the Company. Neither the Members of the Board nor the CEO have any right to vote regarding their remuneration. The Board shall have the right, under the Companies Regulations and the By-laws, to determine the remuneration received by the Chairman of the Board and the CEO.

In accordance with their service or employment contracts, the CEO, General Manager of Administration, Company Secretary, Chief Financial Officer and Vice President of Engineering and Operations are each entitled to a fixed monthly salary excluding bonus (which will be determined by the Board based on the performance of the Company and the individual). These contracts contain certain non-compete covenants designed to protect the interests of the Company.

8.7 Loans for Members of the Board and Senior Executives

Pursuant to the MoCI Regulations and the By-laws, the Company is not permitted to grant any loans to the Members of the Board or to any of the Company's senior executives.

8.8 Intellectual Propety and Trademark Registrations Classes

As at the date of this document, there are no trademarks registered in the name of the Company.

8.9 Litigation

The Company is not a party to any lawsuit, arbitration or reconciliation, whether severally or jointly, either as claimant or defendant, that may materially affect the financial position of the Company and the results of its operations and, to the best knowledge of the Board, they are not aware of any such lawsuit or arbitration procedures that is pending.

8.10 Material contracts

The Company has entered into the following contracts relating to the Project (together, the "Project Contracts") that may be material:

a) Engineering and Procurement Contract and Construction Contract;
b) Offtake Agreements;
c) Project Management Services Agreement;
d) NTH Technology Rights Agreement;
e) NTH Technical Support Agreement;
f) NTH Catalyst Supply Agreement;
g) Catofin Technology Rights Agreement;
h) Catofin Technical Services Agreement;
i) Catofin Catalyst Supply Agreement;
j) Basic Engineering Services Agreement;
k) Nitrogen Supply Agreement;
l) Propane Supply Agreement[8];
m) Propane Pipeline Grid System Agreement;
n) Bulk Power Supply Agreement;
o) Domo Operation and Maintenance Services Agreement;
p) Retainer Agreement;
q) Utility User Agreement;
r) Connection Agreement;
s) Land Lease Agreement; and
t) Engineering and Construction Support Agreement.

In addition to the Project Contracts, the Company has entered into the following contracts that may be material:

a) the SIDF Loan;
b) the GIB Loan;
c) the SIDF Bridge Facility (together, the "Loan Facilities") and
d) the Underwriting Agreement.

Section 4 (*Financing Structure*) contains a summary of the key terms of the Loan Facilities. Section 10 (*Summary of Project Contracts*) contains a summary of the key terms of the Project

[8] This Agreement is in draft form, however, it is expected that it will be signed in due course without any significant alterations.

Contracts. Section 11 (*Underwriting*) contains a summary of the key terms of the Underwriting Agreement.

8.11 Related party contracts

Except as disclosed below, the Company has not entered into any contracts or arrangements with the Directors, Chief Executive Officer or Chief Financial Officer, or any of their relatives or affiliates, in relation to the Company's business.

During the period, between 1 October 2005G up to and including 30 June 2006G, the Company had entered into the following transactions with related parties:

Table 15: Related party transactions

Name	Relationship
(1) **National Polypropylene Company Limited**	Stockholder
In compliance with the initial subscription agreement signed between NPPC and the other Founding Shareholders, the Company has reimbursed all costs and expenses incurred by Mr. Al Mulhem and Mr. Al-Lahiq, the founder shareholders of NPPC, in developing the Project prior to 1 October 2005G which amounted to SR 28.0 million.	
(2) **Lummus Catalyst Company Ltd (Lummus Global)**	Stockholder
The Company has entered into various agreements with Lummus including a Catofin Technology Rights Agreement for the use of the Catofin technology, a Catofin Technical Services Agreement for the provision of technical services, a Basic Engineering Services Agreement for the provision of engineering design and ongoing engineering and technical services.	

8.12 Auditors

Deloitte & Touche Bakr Abulkhair & Co.:

a) are the Company's auditors and have provided certain information for inclusion in this Prospectus;

b) have consented to the use of their name in the form and context in which it appears in this Prospectus; and

c) have no interest in the Company or its subsidiaries or affiliates, other than the provision of certain professional services, provided on an arms length basis.

8.13 Commissions

No person (including Board Members, proposed Board Members and senior executives) has received any commission, brokerage fee or non-cash consideration in relation to the share capital of the Company or any of its subsidiaries during the two years preceding the date of submission of the application for listing the Company's shares on the Exchange (Tadawul).

8.14 Continuation of activities

There has not been a suspension to the operations of the Company's activities since its incorporation. The Directors do not intend to materially change the nature of the activities of the Company. There has been no material adverse change in the financial or trading position of the Company since its incorporation.

8.15 Working capital

The Directors are of the opinion that, following the receipt of Offer proceeds (but after repayment of whichever of the GIB Loan or the IPO Bridge Facility is in existence at such time), drawdown under the SIDF Loan and the execution of the Commercial Term Loan Facility Agreement and drawdown thereunder (each as disclosed in Section 4 (*Financing Structure*)), the Company will have sufficient working capital available for its present purposes, that is for at least twelve months from the date of this Prospectus, to support it throughout the construction period and startup of the Plant.

8.16 Dividends paid

The Company has not declared or paid any dividends since the date of incorporation.

8.17 Dividend policy

It is the intention of the Company to make dividend payments with a view to maximizing shareholder value commensurate with the ongoing capital expenditure and investment requirements of the Company.

Any decision to pay cash dividends to Shareholders will be at the discretion, and upon the recommendation, of the Board after approval of the General Assembly having taken into account various factors then existing, including the financial condition of the Company, restrictions on the payment of dividends in agreements entered into by the Company as described in Section 4 (*Financing Structure*), results of operations, current and anticipated cash needs and plans for expansion.

8.18 Capitalization and indebtedness

A summary statement of capitalization as of 30 June 2006G is set out in the table below. The table should be read in conjunction with Section 6 *(Audited Financial Statements)*.

Table 16: Capitalization and indebtedness as at 30 June 2006G (000SR)

Loans	Amount
Short-term loans	116,250
Long-term loans	-
Total loans	116,250
Shareholders' equity	
Capital	375,000
Contribution from Shareholders	375,000
Statutory reserves	200
Retained earnings	1,735
Total Shareholders' equity	751,935
Total capitalization	868,185

Source: Audited Financial Statements

8.19 Loans

As at the date of this Prospectus, the Company has entered into, and drawn down in full under, each of the GIB Loan and the SIDF Bridge Facility and has entered into, but not drawn down under, the SIDF Loan. The details of these facilities are provided in Section 4 (Financing Structure).

8.20 Contingent liabilities

As at the date of this Prospectus, the Company had no outstanding contingent liabilities or guarantees.

8.21 Security, mortgages and liens

The Company has not granted any mortgage, lien, security or charge over any of its existing or future assets other than that disclosed in Section 4 *(Financing Structure)*.

9. Summary Of By-Laws

The following is a summary of the By-Laws. In addition to the rights specified in the By-Laws, the Shareholders have certain rights and obligations under the Companies Regulations.

9.1 Name of the Company

The name of the Company is "Advanced Polypropylene Company", a Saudi joint stock company.

9.2 Head Office of the Company

The head office of the Company is in Dammam, Kingdom of Saudi Arabia. The Board of Directors may open another branch, office, or agencies within or outside of Saudi Arabia.

9.3 Objectives of the Company

The Company was established for the purposes of producing polypropylene according to the Industrial license issued by the Saudi Arabia General Investment Authority No. 318/1 dated 28/3/1426H.

9.4 Duration of the Company

The Company's duration is ninety nine (99) Gregorian years, commencing on the date of issuance of the Minister of Commerce's resolution announcing the incorporation of the Company. The term of the Company may be extended through a resolution passed by the Extraordinary General Assembly one year prior to the expiry of its term.

9.5 Shares

The Shares shall be nominal and the Shares may not be issued at less than their nominal value. However, they may be issued at more than this value and, if so, the difference in value shall be added to the statutory reserve even if it has reached its maximum. As a Share is indivisible, if several persons own it they should select one of them to represent them in the exercise of the rights attaching to the Share. Joint owners shall be jointly liable for the obligations arising out of the ownership of the Share.

9.6 Rights of the holders of Shares

Each fully paid Share gives its holder the following rights (in each case to the extent provided for in the Companies Regulations and the By-Laws):

- receive dividends (i.e. profits declared for distribution); and
- upon the Company's liquidation, to receive a proportionate amount of the Company's surplus (after the fulfillment of the Company's obligations).

Shareholders holding at least 20 Shares may (i) attend and participate in meetings of the General Assembly of the Company's shareholders and vote with each Share having one vote, and (ii) appoint by proxy another shareholder (who is not a board member) to attend the General Assembly meeting and vote on his behalf.

Any change to the rights attaching to the Shares requires the By-Laws to be changed.

9.7 Increase in share capital

Subject to the provisions of the Companies Regulations, the share capital of the Company may be increased once or several times by issuing new Shares in the same nominal value of the original Shares provided that the original share capital is paid up in full and following a resolution passed by the Extraordinary General Meeting after assessing the economic viability and obtaining the approval of the competent authorities.

The Shareholders shall be notified of the preemptive rights vested in them by notice to be published in a daily newspaper addressing the capital increase resolution and the conditions of subscription, or by written notice to the shareholder by registered mail. Each Shareholder shall express the desire to exercise such preemptive rights, if they so wish, within fifteen (15) days of the publication of such notice or receipt of such notice by registered mail. However, a resolution passed by an Ordinary General Assembly can suspend the pre-emptive rights of the existing Shareholders and resolve that the new shares be offered in all or in part to one or more strategic investors and/or to the public and not to existing Shareholders where deemed appropriate.

The new Shares shall be distributed among the original shareholders who have requested to subscribe for them, in proportion to the original Shares they own, provided that the number of Shares allocated to them shall not exceed the number of the new Shares requested. If there is a balance remaining, the balance of the new Shares shall be allocated among the original shareholders who have requested more than their pro rata entitlement, provided that the amount of such allotment shall not exceed the number of the new Shares they have requested. The remaining Shares shall then be placed for public subscription.

9.8 Decrease in share capital

The Company's share capital may be reduced by a resolution passed by the Extraordinary General Meeting (based on reasonable justifications and after obtaining the approval of the if:

- the Company's share capital is in excess of its needs; or
- the Company has sustained losses.

9.9 Constitution of the Board

The Company is currently managed by a Board of Directors comprised of seven (7) members and two (2) independent directors will be appointed at an Ordinary General Meeting convened for 29/10/1427H (corresponding to 21/11/2006G). The term of the Company's first Board is for five years commencing from the date of the Ministerial resolution declaring the Company's incorporation.

9.10 Authority of the Board

Subject to the powers reserved for the Ordinary General Assembly, the Board shall have the widest powers in managing the affairs and business of the Company, including but not limited to: the disposing of its assets, moveable and real property; and for this purpose the Board of Directors shall have the right to purchase, accept, pay for, pledge, redeem, sell, assign, receive the price for, and deliver the item disposed of. As to the sale of the Company's assets, movables and real properties, the minutes of the meeting of the Board shall comprise the reasons for disposition of the real estate subject to the following conditions:

- the Board shall determine in the sale resolution the reasons and justifications for the sale;
- the sale price shall be comparable to the price of similar real estate;
- payment for the sale shall be immediate save for cases determined by the Board and with sufficient guarantees; and.

- such action shall not result in the suspension of some of the Company's business activities or burdening it with other obligations.

The Board may enter into loan agreements with government funds and financial institutions regardless of the terms thereof and enter into commercial loans whose term does not exceed the term of the Company. The following conditions shall be complied with when concluding loan agreements with a term of more than 3 years:

1. the aggregate amount of loans that the Board may enter into during the Company's financial year shall not exceed 50% of the Company's capital;

2. the Board shall determine the areas for which the loans shall be used and the method of repayment thereof; and

3. the loan conditions and security provided shall ensure that they shall not prejudice the Company, its shareholders and general guarantees of its creditors.

The Board shall be entitled in the cases determined by the Board to discharge the Company's debtors from their liabilities in the manner that serves the best interests of the Company, provided that the minutes of the Board Meeting shall contain the justifications for its decision subject to the following conditions:

1. a debtor cannot be discharged from its liability until the lapse of at least one year from the creation of the debt;
2. discharge shall be for a fixed amount as a maximum for each year per debtor; and
3. the Board shall have the authority to give such discharge and shall not delegate this authority.

The Board shall have the right to enter into settlements, assignments, contracts, obligations, and commitments in the name of the Company and on its behalf. The Board shall also be entitled to do all acts and actions that are conducive to realising the Company's objects and interests. The Board shall be competent to delegate within the extent of its powers to one or more of its members or to a third party the authority to take certain actions or to undertake a certain act or activities. The Board shall be entitled to delegate any of its power and authority to any person it deems fit.

9.11 Remuneration of Board Members

The remuneration of the Board shall not exceed 10% of the net profits of the Company for that particular financial year, subject to the limits provided for in the Companies Regulations or any other complementary laws, resolutions and instructions. The report of the Board submitted to the Ordinary General Assembly shall include a detailed statement of the payments received by the members of the Board during the fiscal year as salaries, expenses and the other privileges, and the report shall include a statement of the payments received by the members of the Board in their capacity as employees or administrators, or what they received in return for the technical, administrative or consultative services previously agreed to by the General Assembly.

9.12 The authority of the Chairman and the Managing Director

The Chairman of the Board shall have all the necessary powers and authorities to manage the Company, which shall include but not limited to the following:

1. representing the Company in its relations with third parties towards all government authorities and departments, companies, individuals and all judicial authorities of all kinds and degrees;

2. signing on behalf of the Company the Memoranda of Association of the companies to be incorporated by the Company with third parties or participates therein;

3. signing all kinds of letters and documents before any authority whatsoever, concluding all contracts, agreements and tenders, purchase and sale of fixed assets, movables, land, properties, assignment, borrowing and mortgage of properties and redemption thereof in favour of the Company (upon obtaining the Board's written approval);

4. opening accounts with banks, depositing and withdrawal in favour of the Company, opening documentary credits, issue of guarantees, making, endorsing and payment of commercial papers; and

5. appointment of employees, determining their salaries and remuneration, removing them without prejudice to their rights.

The Board shall nominate the Company's Managing Director by a Board resolution containing all his powers and duties including the running of the day-to-day business of the Company.

9.13 General Meetings of Shareholders

With the exception of matters falling within the functions of the Extraordinary General Meeting, the Ordinary General Meeting shall be vested with all the functions connected with the Company. The Ordinary General Meeting shall be held at least once per year within the six months following the end of the Company's fiscal year. Other Ordinary General Meetings may be convened whenever the need arises.

The Extraordinary General Meeting has the power to amend the By-Laws (with the exception of provisions that are exempt from amendment pursuant to the Companies Regulations).

The Extraordinary General Meeting shall be empowered to pass resolutions with respect to matters that fall within the functions of the Ordinary General Meeting, on the same terms and conditions as the Ordinary General Meeting.

9.14 Notice and participation

General Meetings shall be convened upon an invitation from the Board. The Board shall convene the Ordinary General Meeting if so required by the auditor or by a number of Shareholders representing at least 5% of the Company's share capital. The notice convening the General Meeting shall be published in the Official Gazette and in a daily newspaper circulating in the city where the Company's head office is located at least 25 days before the date set for the meeting. The notice shall include an agenda; however, so long as the Shares are nominal, it is sufficient to send registered letters specifying the intended date. A copy of the invitation and the agenda shall be sent to the Companies Public Directorate in the Ministry of Commerce and Industry within the period stipulated for publication.

The General Meeting shall be held in the city where the Company's head office is located and any Shareholder shall have the right to attend a General Assembly. A Shareholder holding at least 20 Shares may authorize another Shareholder (other than a member of the Board) in writing to attend a General Assembly Meeting.

Every Shareholder present at a General Assembly Meeting shall have the right to discuss the subjects listed on the General Meeting agenda and direct questions with respect thereto to the Board and to the auditor. The Board or the auditor shall reply to the Shareholders' questions to the extent that the Company's interests are not affected. If a Shareholder finds the reply to his question unsatisfactory, such Shareholder may appeal to the General Meeting, whose decision shall be decisive in this respect.

9.15 General Meeting procedures

The By-Laws provide that the Chairman of the Board (or the Chairman's delegate in the event of the Chairman's absence) shall head the General Meetings. The Chairman shall appoint a secretary for the meeting and a teller of votes. Minutes of the meeting shall be drawn up, which shall include the names of Shareholders present or represented, the number of Shares they hold in person or by proxy, the number of voters assigned thereto, the resolutions passed, the number of votes for or against the same and an adequate summary of the discussions that have taken place at the meeting. The minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman, Secretary and vote teller.

9.16 Voting rights and resolutions

Voting at an Ordinary and Extraordinary General meeting shall be computed on the basis of one vote for each Share. No Shareholder, in person or by proxy, or both, shall have votes representing more than 20% of the total votes exercisable at Extraordinary General Meetings on resolutions that relate to (a) the appointment and removal of the Board Members or auditors or (b) the amendment of the Company's By-laws.

The resolutions of the Ordinary General Meeting shall be generally passed by the absolute majority of the Company's issued shares present or represented at a shareholders' meeting. However, resolutions at an Extraordinary General Meeting shall be passed by the majority of two-thirds of the Shares represented at the meeting.

Resolutions that require a three-quarters majority of the Shares represented at the Ordinary or Extraordinary Meeting relate to:

- an increase or decrease of the Company's share capital;
- an extension of the term of the Company;
- the dissolution of the Company prior to the expiration of its term; and
- the merger or consolidation of the Company with another company or establishment.

9.17 Quorum

The Ordinary General Meeting shall only be valid if attended by Shareholders representing at least 50% of the Company's share capital. If this quorum is not attained at the meeting, an invitation should be sent out for a second meeting to be held within 30 days following the previous meeting. The invitation shall be published in accordance with the Company's By-Laws. The second meeting shall be valid regardless of the number of votes represented at the meeting.

The Extraordinary General Meeting shall only be valid if attended by Shareholders representing at least 50% of the Company's share capital. If this quorum is not attained at the meeting, an invitation should be sent out for a second meeting to be held within 30 days following the previous meeting. The second meeting shall be valid if attended by a number of Shareholders representing at least one quarter of the Company's share capital.

9.18 Transfer of Shares

The Shares are negotiable after share certificates have been issued. However, Shares that are held by the Founding Shareholders may not be sold until the publication of the balance sheet and the profit and loss statement for two complete financial years. The Shares shall be transferable (subject to the Lock-In Period) in accordance with the rules, regulations and directives issued by the CMA.

9.19 Dissolution of the Company

If the Company's losses total three-fourths of its share capital, then the Board shall call an Extraordinary General Assembly to consider whether the Company shall continue to exist or whether it shall be dissolved before the term specified in its By-Laws. In either case, the resolution shall be published in the Official Gazette.

In the event of the Extraordinary General Assembly resolving to dissolve the Company before the term specified in its By-Laws, it shall, upon the recommendation of the Board, determine the manner of dissolution and shall appoint one or more liquidators and determine their powers and remunerations.

The power of the Board shall end with the expiry of the Company. However, the Board shall keep managing the Company until the liquidator has been appointed and the Company's staff shall remain to the extent that their duties do not conflict with those of the liquidators.

10. SUMMARY OF PROJECT CONTRACTS

10.1 Engineering and Procurement Contract and Construction Contract

10.1.1 Structure and scope

The Company has signed an Engineering and Procurement Contract with SECL in respect of certain engineering and procurement services to be performed outside the Kingdom. It has also entered into a separate Construction Contract with SSAL in relation to construction work to be performed inside the Kingdom (together with the Engineering and Procurement Contract, the "EPC Contract" and SECL and SSAL, together, the "Contractor"). The rights and obligations of the parties under the EPC Contract are wrapped by an Implementation Agreement (between the Company and SSAL) and a Guarantee Agreement (between the Company and SECL) to ensure that the rights and obligations of the parties under the EPC Contract are as if a single contract had been signed.

SECL will provide, on a lump sum basis, the equipment, services and materials to prepare the basic and detailed engineering documentation necessary for the construction and operation of the Plant.

SSAL will perform, on a turnkey basis, the field-engineering, field-procurement, construction, installation, commissioning, start up and performance testing necessary to complete the Plant to the required specification.

10.1.2 Work schedule

Engineering and construction work commenced on 30 May 2005G (the "Commencement Date") pursuant to the Pre-Commencement Agreement. Mechanical completion and provisional acceptance are due to occur no later than 32 months and 5 days and 36 months and 5 days, respectively, after the Commencement Date. If the Contractor fails to achieve provisional acceptance by such date, it will be liable to pay liquidated damages for each day of delay up to an agreed maximum amount.

10.1.3 Performance and liability

To achieve provisional acceptance, either (i) the Performance Guarantee Tests must demonstrate that the Plant has met the performance guarantees, or (ii) the Performance Guarantee Tests must demonstrate that, where applicable, the Plant has met the minimum performance levels (but not the performance guarantees) and the Contractor has paid liquidated damages at the prescribed rate for the relevant performance shortfall. Liquidated damages are not sufficient to discharge the Contractor's obligation to meet the minimum performance levels. The Contractor's liability for liquidated damages for performance shortfalls and a delay in delivery of technical documentation is capped at 10 per cent. of the contract price.

The contractor's aggregate liability under the EPC Contract is capped for the first 24 months after the Commencement Date and capped at a lower amount thereafter. This cap is, however, subject to numerous exceptions.

10.1.4 Payment and security

Payments under the EPC Contract are linked to the achievement of certain prescribed milestones, the final such milestone being the provisional acceptance of the Plant by the Company.

As security for the Contractor's obligations and liabilities under the EPC Contract, various bonds have been, or are to be, provided in relation to performance, the advance payment paid by the Company, liquidated damages and taxation. The Company and the Contractor have put a comprehensive insurance programme in place covering the construction phase.

10.1.5 Suspension and termination

The Company may suspend the works at any time. The Company may terminate the EPC Contract (i) for convenience on giving 30 days' notice, (ii) for prolonged force majeure, (iii) for material breach by the Contractor (subject to a cure period), or (iv) where the Contractor becomes insolvent. If the EPC Contract is terminated by the Company for the Contractor's material breach or insolvency, the Company may complete the work or have the work completed by someone else at the Contractor's expense.

10.1.6 Governing law and disputes

The EPC Contract is governed by the laws of England and any disputes will be settled by the Rules of Conciliation and Arbitration of the London Court of International Arbitration.

10.2 Offtake Agreements

10.2.1 Parties and term

The Company has signed offtake agreements with the Offtakers, for the sale of 100 per cent. of the Plant's nameplate production capacity. The term of each Offtake Agreement is 10 years from the first delivery of product and can be extended to 12 years at the option of the Company. The term can be further extended by agreement between the relevant parties.

10.2.2 Quantity commitment

The supply and offtake obligations under the Offtake Agreements commence 60 days after Operational Acceptance of the Plant. On an annual basis, the Offtakers are required to offtake their respective allocation of the Plant's nameplate capacity (the aggregate of the allocations being equal to 100 per cent. of the Plant's nameplate capacity). The Offtake Agreements are structured so that each Offtaker will lift product at a relatively even rate throughout the year to ensure that production can meet demand, although there is a limited right for the Offtakers to reschedule deliveries within each year (and a more limited right to reschedule deliveries into a succeeding year). If an Offtaker fails to lift its nominated quantities, or fails to nominate the minimum quantity it is required to offtake, compensation is payable to the Company to ensure that the Company has a sufficiently consistent revenue stream to meet its debt service requirements. This compensation is capped at different levels under each Offtake Agreement.

If the Company fails to deliver quantities nominated by an Offtaker, compensation is payable by the Company to the Offtaker for losses incurred by the Offtaker as a result of such failure to supply. Again, this compensation is capped.

10.2.3 Price

The price paid for the product by each Offtaker is a netback price calculated as the price realised by the Offtaker in sales to its customers minus (i) specified deductions (mainly relating to costs incurred in receiving and transporting the product) and (ii) a marketing fee paid to the Offtaker.

Each Offtaker is obliged to maximise the netback price to be payable to the Company. The Offtakers are obliged to pay the netback price even if they do not receive payments from their customers and, accordingly, credit risk on the final customer is taken by the Offtakers.

Each of the Offtaker's payment obligations are supported by standby letters of credit. Vinmar's liability for a failure to lift or nominate is supported by a further letter of credit.

10.2.4 Governing law and disputes

The Offtake Agreements are governed by the laws of England and any disputes will be settled by the Rules of Conciliation and Arbitration of the London Court of International Arbitration.

10.3 Project Management Services Agreement

10.3.1 Parties and scope

The Company has entered into a Project Management Contract with Alireza for the provision of certain project management services inside the Kingdom relating to the construction pre-commissioning, start-up, and performance testing and provisional acceptance phases of the Project (the "IK PMC"). The Company has also entered into a Project Management Contract with ABB Global for the provision of certain project management services outside of the Kingdom relating to the project implementation, basic engineering, detailed engineering and procurement phases of the Project (together with the IK PMC, the "PMCs").

10.3.2 Payment

Payment under the PMCs is on the basis of agreed hourly charge-out rates. Monthly payments are made in advance against Alireza's estimate of the cost of the services to be provided in the next month. Overpayments or underpayments in any month are adjusted for the following month.

10.3.3 Liability

The aggregate liability of each contractor is capped by reference to all monies paid in respect of the relevant PMC.

10.3.4 Governing law and disputes

The PMCs are governed by the laws of the Netherlands and any disputes will be settled by the Netherlands Arbitration Institute.

10.4 NTH Technology Rights Agreement

10.4.1 Scope

The Company has entered into a Technology Rights Agreement with NTH pursuant to which NTH grants the Company a non-exclusive, irrevocable right to use its Novolen technology for the production of, and the right to sell, up to 450,000 mtpa of polypropylene at the Plant (the "NTH TRA"). The Company has the right to use the technology at no extra cost to produce and sell an additional 20,000 mtpa upon debottlenecking. If the Plant is expanded beyond 470,000 mtpa, additional consideration will be payable to NTH based on a price formula set out in the NTH TRA.

Each of NTH and the Company undertakes to make available to the other, free of charge, improvements made to the technology.

NTH shall also provide training for the Company's personnel in the management, production and maintenance of the Plant and, for a specified period, provide technical assistance in the event of the start-up and commissioning of the Plant and in respect of any technical or operational problems at the Plant.

The NTH TRA contains performance guarantees given by NTH in respect of the Plant. Failure to attain these performance guarantees will result in modifications to the Plant and retesting.

10.4.2 Term

The term of the NTH TRA commences on the "Effective Date" (being the date the Company secures committed financing for the Project) and terminates 10 years after the "Cut-Off Date" (the "Cut-Off Date" is the earlier of six months after start-up or 36 months from the Effective Date).

Provided that the licence fee has been fully paid, the right to use the technology is irrevocable.

10.4.3 Payment and liability

Payment for the technology is linked to the attainment of certain milestones. The last payment is due on completion of the first successful performance test carried out under the NTH TRA.

NTH's liability under the NTH TRA is capped by reference to the amounts actually paid to NTH thereunder. Liability for patent indemnification is subject to a sub-cap by reference to the amounts actually paid.

10.4.4 Governing law and disputes

The NTH TRA is governed by the laws of the Netherlands and any disputes will be settled by the Netherlands Arbitration Institute.

10.5 NTH Technical Support Agreement

10.5.1 Scope

The Company has entered into a Technical Support Agreement with NTH pursuant to which NTH shall provide technical support for the operation and optimisation of the Plant, including the provision of advice regarding the NTH process licensed under the NTH TRA and all technical information (the "NTH TSA").

10.5.2 Term

The term of the NTH TSA commences on the Effective Date of the NTH TRA (see above) and terminates 10 years after the "Cut-Off Date" (the "Cut-Off Date" is the earlier of six months after start-up or 36 months from the Effective Date).

10.5.3 Payment and liability

NTH's liability under the NTH TSA is capped by reference to the amounts actually paid to NTH under the NTH TSA.

10.5.4 Governing law and disputes

The NTH TSA is governed by the laws of the Netherlands and any disputes will be settled by the Netherlands Arbitration Institute.

10.6 NTH Catalyst Supply Agreement

10.6.1 Scope

The Company has entered into a Catalyst Supply Agreement with NTH under which NTH will supply quantities of catalyst as and when requested by the Company (the "NTH CSA"). NTH agrees to make available sufficient quantities of catalyst to enable production of up to 470,000 mtpa of propylene polymers. The Company has no firm commitment to place orders for catalyst.

10.6.2 Term

The NTH CSA is effective on execution and expires 10 years from the Start-Up Date (it will be automatically extended for five year periods unless terminated by either party).

10.6.3 Price and payment

The price is a per kilogram price and is fixed for 2007G and 2008G. Thereafter it will be adjusted to reflect any change in the Netherlands consumer price index.

Prior to each shipment, the Company shall provide a letter of credit in an amount equal to the value of each shipment.

10.6.4 Liability

If there is a delay in delivery of catalyst, NTH will be liable to pay the Company liquidated damages. Liquidated damages for delay are capped by reference to the amounts actually paid under the purchase order relating to the delayed quantities of catalyst.

NTH must replace defective catalyst at its own cost; if it fails to do so, the Company can purchase replacement catalyst and NTH will be liable for the price differential (subject to a cap by reference to the value of the relevant purchase order).

NTH's liability in respect of any purchase order is capped at the value of the purchase order (except in relation to replacement for defective catalyst which is subject to an additional cap).

10.6.5 Governing law and disputes

The NTH CSA is governed by the laws of the Netherlands and any disputes will be settled by the Netherlands Arbitration Institute.

10.7 Catofin Technology Rights Agreement

10.7.1 Scope

The Company has entered into a Technology Rights Agreement with SABIC and Lummus (the "Licensors") under which the Licensors grant the Company the non-exclusive, irrevocable rights necessary to use the Catofin technology in the design, engineering, procurement and construction of the Plant, and to sell propylene produced using such technology on a worldwide basis (the "Catofin TRA"). On payment of the consideration, the Company has the right to operate the Plant up to 530,000 mtpa.

Each of the Licensors and the Company undertake to make available to the other, free of charge, improvements made to the technology at any time prior to the end of the term (see paragraph 8.2 below).

10.7.2 Term

The term of the Catofin TRA commences on the "Effective Date" (being the Company secures committed financing for the Project) and expires 15 years after start-up of the Plant.

Provided that the licence fee has been fully paid, the right to use the technology is irrevocable.

10.7.3 Payment and liability

The Company will pay a fixed fee as consideration for the grant of the technology rights referred to above and the provision of certain training services. Payment will be made against the attainment of milestones, the last of which is scheduled to occur on the first anniversary of acceptance of the Plant (or 48 months after the Effective Date, whichever is earlier).

10.7.4 Governing law and disputes

The Catofin TRA is governed by English law and any disputes will be submitted to arbitration in accordance with the rules of conciliation and arbitration of the London Courts of International Arbitration.

10.8 Catofin Technical Services Agreement

10.8.1 Scope

The Company has entered into a Technical Services Agreement with Lummus pursuant to which Lummus shall provide certain technical services, including consultation on operations, troubleshooting, inspection, evaluation, audits, design simulation, advice on Catofin catalyst and personnel training necessary for the operation of the Plant (the "Catofin TSA").

10.8.2 Term

The Catofin TSA is effective on the date of execution and expires 10 years from provisional acceptance of the Plant.

10.8.3 Payment and liability

The Company will pay a fixed price in 10 equal annual instalments, the first such instalment to fall one month after provisional acceptance of the Plant.

Lummus's aggregate liability is capped.

10.8.4 Governing law and disputes

The Catofin TSA is governed by English law and any disputes will be submitted to arbitration in accordance with the rules of conciliation and arbitration of the London Courts of International Arbitration.

10.9 Catofin Catalyst Supply Agreement

10.9.1 Scope

The Company has entered into a Catalyst Supply Agreement with SCI pursuant to which SCI shall supply the catalyst required for use in the Catofin Process employed in the Plant for the dehydrogenation of propane (the "Catofin CSA"). SCI will also endeavour to provide technical recommendations with respect to optimising the use of each charge of catalyst.

10.9.2 Term

The Catofin CSA is effective on satisfaction of all conditions precedent to drawdown under whatever financing arrangements are agreed with the commercial lenders and has an initial term of 16 years. Thereafter, the term renews in one year increments unless terminated by either party.

10.9.3 Price

The price for the first charge of catalyst is set out in the Catofin CSA. The price for the second and third charges of catalyst are calculated based on an escalation formula applied to the initial price.

10.9.4 Liability

If the delivery of catalyst is delayed, SCI will pay or credit the Company with the amount of substantiated and verified losses as a result of the delay. In certain circumstances a delay in delivery will permit the Company to cancel the purchase order and purchase replacement catalyst and any additional costs in doing so will be borne by SCI.

SCI's liability for any delay in delivery of each charge is set at a specified amount.

10.9.5 Governing law and disputes

The Catofin CSA is governed by English Law and disputes will be submitted to arbitration in accordance with the rules of conciliation and arbitration of the London Court of International Arbitration.

10.10 Basic Engineering Services Agreement

10.10.1 Scope

The Company has entered into a Basic Engineering Services Agreement with Lummus pursuant to which Lummus shall provide specific basic engineering design and ongoing engineering and technical services sufficient to permit the detailed engineering, procurement and construction of the Plant (the "BESA").

10.10.2 Price

The Company will pay a fixed price in respect of the basic design services. Other services provided by Lummus will be paid for based on pre-agreed hourly and daily rates.

10.10.3 Liability

Lummus' aggregate liability under the BESA is capped. Prior to execution of whatever financing arrangements are agreed with the commercial lenders, Lummus' liability is capped although this is to be reduced by amounts paid by NTH or Lummus under the Novolen TRA or Catofin TRA, respectively.

10.10.4 Governing law and disputes

The BESA will be governed by English law and will be subject to arbitration in accordance with UNCITRAL rules.

10.11 Nitrogen Supply Agreement

10.11.1 Scope

The Company has entered into a Nitrogen Supply Agreement with GAS under which GAS shall supply, and the Company shall purchase, certain quantities of nitrogen, subject to a minimum and maximum rate of delivery (the "NSA").

10.11.2 Term

The NSA will be valid for a term commencing on the date on which the Company confirms that all conditions precedent to drawdown under the whatever financing arrangements are agreed with the commercial lenders have been satisfied and expiring 15 years from the earlier of 30 June 2007G and receipt of first gas.

10.11.3 Price

The Company must pay a monthly "Facilities Charge" and a unit price for the quantity of nitrogen delivered. The unit price decreases as the quantity delivered increases.

Both the Facilities Charge and the unit prices are subject to escalation from time to time to reflect increased electricity costs and also annually to reflect other variable costs.

10.11.4 Liability

GAS's liability for (i) damage to the Company's property is limited to an agreed amount per incident and to an overall amount annually and (ii) the Company's losses caused by a failure to deliver nitrogen is limited to an agreed amount per incident and an overall amount annually.

10.11.5 Governing law and disputes

The NSA is governed by the laws of the Kingdom of Saudi Arabia and any disputes will be submitted to arbitration to be conducted in accordance with the Arbitration Regulations of the Kingdom of Saudi Arabia.

10.12 Propane Supply Agreement[9]

10.12.1 Scope and commitment

The Company will enter into a Propane Supply Agreement with Aramco pursuant to which the Company agrees to purchase, and Aramco agrees to use its best efforts to supply, the Company's forecasted quantities of propane (up to 23,000 b/d) for a term of 20 years (the "PSA"). Deliveries shall be on an "as available" basis and are subject to Aramco's operational constraints and the production policies of the Government of the Kingdom of Saudi Arabia.

Propane will be delivered to the Company's pipeline through a Petrokemya common carrier pipeline. The Company will share the risk of loss of propane with other Aramco customers using this pipeline.

10.12.2 Term

The term of the PSA is 20 years from the date of execution.

[9] This Agreement is in draft form, however, it is expected that it will be signed in due course without any significant alterations.

10.12.3 Price and payment

The propane price is determined by a market-linked formula which gives the Company a discount of approximately 30 per cent. over the Naptha price in Japan. This formula will apply until 2011G and, thereafter, the price shall be as notified by Aramco.

The Company must provide a letter of credit equal to the value of 75 days of its forecasted volume.

10.12.4 Liability

Aramco has no liability for a failure to deliver propane. If the Company persistently fails to lift its forecasted quantities of propane, this may result in a reduction in its allocated quantities in future years.

10.12.5 Governing law and disputes

The PSA is governed by the laws of Saudi Arabia, and any disputes will be submitted to arbitration to be conducted in accordance the Arbitration Regulations of the Kingdom of Saudi Arabia.

10.13 Propane Pipeline Grid System Agreement

10.13.1 Scope

NPPC has entered into a Propane Pipeline Grid System Agreement with Petrokemya pursuant to which NPPC may connect its dedicated pipeline to Petrokemya's Grid System and use the Grid System to transport the propane supplied by Aramco to its dedicated pipeline (the "PPGSA").

As at the date of this Prospectus, the PPGSA has not been novated to the Company. Until such time as the PPGSA is novated, the Company will not have the benefit of the contractual rights under the PPGSA.

10.13.2 Term

The term of the PPGSA is 30 years from the date of execution (16 November 2003G).

10.13.3 Price and payment

The Company will pay a tariff on the daily reserved capacity based of 23,000 b/d on a fixed SR rate per thousand barrels per day, subject to any changes as determined by the Ministry of Petroleum and Mineral Resources.

10.13.4 Governing law and disputes

The PPGSA is governed by the laws of the Kingdom of Saudi Arabia, and any disputes will be submitted to arbitration and will be subject to Arbitration Regulations of the Kingdom of Saudi Arabia.

10.14 Bulk Power Supply Agreement

10.14.1 Scope

The Company has entered into a Bulk Power Supply Agreement with SEC under which SEC agrees to supply the electricity for the Project (the "BPSA"). Supply will be made through power transmission facilities, which the Company will procure the construction of in compliance with a scope of work and technical specifications provided by SEC. SEC will provide engineering, technical support and field supervision throughout the term of the BPSA.

10.14.2 Term

The term of the BPSA is one year from the date of execution (21 March 2004G). The period will automatically renew unless a party terminates for a breach by the other party.

10.14.3 Price and payment

The Company pays a lump-sum for engineering and supervision costs and a lump-sum for its connection fee in four instalments.

The Company pays for electricity consumption based on the prevailing industrial consumption tariff. This tariff is subject to change based on Government regulations.

10.14.4 Governing law and disputes

The BPSA is governed by the laws of the Kingdom of Saudi Arabia, and any disputes will be submitted to arbitration and will be subject to resolution by the Grievance Board of the Kingdom of Saudi Arabia.

10.15 Domo Operation and Maintenance Services Agreement

10.15.1 Scope

The Company has entered into an Operation and Maintenance and Services Agreement with Domo B.V. pursuant to which Domo B.V. agrees to provide advice and assistance covering the full range of technical and operational matters relevant to the Company's business (including procurement, recruitment, training and project management) on receipt of a request from the Company (the "Domo O&M").

10.15.2 Term

The term of the Domo O&M commences on the date of execution (31 March 2005G) and continues for an initial period of five years, extendable by one year increments by agreement between the parties.

10.15.3 Price and liability

The Company shall reimburse Domo B.V. at an agreed hourly rate invoiced on a monthly basis for the services provided.

Domo B.V.'s liability in any year is limited to 50 per cent. of the value of actual amounts invoiced in that year.

10.15.4 Governing law and disputes

The Domo O&M is governed by the law of the Netherlands and any disputes will be submitted to arbitration and will be subject to the conciliation and arbitration rules of the Dutch Court of International Arbitration.

10.16 Retainer Agreement

10.16.1 Scope

The Company has entered into a Retainer Agreement with Comerint pursuant to which Comerint will, on request from the Company, provide the Company with the CVs of personnel it can provide for the performance of services requested by the Company and, on the Company's further instructions, engage the requested personnel to perform the specified services (the "Retainer Agreement").

10.16.2 Term

The initial term of the Retainer Agreement is two years, commencing on the date falling 20 months after the Effective Date of the Construction Agreement.

10.16.3 Price

The Company shall pay Comerint a monthly fee for providing CVs as and when requested and shall compensate Comerint for the personnel actually provided at specified hourly rates.

10.16.4 Insurance

Comerint is required to maintain third party liability insurance with a minimum coverage of US$5 million to cover damage caused in the performance of the services.

10.16.5 Governing law and disputes

The Retainer Agreement is governed by English Law and disputes will be submitted to arbitration and will be subject to the rules of conciliation and arbitration of the London Court of International Arbitration.

10.17 Utility User Agreement

10.17.1 Scope

The Company has entered into a Utility User Agreement with Marafiq pursuant to which Marafiq agrees to supply certain specified utilities to the Company (the "UUA"). These utilities include potable water, sea-water cooling, sanitary waste water collection and industrial waste water collection.

10.17.2 Term

The term of the UUA is 30 years from the date of execution (18 July 2006G).

10.17.3 Price

The tariff paid for each of the utilities provided is set out in the UUA and is subject to change, from time to time, in accordance with decisions of the Regulator.

Where the actual use by the Company is more than a certain amount below the booked capacity (except for sanitary waste water collection and industrial waste water collection) there is an adjustment to the invoice to compensate Marafiq for the lower than anticipated usage.

10.17.4 Liabilities

Marafiq excludes all liability (except for gross negligence and wilful misconduct) for losses arising from a failure to supply the utilities.

10.17.5 Governing law and disputes

The UUA is governed by the laws of the Kingdom of Saudi Arabia and disputes (not otherwise settled by private conciliation or mediation) shall be either (i) referred, by mutual consent, to arbitration in accordance the Arbitration Regulations of the Kingdom of Saudi Arabia or (ii) referred by either party for resolution by the Grievance Board of the Kingdom of Saudi Arabia.

10.18 Connection Agreement

10.18.1 Scope

The Company has entered into a Connection Agreement with Marafiq pursuant to which Marafiq agrees to construct and maintain interconnections with the Company's facilities to enable the delivery of utilities under the UUA (the "Connection Agreement").

10.18.2 Term

The term of the Connection Agreement is 30 years from the date of execution (5 June 2006G).

10.18.3 Price

The Company shall pay such connection charges as are invoiced by Marafiq after the effective date.

10.18.4 Liability

Marafiq excludes all liability (except for gross negligence and wilful misconduct) for losses arising from a failure of the connection facilities to supply the utilities.

10.18.5 Governing law and disputes

The Connection Agreement is governed by the laws of the Kingdom of Saudi Arabia and disputes (not otherwise settled by private conciliation or mediation) shall be either (i) referred, by mutual consent, to arbitration in accordance the Arbitration Regulations of the Kingdom of Saudi Arabia or (ii) referred by either party for resolution by the Grievance Board of the Kingdom of Saudi Arabia.

10.19 Land Lease Agreement

10.19.1 Scope

The Company has entered into a Land Lease Agreement with the Royal Commission under which the Company agrees to lease the site in the Jubail Industrial City from the Royal Commission (the "LLA").

10.19.2 Term

The term of the LLA is 30 years from the date of execution (16 June 2005G).

10.19.3 Price and payment

The Company shall pay rent at the sum specified in the LLA. The rent is subject to a limited right of review by the Royal Commission once every 10 years.

Payment is made annually in advance.

10.19.4 Governing law and disputes

The LLA is governed by the laws of the Kingdom of Saudi Arabia and any disputes will be submitted to arbitration and will be subject to resolution by the Grievance Board of the Kingdom of Saudi Arabia.

10.20 Engineering and Construction Support Agreement

10.20.1 Scope

The Company has entered into an Engineering and Construction and Support Agreement with Aramco under which Aramco consents to the Company constructing in the Aramco pipeline corridor the facilities necessary to transport (i) sales gas from the sales gas headers to the plant and (ii) propane from the Petrokemya grid system to the Plant. Aramco agrees to provide certain advisory and supervisory services to assist the Company in the design and construction of the facilities (the "ECSA").

10.20.2 Price

The Company shall pay Aramco a lump sum for the provision of the services in a series of instalments. This is subject to change if Aramco's costs in performing the services change.

10.20.3 Liability

The Company's liability to Aramco for damage caused to Aramco's property by any acts or omissions of the Company's personnel or its contractors is capped at an agreed amount per occurrence.

10.20.4 Governing law and disputes

The ECSA is governed by the laws of Saudi Arabia and any disputes will be submitted to arbitration and will be conducted in accordance the Arbitration Regulations of the Kingdom of Saudi Arabia.

11. UNDERWRITING

The Company and the Underwriters will enter into an underwriting agreement in connection with the Offer prior to the commencement of the Offer Period. The agreed principal terms of the Underwriting Agreement are set out below.

11.1 Sale and Underwriting of the Offer Shares

Under the terms of the Underwriting Agreement:

a) the Company undertakes to each Underwriter that, on the first Business Day after the CMA approves the allocation of the Offer Shares following the end of the Offer Period (the "Allocation Date"), it will issue and allocate (i) the Offer Shares to successful Applicants and/or (ii) any Offer Shares that are not purchased by successful Applicants to the Underwriters; and

b) each Underwriter undertakes to the Company that, on the Allocation Date, it will purchase 25 per cent. of the number of Offer Shares not subscribed for by members of the public in the Offer.

The Underwriters have agreed to purchase the Offer Shares in the proportions stated below:

Underwriter	No. of Offer Shares
GIB	16,593,750
NCB	16,593,750
Riyad Bank	16,593,750
Samba	16,593,750

11.2 Conditions to the Underwriting Agreement

The obligations of the Underwriters are conditional on the satisfaction or, where permitted, waiver of certain conditions. Examples of the principal conditions are: the CMA approving Admission; the Company not being in breach of the terms of the Underwriting Agreement or the Offer; the representations and warranties given by the Company being true, accurate and not misleading at the Allocation Date; and since 30 June 2006G there having been no Material Adverse Effect.

If the conditions are not satisfied, or are not waived by the Lead Manager, by 11.00 a.m. on the Allocation Date, the Underwriting Agreement will terminate.

11.3 Warranties

The Company has given certain representations and warranties to each Underwriter in relation to, amongst other things: the contents of the Offer Documents; financial information; no significant change having occurred since 30 June 2006G; sufficiency of working capital; indebtedness; share capital; no insolvency; absence of litigation/proceedings; validity of material contracts; ownership and condition of assets; compliance with laws and regulations; and environmental matters.

11.4 Indemnity

The Company has agreed to indemnify the Underwriters against all claims to which they may become subject, or which they may incur, in connection with:

a) any untrue statement or alleged untrue statement of a material fact contained in, or the failure to state a material fact required to be stated in, any Offer Document;

b) the performance of their obligations under the Underwriting Agreement;

c) any act or omission of the Company in connection with the Offer or Admission;

d) any actual or alleged breach by the Company of the Underwriting Agreement or other agreement entered into by it in connection with the Offer or Admission;

e) any breach of representation or warranty;

f) publishing, distributing, issuing or approving any of the Offer Documents or any financial promotion or any marketing or other documents or materials in any jurisdiction outside Saudi Arabia;

g) any failure by the Company, its employees or advisers to comply with all relevant laws and regulations; and

h) the sale of the Offer Shares of the holding of Offer Shares on the Exchange.

The indemnity does not apply in instances where a court or committee of competent jurisdiction determines the claim and/or loss to have resulted from:

a) the gross negligence or wilful default of the Underwriter; or

b) the Underwriter's breach of its duties or its obligations to the Company under the regulatory system established by the CML,

except, in either case, to the extent that such claim and/or loss arises as a result of (i) a breach by the Company of its obligations under the Underwriting Agreement or of any warranty or (ii) the failure to comply with all applicable legal and regulatory requirements relevant to the Offer.

11.5 Termination

The Lead Manager may terminate the Underwriting Agreement in certain circumstances as described below:

If, at or prior to 11.00 a.m. on the Allocation Date and, following such time, at or prior to 11.00 a.m. on the date Admission becomes effective (each the "Relevant Time"), the Lead Manager is of the opinion that:

a) a condition will not be satisfied;

b) a fact or circumstance exists which has caused or would or might cause any warranty to become untrue, inaccurate or misleading at any time;

c) a fact or circumstance exists which has given or would or might give rise to an indemnity claim;

d) the Company has failed to comply with its obligations under the Underwriting Agreement or the Offer; or

e) any Director has failed to comply with his obligations under the Offer, then the Lead Manager may, after consulting with the Company, terminate the Underwriting Agreement.

The Lead Manager may also terminate the Underwriting Agreement if, on or prior to the Relevant Time (or such other time as the Lead Manager may determine), there has occurred:

a) a suspension or material limitation in trading in securities generally on Tadawul;
b) a material reduction in (i) the trading prices or securities generally on the Exchange or (ii) the Tadawul All Share Index;
c) a moratorium on commercial banking activities in Riyadh declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in the Kingdom of Saudi Arabia;
d) a change or development involving a prospective change in law, regulations or taxation having a Material Adverse Effect or adversely affecting [the Company], the Shares, the issue of the Offer Shares or the Offer;
e) an outbreak or escalation of hostilities or a terrorist incident involving the Kingdom of Saudi Arabia or the declaration by the Kingdom of Saudi Arabia of a national emergency or war;
f) any material adverse change, disruption or other condition in the international or domestic money, debt, capital or any other financial markets whether in or elsewhere affecting the Kingdom of Saudi Arabia including, without limitation, a disruption in commercial banking or securities settlement of clearance services; or
g) other calamity or crisis or any change in financial, political, monarchical or economic conditions or currency exchange rates or controls in, or elsewhere affecting, the Kingdom of Saudi Arabia,

that may, in the sole opinion of the Lead Manager, prejudice or make it impractical or inadvisable to proceed with the Offer and/or Admission.

The Lead Manager may also terminate the Underwriting Agreement if, on or prior to the Relevant Time (or such other time as the Lead Manager may determine), an internationally recognized rating agency has issued any notice in respect of any sovereign securities relating to the Kingdom of Saudi Arabia:

a) downgrading such securities;
b) indicating that it intends to downgrade, or is considering the possibility of downgrading, such securities; or
c) indicating that it is reconsidering the rating of such securities without stating that this is with a view to upgrading them,

that, in any such case, in the opinion of the Lead Manager makes the success of the Offer doubtful or which, in the opinion of the Lead Manager, would make it impracticable or inadvisable to proceed with the Offer and/or Admission.

Upon termination of the Underwriting Agreement, the Offer may be cancelled and subscription monies received from Applicants and, if applicable, the Underwriters shall be refunded to the Applicants and, if applicable, the Underwriters by the Receiving Banks or, in the case of the Underwriters, by the Lead Manager.

11.6 Default by one or more of the Underwriters

In the event one or more Underwriters fails (or, in the reasonable opinion of the Lead Manager, is likely to fail) at the Allocation Date to purchase the Offer Shares for which it or they are obliged to purchase (in aggregate, the "Defaulted Shares"), the Lead Manager may make arrangements for the non-defaulting Underwriters, or any other underwriter, to purchase all, but not less than all, of the Defaulted Shares.

If the Lead Manager does not complete the above arrangements within 48 hours, then the Underwriting Agreement will terminate without liability on the part of any non-defaulting Underwriter or any other party (save for the defaulting Underwriter).

11.7 Fees and expenses

The Company has agreed to pay the Underwriters a fee based on the number of Offer Shares each Underwriter has agreed to underwrite. In addition, the Company has agreed to pay certain costs and expenses of the Underwriters in connection with the Offer.

12. Subscription Terms and Conditions

All Applicants must carefully read the Subscription Terms and Conditions prior to completing the Subscription Application Form, since the execution and delivery of the Subscription Application Form to a Receiving Bank constitutes acceptance and agreement to the Subscription Terms and Conditions.

12.1 Subscription to Offer Shares

A signed Subscription Application Form submitted to any of the Receiving Banks represents a legally binding agreement between the Company and the Applicant.

Subscription Application Forms will be available during the Offer Period at the branches of each Receiving Bank. Applicants who have participated in recent public offerings in Saudi Arabia may apply for Offer Shares via the Internet, phone banking or an ATM through any of the Receiving Banks which provides these services, subject to the following two conditions:

1. the Applicant has an account at the Receiving Bank; and

2. no modification has occurred to the Applicant's details.

One hundred percent (100%) of the total number of Offered Shares will be available to Saudi nationals. A Saudi woman who is divorced or widowed and who has children from a non-Saudi husband may subscribe for Offer Shares in the name(s) of her children who are minors provided that she presents evidence that (i) she is divorced or widowed and (ii) she is the mother of such children. Applicants may obtain both the Prospectus and the Subscription Application Form from the following Receiving Banks:

www.alrajhibank.com.sa

www.anb.com

www.bankalbilad.com.sa

www.baj.com.sa

www.alfransi.com

www.alahi.com.sa

www.riyadonline.com

www.sabb.com

www.samba.com

www.saudihollandibank.com

www.saib.com.sa

This Prospectus can also be obtained from the CMA website: www.cma.org.sa.

The Receiving Banks will commence receiving Subscription Application Forms at their branches throughout Saudi Arabia from 04/11/1427H (corresponding to 25/11/2006G) up to and including 13/11/1427H (corresponding to 04/12/2006G). Once the Subscription Application Form is signed and submitted, the relevant Receiving Bank will stamp it and provide the Applicant with a copy of the completed Subscription Application Form. In the event that the information provided in the Subscription Application Form is incomplete, inaccurate or not stamped by the Receiving Bank, the Subscription Application Form will be considered void.

Each Applicant is required to specify the number of Offer Shares applied for in the Subscription Application Form multiplied by the Offer Price. Subscriptions for less than 50 Offer Shares or fractional numbers will not be accepted. In addition, each Applicant may not apply for more than 25,000 Offer Shares.

Each Applicant is required to submit the Subscription Application Form during the Offer Period accompanied by:

- the original and a copy of the national identification card and/or family identification card; and
- funds in an amount equal to the number of Offer Shares applied for multiplied by the Offer Price.

In addition to the above, if the Applicant is applying for Offer Shares on behalf of a child who is a minor, the Subscription Application Form must be also accompanied by:

- in the case of an application on behalf of a child of a Saudi woman:
    - who is divorced from a non-Saudi husband, the original and a copy of the divorce deed plus a copy of the child's birth certificate; or
    - who has been widowed by a non-Saudi husband, the original and a copy of her late husband's death certificate plus a copy of the child's birth certificate;
- in the case of an application by a guardian of the child, the original and a copy of the power of attorney, guardianship deed or the deed evidencing the legal financial responsibility of the Applicant; and
- in the case of an application on behalf of an orphan, the original and a copy of the custody deed.

In the event that a Subscription Application Form is submitted on behalf of an Applicant (parents and children only), the name of the person signing on behalf of the Applicant should be stated in the Subscription Application Form accompanied by the original and a copy of the power of attorney supporting such person's authority to act on the behalf of the Applicant. For Applicants who are within Saudi Arabia, the power of attorney must be issued before a notary. For Applicants who are outside Saudi Arabia, the power of attorney must be legalized through the Saudi Embassy or Consulate in the relevant country. The Receiving Banks will verify all copies against the originals and will return the originals to the Applicant or any person signing under a power of attorney.

One Subscription Application Form should be completed for each household (i.e. family members appearing on the family identification card) if dependent Applicants apply for the same number of Offer Shares as the prime Applicant. In this case:

- all Offer Shares allocated to the prime Applicant and dependent Applicants will be registered in the prime Applicant's name;
- the prime Applicant will receive any refund in respect of amounts paid for Offer Shares applied for by the prime Applicant and dependent Applicants and not allocated; and
- the prime Applicant will receive all dividends distributed in respect of the Offer Shares allocated to the prime Applicant and dependent Applicants.

Separate Subscription Application Forms must be used if:

- the Offer Shares to be allocated are to be registered in a name other than the name of the prime Applicant;
- dependent Applicants are to apply for a different quantity of Offer Shares than the prime Applicant; or
- the Applicant's wife wishes to apply for Offer Shares in her own name. If her Subscription Application Form is accepted, Offer Shares will be allocated to her and a Subscription Application Form submitted on her behalf by her husband will be rejected.

Each Applicant agrees to subscribe for and purchase that number of Offer Shares specified in the Subscription Application Form submitted by the Applicant for an amount equal to the number of Shares applied for multiplied by the Offer Price. Each Applicant shall have purchased the number of Offer Shares allotted to him upon:

- delivery by the Applicant of the Subscription Application Form to any Receiving Bank;
- payment in full by the Applicant to any Receiving Bank of the total value of Offer Shares subscribed for; and
- delivery to the Applicant by the relevant Receiving Bank of the allotment letter specifying the number of Offer Shares allotted to him.

The total value of the Offer Shares subscribed for must be paid in full to a branch of any Receiving Bank by authorizing a debit of his/her account held with the relevant Receiving Bank where the Subscription Application Form is being submitted. The Applicant must open an account with that Receiving Bank to submit his application.

If a submitted Subscription Application Form is not in compliance with the terms and conditions of the Offer, the Company shall have the right to reject, in full or in part, such an application. The Applicant shall accept any number of Offer Shares allocated to him.

12.2 Allocation and refunds

After approximately ten days following the end of the Offer Period, the Offer Shares will be allocated to the Applicants. Each Applicant will be allocated a minimum of 50 Offer Shares with any remaining Offer Shares being allocated on a pro-rata basis to the number of Offer Shares applied for by the Applicant. The Company does not guarantee the minimum allocation of 50 Offer Shares in the event that the number of Applicants exceeds 1,327,500, in which case the Offer Shares will be allocated equally between all Applicants. The final number of Offer Shares allocated to each Applicant, together with any refund due to the Applicant, is expected to be announced no later than 18/11/1427H (corresponding to 09/12/2006G). The Company will make an announcement in the national newspapers in Saudi Arabia informing the Applicants of the above and instructing the Receiving Banks to begin the refund process (if applicable).

The Receiving Banks will send confirmation/notification letters to their Applicants informing them of the final number of Offer Shares allocated together with the amounts, if any, to be refunded. The Receiving Banks will also refund to the Applicants any funds in respect of which no Offer Shares have been allocated to the relevant Applicants, as provided in the confirmation/notification letters. Refunds will be made in full without any charge or withholding by crediting the Applicant's account at the Receiving Bank. Applicants should communicate with the branch of the Receiving Bank where they submitted their Subscription Application Form for any further information.

12.3 Acknowledgements

By completing and delivering the Subscription Application Form, the Applicant:

- agrees to subscribe for the Offer Shares with the number of Offer Shares specified in the Subscription Application Form;

- warrants that he has read the Prospectus and understands all its contents;
- accepts the By-Laws and all subscription instructions and terms mentioned in the Prospectus;
- retains his right to sue the Company for damages caused by incorrect or incomplete information contained in the Prospectus, or for the omission of material information that should have been part of the Prospectus and could have affected the Applicant's decision to invest;
- declares that neither himself nor any of his family members included in the Subscription Application Form has previously subscribed to the Company's shares;
- accepts that the Company has the right to reject all applications;
- accepts the number of Offer Shares allocated to him and all other subscription instructions and terms mentioned in the Prospectus and the Subscription Application Form; and
- warrants not to cancel or amend the Subscription Application Form after submitting it to a Receiving Bank.

12.4 Miscellaneous

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that, except as specifically contemplated herein, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

The Prospectus has been released in both Arabic and English languages. In the event of a discrepancy between the English and the Arabic text, the Arabic text of the Prospectus will prevail.

12.5 The Saudi Arabian Stock Exchange (Tadawul)

Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. In 1999G, full electronic trading in Saudi Arabian equities was introduced. The market capitalization was in excess of SR 1,440 billion as of 1 November 2006G. At the date of this document, 84 companies are currently listed and traded on Tadawul.

Trading on Tadawul occurs through a fully integrated trading system covering the entire process from trade order through to settlement. Trading occurs each Business Day between 11.00 am to 3.30 pm. After close of trading on the Exchange, orders can be entered, amended or deleted until 8.00 pm (the system is not available between 8.00 pm and 8.00 am the next Business Day). From 8.00 am, new entries and inquiries can be made. For the opening phase (starting at 11.00 am), the system starts opening procedures, establishing the opening prices and determining orders to be executed according to the matching rules.

Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders placed at a price limit) provided that if several orders are generated at the same price, they are executed according to the time of entry.

Tadawul distributes a comprehensive range of information through various channels including, in particular, the Tadawul website and Tadawul Information Link. The Tadawul Information Link supplies Tadawul information in real time to information providers such as Reuters.

Exchange transactions are settled at the same day, i.e. ownership is transferred immediately after the trade is executed.

Issuers are required to report all material announcements via Tadawul for onward dissemination to the public.

Surveillance and monitoring is the responsibility of Tadawul as the operator of the market. The aim of supervision is to ensure fair trading and an orderly market.

12.6 Trading in the Offer Shares on Tadawul

It is expected that dealing in the Offer Shares will commence on Tadawul upon finalization of the allocation process. The CMA will announce the start date of trading on Tadawul once determined. Dates and times included in this Prospectus are indicative only and may be changed or extended subject to the approval of the CMA.

Furthermore, Offer Shares can only be traded after Offer Shares have been allocated and credited to the Applicant's accounts at Tadawul and Admission has become effective. Pre-trading in Offer Shares is strictly prohibited and Applicants entering into any such pre-trading activities will be doing so at their own risk. The Company shall have no legal responsibility in such an event.

13. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the Company's head office at SAMIC Building, Gulf Road, Corniche, P.O. Box 7215, Dammam 31462, Kingdom of Saudi Arabia, during the Offer Period between 9 a.m. and 2 p.m. on each weekday other than a Thursday, Friday or public holiday:

- the By-Laws;
- the Industrial License;
- the Commercial Registration certificate;
- a copy of the CMA's approval to the Offer;
- the audited consolidated accounts of the Company for the period from incorporation (being 1 October 2005G) to 30 June 2006G;
- the Ministry of Commerce and Industry's Resolution number 2050049604 dated 27 Shaban 1426H (corresponding to 1 October 2005G) licensing the Company; and
- the Market Report prepared by Nexant.

14. DEFINITIONS AND ABBREVIATIONS

Term	Definition
ABB Global	ABB Lummus Global International Corporation
ABC	Arab Banking Corporation (B.S.C.)
Admission	Admission of the Shares to the Official List of the CMA and the admission of the Offer Shares to trading on the Exchange in accordance with Article 19 of the Listing Rules
Alireza	Lummus Alireza Limited
Allocation Letter	The letter dated 2 July 2006 from Aramco to the Company extending its allocation of 23Mdb of propane feedstock and 15MMscfd of sales gas (natural gas) until 31 December 2006.
APPC or the Company	Advanced Polypropylene Company
Applicant	Each Saudi citizen subscribing for Offer Shares pursuant to the terms of the Offer
Board	The Board of Directors
Board Member	A member of the Board
Business Day	Any day (other than a Thursday, Friday or a public holiday) on which the Receiving Banks are open for business
By-laws	The By-laws of the Company, a summary of which is set out in Section 9 (*Summary of By-Laws*)
CEO	Chief Executive Officer
CMA or the Authority	The Capital Market Authority, including where the context permits any committee, sub-committee, employee or agent to whom any function of the Authority may be delegated.
Commercial Lenders	ABC, Abu Dhabi Commercial Bank, Ahli United Bank B.S.C., GIB, NCB, Riyad Bank, Samba, Saudi Hollandi Bank and The Saudi British Bank
Commercial Term Loan Facility	The commercial term loan facility of SR 1,744 million to be made available to the Company by the Commercial Lenders pursuant to the Commercial Loan Facilities Agreement.
Commercial Term Loan Facility Agreement	The SR 1,369 million commercial term loan agreement to be entered into between the Company and the Commercial Lenders.
Companies Regulations	The Regulations for Companies issued under Royal Decree No. M/6, dated 22/03/1385H (as amended)

Term	Definition
DAR	Dar Chemicals Limited
Directors	The directors of the Company
Domo	Domo N.V.
EPC Contract	The EP Contract, the Construction Contract, the Guarantee Agreement and the Implementation Agreement
Exchange	The Saudi Arabian Stock Exchange
Existing Directors	The Directors who are appointed as at the date of this document, details of whom are set out in paragraph 5.2.1.
Financial Adviser or GIB	Gulf International Bank B.S.C
FOB	Free on board
Founding Shareholders	The Shareholders as at the date of this document, details of whom are set out on page (xv).
GAS	National Industrial Gases Company
GCC	Gulf Cooperative Council
GIB Loan	The US$31 million loan provided by GIB to the Company
IDB	Islamic Development Bank
IDB Fund	IDB Infrastructure Fund L. P.
IPO Bridge Facility	Has the meaning given in Section 4.6
Lead Manager	Samba
Listing Rules	The Listing Rules issued by the CMA as approved by its resolution number 3-11-2004 dated 4 October 2004G as amended from time to time
Lummus	ABB Lummus Global Inc.
Lock-In Period	The period (i) of three years from the date the Company was incorporated as a joint stock company (being 1 October 2005G) or (ii) until the date on which commercial operations commence, whichever is the later
Management	The management of the Company
Maximum Application	25,000 Offer Shares
Marafiq	Power and Water Utility Company for Jubail and Yanbu
Minimum Application	50 Offer Shares

Term	Definition
MIS	Management Information System
Mitsubishi	Mitsubishi Corporation
MoCI	Ministry of Commerce and Industry, Saudia Arabia
NCB	The National Commercial Bank
Nexant	Nexant Limited
NPPC	National Polypropylene Company Limited
NSP	North Sea Petrochemicals
NTH	Novolen Technology Holdings C.V.
Offer	The initial public offer of 66,375,000 Shares on the terms set out in this document
Offer Period	04/11/1427H to 13/11/1427H (corresponding to 25/11/2006G to 04/12/2006G)
Offer Price	SR 10
Offer Shares	66,375,000 Shares
Offtake Agreements	The polymers offtake agreements dated 6 September 2005G, 24 August 2005G and 26 June 2006G between the Company and each of the Offtakers
Offtakers	Vinmar, Mitsubishi and Domo
Operational Acceptance	The date on which the Company notifies each of the Offtakers that commissioning and testing of the Plant is complete
Petrokemya	Arabian Petrochemical Company
Plant	The integrated PDH and PP plant
PP	Polypropylene
Products	The products manufactured by the Company
Project Contracts	The contracts defined in Section 8.10 as the "Project Contracts"
Prospectus	This document
Receiving Banks	The receiving banks listed on page (vi)
Royal Commission	Royal Commission for Jubail & Yanbu
SABIC	Saudi Arabian Basic Industries Corporation
Samba	Samba Financial Group

Term	Definition
Samsung	SSAL and SECL
SASO	Saudi Arabian Standards Organisation
Saudi Arabia or the Kingdom	Kingdom of Saudi Arabia
Aramco	Saudi Arabian Oil Company
SCI	Süd Chemie, Inc.
SDEC	Saudi Designers Engineering Consultants
SEC	Saudi Electricity Company
SECL	Samsung Engineering Company Limited
Share	An ordinary share of SR 10 each in the capital of the Company
Shareholder	A holder of Shares
SIDF	Saudi Industrial Development Fund
SIDF Bridge Facility	The SR 243.75 million facility provided by Bank Al-Jazira to the Company
SIDF Loan	The SR 400 million loan provided by SIDF to the Company
SOCPA	Saudi Organisation for Certified Public Accountants
SPC	Saudi Polyclefin Company
SR	Saudi Arabian Riyal, the lawful currency of Saudi Arabia
SSAL	Samsung Saudi Arabia Limited
Subscription Application Form	The subscription application form accompanying this Prospectus to be used by an Applicant to apply for Offer Shares
Tadawul	Automated system for trading of shares in Saudi companies listed on the Exchange
Underwriters	GIB, NCB, Riyad Bank and Samba
Underwriting Agreement	The underwriting agreement entered into between the Company and the Underwriters
US dollars or US$	The lawful currency of the United States of America
Vinmar	Vinmar International, Ltd.
Vinmar Group	Vinmar International Holdings Limited, Vinmar Inc. and their respective affiliates and subsidiaries.
Wt	Weight
WTO	World Trade Organisation

15. GLOSSARY OF TECHNICAL TERMS

Technical Terms

CATOFIN®	CATOFIN® dehydrogenation process
IPO	initial public offering
LPG	liquefied petroleum gas
NGL	natural gas liquids
PDH	propane dehydrogenation
PMC	project management consultancy
PP	Polypropylene
Project	the development, construction, operation and maintenance of the Plant
Technology Providers	Lummus and NTH

Units of Measure and Similar Terms

C and F	Cost and freight
Hpa	hours per annum
Mbd	thousand barrels per day
MMscfd	million standard cubic feet per day
Tpa	tonnes per annum

ANNEX A

Audited Financial Statements and Auditors' Report

AUDITORS' REPORT

To the stockholders
Advanced Polypropylene Company
Dammam, Saudi Arabia.

We have audited the accompanying balance sheet of Advanced Polypropylene Company ("Closed Joint Stock Company") in the development stage, as of June 30 2006G, the related statements of pre-operating activities, stockholders' equity and cash flows for the period from inception (October 1, 2005G) to June 30 2006G and notes 1 to 17 which form an integral part of these financial statements as prepared by the Company and presented to us including all the necessary information and explanations. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30 2006G, the results of its pre-operating activities and its cash flows for the period then ended in conformity with generally accepted accounting principles appropriate to the nature of the Company.

Deloitte & Touche
Bakr Abulkhair & Co.

Nasser M. Al-Sagga
License No. 322
9 Jumada II, 1427
July 5, 2006G

ADVANCED POLYPROPYLENE COMPANY
(SAUDI JOINT STOCK COMPANY-IN DEVELOPMENT STAGE)

BALANCE SHEET
AS OF JUNE 30, 2006G

	Note	SR
ASSETS		
Current assets		
Cash and cash equivalents	3	13,036,662
Other receivables, prepayments and deposit	4	255,961
Total current assets		13,292,623
Non-current assets		
Property and equipment	6	659,197
Project under construction	5	866,856,961
Intangible assets	7	28,073,000
Total non-current assets		895,589,158
TOTAL ASSETS		908,881,781
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Short term loan	8	116,250,000
Accounts payable and other liabilities	9	40,687,107
Total current liabilities and total liabilities		156,937,107
Non Current Liability		
End-of-service indemnities		8,875
Stockholders' equity		
Paid in share capital	1	375,000,000
Contributions from stockholders	14	375,000,000
Statutory reserve	16	200,402
Retained earnings		1,735,397
Total stockholders' equity		751,935,799
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		908,881,781

The accompanying notes form an integral part of these financial statements

STATEMENT OF PRE-OPERATING ACTIVITIES
FOR THE PERIOD FROM INCEPTION (OCTOBER 1, 2005G) TO JUNE 30, 2006G

	Note	SR
General and administrative expenses	12	**(970,498)**
Other income, net		**2,974,522**
NET INCOME		**2,004,024**

The accompanying notes form an integral part of these financial statements

ADVANCED POLYPROPYLENE COMPANY
(SAUDI JOINT STOCK COMPANY- IN DEVELOPMENT STAGE)

STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE PERIOD FROM INCEPTION (OCTOBER 1, 2005G) TO JUNE 30, 2006G

	Note	Share capital SR	Contributions from stockholders SR	Statutory reserve SR	Retained earnings SR	Total SR
Paid in share capital	1	**375,000,000**	**-**	**-**	**-**	**375,000,000**
Contributions received during the period		**-**	**375,000,000**	**-**	**-**	**375,000,000**
Net income for the period		**-**	**-**	**-**	**2,004,024**	**2,004,024**
Transfer to statutory reserve	16	**-**	**-**	**200,402**	**(200,402)**	**-**
Income tax	10	**-**	**-**	**-**	**(68,225)**	**(68,225)**
June 30, 2006G		**375,000,000**	**375,000,000**	**200,402**	**1,735,397**	**751,935,799**

The accompanying notes form an integral part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM INCEPTION (OCTOBER 1, 2005G) TO JUNE 30, 2006G

	SR
PRE-OPERATING AND INVESTING ACTIVITIES	
Net income for the period	2,004,024
Changes in:	
Other receivables, prepayments and deposit	(255,961)
Accounts payable and other liabilities	40,659,801
Purchase of property and equipment	(672,443)
Project under construction	(866,834,840)
Intangible assets	(28,073,000)
Income tax paid	(40,919)
Net cash used in pre-operating and investing activities	(853,213,338)
FINANCING ACTIVITIES	
Proceeds from issuance of paid share capital	375,000,000
Contributions received from stockholders	375,000,000
Short term loan	116,250,000
Net cash from financing activities	866,250,000
Net change in cash and cash equivalents	13,036,662
Cash and cash equivalents, beginning of the period	-
CASH AND CASH EQUIVALENTS, JUNE 30, 2006G	13,036,662

Non-cash transactions:

- Depreciation and end-of-service indemnity were charged to the project under construction amounted to SR 0.01 million and SR 0.01 million, respectively.

The accompanying notes form an integral part of these financial statements

1. ORGANIZATION AND ACTIVITIES

Advanced Polypropylene Company ("APPC") (the "Company") is a Saudi joint stock company, in the development stage, registered in Saudi Arabia under commercial registration number 2050049604 dated 27 Sha'ban, 1426H (1 October 2005G). The authorized share capital of the Company is SR 750 million divided into 15 million shares of SR 50 each. The issued and paid up capital of the Company is SR 375 million divided into 7.5 million shares of SR 50 each.

The principal activity of the Company is to manufacture polypropylene. The Company's Propane Dehydrogenation ("PDH") and Polypropylene ("PP") plants are under construction at the Jubail Industrial city and are expected to be completed in 2008G. The Company's registered office is at Dammam, Saudi Arabia.

The Company's first accounting period is from inception (October 1, 2005G) to December 31, 2006G. These financial statements has been prepared for the period from inception (October 1, 2005G) to June 30, 2006G for the purpose of "Initial Public Offering".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in compliance with the accounting standards issued by the Saudi Organization for Certified Public Accountants. The following is a summary of significant accounting policies applied by the Company:

Accounting convention
The financial statements are prepared under the historical cost convention.

General and administrative expenses
General and administrative expenses include expenses not directly attributable to the construction and pre-operating costs of the Company and which do not have future benefits.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. The estimated useful lives of the assets are as follows:

	Years
Leasehold improvements	10
Furniture, fixtures & office equipment	8 - 10
Vehicles	4

Intangible assets
Intangible assets comprise of establishment costs and expenses incurred prior to commencement of commercial operations which are expected to provide benefits in future periods. Such intangible assets will be amortized over a period not to exceed seven years beginning with the date of commencement of commercial operations.

Foreign currency translation

Transactions denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing on the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the balance sheet date. Exchange gains or losses are credited or charged to statement of pre-operating activities.

Zakat and income tax

The Company is subject to the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat and income tax are provided on an accruals basis. The zakat charge is computed on the Saudi stockholders' share in the zakat base. Income tax is computed on the foreign stockholders' share in the adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

End-of-service indemnities

End-of-service indemnities, required by Saudi Arabian Labor Law, are provided in the financial statements based on the employees' length of service.

Leasing

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight line basis over the term of the operating lease.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank balances, demand deposits, and highly liquid investments with original maturity of three months or less. As at June 30, 2006G, cash and cash equivalents consist entirely of cash and bank balances.

4. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSIT

	SR
Prepayments	**182,094**
Deposit	**16,572**
Others	**57,295**
	255,961

5. PROJECT UNDER CONSTRUCTION

Project under construction comprise construction costs under various agreements and directly attributable costs to bring the asset to the location and working condition necessary for it to be capable of operating in a manner intended by the management. Directly attributable costs include employee benefits, site preparation costs, installation costs, licensing fees and professional fees.

The Company has leased land for plant and buildings from the Royal Commission for Jubail and Yanbu at a nominal rent. The lease is for a term of 30 years, effective 9 Jumada'l 1426H (June 16, 2005G) and is renewable under mutually agreed terms and conditions.

	Project under construction cost SR
Cost	
Additions	**866,856,961**
June 30, 2006G	**866,856,961**

6. PROPERTY AND EQUIPMENT

	Vehicles SR	Furniture, fixtures and office equipment SR	Capital work in progress SR	Total SR
Cost				
Additions	**314,412**	**145,539**	**212,492**	**672,443**
June 30, 2006G	**314,412**	**145,539**	**212,492**	**672,443**
Depreciation				
Charge for period	**12,101**	**1,145**	**-**	**13,246**
June 30, 2006G	**12,101**	**1,145**	**-**	**13,246**
Net book value				
June 30, 2006G	**302,311**	**144,394**	**212,492**	**659,197**

7. INTANGIBLE ASSETS

	Incorporation costs SR
Cost	
Additions	**28,073,000**
June 30, 2006G	**28,073,000**

8. BANK FACILITIES

	SR
Short term loan	116,250,000

During the period, the Company entered into a short term loan agreement with Gulf International Bank ("GIB") for SR 116.3 million with an arrangement fee of SR 1.5 million to bridge the receipt of the proceeds of the Initial Public Offer ("IPO") and to finance in part project costs. The loan is payable in full within 6 months from the date of disbursement. The loan is subject to interest @ LIBOR plus margin to be paid on quarterly basis.

The Company has capitalized borrowing costs of SR 2.2 million in project under construction being the finance charges incurred during the construction phase of the project up to June 30, 2006G.

During the period, the Company has entered into a syndicated corporate loan commitment with the consortium of banks in the region for a limit of SR 1.7 billion for the purpose of the construction of its new plant. The Company has paid SR 1.7 million as a non-refundable extension fee to extend the termination date of the commitment letter until September 30, 2006G which has been charged to project under construction.

The Company is in the process of completing the legal formalities as a pre-requisite towards signing of the Saudi Industrial Development Fund ("SIDF") facility. The management of the Company is confident that the agreement with the SIDF will be signed in 2006G. The approximate amount of the SIDF facility is SR 400 million.

9. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	SR
Accounts payable	30,382,090
Due to related party	8,817,288
Accrued charges	1,460,423
Provision for taxation	27,306
	40,687,107

10. ZAKAT AND INCOME TAX

Zakat

No provision for zakat was made in 2006G, as the Company had not completed one full year as at June 30, 2006G.

Income tax

The charge for the period for income tax is as follows:

	SR
Income tax for current period	68,225

11. RELATED PARTY TRANSACTIONS

During the period, the Company transacted with the following related parties:

Name	Relationship
National Polypropylene Company Limited	Stockholder
Lummus Catalyst Company Ltd (ABB Lummus Global)	Stockholder

The significant transactions and the related approximate amounts are as follows:

	June 30, 2006G **SR**
Services received	**96,199,856**

Additionally, in compliance with the agreement signed, the Company has reimbursed the sponsors (some of the stockholders) all costs and expenses incurred by them in developing this project up to the allocation of shares. The total amounted to SR 28.0 million.

12. GENERAL AND ADMINISTRATIVE EXPENSES

	SR
Rent expense	**448,360**
Professional charges	**491,449**
Others	**30,689**
	970,498

13. COMMITMENTS

At June 30, 2006G, the Company had SR 1,223,797,794 outstanding commitments related to the construction of plant facilities.

14. CONTRIBUTIONS FROM STOCKHOLDERS

This represents the amounts paid by the stockholders in excess of the paid in share capital. Total amounts contributed will eventually be transferred to the paid in capital of the Company upon successful completion of associated legal procedures.

15. OPERATING LEASES

	SR
Payments under operating leases recognized as an pre-operating costs during the period	**865,050**

Operating lease payments represent rentals payable by the Company for certain office properties. Leases are negotiated for an average term of one year and rentals are fixed for an average of one year.

The Company has leased land from the Royal Commission for Jubail and Yanbu, for building the plant and other facilities at an annual rent of SR 0.6 million. This lease expires in the 1456H, with an option for renewal.

Commitments for minimum lease payments under non-cancelable operating leases are as follows:

	SR
Not later than one year	**650,335**
Year two	**650,335**
Year three	**650,335**
Year four	**650,335**
Year five	**650,335**
Later than five years	**16,258,365**
Net minimum lease payments	**19,510,040**

16. STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

17. FAIR VALUES

The fair values of the Company's financial assets and liabilities approximate their carrying amounts.