

L'Azurde Company for Jewelry is a Saudi joint stock Company incorporated pursuant to the Commercial Registration Certificate ("CR") No (1010221531) dated 26/06/1427H (corresponding to 07/22/2006G).

Offering of (14,500,000) fourteen million and five hundred thousand ordinary shares with an offer price of SAR (10) ten Saudi Riyals per share ("Offer Price") due to an increase in the Company's capital from SAR (430,000,000) four hundred thirty million Saudi riyals to SAR (575,000,000) five hundred seventy five million Saudi riyals by issuing Rights Shares with a total value of SAR (145,000,000) one hundred forty-five million Saudi riyals (the "Offering") representing an increase of approximately (34%).

Trading period: Starts from Monday date 26/10/1442H (corresponding to 07/06/2021G), to Monday date 04/11/1442H (corresponding to 14/06/2021G).

Subscription period: Starts from Monday date 26/10/1442H (corresponding to 07/06/2021G), to Thursday date 07/11/1442H (corresponding to 17/06/2021G).

L'Azurde Company for Jewelry (hereinafter referred to as "the Company", "the Parent Company" or "L'Azurde for Jewelry"), is a Saudi joint stock Company registered with the Ministry of Commerce pursuant to the CR No. (1010221531) dated 06/26/1427H (corresponding to 07/22/2006G) issued in Riyadh where its head office is located at the second industrial zone - opposite the Arab National Bank - PO Box 41270 Riyadh 11521 Kingdom of Saudi Arabia. The Company's current capital is SAR (430,000,000) four hundred and thirty million Saudi riyals divided into forty three million (43,000,000) ordinary shares (the "Shares"), with a fully paid nominal value of SAR (10) ten Saudi Riyals per share (referred to collectively as the "Current Shares" and each as "Current Share"). As of the date of this Prospectus, the Company's major shareholder (i.e. who owns 5% or more of the Company's share capital) is Mr. Abdulaziz Saleh Ali Al-Othaim who owns six million and four hundred four thousand and eight hundred fifty (6,404,850) Shares representing (14.895%) of the Company's share capital prior to this Offering.

On 04/22/1442H (corresponding to 12/07/2020G), the Company's Board of Directors recommended the increase of capital through rights issue of SAR (145,000,000) one hundred forty-five million Saudi riyals after obtaining the necessary approvals from the regulatory authorities and the Extraordinary General Assembly (the "EGA").

On Wednesday 21/10/1442H (corresponding to 02/06/2021G), the EGA approved the increase of the Company's capital by issuing Rights shares (the "Rights Issue"). Rights Issue is to offer (14,500,000) Fourteen million five hundred thousand new ordinary shares (referred to as the "New Shares") with an offer price of SAR (10) ten Saudi Riyals per share (referred to as the "Offering Price") due to an increase in the Company's capital from SAR (430,000,000) four hundred thirty million Saudi riyals to SAR (575,000,000) five hundred seventy five million Saudi riyals and an increase in the number of Current Shares from (43,000,000) forty-three million ordinary shares to (57,500,000) fifty-seven million five hundred thousand ordinary shares with a nominal value of SAR (10) ten Saudi riyals each, and this after obtaining all the necessary regulatory approvals and the approval of the EGA.

The Rights Issue will be conducted through the issue of tradable securities (referred to collectively as the "Rights" and each as "Right") to shareholders of the Company, as at the close of trading on the date of the EGA held for the capital increase (referred to as the "Eligibility Date"), who are registered in the Company's shareholders register with the depository center at the end of the second trading day following the day of the EGA that includes the approval of the capital increase on Sunday 25/10/1442H (corresponding to 06/06/2021G) (referred to collectively as "the Registered Shareholders" and each a "Registered Shareholder") in the amount of (0.337) Right(s) for every (1) Current Shares held on such date, with such Rights being deposited into the Registered Shareholders' portfolios within two days of the Eligibility Date in the ratio of (0.337) Rights per (1) each Company's share owned by shareholder at that date.

Each right grants its holder the right to subscribe for (1) New Share at the Offer Price. Registered shareholders and other public investors (referred to as "New Investors") – who may trade the Rights and subscribe to the New Shares – will be able to trade and subscribe to the Rights on the Saudi Stock Exchange (referred to as "Tadawul" or "Stock Exchange").

The trading period and subscription period start on Monday 26/10/1442H (corresponding to 07/06/2021G), while the trading period ends on Monday 04/11/1442H (corresponding to 14/06/2021G) (referred to as the "Trading Period"), the subscription period ends on Thursday 07/11/1442H (corresponding to 17/06/2021G) (referred to as the "Subscription Period"). It should be noted that the Trading Period and Subscription Period will start on the same day. However, the Trading Period cease on the sixth (6) day of the start of the period, while the Subscription Period will end on the ninth (9) day of the said period.

The Registered Shareholders will be able to trade Rights during the Trading Period, by selling (in whole or in part) the entitled Rights, or by purchasing additional Rights from the Saudi Stock Exchange ("Tadawul"). New Investors may, during the Trading Period, purchase Rights from the Saudi Stock Exchange ("Tadawul") and sell the Rights purchased during the Trading Period.

The New Shares could be subscribed to during the Subscription Period via a single phase as follows:

- 1- During such period, all Registered Shareholders and New Investors may subscribe to the New Shares.
- 2- The Registered Shareholder may during the Subscription Period directly subscribe for the New Shares prorated to its own shares. In case the Registered Shareholder bought new right, he or she will be allowed to subscribe for them upon the cessation of the settlement period (two business days after buying the new rights).
- 3- The New Investors may directly subscribe for the New Shares upon settlement of such shares (two business days).
- 4- Subscription will be available online through the investment portfolio on Tadawul platforms and applications that are used to submit purchase and sale orders.

Additionally, subscription shall be available through other media and channels available at the intermediary.

If there are any unsubscribed shares by the end of the subscription period (referred to as "Rump Shares"), then such shares will be offered to a number of institutional investors (referred to as "Institutional Investors"); such offering shall be referred to as (the "Rump Offering"). The Institutional Investors shall submit their offers for the purchase of the Rump Shares, and such offers shall be received starting from 10:00 am on Tuesday 12/11/1442H (corresponding to 22/06/2021G) to 5:00 pm on Wednesday 13/11/1442H (corresponding to 23/06/2021G) (referred to as the "Rump Offering Period"). The Rump Shares will be allocated to the Institutional Investors in order of priority bases on the price per Share offered (provided that it shall not be less than the Offer Price) with Shares being allocated on a pro rata basis, among those being the Institutional Investors that provided offers at the same price. The fractional shares will also be added to the Rump Shares and will be subject to the same. The Company shall receive the total Offer Price obtained from the offering of the Rump Shares and fractional shares. The sale proceeds of the Rump Shares and the fractional shares (i.e. in excess of the Offer Price) shall be distributed to the eligible persons, as per entitlement, no later than Thursday 28/11/1442H (corresponding to 08/07/2021G).

In the event that the Institutional Investors do not subscribe for all of the Rump Shares and fractional shares, then these shares shall be allocated to the Underwriter who shall subscribe for them at the Offer Price (see Section 12 "Shares Information & Offering Terms and Conditions"). The final allocation for the New Shares will be announced no later than Sunday 17/11/1442H (corresponding to 27/06/2021G) (the "Allocation Date") (see Section 12 "Shares Information & Offering Terms and Conditions").

Upon completion of the Offering, the Company's share capital will be SAR (575,000,000) five hundred and seventy five million Saudi riyals divided into (57,500,000) fifty seven million five hundred thousand ordinary shares. The net proceeds of the Offering will, after deducting the expenses of the offering, be used to expand the Company's activities and operations and to finance the expansion plans in the retail sector and for future expansion activities that will focus on expanding the retail sector in both the Egyptian and Saudi markets, and to develop the e-commerce services platforms to improve its performance. A part of the proceeds will be used in reducing the Company's debt (see Section 6 "Use the Proceeds of the Offering and Future Projects").

The Company has one class of shares. No Shareholder shall have any preferential rights. The New Shares will be fully paid and will equal exactly the outstanding shares. Each share grants its holder one vote, and each shareholder (the "Shareholder") has the right to attend and vote at the General Assembly meetings (referred to as the "General Assembly Meeting") (whether ordinary or extraordinary). Holders of the New Shares shall be entitled to receive any dividends declared by the Company as of the date of the Offering and for the following financial years (if any).

On 09/24/1437H (corresponding to 06/29/2016G), the Company listed (43,000,000) forty-three million ordinary shares (with a nominal value of ten (10) SAR per share) on the Saudi Stock Exchange through offering them for public subscription, where (30%) of the shares representing (12,900,000) twelve million nine hundred thousand ordinary shares were offered for public subscription, after obtaining the approval of the Capital Market Authority of Saudi Arabia ("CMA") and the Saudi Stock Exchange ("Tadawul").

The Company's shares are currently traded on Tadawul. The Company has applied to CMA for registering and offering the New Shares in accordance with this Prospectus. The Company has also submitted a request to the Saudi Stock Exchange Company (Tadawul) to accept the listing of the New Shares. It has provided all supporting documents; and all the requirements of the relevant authorities have been met. Trading in New Shares in Tadawul is expected to commence soon after the final allocation of the New Shares and refund of extra subscriptions (please refer to page (x) "Key Dates and Subscription Procedures"). Upon listing and admission of the shares, Citizens and residents of KSA and GCC countries, Saudi companies, banks, Saudi investment funds, GCC companies and establishments, and foreign investors from outside the KSA (through swap agreements or as qualified investors) will be permitted to trade in the New Shares. Moreover, Qualified Foreign Investors and Approved QFI Clients will be permitted to trade in the Company's shares according to the Rules governing the investment of qualified foreign financial institutions in listed shares. The Company has submitted an application for registration and new shares offering to the CMA. It has also submitted a request to the Saudi Stock Exchange "Tadawul" to accept the listing of the New Shares; and all requirements have been met.

This Prospectus must be read in full and the "Important Notice" section and Section 2 "Risk Factors" of this Prospectus must be considered prior to making any investment decision in the Rights or New Shares offered hereby.

Financial Advisor, Lead Manager and Underwriter

sambacapital سامبا كابتال

This Prospectus includes information provided in compliance with the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority ("CMA") and the Listing Rules of the Saudi Stock Exchange ("Tadawul"). The Directors, whose names appear on page (iii) collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, according to their knowledge and belief, after conducting the possible studies and to the extent, there are no other facts that, not including them in the Prospectus, would make any statement contained in it misleading. The Capital Market Authority and the Saudi Stock Exchange Company (Tadawul) do not bear any responsibility for the contents of this Prospectus, and they do not give any assurances regarding its accuracy or completeness, and they expressly disclaim any responsibility whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospectus

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

This Prospectus is issued on 25/08/1442H (corresponding to 07/04/2021G).

 L'AZURDE

Important Notice

This Prospectus contains detailed information on L'Azurde Company for Jewelry and the Rights Issue offered for subscription. When applying for the New Shares, investors will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available for collection from the Company, the Lead Manager or by visiting the website of the Company (www.lazurde.com), the website of Financial Adviser (www.sambacapital.com) and the CMA website (www.cma.org.sa).

This Prospectus will be published and available to the public within a period not less than (14) days prior to the date of the EGA for the capital increase. If the approval of the Company's EGA is not obtained within six (6) months of the approval of the CMA to register and offer the Rights Shares, the CMA's approval shall be deemed to be cancelled.

The Company has appointed Samba Capital as a financial advisor (referred to as "**Financial Advisor**"), lead manager ("Lead Manager") and underwriter (the "**Underwriter**"), in relation to the increase the Company's share capital via the offering of the Rights Shares as set out in this Prospectus.

This Prospectus contains information provided according to the requirements of the Rules on the Offer of Securities and Continuing Obligations issued by the CMA's Board. The Directors, whose names appear on page (iii), jointly and severally, 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 Tadawul do not bear any responsibility for the contents of this Prospectus, and do not make any representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

While the Company has carried out all reasonable studies to verify the validity of the information contained in this Prospectus at the date hereof, a portion of the information contained in this Prospectus are derived from external sources, and while none of the Company, its members of the board directors, its Financial Advisor or any of the Advisors ("**the Advisors**") whose names appear on page (v) of this Prospectus have any reason to believe that any information is materially inaccurate, such information has not been independently verified and therefore no representation is made as to the accuracy and completeness of this information.

The information contained in the Prospectus as at the date hereof is subject to change. In particular, the actual financial position of the Company and the value of the offer shares may be adversely affected by future developments such as inflation factors, interest rates, taxes, or other economic and political factors or other factors beyond the Company's control (see Section 2 "**Risk Factors**" of this Prospectus). Neither the delivery of this Prospectus nor any verbal or written information related to the Offer Shares is intended to be, nor should be construed as or relied upon in any way as, a promise or representation as to future earnings, results or events.

The Prospectus shall not to be regarded as a recommendation on the part of the Company, the Directors or any of the Company's Advisors to participate in the Subscription for Rights Issue. Moreover, the 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 (natural or legal) of this Prospectus is responsible for obtaining independent professional advice from a financial advisor licensed by CMA in relation to the Offering of the New Shares, to examine the appropriateness of the investment opportunity and the information herein with regard to the recipient's individual objectives, financial situation and needs.

The registered shareholders and other public investors ("**New investors**") - who may trade in rights and subscribe to the new shares - will be able to trade and subscribe to Rights issue shares on the Saudi Stock Exchange ("**Tadawul**" or "**Exchange**"). The trading period and the subscription period start on Monday 26/10/1442H (corresponding to 07/06/2021G), and the trading period ends on Monday 04/11/1442H (corresponding to 14/06/2021G) (the "**Trading Period**"), while the subscription period continues until the end of the day Thursday 07/11/1442H (corresponding to 17/06/2021G) (the "**Subscription Period**"). It should be noted that the trading period and the subscription period will start on the same day while the trading period continues until the end of the ninth day from the beginning of the period. The Registered Shareholders will be able to trade in the Right issue during the trading period, by selling the acquired Right issue or part of them, or purchasing additional Right issue through the exchange. New investors will be able, during the trading period, to buy rights through the exchange and sell the rights that are bought during the trading period.

The New Shares could be subscribed to during the Subscription Period via a single phase as follows:

- 1- During such period, all Registered Shareholders and New Investors may subscribe to the New Shares.
- 2- The Registered Shareholder may during the Subscription Period directly subscribe for the New Shares prorated to its own shares. In case the Registered Shareholder bought new right, he or she will be allowed to subscribe for them upon the cessation of the settlement period (two business days after buying the new rights).
- 3- The New Investors may directly subscribe for the New Shares upon settlement of such shares (two business days).
- 4- Subscription will be available online through the investment portfolio on Tadawul platforms and applications that are used to submit purchase and sale orders. Additionally, subscription shall be available through other media and channels available at the intermediary.

In the event that shares remain unsubscribed after the end of the Subscription Period (the “**Rump Shares**”), those shares will be offered to a number of institutional investors (“**Institutional Investors**”); such offering is referred to as (“**the Rump offering**”). The Institutional Investors shall submit their offers to buy the Rump Shares, and such offers will be received starting from 10:00 AM on Tuesday 12/11/1442H (corresponding to 22/06/2021G) until 05:00 PM on Wednesday 13/11/1442H (corresponding to 23/06/2021G) (“**Rump Offering Period**”). The Rump Shares will be allocated to the Institutional Investors with the highest offer, then the lowest and the lowest (provided that it is not less than the Offering Price), with shares being allocated on a pro rata basis, among those being the Institutional Investors that provided offers at the same price. As for fractional shares, they will be added to the Rump Shares and be treated similarly, and the total offering price obtained from the Rump offering process will be paid to the Company, and the remaining proceeds of the offering will be distributed (in excess of the Offer Price) among those entitled to obtain them, subject to eligibility within a maximum limit of Thursday 28/11/1442H (corresponding to 08/07/2021G).

In the event that Institutional Investors have not subscribed to all the Rump Shares and fractional shares, the Rump Shares will be allocated to the Underwriter who will purchase them at the Offering Price (see Section 12 “**Shares Information & Offering Terms and Conditions**”). The final allocation for the new shares will be announced no later than Sunday 17/11/1442H (corresponding to 27/06/2021G) (the “**Allocation Date**”) (see Section 12 “**Shares Information & Offering Terms and Conditions**”).

The offering of the Rights Issue pursuant to this Prospectus, is subject to the Shareholders’ approval. A call for the Extraordinary General Assembly of the Company has been published to approve the issuance of rights issue shares on Wednesday 17/11/1442H (corresponding to 02/06/2021G). Investors should be aware that if the shareholders don’t approve the offering of rights issue, the Rights Issue shall be deemed to be cancelled and this Prospectus shall be considered void, and the Shareholders shall be notified thereof.

Financial Information

The audited consolidated financial statements for the financial years ended December 31, 2017G, 2018G and 2019G, and notes thereto have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted in the Kingdom of Saudi Arabia and in accordance with the generally accepted accounting standards issued by the Saudi Organization for Certified Public Accountants (“SOCPA”). Further, the interim unaudited consolidated financial statements for the financial period ended September 30, 2020G, and the notes thereto, were prepared in accordance with IFRS.

The financial statements for the last three years have been audited by Aldar Auditing Company Abdullah Al Basri & Co. As for the nine-month period of the year 2020G (until 09/30/2020G), the review was carried out by Baker Tilly MKM & Co. (Certified Public Accountants). The Company issues its financial statements in Saudi Riyals. Certain financial and statistical information contained in this Prospectus have been subject to rounding adjustments. Accordingly, numbers presented for the same item may vary slightly in different tables, and totals in certain tables may not equal the addition of the individual items.

Forecasts and Forward-looking Statements

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

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

These forward-looking statements reflect the current views of the Company and its management with respect to future events, and are:

not a guarantee of actual future performance. Many factors could cause the actual results, performance or achievements of the Company to be materially different from that which may be expressed or implied by such forward-looking statements.

The most important risks or factors that could lead to such an effect are described in more detail in other sections of this Prospectus (please see section (2) “**Risk Factors**” of this Prospectus). Should any one or more of these factors materialize or any underlying assumptions or estimates prove to be incorrect or inaccurate, actual results of the Company may vary materially from those expected, estimated, believed, or planned for in this Prospectus.

In compliance with the requirements of Rules on the Offer of Securities and Continuing obligations, the Company must submit a supplementary Prospectus to the Capital Market Authority if at any time after the date of the publication of this Prospectus and before the completion of the offering, the Company becomes aware of any of the following: (1) There is a significant change in material matters mentioned in the Prospectus or any document required by the Listing Rules and the ongoing commitments; (2) any significant issues that should have been included in the Prospectus have arisen.

With the exception of these two cases, the Company does not intend to update or amend any information contained in this Prospectus, whether as a result of new additional information or as a result of future incidents or otherwise related to the Company, sector or risk factors. As a result of this, as well as other risks, uncertainties and assumptions, future expectations and circumstances discussed in this Prospectus might not occur in the manner expected by the Company. New investors should consider all forward-looking statements in the light of these explanations and should not place undue reliance on forward-looking statements.

Company's Directory

Board of Directors (BOD)									
Company's BOD designated on 06/08/1439H (corresponding to 22/04/2018G)*									
Name	Position	Membership Status	Appointment date**	Nationality	Age	Owned Shares			
						Direct		Indirect***	
						Number	Percentage	Number	Percentage
Mohamad Ibrahim Jumaa Al Sharooqi	Chairman of the Board	Non-executive Non-independent	26/04/2018G	Bahraini	68	-	-	-	-
Abdullah Abdul Aziz Saleh Al Othaim	Vice Chairman of the Board	Non-executive Non-independent	26/04/2018G	Saudi	32	41,000	0.095348%	-	-
Khalifa Hassan Khalifa Al Jalahma	Board Member	Non-executive Non-independent	10/12/2019G	Bahraini	35	-	-	-	-
Brian Norman Dickie	Board Member	Non-executive Non-independent	22/04/2018G	Irish	65	-	-	-	-
Adel Abdullah Saleh Al Meman	Board Member	Non-executive Non-independent	22/04/2018G	Saudi	45	-	-	-	-
Bandar Talaat Houssein Hamwi	Board Member	Non-executive Independent	18/03/2020G	Saudi	53	-	-	-	-
Abdul Karim Assaad Abou El Nasr	Board Member	Non-executive Independent	22/04/2018G	Saudi	59	-	-	-	-
Amin Mohamad Akef El Maghribi	Board Member	Non-executive Independent	22/04/2018G	Saudi	46	-	-	-	-
Sabah Khalil Ibrahim AlMoayyed	Board Member	Non-executive Independent	22/04/2018G	Bahraini	66	-	-	-	-

Source: The Company

*The Ordinary General Assembly, in its meeting held on 06/08/1439H (corresponding to 04/22/2018G), agreed to appoint the aforementioned Board Members for the current session which starts on 26/04/2018G and ends on 25/04/2021G. On 03/04/1442H (corresponding to 15/11/2020G), the Board issued a decision approving the amendment of Article 18 of the By-laws to reduce the number of Board Members from 9 to 7, as on the next Board session dated 26/04/2021G. On 07/06/1442H (corresponding to 20/01/2021G), the recommendation was approved by the Extraordinary General Assembly.

**On 01/11/2018G, Mr. Rabih Michel Khoury, a Board Member, and Mr. James Lenoir Tanner submitted a letter of resignation to the Board and all committees thereto for personal reasons. The Board approved the resignation on 11/12/2018G. The Board then issued a decision to appoint Mr. Selim Chidiac as an Executive Board Member and Mr. Sunil Bhilotra as a Non-Executive Board Member. The appointment date will be from 11/12/2018G until the end of the current Board's term (on 25/04/2021G).

On 31/10/2019G, Mr. Sunil Bhilotra, a Board Member, submitted a letter of resignation to the Board of Directors and all committees thereto for personal reasons. Mr. Khalifa Hassan Khalifa Al Jalahma was appointed as Board Member on 10/12/2019G. On 18/03/2020G, the Board approved the recommendation of the Nominations and Remuneration Committee to increase the number of independent members and appoint Mr. Bandar Talaat Hamwi as an Independent Board Member. Furthermore, given the requirements of the Company's By-laws regarding the number of Board Members which should not exceed nine, the Board approved the resignation of Mr. Selim Chidiac, Executive Board Member and CEO of the Company, from the Board of Directors. On 10/11/1441H (corresponding to 06/03/2020G), the Ordinary General Assembly approved the appointment of Mr. Khalifa Hassan Khalifa Al Jalahma as a Non-Executive Member of the Board, starting from the date of his appointment on 10/12/2019G, to complete the Board session till the end of the current session on 25/04/2021G, as a successor to the former Non-Executive Member Mr. Sunil Bhilotra. The General Assembly also approved the Board's recommendation to appoint Mr. Bandar Talaat Hamouh, as an Independent Member of the Board, starting from 18/03/2020G, to complete the Board's session, succeeding the previous Executive Member, Mr. Selim Chidiac and to approve the Board's decision to appoint Mr. Khalifa Hasan Khalifa Al Jalahma as a Non-Executive Member and a member of the Audit Committee starting from 10/12/2019G until the end of the current committee's term of office on 25/04/2021G instead of the former committee member Mr. Sunil Bhilotra, a Non-Executive Board Member, provided that this appointment is effective from the date of the recommendation decision, issued on 10/12/2019G, and is in accordance with the work regulations of the audit committee.

*** Means shares indirectly owned by members of the Board of Directors in the Company through their ownership in companies that own shares in the Company, or shares owned by relatives (wives and minor children) of board members, either directly or through their ownership in companies that own shares in the Company.

Company Address

L'Azurde Company for Jewelry

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Website: www.lazurde.com
Email: investors@lazurde.com



First Authorized Company Representative

Abdullah Abdul Aziz Saleh Al-Othaim
Vice Chairman of the Board
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Fax: +966 (11) 265 6060
Email: Abdullah.Othaim@lazurde.com

Second Authorized Company Representative

Selim Chidiac
Chief Executive Officer
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Fax: +966 (11) 265 6060
Email: selim.chidiac@lazurde.com

Saudi Stock Exchange

Saudi Stock Exchange (Tadawul)

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P.O. Box 60612, Riyadh 11555
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Email: info@tadawul.com.sa



Financial Advisor, Lead Manager and Underwriter

Samba Capital and Investment Management

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sambacapital سامبا كابتال

Legal Advisor

Al-Saleh and Al-Sahli Law Firm

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الصالح والسهلي
للمحاماة والاستشارات القانونية
Alsaleh & Alsahli Law Firm
In co-operation with *Daher Firm*



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External Auditor for the last 3 financial years ended December 31, 2017G, 2018G and 2019G

Aldar Audit Bureau (Abdullah Al Basri and Partners) - Chartered Accountants and Consultants - Member of Grant Thornton International

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الدار لتدقيق الحسابات
عبد الله البصري وشركاه
عضو جرانث ثورنتون الدولية
جرانث ثورنتون



External Auditor for the period ended September 30, 2020G

Baker Tilly MKM and Co. – Chartered Accountants

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Baker Tilly MKM & Co.

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

Summary of the Offer

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

<p>Issuer Name, Description and Information of its Incorporation</p>	<p>L'Azurde Company for Jewelry (hereinafter referred to as "the Company" or "L'Azurde"), is a Saudi joint stock Company under the Commercial Registration Certificate 1010221531 dated 26/06/1427H (corresponding to 22/07/2006G) issued in the city of Riyadh. The Company's headquarters is located in Riyadh - the second industrial zone - opposite to the Arab National Bank - PO Box 41270 Riyadh 11521 Kingdom of Saudi Arabia.</p> <p>L'Azurde Company for Jewelry was founded as an individual establishment under the name "The Saudi Gold and Pearl Factory" owned by Abdulaziz Saleh Al-Othaim, under Commercial Registration Certificate 1010091134, dated 7/18/1412H (corresponding to 1/23/1992G) in Riyadh, Kingdom of Saudi Arabia ("The Kingdom"), and with a capital of SAR (18,500,000) eighteen million five hundred thousand Saudi Riyals. On 2/4/1415H (corresponding to 7/13/1994G) "L'Azurde" commercial brand was registered for the first time, and on 8/18/1418H (corresponding to 12/19/1997G) the name of the establishment was changed to "L'Azurde Factory for Gold and Jewelry". The L'Azurde Gold and Jewelry Factory Corporation and a number of its branches were transformed into a closed joint stock Company under the name "L'Azurde Company for Jewelry" pursuant to the royal Decree 565 of 4/3/1427H (corresponding to 4/2/2006G) issued to announce the Company's establishment, and the Commercial Registration certificate 1010221531 dated 6/26/1427H (corresponding to 7/22/2006G), with a capital of SAR (200,000,000) two hundred million Saudi Riyals divided into four million (4,000,000) ordinary shares with a nominal value of SAR (50) fifty Saudi Riyals per share. The increase in the capital was covered by capitalizing an amount of forty-seven million five hundred thousand (47,500,000) SAR representing the total capital of the transferred Company's branches. In addition to capitalization of one hundred and thirty-four million (134,000,000) SAR from the Company's retained earnings. Pursuant to the Extraordinary General Assembly's decision dated 9/10/1428H (corresponding to 9/22/2007G), the Company's capital was increased to SAR (300,000,000) three hundred million divided into (30,000,000) thirty million ordinary shares with a nominal value of SAR (10) ten Saudi Riyals per share, by capitalizing an amount of SAR (100,000,000) one hundred million Saudi Riyals from the Company's retained earnings. The Company increased its capital again according to the Extraordinary General Assembly's decision dated 4/7/1436H (corresponding to 4/23/2015G) to SAR (430,000,000) four hundred and thirty million Saudi Riyals by issuing (13,000,000) thirteen million new ordinary shares with a nominal value of SAR (10) ten Saudi Riyals per share (by offering one (1) free share for every two shares and three tenths of the shares (2,3) owned by shareholders registered in the Company's register on the day of the assembly meeting). The increase was covered by capitalizing an amount of SAR (52,509,121) fifty-two million five hundred nine thousand one hundred and twenty-one Saudi Riyals from the Company's statutory reserve, and an amount of SAR (77,490,879) seventy-seven million four hundred ninety thousand eight hundred seventy-nine Saudi Riyals of the Company's retained earnings. The current capital of the Company is SAR (430,000,000) four hundred and thirty million, divided into (43,000,000) forty-three million ordinary shares with a fully paid nominal value of SAR (10) ten Saudi Riyals per share ("shares"). On 08/02/1437H (corresponding to 05/09/2016G) the Capital Market Authority's decision was issued approving the offering of 12,900,000 ordinary shares representing 30% of the Company's capital for public subscription, at an offer price of SAR [37] per share, which includes fully paid face value amounting to SAR 10 per share. The Company's shares were offered during the period from 08/29/1437H corresponding to 06/05/2016G until 09/08/1437H corresponding to 06/13/2016G, after completing the book building process. On 09/24/1437H (corresponding to 06/29/2016G), the entire shares of the Company were listed in the Saudi Stock Exchange with (43,000,000) forty-three million ordinary shares, with a nominal value of SAR (10) ten Saudi Riyals per share, through an initial public offering for (30%) of the shares, representing (12,900,000) twelve million nine hundred thousand ordinary shares, after obtaining the approval of the Capital Market Authority ("the Authority") and the Saudi Stock Exchange Company (Tadawul). The current paid up capital of the Company is SAR 430,000,000 divided into 43,000,000 ordinary shares with a fully paid face value of SAR 10 per share. On 04/22/1442H (corresponding to 12/07/2020G), the Board of Directors recommended to the (extraordinary) general assembly of shareholders to increase the Company's capital by an amount of SAR(145,000,000) one hundred forty-five million Saudi Riyals so that the Company's capital becomes SAR (575,000,000) five hundred seventy-five million Saudi Riyals, by offering right issue shares of (14,500,000) fourteen million five hundred thousand new shares.</p>
<p>Issuer's Business Activities</p>	<p>According to the Company's commercial registration certificate, the Company shall be entitled to carry out the following activities:</p> <ol style="list-style-type: none"> 1- Producing precious metals ore from gold and precious metals included in the platinum group 2- Producing wrought gold, precious or semi-precious stones, wrought diamond 3- Manufacturing precious metals and gemstones

Issuer's Major Shareholders, their Ownership of Percentages and number of shares pre-offering	The major shareholders of the Company are those who directly own 5% or more of the Company's shares. As at the date of this Prospectus, there is one shareholder in the Company owning 5% or more of its shares, namely, Mr. Abdulaziz Saleh Ali Al-Othaim owning (6,404,850) six million four hundred and four thousand eight hundred and fifty shares representing 14.895% of the Company's shares prior offering. The following is a table showing the ownership of major shareholders prior and post offering:				
	Shareholder	Pre-offering Directly		Post-offering Directly	
		Number of shares	Percentage of Ownership	Number of shares	Percentage of Ownership
Abdulaziz Saleh Ali Al-Othaim	6,404,850	14.895%	8,564,625	14.895%	
	* In the event that Mr. Abdulaziz Saleh Ali Al-Othaim subscribed to the full percentage of his eligibility in the new shares, and in the event that Mr. Abdulaziz Saleh Ali Al-Othaim subscribed for more than what was allocated to him by purchasing additional Rights through trading, his ownership percentage will change.				
Offer Nature	Capital increase through a Rights Issue				
Purpose beyond the Proposed Rights Issue	The Company aims to increase its capital by offering Rights issue shares to support the expansion of its activities by expanding in the retail sector, reducing debts by paying installments of Islamic credit facilities with the Saudi British Bank SABB, and developing e-commerce platforms for L'Azurde brands and subsidiaries. For more details, kindly refer to Section 6 ("Use the Proceeds of the Offering and Future Projects").				
Total Proceeds Expected to Be Raised and a detailed breakdown and Description of the proposed use of the Proceeds	It is expected that the total proceeds of the subscription for the rights issue will reach one hundred and forty-five million (145,000,000) SAR. The net subscription proceeds will be used after deducting all the costs of the offering to finance the Company's future plans and projects and expand its various activities. The following table shows the uses of the offering proceeds:				
	Table of the Use of Net Offering Proceeds (by thousand SAR)				
	Use of Proceeds				Amount (SAR)
	Payment of long-term credit facilities to the Saudi British Bank SABB				75,000
	Payment of long-term commitment against a promissory note covered by SABB credit facilities				30,000
	Expansion in retail sector – Opening of new stores				28,000
	Development of e-commerce platforms				6,000
Offering costs				6,000	
Total				145,000	
	For more information, please see section (6) "Use the Proceeds of the Offering and Future Projects".				
Offering costs	The costs of the offering are expected to amount to about SAR (6,000,000) six million Saudi Riyals, and include the fees of: the financial advisor, the lead manager, the underwriter, the legal advisor, the chartered accountant, marketing expenses, printing, distribution and other expenses. Please see section (6) "Use the Proceeds of the Offering and Future Projects".				
Net Proceeds of the Offering	It is expected that the net proceeds of the offering will reach about SAR (139,000,000) one hundred thirty-nine million Saudi Riyals (please see to section (6) "Use the Proceeds of the Offering and Future Projects").				
Issuer's Capital Before Offering	SAR (430,000,000) Four hundred and thirty million Saudi Riyals.				
Issuer's Capital After Offering	SAR (575,000,000) Five hundred and seventy-five million Saudi Riyals .				
Issuer's Total Number of Shares Before Offering	(43,000,000) Forty-three million ordinary shares.				
Issuer's Total Number of Shares After Offering	(57,500,000) Fifty-seven million five hundred thousand ordinary shares.				
Nominal Value of Share	SAR (10) Ten Saudi Riyals per share.				
Total Number of Offered Shares	(14,500,000) Fourteen million five hundred thousand ordinary shares.				
Percentage of Offered Shares to the Capital	Approximately 34%.				
Price of Offering	SAR (10) Ten Saudi Riyals per share.				
Total value of Offering	SAR (145,000,000) One hundred and forty-five million Saudi Riyals .				

Number of Underwritten Shares	(14,500,000) Fourteen million five hundred thousand ordinary shares.
Total Underwritten Sum	SAR (145,000,000) One hundred and forty-five million Saudi Riyals.
Types of Targeted Investors	Registered Shareholders and New Investors.
Registered Shareholders	A shareholder listed in the Company's register as at the close of the trading on the day of the Extraordinary General Assembly at which the capital increase has been approved and are registered in the Company's register with the depository center at the close of the second trading day following the convening of the (Extraordinary) General Assembly on Sunday 25/10/1442H (corresponding to 06/06/2021G).
New Investors	In general, individual and institutional investors - except for registered shareholders - who purchased Right issue during the trading period.
Right Issue	Rights are tradable securities giving their holder the priority right to subscribe to the new shares offered, after approval of the capital increase. These securities are considered an acquired right of all registered shareholders. The right may be traded during the trading period. Each Right grants its holder eligibility to subscribe for one new share at the offer price. Rights Issue will be deposited in the portfolio of registered shareholders after the meeting of the Extraordinary General Assembly at which the capital increase has been approved. The Rights will appear in the portfolios of the Registered Shareholders under a new symbol specifying the Rights issue.
Number of Issued Rights	(14,500,000) Fourteen million five hundred thousand Rights.
Rights Issue Ratio	(0.327) Right for approximately every (1) outstanding share owned by the registered shareholders. Such ratio is the result of dividing the number of new issued shares by the the Company's current shares.
Eligibility Date	Shareholders who own shares at the close of trading day of the Extraordinary General Assembly at which the capital increase has been approved and are shown in the Company's register at the close of second trading day following the convening of the Extraordinary General Assembly at which the capital increase has been approved, on Sunday 25/10/1442H (corresponding to 06/06/2021G).
Trading Period	The trading period starts on Monday 26/10/1442H (corresponding to 07/06/2021G) and continues until the end of Monday 04/11/1442H (corresponding to 14/06/2021G). It is permissible during this period for all Right issue holders - whether they are registered investors Or new investors - to trade on the Right issue.
Subscription Period	The subscription period starts on Monday 26/10/1442H (corresponding to 07/06/2021G) and continues until the end of Thursday 07/11/1442H (corresponding to 17/06/2021G). During this period, all holders of the Right issue - whether they are registered investors or new investors - may exercise their right to subscribe to the new shares.
Subscription Procedure	Eligible persons wishing to subscribe to new shares must submit their subscription requests electronically through the online intermediaries' websites and platforms that provide these services to the subscribers or through any other means provided by intermediaries.
Practicing Subscription in Right Issue	<p>Eligible persons shall have the right to exercise their right to subscribe to Right issue shares by subscribing electronically via intermediaries' websites and online platforms that provide these services or through any other means provided by intermediaries'. In addition, eligible persons can exercise Right issue as follows:</p> <ol style="list-style-type: none"> 1- Shareholders registered during the subscription period shall have the right to exercise the rights granted to them on the eligibility date and any additional rights that they have purchased during the trading period by subscribing to the new shares. They also have the right not to take any action regarding the rights they own. 2- New investors shall, during the subscription period, have the right to exercise the rights that they have purchased during the trading period by subscribing to the new shares. They also have the right not to take any action regarding the rights they own. <p>In the event that none of the registered shareholders or the new investors exercise their right to subscribe to the new shares during the subscription period, the shares related to those rights will be offered in the Rump offering period.</p>
Indicative Value of the Right	The indicative value of the right reflects the difference between the market value of the Company's share during the trading period and the offer price. Tadawul will calculate and publish the right's indicative value during the trading period on its website, five minutes late, and market information service providers will also publish this information in order for investors to view the Indicative value when entering the order.
Trading Price of the right	It is the price at which the right is traded, bearing in mind that it is determined through the mechanism of supply and demand, and therefore it may differ from the right's indicative value.
Rump Offering	In the event that shares remain unsubscribed after the end of the subscription period (the Rump Shares), those shares will be offered to a number of institutional investors (investment institutions). These investment institutions submit their bids to buy the remaining shares. These offers will be received from ten o'clock in the morning Tuesday 12/11/1442H (corresponding to 22/06/2021G) until five o'clock in the evening. From the day of Wednesday 13/11/1442H (corresponding to 23/06/2021G) (the Rump offering period). The Rump Shares will be allocated to the investment institutions with the highest offer, then the lowest and the lowest (provided that it is not less than the offering price), provided that the shares are allocated on a pro rata basis to the investment institutions that offer the same offer. As for the fractional shares, they will be added to the Rump Shares and treated similarly.

Method of Allocation and Excess refund	Shares will be allocated to each investor based on the number of rights he has properly exercised and completed, after having followed the appropriate procedures (for more information on the method of subscription for rights, their circulation, the process of allocation and excess refund, please see section (12) “ Shares Information & Offering Terms and Conditions ”. Fractions of the shares will be collected and added to the Rump Shares and then offered to Investment institutions during the Rump offering period. The Company will obtain the total offering price collected from the sale of the Rump Shares, while the remaining proceeds of the Rump offering will be distributed without taking into account any fees or deductions (i.e., What exceeds the offering price) for its beneficiaries who did not fully or partially subscribe to the new shares and for those entitled to fractional shares (please See section (12) “ Shares Information & Offering Terms and Conditions ”). Excess of subscription (if any) will be refunded to subscribers without any commissions or deductions from the Lead Manager.
Date of Allocation	Shares will be allocated no later than Sunday on 17/11/1442H (corresponding to 27/06/2021G).
Date of Refunding Excess of Subscription	The surplus from the subscription (if any) will be refunded to the subscribers without any commissions or deductions from the Subscription Manager no later than Thursday 28/11/1442H (corresponding to 08/07/2021G).
Payment of Compensation Amounts (if any)	The monetary compensation amounts will be paid to eligible persons who have not exercised their right to subscribe in whole or in part to the new shares and to those entitled to fractional shares without any deductions, no later than Thursday 28/11/1442H (corresponding to 08/07/2021G), noting that the monetary compensation amounts represent the amount that exceeds the offering price from the net proceeds from the sale of the Rump Shares and fractional shares.
Adjusted Price	The Company’s share price has been in the Stock Exchange to SAR (20.74) per share, before the start of trading on the day following the Extraordinary General Meeting relating to the Capital Increase. This represents a price reduction of SAR (3.62) per share.
Trading of New Shares	Trading of new shares in Tadawul begins after completing all procedures related to registering, allocating and listing the new shares.
Listing and Trading Rights Issue	The rights issue is listed in Tadawul and traded during the rights issue trading period. Rights issue shall have a separate symbol and separate from the Company’s current stock symbol on the Tadawul screen. The registered shareholders have several options during the trading period, which include selling the rights or part of them in the Exchange, buying additional rights through the Exchange, or not taking any action on the Right issue, whether by selling them or buying additional rights. During the trading period, new investors will have the right to purchase rights through the Exchange, sell those rights or part of them, or not to take any action regarding the rights purchased during the trading period. The Tadawul system will cancel the Right issue symbol for the Company on the trading screen after the end of the rights issue trading period. Therefore, the trading of the Right issue will stop at the end of that period.
Legibility for Profits	Owners of the new shares will be entitled to any dividends the Company announces after the date it is issued.
Rights of Voting	All shares of the Company are of one class, and no share gives its holder preferential rights. The new shares will be fully valued and equal to the existing shares. Each share gives its holder the right to one vote, and every shareholder in the Company has the right to attend the meeting of the general assembly of shareholders (whether ordinary or extraordinary) and vote in it.
Limitations of Shares Trading	There are no restrictions imposed on trading the Company’s shares, except for regulatory restrictions imposed on publicly listed shares.
Limitations of Rights Trading	There are no restrictions imposed on trading rights.
Previously listed Shares	The entire shares of the Company were enlisted on the Saudi Stock Exchange on 09/24/1437H (corresponding to 06/29/2016G) with forty-three million (43,000,000) ordinary shares, with a nominal value of ten (10) SAR per share, through an initial public offering of (30%) of the shares representing twelve million nine hundred thousand (12,900,000) ordinary shares, after obtaining the approval of the CMA and the Saudi Stock Exchange (Tadawul).
Terms of Subscription for New Shares	Eligible persons willing to subscribe for new shares shall fulfill the related subscription conditions. For more information, see Section (12) “ Shares Information & Offering Terms and Conditions ”.
Risks Factors	Investing in involves certain risks, and these risks can be classified into: 1- Risks related to the Company’s business 2- Risks associated with the the market and the sector 3- Risks related to the new shares. These risks are described in Section (2) “ Risk Factors ” of this Prospectus, and they must be carefully studied before making any investment decision in the Rights Issue.
Significant Adjustments Made to the Information Disclosed in the Latest Prospectus	The Authority has approved the publication of the Company’s last Prospectus on 05/09/2016G (for further information about the information that has materially changed since approval of the most recent prospectus, please see section (9) “ Legal Information ”).

Note: The “**Important Notice**” and Section (2) “**Risk Factors**” of this Prospectus should be considered carefully prior to making a decision to invest in in this Rights Issue.

Key Dates for Subscribers

Event	Date
The convening of the extraordinary general assembly that includes the approval of the capital increase and the determination of the eligibility date and the eligible shareholders, bearing in mind that the eligible shareholders are the shareholders who own the shares at the end of the trading day of the meeting of the Extraordinary General Assembly convened for approving increase of the shareholder's share capital and who are recorded in the Company's shareholders register at the depositing center by end of the second day of trading after the Extraordinary General Assembly.	On Wednesday 21/10/1442H (corresponding to 02/06/2021G)
Trading Period	The trading period starts on Monday 26/10/1442H (corresponding to 07/06/2021G) and continues until the end of Monday 04/11/1442H (corresponding to 14/06/2021G). It is permissible during this period for all holders of Right issue - whether they are registered investors or new investors - to trade on the Right issue.
Subscription Period	The subscription period starts on Monday 26/10/1442H (corresponding to 07/06/2021G) and continues until the end of Thursday 07/11/1442H (corresponding to 17/06/2021G) During this period, all holders of the Right issue - whether they are registered investors or new investors - may exercise their right to subscribe to the new shares.
The End of the Subscription Period	The subscription period ends and the receipt of subscription requests ends with the end of Thursday 07/11/1442H (corresponding to 17/06/2021G).
The Rump Offering Period	The Rump offering period starts at 10:00 morning on Tuesday 12/11/1442H (corresponding to 22/06/2021G) and continues until 05:00 in the evening Wednesday 13/11/1442H (corresponding to 23/06/2021G).
Notification of Final Allocation	On Sunday 17/11/1442H (corresponding to 27/06/2021G).
Compensation Amounts (if any) to the eligible people who did not participate in the subscription fully or partially and who are entitled to fractional shares	On Thursday 28/11/1442H (corresponding to 08/07/2021G).
The expected to start trading in the Saudi Stock Market in new shares	After completing all the necessary procedures, the date of starting trading in the new shares will be announced on the Tadawul website.

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

Key Announcements Dates

Announcement	Announcer	Date
Announcing the call for the Extraordinary General Assembly meeting to increase the capital	The Company	Thursday 24/09/1442H (corresponding to 06/05/2021G)
Announcing the results of the Extraordinary General Assembly of the capital increase	The Company	Thursday 22/10/1442H (corresponding to 03/06/2021G)
Announcing the addition of the Company's Right issue	Edaa	Monday 26/10/1442H (corresponding to 07/06/2021G)
Announcing the Company's share price adjustment, depositing the rights and the right indicative	Tadawul	Thursday 22/10/1442H (corresponding to 03/06/2021G)
Announcing the specification of the rights trading period and the new shares subscription period	The Company	Sunday 25/10/1442H (corresponding to 06/06/2021G)
Announcing the start of the rights trading period and the new shares subscription period	Tadawul	Monday 26/10/1442H (corresponding to 07/06/2021G)
A reminder announcement of the start of the rights trading period and the new shares subscription period	The Company	Monday 26/10/1442H (corresponding to 07/06/2021G)
A reminder announcement about the last day for trading rights and a mention of the importance of those who do not wish to subscribe to sell the rights they own	The Company	Sunday 03/11/1442H (corresponding to 13/06/2021G)
Announcement of: Results of the subscription Details of the sale of shares that have not been subscribed for (if any) and the start of the Rump offering period	The Company	Sunday 10/11/1442H (corresponding to 20/06/2021G)
Announcing the results of the Rump offering and notification of the final allocation	The Company	Sunday 17/11/1442H (corresponding to 27/06/2021G)
Announcing the deposit of new shares in investors' portfolios	Edaa	Thursday 21/11/1442H (corresponding to 01/07/2021G)
Announcing the distribution of compensation amounts to the beneficiaries (if any).	The Company	Thursday 28/11/1442H (corresponding to 08/07/2021G)

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

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

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

How to Apply

Subscription to Rights issue shares is limited to Eligible Persons, whether they are registered shareholders or new investors. In the event that the Eligible Persons do not exercise their rights, all the unsubscribed Rump Shares shall be offered to Institutional Investors through the Rump Offering Period.

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

The Subscription requests are submitted through the investment portfolio in the trading platforms (through which buy and sell orders are entered) in addition to the possibility of subscribing through any other means provided by the broker to the investors and the custodian of shares. The Company reserves the right to reject any application to subscribe to new shares in whole or in part if it does not fulfill any of the conditions or requirements of the subscription. It is not permissible to amend or withdraw the subscription application after its delivery. The subscription application, upon submission, constitutes a binding contract between the Company and the entitled shareholder.

Questions and Answers on Rights Issue

What is a Rights issue?

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

Who is granted the Rights?

All registered shareholders recorded in the Company's shareholders register at the close of trading on the second trading day following the date of the Extraordinary General Assembly at which the capital increase has been approved.

Who is a Registered Shareholder?

Any shareholder who appears in the Company Shareholder Register at the close of second trading day following the Extraordinary General Assembly at which the capital increase has been approved.

When are the Rights deposited?

After the Extraordinary General Assembly convenes and its approval of the capital increase through the offering of Right issue shares, the Rights issue are deposited as securities in the shareholders' own portfolios in the Company's shareholders' register at the Depository Center at the end of the second trading day after the extraordinary general meeting. The shares will appear in their portfolios under a new symbol for Rights issue. Trading or subscribing to these rights will not be permitted until the beginning of the trading and subscription periods.

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

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

How many Rights issue can be acquired by a registered shareholder?

The number is subject to the rights issue ratio and the number of the current shares held by the registered shareholder as at the close of the second trading day after the date of the Extraordinary General Assembly at which the capital increase has been.

What is the Rights issue ratio?

It is the ratio that enables registered shareholders to know how many Rights he/she is entitled to in relation to the current shares that he/she already owned at the close of the second trading day after the date of the Extraordinary General Assembly meeting at which the capital increase has been approved. This parameter is calculated by dividing the number of new shares by the number of the current shares of the Company, and accordingly, the eligibility factor is (0.337) right approximately for every (1) share owned by the registered shareholder on the eligibility date, and accordingly, if a registered shareholder owns (0.337) shares on the eligibility date, then he will be allocated (337) rights in exchange for the shares he owns.

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

Yes, the acquired rights will be added to the investors' portfolios under the name of the original share and by adding the word Rights issue, in addition to a new symbol for these rights.

What is the right value upon the commencement of trading?

The opening price of the Rights is the difference between the Company's share closing price on the day preceding such Right's Listing, and the Offer Price (indicative Rights value). For example: If the closing price of a share on the preceding day is SAR(40) forty Saudi Riyals and the Offer Price is SAR (10) ten Saudi Riyals, the opening price of the Rights will, at the beginning of trading, be SAR (30) thirty Saudi Riyals (which is the difference between the above mentioned two prices).

Can the registered shareholders subscribe for additional shares?

Yes, the registered shareholders can subscribe for additional shares by purchasing new Rights through the market during the trading period.

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

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

How does the offering take place?

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

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

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

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

Rights will be deposited into the same portfolio where the related shares exist. For example, if a shareholder owns (1,000) (one thousand) shares in the Company, (800) of them in portfolio (A) and (200) in portfolio (B), then the total number of rights to be deposited are (337) (three hundred thirty seven) rights considering that each share (0.337) right. In this case, 270 (two hundred seventy) rights will be deposited in portfolio (A) and 67 (sixty seven) rights will be deposited in portfolio (B).

Are share certificate holders allowed to subscribe and trade?

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

Are additional Rights purchasers entitled to trade them once again?

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

When can a shareholder subscribe for the Rights he/she purchased during the rights trading period?

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

Can the holder of Rights sell or assign the Rights after the end of the trading period?

No, it cannot. After the expiry of the trading period, the Eligible Person may only exercise the right to subscribe to the Right issue shares, or not to exercise. In the event that the Right is not exercised, the investor may be subject to loss or decrease in the value of his/her investment portfolio.

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

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

What happens if the New Shares are subscribed for, and then the Rights have been sold after that?

If a Registered Shareholder subscribes for New Shares, then sells the Rights without purchasing a number of Rights equal to the number of exercised Rights in which he/she subscribed before the end of the trading period, the subscription application will be rejected entirely, if all the Rights have been sold, or partly in an amount equal to the number of sold Rights. The rejected subscription amount will be reported and refunded through the shareholder's broker.

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

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

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

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

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

Yes, as the investor will be registered in the Company's shareholders' register two business days after the date of the shares' purchase (i.e., at the end of the second trading day following the day of the Extraordinary General Assembly meeting), bearing in mind that Right issue will be granted to all shareholders registered in the Company's shareholders' register at the end of trading the second trading day following the date of the Extraordinary General Assembly. However, he will not be entitled to attend or vote in the Extraordinary General Assembly of the capital increase.

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

The investor's share will be distributed among the portfolios that the investor owns, according to the percentage of ownership in each portfolio, and in case there are fractions, those fractions will be collected, and if you complete one or more integer numbers, the correct number is added to the portfolio in which the investor owns the largest amount of rights.

What are the trading and subscription periods?

Trading and subscription of rights begins at the same time until the end of trading on the sixth day, while the subscription continues until the ninth day, according to what is mentioned in this Prospectus and the Company's announcements.

Is it possible to subscribe during the weekend?

No, it is not possible.

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

Yes, after completing the purchase of Rights during the trading period.

Additional Help:

In the event of any inquiries, please contact the Company at (investors@lazurde.com). For legal reasons, the Company will only be able to provide the information contained in this Prospectus and will not be able to advise on the merits of issuing rights or even provide financial advice or Tax, legal or investment.

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

Summary of Key Information

This summary is a brief overview of the key information contained in this Prospectus, and since it is a summary, it does not contain all of the information that may be of interest to shareholders and other general institutional and individual investors. Recipients of this Prospectus should read the whole Prospectus completely and carefully and refer to Section 2 (“Risks Factors”) before making any investment decision related to new rights or shares. Some of the terms contained in this Prospectus have been defined under Section (1) “Definitions and Terms”.

Company Overview

L’Azurde Company for Jewelry (hereinafter referred to as “the Company” or “L’Azurde”), a Saudi joint stock Company registered in the commercial register at the Ministry of Commerce under the Commercial Registration Certificate (“CR”) number No (1010221531) dated 26/06/1427H (corresponding to 22/07/2006G) issued in Riyadh where the head office is located (in Riyadh city - Second Industrial Zone - opposite the Arab National Bank - PO Box 41270 Riyadh 11521 Kingdom of Saudi Arabia).

Since its establishment in 1980, L’Azurde has achieved remarkable success in the design and manufacture of jewelry art, and today it is the largest designer, manufacturer and distributor of jewelry and gold crafts in the MENA region. The Company is the fourth largest manufacturer of gold jewelry in the world, selling more than a million pieces of jewelry per year ranked by Forbes Middle East (Forbes Media), a global media Company focused on providing news and information about business, investment, technology, entrepreneurship and leadership, as the Company sells more than a million pieces of jewelry annually. According to the Company’s sales reports.

The Company produces more than 4 thousand models of jewelry and 21 and 18 karat gold, in addition to classic and modern diamond jewelry. L’Azurde global design team uses the latest in computer-aided design and manufacturing techniques, using advanced equipment that includes 3D printing and other high technologies. The jewelry is manufactured in the Company’s factories in KSA and Egypt and then distributed to more than 1,300 retail stores across the GCC and the MENA region.

L’Azurde has its own network of shops, which includes 21 stores in the largest shopping centers in KSA and Egypt, focusing on selling diamond and gold jewelry.

In line with its strategy of becoming a ‘House of Brands’, L’Azurde acquired, in 2018G, the TOUS franchise in KSA. TOUS is a global lifestyle brand offering affordable luxury jewelry, gold and diamond crafts, bags, fragrances and accessories. TOUS has been present in the Kingdom of Saudi Arabia since 2008G with a network of stores that today includes 27 stores throughout the Kingdom.

In 2019G, L’Azurde launched the Miss L’ of affordable jewelry in 18 karat gold with the highest production standards. Miss L’ includes collections of trendy designs for the modern woman in love with rejuvenation. Miss L’ products are sold by piece today in L’Azurde stores, and at booths and points of sale at retailers in malls in Saudi Arabia and Egypt.

Capital Structure

- The Company was initially established as an establishment under the trade name :”Saudi Gold & Pearl Factory” owned by Mr. Abdulaziz Saleh Al-Othaim and was registered under the Commercial Registration Certificate (CR) No (1010091134) dated 18/07/1412H (corresponding to 23/01/1992G) in Riyadh with a capital of SAR (18,500,000) Eighteen million and five hundred thousand Saudi riyals.
- On 08/08/1418H (corresponding to 19/12/1997G), the trade name was amended and become as follows: “L’Azurde Gold and Jewelry Factory”.
- On 04/03/1427H (corresponding to 2/4/2006G), the establishment with its branches was converted to a Closed joint stock Company under the name “L’Azurde Company for Jewelry” and registered in the Joint Stock Companies Registry at the Ministry of Commerce under the Commercial Registration Certificate (“CR”) No (1010221531) dated 26/06/1427H (corresponding to 22 07/2006G) with a capital of SAR 200,000,000 two hundred millions Saudi riyals divided into 4,000,000 ordinary shares with a nominal value of SAR 50 per share through the capitalisation of forty seven million five hundred thousand Saudi Riyals (SAR 47,500,000) representing total transferred capital of the establishment branches as well as capitalisation of SAR 134,000,000 (one hundred thirty four million) from the retained earnings of the establishment.
- On 10/09/1428H (corresponding to 22/09/2007G), the Extraordinary General Assembly approved the Company’s increase of capital to three hundred million Saudi Riyals (SAR 300,000,000) divided into thirty million (30,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share, through a capitalisation of one hundred million Saudi Riyals (SAR 100,000,000) from the retained earnings.
- On 4/7/1436H (corresponding to 23/4/2015G), the Company’s capital was increased to four hundred thirty million Saudi Riyals (SAR 430,000,000) by issuing thirteen million (13,000,000) ordinary shares at a par value of ten Saudi Riyals (SAR 10) per share (by granting one (1) bonus Share for each two point three (2.3) Shares owned by the registered Shareholders on the day of the Assembly Meeting). The increase was covered by a capitalisation of: (i) fiftytwo

million five hundred nine thousand one hundred twentyone Saudi Riyals (SAR 52,509,121) from the Company's statutory reserve; and (ii) seventyseven million four hundred ninety thousand eight hundred seventynine Saudi Riyals (SAR 77,490,879) from the Company's retained earnings.

- On 24/09/1437H (corresponding to 29/06/2016G), the Company listed forty-three million (43,000,000) ordinary shares (with a nominal value of ten SAR (10) per share) on Tadawul through an initial public offering where (30%) of the shares representing twelve million nine hundred thousand (12,900,000) ordinary shares were offered for public subscription following the approval of the CMA and the Saudi Stock Exchange (Tadawul). The current paid up Capital of the Company is SAR 430,000,000 divided into 43,000,000 ordinary shares with a fully paid nominal value of SAR 10 per share.
- On 22/04/1442H (corresponding to 07/12/2020G), the Board of Directors recommended to the EGA of the shareholders to increase the Company's capital by an amount of one hundred forty-five million (145,000,000) so that the Company's paid up capital becomes SAR 575,000,000 five hundred seventy-five million Saudi Riyals by offering Rights Shares of fourteen million five hundred thousand (14,500,000) New Shares.

Summary of the Company's Main Activities

- Article 3 of the Company's By-laws stipulates the activities practiced by the Company, including the production, manufacture, shaping, and forging of gold handicraft, jewelry, gold bars, precious stones, gold sets wrought with precious stones, wholesale and retail trade of precious metals, gemstones, gold jewelry, and gold articles. Participating in establishing companies in a proportion that allows it to maintain control on them. In addition to the wholesale and retail trade of gold and jewelry, the production and distribution of glasses, watches and leather products, exportation of gold jewelry, gold and silver alloys, the production, manufacture and sale of diamonds and diamond crafts, maintenance, cleaning and operation contracting for buildings, factories and gold machines, obtaining intellectual property rights, concession agreements and commercial agencies, copyrights, trade, distribution, importation and exportation of ready-to-wear and pre-made clothes, trade and distribution of silver products and men's clothing accessories and accessories made from silver and other metals, refining and refining of pure gold from metals and suspended impurities using advanced technological and chemical means to obtain pure gold in the form of ingots.
- The Company's commercial registration certificate indicates that the activities it is licensed to practice are (the production of precious ores from gold and from precious metals in the platinum group, the production of wrought gold, precious or semi-precious stones, wrought diamonds and the manufacture of precious metals and gemstones).
- The Company may establish branches, offices or agencies within KSA by virtue of a decision issued by the Chairman of the Board of Directors or the CEO. The establishment of branches, offices or agencies outside KSA requires a decision from the Board of Directors. As of the date of this Prospectus, the Company has established nine (9) branches distributed over the KSA's regional areas (Riyadh, Dammam and Jeddah).
- Further, the Company may establish companies on its own (limited liability or closed joint stock companies) provided that the capital thereof is no less than (5) million riyals on its own. It may own interests and shares in other existing companies or merge therewith. It has also the right to participate with others in the establishment of joint stock or limited liability companies after satisfying the requirements of applicable laws and regulations in this regard. The Company may also dispose of such interests or shares, provided that they does not include any brokerage. As of the date of this Prospectus, the Company has (3) subsidiaries in the Kingdom of Saudi Arabia and (6) subsidiaries abroad. In this Prospectus, the Company and its subsidiaries are collectively referred to as "L'Azurde Group" (for more details about the licenses that L'Azurde Group has issued to carry out its activities, kindly review sub-section (9-2) "Approvals and Licenses" of Section 9 "Legal Information").
- The Company carries out its activities through its headquarters, branches and subsidiaries. The main activities of the Company are as follows:

Industrial Activity

Gold and Diamond Jewelry Design and Manufacture Sector: It mainly consists of designing and producing gold, diamond, precious and semi-precious stones. The industry value chain generally includes the following stages:

(A) Sources

- 1- Gold in KSA is primarily sourced from three channels: (1) Banks and merchants; (2) gold mines; and (3) Ore processing and scrap recovery.
- 2- Diamonds are imported from multiple sources including Belgium, India and South Africa. Typically, imported diamonds are already polished to be used directly in the jewelry manufacturing.

(B) Design and Manufacture

- 1- **Design:** Jewelry designs vary from one region to another, as tastes differ according to both geographic location as well as motives for purchase. Customers in rural and more traditional areas prefer 21k jewelry. Urban customers, on the other hand, demand more trendy and fashionable jewelry (18k).

- 2- **Manufacture:** In the gold and diamond jewelry industry, three major manufacturing techniques are typically adopted:
 - **Pressing:** The use of motorized or hand operated machinery specially designed for minting gold and silver using hydraulic force. The designs are usually basic, cheap and fast to manufacture.
 - **Casting:** The process of making a model pattern in wax that will then be used to hold hot metal (gold, silver etc.) to shape it into uniform items based on the model. It offers higher quality than pressing and can produce high volumes from the same mold.
- 3- **Other advanced techniques such as 3D printing and Micro setting:** 3D printing is the process of making jewelry using a three-dimensional digital model. Micro setting is a technique revolving around setting small diamonds of a uniform size in interlocked rows using high magnification. These technologies enable manufacturers to maintain tight control over the gold content of the jewelry pieces and to increase their operating wages due to the exclusivity of the designs.

Trading Activity (Wholesale and Retail)

(A) Wholesale

- 1- **Pure Wholesaler:** Primarily work with retailers who do not have direct contact with the manufacturers, whether they are based in Saudi Arabia or abroad (mainly in Far East Asia). Moreover, retailers prefer to work with wholesalers, since the latter can offer discounts and accept credit payments, rather than cash payment.
- 2- **Integrated Manufacturer and Retailer:** Manufacturers with established vertical integration and a private retail network that sell exclusive items produced by the managing manufacturer. Wholesalers in this category do not compete with wholesalers in other configurations as they are not targeting the general jewelry retail market.
- 3- **Manufacturer/Wholesaler:** Manufacturers operating and managing their own private wholesale channels. This configuration allows for higher profit margins, since gold jewelry retail outlets can drive down the overall profitability of the manufacturer. Manufacturers in this role focus on expanding their capacity to supply the wide network of independent jewelry retailers across the Kingdom.

(B) Retail

It primarily focuses on the sale of classic and modern gold and diamond jewelry through retailers of L'Azurde brands and TOUS, the global brand whose franchise is acquired by L'Azurde in retail points in the airports across KSA. Retail operations in KSA are located in:

- 1- **Gold souks:** Bazaar like marketplaces with many of shops that sell both low and high-end jewelry. This is the most common retail destination in the Kingdom for gold jewelry by weight.
- 2- **Main streets:** Standalone shops located in the main streets of the city center. These retailers primarily sell diamond jewelry by piece, as retail operations require higher profit margin.
- 3- **Shopping centers:** Stores in malls selling gold jewelry items that are sold by piece or by weight.
- 4- Generally, retail gold customers typically fall into four categories:
 - **Occasion driven consumption:** especially social events such as weddings, childbirths, and occasions such Mother's Day, Valentine or birthdays.
 - **Fashion driven consumption:** Driven by increasing urbanization and the rising disposable income of the younger population. Purchases are typically made by young female consumers for daily use for attending social events.
 - **Savings driven consumption:** Typically considers gold jewelry purchases, especially 21k jewelry, as a saving method. In KSA and Egypt, gold jewelry is traditionally considered to preserve women's wealth after marriage and is used as a money proxy in times of hardship or high inflation.
 - **Investment driven consumption:** usually in the form of 24 k gold coins and bars.

(C) E-commerce Sector

The e-commerce sector is concentrated mainly around the sale of classic and modern gold and diamond jewelry through the online platform of the Company (Lazurde.com) and its affiliate Company Kenaz (www.kenazjewelry.com) which is legalized by the Ministry of Commerce in line with the requirements of online trade system.

The following table shows revenues during 2017G, 2018G and 2019G.

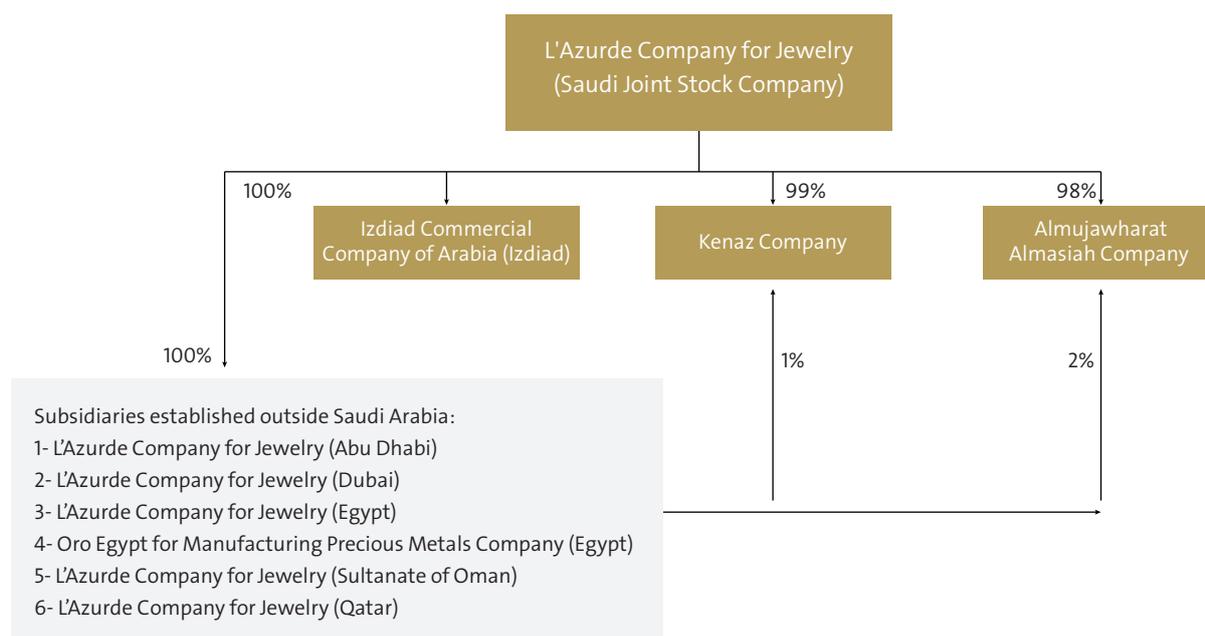
SAR	2017G	2018G	2019G
Wholesale:			
Gold revenue	1,397,133,899	1,505,917,472	1,495,209,023
Operations revenue	242,855,181	268,790,195	266,914,983
Percentage of wholesale operations revenue out of total operations revenue	68%	66%	55%
Retail:			
Operations revenue	112,518,403	137,655,128	214,289,728
Percentage of retail operations revenue out of total operations revenue	32%	34%	45%

Source: The Company

Investment Activity

The following chart below shows the 10 subsidiary companies of L'Azurde Company for Jewelry, 3 of which are in KSA and 7 abroad.

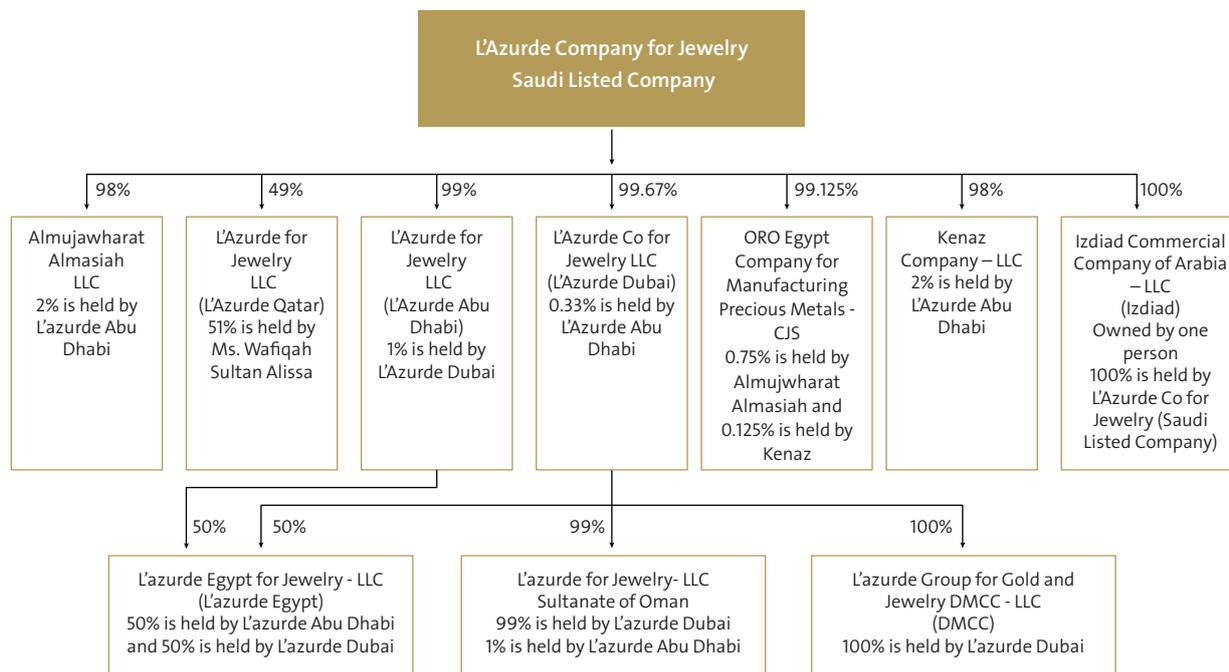
Figure (1): Chart of L'Azurde Company and its Subsidiaries.



(For more details about the subsidiary companies, please refer to sub-paragraph (3-5) "Investment Activity" from Section 3 "Overview About the Company and its Business Activity").

L'Azurde Company for Jewelry has controlling ownership stakes, both directly and indirectly, in 10 subsidiaries within the Kingdom of Saudi Arabia and the MENA region.

The following diagram shows the current structure of L'Azurde.



L'Azurde Group Products

The table below shows the products that L'Azurde Group is currently selling, marketing and distributing within the Kingdom of Saudi Arabia or abroad.

Product	Product Launch Date	Percentage of Product revenue from total annual revenue		
		2017G	2018G	2019G
L'Azurde Jewelry	1982G	97%	95%	78%
TOUS Brand Products	November 2018G	0%	2%	15%
Miss L Brand Products	January 2019G	0%	0%	3%
Kenaz Brand Products	May 2016G	3%	3%	4%

Source: The Company

On 10/05/2017G, L'Azurde announced the launch of a new line of gold products, jewelry and accessories for men, such as cufflinks, rings, bracelets and pens. This new line targeted the male consumer segment in the Saudi market and then expanded in the Middle East. The production of gold jewelry, men's jewelry and accessories do not require additional machinery or equipment and will be produced using the same existing manufacturing lines. L'Azurde collection for men will be launched in the "L'Azurde" retail stores, followed by other retail fairs.

Vision of the Company

L'Azurde Group aspires to see a world in which L'Azurde becomes the house of the most attractive, trusted and inspiring jewelry brands in the MENA region.

Mission of the Company

L'Azurde Group seeks to add joy to women's lives through brands that offer unique jewelry in terms of elegance, creativity and unmatched fashion, through the latest design, manufacturing, wholesale and retail capabilities. The following is a summary of the Company's Mission:

- 1- Developing the Miss L brand of fast-growing fashionable jewelry to reach its full potential and make full use of it through the establishment of L'Azurde exhibitions and booths and via e-commerce channels and retail agents.
- 2- Working to expand L'Azurde successful shops and points of sale for retail business in Egypt through establishing new ones and obtaining a stronger assortment.
- 3- Enhancing the profitability of L'Azurde retail sector in KSA through rationalizing the business network, developing commercial activities in leading stores, intensifying employee training and reducing inventory.
- 4- Improving the performance of the business sector for traditional wholesale trade and selling gold jewelry by weight through reducing workers capital and raising operational efficiency.
- 5- Enhancing the utilization of L'Azurde strong network of agents in traditional markets of gold jewelry by selling them by piece in KSA and Egypt, through which L'Azurde, as a leading Company in the market, will help restructuring and transforming the traditional gold jewelry sector by introducing new diversified collections of gold jewelry that meet the latest consumer trends and offer retailers very attractive offers.
- 6- Expanding the Company's scope of business through the promising and fast-growing e-commerce through more investments in technology, infrastructure, systems and collaboration with experienced digital institutions.
- 7- Expanding the global brand TOUS business in KSA through e-commerce and more investments in marketing activities and product diversification. We also plan to expand the TOUS customer base in KSA, to become similar to the strategy of L'Azurde.
- 8- Maintaining the Company's positive cash flow.
- 9- Continuing to search for new investment opportunities that add to the Group's profit margin and enhance our strategic position in the markets, as achieved by the acquisition of the TOUS brand.

Strategy of the Company

The Company's Strategy has been developed in six fields to assure its growth.

- 1- On November 16, 2020G, L'Azurde Company for Jewelry announced its transformation strategy for growth and expansion in the field of selling gold jewelry by piece at reasonable prices through its new brands and collections, Miss L and L'Azurde In Style, in the markets of KSA and Egypt. This step was the result of the Company's efforts to diversify its revenue streams by adding new brands and entering new channels, to meet changes in customer tastes, consumer behavior and the sharp rise in gold prices. The Company has also successfully launched its Miss L e-commerce platform, and is ready for a major expansion in the online field through more brands and by entering the leading markets. This development is important to the Company's strategy, which has mainly relied in the past on selling gold jewelry by weight in the traditional gold markets.
- 2- The Miss L brand is currently sold in L'Azurde stores, in booths in both KSA and Egypt and in approved points of sale in commercial centers. The Company intends to open retail stores for Miss L products in KSA and Egypt in 2021G. The financial impact of opening new stores and booths will begin in the first quarter of 2021G.
- 3- The new L'Azurde In Style collection is set to be sold by piece in the traditional gold markets through an extensive network of retailers. Although no plans are currently in place to open stores dedicated to the L'Azurde In Style collection, it is expected that the financial impact of introducing and selling L'Azurde In Style products will be profitable from the first quarter of 2021G.
- 4- The Company will continue to develop the scope of wholesale of jewelry by weight, whose participation percentage in the Company's revenues and profits is expected to decrease, thus reflecting the shift in customers' purchase behavior of gold jewelry from by weight to classic and fashionable by piece. This would help L'Azurde reduce its workers capital and the associated higher financing cost.
- 5- As for the e-commerce platform, it was successfully launched in 2020G and is still under development. Currently, it is mainly dedicated to selling Miss L jewelry and some other products. Although it is known that the contribution of e-commerce to revenues and income is not yet large, it is growing at a rapid pace. The Company will continue expanding and developing its e-commerce, as well as being present in the regional market due to the significant change in customer behavior towards purchasing electronically.
- 6- Nowadays, L'Azurde is a global brand with a prestigious history and know-how in the field of jewelry and gold products. It is formed by an experienced management team, and a highly-experienced board of directors who are Compliant to achieving success in the Company's change towards its new strategy.

Strengths and Competitive Advantages

The Company has various competitive advantages, which include:

- 1- L'Azurde Group business model is characterized by its flexibility and advanced technologies used in the operations and marketing, which reduces relatively the negative impact of fluctuations in gold prices. As part of the Group's strategy to manage commodity price risks and instead of buying gold and being exposed to its price fluctuations, L'Azurde finances its entire needs of gold from banks directly through religiously approved credit facilities from various local banks at a low financing cost. The Group also collects the receivables of its agents of gold in exchange for gold in order to use it again in manufacturing operations or pay its obligations to the banks. This model, supported by the Group's capabilities of modern technology, craftsmanship, manufacturing and design skills, which enable it to protect its market share from these fluctuations through the production of light-weighted jewelry and gold at reasonable prices, thus allowing it to meet the demand for gold products and crafts at appropriate consumer prices during times of increasing gold prices.
- 2- L'Azurde Group owns the leading trademark in gold jewelry sector in the MENA region and is working to support its trademark "L'Azurde" through televised, electronic, printed and online advertising campaigns, in addition to choosing an elite of celebrities as brand ambassadors.
- 3- L'Azurde Group has competitive advantages in retail sector through multi stores and brands across its portfolio, namely: L'Azurde, TOUS, Kenaz, Miss L', and the points of sale at airports. The Group succeeds in acquiring and developing retail shops across a wide network of malls and prime locations. The Group also plans to expand and retail more jewelry brands such as Miss L and L'Azurde In Style to fully leverage its capabilities and offer different consumers an attractive wide offering of brands and products.
- 4- L'Azurde Group's manufacturing facilities enable it to design and produce wide variety of unique products to meet the evolving demands of customers with utmost efficiency. L'Azurde introduces over 3,500 designs each year, thus maintaining its status as a leading trend setter in the market. Moreover, the Group maintains a significant technological advantage with more than 500 jewelry manufacturing machines.
- 5- L'Azurde Group has achieved a competitive position in the fine jewelry sector in the MENA region thanks its successful operational performance, brand identity and operational and advertising initiatives. The Group's market share grew during the past years to reach 20 to 25% in KSA and Egypt, thus making it the leading provider of wholesale jewelry.

- 6- The senior management team at L'Azurde Group comprises experienced executives with a proven track record of financial and operational success and a thorough knowledge and understanding of every facet of financing, manufacturing, marketing and retailing of gold and diamond jewelry. The senior management has been working efficiently as a team to identify, evaluate and execute L'Azurde Group's expansion plans and growth initiatives.
- 7- Distribution of final gold products: L'Azurde adopts a wholesale and a retail distribution channels. The wholesale distribution process is primarily based on wholesaling operations to more than 1,600 independent retailers in the MENA region. The wholesale process is based on granting the Company's clients, who are wholesalers, forward facilities to pay their obligations, including those to purchase gold. The Company deals with its wholesale customers in response to the requirements of dealing in the gold trade, the transaction of which has been authorized by a number of religious scholars, according to the recommendations of the Sharia discussion session organized by the Council of Saudi Chambers entitled: Forward Dealings for gold trade, in the presence of a number of senior religious scholars and experts in the gold trade and industry and according to the Sharia opinion issued by the Sharia advisory committee of the Council of Saudi Chambers. The Group deals with forward sale for wholesale only. As for L'Azurde retail distribution channel, it sells gold, diamond, silver and other classic, modern and fashionable jewelry in L'Azurde retail stores, as well as TOUS stores, booths and points of sale at airports across Saudi Arabia.
- 8- L'Azurde Group enjoys a balanced and diversified base of wholesale agents and it achieves a part of its revenues by selling its products directly to the final consumer through a network of retail stores belonging to the Group, in an effort to expand its business and increase its revenues. It also expands its activity in retail through its franchise acquisition of major international brands. That's how the new growth strategy began in 2018G with the purchase of the affordable TOUS Jewelry franchise in KSA. In addition to TOUS, L'Azurde has its own network of retail stores for its brand. Its retail business alone differs from the wholesale gold jewelry business, as the Group focuses in its stores on the sale of diamond jewelry by piece. Moreover, most of the retail stores that sell L'Azurde brand products are based in shopping centers, while the majority of wholesale gold trading agents are located in the gold markets.
- 9- L'Azurde Group seized the opportunity to launch the new diamond jewelry brand under a separate brand called "Kenaz". While L'Azurde is a luxury and high-quality brand, Kenaz is a valuable brand that aims at selling jewelry that are more suitable for daily life and gifts on various occasions. It is sold in booths and in some stores within major commercial centers in KSA.

Market Overview

The economies of the Gulf Cooperation Council (GCC) countries are highly dependent on oil and gas revenues, and the slowdown in oil prices since mid-2014G has negatively affected regional economic activity. According to the International Monetary Fund (IMF), the region's GDP growth rate decreased from 3.2% in 2013G to -0.5% in 2017G.

The Middle East region, which is primarily represented by the GCC countries in terms of economy in the first place, is considered a center of international trade, regarding to its export of oil, and a source of energy resources, as well as one of the richest regions in the world with an average GDP per capita of 18,961 USD compared to a global average of 11,670 USD according to the IMF statistics. The rising purchasing power of the community has improved the lifestyle of consumers, which has led to a strong appetite for high-value luxury goods over the years.

The rapid shift towards e-commerce has eroded traditional retail models and forced luxury merchants to adopt multi-channel strategies targeting millennials. Moreover, retailers in the Arab Gulf region, in particular in the Kingdom and UAE, recognized the competitive advantages of e-commerce, in particular the rationalization of operating costs, improved efficiencies and the ability to expand its reach within the region. As a result, luxury goods merchants have revamped their business models and are actively collaborating with online payment platforms to increase sales and increase consumer traffic in online selling platforms.

This market summary has been prepared by the Company - Jewelry Sector Analysis Studies - and the Retail Sector Analysis Report in GCC Countries 2019G.

KSA

The Kingdom of Saudi Arabia is the largest retail market in the GCC countries, mainly due to its large population base (34.2 million) which constitutes around 60% of the total population of GCC countries (54.4 million) by the end of 2020G according to the IMF records. The growing population of youth, the expansion of the female consumer base with women entering the labor market, increased urbanization, increasing numbers of people coming for Hajj and Umrah, and the rise in high-net-worth individuals (HNWI) are affecting the industry of gold and jewelry in terms of the increasing demand on them. The majority of consumers in KSA are aware of the brand, and are affected by global consumption patterns, which drives the demand for high-end international luxury products with an entertainment character as a result of the influx and proliferation of global brand agents in the Kingdom's markets.

Changes in the local and global economic environment have led to a slowdown in the growth rates of the jewelry sector. This can be attributed to the slowdown in economic activity, thus increasing the unemployment rates, decreasing wages in the public sector, and the liberalization of energy products and basic services prices to match the fair value of those products.

Cumulatively, these factors weakened consumer confidence leading to a subsequent slowdown in consumer spending. As a result, a change occurred in the general preferences of consumers from luxury products to more affordable goods, thus forcing manufacturers, wholesalers and retailers to replenish their portfolios and stocks of brands at reasonable prices for consumers interested in price and value. Even though the implementation of VAT since the beginning of 2018G has impacted negatively the consumer spending, stabilized oil prices and increasing tourist arrivals as well as the economic recovery that the Kingdom is witnessing in light of Vision 2030G will drive growth in the sector of manufacturing and Selling gold jewelry in the future.

With the exception of the year 2020G, which witnessed the spread of an unprecedented pandemic (the emerging Covid-19), the jewelry and gold crafts sector, both wholesale and retail in KSA and GCC countries, witnessed good activity by 5% in the volume of operations through various points of sale during 2019G according to the report of POS operations by sectors, contained in the monthly statistical Prospectus of December 2020G issued by the Saudi Central Bank, with great emphasis on e-commerce and online retail spaces. Despite the current challenging times, long-term fundamentals such as economic recovery, expanding the consumer base, increasing the number of inbound tourists, huge international events and a growing e-commerce market will lead to moderate growth in the jewelry and gold crafts sector in KSA and GCC countries.

According to the annual reports of the Ministry of Energy, Industry and Mineral Resources information, the Kingdom is covered with resources that are considered huge treasures, and not just oil as some may believe. It ranks third in the world in terms of countries with the most abundance of natural resources, as well as other resources such as gold, silver and other precious metals. Throughout history, the land of Saudi Arabia was famous for its gold mining and gold ore can still be found in the rocks therein and covers more than 600 thousand km². The largest mine in the country annually produces about 33 thousand ounces of gold. Therefore, the Kingdom's vision 2030 included focusing on the development of the mining sector and increasing its contribution to the economy. Although the sector has witnessed difficult times in recent years amid oil prices fluctuations, rising global gold prices and the application of VAT, it is likely to regain its momentum, primarily driven by the population base expansion and the rise in GDP per capita and the other growing economic sectors in addition to the measures taken by the governments of KSA and GCC countries in restructuring and organizing the infrastructure of all economic activities and strengthening them, including the jewelry and gold sector.

Both the KSA and the UAE offer many opportunities and potentials for investors. In 2016G, the Kingdom launched its Vision2030, with the aim of developing and diversifying its economy. The Kingdom intends to raise the private sector's contribution to the GDP from 40% to 65% and raise the percentage of foreign direct investment in the GDP from 3.8% to 5.7%, as the private sector is considered a partner and plays a key role in achieving the 2030 Vision, according to the data and information of the Ministry of Investment in the Kingdom of Saudi Arabia mentioned in its second quarter report of 2020G regarding business and investment continuity and resilience. Therefore, it is expected that the jewelry sector will attract more investments as well as spread regional and international brands. These proactive initiatives and upcoming major events such as the Dubai Expo 2020G will positively contribute to this sector and strengthen its position against the increase of youth population, the availability of stylish exclusively-designed jewelry, and the increasing economic development in KSA. Moreover, it is expected that the spread of e-commerce and the expansion of online selling activities by many pioneer global and local jewelry manufacturers throughout KSA will help the jewelry, gold and diamond market in the coming years.

GCC Countries

The retail industry in the GCC countries has witnessed tough times in the last years, but the long-term fundamentals of this sector remain intact. Regional growth has been undermined by an extended period of low oil prices and weak domestic demand. However, 2018G and 2019G witnessed stabilization in oil prices because of measures taken by the regional governments such as organizing and structuring infrastructure for the retail sector and boosting investment for items. Furthermore, the awaited huge events in the short term, such as the 2022G FIFA World Cup in Qatar and the International Expo 2020G in UAE, which has been postponed for a year and will take place in the period ranging from October 1, 2021G to March 31, 2022G, are expected to have a positive impact on the retail sector. The changing trends in the retail sector in the GCC, such as the adoption of digital transformation, private brands, and increasing preferences for a healthy lifestyle and leisure, will provide new revenue streams for jewelry retailers. Thus, the jewelry sector is expected to regain positive momentum based upon the government proactive measures to support economic activity, complemented by factors such as expanding the population base, rising the GDP per capita and a growing tourism sector.

Egypt

According to the 2020G IMF report, the Egyptian economy began showing signs of recovery as on 2014G after a period of political turmoil that affected the country since 2011G. However, after a few years, Egypt was able to restore the luster of its economy and turned into a "safe haven for foreign investors." According to the World Bank Group report, Egypt has advanced 6 ranks in the "Doing Business 2020G" report, ranking 114th out of 190 countries, compared to 120th in the Doing Business 2019G report. Moreover, Egypt has managed to mitigate the negative effects on the consumer goods market to a minimum, thanks to the rapid population increase that Egypt is witnessing, adding nearly one million new consumers every year. Egypt's large population makes it the largest market in the Arab world. According to a sectoral study on the retail trade market in Egypt conducted by Jawda, the retail market in Egypt is "huge and attractive to investment", compared to the markets of neighboring countries, as it is the largest market in the MENA region and the second largest market in Africa after Nigeria, despite the challenges that Egypt is currently going through and resulting from the economic and financial reforms process. The areas on

Upper Egypt and the Delta region could attract retailers in the future, as the growth of fast-growing consumer goods sales is 40% in markets such as Luxor, Aswan, Mansoura, and Tanta compared to 10 -15% in Cairo and Alexandria.

The retail and wholesale sectors in Egypt have developed significantly in recent years, as retail sales increased due to the large and youthful population, the emergence of a wealthier middle class, a vibrant tourism industry and the growing acceptance of modern retail concepts.

The gold industry in Egypt in terms of exploration, research, extraction, manufacturing and trade is one of the main pillars of the Egyptian national economy, especially that Egypt has reserves of more than 45 million ounces of pure gold in many areas, the most important of which are Wadi Al Alaqi, Hanish, the Golden Triangle, the area of Al Sukari, Halayeb and Shalateen. Thus, the gold industry becomes a valuable source for the State's public treasury and individuals and a source of power to increase the reserves of gold bonds at the Central Bank. The State also works to encourage the establishment of specialized workshops for the installation of precious stones and others on gold artifacts produced from factories, in addition to establishing shops dedicated to the trade of gold produced from factories of all karats, sizes and shapes.

Production Sources and Distribution Channels

Gold and diamond jewelries are manufactured in KSA either in small local workshops or relatively large manufacturing facilities. The former relies on basic manufacturing techniques such as compression and casting, while the latter uses more advanced technologies (such as microscopy, laser cutting, and 3D printing) that enable manufacturers to produce larger quantities at a lower cost.

(A) Wholesale Trade and Distribution

There are currently many different roles for wholesalers in the jewelry market in KSA.

- **Merchants specializing in wholesale sales:** These dealers work primarily with retailers who have no direct contact with manufacturers which may be based in KSA or abroad (mainly in the Far East). Moreover, retailers prefer dealing with wholesalers, as they offer discounts and accept payment on credit (rather than cash).
- **Integrated manufacturer and retail network:** Manufacturers have established their own retail network, whereby the aforementioned retail outlets exclusively control the items produced by the manufacturer managing them. The wholesalers in this category do not compete with the rest of the wholesalers as they do not target the retail network in the general jewelry market.
- **Manufacturer/Wholesaler:** In addition to the abovementioned two categories, there are manufacturers that operate and manage their own wholesale channels. This model allows for higher profit margins, as retail outlets for gold jewelry can reduce the gross profit of the manufacturer focusing on expanding their capacity to supply a wide network of independent jewelry retailers across KSA.

(B) Retail Trade

Retail activity in the KSA can be found in:

- **Gold markets:** markets that resemble bazaars, with plenty stores selling luxurious and ordinary jewelry. They are the most popular retail destination for gold in the KSA.
- **Main streets:** Independent fairs are located on the main streets in the city center. These retail fairs mainly sell diamond jewelry, as their operations require higher margins.
- **Shopping centers:** Showrooms in malls usually sell jewelry by piece more than by weight.

Moreover, the retail gold clients are divided into four segments:

- **Events clients:** This segment is primarily driven by social events such as weddings, birthdays, and anniversaries. They are seasonal, peaking in the second quarter of the year, and are unaffected by differences in social class.
- **Fashion clients:** This segment is driven by urbanization and youth available income. Usually, purchases are made by the youth females, for daily use or attending social events. This segment is affected by fluctuations in gold prices.
- **Savings clients:** This segment considers gold purchases are for savings - especially of 21 karats. According to customs in KSA, gold jewelry is considered a means to preserve a woman's wealth after marriage. It is also used as a financial protection in times of crises or economic inflation.
- **Investment clients:** This consumption is usually in the form of currencies and gold bars of various karat, as gold is used as a cover during a period of economic, political and social fluctuations.

(C) E-commerce

The e-commerce industry in KSA and GCC countries is developing rapidly, mainly driven by the growing number of technology-savvy population, the spread of the Internet and smartphones, and the demand for global luxury products. The e-commerce market has gained momentum across the KSA and GCC as the retail sector has witnessed a regular shift in purchase patterns from traditional stores to online shopping. As a result, traditional retailers are hiring IT companies to build their own online selling platforms, investing in or collaborating with them to enhance their digital presence and logistical capabilities. Although the e-commerce market in the GCC is still in its early stage, it is starting to flourish.

The Covid-19 pandemic has prompted customers and consumers to shop online, as consumers become increasingly comfortable with online shopping for jewelry and gold crafts, and the final consumer is likely to make higher value purchases online than five years ago. The lockdown restrictions resulting from the spread of Covid-19 virus, along with the efforts of KSA, have led to the digital transformation of the Kingdom and to the increase in online shopping activity. Since the outbreak of Covid-19, KSA has witnessed a double growth in retail sales over the Internet for specific products. Moreover, a massive increase in online orders in 2020G was noted, compared to 2019G. Furthermore, it is expected that the number of e-shoppers will reach 2.1 billion worldwide in 2021G, compared to 1.66 billion in 2016G (Sources: Statista; a German company specializing in market and consumer data). These reports also show that 85% of Internet users (3.4 billion people) spend six hours a day browsing websites, which means that consumers are spending more time on the Internet. With the increasing ease of connection to the Internet and the spread of smartphones, it has become necessary for the entrepreneur to establish an e-commerce website if he wants his customers to see the products, he offers so they can buy them.

During 2019G, the share of e-commerce in total global retail sales doubled from 7.4% in 2015G to 14.1% in 2019G, with total sales estimated at \$ 3.5 trillion.

Characteristics of the Jewelry Sector

The Saudi jewelry and gold crafts sector is defined as comprising gold and diamond jewelry and it has four basic characteristics shown in the following section.

(A) Its social and cultural importance

The Saudi consumption rate of gold remains among the highest compared to individuals, driven by the strong cultural affinity for gold and its social importance at birth events, weddings and other special occasions. Furthermore, jewelry is of particular importance to women, as it is a source of adornment and fashion and a source for preserving wealth over time, given that gold retains its monetary value. Thus, gold is considered a safe investment of wealth.

(B) Followed Traditions

Gold jewelry is still sold largely by weight throughout the KSA rather than by piece, as is the custom in Western markets. Gold is sold mainly in traditional markets located in urban and rural areas and in which retailers are concentrated in close proximity to one another. Most of these sellers are well established local companies, as their exhibitions include jewelry formulated by several limited-brand manufacturers. In addition, traditional family retailers continue to play an important role in the jewelry trade (especially diamonds), as they are considered trusted and honest merchants.

(C) An Industry Driven by Skills and Technology

The gold crafts and diamond jewelry industry in KSA includes a few large manufacturers with advanced design and manufacturing facilities, as well as a large proportion of small family-owned workshops with limited capabilities. Traditionally, workers and skilled craftsmen are major assets of manufacturers, providing them with the opportunity to produce unique designs by producing unique pieces of jewelry that are difficult to imitate. Today, however, large companies are leveraging modern technology to differentiate their products and ensure their uniqueness in a commodity market.

(D) A Volatile Sector for Small Manufacturers

Unlike large manufacturers who have the ability to shield gold consumption from fluctuations in gold prices (such as L'Azurde), small manufacturers can be subject to severe financial pressure when gold prices raise. Small jewelry manufacturers and wholesalers who use basic manufacturing techniques have limited control over the size of the gold content in the jewelry they produce, which hinders them from producing lightweight jewelry in order to preserve customers' cash expenditures, thus exposing them to more risk of price fluctuations. On the contrary, previously inactive firms can regain part of their ability to operate during periods of low gold prices. However, high capital requirements and local labor regulations make scalability more difficult, forcing small businesses to lose their market share as a result. This market volatility hinders the entry of small firms.

(E) Restrictions on Entering the Saudi Market

The jewelry market in KSA is characterized by the presence of restrictions for new companies due to the large working capital requirements, the presence of consumers attracted to brands, in addition to the requirements of in-depth knowledge of the local market, consumer tastes, and the high competition between companies distinguished in terms of their technological capabilities. Moreover, Saudi labor laws, especially Saudization regulations, impose legal and administrative restrictions on the growth and expansion of small companies in the future.

Jewelry and Gold Sector's Growth Drivers

According to the Population Statistics Report in the Gulf Cooperation Council for the year 2019G, issued by the Gulf Statistics Center, the population of GCC countries is expected to grow at an annual rate of 2.3% between 2021G and 2025G, with the main driver of demand for gold jewelry being the growing consumer base of the jewelry and gold sector, dominated by a high percentage of expatriates working in GCC countries and the youth representing 50% of the total population according to the latest statistics of the Gulf Statistics Center for 2019G, as well as the growing population of the working class.

Moreover, the Population Statistics Report in the Gulf Cooperation Council for the year 2019G, issued by the Gulf Statistics Center, expect that the GDP per capita will increase at a steady rate in KSA and GCC countries according to the targeted plan at a compound annual growth rate (CAGR) of 0.4% over the next five years. Therefore, the expected recovery in the economy is likely to improve consumer sentiment and spending.

The retail and crafts industry in KSA and GCC countries will witness a major transformation in the coming years with the possibility of introducing AI technologies, virtual reality, image recognition and electronic vision technologies through computers. This technology improvement will improve profit margins and focus on customers through a better understanding of changing consumer preferences using information analytics.

National brands are gaining in popularity and have a strong presence among global brands.

Many major malls are currently being developed in GCC countries, amid investments by governments and private entities in developing infrastructure to complement the population growth, the growing tourism sector, and the increase in the GDP per capita.

The growth of the e-retail market in KSA and GCC countries continued to expand due to the increasing prevalence of smartphones and the use of social media platforms. Moreover, providing access to secure payment gateways and gradual improvement in logistical capabilities increases prevalence levels leading to industry growth.

The presence of a large and growing local and international demand for jewelry and gold provides a large and strong market for luxury products and gold jewelries in the main markets of L'Azurde Group.

The rate of market growth is driven by strong repetitive purchasing patterns and behaviors as consumers enjoy a high level of exposure to the markets and outlets of jewelry and gold crafts, as well as by the increased levels of understanding and education in gemology.

Challenges of the Jewelry and Gold Sector

The increasing number of global brands operating in KSA and the region has resulted in intensifying competition within the gold and jewelry market, especially for the retail sector. This prompted retailer to rely on aggressive promotional campaigns by offering large discounts to support increased revenues. Although such strategies should increase profit growth, they have led to margin pressures.

The implementation of VAT had a negative impact on the purchasing power of consumers, especially with the doubling of the tax rate three times starting from July 1, 2020G. That's why many retailers decided to bear the tax and reduce the profit margin by including the sales tax in the purchase price to keep attracting consumers and maintain the level of pre-tax price, but this led to a decrease in profit margins.

The counterfeit products of the original trademarks continue to be a source of concern for the gold jewelry industry in KSA and GCC countries, thus eroding profit margins and the image of global brands.

Risk Factors Summary

There are several risks related to this Rights Shares Issue. These risks have been covered in three main categories - Risks related to the Company's Activity and Operations, Risks related to the Market and Sector and Risks related to Shares - and are discussed in details in Section (2) "Risk Factors" in this Prospectus which should be carefully studied before deciding to invest in the Rights Shares subject of the Offering.

(A) Risks Associated with the Company's Activity and Operations

- Risks of the inability to implement the strategy
- Coronavirus (COVID-19) pandemic risks
- Risks of inventory holding operations
- Risks of relying on major suppliers
- Risks related to availability and price change of major raw materials
- Risk of a change in the prices of the Company's products
- Risks of decreased final consumer spending or changing their preferences.
- Capital management risks
- Risks of unsuccessful expansion strategy
- Risks of delay in implementing future projects
- Capital costs increase for implementing future projects over the expected value
- Profitability of future projects
- Risks of funding sources
- Risks of management decisions
- Risks of employee mistakes or misconduct
- Risks of contracts with third parties
- Liquidity risk
- Credit and collection risk
- Risks of contingent liabilities
- Risks of changes in accounting standards and the adoption of new standards
- Currency exchange rate risk
- Risks of rising energy and other services prices
- Risks of relying on non-Saudi employees
- Risks of not extracting or not renewing licenses and certificates
- Risks related to government fees applicable to non-Saudi employees
- Risks of concentrating the Company's revenues
- Brand risk
- Litigation and lawsuit risks
- Risks of insurance coverage adequacy
- Risks of jobs "Saudization"
- Risks of violating labor laws fine
- Risks of intangible assets and goodwill
- Risks of returned stones value with gold crafts proceeds
- Security risks, transportation risks, and fraud
- Risks of business interruption

(B) Risks Associated with the Market and Sector

- Risks of environmental regulations and standards
- Risks of the impact of Saudi economic risks on the Company's operations
- Risks of political and economic instability in the region

- Risks of growth opportunities
- Risks of natural disasters
- Risks of changes in the relevant laws and regulations
- Risks of VAT application
- Risks of imposing new fees or taxes
- Risks of withdrawal of the industrial license
- Risks of Zakat entitlements and additional claims

(C) Risks Associated with Shares

- Risks of potential fluctuations in the share price
- Risks of potential fluctuations in the Rights issue price
- Risks of the non-profitability or sale of Rights
- Risks of lack of demand for Rights and Company shares
- Risks of speculation in rights
- Risks of low ownership rate
- Risks of not exercising subscription rights in a timely manner
- Profit distribution risks
- Risks of selling many shares
- Risks related to the possibility of issuing new shares
- Risks related to forward-looking statements

Financial Information Summary

The summary of the financial information presented below is based on the Company's audited financial statements for the fiscal years ended December 31, 2017G, 2018G and 2019G and the notes attached thereto, as well the preliminary un-audited financial statements for the fiscal period ended September 30, 2019G and 2020G, including the notes thereto. Accordingly, the information mentioned in the notes is associated with the preliminary un-audited financial statements for the fiscal period ended September 30, 2020G.

The Company's audited financial statements for the financial years ended December 31, 2017G, 2018G and 2019G were prepared in accordance with International Financial Reporting Standards (IFRS) approved in KSA and with the standards and publications approved by the Saudi Organization for Certified Public Accountants (SOCPA). The interim unaudited consolidated financial statements for the financial period ended September 30, 2020G and the accompanying notes, were prepared in accordance with IFRS. The financial statements for the last three years have been reviewed by Al-Dar Auditing Company Abdullah Al-Basri and Partners. As for the nine-month period of the year 2020G (until 09/30/2020G), the review was carried out by Baker Tilly MKM and its partners (Certified Public Accountants).

The Company issues its financial statements in Saudi Riyals.

The Consolidated Income Statement

(SAR'000)	2017G (Audited)	2018G (Audited)	2019G (Audited)	YoY Growth 2017G-2018G	YoY Growth 2018G-2019G	CAGR 2017G-2019G	9 month-period 2019G (Reviewed)	9 month-period 2020G (Reviewed)	Period change 2019G-2020G
Gold revenue	1,397,134	1,505,917	1,495,209	7.8%	(0.7%)	3.5%	1,298,331	918,395	(29.3%)
Operations revenue	355,374	406,445	481,205	14.4%	18.4%	16.4%	395,191	257,061	(35.0%)
Total revenue	1,752,507	1,912,363	1,976,414	9.1%	3.3%	6.2%	1,693,522	1,175,456	(30.6%)
Gold cost of revenue	(1,397,134)	(1,505,917)	(1,495,209)	7.8%	(0.7%)	3.5%	(1,298,331)	(918,395)	(29.3%)
Operations cost of revenue	(137,892)	(162,369)	(193,395)	17.8%	19.1%	18.4%	(152,857)	(117,451)	(23.2%)
Total cost of revenue	(1,535,026)	(1,668,286)	(1,688,604)	8.7%	1.2%	4.9%	(1,451,188)	(1,035,846)	(28.6%)
Gross profit	217,481	244,076	287,810	12.2%	17.9%	15.0%	242,334	139,610	(42.4%)
Selling and marketing expenses	(104,577)	(131,810)	(179,936)	26.0%	36.5%	31.2%	(133,816)	(107,284)	(19.8%)
General and administrative expenses	(37,636)	(42,339)	(43,374)	12.5%	2.4%	7.4%	(32,621)	(30,135)	(7.6%)
Impairment of inventories	-	-	(17,765)	0.0%	0.0%	N/A	-	-	N/A
Provision for expected credit losses	-	-	-	0.0%	0.0%	N/A	(4,276)	(6,032)	N/A
Loss from recall of products	-	-	-	0.0%	0.0%	N/A	-	(34,692)	0.0%
Profit / (loss) from main operations	75,268	69,927	46,735	(7.1%)	(33.2%)	(21.2%)	71,621	(38,534)	(153.8%)
Other income / (expenses), net	(534)	(4,358)	1,012	716.1%	(123.2%)	N/A	3,092	338	(89.1%)
Finance cost, net	(30,740)	(35,594)	(50,873)	15.8%	42.9%	28.6%	(38,387)	(39,479)	2.8%
Net profit / (loss) before zakat and tax	43,993	29,976	(3,125)	(31.9%)	(110.4%)	N/A	36,326	(77,675)	(313.8%)
Zakat	(10,613)	(10,719)	(11,306)	1.0%	5.5%	3.2%	(8,527)	(6,827)	(19.9%)
Income tax	(1,836)	(1,591)	(3,116)	(13.3%)	95.9%	30.3%	(3,448)	(2,099)	(39.1%)
Net profit / (loss) for the year or period	31,544	17,666	(17,548)	(44.0%)	(199.3%)	N/A	24,351	(86,601)	(455.6%)

Source: Information of the Company, its subsidiaries, audited financial statements for the fiscal years ended December 31, 2017G, 2018G and 2019G, and the reviewed financial statements for the nine-month period ended September 30, 2019G and 2020G.

Consolidated financial statement as on December 31, 2017G, 2018G, 2019G and the nine-month period ended September 30, 2020G

(SAR'000)	31 December 2017G (audited)	31 December 2018G (audited)	31 December 2019G (audited)	30 September 2020G (reviewed)
Total non-current assets	78,745	235,605	278,253	262,342
Total current assets	1,568,952	1,547,729	1,736,782	1,532,083
Total assets	1,647,698	1,783,334	2,015,035	1,794,425
Total Equity	406,459	426,086	418,211	332,589
Total non-current liabilities	38,193	178,228	179,745	152,244
Total current liabilities	1,203,046	1,179,020	1,417,079	1,309,592
Total liabilities	1,241,239	1,357,249	1,596,824	1,461,836
Total Equity and liabilities	1,647,698	1,783,334	2,015,035	1,794,425

Source: The audited financial statements for the fiscal years ended December 31, 2017G, 2018G and 2019G and the reviewed financial statements as on September 30, 2020G.

Consolidated Statement of Cash Flows

(SAR'000)	2017G (audited)	2018G (audited)	2019G (audited)	Nine-month period ended September 30, 2020G (reviewed)
Net cash generated from / (used in) operating activities	(11,932)	(19,841)	29,899	35,716
Net cash used in investing activities	(19,651)	(143,546)	(11,700)	(7,429)
Net cash (used in) / resulting from financing activities	50,314	153,812	(15,563)	84,614
Net change in cash and cash equivalents for the year / period	18,730	(9,574)	2,636	112,901
Cash and cash equivalents at the beginning of the year / period	38,518	57,432	47,733	53,575
The effect of change in the exchange rate of cash and cash equivalents	183	(124)	3,206	795
Cash and cash equivalents at the end of the year / period	57,432	47,733	53,575	167,271

Source: Information of the Company, its subsidiaries, audited financial statements for the fiscal years ended December 31, 2017G, 2018G and 2019G, and the reviewed financial statements for the nine-month period ended September 30, 2019G and 2020G.

Key performance indicators for the fiscal years ended December 31, 2017G, 2018G and 2019G, and the nine-month period ended September 30, 2019G and 2020G

(SAR'000)	2017G (audited)	2018G (audited)	2019G (audited)	YoY Growth 2017G-2018G	YoY Growth 2018G-2019G	CAGR 2017G-2019G	9 month-period 2019G (reviewed)	9 month-period 2020G (reviewed)	Period change 2019G-2020G
Key performance indicators as a percentage of total operations revenue									
Gross profit	61.2%	60.1%	59.8%	(1.1)	(0.2)	(1.4)	61.3%	54.3%	(7.0)
Sale and Marketing expenses	29.4%	32.4%	37.4%	3.0	5.0	8.0	33.9%	41.7%	7.9
General and administrative expenses	10.6%	10.4%	9.0%	(0.2)	(1.4)	(1.6)	8.3%	11.7%	3.5
Profit from major operations	21.2%	17.2%	9.7%	(4.0)	(7.5)	(11.5)	18.1%	(15.0%)	(33.1)
Net profit / (loss) for the year or period	8.9%	4.3%	(3.6%)	(4.5)	(8.0)	(12.5)	6.2%	(33.7%)	(39.9)

Source: Information of the Company, its subsidiaries, audited financial statements for the fiscal years ended December 31, 2017G, 2018G and 2019G, and the reviewed financial statements for the nine-month period ended September 30, 2019G and 2020G.

Key performance indicators for the financial position as on December 31, 2017G, 2018G, 2019G and the nine-month period ended September 30, 2020G

(SAR'000)	December 31, 2017G (audited)	December 31, 2018G (audited)	December 31, 2019G (audited)	September 30, 2020G (reviewed)
Average days of Receivables (day) [†]	106	109	128	139
Average age of Inventory (day) ^{††}	229	196	190	229
Average days of Payables (day) ^{†††}	108	89	65	81
Return on Equity	1.9%	1.0%	(0.9%)	(4.8%)
Return on assets	7.8%	4.1%	(4.2%)	(26.0%)
Debt to Equity	2.8	2.8	2.9	3.2

Source: The audited financial statements for the fiscal years ended December 31, 2017G, 2018G and 2019G, the reviewed financial statements as on September 30, 2020G, in addition to management information.

[†] The average days of receivables were calculated using gold revenue

^{††} The average inventory age is calculated using the cost of gold and raw materials used

^{†††} The average days of payables are calculated using the cost of the raw materials used

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1. Definitions and Terms

Table (1-1): Definitions and Abbreviations

Defined Term or Abbreviation	Definition
The Company, Parent Company or the Issuer	L'Azurde Company for Jewelry.
The Group or L'Azurde Group	L'Azurde Company and subsidiaries.
Headquarters	The headquarters is located in Riyadh City – Second Industrial Zone (The headquarter of the Company Factory).
The Subsidiaries	Companies where the Issuer owns a controlling interest in, and their financial statements are consolidated with the Group.
The Management	The Company's management team.
The Kingdom	The Kingdom of Saudi Arabia.
ISO	International Organization for Standardization.
By-laws	The Company's By-laws.
Rules on the Offer of Securities and Continuing Obligations	Rules for the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority under Resolution 3- 123 – 2017G dated 09/04/1439H (corresponding to 27/12/2017G) based on the Capital Market Law issued by Royal Decree M / 30 dated 02/06/1424H amended by Resolution of CMA Board 3-45-2018G dated 07/08/1439H (corresponding to 23/04/2018G) and amended by the CMA Board Resolution (2019G-104-1) dated 02/01/1441H (corresponding to 30/09/2019G).
The Board, Board of Directors or Board Members	The Company's Board of Directors whose names appear on page (iii).
Advisers	The Company's Advisors regarding the offering process and whose names are shown on page (v).
Capital Market Authority or CMA	The Capital Market Authority in the Kingdom of Saudi Arabia.
Capital Market Law	The Capital Market Law issued by Royal Decree M / 30 dated 02/06/1424H (corresponding to 31/07/2003G), amended by Resolution of CMA Board 3-45-2018 dated 07/08/1439H (corresponding to 04/23/2018G) and amended by the CMA Board Resolution (1-104-2019) dated 01/02/1441H (corresponding to 30/09/2019G) based on Royal Decree (M-16) dated 19/01/1441H (corresponding to 18/09/ 2019G).
The Saudi Stock Exchange, Stock Exchange, Stock Market or The Market	The Saudi Stock Exchange.
Tadawul	The Saudi Stock Exchange.
Tadawul System	Automated System for trading of securities on the Saudi Stock Exchange.
Companies Law	The Saudi Companies Law issued by virtue of Royal Decree (M/3) dated 28/01/1437H (corresponding to 10/11/2015G) which became effective on 25/07/1437H (corresponding to 02/05/2016G) and amended by the Royal Decree (M/79) dated 25/07/1439H (corresponding to 11/04/2018G).
Commercial Register Law	The Commercial Register Law issued by virtue of Royal Decree (M/1) dated 21/02/1416H (corresponding to 19/07/1995G) and its implementing regulations issued by virtue of a ministerial decision 1003 dated 21/09/1416H (corresponding to 11/02/1996G).
Precious Metals and Gemstones Law	The Law of Precious Metals and Gemstones issued by virtue of Royal Decree (M / 42) dated 10/07/1403H (corresponding to 28/04/1983G) and its implementing regulations.
Franchise Law	The Law of Franchise issued by virtue of Royal Decree 122 dated 09/02/1441H (corresponding to 08/10/2019G) and its implementing regulations.
Trademark Law	The Trademark Law issued by virtue of Royal Decree (M/21) dated 28/05/1423H (corresponding to 07/08/2002G).
General Assembly	The General Assembly that is held in the presence of the Company Shareholders in accordance with the provisions of the Companies Law and the Company's By-laws. It may be ordinary or extraordinary.
Ordinary General Assembly (OGA)	The Ordinary General Assembly of the Company's Shareholders.
Extraordinary General Assembly (EGA)	The Extraordinary General Assembly of the Company's Shareholders.
Government	The Government of the Kingdom of Saudi Arabia.

Defined Term or Abbreviation	Definition
Corporate Governance Regulations	The Corporate Governance Regulations in KSA issued by the Board of the CMA under Resolution 8-16-2017G dated 16/05/1438H (Corresponding to 13/02/2017G) based on the Companies Law issued by Royal Decree M / 3 dated 28/01/1437H and amended by CMA Board resolution 3- 57-2019G dated 15/09/1440H (corresponding to 20/05/2019G).
Related Parties	According to the Rules for the Offer of Securities and Continuing Obligations, the list of terms used in the CMA Regulations, Capital Market and its Rules issued by the CMA Board according to Decision 4-11-2004G dated 20/08/1425H (corresponding to 04/10/2004G) and amended by CMA Board Resolution 2-86-2020G dated 19/01/1442H (corresponding to 07/09/2020G), the Related Parties are meant to be the following: <ol style="list-style-type: none"> 1- The Issuer's subsidiaries. 2- Major Shareholders in the Issuer. 3- The Issuer's Board of Directors and senior executives. 4- Board members and senior executives of the Issuer's subsidiaries. 5- Board members and senior executives of the Issuer's major shareholders. 6- Any relatives of the persons referred to in (1, 2, 3, 4 or 5) above. 7- Any Company controlled by any person referred to in (1, 2, 3, 4, 5 or 6) above.
Kenaz	Kenaz Company, a limited liability Company established in Riyadh, KSA under the commercial registration certificate 1010352574 dated 21/11/1433H (corresponding to 07/10/2012G).
Almujawharat Almasiah	Almujawharat Almasiah Company, a limited liability Company established in Riyadh, KSA under the commercial registration certificate 1010236734 dated 25/07/1428H (corresponding to 05/09/2018G).
Izdiad Commercial Company of Arabia or "Izdiad"	Izdiad Commercial Company of Arabia, a limited liability Company established in Jeddah, KSA under Commercial Registration certificate (4030286357) dated 25/02/1437H (corresponding to 07/12/2015G). On 05/08/2018G AD, it was acquired in accordance with the terms and conditions of a share purchase agreement between Tamkeen Industrial and Trading Company Ltd represented by Ahmad Talal AL Jahni (The Sellers) and L'Azurde Company for jewelry (The Buyer). On 12/03/1440H (corresponding to 20/11/2018G) the Company decided to move the main headquarters from Jeddah to Riyadh and to change the Company's branch in Riyadh to become its headquarters (specified in the commercial registration) while keeping the same number and date of the commercial registration certificate (1010458294) dated 25/12/1439H (corresponding to 05/09/2018G).
Subsidiaries (outside of KSA)	The Company owns several other companies that were established outside KSA, including the following: <ol style="list-style-type: none"> 1- L'Azurde Company for Jewelry (Abu Dhabi) 2- L'Azurde Company for jewelry (Dubai) 3- L'Azurde Company for Jewelry (Egypt) 4- Oro Egypt Company for Manufacturing Precious Metals (Egypt) 5- L'Azurde Company for Jewelry (Sultanate of Oman) 6- L'Azurde Company for Jewelry (Qatar)
Listing Rules	The listing rules issued by the Saudi Stock Exchange (Tadawul) and approved by the Capital Market Authority Board Decision 3-123-2017G dated 09/04/1439H (corresponding to 27/12/2017G) and amended pursuant to its Resolution (1-104-2019G) on 02/01/1441H (corresponding to 09/30/2019G).
International Financial Reporting Standards (IFRS)	A set of accounting standards and their interpretations issued by the IFRS Board.
Fiscal year(s)	It is the time period for presenting the result of the establishment's activity. Its start and end are specified in the incorporation contract or the articles of association of the concerned Company. Noting that the Company's fiscal year ends on December 31 of each Gregorian calendar year.
Nationalization / Saudization	It is the process of replacing a foreign worker with a Saudi citizen in private sector jobs.
Riyal or Saudi Riyal	The official currency in the Kingdom of Saudi Arabia.
Saudi Organization for Certified Public Accountants (SOCPA)	The Saudi Organization of Certified Public Accountants.
Saudi Authority for Industrial Cities and Technology Zones (MODON)	the Saudi Authority for Industrial Cities and Technology Zones (MODON) is the authority responsible for developing and supervising the industrial and technology zones in KSA.
General Environmental Law	The General Environmental Law in KSA is issued by virtue of Royal Decree (M/34) dated 28/07/1422H (corresponding to 05/10/2001G).
General Organization for Social Insurance	The General Organization for Social Insurance in KSA.
Ministry of Human Resource and Social Development	The Ministry of Human Resource and Social Development in KSA.
Ministry of Commerce	The Ministry of Commerce in KSA.

Defined Term or Abbreviation	Definition
Ministry of Environment, Water and Agriculture	The Ministry of Environment, Water and Agriculture in KSA.
Ministry of Industry and Mineral Resources	The Ministry of Industry and Mineral Resources in KSA.
Ministry of Municipalities and Rural Affairs ("Ministry of Municipalities")	The Ministry of Municipal and Rural Affairs in KSA.
The General Authority for Meteorology and Environmental Protection	A government authority that was established in 1370H (corresponding to 1950G). It is responsible for the environment in KSA in addition to its role in the meteorological field.
General Authority of Zakat and Tax	The General Authority for Zakat and Tax (formerly the Department of Zakat and Tax) is one of the government authorities that is organizationally linked to the Minister of Finance, and it is the authority entrusted with the work of collecting zakat and tax.
Business day	Any business day except Friday and Saturday and any day that is an official holiday in KSA, or any day on which banking institutions stop working in accordance with the applicable regulations and other governmental procedures.
Labor Law	The Saudi Labor Law issued by Royal Decree M / 51 dated 23/08/1426H corresponding to 27/09/2005G and the amendments thereto.
H	Hejri Calendar.
G	Gregorian Calendar.
Securities Depository Center Company ("Edaa")	It is a closed joint stock Company wholly owned by the Saudi Stock Exchange (Tadawul), established in 2016G in accordance with the Saudi Companies Law issued by Royal Decree M / 3 on 28/01/1437H (corresponding to 11/11/2015G).
Vision 2030	The National Strategic Economic Program, which aims to reduce dependence on oil and the petrochemical industry, diversify the Saudi economy, and develop services.
Value-added Tax	On 02/05/1438H (corresponding to 30/01/2017G), the Council of Ministers decided to approve the unified agreement for value-added tax for the GCC countries, which came into effect from January 1, 2018G, as a new tax was added to the system of taxes and other fees must be applied by specific sectors in KSA and GCC countries. The amount of this tax is (5%), and some products are excluded from it (such as basic foods, services related to health care and education). The Board of Directors of the General Authority for Zakat and Tax (2-3-20) dated 17/10/1441H (corresponding to 09/06/2020G) decided to amend the VAT Law to become 15%, starting from 01/07/2020G, according to its authorities and based on Article 5 of the General Authority for Zakat and Tax Organization issued by Cabinet Resolution 465 dated 20/07/1438H after reviewing Royal Decree A / 638 dated 15/10/1441H regarding the amendment of the VAT system to allow an increase the basic tax rate to 15% as on July 1, 2020G.
Gulf Cooperation Council Members	The Kingdom of Saudi Arabia, Sultanate of Oman, United Arab Emirates, Kuwait, Qatar and The Kingdom of Bahrain.
The Rights Issue	Rights are issued as tradable securities giving their holders the priority to subscribe for the New Shares offered, upon approval of the capital increase. All shareholders registered in the Company's register at the end of trading on the day of the EGA will be entitled to receive the Rights. Each right grants its holder eligibility to subscribe for one New Share at the Offer Price. Rights Issue will be deposited after the EGA dated Wednesday 21/10/1442H (corresponding to 02/06/2021G) at which the capital increase has been approved. The Rights will appear in the portfolios of the Registered Shareholders under a new symbol specifying the Rights Issue. The Registered Shareholders will be notified of the deposit of rights in their portfolios.
Right Indicative Value	The indicative value of a Right reflects the difference between the market value of the Company's share during the Trading Period and the Offer Price.
Right trading price	It is the price at which the right is traded, noting that such price is set through the offer and demand mechanism ; therefore, it may differ from the Indicative Value of the Right.
Underwriter	Samba Capital & Investment Management Company.
Lead Manager	Samba Capital & Investment Management Company.
Offering Period	The period starting from Monday 26/10/1442H (corresponding to 07/06/2021G) and ended Thursday 07/11/1442H (corresponding to 17/06/2021G).
Offer / Subscription Price	SAR (10) ten Saudi riyals per share.
Rump Shares	The shares, if any, which were not subscribed for during the Subscription Period.
Rump Offering Period	The period from 10:00 a.m. on Tuesday 12/11/1442H (corresponding to 22/06/2021G) to 5:00 p.m. on Wednesday 13/11/1442H (corresponding to 23/06/2021G).

Defined Term or Abbreviation	Definition
New Shares or Shares Offered for Subscription	14,500,000 ordinary shares, which will be issued to increase the Company's capital.
Eligibility Factor	Result of dividing the number of new shares by the number of the Company's current shares.
Eligible Persons	All holders of Rights, whether they are Registered Shareholders or those who purchased Rights during the Trading Period.
Major Shareholders	Shareholders who directly own 5% or more of the Company's shares. As of the date of this Prospectus, the Company has one major shareholder: Mr. Abdulaziz Saleh Ali Al-Othaim who owns 6,404,850 shares, representing 14.895% of the Company's total shares prior to the offering).
The Public	As per the Rules for the Offer of Securities and Continuing Obligations, the public are the persons not mentioned below: 1- The Issuer's subsidiaries. 2- Major Shareholders in the Issuer. 3- The Issuer's Board of Directors and senior executives. 4- Board members and senior executives of the Issuer's subsidiaries. 5- Board members and senior executives of the Issuer's major shareholders. 6- Any relatives of the persons referred to in (1, 2, 3, 4 or 5) above. 7- Any Company controlled by any person referred to in (1, 2, 3, 4, 5 or 6) above. Persons who act in agreement together and collectively own (5%) or more of the class of shares to be listed.
Net Offering Proceeds	Net offering proceeds after deducting the offering fees.
Person	A natural or legal person.
Prospectus	It is this document prepared by the Company concerning the Offering of Rights Shares.
Listing	Listing securities on the main market or - where context allows it - submitting a listing application to the Saudi Stock Exchange (Tadawul).
Registered Shareholders	A Shareholders listed in the Company's Register as at the close of trading on the day of the EGA dated Wednesday 21/10/1442H (corresponding to 02/06/2021G) at which the capital increase has been approved and are registered Depository Center at the end of the second trading day following the EGA.
New Investors	In general, individual and institutional investors - with the exception of Registered Shareholders - who purchased the Rights during the rading period.
Shares	The current shares of the Company amounting to (43,000,000) forty-three million ordinary shares, with a nominal value of SAR (10) ten Saudi Riyals per share.
Brokers	A Capital Market Institution licensed by the CMA to engage in the activity of dealing in securities as an agent.
Institutional Investors	It includes a group of institutions, which are as follows: 1- Governmental entities and companies owned by the government, directly or through a private portfolio manager, or any international body recognized by the CMA or the market, and any other financial market recognized by the CMA or the depository center. 2- Public investment funds established in KSA that are publicly offered in addition to private funds that invest in securities listed on the Saudi Stock Exchange if the fund's terms and conditions allow it, while adhering to the provisions and restrictions stipulated in the investment funds regulations. 3- Persons authorized to deal in securities in a Principal capacity, while adhering to the requirements of financial sufficiency. 4- Agents of a person authorized to conduct management business, provided that that authorized person has been appointed under conditions that enable him to make decisions regarding accepting participation in the offering and investment in the Saudi Stock Exchange on the agent's behalf without the need to obtain prior approval from him. 5- Any other legal persons who may open an investment account in KSA and an account with the Depository Center, taking into account the investment controls of companies listed in securities, provided that the participation of the Company does not lead to any conflict of interest. 6- Gulf investors with legal personality, which include companies and funds established in the GCC countries. 7- Eligible Foreign Investors. An ultimate beneficiary of legal person in a swap agreement concluded with a licensed person in accordance with the terms and conditions of the swap agreements.
Subscriber	Any person subscribing to shares offered for subscription.
Compound Annual Growth Rate (CAGR)	One of the methods used to calculate the growth rate of a specific item over a specific period of time.

Defined Term or Abbreviation	Definition
Underwriting Agreement	Underwriting agreement between the Company and the Underwriter.
Rules for Qualified Foreign Financial Institutions Investment in Listed Securities	They are special rules regulating the investment in securities by non-Saudi persons residing outside KSA, issued by the CMA Board pursuant to Resolution 1-42-2015 dated 15/07/1436H (corresponding to 04/05/2015G) and amended by CMA Board Resolution 3-65-2019G dated 14/10/1440H (corresponding/ to 17/06/2019G).
Procedures and instructions for companies whose shares are listed in the market and whose accumulated losses amount to (20%) or more than their capital.	Rules for companies with accumulated losses issued by the CMA Board pursuant to Resolution 4-48-2013 dated 15/01/1435H (corresponding to 18/11/2013G) and amended by CMA Board Resolution 1-77-2018G dated 05/11/1439H (corresponding to 18/07/2018G).
Registered Shareholder	The investor registered in the Issuer's securities registry.
Eligible Shareholders	They are the shareholders registered in the Company's shareholders registry at the close of trading on the eligibility date.
Nitaqat	The Saudization program (Nitaqat) was approved pursuant to the Minister of Labor's Decision (4040) dated 28/01/1432H (corresponding to 10/09/2011G) based on the Council of Ministers Resolution No 50 dated 21/05/1415H (corresponding to 27/10/1994G). The Ministry of Human Resources and Social Development in KSA launched the program to provide incentives for establishments to employ Saudi citizens. This program evaluates the performance of any establishment based on specific ranges, which are platinum, green and red in accordance with the activity and sector under which the Company falls. On 29/03/1441H (corresponding to 16/11/2019G) Ministerial Resolution 63717 was issued, deciding to cancel the yellow band in the Nitaqat program.

2. Risk Factors

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

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

The Company's Directors also acknowledge, to the best of their knowledge and belief, that there are no material risks that may affect the decision of the shareholders as of the date of this Prospectus, except for those disclosed in this Section.

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

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

2-1 Risks Related to the Company's Activities and Operations

2-1-1 Risks related to failure to Implement Strategy

L'Azurde Group's future performance depends on the successful implementation of its business plan and growth strategy. Given the diversity of L'Azurde Group's activities and its international geographic reach, its ability to spread in new markets and increase its reach in existing ones depends on a number of factors, including the ability of L'Azurde Group to:

- Establish specific business strategies, objectives and standards.
- Keep pace with technological advances in the jewelry manufacturing sector on a cost and time effective basis.
- Market its products to customers of wholesale activities and to current and new end consumers.
- Open new retail outlets in suitable locations according to suitable rental terms.
- Identify and properly utilize new geographical markets, to successfully compete in those markets and comply with their legal requirements.
- Maintain adequate financial resources for L'Azurde Group.
- Follow a system to monitor and control management and inventory.
- Appoint, train and integrate new employees.

There is no guarantee that L'Azurde Group will be able to successfully implement its business plan and growth strategy and that its products will thus reach new markets, gain acceptance in them or achieve a wider spread in existing markets, or that L'Azurde Group will achieve the planned operating results in the new markets, or similar results to those previously achieved in existing markets. L'Azurde Group's failure to implement its business plan and growth strategy would have a material adverse effect on the Company's business, financial position, results of operations and future prospects.

2-1-2 COVID-19 Risks

The novel Corona virus (Covid-19) began to spread in December 2019G, and the World Health Organization declared the virus a global pandemic in March 2020G.

Likewise other companies, L'Azurde activities were affected during the first nine months of 2020G, as wholesale and retail sales decreased by (40.6%) and (27.2%) respectively, compared to the same period in 2019G.

On 03/09/1441H (corresponding to 26/04/2020G), a royal decree was issued stipulating to return to normal life and to partially lift the curfew in all regions of KSA while adhering to precautionary measures of physical distancing, determining the number of people present in the workplace and providing service. In addition, during the preparation of this Prospectus, the Saudi health status is daily supervised by the Ministry of Health through the daily statistical report issued to follow up the numbers of injuries, recoveries and deaths. All regions and cities in KSA are subject to the continuous evaluation by the Ministry of Health, which may necessitate re-imposing a complete or partial lockdown in some cities of the Kingdom.

Consequently, if any of the aforementioned events occur, it would have an adverse effect on the Company's business, the results of its operations, its financial position and future prospects.

2-1-3 Risks of maintaining inventory

The Company's stock of raw materials, gold jewelry and manufactured diamond jewelry amounted to SAR 915 million 789 million riyals, and SAR 859 million as on December 31, 2017G, 2018G and 2019G respectively. Moreover, the value of the stock reached SAR 774 million as on September 30, 2020G. L'Azurde Group maintains an appropriate amount of stock of some raw materials, gold jewelry and manufactured diamond jewelry to cover its business needs. It also orders from its suppliers based on the production plan and expectations related to the demand of the wholesale customers and the final consumers. In some cases, L'Azurde Group may also maintain a surplus in inventory to accommodate the anticipated orders.

L'Azurde Group is based on several assumptions in estimating the expectations of the demands of wholesale customers and the final consumers, such as market growth, demand and purchases in major seasons. These assumptions may lead to errors in estimating those expectations. L'Azurde Group's wholesale customer network consists mainly of retail stores and outlets in KSA, Egypt and other countries of the MENA region. In line with the sector's practices, L'Azurde Group does not have in general long-term sales arrangements with the wholesale customers, and their purchase may differ significantly from time to time. As a result, short-term changes in the purchasing decisions of the wholesale business customers affect the inventory levels of L'Azurde Group. If L'Azurde Group overestimates the volume of orders for wholesale customers and final consumers, it may allocate resources to purchase raw materials or make jewelry that L'Azurde Group cannot sell at the expected time or at the appropriate prices, or cannot sell at all. This may result in L'Azurde Group maintaining a surplus in inventory, which will reduce the gross profit margin and negatively affect the financial results of the Group by increasing the costs of smelting the inventory for reuse in production, among other things. On the contrary, if L'Azurde Group estimated the volume of the wholesale customers and final consumers' orders at less than the volume of the actual demand, or in the absence of sufficient capacity, the Group may lose opportunities to obtain revenues, and this would reduce the share of L'Azurde Group from the market, thus negatively affecting its relationships with wholesale customers and its ability to attract end consumers. As a result, the inability of the Group to effectively manage its inventory will negatively and materially affect the Company's business, financial position, results of operations and future expectations (for more details on the inventory calculation system, please refer to sub-section 5-6-2 "current assets" of Section 5 "Management Discussion and Analysis of the Financial Information and Results of its Operation").

2-1-4 Risks of reliance on Major Suppliers

L'Azurde Company for Jewelry has a wide network of suppliers. As for the subsidiary Company (Izdiad Commercial Company of Arabia), it has an exclusive franchise right for the "TOUS" brands and products and it mainly depends on the franchisor (the Spanish TOUS Company), as the Company's purchases from it account for 90% of the total purchases of the Company for 2019G equivalent to SAR 12.8 million, as the Spanish Company TOUS is the exclusive supplier for most of the TOUS products sold by the subsidiary Company. Any change in the terms, prices or quality of the supplied materials, or a sudden interruption of supply for any reason, will directly and negatively affect the Company's business and its operational results. This, in turn, leads to a decrease in the Group's profitability, an increase in its losses, and its financial position being significantly negatively affected.

2-1-5 Risks Associated with Availability and Price Changes of the Main Raw Materials

As of the date of this Prospectus, the Company's stock amounted to SAR 774 million on September 30, 2020G, compared to SAR 915, SAR 789 and SAR 859 million at the end of 2017G, 2018G and 2019G respectively. L'Azurde Group products depend on the essential raw materials made of gold and precious stones which are a major part of the Company's costs and expenses. Moreover, the price of raw material products has a cyclical and volatile nature and may fluctuate in the future.

The Company mainly depends on the availability of these materials; its operations may be directly and negatively affected in the event of any delay in those supplies or any change in the terms of their provision or their severance. Furthermore, the change in the prices of the main raw materials used in the Company's production will affect the results of its operations. Moreover, the increase in gold prices will also increase the cost of smelting gold and returned stones with the gold collected from wholesale customers, which may lead to a remarkable increase in costs. Therefore, the Company's profitability may be affected by the rise in the prices of raw materials if the Company does not succeed in raising the selling prices of its products or covering the deficit by reducing other operational costs, which will have a negative impact on the Company's business, financial position and future expectations.

Furthermore, global gold prices witnessed large fluctuations over the past few years and were very volatile during 2019G and 2020G as of the date of this Prospectus. These periods of great volatility in gold prices can cause distrust and delay the purchase decisions until they stabilize. Higher gold prices would also reduce the quantities of gold jewelry bought by wholesalers and final consumers, in particular heavyweight gold jewelry. During 2019G, the returns of heavyweight gold crafts from wholesales were accepted due to the increase in gold prices and the decrease in demand for heavy weights, with an impact of SAR 19 million, according to the Board report of 2019G.

In the event that L'Azurde Group is not able to change its product mix to manufacture and display lightweight gold jewelry within a reasonable period of time, it would adversely affect the purchase orders of the wholesale customers or the direct sales of L'Azurde Group to the end consumers in the affiliated retail outlets. In addition to the possible decrease in gold jewelry

sales when gold prices fluctuate and rise, the increase in gold prices also leads to an increase in the value of used gold facilities that L'Azurde Group obtains from banks, which in turn increases financing costs and monetary margin standards. In the event that L'Azurde Group is unable to reduce its operating capital and use it to facilitate gold, the financing costs and cash margin standards may increase. All of the above may have a material adverse effect on L'Azurde Group's business, financial position, and results of its operations or expectations.

2-1-6 Risks of Change in Company Products Prices

The change in the prices of L'Azurde Group products locally and in the global markets resulting from a change in supply and demand or in the market prices of gold and diamonds (raw materials), as the price is an important factor for the consumer, the level of demand may decrease due to the increase in the prices of gold and diamond products (raw materials) and the change in consumer taste, the availability of alternative goods at a lower price, which will have a negative impact on the Company's sales, business results, financial position and future prospects. The Company is also affected by seasonal factors, as the demand for L'Azurde group products depends on specific occasions. As a result, L'Azurde Group's sales are subject to seasonal fluctuations. Due to these seasonal factors, comparing sales and operating results between different periods of the same fiscal year may not be useful, and should not be relied upon as indicators of the annual performance of L'Azurde Group. In addition, the indicated seasonal consumption patterns lead to the volatility of L'Azurde Group's operating results and financial position from one period to another.

2-1-7 Risks Associated with Decreased Final Consumption Expenditure or Changing Consumer Preferences

The jewelry industry is characterized by the changing fashion trends and the changing or developing final consumer preferences. Therefore, L'Azurde strives to anticipate, identify and capitalize on emerging fashion trends by designing, developing, marketing and delivering innovative jewelry of good quality and price, mixing classic and modern trends. Failure to do so may result in a serious negative impact on consumer demand L'Azurde products and their revenues.

Moreover, the Company's activity is negatively affected by the consumers who tend to sell, return or exchange gold jewelry when the disposable income of the final consumer decreases, along with the increase in gold prices, the high rate of inflation, continuous changes in fashion trends and many other factors. Therefore, the internal policies of L'Azurde Group accept in some countries some returns or exchanges of gold jewelry from its customers and consumers subject to fulfilling certain conditions. In the event that the aforementioned returns or exchanges exceed the usual levels in an unnatural way as a result of a change in one of the above-mentioned factors, this may negatively affect L'Azurde Group's business, financial position, operations results or its future expectations.

2-1-8 Risks Related to Capital Management

When managing capital, the Company aims to ensure its ability to continue in order to be able to keep providing returns to shareholders and to maintain adequate basic capital to support its business. The Company may be exposed to risks of mismanaging capital and losing its ability to continue providing returns to shareholders and supporting its business. The Company's management carries out capital management by monitoring returns on net assets and monitoring the ratio of the Company's total liabilities to its total assets. The Company may make adjustments to the capital in proportion to changes in economic conditions in the future. In order to preserve or modify the capital, the Company may increase its capital in the future to ensure the achievement of its goals and strategic plans. In the event that the Company's management is unable to make the necessary adjustments to the capital, its business, financial position, operations results and future expectations will be negatively affected.

2-1-9 Risks of Unsuccessful Expansion Strategy in Sales Channels

The Company's expected future growth depends on the success of its expansion strategy (such as expanding into new markets and / or new products and opening new sales channels). Thus, its inability to implement its expansion plans, or the failure of those expansion plans, will negatively affect future growth opportunities, affecting in turn the Company's financial position and operations results. Moreover, in the event of implementation these expansion plans, achieving the desired results from these operations is not certain, as it is linked to future expectations. Thus, in the event that the desired results are not fully or partially achieved, it will materially and negatively affect the Company's business, financial position, operations results, cash flows and future expectations will be negatively affected.

2-1-10 Risks of Delay in Implementing Future Projects

By increasing its capital through the issuance of Rights shares, subject of this Prospectus, the Company intends to support the expansion of its activities through the expansion in the retail sector - reducing debts by paying installments of Islamic credit facilities with the Saudi British Bank (SABB Bank) - and developing digital e-commerce platforms for Miss L and In Style brands. For more details, please refer to Section 6 ("Use the Proceeds of the Offering and Future Projects"). Although the Company has prepared an action plan to implement these projects according to a specific schedule, there are several factors that could not be controlled by the Company and that, if occurred, may lead to a delay or a temporary or permanent suspension in the implementation of projects. These factors include, for example: obtaining Government approvals and licenses, reaching agreements with other parties, availability of work force and other factors leading to temporary or permanent cease of work. Thus, it influences the possibility of achieving the desired benefit from these projects as planned, which will affect negatively the Company's operations and its financial position.

2-1-11 Over-Increase in the Cost of Capital of the Future Projects

Although the Company has carried out a set of studies necessary to determine the capital costs of future projects, these costs could rise above the expected value due to circumstances beyond the Company's control, which may affect the financial feasibility of those projects. The Company will also have to search for new financing sources to cover this increase. Thus, the profitability of these projects will be negatively affected, causing the profitability of the Company and its financial position being affected subject to the same. In the event the current or future projects fail to achieve the desired results and expected profits, or in the event losses occur, the Company's operations and its financial position will be negatively affected.

2-1-12 Risks Related to Financing

The Company relies on credit facilities to finance its operations and has entered into agreements with local and international banks to provide short-term gold Murabaha and cash facilities. The total value of the facilities amounted to (SAR 1,134), (1,092), (SAR 1,118) and (SAR 985) million as on December 31, 2017G, December 31, 2018G, December 31, 2019G, and the period ended September 30, 2020G, respectively (for more details on loans, please refer to sub-paragraph 9-5-5 "Loans and Facilities Agreements" in Section 9 "Legal Information"). The Company uses these amounts to finance its purchases of raw gold from the financial institutions through these facilities that are compliant with the provisions of Islamic law and to pay its finance costs in SAR or USD. As part of its strategy to manage the risks of gold price fluctuation, L'Azurde Group finances its full needs of gold from banks on various terms instead of buying gold directly from the market and being exposed to its price fluctuation risks. This way, L'Azurde Group always makes sure that its gold assets, represented in receivables and inventory, are equal to its obligations for bank loans for gold financing.

The increase in gold prices has led to an increase in the financing costs associated with credit facilities to obtain gold by SAR 2.6 million as on December 31, 2019G, compared to the previous year. Moreover, nothing guarantees that an increase in prices of gold or other metals will not occur during the coming years, which will affect the cost of credit facilities currently existing with lenders and negatively affect the Company's operations results and financial position.

(A) Risks Associated with Restrictions Imposed on Profit Distribution by Financiers:

The Company is subject to restrictions imposed on profits distribution by the funding agencies stipulated in the financing and credit facilities agreements (for more details about financing and facilities agreements, as well as refer to sub-paragraph (9-5-5) "Loans and facilities Agreements" from Section 9 "Legal Information"). Except for Alinma Bank, Banque Saudi Fransi and Riyadh Bank, restrictions have been imposed on the Company as stipulated in the credit facilities and loans agreements regarding the profit's distribution to shareholders as per the following:

- 1- Alawwal Bank's agreement stipulates that the Company is not allowed to distribute profits in excess of 50% of the annual profits achieved, and that it must obtain Bank's prior approval before announcing it.
- 2- National Commerical Bank's agreement stipulates that the Company shall not distribute profits except after fulfilling the financial obligations stipulated in the agreement.
- 3- Saudi Investment Bank's agreement stipulates that the Company shall not pay profits, announce them or distribute any other revenues among its shareholders in the event of any potential or actual breach that was not handled to the satisfaction of the bank.
- 4- Samba Financial Group's ("Samba Bank") agreement includes a pledge not to distribute profits exceeding 75% of the Company's net profits (after Zakat).
- 5- Saudi British Bank's ("SABB Bank") agreement includes the Company's commitment and obligation to give priority to pay the granted financing before distributing any profits.

In the event that the Company breaches any of its obligations under these agreements, the lender has the right to request payment of all due amounts unpaid by the Company as immediately due. Thus, such event this will have a fundamental and negative impact on the Company's business, the results of its operations, its financial position and its future expectations.

(B) Risks Associated with the Terms and Conditions of Loan and Credit Facilities Agreements:

As of the date of this Prospectus, the Company is in compliance with the terms and conditions of the loan and credit facilities agreements except for the agreements with Alawwal Bank and SABB Bank in terms of the Company not obtaining a written response / no objection from SABB Bank to amend the Company's ownership resulting from a major shareholder's exit (after L'Azurde Holding Company, which owned 41.05% of the Company's shares, sold all of its shares during the fourth quarter of 2020G), noting that the bank was contacted on 06/11/2020G. In the event that the Company does not comply with the terms and conditions of the loan agreements, it shall allow the lender to request full payment of the loan immediately and may initiate judicial enforcement procedures on the mortgaged assets in order to sell them and collect the value of the loans from the sale proceeds. In the event the Company is unable to fulfill its repayment obligations according to the loan and credit facilities agreements, or in the event it breaches any of its debt obligations or undertakings in the future, the lending party may request the immediate payment of the debt and collect the guarantees provided by the Company and its subsidiaries. In this case, there is no guarantee that the latter will be able to obtain alternative financing sources enough to pay the debt and any of these factors will have a material negative impact on the Company's business, subsidiaries and financial condition. For more

information about the terms and conditions of loan and facility agreements, please refer to sub-paragraph (9-5-5) “**Loans and Facilities Agreements**” in Section 9 “**Legal Information**”).

2-1-13 Risks Related to Management Decisions

The results of the Company’s business depend mainly on the Board members who make strategic decisions regarding the Company’s business and activities and the ability of its executive management to properly implement these decisions. In the event that the Company’s management takes wrong decisions regarding its business, the Company’s business, its financial position, the results of its operations and its future expectations will be negatively affected.

2-1-14 Risks of Employee Misconduct or Errors

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

The Company has laid down its internal work regulations and approved by the Ministry of Human Resources and Social Development under the number 470746 dated 30/03/1441H (corresponding to 27/11/2019G) and of which all employees and affiliates to the Company have been informed upon starting in the Company. Any amendments thereto are sent via email and placed in the employees’ offices. However, the Company cannot guarantee to avoid employees’ misconduct or mistakes such as fraud, intentional or unintentional errors, embezzlement, theft, forgery, misuse of property and unauthorized acting on behalf of the Company. Consequently, these actions may entail consequences and responsibilities for the Company, statutory penalties, or financial liability. Therefore, the Company cannot guarantee that the misconduct of its employees will not materially harm its financial position or its operations results. Until the date of this Prospectus, the Company faced some cases of employee misconduct such as fraud and embezzlement (for more details, please see sub-paragraph 9-8 “**Litigation**” from Section 9 “**Legal Information**”).

2-1-15 Risks Related to Contracts with Third Parties

The Company concludes distribution and commercial representation agreements, lease contracts and other substantial agreements with several parties (whether a natural or a legal person) in the normal field of its work (for more details on material contracts, please refer to sub-paragraph 9-5 of Section 9 “**Legal Information**”). The Company relies on the willingness and ability of the parties with which it has concluded agreements to fulfill their obligations under the terms and conditions of the said agreements. No guarantees or assurances can be given that these parties will meet their expectations, thus negatively affecting the Company’s financial position and business results.

2-1-16 Liquidity Risks

The Company faces liquidity risks when it fails to provide the necessary funds to meet on time its liabilities and financial obligations arising from operating activities. The Company’s liquidity ratio was approximately (1.30), (1.31), (1.23) and (1.17) times respectively as on December 31, 2017G, December 31, 2018G, December 31, 2019G, and the nine months ending in September 2020G. Liquidity risk is managed through regular monitoring of the adequacy of liquidity available to meet the Company’s financial obligations. There is no guarantee that the Company will be able to meet its obligations on the due dates and it does not guarantee that any emergency or sudden events that may require immediate liquidity will not occur, which will negatively affect the Company’s business and thus the results of the operational and financial operations.

2-1-17 Risks of Credit and Collection

The Company may face credit risks when one of the parties fails to fulfill a specific financial obligation (such as the wholesale customers not fulfilling their obligations) and when they fail to fulfill their obligations towards the Company. Such event will negatively affect the Company, its financial position and operations results. Furthermore, the failure of these parties may result from the Company’s inability to collect its due amounts from third parties, noting that its average receivables amounted to SAR 459, 570, 625 and 395 million, as on December 31, 2017G, December 31, 2018G, December 31, 2019G, and the nine-month period ending in September 2020G respectively, thus negatively affecting the Company’s business and financial position.

L’Azurde Group usually requests guarantee to support receivables from its customers whenever possible, but there is no guarantee that the Group will be able to assess the current financial situation of the clients of its wholesale activities and determine the extent of their ability to meet their financial obligations towards L’Azurde Group accurately. Many of the Group’s wholesale clients finance their activities through cash flow generated from operations or through resorting to debt or equity issuance. The decrease in cash flows for L’Azurde Group wholesale activities clients, in addition to the lack of financing through debt or equity instruments, will lead to a significant decrease in these customers’ liquidity and their ability to pay L’Azurde Group’s dues and perform their other obligations towards it. In addition, some customers of L’Azurde Group wholesale activities may be highly indebted and may be exposed to operational and legal risks of their own, which increases the risk of them failing to fulfill their obligations towards L’Azurde Group. The inability of the major customers of L’Azurde Group wholesale activities, their failure to fulfill their obligations towards it or their exposure to bankruptcy or liquidation, would have a material adverse effect on the business of L’Azurde Group, its financial position, operations results and future expectations.

2-1-18 Risks Related to the Contingent Liabilities that may be Imposed by the Government Authorities

Some contingent liabilities may arise on the Company, such as costs related to zakat, taxes and other obligations or expenses related to its activity, such as issuing government licenses necessary to conducting it. In such event, these obligations will negatively affect the Company's financial situation and position, operations results and future expectations. For more information on the continuing obligations of the Company and its subsidiaries, please refer to sub-section 9-4 "**The continuous obligations imposed by the relevant governmental authorities on the Company and its subsidiaries in their capacity (as a "licensee")**". of Section 9 "**Legal Information**" of this Prospectus).

2-1-19 Risks of Changes in Accounting Standards and Adoption of New Ones

The financial statements of the Company are prepared in accordance with the International Financial Reporting Standards (IFRS) approved in KSA and other standards and publications approved by the Saudi Organization for Certified Public Accountants (SOCPA). The Company is required to apply the amendments or the changes occurring to these standards from time to time. Consequently, this act may negatively affect the financial statements and thus the Company's financial results and financial position. The adoption of the new accounting standard for lease contracts (IFRS 16) as on January 1, 2019G, has led to an increase in financing costs by SAR 4.5 million (For more information about the significant accounting policies of the Company, please refer to the sub-paragraph (5-3) "**Significant Accounting Policies**" in Section 5 "**Management Discussion and Analysis of the Financial Information and Results of Subsidiaries**").

2-1-20 Risks Associated with Fluctuation of Currency Exchange Rates

Currencies exchange rate risk means that the value of financial investments will fluctuate due to changes in the foreign exchange rate (US Dollars and Egyptian Pound). Companies face currency exchange rate risks (US Dollars and Egyptian pound) most of the time when they have commercial relations with international parties or suppliers of goods imported from abroad that require them to deal in foreign currency. Until the date of this Prospectus, most of the Company's operations are conducted in the SAR. In the event that the Company makes any payments in foreign currency, including payments to suppliers, it will face the risk of fluctuating foreign exchange rates, as any unexpected large fluctuations in exchange rates will negatively affect the financial performance of the Company. In particular, L'Azurde Group's operations results will be negatively or positively affected by changes in currency exchange rates and the ability of L'Azurde Group to manage currency risks efficiently, especially with regard to the business of its subsidiaries outside Saudi Arabia. As L'Azurde Group expands globally, its exposure to currency risks will increase. With the exception of the agreements concluded with the Saudi British Bank (SABB) and Samba Financial Group, the Company has not entered into hedging agreements to reduce its exposure to currency risk. Therefore, there is no guarantee that changes in exchange rates to SAR will not affect the revenues of L'Azurde Group, cost of sales, operating profit margins, thus resulting in exchange losses in any of the financial periods to be audited.

2-1-21 Risks Related to Increase in Prices of Energy and Other Services

The Company has benefited from the services provided by the Saudi Authority for Industrial Cities and Technology Zones (MODON) to the industrial establishments located in the industrial cities to equip them with appropriate facilities at a lower cost in terms of annual rental, compared to those provided to industrial establishments not registered in Modon, and to provide them with all services such as electricity, water, sanitation, industrial security, environmental services, communications and logistical services at nominal prices, in addition to customs exemptions that benefit factory owners and investors in the lands allocated by Modon. On 12/12/2017G, the Saudi Ministry of Energy, Industry and Mineral Resources issued a plan to fix the prices of energy in a way that ensures achieving a financial balance that requires fixing energy prices and lifting government subsidies gradually, with the aim of enhancing economic and environmental efficiency and rationalizing consumption of natural resources. This decision includes electricity, water and fuel prices, which form the backbone of the Company's operations, as the Company relies heavily on electricity in its operations. Consequently, any current or future rise in energy prices will have a substantially negative impact on the Company's operational results and profitability, as the cost of services provided by the Company to its customers is expected to rise, which requires a review of the prices of services it provides to its customers.

Furthermore, nothing guarantees that Modon will continue to provide these incentives to industrial establishments such as rentals values or service fees that it provides. The Company cannot guarantee that future changes will not affect these incentives and the value of service fees, which will negatively affect the Company's business, its operations results and financial position.

2-1-22 Risks of Changes in Interest Rates on Facilities Agreement

The financial burdens of L'Azurde Group may rise due to higher gold loans or high average commission rate and annual profit margin on gold loans resulting from the high interest rates on all types of loans worldwide. Although it has entered into hedging agreements with local banks with regard to Murabaha facilities, the Company does not anticipate its exposure to future risks in interest rate, which will thus raise financing expenses, which will negatively and substantially affect the Company's profitability, expectations and financial position.

2-1-23 Failure to Obtain or renew the licenses and certificates

The Company and its subsidiaries are required to obtain and maintain various permits, licenses and regulatory approvals regarding its activities. These licenses include, but are not limited to: Company registration certificate issued by the Ministry of Commerce, Chamber of Commerce membership certificates, trademark registration certificates, Saudization certificates, zakat and tax certificates, VAT registration certificate and social insurance (for more details about the licenses and certificates acquired by the Company, please refer to sub-paragraph 9-2 “**Approvals and Licenses**” in Section 9 “**Legal Information**”).

The Spanish TOUS Company granted the subsidiary “Izdiad Commercial Company of Arabia” the franchise right as the owner and operator of the Spanish TOUS brand under a licensing agreement. The foresaid agreement has not been documented with the Saudi Authority for Intellectual Property in order to protect its rights with regard to that mark, knowing that there is no violation of the Company by not documenting this agreement with the Authority.

The Company has not registered the website with the Saudi Network Information Center at the Communications and Information Technology Commission (www.XX.sa) in order to preserve their website ownership rights and prevent others from using a similar website by adding (.sa or @sa).

The inability of the Company to renew its current licenses, permits and certificates, obtain any of the licenses necessary for its business or to acquire any such documents that may be necessary in the future, or in the event any of its licenses are suspended, expired or renewed on inappropriate conditions for the Company and its subsidiaries, the latter may be suspended or unable to carry out their work. This may happen through closing the Company or any of its subsidiaries, stopping all services provided by the regulatory authorities (such as renewing licenses and certificates, issuing visas and residence permits, guarantees transfer, etc.) which will result in disrupting the Company’s operations and incurring additional costs, which will thus negatively affect the Company’s business, operations result, financial position and future expectations.

2-1-24 Risks Related to Concentration of Revenue

The Company’s revenues depend largely on its activities in KSA and Egypt, as the revenues in the Kingdom reached 64.7%, 56.6%, 53.9% and 46.7% of the total revenues of 2017G, 2018G 2019G, and 2020G respectively (until 30/09/2020G). As for the revenues from Egypt, they reached 28.0%, 97.5%, 40.9%, 43.4% and 5.0% respectively for the same period (for more information on the Company’s revenues by region, please refer to Section 5 “**Management Discussion and Analysis of the Financial Information and Results of its Operation**”). In the event of the occurrence of any emergency in these country - God forbid - such as natural disasters (or others) or a change in the laws and regulations therein in terms of imposing additional fees and taxes, the sales of L’Azurde Company for jewelry, its financial position and profitability will be negatively and substantially affected.

2-1-25 Risks Related to Protection of the Trademarks of the Company

The Company and its subsidiaries depend in their operations on the name and slogan of “L’Azurde”, which has been registered in KSA and abroad, and have registered a number of brands that they depend on as a trademark for their business/ As of the date of this Prospectus, “L’Azurde” trademark and some other brands of L’Azurde Group have been registered in more than 50 countries.

In the event any damage to the goodwill of “L’Azurde” or its trademarks (referred to in sub-section 9-4-1 “**The continuous obligations as per the requirements of the Ministry of Commerce**” of Paragraph 4-9 “**The continuous obligations imposed by the relevant governmental authorities on the Company and its subsidiaries in their capacity (as a “licensee”)**” occurs in any of these countries, the Company’s profitability may be affected in the future (for more details on trademark registration certificates, please refer to sub-paragraph 9-7 “**Trademarks**” in Section 9 “**Legal Information**”).

The competitive position of the Company and its subsidiaries also depends on its continuous use of these trademarks and protection of its related rights against any illegal use by third parties. In the event that the Company is forced to defend those trademarks, it may incur high costs in lawsuits and judicial procedures and be forced to use technical and administrative human resources to that end. Furthermore, the outcome of any dispute may necessitate L’Azurde Group to conclude franchise or license agreements, which may contain unacceptable terms in the event they are concluded. Any of the aforementioned will have a material negative impact on L’Azurde Group’s business, financial position, operations result and future prospects.

Moreover, some of the trademarks (37) have certificates bearing the “L’Azurde” name next to the major shareholder’s name (Abdulaziz Al-Othaim). And since there are no restrictions preventing the latter from exiting the Company and selling his shares after the Offer subject of this Prospectus, such event will lead to striking off or amending the trademark certificate. Furthermore, the competent authorities may oblige the Company to submit a new application for trademark registration after the strike off, causing it to incur additional costs which will substantially affect its business, financial position, operations result and future expectations. The Company has stated that these trademarks are not currently in use and are not referred to in any of L’Azurde Group products or by any of its subsidiaries in KSA or abroad. Also, they are not used as a logo or trade name by any party.

2-1-26 Risks Related to Litigation

As of the date of this Prospectus, it was found that the Company is involved in a number of lawsuits that are still examining the competent courts in its capacity as a plaintiff (16 lawsuits); the total sums subject to the lawsuit are SAR 20,662,706.30. There are also lawsuits pending against the Company (6 lawsuits) for a total of amount of SAR 317,555.00. A provision was formed by the company (SAR 34,271,778) and shown in the financial statements for the year 2020G. (For more details, please refer to sub-paragraph 9-8 “**Litigation**” of Section 9 “**Legal Information**”). The Company does not guarantee that there will be no future disputes between it and internal parties (such as employees or managers) or external parties dealing with it such as customers, suppliers, distributors, etc. This may lead to the filing of cases with the competent judicial authorities (such as labor lawsuits, financial claims, lawsuits to terminate existing contracts because of the contractor breaching on his obligations or commitments, or related to Zakat and tax matters). As a result, the Company may be prone to court claims and investigations from government agencies and departments. Therefore, if such claims occurred, the Company cannot anticipate their results, nor does it guarantee that those claims will not have a material impact on its business, financial position and the results of its operations. Furthermore, it cannot accurately forecast the cost of the lawsuits or the judicial procedures that can institute or that can be instituted against it, nor the final results of those lawsuits or the judgments issued in them and the compensation and penalties they contain. Therefore, any negative consequences for such cases (as a plaintiff or defendant) will adversely affect the Company’s operational results and financial position.

2-1-27 Risks Related to the Adequacy of Insurance Coverage

The Company has 7 agreements with insurance companies to cover the following risks: a medical insurance policy for employees, a vehicle insurance policy, a board members and employees’ liability and Company liability insurance policy, a general liability insurance policy, a property insurance policy, a jewelry insurance policy and life insurance policy. The policies do not cover any of the subsidiary companies except the board members and employees’ liability insurance policy and the life insurance policy. As for the subsidiary companies inside the Kingdom, the subsidiary (Izdiad Commercial Company of Arabia) has insurance policies to cover the following risks: insurance on goods transported by land, insurance on all property risks, and marine transport insurance (open coverage). As for the subsidiary (Kenaz Company), it has a jewelry insurance policy that covers all of it’s the properties, as well as those of its branches. As for the subsidiary companies established outside Saudi Arabia, (L’Azurde Company for Jewelry in Egypt) has insurance policies that cover the following risks: group life insurance, political violence insurance, employee breach of trust and confidence insurance, car insurance, and Company’s property insurance. As for (Oro Egypt Company for Manufacturing Precious Metals), it has insurance policies that cover the following risks: civil liability insurance, political violence insurance, auto insurance, and Company’s property insurance. As for (L’Azurde Company for Jewelry in Dubai) it has insurance policies that cover the following risks: general liability insurance and Company’s property insurance.

These insurance contracts include deductible amounts, factors excluded from the insurance coverage, and other restrictions related to the insurance cover that are negotiated with the insurance companies. The Company’s ability to obtain the compensation due to it by the relevant insurance Company depends on its financial solvency and its ability to meet the value of this compensation, so the insurance may not cover all losses incurred by the Company, and no guarantee is given that the Company will not incur losses that exceed the limits of the insurance policies or outside the scope of coverage contained in these documents. Cases may arise in which the value of the claim exceeds the value of the insurance held by the Company, or the compensation claim submitted by the Company to the relevant insurance Company is rejected, or the claim and compensation period is prolonged, which will negatively affect the Company’s business, future expectations, results of its operations and financial position (For more information about the insurance coverage, please refer to sub-paragraph (9-6) “**Insurance Policies**” from Section 9 “**Legal Information**” of this Prospectus).

2-1-28 Risks Related to Non-Compliance with the Saudization Requirements

Compliance with the nationalization requirements is a statutory requirement issued by the Ministry of Human Resources and Social Development in the Kingdom, whereby all companies operating in the Kingdom, including the Company and its subsidiaries, are required to employ a certain percentage of Saudi employees among the total of their employees and to maintain that percentage. According to the Nitaqat program issued by the Ministry of Human Resources and Social Development, the Saudization rate for L’Azurde is about (18.34%) and is classified within the medium green band, medium category (C). Moreover, the Saudization rate is (39.24%) for the subsidiary Kenaz Company which is classified within the medium band (A) and 89.93% for Izdiad Commercial Company of Arabia which is also classified in the same band. The Company is currently in compliance with the required Saudization percentages. In case the Company does not continue to maintain these percentages, or if the Ministry of Human Resources and Social Development decides to impose more stringent Saudization policies in the future where the Company cannot comply with the requirements of the Ministry, this will lead to the imposition of penalties on it by government agencies such as suspending applications for work visas and transferring sponsorship for non-Saudi workers, which will have a substantial negative impact on the Company’s business, financial position, results of operations and expectations (for more information, please see sub-paragraph (3-11) “**Employees and Saudization**” from Section 3 “**Overview About the Company and its Business Activity**” in this Prospectus).

2-1-29 Risks Related to Penalties for Failure to comply with the Labor Laws

The Labor Law and its implementing regulations oblige all employers to have two copies of a written employment contract with any employee and worker. In addition, the Ministry of Human Resources and Social Development required that work contracts should be documented electronically by uploading and updating information of employees' work contracts and providing the opportunity for workers to verify the correctness of their contract information through contract documentation through the electronic services portal of the Public corporation for Social Security, in accordance with Ministerial Resolution 156309 dated 18/08/1440H (corresponding to 23/04/2019G). All contracts of employees who are contracted with must be documented immediately after the date of this resolution, but for those previously contracted, documenting their contracts is mandatory and in phases of time ending at the end of the fourth quarter of the year 2020G. As of the date of this Prospectus, the Companies is in compliance with the regulatory requirements. However, in the event the Company does not comply with them in the future, such matter will be considered a violation of the Labor Law and its implementing regulations and will expose the Company to a fine of SAR 10,000, multiplied by the number of violating workers, according to what was mentioned in the schedule of violations and penalties issued under Ministerial Resolution 178743 dated 27/09/1440H (corresponding to 01/06/2019G), which will negatively affect the Company's business and the results of its operations.

2-1-30 Risks Related to Intangible Assets and Goodwill

On 05/08/2018GH, the Company acquired 100% of the international franchisee operator "TOUS" in the Kingdom of Saudi Arabia, for a price of SAR 185.5 million. The goodwill was registered with an amount of SAR 109.9 million within the long-term intangible assets in the Company's financial statements as on December 2019G. As known, this goodwill is subject to the annual goodwill impairment test, which is a difficult matter due to the complex accounting estimates and requirements and the important judgments required in determining the assumptions that should be used to estimate the recoverable amount. Any significant change or reduction in future estimates and assumptions for the results of TOUS brand's business, its financial position and cash flows, including estimates of future sales growth rates, terminal value growth rates and weighted average cost of capital (discount rate), may lead to a reduction in the goodwill's value, which would have a material and adverse impact on the Company's profitability, results of operations and future prospects.

2-1-31 Risks Related to Returned Stones Value with Gold Artifacts Proceeds

As previously mentioned, the Company collects gold for gold from its customers in wholesale activity in order to avoid the effect of the difference in the price of gold between the dates of sale and collection. The collection received from the customers is in the form of either used gold artifacts sold from consumers to the customers or in the form of gold bars. In case they are used gold artifacts, they may contain some stones. Upon melting, these artifacts lose the equivalent weight of stones in gold. The increasing of collection rate of used gold artifacts that contain a high percentage of stones increases the costs that the Company incurs in this regard. The Company currently accepts collection with gold artifacts with stones. Accordingly, if the Company decides not to accept these stones from customers or consumers in the future, this will reduce the costs related to the stones, but may have an impact on the relations with customers and consumers which may negatively affect the Company's business, financial position, results of its operations, cash flows and future expectations. Furthermore, the Company cannot predict the quantity or percentage of stones that will be returned from customers and consumers in the future since it is subject to many economic and social factors that are difficult to be predicted.

2-1-32 Security, Transport, and Fraud Risks

L'Azurde Group operates in an area exposed to the risk of theft and, in addition, the high value of its gold stock makes it more vulnerable to these risks. The Company transports its products from and to its industrial facility where these products are delivered and distributed by the Company's employees (sales representatives) who use the Company's vehicles to transport them. Although of placing a tracking device inside each vehicle and using of armored cars against fires, explosions and accidents (such as theft), this does not prevent from being exposed in the future to the thefts of gold artifacts and diamond jewelry in retail places or during production processes or various means of transport, which would substantially and negatively affect the business of L'Azurde Group causing significant financial losses.

Jewelry robberies tend to be violent in nature. There can be no guarantee that all the precautions L'Azurde Group takes to ensure the safety of its employees and inventories in such situations will be adequate. The exposition of L'Azurde Group employees to harmful situations may have serious repercussions for its reputation, employees' morale and could lead to legal actions against it. In addition, the transportation of gold artifacts and diamond jewelry products to wholesale customers and to its own retail outlets exposes L'Azurde Group to risks. Moreover, any security breach or failure in the transport logistics would cause a substantial loss of inventory and have a substantial adverse effect on the L'Azurde Group's business, financial condition, results of operations and future prospects.

There is no guarantee that L'Azurde Group will not be exposed to such operations in the future, which would have an adverse and material effect on its reputation and brand and would cause significant financial losses.

2-1-33 Risks Related to Interruption of Business

The subsidiary “Almujawharat Almasiah Company” is currently not working and does not provide any products or services due to the suspension of operations, as the accumulated losses of the Company amounted to about (80%) of its capital (SAR 300,000) as on 31/12/2019G. In the event that the Company is not able to upturn these results in the financial statements of the following fiscal year and reduce losses below (50%) of its capital, it will face two options: presenting a new commitment from the partners to preserve the Company by providing financial support to it, provided that the result is shown in the following budget or liquidated, especially since reducing the capital by canceling shares to extinguish losses is not allowed for limited liability companies whose losses exceed (50%) of the capital, according to the provisions of Article (177) of the Companies Law. In the event that it is not possible to issue a decision to continue or dissolve these companies, this will lead to them being considered dead by the force of the system, which will negatively and substantially affect the Company’s business, financial position and future prospects.

2-2 Risks Related to the Market and Sector

2-2-1 Risks Related to Environmental Regulations and Standards

The Company’s business related to gold processing requires compliance with environmental legislation, regulations and instructions applied in the Kingdom, especially those in force in the economic cities that organize “cities” in several aspects including environmental standards, occupational health and safety of industrial facilities and their workers. For example, the Company uses raw materials manufactured from metal products (such as gold and silver) and chemicals. The processes of manufacturing its products may result a number of waste materials and emitted pollutants which, if not properly controlled and managed, may lead to an environmental pollution risk. This pollution will lead to harm the environment and human health.

The lack of commitment and full compliance with environmental legislation and regulations may lead to the closure of the industrial facilities of the Company and will also expose the Company to violations, fines or penalties imposed by the supervisory authorities on it. These will negatively affect the Company’s operations, so as to limit the growth of its revenues or suspend its work or license. This will affect the Company’s ability to conduct its business and thus negatively affect its financial results and profitability.

2-2-2 Risks Related to Political and Economic Instability in the Region

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

2-2-3 Risks of Growth Opportunities

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

2-2-4 Risks of Natural Disasters

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

2-2-5 Risks of Changes in Relevant Laws and Regulations

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

Likewise, the Company, as a public shareholding Company, may be subject to penalties and fines if it does not fulfil the requirements of the CMA and the rules of offering securities and continuing obligations issued by the CMA and the listing rules issued by Tadawul, in terms of not disclosing some of the substantial events according to Article 63, in addition to the financial reports required on time according to Articles 64 and 65 of the rules on the offer of securities and continuing obligations or in

case of delaying the time of disclosure, which will have a negative and substantial impact on the business, results of operations, financial position and future prospects of the Company.

Moreover, the subparagraph (b) of Article 55 of the rules on the offer of securities and continuing obligations also obligates public joint stock companies to disclose to the public in the event of a difference of (5%) or more between the actual use of proceeds of the issue of rights shares as set out in the relevant Prospectus as soon as becoming aware of it.

Sub-paragraph (6-2) “**Use of Offering Proceeds**” from Section 6 (“**Use the Proceeds of the Offering and Future Projects**”), explains how the Company uses the offering proceeds which is the subject of this Prospectus. In the event that the Company’s management does not comply with this usage or if any deviation occurs, the Company will be obliged to directly disclose that on Tadawul’s website. Following this event, the Company must also present that at the first meeting of the General Shareholders Assembly in order to approve the amendment or deviation that occurred in the method of using the proceeds disclosed in this Prospectus. In the event of failure to comply with the procedures, legal risks will be entailed on the Company if one of the shareholders protested against obtaining the approval of the General Assembly, which will negatively affect the Company’s operations and financial position.

2-2-6 Risks Related to VAT

On 02/05/1438H, the Saudi Arabian Council of Ministers decided to approve the unified VAT agreement for the GCC countries, which came into force on 01/01/2018G, as a new tax amounting to 5% of the sale price to be added to the rest of the taxes and other fees on specific sectors in the Kingdom, including the sectors in which the Company operates. On 17/10/1441H corresponding to 06/06/2020G, the Board of Directors of the General Authority of Zakat and Tax issued Decision No (20-3-2) stipulating the increase of VAT rate to 15% of the sales price starting from 01/07/2020G. Since the VAT is usually born by the final consumer, the Company has added the VAT value to its prices which has thus impacted negatively the Company’s sales, as they decreased by (30.6%) during the period ended 09/30/2020G compared to the same period in 2019G. This may lead to a decline in the Company’s revenues, which will affect its activity, financial position, results of its operations, cash flows and future expectations.

2-2-7 Risks Related to Imposing New Duties or Taxes

The Company and its subsidiaries are currently subject to several types of taxes other than Zakat, such as tax on profits and other taxes (i.e., VAT). If new corporate taxes or fees other than those currently applied are imposed, the net profits of the Company will be directly affected, thus impacting its business, operations results, financial position and future expectations.

2-2-8 Risks Related to Zakat Entitlements and Additional Claims

The Company and its subsidiaries filed Zakat declarations for all years up to the fiscal year 2019G and obtained Zakat certificates for those periods. During the fiscal year 2017G, the Company and its subsidiaries received Zakat assessments for the fiscal years from 2005G to 2014G, with additional Zakat obligations of approximately SAR 10.6 million. The Company and its subsidiaries submitted an objection to these assessments, which was discussed with the General Authority of Zakat and Tax, and then these Zakat obligations were reduced to SAR 6.0 million to be settled during the fiscal year 2019G. During May 2020G, the Company received the Zakat assessment of the fiscal year 2018G with an additional Zakat obligation of about SAR 26.4 million. The assessment was reduced after discussions with the General Authority of Zakat and Tax to SAR 0.1 million, which was agreed upon and settled by the Company in September 2020G.

There are no claims or assessments related to Zakat on the Company for all years up to 2014G and year 2018G. The years 2015G to 2017G and 2019G are still under review by the General Authority of Zakat and Tax, and no final Zakat assessments have been received so far.

And based on the above-mentioned explanation of the Zakat status of the Company and its subsidiaries (for more information about the subsidiaries (please refer to sub-paragraph (3-5-1)) “**Subsidiaries inside KSA**” from Section 3 “**Overview About the Company and its Business Activity**” of this Prospectus), the Company nor its subsidiaries are able to predict whether the General Authority of Zakat and Tax will accept their Zakat estimates for the above-mentioned fiscal years, in which the it has not, until the date of this Prospectus, issued Zakat assessments for them. The Company also cannot predict whether it will require them to pay any Zakat differences in the future for these years. If the General Authority of Zakat and Tax actually requests the Company and its subsidiaries to pay such differences, this will negatively affect the Company’s profits, results of operations, financial position and future Prospectus.

On 20/01/2021G, the Company received one electronic correspondence (via e-mail) from the General Authority for Zakat and Tax regarding the possibility of the Company being subject to the following amounts: Firstly, income tax was estimated at an amount of SAR 95,960,101.87 for the years 2010G - 2018G, and secondly, withholding tax on dividends estimated at an amount SAR 8,793,852.85; all of that does not include late fines or any other related fines. on 22/01/2021G the Company responded to the General Authority for Zakat and Tax that these claims do not concern the Company. As of the date of this Prospectus, the Company has not received any correspondence from the General Authority for Zakat and Tax regarding this matter. Knowing that the General Authority for Zakat and Tax has not issued any tax assessment and still in the first stage, the Company is unable to provide documents and evidence indicating that the is not entitled to claim these amounts; in the event that the Company has exhausted all legal objections without success, the General Authority for Zakat and Tax may insist on its claims.

This will negatively and substantially affect the Company's business, its financial position, the results of its operations and its future Prospectus.

2-3 Risks Related to Shares

2-3-1 Risks of Potential Fluctuations in Share Price

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

2-3-2 Risks of Potential Fluctuations in the Price of Preemptive Rights

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

The trading price of the Rights depends on the trading price of the Bank's Shares and the market perception of the fair price of the Rights. These factors (in addition to the factors mentioned under the "Potential Fluctuations in the Share Price" above) may also adversely affect the trading price of the Rights.

2-3-3 Risks of Rights' profitability or Sale of the Rights

There is no guarantee of the share profitability when it is traded at a higher price. Moreover, there is no guarantee that there will be sufficient demand in the market to exercise the Rights issue or to receive compensation from the Company for not exercising the Rights. In the event that the investors fail to sell the Rights before the end of the Rights issue trading period, they will be forced to use these rights to subscribe to the Rights issue shares. In the event they do not subscribe or fail to follow the rights subscription procedures correctly, there is no guarantee that a compensation amount will be distributed to them, thus causing some losses. Accordingly, investors must review the full details of the mechanism for listing and trading of Rights and how they operate, and they must be aware of all factors affecting them, to ensure that any investment decision will be based on awareness and a full understanding of the nature of the investment and related risks.

2-3-4 Risks of Lack of Demand for the Company's Rights and Shares

There is no guarantee that there will be sufficient demand for the Rights during the trading period in order to enable the holders of such Rights (whether a Registered Shareholder or a new investor) to sell the Rights and make a profit from them. There is also no guarantee that there will be sufficient demand for Rump Shares by the Institutional Investors during the Rump Offering. If Institutional Investors do not subscribe for the Rump Shares at a price higher than the Offering Price, there will not be a sufficient compensation amount to be distributed to holders of exercised Rights and holders of the Fractional Shares. Likewise, if Institutional Investors do not subscribe for Rump shares at a price higher than the Offering Price or if they do not subscribe at all, there will not be a sufficient compensation amount to be distributed to holders of exercised Rights and holders of the Fractional Shares. Moreover, there is no guarantee that there will be sufficient market demand for the New Shares once they are traded on the Exchange. This will negatively affect the share price and the Company and shareholders' profitability.

2-3-5 Risks of Speculation in Rights

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

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

2-3-6 Risks of decline in the Ownership Percentage

If the holders of the Rights do not fully exercise their Rights with respect to the acquisition of the New Shares in the Offering, their shareholding percentage and voting rights will be reduced. In case the registered holder of the Rights wishes to sell its Rights during the trading period, there can be no assurance that its returns will be sufficient to fully compensate for the drop of its shareholding percentage in the Company as a result of its capital increase.

2-3-7 Risks of Not Exercising the Rights Issue in a Timely Manner

The subscription phase starts on Monday 26/10/1442H (corresponding to 07/06/2021G) and ends on Thursday 07/11/1442H (corresponding to 17/06/2021G). Eligible shareholders and their representative financial intermediaries must act to ensure that all necessary instructions are fulfilled before the subscription phase expires. The subscription application may be rejected if the Rights holders and financial intermediaries are unable to follow the necessary procedures (please see Section 12 “**Shares Information & Offering Terms and Conditions**”).

If the eligible shareholders are not able to properly exercise their subscription rights by the end of the subscription phase, according to the Rights held by them, there can be no assurance that a compensation amount will be distributed to the eligible shareholders who did not subscribe, or who did not exercise it properly.

2-3-8 Risks Related to Dividends Distribution to Shareholders

Dividend distribution depends on several factors, including future profits, financial position and cash flows, working capital requirements, capital expenditures, distributable reserves, available credit limits and investment requirements of the Company and the general economic situation, in addition to several other factors decided by the Board of Directors. Moreover, the capital increase - if the company is not able to achieve greater profits in the future – will lead to a decrease in profitability of shares in the future; so, the profits of the Company will be distributed to a greater number of shares as a result of the increase in the Company’s capital.

The Company does not guarantee the payment of any future profit to shareholders, nor does it provide any guarantee regarding the amount that will be paid in any year. Furthermore, dividend is subject to certain conditions and controls stipulated in the Company’s By-laws.

In addition, the Company may incur expenses or create obligations on it that reduce or eliminate the cash available for dividend distribution. In the event that the Company does not distribute dividends to shareholders, shareholders may not obtain any return on investment in shares except through selling the shares at a price higher than the price specified at the time of purchase, which will negatively and substantially affect the expected returns for subscribers. In the event that such event occurs, the Company will be unable to obtain alternative sources of financing to refinance or repay these debts, which will have a fundamental and negative impact on the Company’s business, results of its operations, its financial position and its future prospects.

2-3-9 Risks of Selling a Large Number of Shares

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

2-3-10 Risks Related to the Possibility of Issuing New Shares

In the event the Company decides to issue new shares in the future (i.e rights issue for supporting the Company’s projects or increasing its capital to acquire a Company or an asset) after obtaining the required approvals, the ownership of the shares will decline proportionally, as well as the voting rights and dividends, which may affect negatively the market price of the share.

2-3-11 Risks Related to Forward-looking Statements

The future results and performance information of the Company cannot be actually predicted, as the achievements and ability of the Company to develop are what determine the actual results. The inaccuracy of information and results is one of the risks that the shareholder must know so as not to affect his investment decision.

3. Overview About the Company and its Business Activity

3-1 About the Company

L'Azurde Company for Jewelry (hereinafter referred to as "the Company" or "L'Azurde"), is a Saudi public joint-stock Company registered with the Ministry of Commerce under the Commercial Registration Certificate No (1010221531) dated 26/06/1427H (corresponding to 22/07/2006G) issued in Riyadh. It is headquartered in Riyadh city at the second industrial city, opposite the Arab National Bank - PO Box 41270 Riyadh 11521 Kingdom of Saudi Arabia.

The Company's paid up capital is (SAR 430,000,000) four hundred and thirty million Saudi riyals divided into (43,000,000) forty three million fully paid ordinary shares with a nominal value of SAR (10) ten Saudi riyals per share.

According to the Company's commercial registration certificate, the main activity is to manufacture precious ore metals from gold and from the precious metals included in the platinum group, the production of gold and diamond artifacts and of precious or semi-precious stones, as well as the manufacturing of precious metals and stones. The Company confirms that there is no intention to make any material change in the Company's activities.

As of the date of this Prospectus, the Company's major shareholder (i.e. who owns 5% or more of the Company's share capital) is Mr. Abdulaziz Saleh Ali Al-Othaim who owns six million and four hundred four thousand and eight hundred fifty (6,404,850) Shares representing (14.895%) of the Company's share capital prior to this Offering.

3-2 Historical background about the Company and the Most Significant Developments in Share Capital Structure

- The Company was initially established as an establishment under the trade name : "Saudi Gold & Pearl Factory" owned by Mr. Abdulaziz Saleh Al-Othaim and was registered under the Commercial Registration Certificate (CR) No (1010091134) dated 18/07/1412H (corresponding to 23/01/1992G) in Riyadh with a capital of SAR (18,500,000) Eighteen million and five hundred thousand Saudi riyals.
- On 08/08/1418H (corresponding to 19/12/1997G), the trade name was amended and become as follows: "L'Azurde Gold and Jewelry Factory".
- On 04/03/1427H (corresponding to 2/4/2006G), the establishment with its branches was converted to a Closed joint stock Company under the name "L'Azurde Company for Jewelry" and registered in the Joint Stock Companies Registry at the Ministry of Commerce under the Commercial Registration Certificate ("CR") No (1010221531) dated 26/06/1427H (corresponding to 22/07/2006G) with a capital of SAR 200,000,000 two hundred millions Saudi riyals divided into 4,000,000 ordinary shares with a nominal value of SAR 50 per share through the capitalisation of forty seven million five hundred thousand Saudi Riyals (SAR 47,500,000) representing total transferred capital of the establishment branches as well as capitalisation of SAR 134,000,000 (one hundred thirty four million) from the retained earnings of the establishment.
- On 10/09/1428H (corresponding to 22/09/2007G), the Extraordinary General Assembly approved the Company's increase of capital to three hundred million Saudi Riyals (SAR 300,000,000) divided into thirty million (30,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share, through a capitalisation of one hundred million Saudi Riyals (SAR 100,000,000) from the retained earnings.
- On 4/7/1436H (corresponding to 23/4/2015G), the Company's capital was increased to four hundred thirty million Saudi Riyals (SAR 430,000,000) by issuing thirteen million (13,000,000) ordinary shares at a par value of ten Saudi Riyals (SAR 10) per share (by granting one (1) bonus Share for each two point three (2.3) Shares owned by the registered Shareholders on the day of the Assembly Meeting). The increase was covered by a capitalisation of: (i) fiftytwo million five hundred nine thousand one hundred twentyone Saudi Riyals (SAR 52,509,121) from the Company's statutory reserve; and (ii) seventyseven million four hundred ninety thousand eight hundred seventynine Saudi Riyals (SAR 77,490,879) from the Company's retained earnings.
- On 24/09/1437H (corresponding to 29/06/2016G), the Company listed forty-three million (43,000,000) ordinary shares (with a nominal value of ten SAR (10) per share) on Tadawul through an initial public offering where (30%) of the shares representing twelve million nine hundred thousand (12,900,000) ordinary shares were offered for public subscription following the approval of the CMA and the Saudi Stock Exchange (Tadawul). The current paid up Capital of the Company is SAR 430,000,000 divided into 43,000,000 ordinary shares with a fully paid nominal value of SAR 10 per share.
- On 22/04/1442H (corresponding to 07/12/2020G), the Board of Directors recommended to the EGA of the shareholders to increase the Company's capital by an amount of one hundred forty-five million (145,000,000) so that the Company's paid up capital becomes SAR 575,000,000 five hundred seventy-five million Saudi Riyals by offering Rights Shares of fourteen million five hundred thousand (14,500,000) New Shares.

3-3 Main Activities

L'Azurde Group is engaged in all of the following:

3-3-1 Industrial Activity

The Company has an industrial facility based in Riyadh (Second Industrial City) and is licensed by the Ministry of Industry and Mineral Resources under the industrial license No (1001008995) dated 24/02/1441H (corresponding to 23/10/2019G). the industrial license allows the Company to carry out the following activities (Manufacture and installation of jewelry from precious stones or combined with precious metals, manufacture of jewelry from gold, and production of diamond artifacts). The Company has also obtained operating license No (5781441117012232) issued by the Saudi Authority for Industrial Cities and Technology Zones.

The Company obtained an industrial facility license (national investment) issued by the Ministry of Industry and Mineral Resources. The following is an overview of the industrial license:

Table (3-1): Company Industrial License Information

Element	Detail				
Name of industrial facility	L'Azurde for Jewelry Company				
Facility code	104103				
License date	24/02/1441H (corresponding to 23/10/2019G)				
Decision number of the Minister of Industry and Mineral resources	Corrective Decision No (1001008995)				
Expiry Date	24/02/1444H (corresponding to 20/09/2022G)				
Facility Activity	Manufacture jewelry and related items /3211				
Economic Cities Authority license number	Contract No (280152)				
Number of employments	1600 worker				
Investment Value	800 million Riyals				
	The facility was licensed to manufacture the following products				
	Product code	Product description	Industrial Activity	Production capacity	Unit
Products	71131910	Gold artifacts and precious metals studded with diamonds	321116/ Manufacture and installation of jewelry from precious stones or combined with precious metals	30,000.0	Kg
	71131910	Gold artifacts (rings/bracelets/ earrings/sets/ necklaces/key holders)	321113/ Manufacture Jewelry from gold	16,000.0	Kg
	71131910	Different gold artifacts	321113/ Manufacture Jewelry from gold	12,000.0	Kg
	71131910	Gold jewelry and precious stones	321113/ Manufacture Jewelry from gold	15,000.0	Kg
	71131910	Sets studded with diamonds	321118/ Manufacture diamond artifacts	10,000.0	Kg

Source: The Company

The Company uses its industrial facilities to design and manufacture gold and diamond jewelry, where it mainly designs and produces gold, diamonds, precious and semi-precious stones jewelry. The industry value chain includes the following stages:

(A) Sourcing

- 1- Gold in the Kingdom is primarily sourced from three channels: (i) Banks and commodity traders. (ii) Gold mines. (iii) Ore processing scrap recovery.
- 2- Diamonds are imported from multiple sources including Belgium, India and South Africa. Typically, imported diamonds are already polished to be used directly in the jewelry manufacturing.

(B) Design and Fabrication

- 1- **Design:** Jewelry designs vary from one region to another, as tastes differ according to both geographic location as well as motives for purchase. In rural and more traditional areas, consumers prefer 21k jewelry designs. Urban consumers, on the other hand, demand trendier and more fashionable jewelry in 18K.
- 2- **Fabrication:** In the gold and diamond jewelry industry, three major manufacturing techniques are typically adopted:
 - **Pressing:** The use of motorized or hand operated machinery, specially designed for minting gold and silver using hydraulic force. The designs are usually basic, cheap and fast to manufacture.
 - **Casting:** The process of creating a model pattern in wax that will then be used to hold hot metal (gold, silver etc.) to shape it into uniform items based on the model. It offers higher quality than pressing and can produce high volumes from the same model.
- 3- **Other advanced techniques such as 3D printing and Micro Setting:** 3D printing is the process of making jewelry using a three-dimensional digital model. Micro setting is a technique revolving around setting small diamonds of a uniform size in interlocked rows using high magnification. These techniques enable manufacturers to maintain tight control over the gold content of the jewelry pieces and to increase their labor service charge due to the exclusivity of the designs.

3-3-2 Commercial Activity

(A) Wholesale Segment

- 1- **Pure Wholesaler:** Primarily work with retailers that do not have direct contact with the manufacturers. These manufacturers can either be based in the kingdom or abroad (mainly in Far East Asia). Moreover, retailers prefer to work with wholesalers, since the latter can offer discounts and accept credit payments, rather than cash payment.
- 2- **Fully Integrated Manufacturer and Retailer:** Manufacturers with established vertical integration and a private retail network. The aforementioned retail outlets exclusively hold items produced by the managing manufacturer. Wholesalers in this category do not compete with wholesalers in other configurations as they are not targeting the general jewelry retail market.
- 3- **Manufacturer/ Wholesaler:** Manufacturers operating and managing their own private wholesale channels. This configuration allows for higher profit margins since gold jewelry retail outlets can drive down the overall profitability of the manufacturer. Manufacturers in this role focus on expanding their capacity to supply the wide network of independent jewelry retailers across the kingdom.

(B) Retail Segment

Primarily consists of selling classic and fashion diamond jewelry and gold jewelry across L'Azurde mono brand retail shops, TOUS global brand franchise stores, and Travel Retail locations at KSA airports.

- a. **Gold Souks:** Bazaar like marketplaces that have a high density of shops that sell both low and high-end jewelry. This is the most common retail destination in the kingdom for gold jewelry sold by weight.
- b. **High Streets:** Standalone shops located on high streets in city centers. These retailers primarily sell diamond jewelry by piece, as retail operations require higher margins
- c. **Shopping Malls:** Stores in malls selling jewelry items that are more commonly sold by piece rather than by weight.

Retail gold customers are typically segmented into four categories:

- **Occasion driven consumption:** Primarily driven by social events such as weddings, births, occasions (Valentine, Mothers' Day...) and anniversaries.
- **Fashion driven consumption:** Driven by increasing urbanization and the rising disposable income of the younger population. Purchases are typically made by young female consumers for daily use for attending social events.
- **Savings driven consumption:** Typically considers gold jewelry purchases, especially 21k jewelry, as storage of wealth. In the kingdom and Egypt, gold jewelry is traditionally considered to preserve women's wealth after marriage and is used as a money proxy in times of hardship or high inflation.

- **Investment-driven consumption:** Typically, in the form of coins and bars of 24k gold. Gold is used as a hedge against volatility during times of economic, political and social uncertainty.

(C) E-Commerce

The e-commerce sector is concentrated mainly around the sale of classic and modern gold and diamond jewelry through the electronic platform of the Company (Lazurde.com) and the subsidiary Company, Kenaz Company (www.kenazjewelry.com), which is authenticated by the certification authority of electronic stores, by the registration on “Maroof” e-platform of the Ministry of Commerce with the number (168041) for L’Azurde and the number (168290) for the Kenaz Company.

3-4 Company’s Branches

The Company sells, markets and displays its products through a number of branches that were established within the Kingdom of Saudi Arabia to be used as points of sale, in addition, a branch that is used as a warehouse.

The following are the branches information:

Table (3-2): Summary of Company’s Branches

#	Branch name	Address	Business activity	Rent/ own + Space (m2)	Commercial registration certificate	Certificate of membership of the Chamber of Commerce and Industry	Municipal Location License	Civil Defense approval
1	Red Sea Mall	Jeddah	Selling gold and jewelry	106.11	4030184756	-	39111323775	2-000379431-41
2	Al Nakheel Mall	Riyadh	Selling gold and jewelry	108	1010469630	-	40092205402	2-000380106-41
3	Jeddah Mall	Jeddah	Selling gold and jewelry	60	4030298330	-	39111452720	3-000096443-41
4	Sky Towers	Riyadh	Selling gold and jewelry	2,330	1010221531	168914	40102414653	2-000264677-41
5	King Fahd St. (wholesale)	Dammam	Selling gold and jewelry	47,5	2050056794	132221	41063417487	2-000369024-41
6	Gold Center (wholesale)	Jeddah	Selling gold and jewelry	286	4030167428	119990	40122537021	2-000354620-41
7	Al Adad Center	Riyadh	Selling gold and jewelry	224	1010225625	-	40102431803	1-000566724-41
8	Al Adad Warehouse	Riyadh	Selling gold and jewelry	300	1010225625	-	40031837116	1-00054297641-41
9	Dhahran Commercial Complex	Al Khobar	Selling gold and jewelry	99	2052001529	-	40112511680	1-000542950-41

Source: The Company

The Company also displays, sells and markets its products through local distributors who are appointed on a non-exclusive basis. (For more information on distributors’ agreements, please refer to sub-paragraph (9-5-4) “**Contracts and Dealings Related to the Distribution and Marketing of the Company’s Products**” from Section (9) “**Legal information**”).

3-5 Investment Activity

Pursuant to the By-laws, the Company may establish companies on its own (limited liability or closed joint stock companies) provided that the capital thereof is no less than (5) million riyals on its own. It may own interests and shares in other existing companies or merge therewith. It has also the right to participate with others in the establishment of joint stock or limited liability companies after satisfying the requirements of applicable laws and regulations in this regard. The Company may also dispose of such interests or shares, provided that they does not include any brokerage. As of the date of this Prospectus, the Company has (3) subsidiary companies inside the Kingdom of Saudi Arabia and (6) subsidiary companies outside the Kingdom of Saudi Arabia.

3-5-1 Subsidiaries inside KSA

3-5-1-1 Kenaz Company

A Saudi Limited Liability Company established under commercial registration certificate No (1010352574) dated 21/11/1433H (corresponding to 07/10/2012G). Its head office is located in Riyadh, PO Box: 41270, Postal Code: 11521. It produces pearl artifacts and precious or semi-precious stones, manufactures metals, installs jewelry from precious stones or combined with precious metals, manufactures jewelry parts, and produces diamond.

The current capital of the Company is SAR (3,000,000) Saudi riyals, and it is owned (99%) by L'Azurde Company for Jewelry and (1%) by L'Azurde Company for Jewelry (Abu Dhabi).

The Company is managed by a Board of Managers consisting of 3 members:

- 1- Khalifa Hassan Al Jalahma (Chairman of the Board)
- 2- Abdullah Abdulaziz Al Othaim (Non-Executive Director)
- 3- Abdullah Ahmad Obeid (Executive Director)

Kenaz Company has (13) branches distributed over the following cities: Riyadh, Dammam, Jeddah, Jubail, Jizan, Abha, Madinah and Tabuk. The purposes of the branches are represented according to Commercial Registration Certificate, to carry out the following actions: Retail sale of precious stones and precious metals. Mr. Abdullah Ahmad Obeid has been appointed as the Branches' Manager.

Table (3-3): Kenaz Branches Summary

#	Location of sales points	City	Commercial registration certificate	Membership of the Chamber of Commerce	Activity	Municipal location license	Civil Defense approval
1	Mall of Arabia	Jeddah	4030319652	348975	Selling gold and jewelry	40052034064	3-000052559-41
2	AlAndalus Mall	Jeddah	4030319654	348977	Selling gold and jewelry	40052036501	1-000528906-41
3	Al Yasmin Mall	Jeddah	4030319653	348976	Selling gold and jewelry	40062043612	2-000376911-41
4	Panorama Mall	Riyadh	1010901539	-	Selling gold and jewelry	40092207383	1-000376786-40
5	Al Hamra Mall	Riyadh	1010935734	-	Selling gold and jewelry	40092207383	2-000377024-41
6	Hayat Mall (shop)	Riyadh	1010901538	-	Selling gold and jewelry	40092207383	2-000377032-41
7	Hayat Mall (Kiosk)	Riyadh	1010609439	572106	Selling gold and jewelry	40092206044	0-000040177-42
8	Galleria Mall	Jubail	2055025899	284918	Selling gold and jewelry	5075	Affiliate of the Royal Commission for Jubail
9	Kadi Mall	Jazan	5900115424	-	Selling gold and jewelry	40042007402	2-000188781-40
10	Aseer Mall	Abha	5850120580	-	Selling gold and jewelry	390946682	2-000151710-40
11	Al Noor Mall	Madinah	4650200357	-	Selling gold and jewelry	40062061578	1-000377548-40

#	Location of sales points	City	Commercial registration certificate	Membership of the Chamber of Commerce	Activity	Municipal location license	Civil Defense approval
12	West Avenue Mall	Dammam	2050121300	-	Selling gold and jewelry	40072070052	2-00030777-41
13	Park Mall	Tabuk	3550124994	401001150292	Selling gold and jewelry	40042014081	1-000263137-40

Source: The Company

3-5-1-2 Izdiad Commercial Company of Arabia LLC

A Saudi Limited Liability Company (a One Person Company) established under commercial registration certificate No (1010458294) dated 25/12/1439H (corresponding to 05/09/2018G). Its head office is located in Riyadh, Hittin, Riyadh Park Mall, Shop 33. The Company depends on the activity of retail sale of precious metals and stones. The current capital of the Company is (12,000,000) Saudi riyals, and it is owned 100% by L'Azurde Company.

The Company is managed by the following managers:

- 1- Khalifa Hassan Al Jalahmah (Chairman of the Board)
- 2- Abdullah Abdulaziz Al Othaim (Non-Executive Director)
- 3- Abdullah Ahmad Obeid (Executive Director)

It should be noted that Izdiad Commercial Company ("Izdiad") of Arabia is a Limited Liability Company, established in Jeddah, Kingdom of Saudi Arabia under the Commercial Registration certificate No (4030286357) dated 25/02/1437H (corresponding to 07/12/2015G). On 05/08/2018G, the Company acquired the entire shares Izdiad company in accordance with the terms and conditions of a share purchase agreement entered between both Tamkeen Industrial and Trading Company Ltd. and Mr. Bassem Ahmad Talal Al Juhani (referred to as sellers) and L'Azurde Company for Jewelry (the buyer). This acquisition was financed through a long-term facility obtained by the Company from the Saudi British Bank ("SABB Bank"), which is a long-term Murabaha facility with a cash facility of SAR (108) million, and the duration of these facilities is 7 years; in addition to other facilities of SAR (33.2) million which the Company is allowed to use it after 3 years from the date of granting the first financing (which start on October 2018G and will end on October 2021G) where the duration of these facilities is 4 years (For more details about financing agreements and facilities, please refer to the paragraph. Sub-(5-5-9) "Loans and Facilities Agreements" from Section 9 "Legal Information").

On 12/03/1440H, corresponding to 20/11/2018G, the Company resolved to relocate its head office from Jeddah to Riyadh and to convert the commercial registration certificate of the Company's branch office in Riyadh to become the commercial registration certificate of the headquarter and keep the same number (1010458294) and issuance date on 25/12/1439H (corresponding to 05/09/2018G).

The company has (25) branches distributed over the following cities: Riyadh, Jeddah, Khobar, Dhahran, Al-Ahsa, Madinah, Taif, Makkah, Al-Qassim, and Tabuk. The branches practice the activity: (Retail sale and wholesale of precious stones and precious metals). They are managed by Mr. Abdullah Ahmad Muhammad Obeid.

The following is a detailed table of the mentioned branches:

Table (3-4): Izdiad Branches Summary

#	Branch name	City	Activity	Commercial registration certificate	Certificate of membership of the Chamber of Commerce and Industry	Municipal Location License	Civil Defense approval
1	Mall of Arabia	Jeddah	Selling gold and jewelry	4030305347	330022	39111431523	1-000380976-40
2	Al Salaam Mall	Jeddah	Selling gold and jewelry	4030305357	273153	39111365221	1-000381034-40
3	El Khayyat Center	Jeddah	Selling gold and jewelry	4030305352	330018	39111431494	1-000564998-41
4	Al Yasmin Mall	Jeddah	Selling gold and jewelry	4030305350	330024	39111431282	1-000576950-41
5	Tahlia Shopping Center	Jeddah	Selling gold and jewelry	4030305344	330016	39111343064	1-000402143-41
6	Boulevard	Jeddah	Selling gold and jewelry	4030305349	330020	39111342933	2-000381221-41
7	Stars Avenue Mall	Jeddah	Selling gold and jewelry	4030305355	330021	39111343022	1-000381691-40

#	Branch name	City	Activity	Commercial registration certificate	Certificate of membership of the Chamber of Commerce and Industry	Municipal Location License	Civil Defense approval
8	Red Sea Mall	Jeddah	Selling gold and jewelry	4030305346	330019	39111338430	2-000381168-41
9	Nakheel Mall Dammam	Dammam	Selling gold and jewelry	2050133340	285777	41073443472	1-000509100-41
10	Al Shaikh Avenue	Khobar	Selling gold and jewelry	2051222577	293330	40011586214	1-000382919-40
11	Rashid Shopping Center	Khobar	Selling gold and jewelry	2051221996	252308	3911993355	1-000393849-41
12	Dhahran Mall Shop 204	Dhahran	Selling gold and jewelry	2052101164	258336	40112506910	1-000528370-41
13	Dhahran Mall/ Shop 55	Dhahran	Selling gold and jewelry	2052101161	258335	40112507240	1-000528359-41
14	Al Rashid Town Square	Al-Ahsa	Selling gold and jewelry	2252102175	302001158228	40021701774	1-000382860-40
15	Kingdom Centre	Riyadh	Selling gold and jewelry	1010519535	539868	40092208945	1-000577919-41
16	Al Nakheel Mall	Riyadh	Selling gold and jewelry	1010610181	-	40031871072	1-000380496-40
17	Al Hamra Mall	Riyadh	Selling gold and jewelry	1010613893	535218	40092208921	1-000530723-41
18	Panorama Mall	Riyadh	Selling gold and jewelry	1010610179	-	40031853499	1-000572312-41
19	Al Hayat Mall	Riyadh	Selling gold and jewelry	1010610180	-	40092202994	1-000575617-41
20	Granada Center	Riyadh	Selling gold and jewelry	1010939578	484042	40092208927	1-000380478-40
21	Al Naseem Street (Al Noor Mall)	Medina	Selling gold and jewelry	4650200252	203011117519	40011607300	1-000528736-41
22	Jouri Mall	Taif	Selling gold and jewelry	4032229005	204001168253	40021697722	1-000382814-40
23	Makkah Mall	Makkah	Selling gold and jewelry	4031215668	2020G01195577	40011569733	1-000474977-41
24	Al Nakheel Plaza	Qassim/ Buraidah	Selling gold and jewelry	1131296092	601011102287	40052030781	2-000277947-41
25	Park Mall	Tabuk	Selling gold and jewelry	3550126767	--	40072087134	2-000308499-41

Source: The Company

3-5-1-3 Almujawharat Almasiah Company

A Saudi Limited Liability Company with a capital from Gulf. It was established under commercial registration certificate (1010236734) dated 25/07/1428H (corresponding to 08/08/2007G) and its head office is located in Riyadh. It produces precious and semi-precious stones, manufactures precious metals, stones and jewelry, and produces diamond artifacts. The Company's capital is SAR (300,000). three hundred thousand Saudi Riyals.

The Company is managed by a Board of Directors composed of:

- 1- Khalifa Hassan Al Jalahma (Chairman of the Board)
- 2- Abdullah Abdulaziz Al Othaim (Non-Executive Director)
- 3- Abdullah Ahmad Obeid (Executive Director)

With the exception of the commercial registration certificate and the initial industrial license (permit number (55246) dated 28/4/1437H (corresponding to 07/02/2016G), Almujawharat Almasiah Company did not complete the ancillary incorporation process and is not registered with any of the relevant government agencies as it does not undertake any activities and is considered as a Dormant Company, as of the date of this Prospectus.

As on 31/12/2019G, the accumulated losses of the subsidiary amounted to approximately (80%) of the paid up capital (which is SAR300,000 three hundred thousand Saudi Riyals). Pursuant to Article (181) of the Companies Law regulating the losses of a limited liability company: 1- if the losses of the limited liability company amount to half (1/2) of the paid-up capital, at any time during the financial year, then the managers of the company must record this incident in the commercial registry and shall - within a period not exceeding ninety days from the date of their knowledge of the loss reaching this amount - call for a meeting of the shareholders to resolve whether to keep or dissolve the company. 2- Such decision must be published according to Article 158 of the Companies Law. 3- The company shall be deemed dissolved by force of law if its managers neglect to invite the shareholders or if the shareholders are unable to adopt a resolution to continue or dissolve the company.

As of the date of this Prospectus, the company is in compliance with Article (181) of the Companies Law, as the shareholders of Almujaaharat Almasiah Company unanimously agreed to continue the Company's operations and provided financial support to cover its losses through a capital increase, and the shareholders' resolution was published on the website of the Ministry of Commerce.

In the event that Almujaaharat Almasiah Company is not able to reflect the results of this support in the financial statements of the following fiscal year and reduce losses to less than 50% of the paid up capital, the Company will only have two options: to submit a new commitment from the shareholders to preserve the company by providing financial support to it. Such result must be reflected in the financial statement. There is no possibility to proceed with capital reduction via dilution of shares as Article (177) of Companies Law does not allow it for limited liability company. In the event that it is not possible to issue a resolution to continue or dissolve these companies, this will lead the company to be considered dissolved by the force of law which will negatively and substantially affect the Company's business, financial position and future prospects.

It should be noted that the Minister of Commerce issued Decision (348) dated 10/04/1442H (corresponding to 25/11/2020G) according to the Royal Decree stipulating the suspension of some provisions of the Companies Law. This ministerial resolution also provides for the suspension of some statutory deadlines and introducing of some exceptions from some provisions of the Companies Law for a specific period that came as follows:

- 1- As an exception to the provision of Article (181) of the Companies Law, the period during which the managers of a Limited Liability Company must invite the shareholders to meet is extended to (180) days from the date of their knowledge of the loss reaching half of the Company's capital instead of ninety (90) days. Such extension is for a period of two years from 01/08/1441H (corresponding to 25/03/2020G) ended 30/07/1443H (corresponding to 03/03/2022G).
- 2- The validity of paragraph (3) of Article (181) of the Companies Law (which stipulates that the Company is considered terminated by force of the Law in case the Company's managers neglected to invite the shareholders, or the shareholders were unable to issue a decision to continue or dissolve the Company) shall be suspended for a period of two years from 01/08/1441H (corresponding to 25/03/2020G) to 30/07/1443H (corresponding to 03/03/2022G). The Limited Liability Companies, when their losses reach the amount specified in paragraph (1) of Article (181) of the Companies Law (which is half of the capital) should disclose the developments relevant to their losses on an ongoing basis and in accordance with the following conditions:
 - a. The director, directors, or board of directors of the Company, upon knowing that the losses of the Company have reached half of the capital, must submit to the Ministry a request to publish an announcement about that on the Ministry's website, including the number of losses, their percentage of the capital and the main reasons that led to such losses.
 - b. The director, directors, or board of directors of the Company must submit to the Ministry, on a quarterly basis, a report on the developments of the Company's losses within (fifteen) days from the end of each quarter and request to publish an announcement on the Ministry's website.
 - c. The director, directors, or board of directors, upon knowing that the Company's losses have decreased to less than half of the capital, must submit a request to the Ministry to publish that on the Ministry's website, including the measures taken by the Company to amend its situations.

The Company provided a letter of support and business continuity of the subsidiary (Almujaaharat Almasiah Company), where its capital was increased to cover the accumulated losses.

3-5-2 Subsidiaries outside KSA

A table showing the percentage of ownership of L'Azurde for Jewelry in the subsidiaries established outside Saudi Arabia on 30/09/2020G, with an overview of each Company.

Table (3-5): Subsidiaries outside KSA Summary

#	Address	Type of Legal Entity	Activity	Company's Capital (SAR)	Ownership percentage	Commercial Registration No	Date of Establishment	Administration
1	L'Azurde Company for Jewelry Dubai	Limited Liability	Retail sale of precious stones and metals	306,000	100%	1039193	25/12/1429H (corresponding to 23/12/2008G)	Two directors: 1- Mr. Selim Chidiac 2- Mr. Abdullah Obeid
2	L'Azurde Company for Jewelry Abu Dhabi	Limited Liability	Retail sale of precious stones and metals	306,000	100%	1060233	23/08/1424H (corresponding to 19/10/2003G)	Two directors: 1- Mr. Selim Chidiac 2- Mr. Abdullah Obeid
3	L'Azurde Company for Jewelry Egypt	Limited Liability	Factory, wholesale offices, and retail stores	33,46,370	100%	14997	01/05/1426H (corresponding to 08/06/2005G)	General Manager (Mr. Reda Rahman)
4	ORO Egypt Company for Manufacturing Precious Metals Egypt	Closed Joint-stock	Factory and wholesale offices	9,344,047	100%	7877	14/11/1423H (corresponding to 17/01/2003G)	Board of Directors of: 1- Mr. Abdullah Al Othaim (Chief Executive Officer) 2- Mr. Abdullah Obeid (Vice Chief) 3- Mr. Adel Al-Maiman (Non-Executive Director) 4- Mr. Majid Faraj (Legal Advisor) 5- Mr. Samir Saidham (Executive Director)
5	L'Azurde Company for Jewelry Qatar	Limited Liability	Wholesale office	206.044	49% 51% (Wafika Sultan Al Essa)	60716	11/07/1434H (corresponding to 21/05/2012G)	Board of Directors of: 1- Mr. Ahmad Obeid (Executive Director) 2- Mr. Ayman Mohammed Haffar (Non-Executive) 3- Mr. Selim Chidiac (Non-Executive) 4- Mrs. Wafika Sultan (Non-Executive)
6	L'Azurde Company for Jewelry Sultanate of Oman	Limited Liability	Wholesale office	195,000	100%	1320525	15/09/1439H (corresponding to 30/05/2018G)	Board of directors of: 1- Mr. Abdullah Ahmad Obeid.

Source: The Company

(For more details about the licenses obtained by L'Azurde Group to exercise its activities, please see sub-paragraph (9-2) "Approvals and Licenses" from Section (9) "Legal Information").

3-6 Company's Vision

L'Azurde aims to become the most trusted and inspiring house of jewelry brands in the Middle East and North Africa region.

3-7 Company's Mission

To lighten up the life of women with incomparable, elegant, fashionable and innovative jewelry brands through state-of-the-art design, manufacturing, wholesale and retail capabilities.

The Company's mission includes the following:

- 1- to develop (Miss L) brand of fast-growing fashionable jewelry to reach its full potentials, and to take full advantage of it through the establishment of our own retail points, e-commerce, and retail agents.
- 2- to expand our successful retail business in L'Azurde in Egypt through new points of sale and a stronger assortment.
- 3- to enhance the profitability of the private retail segment in the Kingdom of Saudi Arabia through rationalizing the business network, developing commercial activities in leading stores, intensifying employee training and reducing inventory.
- 4- to improve the performance of the business segment of traditional wholesale trade and Selling gold artifacts by weight by reducing working capital and raising operational efficiency.
- 5- to enhance the utilization of our strong network of customers in the traditional markets to sell gold artifacts per piece. By Selling gold by piece, L'Azurde as a market leader, will help in restructuring and transforming the path of the traditional gold jewelry sector by introducing new diversified collections of gold artifacts that meet the latest consumer trends and provide retailers with highly attractive commercial offers.
- 6- to expand our business through promising fast-growing e-commerce by making more investments in technology, infrastructure and laws, and by collaborating with experienced digital organizations.
- 7- to expand the global brand TOUS business in the Kingdom of Saudi Arabia through e-commerce and more investments in marketing activities and product diversification. We also plan to expand the customer base of TOUS brand in the Kingdom of Saudi Arabia, similar to the strategy of the L'Azurde brand.
- 8- to continue maintaining the positive cash flow for the Company and our strong banking relationships to support the Company.
- 9- to continue searching for new investment opportunities that increase our profitability and enhance our strategic position in the markets, as achieved by the acquisition of the TOUS brand.

3-8 Company's Strategy

The Company's strategy was based on (6) axes to enhance its growth:

- 1- On November 16, 2020G, L'Azurde Company for Jewelry announced its transformational strategy for growth and expansion in the field of Selling gold artifacts by piece at reasonable prices in the markets of Saudi Arabia and Egypt, through its new brands Miss L and L'Azurde In Style. This step was due to the Company's efforts in diversifying its revenue streams by adding new brands and entering new channels, in accordance to meet the changes in customers' tastes, buying behavior and the sharp rise in gold prices. The Company has also successfully launched its Miss L e-commerce platform, and is ready for a major expansion across the electronic field by adding more brands and entering the leading markets. This development is considered an important part of the Company's strategy, which in the past relied mainly on Selling gold jewelry by weight in the traditional gold markets.
- 2- Miss L brand is currently sold in L'Azurde stores, kiosks in both the Kingdom of Saudi Arabia and Egypt, and in approved points of sale in malls, at a time when the Company intends to open Miss L retail stores in Saudi Arabia and Egypt in 2021G. The financial impact of the opening of new stores and kiosks will be reflected in the first quarter of 2021G.
- 3- The new L'Azurde In Style collection is set to be sold by piece in the traditional gold markets through an extensive network of retailers. If there are no plans at the present time to open stores dedicated to the L'Azurde In Style group, the financial impact of introducing and selling L'Azurde In Style products will also come up in the first quarter of 2021G, but for now it is difficult to estimate accurately.
- 4- The Company will continue to develop the scope of wholesale operations for the sale of jewelry by weight, which is expected to decrease the percentage of its participation in the Company's revenues and profits from this sector due to the process of shifting purchasing behavior of customers from buying gold by weight to buying classic and fashionable gold jewelry by piece. This would help L'Azurde Company to reduce its working capital and the associated higher financing cost.
- 5- For the e-commerce platform, it was launched successfully during the year 2020G and is still under development, but for now it is mainly engaged in selling Miss L jewelry and some other products. Although it is known that the contribution of e-commerce to revenues and income is not yet large, it is growing at a rapid pace. Moreover, the Company will complete

its expansion, development of its e-commerce and presence in the regional market due to the significant change in the shoppers' behavior towards buying through websites.

- 6- Today, L'Azurde has a strong brand, a long heritage, a knowledge in the field of crafting jewelry and gold artifacts, an experienced management team, and a board of directors of highly experienced people Compliant for achieving success in the Company's transformation towards its new strategy.

3-9 Company's Strengths and Competitive Advantages

L'Azurde jewelry group has a number of competitive advantages, including:

- a. L'Azurde Group's resilient business model, which is characterized by its flexibility and the advanced technologies used in operations and marketing, allows it to be relatively immune to fluctuations in gold prices. Moreover, this Group's model, supported by technical, manufacturing, and design capabilities and strengthen in Group's brand, allow it to protect its market share from these fluctuations. During periods of high gold prices, L'Azurde has the technology and craftsmanship capabilities to produce jewelry at lower weight and hence meet the right consumer price points. In addition, L'Azurde has very low gold loss in the manufacturing process, which puts limited financial pressure at high gold prices. As part of its commodity price risk management strategy, instead of buying gold and being exposed to risk of gold price fluctuations, L'Azurde gets its entire gold needs directly from banks whilst matching, at all times, its gold assets with its gold liabilities, thus mitigating the risk of gold price fluctuations. L'Azurde intends to continue using gold facility agreements to mitigate its exposure to gold price fluctuations.
- b. L'Azurde has marketed its brand to be the leading jewelry brand in the MENA region. This was achieved through major TV, print, outdoor and on-line advertising campaigns, as well as using some celebrities as brand ambassadors. L'Azurde evolved its marketing strategy where it diverted a majority of its investments to the online marketing.
- c. L'Azurde has solid retail capabilities with its multi brand and multi store formats across its portfolio of brands: L'Azurde, TOUS, Kenaz, Miss L' and travel retail. The Group succeeds in acquiring and fully developing retail shops across a wide network of malls and street locations. The Group plans to expand and retail more jewelry brands to fully leverage its capabilities and offer different consumers an attractive wide offering of brands and products.
- d. L'Azurde Group's manufacturing facilities enable it to efficiently design and produce a wide variety of unique products to meet the evolving demands of consumers. L'Azurde introduces over 3,500 designs each year, maintaining its status of a leading trend setter in the market. Also, L'Azurde maintains a significant technological advantage with a park of more than 500 jewelry manufacturing machines.
- e. Through its successful operational and financial performance, brand identity and operational and advertising initiatives, L'Azurde has achieved a competitive position in the industry in the MENA region. The market share of L'Azurde grew consistently during the past years to reach 20% to 25% in the kingdom and Egypt, making it the leading provider of wholesale jewelry.
- f. L'Azurde Group's senior management team comprises experienced executives with a long and proven track record of financial and operational success and a thorough knowledge and understanding of every facet of financing, manufacturing, marketing and retailing of gold and diamond jewelry. Over the years, the senior management has been working efficiently as a team to identify, evaluate and execute L'Azurde Group's expansion plans and growth initiatives.

3-10 Business Interruption

There was no interruption in the Company's business and activities except the business interruption of the subsidiary in Qatar.

3-11 Employees and Saudization

According to the Nitaqat program issued by the Ministry of Human Resources and Social Development, the Saudization rate was (18.34%) on 08/11/2020G. The Company is classified within the (medium green) category (C) of Nitaqat program, and it falls under “Metal Services and Chemical Industries” sector.

The following table shows the numbers of the employees for the last three years of 2017G, 2018G and 2019G:

Table (3-6): Company and its Subsidiaries Employees as of the Date of this Prospectus

Administration/Department/Unit	2017G		2018G		2019G		2020G Until 30/09/2020G	
	Saudi	Non-Saudi	Saudi	Non-Saudi	Saudi	Non-Saudi	Saudi	Non-Saudi
L'Azurde Company for Jewelry	140	808	120	519	86	495	81	361
Izdiad Company	-	-	82	2	94	7	90	9
Kenaz Company	4	21	31	15	31	38	37	47
Total Employees	144	829	233	536	211	540	208	417

Administration/Department/Unit	Social Insurance Certificate		Nitaqat		Resident	Pay roll	
	Saudi	Non-Saudi	Saudi	Non-Saudi	Non-Saudi	Saudi	Non-Saudi
L'Azurde Company for Jewelry	74	396	71	377	392	74	396
Izdiad Company	79	10	78	9	10	79	10
Kenaz Company	37	51	32	48	48	37	51
Total Employees	190	457	181	434	450	190	457

4. Organizational Structure of the Company

4-1 Organizational Structure

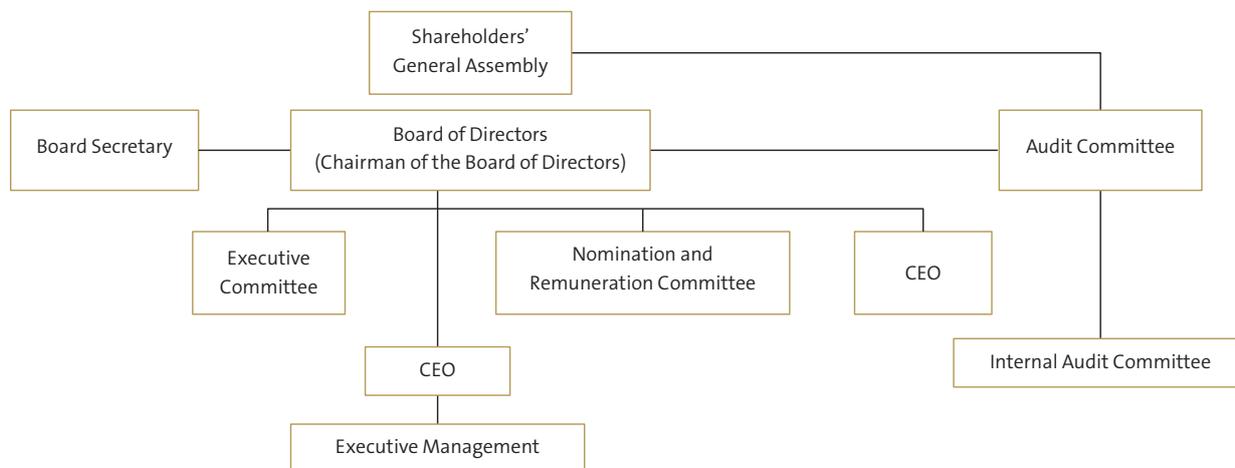
The Company has an organizational structure that lay down the different departments and delegation of powers and works among them. The Company's administrative structure consists of the Board of Directors and a team of senior executives (senior management). The organizational structure is headed by the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

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

For the Company's branches, the administrative affairs manager at the Company is usually appointed as the branches' manager. However, the subsidiary companies are managed by the board of managers and usually the following are nominated: The vice chairman (as a non-executive member) and the administrative affairs manager (an executive member) with other member, who is chosen from the members of the Board of Directors to occupy the position of Chairman of the subsidiaries' board of managers, and they are appointed to take over the management of the Company's subsidiaries.

The following chart, which is approved by the Board of Directors in its meeting held on (05/12/2017G), sets out the organizational structure of the Company.

Figure (2): Organizational Structure of the Company



Source: The Company

4-2 The Board of Directors

The following table sets out the directors who were appointed as members of the current Board of the Company.

Table (4-1): Members of the Company's Board of Directors

Members of Board Board of directors appointed on 06/08/1439H (corresponding to 22/04/2018G) *									
Name	Position	Membership Status***	Appointment Date	Nationality	Age	Owned Shares			
						Direct Number	%	Indirect** Number	%
Mohammed Ebrahim Shroogi	Chairman	Non-Executive Non-Independent	26/04/2018G	Bahraini	68	N/A	N/A	N/A	N/A
Mr. Abdullah Abdulaziz Al Othaim	Vice-Chairman	Non-Executive Non-Independent	26/04/2018G	Saudi	32	41,000	0.095348%	N/A	N/A
Mr. Khalifa Hassan Al Jalahma	Board Member	Non-Executive Non-Independent	10/12/2019G	Bahraini	35	N/A	N/A	N/A	N/A
Mr. Brian Norman Dickie	Board Member	Non-Executive Non-Independent	22/04/2018G	Irish	65	N/A	N/A	N/A	N/A
Mr. Adel Abdullah Al-Maiman	Board Member	Non-Executive Non-Independent	22/04/2018G	Saudi	45	N/A	N/A	N/A	N/A
Mr. Bandar Talaat Hussein Hamouh	Board Member	Non-Executive Independent	18/03/2020G	Saudi	53	N/A	N/A	N/A	N/A
Mr. Abdul Kareem Asaad Abu Alnasr	Board Member	Non-Executive Independent	22/04/2018G	Saudi	59	N/A	N/A	N/A	N/A
Mr. Amin Mohammed Akef Al-Maghrabi	Board Member	Non-Executive Independent	22/04/2018G	Saudi	46	N/A	N/A	N/A	N/A
Mrs. Sabah Khalil Ebrahim Almoayyed	Board Member	Non-Executive Independent	22/04/2018G	Bahraini	66	N/A	N/A	N/A	N/A

Source: The Company.

* The Board of Directors' resolution was issued on 03/04/1442H (corresponding to 18/11/2020G) approving the amendment of Article 18 of the By-laws in terms of reducing the number of board members from (9) to (7) starting from the date of the next Board session that begins on 26/04/2021G. On 07/06/1442H (corresponding to 20/01/2021G) the EGA approved the amendment of the By-laws as recommended by the Board.

** Indirect ownership means the shares owned by the Board members or indirect shareholders in the Company through their ownership in companies that own shares in the Company, or through shares owned by relatives of shareholders (wives and minor children), either directly or through their ownership in companies that own shares in the Company.

*** According to the Corporate Governance Regulations issued by the CMA, a Board member will be considered "executive member" when he is a member of the executive management team of the Company and participates in the day-to-day management activities or receives a salary from it in return. A "Non-Executive member" is a Board member who is not dedicated to manage the Company or does not receive a salary from it, except for the membership remuneration for the Board and committees.

According to the Corporate Governance Regulations issued by the CMA, the independent member is a non-executive Board member who enjoys complete independence in his/her position and decisions and none of the below independence affecting issues apply to him/her:

- a. if he/she holds five percent or more of the Company's shares or any other company within its group, or is a relative of who owns such percentage.
- b. if he/she is a representative of a legal person that holds five percent or more of the shares of the Company or any company within its group.
- c. if he/she has been a Senior Executive during the past two years in the Company or in another Company of its group.
- d. if he/she is a relative of any member of the Board of Directors in the Company, or any other company within the Company's group.
- e. if he/she is a relative of any Senior Executive of the Company, or any other company within the Company's group.
- f. if he/she is a relative up to the fourth degree with any of the Company's advisors.
- g. if he/she is a member of the Board of Directors of any company within the Company's group who is nominated for its Board of Directors.

- h. If he/she is an employee or used to be an employee, during the preceding two years, of the Company, of any party dealing with the Company or, such as external auditors or main suppliers; or if he/she, during the preceding two years, held a controlling interest in any such parties.
- i. If he/she has a direct or indirect interest in the businesses and contracts executed for the Company's account.
- j. If the member of the Board receives financial consideration from the Company in addition to the remuneration for his/her membership of the Board of Directors or any of its committees exceeding an amount of SAR (200,000) or 50% of his/her remuneration of the last year for the membership of the Board of Directors or any of the committees, whichever is less.
- k. if he/she engage in a business where he competes with the Company, or conducting businesses in any of the Company's activities.
- l. If he/she served for more than nine years, consecutive or inconsecutive, as a Board member of the Company.

4-3 Board of Directors Mandatory Positions

According to Article (22) of the Company's By-laws, the Board of Directors shall appoint from among its members a chairman and a vice chairman, and it may appoint a managing director. It is not permissible to combine the position of the chairman of the Board of Directors with any executive position in the Company. The Board of Directors shall have the powers listed in Article (20) of the By-laws. whereas the powers of chairman, vice chairman, the managing director or the CEO, and the secretary, are set out in Article (22) of the By-laws. The Board's Secretary shall undertake the tasks and powers assigned thereto by the Board. The Company is in compliance with the By-laws and the Corporate Governance Regulations with respect to the mandatory appointment in the following compulsory positiona:

Table (4-2): Summary of the Board's resolutions to fill the Mandatory Positions (Chairman of the Board, Vice-Chairman of the Board, Secretary)

Position	Date of Board Resolution	Appointee
Chairman of the Board	26/04/2018G	Mr. Mohammed Ebrahim Juma Al Shroogi
Vice Chairman	26/04/2018G	Mr. Abdullah Abdulaziz Saleh Al Othaim
Chief Executive Officer	01/03/2010G [*]	Mr. Selim Saeid Chidiac
Secretary of the Board	08/11/2018G	Mr. Aymen Gamil Salem Ammar

^{*} Date of Employment Contract (the date of joining has been set on 05/04/2010G)

4-3-1 Board of Directors Meetings

- According to Article (23) of the By-laws, the Board shall be convened at least (4) four times per year upon a written invitation given by the Chairman. The Chairman shall call a meeting of the Board by written invitation, delivered personally, by mail, fax or e-mail. The Chairman must call a meeting of the Board if requested by any two Directors.
- The minutes of the Board of Directors' meetings for the years 2018G, 2019G, 2020G (until 30/09/2020G) shows that the Company is in compliance with the provisions of the By-laws.
- The following table shows the Company's commitment to the By-laws in terms of the number of meetings (in addition to certain meetings conducted via phone).

Table (4-3): Number of Board Meetings during 2018G, 2019G and 2020G until 30/09/2020G

The Administrative Authority	2018G	2019G	2020G [*] (until 30/09/2020G)
Board of Directors	7	4	4

Source: The Company.

It should be noted that the Board of Directors meets once a month through modern technologies or when necessary to follow up on the operations, monthly financial results and supervise the Executive Management.

4-4 Company's Board Committees

The following is an overview of the Company's Board Committees, their responsibilities, and their meetings:

4-4-1 Audit Committee

The Audit Committee was formed according to the Company's Ordinary General Assembly decision dated 19/08/1440H (corresponding to 24/04/2019G).

Table (4-4): Audit Committee Members

Name	Position	Membership Status	Independence
Mrs. Sabah Khalil Ibrahim AlMoayyed	Chairwoman of Audit Committee and Specialist in Financial and Accounting Matters	Non-Executive	Independent
Mr. Khalifa Hassan Khalifa Al Jalahma	Member of Audit Committee	Non-Executive	Non-Independent
Mr. Brain Norman Dickie	Member of Audit Committee	Non-Executive	Non-Independent
Mr. Adel Abdullah Saleh Al-Maiman	Member of Audit Committee	Non-Executive	Non-Independent

Source: The Company.

4-4-1-1 Duties and Responsibilities of Audit Committee

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

First: Financial Reports

- Review the Company's interim and annual financial statements and the related announcements, and to present them to the Board.
- Provide its technical opinion, at the request of the Board, regarding whether the Board's report and the Company's financial statements are fair, balanced, understandable and contain information that allows shareholders and investors to assess the Company's financial position and performance.
- Review any important or emerging issues included in the financial reports.
- Examine the accounting estimates in respect of significant matters that are contained in the financial reports.
- Study the accounting policies applied in the Company and express believes and recommendation regarding them to the Board.
- Ensure that the financial statements are prepared in accordance with generally accepted accounting principles in the Kingdom.

Second: Internal Control System

- Examine and review of the Company's internal and financial control and manage the risk within the Company.
- Consider the efficiency of the Company's assessment of the substantial risks that it may be exposed to and the steps taken by the Company to oversight and confront these risks.
- Study and approve the annual review plan of the internal audit department.
- Follow up on the implementation of the internal audit department of the tasks entrusted to it and the extent to which the internal audit department conducts its work according to the approved annual plan.
- Review the internal audit reports and pursue the implementation of corrective measures in respect of the comments included in such reports.
- Oversee and supervise the performance and the activities of the Company's internal audit to ensure they have access to the necessary resources and ensure thir effectiveness in performing the activities and duties assigned to it.
- Recommend to the Board decisions regarding the appointment of internal auditor and suggest his /her remuneration.
- Prepare a written annual report on its opinion on the adequacy and effectiveness of the Audit Committee and the Company's internal and financial control system in the Company, and other activities it has undertaken within its functions. Sufficient copies of this report shall be deposited in the Company's headquartes at least ten days before the date of the General Assembly meeting in order to provide all shareholders with a copy of it. The report shall be read out at the meeting.

Third: The Auditor

- Recommend to the Board the appointment, dismissal, and compensation of the external auditor, after verifying its independence and reviewing its scope of work and terms of engagement.
- Verify the independence, objectivity, and fairness of the external auditor and the effectiveness of the audit work, taking into account the relevant rules and standards.
- Review the external auditor's services and verify that it is not providing any technical or management services outside of the scope of the audit and make recommendation in respect of the same.
- Review the reports, qualifications and comments of the external auditor in relation to the Company's financial statements and follow up on the actions taken in relation to the same.
- Discuss the auditor's comments periodically, ensure that they are addressed with the Company's management, and refer to the Board if necessary.

Fourth: Compliance

- Review the reports and results of investigations of any supervisory or regulatory authorities, and ensure that the Company has undertaken the necessary actions in relation to the same;
- Review and monitor the Company's compliance with the applicable laws, regulations, policies and instructions;
- Review the contracts and transactions to be entered into by the Company with Related Parties, and make recommendations to the Board in relation to the same;
- Report to the Board any matters or issues which should be brought to the attention of the Board, and any related recommendations.

4-4-1-2 Audit Committee Meetings

- According to Article (57) of the Corporate Governance Regulations and Article (3) of the Company's Audit Committee charter, the Audit Committee periodically meets for a minimum of four meetings during the Company's fiscal year.
- The table below shows the number of audit committee meetings during 2017G, 2018G, and 2019G:

Table (4-5): Number of Audit Committee Meetings during the last 3 years

Audit Committee	2017G	2018G	2019G
	8	7	7

Source: The Company.

4-4-2 Nomination and Remuneration Committee

The Nomination and Remuneration Committee of the Company was formed by the Board of Directors Decision on 19/08/1440H (corresponding to 26/04/2018G). The following table shows the members of the Nomination and Remuneration Committee.

Table (4-6): Members of Nomination and Remuneration Committee

Name	Position	Membership status	Independence
Mr. Abdul Kareem Asaad Abu Al Nasr	Chairman	Non-Executive	Independent
Mr. Brian Norman Dickie	Member	Non-Executive	Non-Independent
Mr. Bandar Talaat Hamooh	Member	Non-Executive	Independent
Mr. Adel Abdullah Al-Maiman	Member	Non-Executive	Non-Independent

Source: The Company.

4-4-2-1 Duties and Responsibilities of the Nomination and Remuneration Committee

- Develop policies and controls for candidacy for membership of the Board and Committees relevant to the regulations and laws issued by the supervisory authorities of the Company's business.
- Develop, review and update the policies regarding the compensation and remunerations for the members of the Board, its Committees and executive management, and submit any recommendations regarding them to the Board of Directors in preparation for submitting them to the General Assembly for approval.
- Clarify the relationship between the remunerations granted and the applicable policy, and indicate any substantial deviations from the policy and the causes beyond these deviations.
- Review periodically the remuneration policies, and evaluate their effectiveness in achieving their desired goals.

- Recommend to the Board of Directors regarding the remuneration of Board Members, its committees and senior executives in accordance with the approved policies.
- Review the nomination requests for membership of the Board and Committees, ensure their compatibility with relevant policies and regulations, and submit the regarding recommendations to the Board of Directors.
- Supervise the nomination process for membership of the Board of Directors and Committees in coordination with the secretariat of the Board, the General Assembly and the relevant regulatory authorities.
- Evaluate periodically the effectiveness of the Board's structure and executive management in accordance with principles and standards set by the Committee, and submit recommendations regarding possible changes to the Board of Directors.
- Review periodically the required skills and competencies needs for Board and Committee membership, and prepare a description of the capabilities and qualifications required for membership, including the time needed for the member to be allocated to the Board and Committees' businesses.
- Prepare a description of the capabilities and qualifications required to fill executive management positions.
- Identify the weaknesses and strengths in the Board of Directors and Committees, and submit the recommendations and proposals regarding a mechanism to address weaknesses and take advantage of strengths.
- Determine whether a member has an independent member status, taking into consideration the minimum requirements that must be met for the independence status. The committee annually confirms the independence of the independent members, and ensure that there is no interest conflict if the member is a member of the Board of Directors of another Company.
- Develop job descriptions for executive and non-executive members, independent members and senior executives of the Company.
- Providing the Board members with information and reports about important topics related to the scope of its work upon request.
- Establish special procedures to resolve the position vacancy of a member of the Board of Directors, Committees or senior executives in the Company.
- Ensure that the Company has an appropriate and clear remunerations and compensation policy, which is related to performance and goals, to attract and retain qualified human resources.
- Ensure that there is a succession plan for the Company's senior executives.
- Ensure that the number of candidates for Board membership whose names are presented to the General Assembly of shareholders exceeds the number of seats available, so that the Assembly has the opportunity to choose among the candidates.
- Ensure the appropriate disclosure of remunerations and compensation in the annual report of the Company in accordance with the relevant laws and regulations.
- Study the issues referred to the Committee from the Board, and submit recommendations about them.

4-4-2-2 Meetings of Nomination and Remuneration Committee for the last three years

The Nomination and Remuneration Committee holds its meetings periodically and whenever the need arises. The Committee should hold at least two meetings during one fiscal year, and submits their reports to the Board. The table below shows the number of Nomination and Remuneration Committee meetings during 2017G, 2018G and 2019G:

Table (4-7): Number of Meetings of Nomination and Remuneration Committee during the Last 3 years

Nomination and Remuneration Committee	2017G	2018G	2019G
	6	4	3

Source: The Company.

4-4-3 Executive Committee

The Executive Committee was formed by a Decision of the Board of Directors on 19/08/1440H (corresponding to 26/04/2018G) according to the following:

Table (4-8): Executive Committee Members

Name	Position	Membership Status	Independence	Appointment Date
Mr. Brian Norman Dickie	Chairman	Non-Executive	Non-Independent	26/04/2018G (corresponding to 19/08/1440H)
Mr. Khalifa Hassan Al Jalahma	Member of the Committee	Non-Executive	Non-Independent	10/12/2019G (corresponding to 13/04/1441H)
Mr. Selim Chidiac	Member from outside the Committee	Chief Executive Officer	Non-Independent	26/4/2018G (corresponding to 19/08/1440H)

Source: The Company.

4-4-3-1 Executive Committee Duties and Responsibilities

- Recommend and adopt the strategies, future plans, policies, and internal regulations of the Company.
- Submit recommendations to the Board in connection with adopting the Company's investment projects and objectives.
- Supervise the budget plan and follow up on the Company's performance.
- Approve some issues on behalf of the Board of Directors within the limits of the powers granted to it by the Board.
- Address some specific tasks entrusted to the committee by the Board of Directors that need further review and analysis.

4-4-3-2 Executive Committee Meetings

- The table below shows the number of Executive Committee meetings during the years 2017G, 2018G, and 2019G:

Table (4-9): Number of Meetings of the Executive Committee during the last 3 Years

Executive Committee	2017G	2018G	2019G
	8	4	4

Source: The Company.

4-5 Executive Management

The following table shows the details of executive management employees:

Table (4-10): List of Information for the Executive Senior Management Employees

Executive Management								
Name	Position	Nationality	Age	Date of Joining the Company	Owned Shares			
					Direct Number	%	Indirect Number	%
Mr. Selim Saeid Chidiac	Chief Executive Officer	Swiss	49	05/04/2010G	0	0	0	0
Mr. Ayman Gamil Salem Ammar	Chief Financial Officer	Egyptian	50	22/09/2014G	0	0	0	0
Mr. Mohammed Ayman Haffar	Executive General Manager - Kingdom and International	Syrian	50	22/02/1994G	0	0	0	0
Mr. Ihab Ibrahim Ishaq	Executive General Manager, Egypt	Egyptian	51	01/05/2005G	0	0	0	0
Hussam Mohammed Saeid Hamandi	General Manager Retail	Lebanese	37	01/11/2019G	0	0	0	0
Mr. Abdullah Ahmad Obeid	Administrative and Legal Director	Saudi	49	01/09/1995G	0	0	0	0

Executive Management								
Name	Position	Nationality	Age	Date of Joining the Company	Owned Shares			
					Direct Number	%	Indirect Number	%
Mrs. May Bahjat Kanounji	Executive Chief Marketing Officer	Lebanese	39	05/11/2018G	0	0	0	0
Mr. Hussein Yahia Ali Haqawi	Human Resources Manager	Saudi	36	08/12/1984G	0	0	0	0

Source: The Company.

4-6 Board of Directors and Senior Executives Members' Compensations and Remunerations

The remuneration of the Board of Directors is made according to what is stipulated in Article (21) of the By-laws.

In the event the Company achieves profits, a percentage equivalent to (5%) from the remaining net profit may be distributed after deducting the relevant reserves decided by the General Assembly in implementation of the provisions of Article (47) from the By-laws, and after distributing profits to the Company's shareholders at a minimum rate (5%) of the Company's paid-up capital. The entitlement of these remunerations should be proportional to the number of attended meetings by the member, and every estimate that contradicts what was mentioned is void. In all cases, the total remuneration and financial benefits a member of the Board of Directors gets should not exceed (500,000) five hundred thousand Riyals annually.

According to the Board and Executive Management Remunerations policy, the member of Board of Directors may receive additional remuneration, which shall not be subject to the maximum limit of five hundred thousand Saudi Riyal for his/her membership in the Audit Committee formed by The General Assembly. Also, any additional executive, technical, managerial or consultative duties carried out by the Board member should be remunerated in addition to the Remuneration he/she may receive in his/her capacity as a member in the Board and in the committees formed by the Board, pursuant to the Companies' Law and the Company's by-laws.

The remuneration of Independent Members shall not be in the form of a percentage of the Company's net profits and shall not be, directly or indirectly, based on the profitability of the Company.

The report of the Board of Directors to the Ordinary General Assembly must include a comprehensive statement of all remunerations, expenses allowances and other benefits that Board members earned during the fiscal year. It should also include a statement of what the members of the Board received in their capacity as workers or administrators, or what they received in return for technical, administrative works or consultations. It should also include a statement of the number of Board meetings and the number of meetings attended by each member from the date of the last meeting of the General Assembly.

The remuneration of all Board and Senior Executive Members shall be recommended by the Nomination and Remuneration Committee.

The following table shows the salaries, remunerations and allowances that Board members, the CEO, the Chief Financial Officer, and 4 leading employees received during the last three years:

Table (4-11): Board of Directors and Senior Executives Members Compensations and Remunerations

Statement (SAR 1000)	2017G	2018G	2019G
Board Members	1,555,000	1,552,000	1,555,000
Senior Executives (General Director, Chief Executive Officer, Chief Financial Officer and 4 of leading employees)	9,137,446	9,824,008	10,049,288
Total	10,692,446	11,376,008	11,609,288

Source: The Company.

The value of the remunerations, allowances and compensation allocated to Senior Executives (including the CEO and the Chief Financial Officer) amounted to (SAR 7,994,117), as on 30/09/2020G.

4-7 Employees

4-7-1 Stock Programs for Employees Existing before submitting the Application for Registration and Offering of Securities that are Subject to this Prospectus

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

4-7-2 Employee Capital Sharing Arrangements

As the date of this Prospectus, there are no arrangements to share capital with employees.

5. Management Discussion and Analysis of the Financial Information and Results of its Operation

5-1 Introduction

This section “**Management’s Discussion and Analysis of Financial Position of the Company and its Subsidiaries and Results of Operations**” presents an analytical review of the operational performance and financial position of L’Azurde Company and its subsidiaries during the years ended on December 31, 2017G, 2018G, 2019G, and the nine-month period ended on September 30, 2020G. This section was prepared depended consolidated audited financial statements for the fiscals years ended 31 December 2017G, 2018G, and 2019G, and those of the nine-month period ended on September 30, 2020G. The Company and its subsidiaries prepared these financial statements and were audited in accordance with International Financial Reporting Standards by Aldar Audit Bureau (Grant Thornton) Certified Public Accountants for the fiscal years ended December 31, 2017G, 2018G and 2019G, and reviewed by Baker Tilly MKM & Co. Certified Public Accountants for the nine-month period ended September 30, 2020G.

The Company and its subsidiaries have applied International Financial Reporting Standards with their interpretations issued by the International Accounting Standards Board (IFRS), which are approved in the Kingdom of Saudi Arabia, in addition to the other standards versions approved by the Saudi Organization for Certified Public Accountants (SOCPA) referred to as “International Financial Reporting Standards approved in the Kingdom of Saudi Arabia” for the fiscal years ended December 31, 2017G, 2018G and 2019G, and the nine-month period ended September 30, 2020G.

Neither Aldar Audit Bureau (Grand Thornton) Certified Public Accountants, nor Baker Tilly MKM & Co. Certified Public Accountants, nor any of their subsidiary companies have any share or interest in the Company and its subsidiaries. However, they had given a written consent without retraction regarding the publication of their name, logo and statements in this Prospectus as auditors for the Company and its subsidiaries for the previously mentioned periods.

This section may contain forward-looking statements for L’Azurde Company and its subsidiaries, based on its management plans and initial prospects with regard to profit growth, results of operations and financial conditions, which may involve prospective risks and uncertainties that may substantially differ from the Company’s and its subsidiaries’ actual results. They may differ due to various factors and conditions discussed in this section and elsewhere as mentioned in Section No (2) “**Risk Factors**”.

All financial information in this section has been presented in SAR, unless otherwise stated. Amounts and percentages have been rounded to the nearest tenth. Therefore, if the numbers mentioned in the tables are collected, their total may not correspond to the totals mentioned in tables and consolidated financial statements of the Company and its subsidiaries.

5-2 Directors’ Declarations Regarding Financial Information

The Board of Directors acknowledge that:

- The financial information contained in this section has been extracted without substantial change from the Company and its subsidiaries’ consolidated audited financial statements for the fiscal years ended December 31, 2017G, 2018G and 2019G, those for the fiscal years ended September 30, 2020G and the accompanying notes which are attached thereto. All mentioned above are prepared in accordance with International Financial Reporting Standards by SOCPA in KSA. All comparison tables in this section have been prepared on a unified basis.
- The Company and its Subsidiaries have sufficient working capital for 12 months immediately following the date of this Prospectus.
- With the exception of the impact of the Covid-19 pandemic on the business of the Company and its subsidiaries during the fiscal year 2020G, there has been no material adverse change in the Company’s financial or business position or any of its subsidiaries during the three fiscal years immediately preceding the date of the application for the capital increase and the offering of securities until the date of approval of this Prospectus, except as stated in sub-paragraph (5-5) of this section. The members of the Board of Directors confirm that all the material facts related to the Company and its subsidiaries and its financial performance have been disclosed in this Prospectus. Furthermore, there is no information, documents, and other facts, of which the omission of such facts would make any statement herein misleading.
- The Company and its subsidiaries do not hold any contractually based securities or other assets whose value may be subject to fluctuations or be difficult to ascertain with certainty, significantly affecting the assessment of the Company’s financial position, except as disclosed in sub-paragraph 5-6-2 “**Current Assets**” of this section.
- The Company and its subsidiaries didn’t give any commissions, discounts, brokerage fees or non-cash compensations for the Board members, senior executives, people offering securities or experts in the three years immediately preceding the date of the submission of capital increase and offering application.
- The Company and its subsidiaries do not have any loans or other debts, including bank account overdraft. In addition, there are no guarantee obligations (including personal guarantee, not covered by personal guarantee,

secured by mortgage or not secured by mortgage), obligations under acceptance, acceptance credit or lease purchase obligations, except as disclosed in sub-paragraph 5-6-5 “**Non-Current Liabilities**” and sub-paragraph 5-6-7 “**Short-Term Murabaha Facilities**” of this section, and sub-paragraph 9-5-5 “**Loans and Facilities Agreements**” from Section 9 “**Legal Information**” of this Prospectus.

- The Company and its subsidiaries do not have any mortgages, rights or charges on their properties as at the date of this Prospectus, except what is disclosed in the sub-paragraph 9-5-5 “**Loans and Facilities Agreements**” of section 9 “**Legal Information**” of this Prospectus.
- The Company and its subsidiaries’ capital are not under option.
- The Company is not aware of any seasonal factors or economic cycles related to the activity that may have an impact on the business and the financial position of the Company, except for what was disclosed in Section (2) “**Risk Factors**” of this Prospectus.
- The Company does not have information about any governmental, economic, financial, monetary, political, or any other factors that affected or could materially (directly or indirectly) affect the Company’s operations, except for what was disclosed in Section (2) “**Risk Factors**” from this Prospectus.
- The Company does not have any potential liabilities or guarantees except for what was disclosed in sub-paragraph 5-6-2 “**Current assets**” of this section.
- There are no significant fixed assets to be purchased or leased, except for what was disclosed in Section 6 “**Use the Proceeds of the Offering and Future Projects**” of this Prospectus.

5-3 Significant Accounting Policies

The preparation of consolidated financial statements in accordance with International Financial Reporting Standards applicable in the Kingdom of Saudi Arabia requires the use of certain critical estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the financial reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company and its subsidiaries make estimates and assumptions concerning the future. The resulting accounting estimates seldom equal the related actual results.

Property and Equipment

Property and equipment are stated at cost net of accumulated depreciation and accumulated impairment losses. The cost includes all direct expenses necessary to make the assets able to operate in the manner expected from the management of the Company and its subsidiaries.

Depreciation is calculated by subtracting the residual value of the asset from the original cost over the estimated useful life by using the straight-line method. The useful life, residual value and depreciation method are reviewed at the end of the annual reporting period, taking into consideration the impact of any changes in the estimates calculated on a future basis.

Amortization of improvements on leased buildings is calculated on a straight-line basis over the useful life of the improvements or the term of the lease contract, whichever is shorter.

Repair and maintenance expenses are considered a revenue expense in the consolidated statement of profit or loss when incurred. As for the expenses of improvements that increase the useful life of the asset, they are capitalized.

The cost of replacing a portion of property and equipment is capitalized into the carrying amount if it is probable that future economic benefits in that item will flow to the group, and its cost can be measured reliably. The day-to-day costs of servicing property and equipment are recognized in the consolidated statement of profit or loss.

An element of property and equipment is eliminated upon disposal or when there are no future economic benefits expected to arise from the continued use of the asset. The profit or loss that may arise from the sale or disposal of an item of property and equipment is measured as the difference between the net proceeds from disposal and the asset book value, and it is recognized in the consolidated statement of profit or loss.

Depreciation of property and equipment is calculated on a straight-line basis over the assets’ estimated useful lives.

The Company and its subsidiaries apply annual depreciation rates according to the following useful lives of property and equipment:

Classification of Assets	Life in years
Buildings	50
Machines and Equipment	10
Furniture	6-7
Transportations	4
Office Equipment	7
Tools, dyes and other assets	4-7
Leasehold improvements	Rental period or the useful life, whichever is shorter

Projects under Implementation

Projects under implementation are shown at cost minus loss of depreciation in value. All the incurred costs are recorded during the period of composition and construction, then loaded to the item of projects under implementation. After that, the cost of projects under implementation is moved to the appropriate category of property and equipment item when they are ready to use. The cost of projects under implementation includes purchase costs and costs that are directly attributable to bringing projects under implementation for the intended purpose or use.

Right to Use Assets and Lease Obligations

The Company and its subsidiaries applied International Financial Reporting Standard 16 using a modified retroactive approach and therefore the comparative information was not modified. This means that the comparative information is still mentioned under The International Accounting Standard 17 and the interpretation of IFRS Interpretations Committee 4.

The Company and its subsidiaries examine whether the contract includes a lease contract for any new contracts concluded on or after January 1, 2019G.

Lease contract is defined as a contract, or a part of a contract, that transfers the right to use the asset (the asset instead of the contract) for a period of time in exchange for compensation. So, to apply this definition, the Company and its subsidiaries examine whether the contract fulfill the three major evaluations:

- The contract includes a specific asset, which is mentioned clearly in the contract or implied when the asset is available for the Group;
- The Group has the right to acquire substantially all the economic feature of using the identified asset during the entire period;
- Taking into consideration their rights within the specified scope of the contract.

The group also has the right of guidance on the usage of the identified assets during the period of use. The Company and its subsidiaries examine whether they have the right of guidance on “how to use the asset.”

Measurement and Recognition of Lease Contracts

On the lease commencement date, the Group recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-to-use asset is measured at cost, which consists of: the initial measurement of the lease liability, any initial direct costs incurred by the Group, and an estimate of any costs for dismantling and removing the asset at the end of the lease agreement and any lease payments made prior to the lease commencement date (minus any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the end of the useful life of the right-of-use asset or the end of the lease term. The Group also evaluate the right-of-use assets when there are indications of impairment in the value of these assets.

At the commencement date of the lease, the Group measures the lease liability at the present value of the unpaid lease payments on that date. These payments are then discounted using the rate of return mentioned in the lease agreement if that rate or the Group’s additional borrowing rate can be easily determined.

Lease payments included in the lease liability measurement consist of fixed payments (including in-substance fixed payments), variable payments based on index or rate, amounts expected to be paid under residual value guarantees, and payments that arise from reasonable options.

After the initial measurement, the liability will be reduced for payments made, and increased for interest. It is also re-measured to reflect any revaluation or modifications or if there are changes in the in-substance fixed payments.

The Group have chosen to account for short-term leases and leases for low-value assets using practical expedients. Instead of recognizing the right-of-use assets and lease liability, payments related to those leases are recognized as an expense in profit or loss on a straight-line basis over the term of the lease.

Intangible Assets and Goodwill

Intangible Assets

An intangible asset is recognized at a cost equal to the fair value of the consideration paid at the time the asset was acquired.

The Group applies annual amortization rates according to the following estimated useful lives of intangible assets:

Classification of Assets	Life in years
Franchise Agreement	20
Computer Software	2

Intangible assets are de-recognized upon disposal, or when no future benefits are expected to arise from use. Profit or loss that may arise from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss when the recognition of the asset is de-recognized.

Goodwill

Goodwill represents future economic benefits arising from a business combination but are not individually identified nor separately recognized. Goodwill is carried at cost less accumulated impairment losses, if any.

For the purposes of reviewing impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that are expected to benefit from the business combination.

The cash-generating unit to which the goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication of a decrease in the value of the unit. If the recoverable value of the cash-generating unit is less than its book value, the impairment loss is allocated first to reduce the book value of any goodwill allocated to the unit and then to other assets in the unit proportionately on the basis of the book value of each asset in the unit. Any impairment loss in goodwill is recognized directly in the Consolidated Statement of Profit or Loss. The impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the amount attributable to goodwill is included in the determination of the profit or loss arising from disposal.

An impairment loss is recognized for the amount by which the carrying amount of the asset (or cash-generating unit) exceeds the recoverable amount and is higher than the fair value minus the costs of disposal and value in use. To determine value in use, management estimates the expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to compute the present value of those cash flows. The information used for impairment testing procedures are directly linked to the group's most recent approved budget, and are adjusted as necessary to exclude the effects of future asset improvements and restructurings. The discount components are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and the asset-specific risk factors.

Inventory

The inventory is stated at cost or net realizable value, whichever is lower. The realizable value represents the estimated selling price of the inventory after deducting all the estimated costs of completion and sale. The costs of other items of inventory are determined as follows:

- Raw materials, consumables and other manufacturing materials are determined according to purchase cost using the "First in First Out" method.
- Goods in process and finished goods are determined by the cost of direct materials, the wages of labor and indirect expenses according to the normal activity rate.
- Goods being resold are determined according to specific grounds.

Cash and Cash Equivalents

Cash and cash equivalents consist of items that are readily converted into cash and are subject to an insignificant risk of change in value. Cash and cash equivalents in the statement of financial position comprise cash on hand and bank account balances, and are initially and subsequently recorded at fair value.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash on hand and deposits held in banks and have a maturity date in 90 days or less, and are available for use by the Group unless stated otherwise.

Financial Instruments

Recognition and De-Recognition

Financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of these instruments. Financial assets and financial liabilities are initially measured at fair value. Financial assets are de-recognized when the contractual rights to the cash flows from the financial assets expire, or when the financial assets are transferred and all risks and rewards are transferred. A financial liability is de-recognized when it is extinguished, discharged, canceled or expired.

Classification and Initial Measurement of Financial Assets

With the exception of these accounts receivable that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs, where applicable.

Financial assets other than those designated and effective are designated as hedging instruments are classified into the following categories:

- Amortized cost
- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income (FVOCI)

In the periods presented, the Group does not have any financial assets that are classified as FVOCI.

Asset classification is determined by both: The Company's business model for managing financial assets and the contractual cash flow characteristics of the financial asset.

All income and expenses related to financial assets recognized in profit or loss are presented within finance costs, finance income or other financial items- except for the impairment of accounts receivable that is presented under selling and marketing expenses.

Subsequent Measurement of Financial Assets

Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not classified as FVTPL):

- They are held within a business model that aims to hold financial assets and collect contractual cash flows.
- The contractual terms of financial assets give rise to cash flows that are solely payments to the principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted when the effect of the discount is not significant. The Group's cash and cash equivalents, accounts receivable collected in cash, and most other receivables and cash guarantees deposited with banks fall into this category of financial instruments.

Financial Assets at fair Value through Profit or Loss (FVTPL)

Financial assets that are held under a different business model other than "hold to collect" or "hold to collect and sell" are classified at FVTPL. Further, regardless of the business model's financial assets, its contractual cash flows are not solely major amount payments and the interest is determined at FVTPL.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair value of financial assets in this category is determined by reference to active market transactions or by using valuation techniques when there is no active market. Account's receivables that are collected in gold are classified under the FVTPL.

Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)

The Group accounts for financial assets at FVOCI if the assets fulfill the following conditions:

- They are held under a business model whose goal is to "hold to collect" the associated cash flows and sell.
- The contractual terms of financial assets give rise to cash flows that are only payments to the principal and interest on the principal amount outstanding.

Any gain or losses recognized in other comprehensive income (OCI) will be re-processed upon de-recognition of the asset.

Impairment of Financial Assets

The Group evaluates Expected Credit Losses (ECLs) on a forward-looking basis to determine the impairment of financial assets.

The recognition of credit losses no longer depends on the Group first determining a credit loss event. Instead, the Group takes into account a broader set of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- Financial instruments that have not significantly deteriorated in credit quality since initial recognition or that have low credit risk (“Stage 1”)
- Financial instruments that have significantly deteriorated in credit quality since initial recognition and whose credit risk is not low (“Stage 2”)

“Stage 3” will cover financial assets that have objective evidence of impairment at the reporting date.

A “12 months expected credit loss” is recognized for the first category, while “life expectancy credit losses” are recognized for the second category. The ECL measurement is determined by estimating a weighted average of credit losses over the expected life of the financial instrument.

Trade and Other Receivables

The Group uses a simplified approach in accounting for trade and other receivables, which requires recognition of losses over the expected life of the initial recognition of receivables. To measure expected credit losses, accounts receivable has been grouped based on shared credit risk characteristics and number of days due. Expected loss rates have been derived from the Group’s historical information, and are adjusted to reflect the expected future outcome which also includes forward-looking information on macroeconomic factors such as inflation and GDP growth rate.

Other financial assets, such as receivables from employees, bank balances and cash margin deposits, have low credit risk and the effect of applying the ECL model on them is immaterial.

Classification and Measurement of Financial Liabilities

The group’s financial liabilities carried at amortized cost include short-term cash facilities, accounts payable and other current liabilities. The long-term gold facilities are designated according to the FVTPL. Financial liabilities are initially measured at fair value, and adjusted, where applicable, for transaction costs, unless the Company and its subsidiaries determine a financial liability at FVTPL.

Thereafter, financial liabilities are measured at amortized cost using the effective interest method, except for derivatives and financial liabilities designated at FVTPL which are carried subsequently at fair value with gains or losses recognized in profit or loss (unlike derivative financial instruments that are designated and effective as hedging instruments).

All interest-related costs and, if applicable, changes in an instrument’s fair value that are reported in profit or loss are included within finance costs or finance income.

Derivative Financial Instruments and Hedge Accounting

The Company and its subsidiaries have entered into derivative financial instruments compliant with the provisions of Islamic Sharia via a financial institution, in the form of forward commodity contracts in order to mitigate the risk of increase in finance costs on short-term gold facilities, due to increase in gold prices. Such derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when fair value is positive and as financial liabilities when fair value is negative. Derivative financial instruments are accounted for at fair value through profit and loss (FVTPL) except for derivatives designated as hedging instruments in cash flow hedge relationships that require a specific accounting treatment. To qualify for hedge accounting, the hedge relationship must meet all of the following requirements:

- There is an economic relationship between the hedged item and the hedging instrument
- The impact of credit risk does not dominate the value changes resulting from this economic relationship
- The hedging ratio for the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually covers and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item.

Fair Value Hedges

The change in the fair value of the hedging instrument is recognized in the statement of profit or loss as other expenses. The change in the fair value of the hedged item is recorded to deduct the hedged risk as part of the carrying value of the hedged item and is also included in the statement of profit or loss as other expenses. When a Company's unrecognized obligation is identified as a hedged item, the subsequent cumulative change in the fair value of the firm's obligation attributable to the hedged risk is recognized as an asset or liability with corresponding Gains or losses recognized in the cases of profit or loss.

Accruals and Accounts Payable

Liabilities are recognized for amounts due in the future for goods or services received, whether or not invoiced by the supplier.

Appropriations

Appropriations are recognized when the Company and its subsidiaries have (legal or implicit) obligations arising from a past event, and the costs of settling these obligations are both probable and can be accurately measured. Appropriations are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent Liabilities

Contingent liabilities are disclosed in two cases: (1) when the Company and its subsidiaries have a potential obligation as a result of a previous event, the existence of which will not be confirmed except by the occurrence or non-occurrence of one or more unconfirmed future events that are not entirely within the control of the Company and its subsidiaries, or (2) when the Company and its subsidiaries have present legal or implicit obligations arising from past events. However, it is not likely that this will require an outflow of resources embodying economic benefits to settle the obligation, or that the amount of the obligation cannot be measured accurately enough.

End of Service Benefits for Employees

The Company and its subsidiaries provide end of service benefits to its employees according to the labor system in the Kingdom of Saudi Arabia. The entitlement to these benefits is based on the employee's final salary and duration of service, under the condition that the employee completes a minimum period of service. The expected costs of these benefits are recorded over the period of service, and an annual provision is made based on the evaluation of an independent actuary in accordance with the requirements of IAS 19 "employee benefits" using actuarial methods of Projected Unit Credit (PUC). The last assessment was conducted on December 31, 2019G. All past service costs are recognized as an expense immediately. All actuarial gains and losses relating to defined benefit and benefit liabilities are recognized in the consolidated statement of comprehensive income.

Zakat and Taxes

Zakat is calculated in the name of the Company and its wholly owned subsidiaries, in accordance with Saudi financial regulations. Foreign subsidiaries calculate income tax liabilities, if there's any, according to the tax regulations of the country in which they operate. The appropriations made for zakat and income tax are added to the consolidated statement of profit or loss and the consolidated statement of comprehensive income.

Deferred income tax for foreign taxable subsidiaries is calculated using the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying value at the reporting date. Deferred income tax assets and liabilities are measured according to the tax rates expected during the period in which the asset is realized or the liability is settled, based on the regulations enacted in the countries concerned at the reporting date.

Dividend

Final dividends are recognized as liabilities upon approval by the General Assembly, and initial dividends are recorded when approved by the Board of Directors.

Revenues

The revenues come mainly from the sale of gold and income from operations. To determine whether these revenues will be recognized, the Company and its subsidiaries follow a 5-step process that is as follows:

- 1- Determine the contract concluded with the customer
- 2- Determine the performance obligations
- 3- Determine the price of transaction
- 4- Allocate the transaction price to the performance obligations
- 5- Recognize the revenue when the performance obligations are satisfied.

The Company and its subsidiaries often enter into transactions that involve a range of their products and services. In all cases, the total transaction price of the contract in various performance obligations is determined based on the stand-alone relative selling prices. The transaction price for the contract excludes any amounts collected on behalf of other parties. Revenue is recognized at a point in time, when the Company and its subsidiaries fulfill performance obligations by transferring the promised goods or services to their customers.

Gold Revenues

Gold revenues indicate the amount of gold weight that is sold to the wholesale customers. Revenues are confirmed when invoices are issued and the delivery of the number of golden pieces mentioned in the invoices; when the Company and its subsidiaries fulfill their commitment as mentioned in the contract, and according to the gold price in the international market. Gold revenues and their costs are equal and compensate each other, which is a clearing activity, in which gold used in the sold jewelry is given a value of global gold at the date of every transaction, without adding a profit.

Revenues from Operations

Revenues from operations indicate the values added to the jewelry piece, which are employment service fee, additions value, diamond sales and other revenues resulting from wholesale sales and channels. Revenues from operations are determined according to the fair value of the product received or due at the time of performance fulfillment. Performance commitment is implemented while delivering the goods to customers. Revenues are decreased by the value of discounts on the sold goods.

Foreign Currency Transactions

Transactions in foreign currency is converted into SAR in accordance to the prevailing exchange rate at the time of the relevant transactions. Assets and liabilities in foreign currency at the date of consolidated financial statement list are converted into SAR in accordance to the prevailing exchange rate at that date. Realized and unrealized exchange rate variance from foreign currency is proved in the consolidated profit or loss list.

Foreign Operations

Assets and liabilities of financial lists of the foreign companies' subsidiaries are converted into SAR by exchange rate at the date of the consolidated financial statement list, while the average of exchange rate of every period is used for the transfer of revenues, expenses, profits and losses. Components of equity, except retained profits, are converted according to the prevailing prices on that date. Adjustments resulting from the conversion of foreign operations, if substantial, are recorded in the consolidated comprehensive income as a separate component of equity.

Expenses

Expenses of sales and marketing are those specifically related to marketing and promotional activities. All the other expenses are classified as general, administrative, and cost of services expenses.

Revaluation of Gold

Gold transactions are recorded in SAR according to the prevailing market prices on the date of their occurrence. Gold asset balances and liabilities, except gold stocks, are revaluated at the prevailing market price on the consolidated financial statement date. All realized and unrealized gains and losses that result from revaluation of gold items are included in the consolidated income statement.

Basic and Diluted Earnings per Share

The Company and its subsidiaries present to their shareholders the basic and diluted Earnings per share. Basic Earnings per Share is calculated by dividing the net profit or loss of ordinary shareholders of the Company by the estimated average number of ordinary shares held during the year. Diluted Earnings per Share is calculated by dividing the net profit or loss of ordinary shareholders by the estimated average number of ordinary shares held after the effect of dilution in ordinary share capital, if any.

Operating Sectors Reports

Operating Sector is an element related to the activities of the Company and its subsidiaries; by which revenues are gained and expenses are incurred, including revenues and expenses of transactions with any other element in the Company and its subsidiaries. All operating results of the operating sectors are regularly reviewed by the Company and subsidiaries' business leaders who make decisions about the resources distributed on the sectors and assess their performance, in which detailed financial information are available. The sector's results include items related to it directly, and other items which can be distributed on a reasonable basis.

5-4 Key Performance Indicators

The following table indicates the key performance indicators of the fiscal years that ended by December 31, 2017G, 2018G and 2019G and the period of 9 months that ended in September 30, 2020G.

Table (5-1): Key performance indicators for the fiscal years ended December 31, 2017G, 2018G, and 2019G, and the nine-month period ended September 30, 2019G, and 2020G.

(SAR'000)	2017G	2018G	2019G	YoY Growth 2017G-2018G	YoY Growth 2018G-2019G	CAGR 2017G-2019G	9 month- period 2019G	9 month- period 2020G	Period change 2019G-2020G
Key performance indicators:									
Amount of gold wholesale sales by kilogram	11,392	12,089	11,430	6.1%	(5.5%)	0.2%	9,749	5,151	(47.2%)
Average wholesale operations revenue per gram (SAR)	20.4	21.6	22.2	5.9%	2.8%	4.3%	22.4	23.4	4.5%
Total number of retail showrooms	40	70	71	30	1	31	69	76	7
Average retail revenue for every showroom (SAR'000)	2,813	1,967	3,018	(30.1%)	53.5%	3.6%	2,406	1,590	(33.9%)
As Percentage of total operations' revenue:									
Gross profit	61.2%	60.1%	59.8%	(1.1)	(0.2)	(1.4)	61.3%	54.3%	(7.0)
Sales and Marketing expenses	29.4%	32.4%	37.4%	3.0	5.0	8.0	33.9%	41.7%	7.9
General and administrative expenses	10.6%	10.4%	9.0%	(0.2)	(1.4)	(1.6)	8.3%	11.7%	3.5
Profit from operations	21.2%	17.2%	9.7%	(4.0)	(7.5)	(11.5)	18.1%	(15.0%)	(33.1)
Net profit/(loss) of the year or period	8.9%	4.3%	(3.6%)	(4.5)	(8.0)	(12.5)	6.2%	(33.7%)	(39.9)
Total other comprehensive income/loss of the year or period	7.7%	5.3%	(1.2%)	(2.4)	(6.5)	(8.9)	8.3%	(33.3%)	(41.6)

Source: The Company and its subsidiaries' information and the reviewed financial statements of the financial years that ended by December 31, 2017G, 2018G and 2019G and the reviewed financial statements of the period of 9 months that ended in September 30, 2019G and 2020G.

5-5 The Key Factors that Affect the Performance of the Company and its Subsidiaries

5-5-1 Results of Operations

Table (5-2): Consolidated income statements for the financial years ended December 31, 2017G, 2018G, and 2019G, and the nine-month period ended September 30, 2019G, and 2020G.

(SAR'000)	2017G	2018G	2019G	YoY Growth 2017G-2018G	YoY Growth 2018G-2019G	CAGR 2017G-2019G	9 month- period 2019G	9 month- period 2020G	Period change 2019G-2020G
Gold revenue	1,397,134	1,505,917	1,495,209	7.8%	(0.7%)	3.5%	1,298,331	918,395	(29.3%)
Operations revenue	355,374	406,445	481,205	14.4%	18.4%	16.4%	395,191	257,061	(35.0%)
Total revenue	1,752,507	1,912,363	1,976,414	9.1%	3.3%	6.2%	1,693,522	1,175,456	(30.6%)
Gold cost of revenue	(1,397,134)	(1,505,917)	(1,495,209)	7.8%	(0.7%)	3.5%	(1,298,331)	(918,395)	(29.3%)
Operations cost of revenue	(137,892)	(162,369)	(193,395)	17.8%	19.1%	18.4%	(152,857)	(117,451)	(23.2%)
Total cost of revenues	(1,535,026)	(1,668,286)	(1,688,604)	8.7%	1.2%	4.9%	(1,451,188)	(1,035,846)	(28.6%)
Gross profit	217,481	244,076	287,810	12.2%	17.9%	15.0%	242,334	139,610	(42.4%)
Selling and marketing expenses	(104,577)	(131,810)	(179,936)	26.0%	36.5%	31.2%	(133,816)	(107,284)	(19.8%)

(SAR'000)	2017G	2018G	2019G	YoY Growth 2017G-2018G	YoY Growth 2018G-2019G	CAGR 2017G-2019G	9 month- period 2019G	9 month- period 2020G	Period change 2019G-2020G
General and administrative expenses	(37,636)	(42,339)	(43,374)	12.5%	2.4%	7.4%	(32,621)	(30,135)	(7.6%)
Impairment of inventories	-	-	(17,765)	0.0%	0.0%	N/A	-	-	N/A
Provision for expected credit losses	-	-	-	0.0%	0.0%	N/A	(4,276)	(6,032)	N/A
Loss of recall of products	-	-	-	0.0%	0.0%	N/A	-	(34,692)	0.0%
Profit/(loss) from operations	75,268	69,927	46,735	(7.1%)	(33.2%)	(21.2%)	71,621	(38,534)	(153.8%)
Other income/(expenses), net	(534)	(4,358)	1,012	716.1%	(123.2%)	N/A	3,092	338	(89.1%)
Finance costs, net	(30,740)	(35,594)	(50,873)	15.8%	42.9%	28.6%	(38,387)	(39,479)	2.8%
Profit/(loss) before Zakat and tax	43,993	29,976	(3,125)	(31.9%)	(110.4%)	N/A	36,326	(77,675)	(313.8%)
Zakat	(10,613)	(10,719)	(11,306)	1.0%	5.5%	3.2%	(8,527)	(6,827)	(19.9%)
Income tax	(1,836)	(1,591)	(3,116)	(13.3%)	95.9%	30.3%	(3,448)	(2,099)	(39.1%)
Net profit/(loss) for the year/period	31,544	17,666	(17,548)	(44.0%)	(199.3%)	N/A	24,351	(86,601)	(455.6%)
Other comprehensive income									
Items that will not be reclassified under the profit or loss list									
Reassessment of end-of-service remuneration for employees	(4,657)	4,312	1,706	(192.6%)	(60.4%)	N/A	-	-	N/A
Items that will not be reclassified under the profit or loss list									
Exchange rate variance from foreign currency	445	(550)	9,930	(223.7%)	(1905.3%)	372.5%	8,409	978	(88.4%)
Other comprehensive loss/Other comprehensive income of the year/period-tax net	(4,212)	3,762	11,635	(189.3%)	209.3%	N/A	8,409	978	(88.4%)
Total of other comprehensive income/other comprehensive loss of the year/period	27,332	21,428	(5,912)	(21.6%)	(127.6%)	N/A	32,761	(85,622)	(361.4%)

Source: The Company and its subsidiaries' information and the audited financial lists of the fiscal years that ended by December 31, 2017G, 2018G and 2019G and the reviewed financial lists of the period of 9 months that ended in September 30, 2019G and 2020G

Revenues

The Company and its subsidiaries' revenues are from gold and operations revenues. Gold revenues are the weight value of gold used in the sold jewelries by wholesale sector without achieving any profit or loss, in which the gold is sold and its weight is recovered from the customers by its global price. However, revenues from operations represent the value-added component of the sale of jewelry pieces. Revenues from operations are represented by the wages of manufacturing and the value of gold additions and other realized revenues by wholesale and retail channels of gold and diamond artifacts in KSA, Egypt, the Gulf Cooperation Council (GCC) and other countries. Revenues from operations are represented also by the realized revenues from the workshop of special orders of diamond products and the center of number and tools. Noting that, the department of "the management discussion and analysis of the financial center of the Company and its subsidiaries and business results" has used the term 'revenues' referring to "the revenues from operations" only and not gold revenues or total revenues.

Gold Revenues

Gold revenues have increased at a compound annual growth rate of 3.5% between the fiscal years 2017G and 2019G, as the gold revenues have increased by 7.8%, from SAR 1.4 billion in the fiscal years 2017G to SAR 1.5 billion in the fiscal years 2018G, while it settled on SAR 1.5 billion in the fiscal years 2019G. Whereas gold revenues decreased by 29.3%, from SAR 1.3 billion at the period of 9 months that ended in September 30, 2019G to SAR 918.4 million at the period of 9 months that ended in September 30, 2020G. This was due to the effects of the global Coronavirus pandemic on the Company and its subsidiaries operations, and on the market in general, after the precautionary measures taken by KSA Government and the other countries' governments that the Company and its subsidiaries carry on their operations. Production processes, as well, have been affected due to the reduction of working hours and number of employees. It is worth noting that the change in the global price of gold affects directly the value of gold revenues.

Revenues from Operations

Revenues from operations have increased at a compound annual growth rate of 16.4% between the fiscal years 2017G and 2019G, while it increased by 14.4% from SAR 355.4 million in the fiscal year 2017G to SAR 406.4 million in the fiscal year 2018G. It continued in increasing by 18.4% reaching SAR 481.2 million in the fiscal year 2019G. This increase was due to:

- Increase of revenues in Egypt (SAR 109.3 million), basically because the increase of gold wholesale revenues (SAR 68.2 million) and the increase of retail channels (SAR 41.5 million);
- The Company and its subsidiaries focused on retail sector which recorded an increase in its revenues by SAR million during that period, in alignment with the management's strategy to keep pace with the customers' change in style and the market demand trends;
- The acquisition of Izdiad Commercial Company of Arabia, the franchise of TOUS international brand in October 2018G, which contributed in additional revenues of amount SAR 9.7 million in the fiscal year 2018G, and SAR 73.9 million in the fiscal year 2019G. This acquisition was one of the strategic steps that focus on retail sector;

Revenues from operations have decreased by 35.0% from SAR 395.2 million at the period of 9 months that ended in September 30, 2019G to SAR 257.1 million at the period of 9 months that ended in September 30, 2020G. This decrease was due to the partial closure of the Company and its subsidiaries' branches as a result of Covid-19 pandemic and the precautionary measures taken by KSA Government and the other countries' governments that the Company and its subsidiaries carry on their operations. At that period, retail showrooms have closed temporarily in KSA and UAE, while the number of working hours has decreased non-permanently in the companies' subsidiaries in Egypt.

Cost of Revenues

The cost of revenues of the Company and its subsidiaries are presented by gold revenues costs and operations' revenues costs in the same way of above-mentioned revenues classification.

Gold Cost of Revenues

Gold cost of revenues are the value of gold weight used in the jewelry used in wholesale sector, in which the value of gold is sold and recovered from the wholesale customers at the global price of gold without adding any profits. Thus, the value of gold revenues and their expenses are equal, and the effect of gold global price change increasing or decreasing is offset.

Operations cost of revenues

Operations cost of revenues have increased at a compound annual growth rate of 18.4% between the fiscal years 2017G and 2019G, as the revenues expenses have increased by 17.8% from SAR 137.9 million in the fiscal year 2017G to SAR 162.4 million in the fiscal year 2018G. This was based on: the increase of the consumed raw materials (SAR 19.3 million) in alignment with the increase of the expenses of retail revenues; the increase of the melting costs and slow-moving stock allocations (SAR 6.8 million); and the decrease in employees' salaries and bonuses' expenses (SAR 2.2 million) in alignment with the decrease of the number of employees in the factories.

Revenues expenses increased by 19.1% from SAR 162.4 million in the fiscal year 2018G to SAR 193.4 million in the fiscal year 2019G. This was based on: the increase of the consumed raw materials (SAR 33.0 million) in alignment with the increase of retail revenues and diamond wholesale revenues; adding to that the impact of the annual expenses of Izdiad Commercial Company of Arabia which have been acquired late fiscal year 2018G.

Operations cost of revenues decreased by 23.2% from SAR 152.9 million at the period of 9 months that ended in September 30, 2019G to SAR 117.5 million at the period of 9 months that ended in September 30, 2020G. This was a result of the decrease in the consumed raw materials (SAR 32.8 million) because the Company's operations were affected by Covid-19 and the precautionary measures taken by KSA Government, and the other countries' governments that the Company and its subsidiaries carry on their operations, to reduce the spread of Covid-19. Whereas, production was affected due to the reduction of working hours and the number of employees.

Selling and Marketing expenses

Selling and marketing expenses include: employees' salaries and bonuses, calibrating and melting gold stones from wholesale customers, advertising and promotions, amortization of right-of-use asset, sales commissions and consumption of machines and equipment, allocation of expected credit losses, rental expenses, travel expenses, amortization of intangible assets, insurance and other expenses.

Selling and marketing expenses have increased at a compound annual growth rate of 31.2% between the fiscal years 2017G and 2019G, as the expenses increased by 26.0% from SAR 104.6 million in the fiscal year 2017G to SAR 131.8 million in the financial year 2018G. This is mainly due to the rise in:

- advertising and promotions (SAR 9.1 million) in alignment with the advertising and the additional promotional activities to support the growth of revenues in Egypt and the extinguished Company, in addition to focusing on digital marketing;
- employees' salaries and bonuses (SAR 6.0 million) in alignment with the rise of selling and marketing employees from 346 employees in the financial year 2017G to 435 employees in the fiscal year 2018G as a result of the acquisition of Izdiad Commercial Company of Arabia during the same period;
- rental expenses (SAR 2.3 million) as a result of the acquisition of Izdiad Commercial Company of Arabia, which increased the number of rented stores to 22 stores during the same period.

Selling and marketing expenses increased by 36.5% from SAR 131.8 million in the financial year 2018G to SAR 179.9 million in the fiscal year 2019G, mainly affected by the rise in:

- costs of amortization of right-of-use asset, since rental charges were admitted as amortization of right-of-use asset which amounted SAR 24.9 million in the fiscal year 2019G, in alignment with applying The International Financial Reporting Standards 16;
- advertising and promotional activities (SAR 12.8 million) in alignment with the annual impact of the additional advertising and promotional activities of Izdiad Commercial Company of Arabia, besides focusing on digital marketing channels and contracting with celebrities to promote products;
- costs of calibrating and melting gold and stones (SAR 6.6 million) as a result of the rise of wholesale sales in Egypt, which led to an increase in the quantity collected from customers, and the subsequent increase in the cost of melting and returned stones from collection, thus increasing their cost with the increase of global gold prices;
- sales commissions (SAR 2.5 million) in alignment with 18.4% increase in total operating revenues, while remaining steady as a percentage of operating revenues by 3.4% during the same period.

Sales and marketing expenses decreased by 19.8% from SAR 133.8 million at the period of 9 months that ended in September 30, 2019G to SAR 107.3 million at the period of 9 months that ended in September 30, 2020G, in alignment with the decrease of revenues at the same period. This was basically caused by Covid-19 and the precautionary measures taken by KSA Government, and the other countries' governments that the Company and its subsidiaries carry on their operations, to reduce the spread of Covid-19. Many shopping malls offered lease discounts covering rental expenses during the temporary closure of shopping malls. This also led to a decrease in advertising and promotional activities (SAR 15.1 million), as well as a decrease in employees' salaries and bonuses (SAR 6.3 million).

General and Administrative Expenses

General and administrative expenses include: employees' salaries and bonuses; consultancy and professional fees; travel expenses; consumption of machines and equipment; printing, stationery and communications expenses, repair and maintenance expenses, amortization of right-of-use assets; and other expenses. General and administrative expenses increased at a compound annual growth rate of 7.4% between fiscal year 2017G and 2019G.

General and administrative expenses increased by 12.5% from SAR 37.6 million in fiscal year 2017G to SAR 42.3 million in fiscal year 2018G, due to the increase in salaries and privileges of employees (SAR 3.8 million) in alignment with the increase in the number of public employees from 263 to 266 employees and the annual increase in salaries during the same period.

General and administrative expenses increased by 2.4% from SAR 42.3 million in fiscal year 2018G to SAR 43.4 million in fiscal year 2019G, as a result of the increase in advisory and professional fees (SAR 1.1 million) in alignment with consulting costs related to Sharia consultants, tax advice, recruitment services, external designers, and brand consultancy. This increase in travel expenses (SAR 410 thousand) was accompanied by a rise in travelling between KSA, Egypt and the Gulf Cooperation Council Countries. This was offset by a decrease in employee salaries and privileges (SAR 1.4 million) due to the decrease in employee allowances in alignment with the decline in the Company's operations and subsidiaries during the same period.

General and administrative expenses decreased by 7.6% from SAR 32.6 million at the period of 9 months that ended in September 30, 2019G to SAR 30.1 million at the period of 9 months that ended in September 30, 2020G, as a result of a decrease in salaries and privileges of employees (SAR 1.7 million), and the decrease in travel expenses (SAR 841 thousand). This was a result of Covid-19 pandemic and the precaution measures taken by KSA Government, and the other countries' governments that the Company and its subsidiaries carry on their operations, to reduce the spread of Covid-19.

Impairment of inventories

During fiscal year 2019G, the Company and its subsidiaries recorded an exceptional impairment in the stock value of SAR 17.8 million, mainly due to the decline in the number of stores in KSA from 13 stores in 2017G to 10 stores in 2018G and 5 stores in 2019G. This impairment is due to the closure of low performance shops in specific locations, particularly those of diamond products that may be difficult to reuse or sell through other sales channels compared to gold products that could be recycled to be more saleable, or their gold part could be dissolved in order to design new forms or pay off gold loans.

Loss on recall of products

In the nine-month period ended 30/9/2020G, the Company and its subsidiaries have decided to incur an exceptional cost of SAR 34.7 million related to the withdrawal of some of its products from the Saudi market of heavy or slow-moving old products, which made them largely unsalable. The change in consumer tastes towards light-weighted gold jewelry accompanied by the decrease of market demand during the global COVID-19 pandemic (Coronavirus disease) and its precautionary measures, as well as the rise in gold prices during the nine-month period ended on September 30, 2020G are among the main reasons leading to the withdrawal of these products.

The Company and its subsidiaries withdrew these products for the purpose of smelting and using gold to repay gold loans in order to reduce financing costs and improve working capital.

Other Income/(Expenses), net

Other income and expenses relate to profit and loss of foreign exchange differences, the profit/loss on disposal of machinery and equipment, bank fees, and some others items.

Other expenses increased by 716.1% from SAR 534,000 in fiscal year 2017G to SAR 4.4 million in fiscal year 2018G, mainly as a result of the consulting fees in connection with Izdiad acquisition incurred during the year.

Other revenues amounted to SAR 1.0 million in fiscal year 2019G, as a result of the rise in profit of foreign exchange differences due to fluctuations in the Egyptian pound.

Other revenues decreased by 89.1% from SAR 3.1 million in the nine-month period ended on September 30, 2019G to SAR 338,000 in the nine-month period ended on September 30, 2020G due to a deposit write-off of AED 1.9 million paid to one of the shopping malls under construction in the UAE, 10 years ago. The deposit was written off during financial year 2020G, in order to have an exhibition in this center. However, the owner of the shopping center failed to complete the construction of the center for several years, and the company believed that the amount of the deposit paid would not be recovered; accordingly, it was written off during the financial year 2020G.

Financing Costs – Net

Financing costs relate to net core financing costs, the rate of return on end-of-service bonuses for employees and on rental obligations. Financing costs increased at a compound annual growth rate of 28.6% from SAR 30.7 million in fiscal year 2017G to SAR 50.9 million in fiscal year 2019G, mainly in compliance with the increase in cost-plus (Murabaha) facilities obtained to finance the acquisition of Izdiad Commercial Company of Arabia during fiscal year 2018G and the rate of return on rental obligations in accordance with IFRS 16.

Financing costs increased by 2.8% from SAR 38.4 million in the nine-month period ended on September 30, 2019G to SAR 39.5 million in the nine-month period ended on September 30, 2020G as a result of the increase in financing costs (SAR 2.2 million) due to higher gold prices despite all the efforts exerted by the Company and its subsidiaries to reduce working capital.

5-5-2 Revenues by Regions

Table (5-3): Operating revenues by region for the fiscal years ended December 31, 2017G, 2018G, and 2019G, and the nine-month period ended September 30, 2019G, and 2020G.

(SAR'000)	2017G	2018G	2019G	YoY Growth 2017G-2018G	YoY Growth 2018G-2019G	CAGR 2017G-2019G	9 month- period 2019G	9 month- period 2020G	Period change 2019G-2020G
KSA	229,754	229,951	259,560	0.1%	12.9%	6.3%	217,905	120,010	(44.9%)
Egypt	99,508	166,179	208,772	67.0%	25.6%	44.8%	164,642	136,353	(17.2%)
UAE	20,308	10,281	9,684	(49.4%)	(5.8%)	(30.9%)	9,600	688	(92.8%)
Others	5,804	35	3,188	(99.4%)	9008.6%	(25.9%)	3,044	-	(100.0%)
Net revenues	355,374	406,445	481,205	14.4%	18.4%	16.4%	395,191	257,061	(35.0%)
Total wholesale revenues by region as an average of total operating revenues									
KSA	64.7%	56.6%	53.9%	(8.1)	(2.6)	(10.7)	55.1%	46.7%	(8.5)
Egypt	28.0%	40.9%	43.4%	12.9	2.5	15.4	41.7%	53.0%	11.4
UAE	5.7%	2.5%	2.0%	(3.2)	(0.5)	(3.7)	2.4%	0.3%	(2.2)
Others	1.6%	0.0%	0.7%	(1.6)	0.7	(1.0)	N/A	N/A	N/A

Source: The Company and its subsidiaries information.

5-5-3 Gold Wholesale Revenues by Region

Table (5-4): gold wholesale revenues by region for the fiscal years ended December 31, 2017G, 2018G, and 2019G, and the nine-month period ended September 30, 2019G, and 2020G.

(SAR'000)	2017G	2018G	2019G	YoY Growth 2017G-2018G	YoY Growth 2018G-2019G	CAGR 2017G-2019G	9 month- period 2019G	9 month- period 2020G	Period change 2019G-2020G
Local revenues	117,636	117,066	89,612	(0.5%)	(23.5%)	(12.7%)	82,855	42,177	(49.1%)
Exports	8,463	8,540	4,659	0.9%	(45.4%)	(25.8%)	4,160	498	(88.0%)
Total revenues in KSA	126,099	125,606	94,271	(0.4%)	(24.9%)	(13.5%)	87,015	42,674	(51.0%)
Local revenues	82,043	125,876	150,215	53.4%	19.3%	35.3%	121,985	86,050	(29.5%)
Total revenues in Egypt	82,043	125,876	150,215	53.4%	19.3%	35.3%	121,985	86,050	(29.5%)
Local revenues	8,072	5,015	1,628	(37.9%)	(67.5%)	(55.1%)	1,636	120	(92.7%)
Exports	10,122	4,250	6,790	(58.0%)	59.8%	(18.1%)	6,771	-	(100.0%)
Total revenues in UAE	18,194	9,265	8,418	(49.1%)	(9.1%)	(32.0%)	8,407	120	(98.6%)
Local revenues	5,804	35	1,982	(99.4%)	5562.9%	(41.6%)	1,837	-	(100.0%)
Exports	-	-	1,206	N/A	N/A	0.0%	1,206	-	(100.0%)
Total revenues in other countries	5,804	35	3,188	(99.4%)	9114.9%	(25.9%)	3,044	-	(100.0%)
Net revenues	355,374	406,445	481,205	14.4%	18.4%	16.4%	395,191	257,061	(35.0%)
Key performance indicators									
Percentage of wholesale revenues									
Local	33.1%	28.8%	18.6%	(4.3)	(10.2)	(14.5)	21.0%	16.4%	(4.6)
Exports	2.4%	2.1%	1.0%	(0.3)	(1.1)	(1.4)	1.1%	0.2%	(0.9)

(SAR'000)	2017G	2018G	2019G	YoY Growth 2017G-2018G	YoY Growth 2018G-2019G	CAGR 2017G-2019G	9 month- period 2019G	9 month- period 2020G	Period change 2019G-2020G
KSA	35.5%	30.9%	19.6%	(4.6)	(11.3)	(15.9)	22.0%	16.6%	(5.4)
Local	23.1%	31.0%	31.2%	7.9	0.2	8.1	30.9%	33.5%	2.6
Egypt	23.1%	31.0%	31.2%	7.9	0.2	8.1	30.9%	33.5%	2.6
Local	2.3%	1.2%	0.3%	(1.0)	(0.9)	(1.9)	0.4%	0.0%	(0.4)
Exports	2.8%	1.0%	1.4%	(1.8)	0.4	(1.4)	1.7%	0.0%	(1.7)
UAE	5.1%	2.3%	1.7%	(2.8)	(0.5)	(3.4)	2.1%	0.0%	(2.1)
Local	1.6%	0.0%	0.4%	(1.6)	0.4	(1.2)	0.5%	0.0%	(0.5)
Exports	0.0%	0.0%	0.3%	-	0.3	0.3	0.3%	0.0%	(0.3)
Other countries	1.6%	0.0%	0.7%	(1.6)	0.7	(1.0)	0.8%	0.0%	(0.8)

Source: The Company and its subsidiaries information.

Revenues in KSA

The gold wholesale revenues of the Company and its subsidiaries in KSA decreased at a compound annual growth rate of 13.5% between fiscal years 2017G and 2019G. Export revenues are mainly earned from the exports destined for Kuwait accounting for 63.4% of KSA total exports. Followed by the exports to Bahrain representing 34.0% of KSA total exports during the historical period.

The gold wholesale revenues of the Company and its subsidiaries in KSA decreased slightly by 0.4% from SAR 126.1 million in the fiscal year 2017G to SAR 125.6 million in fiscal year 2018G due to a 0.5% drop in local revenue from SAR 117.6 million to SAR 117.1 million during the same period. In addition, export revenues stabilized at SAR 8.5 million in fiscal years 2017G and 2018G.

The gold wholesale revenues of the Company and its subsidiaries in KSA decreased by 24.9% from SAR 125.6 million in fiscal year 2018G to SAR 94.3 million in fiscal year 2019G due to the fall of local revenues by 23.5% from SAR 117.1 million to SAR 89.6 million. The drop was the result of the strategic change in focus from wholesale to retail in KSA in line with market conditions and changing consumer tastes. In addition, exports decreased by 45.5% from SAR 8.5 million to SAR 4.7 million in the same period due to the conditions in the region.

The gold wholesale revenues of the Company and its subsidiaries in KSA decreased by 51.0% from SAR 87.0 million in the nine-month period ended September 30, 2019G to SAR 42.7 million in the nine-month period ended September 30, 2020G, due to a 49.1% drop in local revenues from SAR 82.9 million to SAR 42.2 million in the same period. This was mainly caused by the global COVID-19 pandemic (Coronavirus disease) and the mid-March 2020G precautionary measures taken by the KSA government to prevent the spread of the disease; while a total and partial curfew was imposed from March 23 to June 21, 2020G leading to a cut in production after working hours' reduction and workforce downsizing. This also led to a decrease in export revenues from SAR 4.2 million in the nine-month period ended September 30, 2019G to SAR 498,000 in the nine-month period ended September 30, 2020G, mainly in line with a decrease in exports to Bahrain of SAR 2.6 million and to Kuwait of SAR 1.1 million during the same period.

Revenues in Egypt

The revenues of the Company and its subsidiaries in Egypt are primarily generated by Oro Egypt and L'Azurde Egypt. Wholesale gold revenues in Egypt increased at a compound annual growth rate of 35.3% between fiscal years 2017G and 2019G. The revenues of the Company and its subsidiaries in Egypt come mainly from local sales and do not include any export revenues.

The revenues of the Company and its subsidiaries in Egypt enjoyed a 53.4% increase in gold wholesale from SAR 82.0 million in fiscal year 2017G to SAR 125.9 million in fiscal year 2018G, and then experienced an increase of 19.3% achieving SAR 150.2 million in fiscal year 2019G.

The main reason behind this increase was the wholesale gold demand that rose by 1,654 Kg, as the Company and its subsidiaries introduced new innovations and intensified investment in collaboration with celebrities to promote their products. With the good use of new technologies during the manufacturing process, the Company and its subsidiaries acquired a great ability to price their products higher than they were previously. The wholesale sector in Egypt has also been positively affected by rising demand in general and good market conditions.

The gold wholesale revenues of the Company and its subsidiaries in Egypt decreased by 29.5% from SAR 122.0 million in the nine-month period ended September 30, 2019G to SAR 86.1 million in the nine-month period ended September 30, 2020G. This

was caused by the global COVID-19 pandemic (Coronavirus disease) and the mid-March 2020G precautionary measures taken by the Egyptian government to prevent the spread of the disease; while a total and partial curfew was imposed leading to a cut in production after working hours reduction and workforce downsizing.

Revenues in UAE

The gold wholesale revenues of the Company and its subsidiaries in the UAE relate to wholesale revenues from L'Azurde Dubai, while Abu Dhabi's revenues are generated from one retail showroom that was closed in fiscal year 2017G. Exports from Dubai include wholesale sales to Iraq (49.6%), Jordan (12.2%), Oman (7.9%) and other countries (30.3%) during the historical period.

The gold wholesale revenues of the Company and its subsidiaries in the UAE decreased at a compound annual rate of 32.0% between fiscal years 2017G and 2019G. Revenues of the Company and its subsidiaries in the UAE decreased by 49.1% from SAR 18.2 million in fiscal year 2017G to SAR 9.3 million in fiscal year 2018G mainly due to a 58.0% drop in export revenues from SAR 10.1 million to SAR 4.3 million during the same period. In line with the decline in exports to Iraq (by SAR 4.0 million) due to conditions in the region, and to Oman (by SAR 2.2 million), L'Azurde Group established a separate subsidiary in Oman during fiscal year 2018G. Local revenues also decreased by 37.9% from SAR 8.1 million to SAR 5.0 million, as a consequence of a decline in gold wholesale from 742 kg to 365 kg during the same period. Due to the drop caused by general slowdown in wholesale operations in Dubai, the Company and its subsidiaries were obliged to downsize the workforce in its wholesale branch.

The gold wholesale revenues of the Company and its subsidiaries in the UAE decreased by 9.1% from SAR 9.3 million in fiscal year 2018G to SAR 8.4 million in fiscal year 2019G, driven by a 67.5% decrease in local sales from SAR 5.0 million to SAR 1.6 million during the same period, offset by a 59.8% increase in exports from SAR 4.3 million to SAR 6.8 million paid mainly from exports to Iraq (by SAR 4.1 million).

The gold wholesale revenues of the Company and its subsidiaries in the UAE decreased by 98.6% from SAR 8.4 million in the nine-month period ended September 30, 2019G to SAR 120,000 in the nine-month period ended September 30, 2020G. This was caused by the global COVID-19 pandemic (Coronavirus disease) and the mid-March 2020G precautionary measures taken by the UAE government to prevent the spread of the disease; while a total and partial curfew was imposed between March 19 and June 24, 2020G leading to a cut in production after working hours reduction and workforce downsizing. This resulted in a complete halt in exports from SAR 6.8 million in the nine-month period ended September 30, 2019G to zero in the nine-month period ended September 30, 2020G, particularly exports to Iraq (SAR 4.5 million) during the same period.

Revenue in Other Countries

The revenues of the Company and its subsidiaries in other countries are mainly generated by L'Azurde Qatar, for which sales have been suspended amid the political events that began in the middle of fiscal year 2017G, in addition to L'Azurde Oman, which was established on May 2018G. Revenues of the Company and its subsidiaries in other countries declined at a compound annual growth rate of 25.9% between 2017G and 2019G. Export revenues from L'Azurde Oman are made up entirely of exports destined for the US accounting for SAR 1.2 million of total exports in other countries in fiscal year 2019G.

The gold wholesale revenues of the Company and its subsidiaries in other countries decreased by 99.4% from SAR 5.8 million in fiscal year 2017G to SAR 35,000 in fiscal year 2018G, which are entirely relied on local revenues. This decrease was mainly due to the disruption of sales in Qatar amid the political events that began during fiscal year 2017G.

The gold wholesale revenues of the Company and its subsidiaries in other countries increased from SAR 35,000 in fiscal year 2018G to SAR 3.2 million in fiscal year 2019G. This growth was the result of a rise in Oman's revenues by SAR 3.2 million, including SAR 1.2 million earned from the exports destined for the US, as the gold wholesale increased by 88 kg in line with the full year of L'Azurde Oman's operations in 2019G.

The gold wholesale revenues of the Company and its subsidiaries in other countries decreased by 100.0% from SAR 3.0 million in the nine-month period ended September 30, 2019G to zero in the nine-month period ended September 30, 2020G, which were fully related to L'Azurde Oman's revenues with no revenue or cost recorded during the same period. This drop was caused by the global COVID-19 pandemic (Coronavirus disease) and the mid-March 2020G precautionary measures taken by the authorities in the Gulf states to prevent the spread of the disease; while a total and partial curfew was imposed during that time leading to a cut in production after working hours' reduction and workforce downsizing.

5-5-4 KSA Revenues from Sales Channels

Table (5-5): KSA revenues from sales channels for the fiscal years ended December 31, 2017G, 2018G, and 2019G, and the nine-month period ended September 30, 2019G, and 2020G.

(SAR'000)	2017G	2018G	2019G	YoY Growth 2017G-2018G	YoY Growth 2018G-2019G	CAGR 2017G-2019G	9 month- period 2019G	9 month- period 2020G	Period change 2019G-2020G
Gold and diamond wholesale	127,057	124,996	94,271	(1.6%)	(24.6%)	(13.9%)	87,015	40,156	(53.9%)
InStyle gold wholesale	-	-	-	N/A	N/A	0.0%	-	784	N/A
Total wholesale revenues	127,057	124,996	94,271	(1.6%)	(24.6%)	(13.9%)	87,015	40,636	(53.3%)
Retail revenues	95,151	98,123	157,532	3.1%	60.5%	28.7%	124,842	71,383	(42.8%)
E-commerce Miss L'	-	-	-	N/A	N/A	0.0%	-	1,735	N/A
Other revenues	7,545	6,833	7,757	(9.4%)	13.5%	1.4%	6,048	6,267	3.6%
Total	229,754	229,951	259,560	0.1%	12.9%	6.3%	217,905	120,020	(44.9%)
Key performance indicators									
Amount of gold wholesale (in kg)	4,846	4,454	3,381	(8.1)	(24.1%)	(16.5%)	3,124	1,227	(60.7%)
Average wholesale gold revenue per gram (SAR)	26.0	28.2	27.6	8.4%	(2.0%)	3.0%	27.6	32.3	17.1%
Total retail outlets	38	65	63	27	(2)	25	63	56	(7)
As a percentage of total operating revenue									
Gold and diamond wholesale	35.8%	30.8%	19.6%	(5.0)	(11.2)	(16.2)	22.0%	15.6%	(6.4)
InStyle gold wholesale	0.0%	0.0%	0.0%	-	-	-	0.0%	0.3%	0.3
Wholesale total revenues	35.8%	30.8%	19.6%	(5.0)	(11.2)	(16.2)	22.0%	15.8%	(6.2)
Retail revenues	26.8%	24.1%	32.7%	(2.6)	8.6	6.0	31.6%	27.8%	(3.8)
E-commerce Miss L'	0.0%	0.0%	0.0%	-	-	-	0.0%	0.7%	0.7
Other revenues	2.1%	1.7%	1.6%	(0.4)	(0.1)	(0.5)	1.5%	2.4%	0.9
Total	64.7%	56.6%	53.9%	(8.1)	(2.6)	(10.7)	55.1%	46.7%	(8.4)

Source: The Company and its subsidiaries information.

Wholesale Revenues

Wholesale revenues in KSA depend mainly on revenues from gold wholesale, 'Miss L' and 'InStyle' and diamond.

Wholesale revenues in KSA decreased by 1.6% from SAR 127.1 million in fiscal year 2017G to SAR 125.0 million in fiscal year 2018G, driven mainly by a 0.4% decrease in gold wholesale from SAR 126.1 million to SAR 125.6 million during the same period. Wholesale diamond revenues slumped by 163.7% from SAR 958,000 to SAR 610,000 due to the Company's efforts to focus on retail rather than wholesale, particularly the diamond wholesale because of low demand in local market.

Wholesale revenues declined by 24.6% from SAR 125.0 million in fiscal year 2018G to SAR 94.3 million in fiscal year 2019G, primarily driven by a 25.6% decrease in gold wholesale from SAR 125.6 million in fiscal year 2018G to SAR 93.4 million in fiscal 2019G in alignment with the 1.073 kg decrease in the amount of gold sold giving rise in world gold prices.

In response to that, the Company changed its jewelry designs and reduced the average weight of its jewelry production ensuring that the new products meet the customers' tastes and budget. Moreover, the Company and its subsidiaries accepted returns of heavy gold jewelry items from their customers, exceptionally, to ensure that both customers and retailers have the right products at hand.

Wholesale revenues in KSA decreased by 53.3% from SAR 87.0 million in the nine-month period ended September 30, 2019G to SAR 40.6 million in the nine-month period ended September 30, 2020G, mainly driven by a 54.0 million decline in gold wholesale 40.0% from SAR 86.2 million in the nine-month period ended September 30, 2019G to SAR 39.6 million in the nine-month period ended September 30, 2020G.

In line with the 1,897 kg reduction in the quantity of gold sold following the slowdown in the operations of the Company and its subsidiaries affected by the global COVID-19 pandemic (Coronavirus disease) and the mid-March 2020G precautionary measures taken by the KSA government to prevent the spread of the disease; while a total and partial curfew was imposed from March 23 to June 21, 2020G leading to a cut in production after working hours' reduction and workforce downsizing. In addition, demand for wholesale sales, often related to the sale of heavy items with higher prices, was affected by the rise in VAT from 5% to 15% during fiscal year 2020G.

Retail Revenues

Retail revenues in KSA were raised from 38 outlets during fiscal year 2017G, 65 outlets during fiscal year 2018G, 63 outlets during fiscal year 2019G and 56 outlets during the nine-month period ended September 30, 2020G located across the Kingdom.

Retail revenues in KSA increased by 3.1% from SAR 95.2 million in fiscal year 2017G to SAR 98.1 million in fiscal year 2018G. Retail revenues enjoyed another increase of 60.5% achieving SAR 157.5 million in fiscal year 2019G due to the efforts of the Company and its subsidiaries focusing on the retail sector and the Izdiad acquisition incurred during the fiscal year 2017G and impacting the fiscal year 2019G.

Retail revenues in KSA suffered a decrease of 42.8% from SAR 124.8 during the nine-month period ended September 30, 2019G to SAR 71.4 million during the nine-month period ended September 30, 2020G. This drop was caused by the global COVID-19 pandemic (Coronavirus disease) and the mid-March 2020G precautionary measures taken by the KSA government to prevent the spread of the disease. While a total and partial curfew was imposed from March 23 to June 21, 2020G leading to a cut in production after working hours' reduction and workforce downsizing, KSA retail outlets were under threat of temporary closure with an increase in VAT reporting 5% to 15% during the fiscal year 2020G.

E-commerce (Miss L)

E-commerce is limited to the Miss L fashion jewelry line, as it reached SAR 1.7 million in the nine-month period ended September 30, 2020G after it was launched by the Company and its subsidiaries on March 2020G. Miss L fashion jewelry line launch came in response to the closure of malls due to the global COVID-19 pandemic (Coronavirus disease) and the mid-March 2020G precautionary measures taken by the KSA government to prevent the spread of the disease.

Other Revenues

Other revenues are earned from independent retailers of diamond jewelry, and jewelry machinery equipment. While revenues from independent retailers of diamond jewelry come mainly from already polished diamonds to sell directly to customers, revenues from jewelry machinery equipment are generated through selling machinery to manufacturers of diamond jewelry.

Other revenues of the Company and its subsidiaries in KSA suffered a decrease by 9.4% from SAR 7.5 million in 2017G to SAR 6.8 million in fiscal year 2018G due to lower revenues from independent retailers of diamond jewelry after demand declined. There has been a 13.5% rise in other revenues resulting in an increase of SAR 7.8 million in fiscal 2019G after demand increased.

Other revenues of the Company and its subsidiaries in KSA increased by 3.6% from SAR 6.0 million in the nine-month period ended September 30, 2019G to SAR 6.3 million in the nine-month period ended September 30, 2020G as the revenues of jewelry machinery equipment increased.

5-5-5 Egypt's Revenues in Terms of Sales Channels

Table (5-6): Egypt's Revenues in terms of sales channels for the fiscal years ended December 31, 2017G, 2018G, and 2019G, and the nine-month period ended September 30, 2019G, and 2020G.

(SAR'000)	2017G	2018G	2019G	YoY Growth 2017G-2018G	YoY Growth 2018G-2019G	CAGR 2017G-2019G	9 month- period 2019G	9 month- period 2020G	Period change 2019G-2020G
Gold and diamonds wholesale sales	84,255	127,425	152,015	51.2%	19.3%	34.3%	123,463	85,106	(31.1%)
Retail revenues	15,252	38,753	56,757	154.1%	46.5%	92.9%	41,179	49,456	20.1%
Online sales (Miss L)	-	-	-	N/A	N/A	0.0%	-	1,791	N/A
Total	99,508	166,179	208,772	67.0%	25.6%	44.8%	164,642	136,353	(17.2%)
Key performance indicators:									
Gold wholesale sales (kilograms)	5,615	7,269	7,612	29.5%	4.7%	16.4%	6,185	3,916	(36.7%)

(SAR'000)	2017G	2018G	2019G	YoY Growth 2017G-2018G	YoY Growth 2018G-2019G	CAGR 2017G-2019G	9 month- period 2019G	9 month- period 2020G	Period change 2019G-2020G
Average revenues of gold wholesale per gram (SAR)	14.6	17.3	19.6	18.5%	13.4%	15.9%	19.7	20.8	5.7%
Total number of retail showrooms	8	13	18	5	5	10	16	25	9
As Percentage of total operations' revenues									
Gold and diamonds wholesale sales	23.7%	31.4%	31.6%	7.6	0.2	7.9	31.2%	33.1%	1.9
Retail revenues	4.3%	9.5%	11.8%	5.2	2.3	7.5	10.4%	19.2%	8.8
Online sales (Miss L)	0.0%	0.0%	0.0%	-	-	-	0.0%	0.7%	0.7
Total	28.0%	40.9%	43.4%	12.9	2.5	15.4	41.7%	53.0%	11.4

Source: The Company and its subsidiaries' information.

Wholesale Sales Revenues

Revenues of Miss L sales include wholesale sales revenues in Egypt, basically gold and diamonds wholesale sales which have increased at an annual growth rate of 34.3% between the fiscal years 2017G-2019G.

Wholesale sales revenues in Egypt have increased by 51.2% of SAR 84.3 million in the fiscal year 2017G to SAR 127.4 million in the fiscal year 2018G. This was basically due to the increase of gold wholesale sales revenues by 53.4% from SAR 82.0 million in the fiscal year 2017G to SAR 125.9 million in the fiscal year 2018G, in alignment with the increase by 1,654 kg of the quantity sold. As well, the Company and its subsidiaries created new innovations to their products. Besides, while manufacturing, they intensified their investments, by increasing engagements with celebrities for product marketing, and using new technology properly. These factors promoted the Company and its subsidiaries to raise the price of their products more than before. Furthermore, the wholesale sector in Egypt has been affected generally by the rise in demand and the improvement in market conditions.

Wholesale sales revenues in Egypt have increased by 19.3% from SAR 127.4 million in the fiscal year 2018G to SAR 152.0 million in the fiscal year 2019G. This was basically due to the increase of gold wholesale sales revenues by 18.8% from SAR 125.9 million in the fiscal year 2018G to SAR 149.5 million in the fiscal year 2019G, in alignment with the increase by 343 kg of the quantity sold, for the same aforementioned reasons. As well, the Company and its subsidiaries have continued in creating new innovations to their products. Besides, while production, they intensified their investments, by increasing engagements with celebrities for product marketing, and using new technology properly. These factors promoted the Company and its subsidiaries to raise the price of their products more than before. Furthermore, the wholesale sector in Egypt has been affected generally by the rise in demand and the improvement in market conditions.

Wholesale sales revenues in Egypt have decreased by 31.1% from SAR 123.5 million at the period of 9 months that ended in September 30, 2019G to SAR 85.1 million at the period of 9 months that have in September 30, 2020G. This was basically due to the decrease of gold wholesale sales revenues by 33.1% from SAR 121.6 million at the period of 9 months that ended in September 30, 2019G to SAR 81.4 million at the period of 9 months that ended in September 30, 2020G because of the global Corona virus pandemic (Covid-19) and the precautionary measures taken by the Egyptian Government in March 2020G to reduce spread of Covid-19. Partial and whole lockdown was imposed. The manufacturing process have been affected due to the reduction of working hours and number of employees in the Company and its subsidiaries in Egypt.

Retail Revenues

Retail revenues in Egypt have been realized from 8 showrooms in the fiscal year 2017G, 13 showrooms in the fiscal year 2018G, 18 showrooms during the fiscal year 2019G and 25 showrooms during the period of 9 months that ended in September 30, 2020G, which were spread all over Egypt.

Retail revenues in Egypt have increased by 154.1% from SAR 15.3 million in the fiscal year 2017G to SAR 38.8 million in the fiscal year 2018G. Then the revenues have increased by 46.5% reaching 56.8 % million SAR in the fiscal year 2019G because the Company and its subsidiaries have created new innovations to their products. Furthermore, while manufacturing, they intensified investments by increasing engagements with celebrities for product marketing. As well, they used new technology properly. These factors promoted the ability to raise the price of products more than before. In addition, the Company and its subsidiaries have focused on retail sales instead of wholesale sales. So, eight retail showrooms opened between 2017G and 2019G.

Retail revenues have increased in Egypt by 20.1% from SAR 41.2 million at the period of 9 months that ended in September 30, 2019G to SAR 49.5 million at the period of 9 months that ended in September 30, 2020G, in alignment with the opening

of 9 new retail showrooms. This was a result of the continuous efforts of the Company and its subsidiaries on focusing on retail sales instead of wholesale sales; and the rise in demand in retail sector in compliance with the improvement in market conditions, as well.

E-commerce (Miss L)

Online sales are related to the sales of the products of the brand Miss L on the internet in Egypt which reached SAR 1.8 million. Online sales of the Company and its subsidiaries have started after the implications of Covid-19 and the temporary closure of the shopping centers in May 2020G.

5-5-6 UAE Revenues in Terms of Sales Channels

Table (5-7): United Arab Emirates Revenues in Terms of Sales Channels for the fiscal years ended December 31, 2017G, 2018G, and 2019G, and the nine-month period ended September 30, 2019G, and 2020G.

(SAR'000)	2017G	2018G	2019G	YoY Growth 2017G-2018G	YoY Growth 2018G-2019G	CAGR 2017G-2019G	9 month- period 2019G	9 month- period 2020G	Period change 2019G-2020G
Gold wholesale sales	18,194	9,264	8,418	(49.1%)	(9.1%)	(32.0%)	8,407	120	(98.6%)
Retail revenues	2,114	779	-	(63.2%)	(100.0%)	-	-	-	N/A
Other revenues	-	238	1,267	N/A	433.1%	-	1,193	568	(52.4%)
Total	20,308	10,281	9,684	(49.4%)	(5.8%)	(30.9%)	9,600	688	(92.8%)
Key performance indicators									
Gold wholesale sales (kilograms)	742	365	349	(50.8%)	(4.5%)	(31.4%)	356	8	(97.9%)
Average revenues of gold wholesale sales per gram (SAR)	24.5	25.4	23.1	3.4%	(8.7%)	(2.9%)	23.0	N/A	N/A
Total number of retail showrooms	1	-	-	(1)	-	(1)	-	-	-
As Percentage of total operations revenues									
Gold wholesale	5.1%	2.3%	1.7%	(2.8)	(0.5)	(3.4)	2.1%	0.0%	(2.1)
Retail revenues	0.6%	0.2%	0.0%	(0.4)	(0.2)	(0.6)	0.0%	0.0%	-
Other revenues	0.0%	0.1%	0.3%	0.1	0.2	0.3	0.3%	0.2%	(0.1)
Total	5.7%	2.5%	2.0%	(3.2)	(0.5)	(3.7)	2.4%	0.3%	(2.2)

Source: The Company and its subsidiaries' information.

Wholesale Sales Revenues

Wholesale sales revenues in UAE include basically revenues of gold wholesale; while revenues of Miss L are less, which have decreased by an annual rate of 32.0% between the fiscal years 2017G and 2019G. Gold wholesale sales revenues of L'Azurde Dubai in UAE are earned totally from exporting gold artifacts as wholesale. Gold wholesale revenues have decreased in UAE by 49.1% from SAR 18.2 million in the fiscal year 2017G to SAR 9.3 million in the fiscal year 2018G, in alignment with a decrease in the amount of gold wholesale sales in kilogram from 742 kg to 365 kg during the same period. This decrease was due to the wholesale sales slowdown in Dubai because the Company and its subsidiaries have reduced the number of employees at their wholesale branch.

Wholesale sales revenues in UAE have decreased by 9.1% from SAR 9.3 million in the fiscal year 2018G to SAR 8.4 million in the fiscal year 2019G. This was basically due to the decrease of gold wholesale sales revenues by 12.8% from SAR 9.3 million in the fiscal year 2018G to SAR 8.1 million in the fiscal year 2019G because of the decrease in local sales (SAR 3.4 million), faced by increase in exports (SAR 2.5 million). Besides, the amount of gold wholesale sales in kilogram has decreased from 365 kg to 349 kg during the same period.

Wholesale sales revenues in UAE have decreased by 98.6% from SAR 8.4 million at the period of 9 months that ended in September 30, 2019G to SAR 120 thousands at the period of 9 months that ended in September 30, 2020G. This was basically due to the decrease of gold wholesale sales revenues by 105.0% from SAR 8.2 million at the period of 9 months that ended in September 30, 2019G into returns of SAR 411 thousands at the period of 9 months that ended in September 30, 2020G. This was caused basically by the global Coronavirus pandemic (Covid-19) and the precautionary measures taken by UAE Government in March 2020G to reduce the spread of Covid-19. Besides, partial and whole lockdown was imposed between March 19 and June 24, 2020G. Manufacturing process have been affected due to the reduction of the working hours and number of employees.

Retail Revenues

Retail revenues in UAE related to the operations of L'Azurde branch in Abu Dhabi. Retail revenues of the Company and its subsidiaries in UAE have decreased by 63.2% from SAR 2.1 million in the fiscal year 2017G to SAR 779 thousand in the fiscal year 2018G, then to nil in the fiscal year 2019G. This decrease happened due to the closure of the one and only branch in Abu Dhabi during the fiscal year 2017G; as the Company and its subsidiaries have realized slight sales in the fiscal year 2018G during the branch's stock clearance.

Other Revenues

Other revenues in UAE are gained from other sales. The other revenues have increased by 433.1% from SAR 238 thousand in the fiscal year 2018G to SAR 1.3 million in the fiscal year 2019G.

Other revenues in UAE have decreased by 52.4% from SAR 1.2 million at the period of 9 months that ended in September 30, 2019G to SAR 568 thousand at the period of 9 months that ended in September 30, 2020G. This was basically due to the global Corona virus pandemic and the precautionary measures taken by UAE Government in March 2020G to reduce the spread of Covid-19. Besides, partial and whole lockdown was imposed between March 19 and June 24, 2020G. Thus, production have been affected after the reduction of the working hours and number of employees.

5-5-7 Other Countries' Revenues in Terms of Sales Channels

Table (5-8): Other Countries' Revenues in Terms of Sales Channels for the fiscal years ended December 31, 2017G, 2018G, and 2019G, and the nine-month period ended September 30, 2019G, and 2020G.

(SAR'000)	2017G	2018G	2019G	YoY Growth 2017G-2018G	YoY Growth 2018G-2019G	CAGR 2017G-2019G	9 month- period 2019G	9 month- period 2020G	Period change 2019G-2020G
Gold Wholesale	5,804	35	3,188	(99.4%)	9008.6%	(25.9%)	3,044	-	(100.0%)
Key performance indicators									
Gold wholesale sales (kilograms)	189	1	89	(99.3%)	8800.0%	(31.5%)	84	-	(100.0%)
Average revenues of gold wholesale sales per gram (SAR)	30.8	25.4	28.8	(17.5%)	13.7%	(3.2%)	28.7	N/A	N/A
As Percentage of total operations' revenues									
Gold wholesale	1.6%	0.0%	0.7%	(1.6)	0.7	(1.0)	0.8%	0.0%	(0.8)

Source: The Company and its subsidiaries' information.

Wholesale Sales Revenues

Wholesale sales revenues of other countries include basically gold and diamonds wholesale sales, in addition to the revenues of the brand Miss L, as gold wholesale revenues are earned by other countries: Qatar and Oman. Wholesale revenues have decreased in other countries by 99.4% from SAR 5.8 million in the fiscal year 2017G to SAR 35 thousand in the fiscal year 2018G, as a result of the decrease in Qatar revenues from SAR 5.8 million in the fiscal year 2017G to nil in the fiscal year 2018G. In addition to the revenues of Oman as the Company and its subsidiaries have started their operations in the second half of the fiscal year 2018G.

Wholesale revenues of the Company and its subsidiaries in other countries have increased by 9114.9% from SAR 35 thousand in the fiscal year 2018G to SAR 3.2 million in the fiscal year 2019G. This was basically due to the increase of gold wholesale revenues by 7284.6% from SAR 35 thousand in the fiscal year 2018G to SAR 2.6 million in the fiscal year 2019G; which are fully connected to L'Azurde revenues of Oman. As well, L'Azurde in Oman have exported the Company and its affiliate's products to US with revenues of SAR 1.2 million during the 9 months that ended in September 30, 2019G.

Gold wholesale revenues of the Company and its subsidiaries in other countries have decreased by 100.0% from SAR 3.0 million at the period of 9 months that ended in September 30, 2019G, to nil at the period of 9 months that ended in September 30, 2020G. This was basically due to the decrease of gold wholesale revenues by 100.0% from SAR million at the period of 9 months that ended in September 30, 2019G to nil at the period of 9 months that ended in September 30, 2020G. At that period, neither L'Azurde Oman nor L'Azurde Qatar have recorded any revenues.

5-5-8 Revenue Costs from the Operations

Table (5-9): Revenue Costs from the Operations for the fiscal years ended December 31, 2017G, 2018G, and 2019G, and the nine-month period ended September 30, 2019G, and 2020G.

(SAR'000)	2017G	2018G	2019G	YoY Growth 2017G-2018G	YoY Growth 2018G-2019G	CAGR 2017G-2019G	9 month- period 2019G	9 month- period 2020G	Period change 2019G-2020G
Raw materials consumed	80,922	100,261	133,302	23.9%	33.0%	28.3%	109,239	76,419	(30.0%)
Employee salaries and benefits	45,794	43,632	43,547	(4.7%)	(0.2%)	(2.5%)	30,345	26,804	(11.7%)
Melting Costs and slow-moving inventory provisions	2,873	9,630	9,548	235.2%	(0.8%)	82.3%	6,981	8,453	21.1%
Depreciation	4,144	4,251	5,317	2.6%	25.1%	13.3%	3,664	4,057	10.7%
Other	4,159	4,594	1,680	10.5%	(63.4%)	(36.4%)	2,628	1,718	(34.6%)
Total Cost of Operations' Revenues	137,892	162,369	193,395	17.8%	19.1%	18.4%	152,857	117,451	(23.2%)
Key performance indicators									
Number of Employees	1,517	1,511	1,342	(6)	(169)	(175)	1,448	1,208	(240)
Average monthly labor cost (Thousand SAR)	2,516	2,406	2,704	(4.3%)	12.4%	3.7%	2,328	2,465	5.9%
As Percentage of operations' total revenues									
Consumed raw materials	22.8%	24.7%	27.7%	1.9	3.0	4.9	27.6%	29.7%	2.1
Employee salaries and rewards	12.9%	10.7%	9.0%	(2.2)	(1.7)	(3.8)	7.7%	10.4%	2.7
Melting Costs and slow-moving stock allocations	0.8%	2.4%	2.0%	1.6	(0.4)	1.2	1.8%	3.3%	1.5
Depreciation	1.2%	1.0%	1.1%	(0.1)	0.1	(0.1)	0.9%	1.6%	0.7
Other	1.2%	1.1%	0.3%	(0.0)	(0.8)	(0.8)	0.7%	0.7%	0.0
Total	38.8%	39.9%	40.2%	1.1	0.2	1.4	38.7%	45.7%	7.0

Source: Reviewed financial lists for the fiscal years that ended December 31, 2017G, 2018G and 2019G, and the Company and its subsidiaries' information for the period of 9 months that ended in September 30, 2019G and 2020G.

Consumed Raw Materials

Consumed raw materials include different ingredients depended the jewelries' kind, and whether the product is to be sold as retail or wholesale. Raw materials are composed of diamonds, gems, and ready jewelry pieces and almost complete jewels from external sources (often used for retail). Consumed raw materials have increased by a rate of compound annual growth of 28.3% at the period between the fiscal years 2017G and 2019G. The consumed raw materials have increased by 23.9% from SAR 80.9 million in the fiscal year 2017G to SAR 100.3 million in the fiscal year 2018G, in alignment with an increase in retail revenues by 20.8%, and an increase in gold wholesale revenues by 12.3% during the same period.

Consumed raw materials have increased by 33.0% from SAR 100.3 million in the fiscal year 2018G to SAR 133.3 million in the fiscal year 2018G due to the increase of retail revenues by 56.4% during the same period.

Consumed raw materials have decreased by 30.0% from SAR 109.2 million at the period of 9 months that ended in September 30, 2019G to SAR 76.4 million at the period of 9 months that ended in September 30, 2020G. This was due to the decrease in retail revenues by 27.4%, decrease in diamond wholesale revenues by 42.7% and decrease in gold wholesale revenues by 41.6% during the same period. This was due to the global Corona virus pandemic (Covid-19) and the precautionary measures taken by KSA government and other countries' governments that the Company and its subsidiaries carry on their operations to reduce the spread of Covid-19, which caused in a temporary closure for the retail showrooms.

Employees' Salaries and Bonuses

Employees' salaries and bonuses expenses are related to their basic salaries, rewards and benefits provided to them which include housing allowances, end-of-service bonuses, mobility allowances and other costs for the workers who are involved in the manufacturing process. Employees' salaries and rewards expenses have decreased by a compound annual rate of 2.5% between fiscal years 2017G and 2019G, as employees' salary and rewards expenses decreased by 4.7% from SAR 45.8 million in

fiscal year 2017G to SAR 43.6 million in 2018G. This was a result of the decrease in the number of employees from the factories, whilst the average cost of labor decreased by 4.3% from SAR 2,516 to SAR 2,406 during the same period. This decrease in the employees' salaries and rewards expenses was a result of integrating the Company's two sections of product development in KSA and Egypt, which caused cost reduction.

Employees' salaries and rewards expenses have decreased slightly by 0.2% from SAR 43.6 million in the fiscal year 2018G to SAR 43.5 million in the fiscal year 2019G as a result of the decrease in the number of employees.

Employees' salaries and rewards expenses have decreased by 11.7% from SAR 30.3 million at the period of 9 months that ended in September 30, 2019G to SAR 26.8 million at the period of 9 months that ended in September 30, 2020G, as a result of the decrease in the number employees by 240 at each factory. This reduction was due to the global Corona virus pandemic (Covid-19) and the precautionary measures taken by KSA Government and the other countries' governments that the Company and its subsidiaries carry on their operations, to reduce the spread of Covid-19. This caused in remaining the employees at home during the quarantine period, thus reducing overtime expenses and allowances. The Company and its subsidiaries have also benefited from some government initiatives to support private sector companies which was affected by the implications of the corona virus control, particularly the following initiatives:

- SANED system initiative, in which The General Organization for Social Insurance in KSA paid 60% of Saudi employees' salaries, unless they exceeded 70% of the total number of Saudi employees.
- A program aimed to support 30% of the salary or SAR 3 thousand, whichever is less, to support Saudi employees who have been employed in the private sector since the beginning of July 2019G.
- Decreasing the employee salary in accordance with the real working hours according to the working system changes in KSA.

Melting Costs and Slow-moving Stock Allocations

Melting costs and slow-moving stock allocations are related to the loss of gold, melting formation costs of gold and the allocation of melting and recycling non-moving gold jewelry costs. Melting Costs and slow-moving stock allocations have increased by 235.2% from SAR 2.9 million in the fiscal year 2017G to SAR 9.6 million in the fiscal year 2018G due to melting slow-moving products in the wholesale sector. On the contrary, melting costs and slow-moving stock allocations have decreased slightly by 0.8%, from SAR 9.6 million in the fiscal year 2018G to SAR 9.5 million in the fiscal year 2019G.

Melting Costs and slow-moving stock allocations have increased by 21.1%, from SAR 7.0 million at the period of 9 months that ended in September 30, 2019G to SAR 8.5 million at the period of 9 months that ended in September 30, 2020G. This was an effect of the global Corona virus pandemic (Covid-19) and the precautionary measures taken by KSA Government and the other countries' governments that the Company and its subsidiaries carry on their operations, to reduce the spread of Covid-19. This also caused basically in the reduction of the amount of gold wholesale sales at the same period, resulting in surplus stock. Thus, the Company's governance and its subsidiaries melted the surplus stock and paid a part of the gold loans to make a better management for the working capital.

Consumption

Consumption expenses increased by 2.6%, from SAR 4.1 million in the fiscal year 2017G to SAR 4.3 million in the fiscal year 2018G and SAR 5.3 million in the fiscal year 2019G. This was due to the additions of property, plant and equipment regarding the establishment of a new plant in Egypt during the same period.

Consumption expenses increased by 10.7%, from SAR 3.7 million at the period of 9 months that ended in September 30, 2019G to SAR 4.1 million at the period of 9 months that ended in September 30, 2020G. This was due to the additions of property, plant and equipment, especially in the machines and equipment during the same period.

Other

Other costs relate primarily to consumables representing indirect materials which are consumed during the manufacturing process such as chemicals, wax and rubber, as well as adjustments to the values of the goods after inventory. Other costs are related to the tools and spare parts, repairs and maintenance and expenses of travel and communications. Other expenses increased by 10.5%, from SAR 4.2 million in the fiscal year 2017G to SAR 4.6 million in the fiscal year 2018G, as a result of the increase in the wholesale sector.

Other expenses decreased by 63.4%, from SAR 4.6 million in the fiscal year 2018G to SAR 1.7 million in the fiscal year 2019G, as a result of the decrease in the direct expenses of the factories and insurance costs.

Other expenses decreased by 34.6%, from SAR 2.6 million at the period of 9 months that ended in September 30, 2019G to SAR 1.7 million at the period of 9 months that ended in September 30, 2020G. This reduction was due to the global Corona virus pandemic (Covid-19) and the precautionary measures taken by KSA Government and the other countries' governments that the Company and its subsidiaries carry on their operations, to reduce the spread of Covid-19. Whereas, the total revenues have decreased by 35.0% during the same period.

5-5-9 Gross Profit by Region

Table (5-10): Gross profit by region for the fiscal years ended December 31, 2017G, 2018G, and 2019G, and the nine-month period ended September 30, 2019G, and 2020G.

(SAR'000)	2017G	2018G	2019G	YoY Growth 2017G-2018G	YoY Growth 2018G-2019G	CAGR 2017G-2019G	9 month- period 2019G	9 month- period 2020G	Period change 2019G-2020G
KSA	132,404	126,981	146,330	(4.1%)	15.2%	5.1%	127,152	61,485	(51.6)%
Egypt	67,870	112,775	133,866	66.2%	18.7%	40.4%	107,147	78,171	(27.0)%
UAE	13,192	4,295	5,587	(67.4%)	30.1%	(34.9%)	6,068	(46)	(100.8)%
Others	4,016	25	2,027	(99.4%)	8112.8%	(29.0%)	1,967	-	(100.0)%
Gross profit	217,481	244,076	287,810	12.2%	17.9%	15.0%	242,334	139,610	(42.4)%
Profit margin:									
KSA	57.6%	55.2%	56.4%	(2.4)	1.2	(1.3)	58.4%	51.2	(7.1)
Egypt	68.2%	67.9%	64.1%	(0.3)	(3.7)	(4.1)	65.1%	57.3%	(7.8)
UAE	65.0%	41.8%	57.7%	(23.2)	15.9	(7.3)	63.2%	(6.7)	(69.9)
Others	69.2%	71.3%	63.6%	2.1	(7.8)	(5.6)	64.6%	N/A	N/A
Gross profit	61.2%	60.1%	59.8%	(1.2)	(0.2)	(1.4)	61.3%	54.3	(7.0)

Source: The Company and its Subsidiaries information.

KSA Gross Profit by Distribution Channel

Table (5-11): KSA's gross profit in terms of sales channels for the fiscal years ended December 31, 2017G, 2018G, and 2019G, and the nine-month period ended September 30, 2019G, and 2020G.

(SAR'000)	2017G	2018G	2019G	YoY Growth 2017G-2018G	YoY Growth 2018G-2019G	CAGR 2017G-2019G	9 month- period 2019G	9 month- period 2020G	Period change 2019G-2020G
Wholesale gold and diamonds	89,886	87,403	68,090	(2.8%)	(22.1%)	(13.0%)	65,586	22,258	(66.1)%
Wholesale gold for "InStyle"	-	-	-	-	-	-	-	168	N/A
Total wholesale	89,886	87,403	68,090	(2.8%)	(22.1%)	(13.0%)	65,586	23,426	(64.2)%
Retail	39,119	39,591	76,121	1.2%	92.3%	39.5%	59,910	36,492	(39.1)%
Sales via internet for "Miss L"	-	-	-	-	-	-	-	920	N/A
Other sales	3,398	(13)	2,118	(100.4%)	(16392.3%)	(21.0%)	1,656	1,647	(0.5)%
Gross profit	132,404	126,981	146,330	(4.1%)	15.2%	5.1%	127,152	61,485	(51.6)%
Profit margin:									
Wholesale gold and diamonds	70.7%	69.9%	72.2%	(0.8)	2.3	1.5	75.4%	55.2%	(19.5)
Wholesale gold for "InStyle"	N/A	N/A	N/A	N/A	N/A	N/A	N/A	21.4%	N/A
Total wholesale	70.7%	69.9%	72.2%	(0.8)	2.3	1.5	75.4%	55.2%	(20.2)
Retail	41.1%	40.3%	48.3%	(0.8)	8.0	7.2	48.0%	51.1%	3.1
Sales via internet for "Miss L"	N/A	N/A	N/A	N/A	N/A	N/A	N/A	53.0%	N/A

(SAR'000)	2017G	2018G	2019G	YoY Growth 2017G-2018G	YoY Growth 2018G-2019G	CAGR 2017G-2019G	9 month- period 2019G	9 month- period 2020G	Period change 2019G-2020G
Other sales	45.0%	(0.2%)	27.3%	(45.2)	27.5	17.7	27.4%	26.3%	(1.1)
Gross profit	57.6%	55.2%	56.4%	(2.4)	1.2	(1.3)	58.4%	51.2%	7.1

Source: The Company and its Subsidiaries information.

KSA's gross profit grew at a CAGR of 5.1% between 2017G and 2019G. The gross profit decreased by 4.1% from SAR 132.4 million in 2017G to SAR 127.0 million in 2018G, and from 57.6% to 55.2%. This was a result of the retails instead of wholesaling, having lower profit margin. This is mainly due to a decrease in gold wholesale revenue from SAR 126.1 million to SAR 125.6 million during the same period. The retail revenue increased from SAR 95.2 million to SAR 98.1 million during the same period.

KSA's gross profit increased by 15.2% from SAR 127.0 million in 2018G to SAR 146.3 million in 2019G. The gross profit margin increased from 55.2% to 56.4% in the same period, as a result of acquisition of Izdiad Commercial Company of Arabia during the fiscal year 2018G.

KSA's gross profit decreased by 51.6% from SAR 127.2 million in the nine-month period ended September 30, 2019G to SAR 61.5 million during the nine-month period ended September 30, 2020G. The gross profit margin decreased from 58.4% to 51.2% during the same period, as a result of the slowdown in the operations of the Company and its subsidiaries, affected by the quarantine measures taken by the KSA government, Egypt, and the Gulf authorities because of the Coronavirus pandemic. This decrease was coupled with a decrease in public spent luxury products, as well a greater decrease in sales than the decrease in fixed costs.

Egypt Gross Profit by Distribution Channel

Table (5-12): The gross profit in Egypt in terms of sales channels for the fiscal years ended December 31, 2017G, 2018G, and 2019G, and the nine-month period ended September 30, 2019G, and 2020G.

(SAR'000)	2017G	2018G	2019G	YoY Growth 2017G-2018G	YoY Growth 2018G-2019G	CAGR 2017G-2019G	9 month-period 2019G	9 month-period 2020G	Period change 2019G-2020G
Wholesale gold and diamonds	61,769	102,169	113,093	65.4%	10.7%	35.3%	92,455	57,428	(37.9%)
Retail	6,101	10,605	20,773	73.8%	95.9%	84.5%	14,692	20,743	41.2%
Sales via internet for "Miss L"	-	-	-	-	-	-	-	636	N/A
Other sales	-	-	-	-	-	-	-	-	-
Gross profit	67,870	112,775	133,866	66.2%	18.7%	40.4%	107,147	78,171	(27.0%)
Profit margin:									
Wholesale gold and diamonds	73.3%	80.2%	74.4%	6.9	5.8	1.1	74.9%	66.7%	(8.2)
Retail	40.0%	27.4%	36.6%	(12.6)	9.2	(3.4)	35.7%	41.9%	6.3
Sales via internet for "Miss L"	N/A	N/A	N/A	N/A	N/A	N/A	N/A	35.3%	N/A
Other sales	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gross profit	68.2%	67.9%	64.1%	(0.3)	(3.7)	(4.1)	65.1%	57.3%	(7.7)

Source: The Company and its Subsidiaries information.

Egypt's gross profit grew at a CAGR of 40.4% between 2017G and 2019G. The gross profit increased by 66.2% from 67.9 million SAR in the fiscal year 2017G to SAR 112.8 million in the fiscal year 2018G, while the gross profit margin in Egypt remained stable at about 68%. This is mainly due to the increase in wholesale gold sales revenues by SAR 43.8 million, and the increase in retail sales by SAR 23.5 million, in line with the expansion and increase in the Company's operations and its subsidiary companies in Egypt.

Egypt's gross profit increased by 18.7% from SAR 112.8 million in the fiscal year 2018G to SAR 133.9 million in the fiscal year 2019G, as a result of the increase in wholesale revenue by SAR 24.6 million offset by an increase in retail sales by SAR 18.0 million in line with the expansion and increase in the Company's operations in Egypt.

Egypt's gross profit decreased by 27.0% from SAR 107.1 million in the nine-month period ended September 30, 2019G to SAR 78.2 million in the nine-month period ended September 30, 2020G. The gross profit margin in Egypt decreased from 65.1% to 57.3% during the same period, due to a decrease in total fixed sales costs by only 10.9% compared to a decrease in total operating revenues by 35.0% between the nine-month period ended September 30, 2019G and 2020G, which negatively affected the profit margin. The wholesale revenue decreased by SAR 38.4 million, offset by an increase in retail sales by SAR 8.3 million, in line with the Company's strategy to focus on retail sales and increase the operations of the Company and its subsidiaries in Egypt.

UAE Gross Profit by Distribution Channel

Table (5-13): Gross profit in UAE in terms of sales channels for the fiscal years ended December 31, 2017G, 2018G, and 2019G, and the nine-month period ended September 30, 2019G, and 2020G.

(SAR'000)	2017G	2018G	2019G	YoY Growth 2017G-2018G	YoY Growth 2018G-2019G	CAGR 2017G-2019G	9 month- period 2019G	9 month- period 2020G	Period change 2019G-2020G
Wholesale gold	12,311	3,848	4,306	(68.7%)	11.9%	(40.9%)	4,875	(614)	(112.6%)
Retail	880	210	14	(76.1%)	(93.1%)	(87.2%)	-	-	-
Other sales	-	238	1,267	N/A	433.1%	0.0%	1,193	568	(52.4%)
Gross profit	13,192	4,295	5,587	(67.4%)	30.1%	(34.9%)	6,068	(46)	(100.8%)
Profit margin									
Wholesale gold	67.7%	41.5%	51.2%	(26.1)	9.6	(16.5)	58.0%	(511.3%)	(569.3)
Retail	41.6%	27.0%	N/A	(14.6)	N/A	N/A	N/A	N/A	N/A
Other sales	N/A	100.0%	100.0%	N/A	-	N/A	100.0%	100.0%	-
Gross profit	65.0%	41.8%	57.7%	(23.2)	15.9	(7.3)	63.2%	(6.7%)	(69.9)

Source: The Company and its Subsidiaries information.

UAE's gross profit in the decreased at a CAGR of 34.9% during the period between fiscal years 2017G and 2019G. The gross profit decreased by 67.4% from SAR 13.2 million in the fiscal year 2017G to SAR 4.3 million in the fiscal year 2018G. The gross profit margin in the UAE decreased from 65.0% to 41.8% due to the decrease in the exports of L'Azurde Dubai to Iraq (by SAR 4.0 million) and Oman (by SAR 2.2 million). The only branch in Abu Dhabi was closed during the fiscal year 2017G, which led to a decrease in retail revenues from SAR 2.1 million to SAR 779 thousand during the same period.

UAE's gross profit decreased by 30.1% from SAR 4.3 million in the fiscal year 2018G to SAR 5.6 million in the fiscal year 2019G. UAE's gross profit margin increased from 41.8% to 57.7% during the same period, as a result of the decrease in the total fixed cost of sales by 4.6% and the increase in L'Azurde Dubai's exports to Iraq (by SAR 4.1 million) during the same period.

UAE's gross profit decreased by 100.8% from SAR 6.1 million in the nine-month period ended September 30, 2019G to a loss of SAR 46 thousand in the nine-month period ended September 30, 2020G; the UAE's gross profit margin decreased from 63.2% to a total loss margin of 6.7% during the same period, because L'Azurde Dubai did not record any revenues in the nine-month period ended September 30, 2020G while it was still incurring fixed costs in the same period.

Other Countries Gross Profit by Sales Channels

Table (5-14): Gross profit in other countries in terms of sales channels for the fiscal years ended December 31, 2017G, 2018G, and 2019G, and the nine-month period ended September 30, 2019G, and 2020G.

(SAR'000)	2017G	2018G	2019G	YoY Growth 2017G-2018G	YoY Growth 2018G-2019G	CAGR 2017G-2019G	9 month- period 2019G	9 month- period 2020G	Period change 2019G-2020G
Wholesale gold gross profit	4,016	25	2,027	(99.4%)	8008.0%	(29.0%)	1,967	-	(100.0%)
Gross profit	4,016	25	2,027	(99.4%)	8008.0%	(29.0%)	1,967	-	(100.0%)
Profit margin:									
Wholesale gold gross profit	69.2%	71.3%	63.6%	2.1	(7.8)	(5.6)	64.6%	N/A	N/A
Gross profit	69.2%	71.3%	63.6%	2.1	(7.8)	(5.6)	64.6%	N/A	N/A

Source: The Company and its Subsidiaries information.

Other countries' gross profit is represented by the gross profit in Qatar and Oman. Other countries' gross profit decreased at a CAGR of 29.0% during the period between the fiscal years 2017G and 2019G. The gross profit decreased by 99.4% from SAR 4.0 million in the fiscal year 2017G to SAR 25 thousand in the fiscal year 2018G. Other countries' gross profit increased from 69.2% to 71.3%, due to the suspension of sales in Qatar during the fiscal year. The Company and its subsidiaries recorded revenues amounting to SAR 35 thousand SAR and incurred a sales cost amounting to (SAR 15 thousand) related only to the operations of Oman, where the gross profit margin reached 71.3%.

Other countries' gross profit increased by 8112.8% from SAR 25 thousand in the fiscal year 2018G to SAR 2.0 million in the fiscal year 2019G, in line with the expansion and increase in the operations of the Company and its subsidiaries in Oman, especially in the wholesale sale of gold. Other countries' gross profit decreased from 71.3% to 63.6% during the same period, due to the difference in the sold of mixing products in the fiscal year 2018G from previous years.

Other countries' gross profit decreased by 100.0% from SAR 2.0 million in the nine-month period ended September 30, 2019G to zero in the nine-month period ended September 30, 2020G. Other countries' gross profit decreased from 64.6% to zero during the same period, due to the temporary halt in the operations of the Company and its subsidiaries in Oman, as no revenues or costs were recorded during the same period.

5-5-10 Selling and Marketing Expenses

Table (5-15): Selling and marketing expenses for the fiscal years ended December 31, 2017G, 2018G, and 2019G, and the nine-month period ended September 30, 2019G, and 2020G.

(SAR'000)	2017G	2018G	2019G	YoY Growth 2017G-2018G	YoY Growth 2018G-2019G	CAGR 2017G-2019G	9 month- period 2019G	9 month- period 2020G	Period change 2019G-2020G
Salaries and Employees' Benefits	24,118	30,145	34,734	25.0%	15.2%	20.0%	27,080	20,741	(23.4%)
Gold calibration charges	27,668	28,294	34,850	2.3%	23.2%	12.2%	24,766	29,845	20.5%
Advertisement and promotional activities	12,411	21,468	34,257	73.0%	59.6%	66.1%	29,375	14,315	(51.3%)
Amortization of the Right-of-Use (ROU) Asset	-	-	24,895	N/A	N/A	N/A	18,518	19,173	3.5%
Sales commissions	11,200	13,888	16,388	24.0%	18.0%	21.0%	12,922	9,196	(28.8%)
Depreciation expenses of machinery and equipment	4,398	5,793	10,196	31.7%	76.0%	52.3%	7,942	7,220	(9.1%)
Provision for expected credit losses	(303)	2,504	5,060	(927.4%)	102.0%	N/A	-	-	N/A
Rent expenses	15,343	18,443	2,921	20.2%	(84.2%)	(56.4%)	2,607	(3,087)	(218.4%)
Travel expenses	1,385	1,402	2,021	1.3%	44.1%	20.8%	1,454	683	(53.0%)
Amortization of the intangible assets' expenses	-	189	1,965	N/A	939.6%	N/A	-	1,481	N/A

(SAR'000)	2017G	2018G	2019G	YoY Growth 2017G-2018G	YoY Growth 2018G-2019G	CAGR 2017G-2019G	9 month- period 2019G	9 month- period 2020G	Period change 2019G-2020G
Insurance expenses	816	910	741	11.4%	(18.6%)	(4.7%)	552	605	9.7%
Other expenses	7,542	8,774	11,909	16.3%	35.7%	25.7%	8,601	7,112	(17.3%)
Total selling and marketing expenses	104,577	131,810	179,936	26.0%	36.5%	31.2%	133,816	107,284	(19.8%)
Key Performance Indicators									
Average number of employees	346	435	435	89	-	89	475	389	(86)
Average monthly cost per employee (SAR)	4,405	4,289	4,909	(2.6%)	14.5%	5.6%	4,715	4,479	(5.0%)
As a percentage of total operating revenue									
Salaries and Employees' Benefits	6.8%	7.4%	7.2%	0.6	(0.2)	0.4	6.9%	8.1%	1.2
Gold calibration charges	7.8%	7.0%	7.2%	(0.8)	0.3	(0.5)	6.3%	11.6%	5.3
Advertisement and promotional activities	3.5%	5.3%	7.1%	1.8	1.8	3.6	7.4%	5.6%	(1.9)
Amortization of the Right-of-Use (ROU) Asset	0.0%	0.0%	5.2%	-	5.2	5.2	4.7%	7.5%	2.8
Commissions of sales	3.2%	3.4%	3.4%	0.3	(0.0)	0.3	3.3%	3.6%	0.3
Depreciation expenses of machinery and equipment	1.2%	1.4%	2.1%	0.2	0.7	0.9	2.0%	2.8%	0.8
Provision for expected credit losses	(0.1%)	0.6%	1.1%	0.7	0.4	1.1	0.0%	0.0%	-
Rent expenses	4.3%	4.5%	0.6%	0.2	(3.9)	(3.7)	0.7%	(1.2%)	(1.9)
Travel expenses	0.4%	0.3%	0.4%	(0.0)	0.1	0.0	0.4%	0.3%	(0.1)
Amortization of the intangible assets' expenses	0.0%	0.0%	0.4%	0.0	0.4	0.4	0.0%	0.6%	0.6
Insurance expenses	0.2%	0.2%	0.2%	(0.0)	(0.1)	(0.1)	0.1%	0.2%	0.1
Other expenses	2.1%	2.2%	2.5%	0.0	0.3	0.4	2.2%	2.8%	0.6
Total selling and marketing expenses	29.4%	32.4%	37.4%	3.0	5.0	8.0	33.9%	41.7%	7.9

Source: The Company's audited financial statements for the fiscal years ended 31 December 2017G, 2018G, and 2019G, and the Company's audited financial statements for the nine-month period ended September 30, 2019G, and 2020G.

Salaries and Employees' Benefits

Salaries and employees' benefits include basic salaries, the end-of-service benefits, the employee benefits, including housing allowances, the end-of-service benefits, the transportation allowance, the sales commissions, as well as others costs related to the salespersons and marketing personnel.

Salaries and employees' benefits increased by 25.0% from SAR 24.1 million in the fiscal year 2017G to SAR 30.1 million in the fiscal year 2018G. This is due to the increase in the number of employees from 346 to 435 in this same period. The government costs of the foreign employees in KSA also increased. The average monthly cost per employee decreased from SAR 4,405 to SAR 4,289 in this same period.

Salaries and employees' benefits increased by 15.2% from SAR 30.1 million in the fiscal year 2018G to SAR 34.7 million in the fiscal year 2019G. This is due to the increase in the basic salary of the employees as a result of the annual employees' recruitment. The Company and its subsidiaries sustained the cost of the employees' in Izdiad Commercial Company of Arabia. The average monthly cost per employee increased from SAR 4,289 to SAR 4,909. The number of employees remained the same. The government costs of the foreign employees in KSA increased in this same period.

Salaries and employees' benefits decreased by 23.4 % from SAR 27.1 million in the past nine-month period ended September 30, 2019G to SAR 20.7 million in the past nine-month period ended September 30, 2020G. This is due to the decrease in the number of employees from 475 to 389 in this same period. The average monthly cost per employee decreased from SAR 4715 to SAR 4479 in this same period. The Company benefited from government initiatives launched to support the private sector companies that were highly affected by the consequences of the battle against corona virus, especially from the following initiatives:

- “Saned” system initiative: The General Organization for Social Insurance in the KSA bears 60% of the Saudi employees’ salaries, unless it exceeds 70% of the total number of Saudi employees.
- “Hadaf” program: It maintains 30% of the salary or SAR 3,000 to support Saudi employees of the private sector since the beginning of July 2019G.
- Reducing the employee’s incomes: In accordance with the actual working hours, as amended in the KSA Labor Law.

Gold Calibration Charges

Gold calibration charges includes the cost of stones and their removal from jewelry that are collected from customers in order to be melted before being used again in the production process. It also includes the cost of collecting the gold breakage, as well as the incurred costs in the converting process of the gold breakage that is collected from the customers into pure gold to recycle it and produce new items.

The costs of smelting gold and stones increased by 2.3% from SAR 27.7 million in the fiscal year 2017G to SAR 28.3 million in the fiscal year 2018G. This cost increased by 23.2% to reach SAR 34.9 million in the fiscal year 2019G. This is due to the increase in the jewelries collected from customers, as well as the increase in sales and the global gold prices.

The costs of smelting gold and stones increased by 20.5% from SAR 24.8 million in the past nine-month period ended September 30, 2019G to SAR 29.8 million in the past nine-month period ended September 30, 2020G. This is due to the increase in the jewelries collected from customers, and smelted in this same period, as well as the increase in the global gold prices.

Advertisement and Promotional Activities

Advertisement and promotional activities include the advertisements that are targeting the final consume; these expenses include: promotional campaigns and contracting with celebrities, brand representatives of L’Azurde Company for Jewelry Group, broadcasting television advertisements and media services, public relations campaigns, and advisory services regarding the development of the Company’s brand and its subsidiaries.

Advertisement and promotional activities increased by 73.0% from SAR 12.4 million in the fiscal year 2017G to SAR 21.5 million in the fiscal year 2018G. This is due to the advertisement’s promotion of the acquired brand “TOUS” and the additional marketing supporting the revenue growth in Egypt. In addition, the Company and its subsidiaries referred to more digital marketing channels in the fiscal year 2018G and signed contracts with some famous people to promote their products.

Advertisement and promotional activities increased by 59.6% from SAR 21.5 million in the fiscal year 2018G to SAR 34.3 million in the fiscal year 2019G. This is due to the annual impact of the advertising and promotion of the Company in the fiscal year 2018G, and the supplementary Company marketing supporting the revenue growth in Egypt. In addition, the Company and its subsidiaries referred to more digital marketing channels in the fiscal year 2019G and signed contracts with some famous people to promote their product.

Advertisement and promotional activities decreased by 51.3% from SAR 29.4 million in the nine-month period ended September 30, 2019G to SAR 14.3 million in the nine-month period ended September 30, 2020G. This is due to the global Covid-19 (pandemic emerging corona virus) and the precautionary measures of the Governments of KSA and the other countries where the Company and its subsidiaries operate to battle against the spread of this pandemic.

Amortization of the Right-of-Use Asset

The Company and its subsidiaries recognized the original Right-of-Use Asset in the balance sheet in line with the application of the IFRS (International Financial Reporting Standard) 16. As a result, the rental fees were partially recognized as amortization of the ROU Asset, amounted to SAR 24.9 million in the fiscal year 2019G. The expense of depreciation of the ROU Asset increased by 3.5% from SAR 18.5 million in the nine-month period ended September 30, 2019G to SAR 19.2 million in the nine-month period ended September 30, 2020G. This is due to the enlargement of the retail branches of the Company.

Sales commissions

Sales commission includes employees’ incentives. The employees who achieve the agreed sales goals received from the Company incentive bonuses. The commissions of sales increased in a compound annual growth rate (CAGR) by 21.0% from SAR 11.2 million in the fiscal year 2017G to SAR 16.4 million in the fiscal year 2019G. This is due to the increase in the total of sales in a CAGR by 16.4% in this same period.

Sales commission decreased by 28.8% from SAR 12.9 million in the nine-month period ended September 30, 2019G to SAR 9.2 million in the nine-month period ended September 30, 2020G, in line with the movement in the revenues in this same period. This is due to the global Covid-19 (pandemic emerging corona virus) and the precautionary measures of the KSA Government, and the Governments of the other countries where the Company and its subsidiaries operate to battle against the spread of this pandemic.

Depreciation Expenses of Machinery and Equipment

Depreciation expenses of machinery and equipment increased by 31.7% from SAR 4 million in the fiscal year 2017G to SAR 5.8 million in the fiscal year 2018G. This is due to the large depreciation of some assets, in particularly the leasehold improvements in line with the continuous additions to property, machinery and equipment, in this same period.

Depreciation expenses of machinery and equipment increased by 76.0% from SAR 5.8 million in the fiscal year 2018G to SAR 10.2 million in the fiscal year 2019G. This is due to the depreciation cost of the Company branches, some assets, and the possession of property, machinery, and equipment.

Depreciation expenses of machinery and equipment decreased by 9.1% from SAR 7.9 million in the nine-month period ended September 30, 2019G to SAR 7.2 million in the nine-month period ended September 30, 2020G. This is due to the decrease in the depreciation cost of office accommodations, furniture, and furnishings.

Provision for Expected Credit Losses

Provision for expected credit losses of SAR 303 thousand was reversed in the fiscal year 2017G. This is due to the application of the expected credit losses model performed in line with the application of IFRS 9.

The expected credit loss provision increased by 102.0% from SAR 2.5 million in the fiscal year 2018G to SAR 5.1 million in the fiscal year 2019G, according to the percentage of the overdue receivables from customers.

Provision for expected credit losses in accordance with the IFRS (International Financial Reporting Standard) has been reclassified from this item into a separate item on the income statement for the nine-month period ended September 30, 2019G and 2020G, and increased by 41.1% from SAR 4.3 million in the nine-month period ended September 30, 2019G, to SAR 6.0 million in the nine-month period ended September 30, 2020G.

Rent Expenses

Rent expenses increased by 20.2% from SAR 15.3 million in the fiscal year 2017G to SAR 18.4 million in the fiscal year 2018G. This is due to the acquisition of Izdiad Commercial Company of Arabia in this same period, and the increase in the number of retail branches in Egypt. The expenses of rental property decreased by 84.2% from SAR 18.4 million in the fiscal year 2018G to SAR 2.9 million in the fiscal year 2019G. This is due to the application of IFRS 16 in this same period.

Rent expenses decreased by 218.4% from SAR 2.6 million in the nine-month period ended September 30, 2019G. The revenues were SAR 3.1 million in the nine-month period ended September 30, 2020G. This is due to the reductions obtained by the Company and its subsidiaries of the lease contracts in some shopping centers, the temporary closure of shopping centers as a result of the global Covid-19 (pandemic emerging corona virus) and the precautionary measures of the KSA Government, and the Governments of the other countries where the Company and its subsidiaries operate to battle against the spread of this pandemic.

Travel Expenses

Travel expenses include the expenses of the domestic and international business travel. The travel expenses increased by 44.1% from SAR 1.4 million in the fiscal years 2017G and 2018G to SAR 2.0 million in the fiscal year 2019G; these travel expenses are paid by the Company when traveling between subsidiaries in Egypt and the Gulf Cooperation Council countries, in order to attend international jewelry exhibitions, to support sales growth, and make innovation and strategic change for the Company and its subsidiaries.

Travel expenses decreased by 53.0 % from SAR 1.5 million in the nine-month period ended September 30, 2019G to SAR 683 million in the nine-month period ended September 30, 2020G as a result of to the global Covid-19 (pandemic emerging corona virus) and the precautionary measures of the KSA Government, and the Governments of the other countries where the Company and its subsidiaries operate to battle against the spread of this pandemic; it is why the airports and travel agencies was closed.

Amortization of the intangible assets' expenses

Amortization of the intangible assets' expenses increased by 939.6% from SAR 189 thousand in the fiscal year 2018G to SAR 2.0 million in the fiscal year 2019G. This is due to the acquisition process in the fiscal year 2018G.

The amortization of the intangible assets' expenses increased from nil in the nine-month period ended September 30, 2019G to SAR 1.5 million in the nine-month period ended September 30, 2020G, as a result of the Group completed the purchase price allocation exercise related to the acquisition of Izdiad Commercial Company of Arabia in the year 2019G. Accordingly, the franchise agreement concerning the intangible assets was recognized.

Insurance Expenses

Insurance expenses relate to secure the inventory of gold, diamonds, and the fixed assets. The Insurance expenses increased by 11.4% from SAR 816 in the fiscal year 2017G to SAR 910 thousand in the fiscal year 2018G. This is due to the expansion of the Company and its subsidiaries in this same period.

Insurance expenses decreased by 18.6% from SAR 910 thousand in the fiscal year 2018G to SAR 741 thousand in the fiscal year 2019G. This is due to the ability of the Company and its subsidiaries to obtain better prices.

Insurance expenses increased by 9.7% from SAR 552 thousand in the nine-month period ended September 30, 2019G to SAR 605 thousand in the nine-month period ended September 30, 2020G, as a result of the increase in the number of the Company's retail branches.

Other Expenses

Other expenses mainly comprise communications, printing, repair, maintenance, as well as freight charges.

The other expenses increased by 16.3% from SAR 7.5 million in the fiscal year 2017G to SAR 8.8 million in the fiscal year 2018G. This is due to the increase in the publications and marketing documents (by SAR 858 thousand), and repairs and maintenance (by SAR 276 thousand). The shipping costs decreased (by SAR 496 thousand) in this same period.

Other expenses increased by 35.7% from SAR 8.8 million in the fiscal year 2018G to SAR 11.9 million in the fiscal year 2019G. This is due to the decrease in the costs of printing (by SAR 1.2 million).

Other expenses decreased by 17.3 % from SAR 8.6 million in the nine-month period ended September 30, 2019G to SAR 7.1 million in the nine-month period ended in September 30, 2020G. This is due to the decrease in the costs of printing (by SAR 458 thousands), as well as in the decrease in the costs of maintenance (by SAR 271 thousand) as a result of to the global Covid-19 (pandemic emerging coronavirus) and the precautionary measures of KSA Government, and the Governments of the other countries where the Company and its subsidiaries operate to battle against the spread of this pandemic.

5-5-11 General and Administrative Expenses

Table (5-16): General and administrative expenses for the fiscal years ended December 31, 2017G, 2018G, and 2019G, and the nine-month period ended September 30, 2019G, and 2020G.

SAR 1000	2017G (Revised)	2018G (Revised)	2019G (Revised)	YoY Growth 2017G-2018G	YoY Growth 2018G-2019G	CAGR 2017G-2019G	9 month-period 2019G (Company information)	9 month-period 2020G (Company information)	Period change 2019G-2020G
Salaries and Employees' Benefits	27,246	31,046	29,651	13.9%	(4.5%)	4.3%	22,665	20,945	(7.6%)
Consultancy and professional fees	2,018	2,273	3,377	12.7%	48.6%	29.4%	2,339	2,576	10.1%
Travel expenses	1,718	1,626	2,036	(5.4%)	25.2%	8.9%	1,367	526	(61.5%)
Machinery and equipment depreciation expenses	1,356	1,276	1,169	(5.9%)	(8.4%)	(7.2%)	889	839	(5.7%)
Printing, stationery, and communication expenses	822	805	1,022	(2.0%)	26.9%	11.5%	767	697	(9.1%)
Repairs and maintenance expenses	651	539	498	(17.2%)	(7.7%)	(12.6%)	391	328	(16.1%)
Consumption and use of funds	-	-	42	N/A	N/A	0.0%	30	97	221.3%
Other expenses	3,825	4,775	5,581	24.8%	16.9%	20.8%	4,171	4,127	(1.1%)
Total	37,636	42,339	43,374	12.5%	2.4%	7.4%	32,621	30,135	(7.6%)
Key Performance Indicators									
Number of Employees	263	266	275	3	9	12	283	299	16
Average monthly cost per employee (SAR)	6,384	7,333	7,205	14.8%	(1.7%)	6.2%	7,125	5,748	(19.3%)
As a percentage of total operating revenue									

SAR 1000	2017G (Revised)	2018G (Revised)	2019G (Revised)	YoY Growth 2017G-2018G	YoY Growth 2018G-2019G	CAGR 2017G-2019G	9 month-period 2019G (Company information)	9 month-period 2020G (Company information)	Period change 2019G-2020G
Salaries and Employees' Benefits	1.6%	1.6%	1.5%	0.1	(0.1)	(0.1)	5.7%	8.1%	2.4
Consultancy and professional fees	0.1%	0.1%	0.2%	0.0	0.1	0.1	0.6%	1.0%	0.4
Travel expenses	0.1%	0.1%	0.1%	0.0	0.0	0.0	0.3%	0.2%	(0.1)
Machinery and equipment depreciation expenses	0.1%	0.1%	0.1%	0.0	0.0	0.0	0.2%	0.3%	0.1
Printing, stationery, and communication expenses	0.0%	0.0%	0.1%	0.0	0.0	0.0	0.2%	0.3%	0.1
Repairs and maintenance expenses	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.1%	0.1%	0.0
Consumption and use of funds	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0%	0.0%	0.0
Other expenses	0.2%	0.2%	0.3%	0.0	0.0	0.1	0.2%	0.3%	0.1
Total	2.1%	2.2%	2.2%	0.1	0.0	0.0	0.1%	0.1%	0.0

Source: The Company's revised financial statements for the fiscal years ended 31 December 2017G, 2018G, and 2019G, and the Company's audited financial statements for the nine-month period ended September 30, 2019G, and 2020G.

Salaries and Employees' Benefits

Salaries and employees' benefits include the basic salaries, bonuses, and benefits. Salaries and Employees Benefits increased by 13.9% that's is from SAR 27.2 million in the fiscal year 2017G to SAR 31.0 million in the fiscal year 2018G. This is due to the increase in the number of general and administrative employees, as well as the yearly increase in the salary in this same period.

Salaries and employees' benefits decreased by 4.5% from SAR 31.0 million in the fiscal year 2018G to SAR 29.7 million in the fiscal year 2019G. This is due to the decrease in the employee allowances (by SAR 1.6 million) in this same period, in line with the decrease in the net income in this same period. The cost of the employees' salaries and bonuses decreased from 7.6% to 6.2%. The number of employees increased from 266 to 275 in this same period.

Salaries and employees' benefits decreased by 7.6% from SAR 22.7 million in the nine-months period ended September 30, 2019G to SAR 20.9 million in the nine-months period ended September 30, 2020G. The average monthly cost per employee decreased from SAR 7,125 to SAR 5,748. This is due to the global Covid-19 (pandemic emerging corona virus) and the precautionary measures of KSA Government, and the Governments of the other countries where the Company and its subsidiaries operate to battle against the spread of this pandemic. Moreover, the number of employees increased from 283 employees to 299 employees in this same period. The Company has benefited too from government initiatives launched to support the private sector companies that were highly affected by the consequences of the battle against corona virus, especially from the following initiatives:

- "Saned" system initiative: The General Organization for Social Insurance in the KSA bears 60% of the Saudi employees' salaries, unless it exceeds 70% of the total number of Saudi employees.
- "Hadaf" program: It maintains 30% of the salary or SAR 3,000 to support Saudi employees of the private sector since the beginning of July 2019G.
- Reducing the employee's incomes according to the actual working hours, as amended in the KSA Labor Law.

Consultancy and Professional Fees

Consultancy and professional fees include expenses paid to the financial auditor, tax consultant, sharia consultant, recruitment services, external designers' expenses, branding advisors, and other expenses. Consultancy and professional fees increased by 12.7% from SAR 2.0 million in the fiscal year 2017G to SAR 2.3 million in the fiscal year 2018G, as a result of the increase in the Zakat consultant fees concerning the fiscal years between 2005G and 2014G.

Consultancy and professional fees increased by 48.6% from SAR 2.3 million in the fiscal year 2018G to SAR 3.4 million in the fiscal year 2019G, as a result of the increase in the consulting costs concerning the sharia consultant, tax consultancies, employment services, external designers, and brands consulting. Hence, the percentage of Consultancy and professional fees to revenues increased slightly from 0.6% in the fiscal years 2017G and 2018G to 0.7% in the fiscal year 2019G.

Consultancy and professional fees increased by 10.1% from SAR 2.3 million in the nine-month period ended September 30, 2019G to SAR 2.6 million in the nine-month period ended September 30, 2020G, as a result of the increase in the expenses concerning the specialized designers outside of the brands, especially the “Miss L” and “InStyle” brands.

Travel Expenses

Travel expenses increased on a compound annual growth rate (CAGR) by 8.9 % from around SAR 1.7 million in the fiscal years 2017G and 2018G to SAR 2.0 million in the fiscal year 2019G; these travel expenses are paid by the Company when traveling between subsidiaries in Egypt and the Gulf Cooperation Council countries, and when traveling to attend international jewelry exhibitions, to support sales growth, and make Company innovation and planned change.

Travel expenses decreased on a compound annual growth rate (CAGR) by 61.5 % from SAR 1.4 million in the nine-month period ended September 30, 2019G to SAR 683 million in the nine-month period ended September 30, 2020G, as a result of the global Covid-19 (pandemic emerging coronavirus) and the precautionary measures related to it, which implemented in order to contain the spread of this pandemic, by the KSA Government, and the Governments of the other countries where the Company and its subsidiaries operate. This matter has caused the airports closure and travel agencies.

Machinery and Equipment Depreciation Expenses

Machinery and equipment depreciation expenses decreased by 5.9% from SAR 1.4 million in the fiscal year 2017G to SAR 1.3 million in the fiscal year 2018G, and to SAR 1.2 million in the fiscal year 2019G. This is due to the furniture and fixtures depreciation expenses, as well as the office equipment in this same period. This matter contributed to a slight decrease in the machines and equipment depreciation expenses by 5.7% from SAR 889 thousand million in the nine-month period ended September 30, 2019G to SAR 839 thousand million in the nine-month period ended September 30, 2020G.

Printing, Stationery, and Communication Expenses

Printing, stationery, and communication expenses decreased by 2.0% from SAR 822 thousand in the fiscal year 2017G to SAR 805 thousand in the fiscal year 2018G. Then, it increased by 26.9% to reach SAR 1.0 million in the fiscal year 2019G in line with the increase number of the Company and its subsidiary stores that increased the telecom expenses in this same period.

Printing, stationery, and communication expenses decreased by 9.1% from SAR 767 thousand in the nine-month period ended September 30, 2019G to SAR 697 thousand in the nine-month period ended September 30, 2020G. This is due to the decrease in the use of printing tools, stationery, and communications in line with the quarantine procedure. Therefore, the employees worked from their homes in the quarantine period instead of working from offices and branches.

Repairs and Maintenance Expenses

They relate to the repairs and maintenance expenses in the Company the head office and its subsidiaries, when needed. The repairs and maintenance expenses decreased on a compound annual growth rate (CAGR) by 12.6% from SAR 651 thousand in the fiscal year 2017G to SAR 498 thousand in the fiscal year 2019G.

Repairs and maintenance expenses decreased by 16.1% from SAR 391 thousand in the nine-month period ended September 30, 2019G to SAR 328 thousand in the nine-month period ended September 30, 2020G, in line with the decrease in the Company's operations. This is due to the quarantine procedures; it is why the use of machinery was reduced in the quarantine period, and, thus, they need less repairs and maintenance.

Depreciation of Right of Use assets

The Company and its subsidiaries recognized the right-of-use asset on balance sheet in line with the application of IFRS 16. As a result, those assets are depreciated according to their useful life. Therefore, assets amounted to SAR 42 thousand in the fiscal year 2019G.

The depreciation of the right-of-use asset increased by 221.3% from SAR 30 thousand in the nine-month period ended September 30, 2019G, to SAR 97 thousand in the nine-month period ended September 30, 2020G.

Other Expenses

Other expenses mainly related to the members of the Board of Directors fees, which accounted for 37.4% of other expenses in this same period, in addition to the insurance expenses, rent expenses, utility expenses, government expenses and other miscellaneous expenses. Other expenses increased by 24.8% from SAR 3.8 million in the fiscal year 2017G to SAR 4.8 million in the fiscal year 2018G. This is mainly due to the increase in the Board of Directors fees in this same period.

Other expenses increased by 16.9% from SAR 4.8 million in the fiscal year 2018G to SAR 5.6 million in the fiscal year 2019G. This is mainly due to the increase in the Board of Directors fees in this same period.

Other expenses decreased slightly by 1.1% from SAR 4.2 million in the nine-month period ended September 30, 2019G to SAR 4.1 million in the nine-month period ended September 30, 2020G. This is due to the decrease in utility costs by SAR 237 thousand, as a result of the global Covid-19 (pandemic emerging coronavirus) and the precautionary measures related to it, implemented in order to contain the spread of this pandemic, by the KSA Government, and the Governments of the other countries where the Company and its subsidiaries operate, including the periodically closed of the retail shops. Moreover, the other costs decrease by SAR 231 thousand, and the fees of the Board of Directors increase by SAR 411 thousand in this same period.

5-5-12 Net Income / Other (Expenses)

Table (5-17): Net revenue / other (expenses) for the fiscal years ended December 31, 2017G, 2018G, and 2019G, and the nine-month period ended September 30, 2019G, and 2020G.

(SAR'000)	2017G (Revised)	2018G (Revised)	2019G (Revised)	YoY Growth 2017G-2018G	YoY Growth 2018G-2019G	CAGR 2017G-2019G	9 month-period 2019G (Company information)	9 month-period 2020G (Company information)	Period change 2019G-2020G
Gain / (Loss) from Foreign Currency Exchange, Net	(276)	(656)	4,866	137.3%	(841.8%)	N/A	3,916	2,708	(30.8%)
Gain / (Loss) on disposal of machinery and equipment	607	40	(2,451)	(93.5)	(227.5%)	N/A	(1,284)	(32)	(97.5%)
Bank charges	(1,004)	(979)	(1,683)	(2.4%)	71.8%	29.5%	(1,240)	(682)	(45.0%)
Others	139	(2,762)	279	(87.1%)	(110.1%)	41.9%	1,700	(1,656)	(197.4%)
Total	(534)	(4,358)	1,012	715.4%	(132.2%)	N/A	3,092	338	(89.1%)
As a percentage of net income									
Gain / (Loss) from Foreign Currency Exchange, Net	(0.1%)	(0.2%)	1.0	(0.1)	1.2	1.1	1.0%	1.1%	0.1
Gain / (Loss) on disposal of machinery and equipment	0.2%	0.0%	(0.5%)	(0.2)	(0.5)	(0.7)	(0.3%)	(0.0%)	0.3
Bank charges	(0.3%)	(0.2%)	(0.3%)	0.0	(0.1)	(0.1)	(0.3%)	(0.3%)	0.0
Others	0.0%	(0.7%)	0.1%	(0.7)	0.7	0.0	0.4%	(0.6%)	(1.1)

Source: The Company's revised financial statements for the fiscal years ended 31 December 2017G, 2018G, and 2019G, and the Company's audited financial statements for the nine-month period ended September 30, 2019G, and 2020G.

Gain / (Loss) from Foreign Currency Exchange, Net

Gain / (Loss) from foreign currency exchange are mainly related to the receivables of the Egyptian subsidiaries from Saudi subsidiaries, with respect to internal commercial transactions between subsidiaries. The net 137.3% loss/gain on foreign currency exchange differences decreased from a loss of SAR 276 thousand in the fiscal year 2017G to a loss of SAR 656 thousand in the fiscal year 2018G. This is due to the fluctuations in foreign exchange rates, (especially the Egyptian pound), which led to the exchange differences when converting to SAR.

The net 841.8 % gain/(loss) foreign currency exchange differences increased from a loss of SAR 656 thousand in the fiscal year 2018G to SAR 4.9 million in the fiscal year 2019G. This is due to fluctuations in foreign exchange rates, (especially the Egyptian Pound), which led to exchange differences when converting to SAR.

The net 30.8 % gain/(loss) foreign currency exchange differences decreased from SAR 3.9 million in the nine-months period ended September 30, 2019G to SAR 2.7 million in the nine-month period ended September 30, 2020G. This is due to fluctuations in foreign exchange rates, (especially the Egyptian pound), which led to exchange differences when converting to SAR.

Gain / (Loss) on disposal of Machinery and Equipment

The gain on disposal of machinery and equipment in the fiscal year 2017G was SAR 607,000. A loss of SAR 2.5 million was recorded in the fiscal year 2019G. This is mainly due to the non-developments of the rental property of the retail branches closed in the KSA in this period.

The loss on disposal of machinery and equipment decreased by 97.5% from SAR 1.3 million in the nine-month period ended September 30, 2019G to SAR 32 thousand in the nine-month period ended September 30, 2020G. This is due to the decrease in the disposal of machinery and equipment in this same period.

Bank Charges

Bank charges increased by 71.8% from SAR 1.0 million in the fiscal years 2017G and 2018G to SAR 1.7 million in the 2019G fiscal year. This is due to the growth in the retail branches. Therefore, the bank charges increased when dealing with credit card payments and “Mada”.

Bank charges decreased by 45.0% from SAR 1.2 million in the nine-month period ended September 30, 2019G to SAR 682 thousand in the nine-month period ended September 30, 2020G as a result of the global Covid-19 (pandemic emerging coronavirus) and the precautionary measures of the Government of KSA, and the other countries where the Company and its subsidiaries operate to battle against the spread of this pandemic. However, the sales stores closed temporarily.

Others

The other incomes decreased from SAR 139 thousand in the fiscal year 2017G to SAR 2.8 million in the fiscal year 2018G. This is mainly due to the consulting acquisition fees that the Company incurred in this same year.

The other expenses decreased by 110.1% from SAR 2.8 million in the fiscal year 2018G to SAR 279 thousand in the fiscal year 2019G.

The other income (expenses) decreased by 197.4% from revenues of SAR 1.7 million in the nine-month period ended September 30, 2019G to other expenses of SAR 1.7 million in the nine-month period ended September 30, 2020G. This is due to a deposit of AED 1.9 million paid to a shopping center, 10 years ago, that was written off in this same period when the construction of the shopping center was not completed and the hope of recovering the deposit was lost.

5-5-13 Net Financing Costs

Table (5-18): Net Financing costs for the fiscal years ended December 31, 2017G, 2018G, and 2019G, and the nine-month period ended September 30, 2019G and 2020G.

(SAR'000)	2017G (Revised)	2018G (Revised)	2019G (Revised)	YoY Growth 2017G-2018G	YoY Growth 2018G-2019G	CAGR 2017G-2019G	9 month-period 2019G (Company information)	9 month-period 2020G (Company information)	Period change 2019G-2020G
Finance charges	29,621	34,333	45,081	15.9%	31.3%	23.4%	33,955	36,123	6.4%
Rate of return on lease liabilities	-	-	4,394	0.0%	0.0%	N/A	3,380	2,799	(17.8%)
Rate of return on employees' end-of-service benefits	1,120	1,261	1,398	12.6%	10.9%	11.7%	1,052	577	(45.1%)
Total financing costs	30,740	35,594	50,873	15.8%	42.9%	28.6%	38,387	39,479	2.8%
As a percentage of total operating revenue									
Finance charges	8.3%	8.4%	9.4%	0.1	0.9	1.0	8.6%	14.1%	5.5
Rate of return on lease liabilities	0.0%	0.0%	0.9%	0.0	0.9	0.9	0.9%	1.1%	0.2
Rate of return on employees' end-of-service benefits	0.3%	0.3%	0.3%	0.0	0.0	0.0	0.3%	0.2%	0.1
Total financing costs	8.7%	8.8%	10.6%	0.1	1.8	1.9	9.7%	15.4%	5.6

Source: The Company's revised financial statements for the fiscal years ended 31 December 2017G, 2018G, and 2019G, and the Company's audited financial statements for the nine-month period ended September 30, 2019G, and 2020G.

Finance Charges

Finance charges increased by 15.9% from SAR 29.6 million in the fiscal year 2017G to SAR 34.3 million in the fiscal year 2018G, as a result of “Murabaha” facilities for the acquisition, in addition to the growth in global gold prices.

Finance charges increased by 31.3% from SAR 34.3 million in the fiscal year 2018G to SAR 45.1 million in the fiscal year 2019G. This is due to the continuation of “Murabaha” facilities for the acquisition, in addition to the growth in global gold prices.

Finance charges decreased by 6.4% from SAR 33.9 million in the nine-month period ended September 30, 2019G to SAR 36.1 million in the nine-month period ended September 30, 2020G, as a result of the efforts of the Company and its subsidiaries to

reduce the working capital and thus reduce the finance costs, as well as the decrease in SIBOR prices in the KSA in this same period.

Rate of Return on Lease Liabilities

Rate of return on lease liabilities relates to the interest part of the lease liabilities with the application of the IFRS 16, was amounted SAR 4.4 million in the fiscal year 2019G. The rate of return on the lease liabilities decreased by 17.8% from SAR 3.4 million in the nine-months period ended September 30, 2019G to SAR 2.8 million in the nine-month period ended on September 30, 2020G.

Rate of Return on Employees' End-of-Service Benefits

In accordance with the requirements of the IAS (International Accounting Standards) 19: the expenses of employees' end-of-service benefits are presented in the statement of profit and loss; the net interest is presented within financing costs; the net benefit is determined by applying the discount rate to the provision in the statement of financial position.

Based on the Actuarial Report, the rate of return on employees' end-of-service benefits increased on a CAGR by 11.7% from SAR 1.1 million in the fiscal year 2017G to SAR 1.4 million in the fiscal year 2019G.

Based on the Actuarial Report, the rate of return on employees' end-of-service benefits decreased by 45.1% from SAR 1.1 million in the nine-month period ended September 30, 2019G to SAR 577 thousand in the nine-month period ended September 30, 2020G.

5-5-14 Net Income

Table (5-19): Net income for the fiscal years ended December 31, 2017G, 2018G, and 2019G, and the nine-month period ended September 30, 2019G, and 2020G.

(SAR'000)	2017G (Revised)	2018G (Revised)	2019G (Revised)	YoY Growth 2017G-2018G	YoY Growth 2018G-2019G	CAGR 2017G-2019G	9 month-period 2019G (Company information)	9 month-period 2020G (Company information)	Period change 2019G-2020G
Net (loss) / profit before zakat and income tax	43,993	29,976	(3,125)	(319%)	(110.4%)	N/A	36,326	(77,675)	(313.8%)
Zakat	(10,613)	(10,719)	(11,306)	1.0%	5.5%	3.2%	(8,527)	(6,827)	(19.9%)
Income tax	(1,836)	(1,591)	(3,116)	(13.4%)	95.9%	30.3%	(3,448)	(2,099)	(39.1%)
Net (loss) / profit for the year or period	31,544	17,666	(17,548)	(44.0%)	(199.3%)	N/A	24,351	(86,601)	(455.6%)
Other comprehensive income / (loss)									
Items that will not be reclassified later under the statement of profit or loss									
Re-evaluation of employees' end-of-service benefits	(4,657)	4,312	1,706	(192.6%)	(60.4%)	N/A	-	-	N/A
Items that will be reclassified later under the statement of profit or loss	-	-	-	0.0%	0.0%	0.0%	-	-	0.0%
Differences in transferring foreign operations	445	(550)	9,930	(223.7%)	(1905.3%)	372.5%	8,409	978	(88.4%)
Other comprehensive income / (loss) / (other) for the year / period - net of tax	(4,212)	3,762	11,635	(189.3%)	209.3%	N/A	8,409	978	(88.4%)
Total other comprehensive (loss) / other comprehensive income for the year or period	27,332	21,428	(5,912)	(21.6%)	(127.6%)	N/A	32,761	(85,622)	(361.4%)
As a percentage of operating revenue									
Profit from operations	61.2%	60.1%	59.8%	(1.1)	(0.2)	(1.4)	61.3%	54.3%	(7.0)
Other income (expenses) - net	21.2%	17.2%	9.7%	(4.0)	(7.5)	(11.5)	18.1%	(15.0%)	(33.1)

(SAR'000)	2017G (Revised)	2018G (Revised)	2019G (Revised)	YoY Growth 2017G-2018G	YoY Growth 2018G-2019G	CAGR 2017G-2019G	9 month-period 2019G (Company Information)	9 month-period 2020G (Company Information)	Period change 2019G-2020G
Finance costs – net	0.2%	1.1%	0.2%	0.9	(0.9)	0.1	0.8%	0.1%	(0.7)
Net (loss) / profit for the year or period	8.7%	8.8%	10.6%	0.1	1.8	1.9	9.7%	15.4%	5.6
Total other comprehensive (loss) / other comprehensive income for the year or period	8.9%	4.3%	(3.6%)	(4.5)	(8.0)	(12.5)	6.2%	(33.7%)	(39.9)

Source: The Company's revised financial statements for the fiscal years ended 31 December 2017G, 2018G, and 2019G, and the Company's audited financial statements for the nine-month period ended September 30, 2019G, and 2020G.

Zakat

Zakat is calculated in the name of the Company and all its owned subsidiaries in accordance with the financial regulations applicable in the KSA.

Zakat provision increased from SAR 10.6 million in the fiscal year 2017G to SAR 11.3 million in the fiscal year 2019G. This is mainly due to the growth of Zakat base, in line with the acquisition of Izdiad Commercial Company of Arabia in this same period. Zakat provision expense decreased by 19.9% from SAR 8.5 million in the nine-month period ended September 30, 2019G to SAR 6.8 million in the nine-month period ended September 30, 2020G, in line with the decline in the operations of the Company and its subsidiaries.

The Company and its subsidiaries submitted Zakat declarations for all years up to the fiscal year 2019G and obtained Zakat certificates in these periods. In the fiscal year 2017G, the Company and its subsidiaries received Zakat assessments for the fiscal years from 2005G to 2014G, with additional Zakat obligations amounting to approximately SAR 10.6 million. The Company and its subsidiaries submitted an objection to these assessments, and discussed with the General Authority for Zakat and Income. Furthermore, these Zakat obligations were reduced to SAR 6.0 million; these amounts were settled in the fiscal year 2019G. In May 2020G, the Company received the Zakat assessment for the fiscal year 2018G with an additional Zakat commitment of about SAR 26.4 million. Therefore, it was reduced after discussions with the General Authority for Zakat and Income to SAR 0.1 million, which was agreed upon and settled by the Company in September 2020G.

There are no claims or assessments due for Zakat on the Company for all years up to 2014G and 2018G. The years 2015G to 2017G, and 2019G are under review by the General Authority for Zakat and Income; no Zakat assessments are received so far.

Income Tax

Income tax is related to Oro Egypt and L'Azurde Company for Jewelry LLC "L'Azurde Company for Jewelry Egypt". The tax was due on their taxable profits estimated at 22.5%, and on taxable profits estimated at 10% and 15% from each of L'Azurde Company for Jewelry Company LLC "L'Azurde Company for Jewelry Qatar" and L'Azurde Company for Jewelry LLC "L'Azurde Company for Jewelry Oman" respectively.

"Oro Egypt" Company registered in Egypt was exempted from THE income tax until December 31, 2014G, in accordance with the Egyptian Law 8 of 1997G. "Oro Egypt" obtained tax returns and paid THE tax liabilities on its non-exempt activities until the year 2014G. "Oro Egypt" has paid all taxes due on its non-exempt activities to this date. L'Azurde Company for Jewelry Egypt, registered in Egypt, was exempted from income tax on the results of its commercial and industrial business for a period of 10 years, ended December 31, 2018G.

Income tax decreased by 13.4% from SAR 1.8 million in the fiscal year 2017G to SAR 1.6 million in the fiscal year 2018G, and was affected by the suspension of operations in Qatar. This is due to the conditions in the region, as the revenues from Qatar amounted to zero in the fiscal year 2018G.

Income tax increased by 95.9% from SAR 1.6 million in the fiscal year 2018G to SAR 3.1 million in the fiscal year 2019G. This is due to the expiration of the tax exemption period for L'Azurde Company for Jewelry Egypt at the end of the fiscal year 2018G.

Income tax decreased by 39.1% from SAR 3.4 million in the nine-month period ended September 30, 2019G to SAR 2.1 million in the nine-month period ended September 30, 2020G, as a result of the slowdown in the operations of the Company and its subsidiaries in this same period.

Net Profit

The net profit decreased by 44.0% from SAR 31.5 million in the fiscal year 2017G to SAR 17.7 million in the fiscal year 2018G. The net profit margin decreased by 4.5 % from 8.9% to 4.3%. This is due to the increase in selling and marketing expenses as a percentage of revenue from 29.4% to 32.4%, and the decreased in the gross profit margin from 61.2% to 60.1% in this same period.

The net profit decreased by 199.3% from SAR 17.7 million in the fiscal year 2018G to a net loss of SAR 17.6 million in the fiscal year 2019G. The net profit margin decreased from 4.3% to a net loss margin of 3.6%. This is due to:

- 1- The increase in depreciation and amortization expenses as a percentage of revenues from 1.7% to 7.5% in line with the application of IFRS 16 and the acquisition of TOUS trademark in the fiscal year 2018G.
- 2- The increase in selling and marketing expenses as a percentage of revenues from 32.4% to 37.4%.
- 3- The exceptional decrease in the value of inventory related to the stores that were closed in the KSA in the fiscal year 2019G, which amounted to SAR 17.8 million in the fiscal year 2019G (3.7% of revenues).
- 4- The increase in the finance costs by 31.3% from SAR 34.3 million in the fiscal year 2018G to SAR 45.1 million in the fiscal year 2019G, because of the continuation of the Murabaha facilities related to the acquisition and the global gold prices rise.

The net profit decreased by 455.6% from SAR 24.4 million in the nine-month period ended September 30, 2019G to a net loss of SAR 86.6 million in the nine-month period ended September 30, 2020G. The net profit margin decreased from 6.2% to a net margin loss of 33.7% in this same period. This is mainly attributed to the global Covid-19 (pandemic emerging coronavirus), the forceful increase in gold prices, as well as a threefold increase in the VAT in the KSA. Therefore, the Company and its subsidiaries were encouraged to take a decision in order to accept a one-time cost of SAR 34.7 million related to moving back some of its gold jewelry products from the Saudi market. This is due to the change in consumer tastes, as well as by external factors, such as the global Covid-19 (pandemic emerging corona virus), the precautionary measures related to it, and the increase in the gold price in the nine-months period ended September 30, 2020G, that conduct the Company and their subsidiaries to rationalize and improve the investments in gold working capital and reduce financing expenses.

Other Comprehensive Income / (Loss)

The other comprehensive loss decreased from SAR 4.2 million in the fiscal year 2017G to another comprehensive income of SAR 3.8 million in the fiscal year 2018G. This is due to the Actuarial profits resulting from re-measuring the employees' end-of-service benefit of SAR 4.3 million in this same period.

Other comprehensive income increased by 209.3% from SAR 3.8 million in the fiscal year 2018G to SAR 11.6 million in the fiscal year 2019G, as a result of profits resulting from the differences in the transfer of foreign operations, which amounted to SAR 9.9 million in the fiscal year 2019G.

Other comprehensive income decreased by 88.4% from SAR 8.4 million in the nine-month period ended September 30, 2019G to SAR 978 thousand in the nine-month period ended September 30, 2020G. This is due to the decrease in profits that resulted from the differences in foreign exchange operations.

Moreover, in the fiscal year 2019G, the Company and its subsidiaries conducted important transactions in foreign currencies, such as the USD, the Euro, and the Egyptian Pound.

Administration observed regularly fluctuations in foreign exchange rates. The effect of currency rates accounted in the consolidated financial statements. Since the SAR is in constant correlation with the USD, and the Company and its subsidiaries do not have material net assets in euros, the Company and its subsidiaries are exposed to currency risks. This is due to the Egyptian Pound only.

5-6 Consolidated Balance Statement

Table (5-20): The consolidated balance sheet as on December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

(SAR'000)	31 December 2017G (Revised)	31 December 2018G (Revised)	31 December 2019G (Revised)	September 30, 2020G (Revised)
Non-current assets				
Property, plant, and equipment	77,112	92,115	87,427	82,802
Right-of-use assets	-	-	48,575	38,368
Intangible assets and goodwill	634	142,415	140,689	139,613
Other non-current assets	999	1,075	1,562	1,559
Total non-current assets	78,745	235,605	278,253	262,342
Current assets				
Inventory	915,032	788,856	858,624	774,480
Receivables	459,547	570,489	625,068	395,218
Other current assets	26,800	39,123	99,540	112,429
Gold guarantees	-	-	-	49,757
Cash guarantees	110,142	101,529	99,974	32,928
Cash and cash equivalents	57,432	47,733	53,575	167,271
Total current assets	1,568,952	1,547,729	1,736,782	1,532,083
Total assets	1,647,698	1,783,334	2,015,035	1,794,425
Equity and liabilities				
Equity				
Capital	430,000	430,000	430,000	430,000
Statutory reserve	20,420	22,187	22,187	22,187
Retained earnings	131,517	149,928	132,124	45,523
Foreign currency transfer reserve	(175,479)	(176,029)	(166,099)	(165,121)
Total equity	406,459	426,086	418,211	332,589
Liabilities				
Non-current liabilities				
Long-term Murabaha facility	-	94,000	75,000	55,000
Provision for employees' end of service benefits	37,638	32,645	29,335	28,004
Rental obligations	-	-	22,631	15,805
Deferred tax liability	555	983	1,403	1,470
Long-term payables	-	50,600	51,375	51,965
Total non-current liabilities	38,193	178,228	179,745	152,244
Current liabilities				
Payables and other current liabilities	45,460	50,195	236,812	258,140
Current portion of the long-term Murabaha facility	-	14,000	19,000	30,000
Current portion of leasing obligations	-	-	21,251	19,454
Short term Murabaha facility	1,134,172	1,091,732	1,117,991	985,193
Zakat and income tax due	23,414	23,094	22,025	16,805
Total current liabilities	1,203,046	1,179,020	1,417,079	1,309,592
Total liabilities	1,241,239	1,357,249	1,596,824	1,461,836
Total equity and liabilities	1,647,698	1,783,334	2,015,035	1,794,425

Source: The Company's audited financial statements for the fiscal years ended as on 31 December 2017G, 2018G, and 2019G, and the Company's audited financial statements for the fiscal years ended September 30, 2019G, and 2020G.

Table (5-21): Key performance indicators for the financial position as on December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

(SAR'000)	31 December 2017G (Revised)	31 December 2018G (Revised)	31 December 2019G (Revised)	September 30, 2020G (Revised)
Average days of Receivables (day) *	106	109	128	139
Average Inventory Life (day) **	229	196	190	229
Average days of accounts payable (day) ***	108	89	65	81
Return on Equity	1.9%	1.0%	(0.9%)	(4.8%)
Return on Assets	7.8%	4.1%	(4.2%)	(26.0%)
Debt to Equity	2.8	2.8	2.9	3.2

Source: The Company's audited financial statements for the fiscal years ended as on 31 December 2017G, 2018G, and 2019G, and the Company's audited financial statements for the fiscal years as on September 30, 2020G, in addition to management information.

* The average days of receivables were calculated using gold revenue.

** The average inventory life was calculated using the price of gold and raw materials used.

*** The average days of accounts payable were calculated using the price of the raw materials used.

5-6-1 Non-current Assets

Table (5-22): Non-current assets as on December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

(SAR'000)	31 December 2017G (Revised)	31 December 2018G (Revised)	31 December 2019G (Revised)	September 30, 2020G (Revised)
Property, plant, and equipment	77,112	92,115	87,427	82,802
Right-of-use assets	-	-	48,575	38,368
Intangible assets and goodwill	634	142,415	140,689	139,613
Other non-current assets	999	1,075	1,562	1,559
Total non-current assets	78,745	235,605	278,253	262,342

Source: The Company's audited financial statements for the fiscal years ended as on 31 December 2017G, 2018G, and 2019G, and the Company's audited financial statements for the fiscal years as on September 30, 2020G.

Property, Plant, and Equipment

Table (5-23): The net book value of property, plant, and equipment as on December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

(SAR'000)	31 December 2017G (Revised)	31 December 2018G (Revised)	31 December 2019G (Revised)	September 30, 2020G (Company information)
Land	321	320	344	349
Buildings	28,727	50,769	38,555	39,923
Machinery and equipment	14,682	13,684	13,619	13,647
Furniture and fittings	1,247	6,928	5,622	5,231
Motor vehicles	928	925	1,140	1,013
Office equipment	2,727	6,312	4,750	4,593
Tools, dies, and Other Assets	1,664	1,671	1,839	1,715
Leasehold developments	14,363	24,862	19,618	16,112
Building projects under construction	12,452	(13,358)	1,941	219
Total	77,112	92,115	87,427	82,802

Source: The Company's audited financial statements for the fiscal years ended as on 31 December 2017G, 2018G, and 2019G, and the Company's audited financial statements for the fiscal years as on September 30, 2020G.

Table (5-24): Depreciation expenses of property, plant, and equipment as on December 31, 2017G, 2018G, 2019G and September 30, 2020G.

(SAR'000)	31 December 2017G (Revised)	31 December 2018G (Revised)	31 December 2019G (Revised)	September 30, 2020G (Company information)
Real estates	-	-	-	-
Buildings	1,258	1,245	1,551	1,189
Machinery and equipment	2,080	2,325	2,508	2,048
Furniture and fittings	406	677	2,211	1,631
Cars	886	710	546	270
Office equipment	1,448	1,422	2,063	1,681
Tools, Templates, and Other Assets	258	275	268	170
Leasehold developments	3,561	4,666	7,534	5,026
Building projects under construction	-	-	-	-
Total	9,898	11,320	16,682	12,015

Source: The Company's audited financial statements for the fiscal years as on December 31, 2017G, 2018G, and 2019G, and management information as on September 30, 2020G.

Property, Plant, and Equipment

Property, plant, and equipment are mainly defined as the non-current assets owned by the Company and its subsidiaries. They include buildings, machinery, equipment, and leased real estate improvements that represent 74.9%, 97.0%, 82.1% and 84.2% of the total net book value as on December 31, 2017G, 2018G, 2019G, and as on 30 September, 2020G, respectively.

Net Property, plant, and equipment increased from SAR 77.1 million as on December 31, 2017G to SAR 92.1 million as on December 31, 2018G, as a result of the acquisition of Izdiad Commercial Company of Arabia in the fiscal year 2018G. The acquired properties, installations and equipment mainly consist of rental property improvements in addition to furniture and fittings totaling SAR 15.9 million. The increase came in line with the Company additions in this same period, in particular the developments of the rented properties and office equipment, by SAR 5.5 million and SAR 3.0 million, respectively. The depreciation expenses amounted to SAR 11.3 million in this same period.

Net Property, plant, and equipment decreased from SAR 92.1 million as on December 31, 2018G to SAR 87.4 million as on December 31, 2019G. This is due to a decrease in depreciation charges related to improvements in leased properties in line with the value of improvements to leased properties of SAR 7.5 million. The Company additions to rental property developments amounted to SAR 4.8 million in this same period.

Table (5-25): Additions to property, plant, and equipment as on December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

(SAR'000)	31 December 2017G (Revised)	31 December 2018G (Revised)	31 December 2019G (Revised)	September 30, 2020G (Company information)
Real estates	-	-	-	-
Buildings	16	11,675	-	665
Machinery and equipment	3,516	2,341	1,491	1,905
Furniture and fittings	238	379	857	802
Cars	258	708	718	268
Office equipment	1,307	2,991	1,691	1,474
Tools, Templates, and Other Assets	130	300	303	35
Leasehold developments	5,895	5,513	4,753	1,499
Building projects under construction	11,290	(11,706)	1,856	330
Total	22,651	12,201	11,668	6,978

Source: The Company's revised financial statements for the fiscal years ended as on December 31, 2017G, 2018G, and 2019G, and management information as on September 30, 2020G.

The additions value amounted to SAR 22.7 million in the fiscal year 2017G, as the following: SAR 11.3 million in building projects under construction; SAR 5.9 million in leasehold developments; and SAR 3.5 million in machinery, equipment, and restoration of some stores.

The additions value amounted to SAR 12.2 million in the fiscal year 2018G, as the following: transfers of SAR 11.7 million from building projects under construction; additions of SAR 5.5 million in leasehold developments; additions of SAR 3.0 million in office equipment. These additions mainly relate to some developments in stores in accordance with the expansion growth strategy of the Company and its subsidiaries.

The additions value amounted to SAR 11.7 million in the fiscal year 2019G, as the following: SAR 4.8 million in leasehold developments; SAR 1.9 million in building projects under construction; and SAR 1.7 million in office equipment.

The additions value amounted to SAR 7.0 million in the nine-month period ended September 30, 2020G, as the following: additions of SAR 1.9 million in machinery and equipment; SAR 1.5 million in leasehold developments; and SAR 1.5 million in office equipment.

Table (5-26): The estimated useful age of property, installations, and equipment as on September 30, 2020G.

Property	Estimated useful lives
Buildings	50 years
Machinery and equipment	10 years
Furniture and fittings	6-7 years
Cars	4 years
Office equipment	7 years
Tools, Templates, and Other Assets	4-7 years
Leasehold developments	The rental period or the useful life, whichever is shorter

Source: The Company's audited financial statements for the fiscal years ended December 31, 2019G.

Right-of-Use Assets

The Company recognized right-of-use assets that are recorded in the statement of financial position in line with the application of the Company and its subsidiaries for IFRS 16, starting from January 1, 2019G. This new standard replaces the requirements of IAS 17. ROU Assets amounted to SAR 48.6 million as on December 31, 2019G, and decreased to SAR 38.4 million as on September 30, 2020G.

Intangible Assets and Goodwill

Table (5-27): Intangible assets and goodwill as on December 31, 2017G, 2018G, 2019G and September 30, 2020G.

(SAR'000)	31 December 2017G	31 December 2018G	31 December 2019G	September 30, 2020G
Franchise Agreement and computer software	634	32,437	30,711	29,635
Goodwill	-	109,978	109,978	109,978
Total	634	142,415	140,689	139,613

Source: The Company's audited financial statements for the fiscal years ended as on 31 December 2017G, 2018G, and 2019G, and management information as on September 30, 2020G.

Table (5-28): The Franchise Agreement and Haseeb Programs as on December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

(SAR'000)	31 December 2017G	31 December 2018G	31 December 2019G	September 30, 2020G
Cost:				
As on January 1	6,759	7,050	39,268	39,529
Additions	284	1,256	635	575
Acquired through business combinations	-	30,964	-	-
Disposals	-	-	(431.3)	-
Foreign exchange differences	7	(3)	58	12
At the end of the year / period	7,050	39,268	39,529	40,116
Amortization accumulated:				
As on January 1	6,176	6,416	6,831	8,818
Charged on the year	235	417	2,148	1,653
Disposals	-	-	(208)	-
Foreign exchange differences	5	(3)	48	10
At the end of the year / period	6,416	6,831	8,818	10,481
Net book value as at December 31	634	32,437	30,711	29,635

Source: The Company's audited financial statements for the fiscal years ended as on 31 December 2017G, 2018G, and 2019G, and management information as on September 30, 2020G.

Intangible Assets and Goodwill

The Administration of the Company and its subsidiaries estimate annually the estimated useful life of the intangible assets. The NBV of the franchise agreement and computer software increased from SAR 634 thousand as on December 31, 2017G to SAR 32.4 million as on December 31, 2018G. This is due to the recognition of the intangible assets of the concession agreement of SAR 30.9 million, concerning the acquisition of Izdiad Commercial Company of Arabia. The intangible assets decreased from SAR 32.4 million as on December 31, 2018G to SAR 30.7 and SAR 29.6 million as on September 30, 2019G and 2020G respectively, in line with the amortization expenses in this same period.

Goodwill

Goodwill relates to the acquisition of TOUS trademark in the fiscal year 2018G, (for more details about the acquisition, please refer to sub-paragraph 9-5-4-4 "Franchise Contracts", from Section 9 "Legal Information"), while its value amounted to SAR 110.0 million as on December 31, 2018G, 2019G and as on September 30, 2020G. Goodwill is initially measured at the expected future growth and productivity expectations of the Company. The goodwill is subject to an annual impairment test; an asset test is performed to ensure that there is a decrease in its value by comparing the book value of each cash-generating unit with the recoverable value. It is determined based on the information used in the calculation of the present value that uses the expected cash flows based on approved financial projections from management for 10 years. A ten-year projection period was used because it was consistent with the term of the franchise agreement owned by the Company. The discount rate used in the calculation of the expected cash flow is 7.5%, matching each unit listed for cash and terminal value. Terminal value and cash flows are deduced after a ten-year period using a growth rate of 2%.

Other Non-current Assets

Other non-current assets consist of long-term leases. They increased from SAR 999 thousand as on December 31, 2017G to SAR 1.6 million as on December 31, 2019G and September 30, 2020G.

5-6-2 Current Assets

Table (5-29): Current assets as on December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

(SAR'000)	31 December 2017G	31 December 2018G	31 December 2019G	September 30, 2020G
Inventory	915,032	788,856	858,624	774,480
Receivables	459,547	570,489	625,068	395,218
Other current assets	26,800	39,123	99,540	112,429
Gold Guarantees	-	-	-	49,757
Cash guarantees	110,142	101,529	99,974	32,928
Cash and cash equivalents	57,432	47,733	53,575	167,271
Total current assets	1,568,952	1,547,729	1,736,782	1,532,083
Key Performance Indicators				
Average days of receivables (day)	106	109	128	139
Average life of inventory (day)	229	196	190	229

Source: The Company's audited financial statements for the fiscal years ended as on 31 December 2017G, 2018G, and 2019G, and the Company's audited financial statements for the fiscal years ended September 30, 2020G.

Inventory

Table (5-30): Inventory as on December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

(SAR'000)	31 December 2017G	31 December 2018G	31 December 2019G	September 30, 2020G
According to the basic elements:				
Gold	740,513	625,096	725,440	654,233
Diamonds, gemstones, and pearls	164,095	155,106	137,608	118,341
Other materials and production supplies	22,307	21,900	26,360	24,875
Total inventory	926,915	802,102	889,408	797,449
Less: Provision for gold smelting and slow-moving inventories	(11,883)	(13,246)	(30,784)	(23,452)
Net inventory	915,032	788,856	858,624	773,997
According to the completion stage:				
Finished goods	480,155	437,872	457,212	429,233
Raw materials	445,616	363,624	431,572	307,493
Work in progress	1,143	605	624	61,215
Total inventory	926,915	802,102	889,408	797,449
Less: Provision for gold smelting and slow-moving materials	(11,883)	(13,246)	(30,784)	(23,452)
Net inventory	915,032	788,856	858,624	773,997
Key Performance Indicators				
Average life of inventory (day)	229	196	190	229

Source: The Company's audited financial statements for the fiscal years ended as on 31 December 2017G, 2018G, and 2019G, and administrative information as on September 30, 2020G.

The net inventory decreased from SAR 915.0 million as on December 31, 2017G to SAR 788.9 million as on December 31, 2018G. This is due to the decrease in raw materials from SAR 445.6 million to SAR 363.6 million, in addition to the decrease of finished goods from SAR 480.2 million to SAR 437.9 million in this same period.

The net inventory reached SAR 858.6 million as on December 31, 2019G in line with the increase in raw materials from SAR 363.6 million to SAR 431.6 million, as well as the increase in the finished goods from SAR 437.9 million to SAR 457.2 million. Moreover, gold smelting provision and slow-moving products increased from SAR 13.2 million SAR 30.8 million in this same period.

Company Inventory by component

Gold

The gold ore balance relates to the gold inventory from the raw materials used by the Company and its subsidiaries in the production process. This balance is affected by the global gold price change. The gold ore balance decreased from SAR 740.5 million as on December 31, 2017G to SAR 625.1 million as on December 31, 2018G. This is mainly due to the decrease in the amount of gold in the KSA, especially in the wholesale sector and in one of the subsidiary companies in Egypt, in line with the demand. The gold ore balance increased from SAR 625.1 million as on December 31, 2018G to SAR 725.4 million as on December 31, 2019G, in line with the increase in global gold price in this same year. The gold ore balance decreased SAR 725.4 million as on December 31, 2019G to SAR 654.7 million as on September 30, 2020G, as a result of the decrease in the volume of goods. This is due to the factors that affect the Company and its subsidiaries such as the global Covid-19 (pandemic emerging corona virus), as well as the increase in VAT, which led the Company's administration and its subsidiaries to make more efforts in managing the Company inventory in this same period.

Diamonds, Gemstones, and Pearls

Diamonds, gemstones, and pearls balance decreased increasingly from SAR 164.1 million as on December 31, 2017G to SAR 118.3 million as on September 30, 2020G, especially that the Company changed in the strategies in order to focus on buying the retail instead of the heavyweight jewelry. Consequently, the Company and its subsidiaries recorded a decrease in the inventory of SAR 27.3 million, because of the KSA stores, manufacturing especially diamonds, were closed.

Other Materials and Production Supplies

The other materials balance and production requirements relates mainly to consumables and chemicals used in the process. The balance ranges between SAR 21.9 million and SAR 26.4 million for the period between December 31, 2017G and September 30, 2020G. The other materials and production requirements constitute between 2.4% and 3.2% of the total net inventory as on December 31, 2017G and September 30, 2020G.

Company Inventory by Stage of Completion

Finished Goods

The finished goods balance decreased from SAR 480.2 million as on December 31, 2017G to SAR 437.9 million as on December 31, 2018G. This is due to the decrease in the goods manufactured from diamonds in line with the change in consumer preferences according to the studies that the Company and its subsidiaries periodically carry out. Therefore, the inventory recorded an increase because of the acquisition of Izdiad Commercial Company of Arabia, in this same period. The finished goods inventory balance increased from SAR 437.9 million as on December 31, 2018G to SAR 457.2 million as on December 31, 2019G in line with the growth in the number of the Company's showrooms and its subsidiaries.

The finished goods balance decreased from SAR 457.2 million as on December 31, 2019G to SAR 429.2 million as on September 30, 2020G. This is due to the decrease in the inventory of goods because of the temporary closure of factories due to the complete and partial curfew imposed by the governments of the countries to battle against the spread of this pandemic.

Raw Materials

The inventory of raw materials includes pure gold, diamonds, stones, pearls, chemicals, alloys, and other materials. Raw materials decreased from SAR 445.6 million as on December 31, 2017G to SAR 363.6 million as on December 31, 2018G. This is due to the efforts of the Company and its subsidiaries in reducing the working capital and the total decrease in the amount of wholesale gold sale in kilograms in the KSA by 392 kilograms. The inventory of raw materials increased from SAR 363.6 million as on December 31, 2018G to SAR 431.6 million as on December 31, 2019G. This is due to the expected increase in production.

Raw materials decreased from SAR 431.6 million as on December 31, 2019G to SAR 307.5 million as on September 30, 2020G. This is due to the decrease in the inventory because of the Covid-19 pandemic (emerging corona virus), and the temporarily closure of the showrooms.

Work in Progress

Work in progress consists mainly of gold and diamond jewelry under production. Work-in-progress decreased from SAR 1.1 million as on December 31, 2017G, to SAR 624 thousand as on December 31, 2019G. This is due to the completion of the manufacturing of the most orders before the end of the fiscal year.

Work in progress increased from SAR 624 thousand as on December 31, 2019G to SAR 61.2 million as on September 30, 2020G. This is due to the work-in-progress balances usually transferred to the finished goods balances at the end of the year. Therefore, the balance of work in progress will increase in this same year.

Table (5-31): Movements in the provision for smelting costs and slow-moving materials as on December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

(SAR'000)	31 December 2017G	31 December 2018G	31 December 2019G	September 30, 2020G
Balance as on January 1	16,895	11,883	13,246	30,784
Charge for the year / period	2,873	9,630	27,313	8,453
Used during the year / period	(7,953)	(8,266)	(10,010)	(15,819)
Foreign exchange differences	68	-	235	34
End of period balance	11,883	13,246	30,784	23,452

Source: The Company's audited financial statements for the fiscal years ended as on 31 December 2017G, 2018G and, 2019G, and management information as on September 30, 2020G.

The Company and its subsidiaries record an adequate provision for slow-moving inventory in order to cover expected smelting expenses for all non-salable merchandise items that are melted down and re-used in production, vis-à-vis to the inventory ages, according to the percentages determined in the policy of the Company and its subsidiaries.

The value of the provision for slow moving melting and inventory costs increased from SAR 11.9 million as on December 31, 2017G to SAR 13.2 million as on December 31, 2018G. It reached SAR 30.8 million as on 31 December 2019G.

The value of the provision for slow moving melting and inventory costs decreased from SAR 30.8 million as on December 31, 2019G to SAR 23.5 million as on September 30, 2020G. It is because the Company and its subsidiaries began to reduce the goods inventory in accordance with the decline in sales due to the global Covid-19 pandemic (the emerging coronavirus).

Accounts Receivable

Table (5-32): Accounts receivable as on December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

(SAR'000)	31 December 2017G	31 December 2018G	31 December 2019G	September 30, 2020G
Accounts receivable – total	469,267	582,678	644,391	421,120
Less: Provision for expected credit losses	(9,720)	(12,189)	(19,323)	(25,901)
Accounts receivable – net	459,547	570,489	625,068	395,218
Key Performance Indicators				
Provisions as a percentage of total receivables	2.1%	2.1%	3.0%	6.2%
Average days of receivables (day)	106	109	128	139

Source: The Company's audited financial statements for the fiscal years ended as on 31 December 2017G, 2018G, and 2019G, and the Company's audited financial statements for the fiscal years as on September 30, 2020G.

Table (5-33): Movement in the provision for expected credit losses as on December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

(SAR'000)	31 December 2017G	31 December 2018G	31 December 2019G	September 30, 2020G
The balance at the beginning of the year / period	9,720	9,720	12,189	19,323
Charge for the year / period	(303)	2,504	5,060	6,032
Refunds during the year / period	266	-	1,165	300
Foreign exchange differences	37	(36)	909	246
Balance at the end of the year	9,720	12,189	19,323	25,901

Source: The Company's audited financial statements for the fiscal years ended as on 31 December 2017G, 2018G, and 2019G, and management information as on September 30, 2020G.

Table (5-34): The ages of receivables as on December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

(SAR'000)	Total	Neither past due nor reduced	Less than 180 days	181 - 270 days	271 - 360 days	361 - 540 days	More than 540 days
December 31, 2017G							
Trade receivables	459,547	344,478	99,247	10,944	2,168	2,532	128
As a percentage of the total		75.0%	21.6%	2.4%	0.5%	0.6%	0.0%
December 31, 2018G							
Trade receivables	570,489	424,033	129,015	11,284	1,849	1,718	2,589
As a percentage of the total		74.3%	22.6%	2.0%	0.3%	0.3%	0.5%
December 31, 2019G							
Trade receivables	665,068	399,364	209,629	11,559	1,264	1,181	2,071
As a percentage of the total		60.0%	31.5%	1.8%	0.2%	0.2%	0.3%
September 30, 2020G							
Trade receivables	395,218	233,414	121,212	14,557	11,605	14,431	-
As a percentage of the total		59.1%	30.7%	3.7%	2.9%	3.7%	-

Source: The Company's audited financial statements for the fiscal years ended as on 31 December 2017G, 2018G, and 2019G, and management information as on September 30, 2020G.

Accounts Receivable - Net

The total accounts receivables increased from SAR 469.3 million as on December 31, 2017G to SAR 582.7 million as on December 31, 2018G. This is due to a growth in sales and a tardiness in collection. Therefore, the average days of receivables increased from 106 days as on December 31, 2017G to 109 days as on December 31, 2018G.

Accounts receivable increased from SAR 582.7 million as on December 31, 2018G to SAR 644.4 million as on December 31, 2019G. This is due to a growth in sales and a tardiness in collection. This is due to the political instability in some countries outside the KSA of KSA. The average days of receivables increased from 109 days as on December 31, 2018G to 128 days as on December 31, 2019G.

Account receivable decreased from SAR 644.4 million as on December 31, 2019G to SAR 421.1 million as on September 30, 2020G. This is due to the decrease in sales.

Other Current Assets

Table (5-35): Other current assets as on December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

(SAR'000)	31 December 2017G	31 December 2018G	31 December 2019G	September 30, 2020G
VAT refunded and other balances	-	2,184	15,938	16,072
Advances to suppliers	6,419	8,098	9,991	10,637
Advance payments	14,372	20,770	19,835	10,288
Advances to employees	3,297	3,356	3,196	3,539
Other receivables	2,711	4,715	50,580	71,893
Total Other current assets	26,800	39,123	99,540	112,429

Source: The audited financial statements for the fiscal years ended as on December 31, 2017G, 2018G and 2019G, and management information as on September 30, 2020G.

VAT Refunded and Other Balances

The recovered VAT balances and other balances relate to VAT recovered on purchases of the Company and its subsidiaries. The recovered VAT balances and other balances increased from SAR 2.2 million as on December 31, 2018G to SAR 15.9 million as on December 31, 2019G, in line with the increase in sales of the Company and its subsidiaries in this same period.

The recovered VAT balances and other balances increased from SAR 15.9 million as on December 31, 2019G to SAR 16.1 million as on September 30, 2020G. This is due to the increase in the VAT in the KSA in this same period.

Advances to Suppliers

Advances to suppliers relate to purchases of the Company and its subsidiaries for fixed assets and raw materials. Advances to suppliers increased from SAR 6.4 million as on December 31, 2017G to SAR 8.1 million as on December 31, 2018G. Advances to the suppliers increased from SAR 8.1 million as on December 31, 2018G, to SAR 10.0 million as on December 31, 2019G, and reached SAR 10.6 million as on September 30, 2020G. This is due to an increase in the operations of the Company and its subsidiaries, as well as in third parties the number of stores, brands, and services that are designed by the Company. This is mainly due to an advance paid advertising to a celebrity in the region.

Advance Payments

Advance payments relate to insurance expenses, rent, and banking facilities expenses, as well to other advances. The advances increased from SAR 14.4 million as on December 31, 2017G to SAR 20.8 million as on December 31, 2018G. This is due to the acquisition of Izdiad Al Arabia Trading Company that led to an increase of SAR 3.0 million in the advance lease payments.

Advance payments decreased from SAR 20.8 million as on December 31, 2018G to SAR 19.8 million as on December 31, 2019G. This is due the decrease by SAR 7.9 million in the advance lease payments in this same period. Therefore, the Company and its subsidiaries applied the international standard to prepare the 16th Financial Report. The other advances related to residence fees and staff housing decreased by SAR 2.9 million. The payments for bank facilities increase to SAR 9.2 million as on December 31, 2019G; SAR 6.7 million related to letters of guarantee commissions issued by the local banks to the foreign banks from where gold was purchased.

Advance payments decreased from SAR 19.8 million as on December 31, 2019G to SAR 10.3 million as on September 30, 2020G. This is due to the decrease in the Company and its subsidiaries payments for bank facilities in the fiscal year 2019G that should be paid in December 2020G.

Advances to Employees

Advances to employees relate to the loans granted to the employees according to an essential need. It is indirectly guaranteed through the end-of-service benefits for each employee.

Payments due to employees are deducted from salaries on a monthly basis. The balance ranges from SAR 3.2 million to SAR 3.5 million in this same period.

Other Receivables

Other receivables relate mainly to the reclassified amounts from trade receivables and relate to the customers who request exclusive and customized products, as well to the advances, other prepayments, insurances, and due revenues. Other receivables increased from SAR 2.7 million as on December 31, 2017G to SAR 4.7 million as on December 31, 2018G. This is due to Cairo customs deposit that were not required in the previous periods.

Other receivables increased from SAR 4.7 million as on December 31, 2018G to SAR 50.6 million as on December 31, 2019G. This is due to a reclassification of SAR 40.2 million from the balances of trade receivables related to customers requesting exclusive and specialized products manufactured on their demand. In these cases, customers usually supply gold to these products; revenues are recorded in the Company operations. Therefore, the Company decided, in the second quarter of the year 2020G, to record them under other receivables instead of trade receivables balance.

Other receivables increased from SAR 50.6 million as on December 31, 2019G to SAR 71.9 million as on September 30, 2020G. This is due to the increase in receivables balances related to products made as per customers' request, as mentioned above.

Cash Guarantees

Cash guarantees relate to deposits of the Company and its subsidiaries in banks as guarantees to obtain gold loans. Cash guarantees decreased from SAR 110.1 million as on December 31, 2017G to SAR 32.9 million as on September 30, 2020G, in line with the repayment of some gold loans in this same period. Moreover, the Company and its subsidiary began to allocate gold guarantees starting from the fiscal year 2020G, instead of cash guarantees.

Gold Guarantees

The Company and its subsidiaries began providing Gold deposits to banks in the year 2020G. This is due to the leftover of gold in the inventory of the Company and its subsidiaries in the nine-month period ended as on September 30, 2020G. The Company and its subsidiaries used this inventory as guarantees for the bank to obtain more liquidity. Gold guarantees amounted to SAR 49.8 million as on September 30, 2020G.

5-6-3 Cash and Cash Equivalents

Table (5-36): Cash and cash equivalents as on December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

(SAR'000)	31 December 2017G	31 December 2018G	31 December 2019G	September 30, 2020G
Cash in the Company	12,680	16,868	17,308	11,377
Cash at banks	43,634	28,677	36,267	155,894
Short term deposits	1,118	2,188	-	-
Total	57,432	47,733	53,575	167,271

Source: The Company's audited financial statements for the fiscal years ended as on 31 December 2017G, 2018G, and 2019G, and management information as on September 30, 2020G.

Cash and cash equivalents decreased from SAR 57.4 million as on December 31, 2017G to SAR 47.7 million as on December 31, 2018G. This is due to the use of SAR 143.5 million in the investment activities of the Company and its subsidiaries as well as the acquisition of Izdiad Commercial Company of Arabia.

Cash and cash equivalents reached SAR 53.6 million as on December 31, 2019G. This is due to the realization of the net cash from operating activities of SAR 29.9 million in the fiscal year 2019G, compared to net cash in operating activities of SAR 19.8 million in this same period.

Cash and cash equivalents increased from SAR 53.6 million as on December 31, 2019G to SAR 167.3 million as on September 30, 2020G. This is due to an increase in net cash from operating activities of SAR 35.7 million, and in net cash from financing activities. The net cash of financing activities reached SAR 84.6 million in the nine-month period ended September 30, 2020G. This is mainly due to the cash Murabaha facilities amounts (SAR 47.5 million) as well as refunding cash guarantees (SAR 67.0 million) in this same period.

5-6-4 Shareholders' Shares

Table (5-37): Shareholders' shares as on December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

(SAR'000)	31 December 2017G	31 December 2018G	31 December 2019G	September 30, 2020G
Capital	430,000	430,000	430,000	430,000
Statutory reserve	20,420	22,187	22,187	22,187
Retained earnings	131,517	149,928	132,124	45,523
Foreign currency translation reserve	(175,479)	(176,029)	(166,099)	(165,121)
Total equity	406,459	426,086	418,211	332,589

Source: The Company's audited financial statements for the fiscal years ended as on 31 December 2017G, 2018G, and 2019G, and the Company's audited financial statements for the fiscal years as on September 30, 2020G.

Capital

The capital reached SAR 430.0 million as on December 31, 2017G, 2018G, 2019G, and September 30, 2020G, divided into 43.0 million shares (SAR 10/share). During the previous three years, the capital of one of the subsidiary companies, L'Azurde Egypt for Jewelry, was increased by SAR 11.5 million.

Statutory Reserve

Statutory reserve represents the requirement under Article 176 of the KSA Companies Law whereby all companies are required to transfer 10% of the annual net income to statutory reserve. The Company and its subsidiaries may decide to stop the transfers when the total reserve reaches 30% of the capital. The reserve is not available for distribution to shareholders. The statutory reserve increased from SAR 20.4 million as on December 31, 2017G to SAR 22.2 million as on December 31, 2018G. This is due to the transfer from retained earnings of SAR 1.8 million and settled on the same amount as on December 31, 2019G, and September 30, 2020G. This is because the Company and its subsidiaries did not achieve profits in the fiscal year 2019G, and the transfer is made to the statutory reserve at the end of each fiscal year.

Retained Earnings

Retained earnings increased from SAR 131.5 million as on December 31, 2017G to SAR 149.9 million as on 31 December 2018G; this increase was mainly paid by the net income (SAR 17.7 million) in the fiscal year 2018G. Retained earnings decreased from SAR 149.9 million as on December 31, 2018G to SAR 132.1 million as on December 31, 2019G; this decrease was mainly paid by the net loss (SAR 17.5 million) in the fiscal year 2019G.

Retained earnings decreased to SAR 45.5 million as on September 30, 2020G. This is due to the net loss (SAR 86.6 million) for the nine-month period ended September 30, 2020G.

Foreign Currency Translation Reserve

Foreign currency translation reserve increased from SAR -175.5 million as on December 31, 2017G to SAR -176.0 million as on December 31, 2018G. This is due to the differences in the transfer of foreign operations (SAR 550 thousand) in the fiscal year 2018G.

Foreign currency translation reserve decreased from SAR -176.0 million as on December 31, 2018G to SAR -166.1 million as on December 31, 2019G. This is due to the differences in the transfer of foreign operations (SAR 9.9 million) in the fiscal year 2019G.

Foreign currency translation reserve decreased from SAR -166.1 million as on December 31, 2019G to SAR -165.1 million as on September 30, 2020G. This is due to the differences in the transfer of foreign operations (SAR 9 thousand) in the nine-month period ended September 30, 2020G.

5-6-5 Non-Current Liabilities

Table (5-38): Non-current liabilities as on December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

(SAR'000)	31 December 2017G	31 December 2018G	31 December 2019G	September 30, 2020G
Long-term Murabaha facility	-	94,000	75,000	55,000
Provision for employees' end of service benefits	37,638	32,645	29,335	28,004
Rental obligations	-	-	22,631	15,805
Deferred tax liability	555	983	1,403	1,470
Long-term payables	-	50,600	51,375	51,965
Total non-current liabilities	38,193	178,228	179,745	152,244

Source: The Company's audited financial statements for the fiscal years ended as on 31 December 2017G, 2018G and 2019G, and the Company's audited financial statements as on September 30, 2020G.

Long-Term Murabaha Facility

Table (5-39): Long-term Murabaha facilities as on December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

(SAR'000)	31 December 2017G	31 December 2018G	31 December 2019G	September 30, 2020G
Long-term Murabaha facility	-	108,000	94,000	85,000
Less: Current portion	-	(14,000)	(19,000)	(30,000)
Non-current part	-	94,000	75,000	55,000

Source: The Company's audited financial statements for the fiscal years ended as on 31 December 2017G, 2018G, and 2019G, and the Company's audited financial statements as on September 30, 2020G.

The balance of the long-term "Murabaha" facility relates to a cash facility obtained from the Saudi British Bank (SABB) in the KSA in the fiscal year 2018G, in order to finance the acquisition process of Izdiad. The term of these facilities is 7 years at the rate of return prevailing among banks in the KSA, in addition to an agreed rate with the bank. The balance decreased from SAR 94.0 million as on December 31, 2018G to SAR 55.0 million as on September 30, 2020G, in line with the payments made for these facilities.

Provision for End-of-Service Benefits for Employees

Table (5-40): Provision for end of service benefits for employees as on December 31, 2017G, 2018G, 2019G and September 30, 2020G.

(SAR'000)	31 December 2017G	31 December 2018G	31 December 2019G	September 30, 2020G
At the beginning of the year / period	32,289	37,638	32,645	29,335
Upon acquisition through business combination	-	557	-	-
Charge for the year / period	4,435	4,508	3,244	3,141
Payments during the year / period	(3,752)	(5,738)	(4,991)	(4,482)
Actuarial losses	4,657	(4,312)	(1,706)	-
Foreign exchange differences	8	(8)	143	11
At the end of the year / period	37,638	32,645	29,335	28,004

Source: The Company's audited financial statements for the fiscal years ended as on 31 December 2017G, 2018G, and 2019G, and management information as on September 30, 2020G.

The Company and its subsidiaries policy stipulate that the end of service gratuity shall be entitled to all employees who complete the period of service, according the KSA Labor Law. The annual provision is based on the Actuarial evaluation. The most recent Actuarial evaluation was performed by an independent actuary, using the projected unit credit Actuarial method as on December 31, 2019G. Provision for end of service benefits for employees decreased from SAR 37.6 million as on December 31, 2017G to SAR 28.0 million as on September 30, 2020G, in line with the decrease in the number of employees in this same period, and actuarial losses occurs in this same period.

Lease Liabilities

The Company recognized the ROU assets in the balance sheet; it is why the corresponding lease liabilities reached SAR 29.3 million as on December 31, 2019G. Lease liabilities decreased to SAR 15.8 million as on September 30, 2020G. This is due to payments of liabilities'.

Deferred Tax Liabilities

Table (5-41): Deferred tax liabilities as on December 31, 2017G, 2018G, 2019G and September 30, 2020G.

(SAR'000)	31 December 2017G	31 December 2018G	31 December 2019G	September 30, 2020G
At the beginning of the year / period	558	555	983	1,403
Charge for the year / period	(14)	576	297	40
Foreign exchange differences	11	(148)	123	26
At the end of the year / period	555	983	1,403	1,470

Source: The Company's audited financial statements for the fiscal years ended as on December 31, 2017G, 2018G, and 2019G, and management information as on September 30, 2020G.

Tax liabilities relate to subsidiaries in Egypt. Deferred tax liabilities increased from SAR 555 thousand as on December 31, 2017G to SAR 983 thousand as on December 31, 2018G. They increase to SAR 1.4 million as on December 31, 2019G and to SAR 1.5 million as of September 30, 2020G. This is due to the growth of the subsidiaries' operations in Egypt in this same period.

Long-Term Payables

The balance of long-term payables ranges between SAR 50.6 million and SAR 52.0 million, in the period between December 31, 2017G and September 30, 2020G. It relates to the acquisition as part of the acquisition cost payables.

5-6-6 Current Liabilities

Table (5-42): Current liabilities as on December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

(SAR'000)	31 December 2017G	31 December 2018G	31 December 2019G	September 30, 2020G
Payables and other current liabilities	45,460	50,195	236,812	258,140
Current portion of the long-term Murabaha facility [*]	-	14,000	19,000	30,000
Current portion of leasing obligations [*]	-	-	21,251	19,454
Short term Murabaha facility	1,134,172	1,091,732	1,117,991	985,193
Zakat and income tax due	23,414	23,094	22,025	16,805
Total current liabilities	1,203,046	1,179,020	1,417,079	1,309,592
Performance indicators				
Average days of accounts payable (day) ^{**}	108	89	65	81

Source: The Company's audited financial statements for the fiscal years ended as on December 31, 2017G, 2018G, and 2019G, and the audited financial statements as on September 30, 2020G.

^{*} The current portion of long-term "Murabaha" facilities and lease liabilities is discussed in the non-current liabilities section.

^{**} The accounts payable average days is calculated using the cost of raw materials consumed.

Payables and Other Current Liabilities

Table (5-43): Accounts payable and other current liabilities as on December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

(SAR'000)	31 December 2017G	31 December 2018G	31 December 2019G	September 30, 2020G
Payables	23,857	25,154	22,243	23,761
Payables for gold	-	-	193,897	211,784
Accrued expenses	16,072	16,891	11,077	11,697
Accrued Financial Charges	944	2,677	1,172	1,503
Payables to employees	1,763	2,193	1,870	1,320
Amounts of payables to related parties	495	511	494	649
Payables of profit distribution	15	-	-	-
Other payables	2,314	2,768	6,060	7,428
Total	45,460	50,195	236,812	258,140

Source: The Company's audited financial statements for the fiscal years ended as on 31 December 2017G, 2018G, and 2019G, and management information as on September 30, 2020G.

Payables

Payables increased from SAR 23.9 million as on December 31, 2017G to SAR 25.2 million as on December 31, 2018G. This is due to the addition of the payables from the acquisition of SAR 9.1 million in this same period.

Payables decreased from SAR 25.2 million as on December 31, 2018G to SAR 22.2 million as on December 31, 2019G. This is due to the payment of the payables of some suppliers by the end of the year.

Payables increased from SAR 22.2 million as on December 31, 2019G to SAR 23.8 million as on September 30, 2020G. This is mainly due to the payables of one of the companies specializing in the delivery of gold borrowed from banks, and the repayment of some of Izdiad Commercial Company of Arabia payables in this same period.

Payables for Gold

Payables for gold increased from SAR 193.9 million as on December 31, 2019G to SAR 211.8 million as on September 30, 2020G. These payables represent the value of gold received by the Company on a credit from a major gold supplier in exchange for two letters of credit of SAR 500.0 million.

Accrued Expenses

Accrued expenses increased from SAR 16.1 million as on December 31, 2017G to SAR 16.9 million as on December 31, 2018G. This is due to the increase in balance of the expenses account of the announcements due (by SAR 1.4 million) and other accrued expenses (by SAR 1.0 million), and to the decrease in the balance of the expenses of the employees (by SAR 1.2 million). This is mainly due to the decrease in the balances of the accrued expenses of the employees (such as vacations, bonuses, and travel), in line with the decrease in the number of employees in this same period.

Accrued expenses decreased and reached SAR 11.1 million as on December 31, 2019G, due to the decrease in the payables of expenses of the employees, and to the reclassification of some receivables from accounts payable to accrued expenses in this same period.

Accrued expenses increased and reached SAR 11.7 million as on September 30, 2020G. Furthermore, the other accrued expenses increase by SAR 718 thousand.

Accrued Financial Charges

Accrued Financial Charges increased from SAR 944 thousand as on December 31, 2017G, to SAR 2.7 million as on December 31, 2018G, in line with the obtaining of some loans to finance the acquisition of Izdiad Commercial Company of Arabia in the fiscal year 2018G. Accrued Financial Charges decreased to SAR 1.2 million as on December 31, 2019G. This is to the decrease in the balances of Murabaha loan in this same period.

Accrued Financial Charges increased from SAR 1.2 million as on December 31, 2019G to SAR 1.5 million as on September 30, 2020G. This is due to the increase in the finance charges in this same period.

Payables to employees

Payables to employees relate mainly to the end of service benefits for employees who leave the Company and its subsidiaries, but still have balances owed to them. The policy of the Company and its subsidiaries states that when non-Saudi employees leave the Company and its subsidiaries, they are paid after their residency is transferred from under the Company's and its subsidiaries responsibility. The balance of payables to employees increased from SAR 1.8 million as on December 31, 2017G to SAR 2.2 million as on December 31, 2018G, and then decreased up to SAR 1.3 million as on September 30, 2020G, due to the timing differences; so, balances can be accumulated and paid at any time throughout the year.

Payables to Related Parties

The related parties in the Company and its subsidiaries are: the shareholders, the members of the board of directors, the senior management of the Company and its subsidiaries, and the companies in which they are the main owners. The terms of the transactions with the related parties have been agreed upon by the Company's management and its subsidiaries. Transactions with the related parties constitute the ordinary course of business of the Company and its subsidiaries; it is expected that these balances will be paid in the ordinary course of the Company business. The conditions and pricing policies for these transactions are made in accordance with the conditions of the fair dealing with others. The balances of amounts owed to the related parties' range between SAR 494 thousand and SAR 649 thousand in this same period.

Other Payables

Other payables relate to taxes required and rentals of the retail showrooms in the KSA and Egypt, in addition to post-dated checks issued to the shopping center operators as a guarantee for branches opened in Egypt. The balance of other payables increased from SAR 2.3 million as on December 31, 2017G to SAR 2.8 million as on December 31, 2018G. This is due to the implementation of VAT in the KSA, starting from January 2018G. The balance of the other payables increased to reach SAR 6.1 million as on December 31, 2019G, since the Company and its subsidiaries began to export post-dated checks (SAR 4.0 million) issued to the shopping center operators as a guarantee for branches opening in Egypt as on December 31, 2019G.

Other payables increase to SAR 7.4 million as on September 30, 2020G, since the Company and its subsidiaries began to export post-dated checks (SAR 1.0 million) issued to the shopping center operators as a guarantee for branches opening in Egypt, according to the Company's strategies and its subsidiaries to expand in Egypt in this same period.

5-6-7 Short-Term Murabaha Facility

Table (5-44): Short-term Murabaha facilities as on December 31, 2017G, 2018G, 2019G, and September 30, 2020G.

(SAR'000)	31 December 2017G	31 December 2018G	31 December 2019G	September 30, 2020G
Murabaha facility (gold)	1,106,172	1,024,732	1,024,050	843,724
Cash facility (Tawarruq)	28,000	67,000	93,941	141,469
Total	1,134,172	1,091,732	1,117,991	985,193

Source: The Company's audited financial statements for the fiscal years ended as on December 31, 2017G, 2018G, and 2019G, and the audited financial statements as on September 30, 2020G.

Murabaha Facility (Gold)

Murabaha facilities (gold) relate to quantities of gold according to the principle of Islamic Murabaha provided by the banks at different rates of profits and commissions. These loans are valued according to the global gold price. The loan is repaid by returning the borrowed amount of gold in gold to the banks and paying the due return in SAR. The Company and its subsidiaries guarantee these loans by providing gold and cash insurances/guarantees (10% of the value of the gold loans), in addition to the Company and its subsidiaries gold inventory. The maturity periods range from one month to three months at the agreed profit rates. All these financial facilities are compliant with Islamic Sharia, according to the Sharia certificates issued by the internal legitimacy committees of the banks. It includes Murabaha facilities (securitization) to finance the purchase of gold; the banks buy goods other than gold or silver, and then sold them to the Company and its subsidiaries on a credit basis. The Company and its subsidiaries sell those goods to a third party; the bank immediately purchases gold using the proceeds from the cash sales of the commodity.

Murabaha facilities (gold) decreased from SAR 1.1 billion as on December 31, 2017G to SAR 843.7 million as on September 30, 2020G. This is mainly due to retrieve some heavy and slow-moving commodities from the inventory and smelt them, in order to form gold bars to pay off these facilities.

Cash Facilities (Tawarruq)

Cash facilities (securitization) relate to the cash facilities for Islamic securitization from miscellaneous banks in order to finance the working capital requirements of the Company and its subsidiaries, according to agreed rates of profit, and maturity periods ranging from 1 to 9 months. Cash facilities (securitization) increased from SAR 28.0 million as on December 31, 2017G to SAR 93.9 million as on December 31, 2019G.

Cash facilities increased (securitization) from SAR 93.9 million as on December 31, 2019G to SAR 141.5 million as on September 30, 2020G. This is due to the increasing need for financing because of the global Covid-19 pandemic (emerging corona virus).

5-6-8 Zakat and Income Tax Due

The Company and its subsidiaries submitted Zakat declarations for all the years up to the fiscal year 2019G and obtained Zakat certificates for those periods. In the fiscal year 2017G, the Company and its subsidiaries received Zakat assessments for the fiscal years from 2005G to 2014G with additional Zakat obligations of approximately SAR 10.6 million. The Company and its subsidiaries provided an objection to these assessments. These assessments were discussed with the General Authority for Zakat and Income; then, these Zakat obligations decreased to SAR 6.0 million. These amounts settled within the fiscal year 2019G. In May 2020G, the Company received the Zakat assessment for the fiscal year 2018G with an additional Zakat commitment of about SAR 26.4 million. These commitments were reduced after the discussions with the General Authority for Zakat and Income to SAR 0.1 million; therefore, the Company agreed upon and settled it by September 2020G.

The Company has paid the Zakat for all the years up to 2014G, as well as for the year 2018G; no claims or assessments exist anymore. The years 2015G to 2017G and 2019G are still under review by the General Authority for Zakat and Income. The Company did not receive, till nowadays, any Zakat assessments from the mentioned Authority.

5-7 Consolidated Statement of Cash Flows

Table (5-45): The consolidated statement of cash flows for the fiscal years ended December 31, 2017G, 2018G, and 2019G, and the nine-month period ended September 30, 2020G.

(SAR'000)	31 December 2017G	31 December 2018G	31 December 2019G	September 30, 2020G
Operating activities				
Net (loss) / profit for the year or period before zakat and income tax	43,993	29,976	(3,125)	(77,675)
Adjustments to reconcile net profit or loss before zakat and taxes to net cash from operating activities:				
Depreciation of property, plant, and equipment	9,898	11,320	16,682	12,115
Depreciation of right-of-use assets	-	-	25,940	19,766
Amortization of intangible assets	235	417	2,148	1,653
Provision for employees' end of service benefits	4,435	4,508	3,244	3,141
Provision for doubtful debts	(303)	2,504	5,060	6,032
Finance costs – net	30,740	35,594	45,081	36,123
Losses / (gain) sale of property, plant, equipment, and intangible assets	(607)	(40)	2,451	32
Costs of smelting gold and slow-moving inventory	2,873	9,630	27,313	8,453
Foreign exchange differences – net	1,957	(979)	(5,488)	(1,640)
Operating income before changes in working capital	93,222	92,930	119,305	8,000
Changes in working capital:				
Inventory	(111,414)	151,348	(91,509)	76,457
Receivables	(37,006)	(112,316)	(96,854)	224,192
Other current assets	3,917	(7,134)	(19,361)	(9,444)
Accounts and other credit balances	(13,717)	(10,828)	(8,601)	2,594
Accounts payable for gold	-	-	193,897	17,887
Gold collateral	-	-	-	(49,757)
Short term Murabaha facility	102,601	(81,441)	(682)	(180,326)
Cash generated from operating activities	37,603	32,560	96,195	89,602
Employees' end of service benefits paid	(3,752)	(5,738)	(4,991)	(4,482)
Finance costs paid	(34,123)	(33,730)	(45,695)	(35,203)
Income tax paid	(1,405)	(2,606)	(308)	(2,981)
Zakat paid	(10,256)	(10,327)	(15,301)	(11,220)
Net cash generated from / (used in) operating activities	(11,932)	(19,841)	29,899	35,716
Investment activities				
Purchase of property, plant, and equipment	(22,651)	(12,201)	(11,668)	(6,978)
Proceeds from the sale of property, plant, and equipment	3,495	1,616	1,090	120
Subsidiary acquisition, net of cash acquired	-	(131,628)	-	-
Purchase of intangible assets	(284)	(1,256)	(635)	(575)
Other non-current assets	(212)	(76)	(487)	4
Net cash used in investing activities	(19,651)	(143,546)	(11,700)	(7,429)
Financing activities				
Cash Murabaha Facility (Tawarruq)	11,000	39,000	26,941	47,529
Long-term Murabaha facilities	-	108,000	(14,000)	(9,000)
Lease liabilities repaid	-	-	(28,097)	(20,961)
Cash margins	60,814	8,613	1,554	67,046
Dividends paid	(21,500)	(1,801)	(1,962)	-
Net cash (used in) / output from financing activities	50,314	153,812	(15,563)	84,614
Net change in cash and cash equivalents for the year / period	18,730	(9,574)	2,636	112,901
Cash and cash equivalents at the beginning of the year / period	38,518	57,432	47,733	53,575

(SAR'000)	31 December 2017G	31 December 2018G	31 December 2019G	September 30, 2020G
The effect of change in the exchange rate of cash and cash equivalents	183	(124)	3,206	795
Cash and cash equivalents at the end of the year / period	57,432	47,733	53,575	167,271

Source: The Company's audited financial statements for the fiscal years ended as on December 31, 2017G, 2018G, and 2019G, and the audited financial statements as on September 30, 2020G.

5-7-1 Operational Activities

Cash amount used in the operating activities increased from SAR 11.9 million in the fiscal year 2017G to SAR 19.8 million in the fiscal year 2018G. This is due to the increase in short-term Murabaha facilities because of the increase in gold Murabaha facilities, as well as the increase in receivables, in this same period. The net cash amount from the operating activities reached SAR 29.9 million in the fiscal year 2019G. This is due to the stability of gold Murabaha facilities in this same period. Net cash amount from the operating activities increased to SAR 35.7 million in the nine-month period ended September 30, 2020G. This is due to the decrease in the receivables and the amelioration of the money collection in this same period.

5-7-2 Investment Activities

Cash amount used in the investment activities increased from SAR 19.7 million in the fiscal year 2017G to SAR 143.5 million in the fiscal year 2018G. Therefore, it decreased to SAR 11.7 million in the fiscal year 2019G. This is due to the acquisition of Izdiad Commercial Company of Arabia in the fiscal year 2018G. The cash amount used in the investment activities decreased to SAR 7.4 million in the nine-month period ended September 30, 2020G. This is due to the decrease in the purchase of property, plant, and equipment in this same period.

5-7-3 Financing Activities

The cash amount from the financing activities increased from SAR 50.3 million in the fiscal year 2017G to SAR 153.8 million in the fiscal year 2018G. This is due to long-term facility obtained by the Company to finance the acquisition of Izdiad Commercial Company of Arabia in the fiscal year 2018G. Cash amount used in financing activities reached SAR 15.6 million in the fiscal year 2019G, after settling rental obligations and paying part of the long-term facilities in this same period. The cash amount from the financing activities reached SAR 84.6 million. This is due to the increase in the monetary Murabaha facilities (securitization) and the recovery of some cash guarantees required for the coverage of the Working Capital Requirement in the nine-month period ended September 30, 2020G.

6. Use the Proceeds of the Offering and Future Projects

6-1 Total Subtraction Proceeds

Total proceeds of the rights issue have been estimated at SAR (145,000,000), of which approximately SAR (6,000,000) will be paid, to cover the costs of the offering. These costs are estimates and are not final, until the completion of the offering, the expenses of marketing, printing, distribution, and other expenses related to the subscription. These costs include the costs of the offering, the fees of the financial consultant for the offering, the lead manager, the underwriter, the legal advisor to the Company, the legal counsel for underwriter, the auditor, the financial due diligence advisor and the consultants. The net proceeds from the offering will reach about SAR (139,000,000) after deducting all the Offering Expenses.

The Company will disclose to the public on the website of the Saudi Inventory Exchange (Tadawul) before the opening of the trading session, when there is a difference of (5%) or more between the actual uses of the Proceeds of the Offering in exchange for what was disclosed in this Prospectus, as soon as it becomes aware, according to Article (55) Paragraph (B) of the Rules of the Offer of Securities and Continuing Obligations.

6-2 Use of Offering Proceeds

The Company intends to use the Proceeds of the Offering to finance the expansion retail plans, reduce debt activities, and develop e-commerce platforms.

Table (6-1): Use of net subtraction proceeds (in SAR thousands)

DESCRIPTION	TOTAL
Payments of long-term credit facilities to the Saudi British Bank	75,000
Pay off long-term commitment	30,000
Expansion in the retail sector - opening of new stores	28,000
Development of e-commerce platforms	6,000
Offering costs	6,000
Total	145,000

Source: The Company.

The plans for expansion in the retail sector will focus on the expanding retail activities in KSA and Egyptian markets by increasing the number of retail showrooms within two years. The Company's digital e-commerce platforms will also be developed to improve its performance. The Company will continue to develop its new business in selling jewelry and goldsmiths by piece, and to expand e-commerce platforms in order to offer innovative products to its customers.

Besides, the Company plans to use a part of the proceeds from the offering to reduce the debt-to-equity ratio and the Financing cost (FC), also known as the cost of finances (COF). Shareholders will not receive any of the proceeds of the offering.

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

- Debt Reduction: SAR (105) million from the proceeds of the offering (representing 75% of the net proceeds of the offering), will be used to pay off long-term debts at high FC.
- Expansion in the retail sector: SAR (28) million (representing 20% of the net proceeds of the offering), will be used from the Proceeds of the Offering in order to expand the retail channels in the KSA and Egypt by increasing the number of retail showrooms within two years.
- Development of e-commerce platforms: SAR (6) million of the proceeds of the offering (representing 5% of the net Proceeds of the Offering), will be used to promote and develop the new fastest-growing e-commerce platforms.

(A) Debt Reduction

Repayment of long-term credit facilities to the Saudi British Bank (SABB): The Company has a credit facility agreement with the Saudi British Bank (SABB), according to which the Company obtained a long-term credit facility in 2019G with a total amount of one hundred fifty million and four hundred thousand SAR at a financing cost equivalent to 4.5% annually to finance the acquisition of Izdiad. The balance of the value of these credit facilities is expected to reach SAR (75) million in December 31, 2020G. The Company intends to repay this long-term credit facility with a higher financing cost than the net proceeds of the offering, with the aim of reducing future financing costs.

(B) Long-Term Payment Commitment

The Company has a long-term commitment against a promissory note in favor of Tamkeen and Mr. Basem Ahmad Talal Al-Juhani for the acquisition of Izdiad Commercial Company of Arabia, that is due on October 30, 2021G. This amount is SAR (41.5 million). This commitment, which represents 22.4% of the total commitment, is partially financed with facilities by a long-term future credit from the Saudi British Bank (3-4 years). It is scheduled to obtain these facilities on October 15, 2021G, that corresponds to SAR 33.2 million. The Company intends to use SAR (30 million) from the net proceeds of the offering to pay the obligation related to the acquisition instead using the Saudi British Bank long-term facilities of the Saudi British Bank (SABB). However, the Company is not obligated to use these facilities.

(C) Expansion of Retail Sector

As indicated in the Business Description section “Summary of Basic Information”, page (xv), “Summary of the Company’s Main Activities” of this Prospectus, the Company conducts its commercial activities through three channels of sale and distribution:

- 1- Wholesale and distribution: The sale of jewelry and gold jewelry by weight is mainly represented in the traditional gold jewelry markets. This channel was the main and largest source of the Company’s revenues, as well as the net income in the past years representing 75% of the total revenues of operations in the past five years until 2018G. However, in 2019G and 2020G, because of the loud increase in the global gold prices, the beginning of the application of the VAT and its increase on gold (5% and then to 15%) in the KSA, as well as the customers that bought from malls instead of buying from traditional market; all these matters made the potential for growth and expansion of this channel limited.
- 2- Retail Sales and distribution: Despite the challenges facing the retail sector in the KSA since 2016G, the Company has, during the past few years, since 2017G, restructured and improved its stores by maintaining the network of stores by keeping stores having high profit margins. This is due to the decrease in purchasing power and the increase in the VAT from 5% to 15% (for more details about the retail stores, please refer to Section 9 “Legal Information”). The Company currently has, in the KSA, a limited network for the retail stores; these stores can be expanded and realize a high profitability. Furthermore, with launching the new developed brands, such as Miss L that already represented 14% of the Company’s revenue by the end of the third quarter of 2020G, there is a need for more new stores with promising growth opportunities. In Egypt, the retail stores are highly performed, and represents serious opportunities for further expansion in the future.

The Company has untapped opportunities for growth with its Miss L and L’Azurde InStyle; it was recently developed and launched within the network for the retail stores and has realized impressive early results. The Company intends to use 20% of the net proceeds from the offering (SAR 28 million), to expand the activities of the retail sector for the Miss L trademark, L’Azurde in InStyle, and the L’Azurde brand, in order to cover the costs of equipping the rented exhibitions and the working capital. The Company has carried out the necessary feasibility studies, which have proven the feasibility of these expansions. However, the sites have not been specifically identified yet. The number of exhibitions to be opened and their cost are as follows:

Table (6-2): Table of the number of sale points to be opened and the total costs of preparing and equipping the rented exhibitions, including decorations and furniture, as well as working capital.

Country	Number of stores	Total cost (SAR thousands)
KSA	6	7,800
Egypt	11	20,200
TOTAL	17	28,000

Source: The Company.

- 3- Digital e-commerce platforms: The Company launched 3 platforms and achieved impressive initial results in the third quarter of the year 2020G. The Company decided to invest a part of the net proceeds of the offering (SAR 6.0 million) in developing its e-commerce platforms, by improving it, increasing its speed, improving the product images, the product descriptions, and the search methods, as well linking them automatically to the actual inventory, regarding the importance of the e-commerce, and its growth rates in the year 2020G. This is due to the emerging Covid-19 pandemic and the consumer behavior significant changes toward online shopping.

All the aforementioned activities, will be fully funded through the Rights issue proceeds, according to the following schedule:

Table (6-3): The schedule for using the net proceeds of the subtraction

(SAR'000)	2021G 3rd quarter	2021G 4th quarter	2022G 1st quarter	2022G 2nd quarter	2022G 3rd quarter	2022G 4th quarter	Total
Repayment of long-term credit facilities to the Saudi British Bank	75,000	-	-	-	-	-	75,000
Pay off a long-term commitment	-	30,000	-	-	-	-	30,000
Expansion in the retail sector - opening of new stores	5,000	5,000	5,000	5,000	4,000	4,000	28,000
Development of e-commerce platforms	1,000	1,000	1,000	1,000	1,000	1,000	6,000
Offering costs	6,000	-	-	-	-	-	6,000
Total	86,000	36,500	6,000	6,000	5,000	5,500	145,000

Source: Company's Administration information.

7. Statements By Experts

All the Advisors, whose names are listed on page (v), have given and, as of the date of this Prospectus, have not withdrawn, their written consent to the publication of to their names, logos, and statements attributed to each of them in the context in which they appear in this Prospectus, and do not, themselves, nor do their employees or their relatives, have any shareholding or interest of any kind in the Company or its subsidiaries as of the date of this Prospectus which would impair their independence.

8. Declarations

Up of the date of this Prospectus, the Directors declare the following:

- 1- other than what has been mentioned in sub-section(2-1-3) of Section (2) “**Risk Factors**”, sub-section (3-10) of Section (3) “**Overview About the Company and its Business Activity**”, there was no interruption in the business of the Company or any of its subsidiaries that could affect or have a significant impact on the financial position during the last 12 months.
- 2- No commissions, discounts, brokerage fees or any non-cash compensation were granted by the Company or any of its subsidiaries during the three previous years to the date of submitting the application for registration and the Offering of Securities in relation to the issuance or offering of any securities.
- 3- Contrary to what was stated in sub-paragraph (2-1-2) and sub-paragraph (2-1-3) section (2) “**Risk Factors**”, there has not been any material negative change in the financial and commercial status of the Company or any of his subsidiaries during the three previous years immediately preceding the date of submitting the registration request and the Securities subject to this Prospectus, as well as during the period covered by the Chartered Accountants’ Reports until approving the issuance of this Prospectus.
- 4- Contrary to what was stated in sub-paragraph (4-2) of Section (4) “**Organizational Structure of the Company**” of this Prospectus, the members of the Board of Directors or any of their relatives do not have any shares or interest, of any kind, in the Company or any of its subsidiaries.
- 5- The Company did not maintain treasury shares; the Extraordinary General Assembly of the Company did not approve the purchase of the Company’s shares.

9. Legal Information

9-1 About the Company

- **Incorporation of the Company:** L'Azurde Company for Jewelry is a Saudi Joint Stock Company registered under Commercial Registration certificate number (1010221531) dated 26/06/1427H (corresponding to 22/07/2006G) issued in Riyadh. and is valid until 26/06/1445H (corresponding to 08/01/2024G). On 09/05/2016G, the Company obtained the approval from the Capital Market Authority ("the CMA") for the offering of (30%) of its shares through an initial public offering and the Saudi Stock Exchange ("Tadawul")'s approval issued on 29/06/2016G to list its shares on the main market. The Company's shares (forty-three million ordinary shares) are currently traded on Tadawul.
- **Capital of the Company:** The Company's current capital is SAR 430,000,000, divided into 43,000,000 ordinary shares of equal value, each of which has a nominal value of SAR 10e. On 24/02/1442H (corresponding to 07/12/2020G), the Board of Directors of the Company recommended that the Company's capital be increased by issuing rights of SAR (145,000,000) so that the Company's share capital becomes SAR (575,000,000) subject to all required regulatory approvals (The Capital Market Authority "The Authority", the Saudi Stock Exchange "Tadawul" and the Ministry of Commerce) and shareholders' approval at the EGA's meeting. The Company shall obtain the approval of the EGA within a period of (6) months, starting from the date of the approval of the CMA. If the Company did not obtain the approval of the EGA during that period, the CMA's approval of shall be deemed to be cancelled and the Company will be required to resubmit its letter of application if it still wishes to increase its capital. The Company obtained the approval of the CMA and Tadawul on 25/08/1442H (corresponding to 07/04/2021G) and on 05/07/1442H (corresponding to 17/02/2021G) respectively, and obtained the approval of the EGA on 21/10/1442H (corresponding to 02/06/2021G).
- **Major shareholder of the Company:** As of the date of this Prospectus, Mr. Abdulaziz Saleh Al Othaim who owns 6,402,700 (14.89%) of the Company's total shares, is the only major shareholder whose percentage exceeds 5% of the Company's shares prior the shares offering.
- **Duration of the Company:** According to Article (6) of the By-laws, the duration of the Company shall be (99) Gregorian years, starting from the date of registering Commerce. The term of the Company may always be extended by a resolution issued by EGA at least one year prior to the expiration of its term. The Commercial Registration Certificate shows that the duration of the Company will expire on 17/03/1529H (corresponding to 03/04/2105G).
- **Management of the Company:** According to the Article (18) of the By-laws, the Company is managed by a Board of Directors of (9) members, elected by the Ordinary General Assembly of shareholders, for not more than 3 years. On 06/08/1439H (corresponding to 22/04/2018G), the Ordinary General Assembly agreed on re-electing the existing Board of Directors for a new of three-years, starting 26/04/2018G and ended 25/04/2021G.

The current board members' and positions are showed in the following:

- 1- Mohammed Ebrahim Jomaa Al Shroogi (Board Chairman)
- 2- Abdullah Abdulaziz Saleh Al Othaim (Vice-chairman)
- 3- James Lenoir Tanner (Board Member) *
- 4- Brian Norman Dickie (Board Member)
- 5- Adel Abdullah Saleh Al-Maiman (Board Member)
- 6- Rabih Michel Khoury (Board Member) *
- 7- Abdul Kareem Asaad Abu Alnasr (Board Member)
- 8- Amin Mohamed Akef Al-Maghribi (Board Member)
- 9- Sabah Khalil Almuayyed (Board Member)

* On 01/11/2018G, Mr. Rabih Michel Khoury and Mr. James Lenoir Tanner (members of the Board of Directors) resigned from the Board and all its committees for a personal reason. This resignation was accepted by the decision of the Board of Directors held on 11/12/2018G. Mr. Salim Chidiac has been appointed as (executive) Board Member ***; Mr. Sunil Pelotra has been appointed as (non-executive) Board Member **, starting from 11/12/2018G until the end of the period of the current Board of Directors on 25/04/2021G.

** On 31/10/2019G, Mr. Sunil Pelotra (member of the Board of Directors) resigned from the Board and all its committees for a personal reason. Mr. Khalifa Hassan Khalifa Al-Jalalmah has been appointed as a member of the Board of Directors.

*** On 18/03/2020G, the Board of Directors approved the Nomination and Remuneration Committee decision to raise the number of the independent Board members, and appointed Mr. Bandar Talaat Hamouh, an independent board member, according to the By-laws of the Company, regarding the number of its Board that must not be more than 9 members.

The Board accepted the resignation of Mr. Salim Chidiac, an executive board member and CEO of the Company.

On 25/11/2020G, the Company invite its shareholders to attend the (Extraordinary) General Assembly Meeting held on 07/05/1442H (corresponding to 22/12/2020G) to vote on the recommendation of the Board of Directors concerning the reducing of the number of Board members from 9 till 7, as well as amending Article (18) of the By-laws related to the Board members,

starting from the date of the beginning of the next session of the Board, starting on 26/04/2021G. This was preceded by the issuance of the Board of Directors' decision, on 04/03/1442H (corresponding to 11/18/202G), that approves the amendment of Article 18 of the By-laws. However, the assembly did not convene, due to the lack of a quorum required for the convening of each of the two meetings, as the attendance rate for the first meeting reached (20.98%) and the attendance rate for the second meeting was (21.03%). Therefore, it was decided to postpone the assembly and call for a third meeting. And on 07/06/1442H (corresponding to 20/01/2021G), the third meeting was held and the quorum was completed; so, the (extraordinary) General Assembly accepted to reduce the number of board members in accordance with the Board's recommendation to reduce the number of Board members from 9 to 7. Members, starting from the date of the beginning of the next session of the Board on 26/04/2021G.

For further information concerning the nowadays Board of Directors, kindly refer to the sub-paragraph (4-1) of Section (4) **"Organizational Structure of the Company"**.

- **By-laws:** The By-laws was amended in accordance with the following:

On 21/04/1439H (corresponding to 08/01/2018G), the (Extraordinary) General Assembly approved the following amended Articles of the By-laws:

- 1- Art. 3 of the amended By-laws concerning the objectives of the Company.
- 2- Art. 17 of the amended By-laws concerning the board of Directors members.
- 3- Art. 19 of the amended By-laws concerning the power of the Board of Directors members.
- 4- Art. 20 of the amended By-laws concerning the bonus rewards of the Board of Directors members.
- 5- Art. 21 of the amended By-laws concerning the designation of the Chairman Director Board, CE, Secretary, and their powers.
- 6- Art. 22 of the amended By-laws concerning the Board of Directors meetings announcements.
- 7- Art. 27 of the amended By-laws concerning the jurisdiction of the Constituent Assembly.
- 8- Art. 30 of the amended By-laws concerning the procedures of the General Assembly meetings.
- 9- Art. 32 of the amended By-laws concerning the quorum of the Ordinary General Assembly meetings.
- 10- Art. 33 of the amended By-laws concerning the quorum of the Extraordinary General Assembly meetings.
- 11- Art. 38 of the amended By-laws concerning the nomination of the Audit Committee.
- 12- Art. 36 of the amended By-laws concerning the distribution of the profits.

On 19/08/1440H (corresponding to 24/04/2019G), the (Extraordinary) General Assembly accepted to amend the following Articles of the By-laws:

- 1- Art. 9 of the By-laws concerning the preferred shares.
- 2- Art. 14 of the By-laws concerning selling, buying, and mortgaging the Company's shares.
- 3- Art. 15 of the By-laws concerning the increase of the Company's Capital.
- 4- Art. 21 of the By-laws concerning the Director Board, CE, and the Secretary.
- 5- Art. 30 of the By-laws concerning the General Assembly meetings.
- 6- Art. 41 of the By-laws concerning the Committee reports.
- 7- Art. 45 of the By-laws concerning the financial documents.

On 19/08/1440H (corresponding to 24/04/2019G), the Extraordinary General Assembly accepted the amendments some of the Articles of the B-laws to correspond to the Statute of the new companies. This amendment was revised and approved by the Ministry of Commerce (Department of Corporate Governance), on 13/10/1440H (corresponding to 16/06/2019G).

- **Objectives of the Company:** Pursuant to the commercial registration certificate, the Company is licensed to carry out the following activities: manufacture of precious ores from gold, precious ores from the precious metals included in the platinum group, wrought gold, precious or semi-precious stones, precious metals, and gemstones, wrought diamonds. The Company has established branches, and will conduct its activities after obtaining the necessary licenses from the competent authorities.

9-2 Approvals and Licenses

The Company and its subsidiaries obtained several approvals and operational licenses as well certificates from the competent authorities. These licenses and certificates are renewed periodically.

The following tables show the current approvals and licenses that the Company has obtained.

Table (9-1): The approvals and licenses obtained by the Company.

Type of license	Purpose	License holder	License number	Date of issue / renewal	Expiry date	Issuing authority	Note
Commercial Registration Certificate	Registration of the Company at the Register of Commerce	L'Azurde Company for Jewelry	1010221531	26/06/1427H corresponding to 22/07/2006G	26/06/1445H corresponding to 08/01/2024G	Ministry of Trade - Register of Commerce Office Riyadh	
Chambre of Commerce Membership Certificate	In compliance with the provisions of the Register of Commerce, the Company obtained a membership certificate	L'Azurde Company for Jewelry	168914	26/06/1427H corresponding to 22/07/2006G	26/06/1445H corresponding to 08/01/2024G	Chamber of Commerce and Industry Riyadh	Membership degree: (Excellent)
Zakat Certificate	To enable the Company reviewing all government agencies and terminate its work with them	L'Azurde Company for Jewelry	3000546847	03/08/1441H corresponding to 27/03/2027G	18/09/1442H corresponding to 30/04/2021G	General Authority for Zakat and Income	
VAT registration Certificate	To state that the Company is registered for VAT	L'Azurde Company for Jewelry	300054684710003	11/04/1439H corresponding to 29/12/2017G	Issued only once	General Authority for Zakat and Income	Tax Group Members: Kenaz
Evaluation Certificate of the Company entity	Evaluation of the entity of the Company according to the Nitaqat program, which indicates that the Company is in the range (average category C)	L'Azurde Company for Jewelry	1719191	16/03/1442H corresponding to 02/11/2020G	As of the date of this Prospectus	Department of Electronic Services of the Ministry of Human Resources	
Saudization Certificate	To indicate that the Company is in compliance with the required Saudization percentage according to the Nitaqat program	L'Azurde Company for Jewelry	20002011004558	17/03/1442H corresponding to 08/11/2020G	21/06/1442H corresponding to 01/02/2021G	Ministry of Human Resources and Social Development	

Type of license	Purpose	License holder	License number	Date of issue / renewal	Expiry date	Issuing authority	Note
Social Security Certificate	Company's commitment to the General Organization for Social Insurance regulations	L'Azurde Company for Jewelry	36678203	02/07/1442H corresponding to 14/02/2021G	02/08/1442H corresponding to 15/03/2021G	Public Institution for Social Security	
Industrial and Factories' Licenses							
Industrial-national license	Company's commitment to the regulations of the Ministry of Energy, Industry and Mineral Resources	L'Azurde Company for Jewelry' factory	1001008995	24/02/1441H corresponding to 23/10/2019G	24/02/1444H corresponding to 20/09/2022G	Ministry of Industry and Mineral Resources	
Operating License	Company license to operate the factory	L'Azurde Company for Jewelry' factory	5781442523014832	-	26/06/1445H corresponding to 07/01/2024G	Saudi Authority for Industrial Estates and Technology Zones	
Operate Environmental License to (3rd class)	Granting the Company an operate environmental approval at the designated site	L'Azurde Company for Jewelry' factory	1525	10/07/1442H corresponding to 21/02/2021G	05/07/1444H corresponding to 26/01/2023G	General Authority of Meteorology and Environmental Protection	
ISO Quality Certificate	Company applies the required quality standards in accordance with ISO (Safety standards)	L'Azurde Company for Jewelry' factory	762246	15/03/1440H corresponding to 23/11/2018G	29/03/1442H Corresponding to 15/11/2020G		According to the Company: the license will be renewed in November, because of Corona pandemic.
ISO Quality Certificate	Company applies the required quality standards in accordance with ISO (Quality Management System)	L'Azurde Company for Jewelry' factory	9001	28/01/1438H corresponding to 29/10/2016G	22/03/1443H corresponding to 28/10/2021G		
ISO Quality Certificate	Company applies the required quality standards in accordance with ISO (Corporate Environmental Management System)	L'Azurde Company for Jewelry' factory	14001	10/02/1440H corresponding to 19/10/2018G	12/03/1443H corresponding to 18/10/2021G		

Type of license	Purpose	License holder	License number	Date of issue / renewal	Expiry date	Issuing authority	Note
ISO Quality Certificate	Company applies the required quality standards in accordance with ISO (Company management system)	L'Azurde Company for Jewelry' factory	50001	07/01/1437H corresponding to 08/10/2016G	18/05/1443H corresponding to 02/12/2021G		

Source: The Company.

9-2-1 Company Branches

- Article (5) of the By-laws stipulates that the Company has the right to open branches, offices, or agencies inside or outside the KSA by a decision of the Board of Directors or the CEO.
- The Company has 9 branches distributed over the KSA's regional regions (Riyadh - Dammam and Jeddah). The following table shows a summary of the Company's branches.

Table (9-2): List of the Company's branches

Branch 1 – Al Adad center (Riyadh)							
Certificate	Purpose	License holder	License number	Issue / Renewal date	Expiry date	Issuing authority	Notes
Commercial Registration Certificate	Registering the Company at the Register of Commerce	L'Azurde for Jewelry branch	1010225625	12/11/1427H (corresponding to 03/12/2006G)	12/11/1442H (corresponding to 22/06/2021G)	Ministry of Trade - Riyadh	Activity / Wholesale and retail: tradinGold and jewelry machinery and accessories. Director / Abdullah Ahmad Al-Obaid.
Municipality License (commercial activities)	Commercial activity license	L'Azurde for Jewelry branch	40102431803	26/06/1441H (corresponding to 20/02/2020G)	26/06/1444H (corresponding to 19/01/2023G)	Ministry of Municipal and Rural Affairs	
Safety	Company's commitment to safety requirements of civil defense	L'Azurde for Jewelry branch	1-000566724-41	18/03/1442H (corresponding to 04/11/2020G)	18/03/1443H (corresponding to 24/10/2021G)	General Directorate of Civil Defense	
Branch 2: Al Adad Center Warehouse (Riyadh)							
Certificate	Purpose	License holder	License number	Issue / Renewal date	Expiry date	Issuing authority	Notes
Comercial Registration Certificate	Registering the Company with the Commercial Registry Directorate	L'Azurde for Jewelry branch	1010225625	02/01/1441H (corresponding to 01/09/2019G)	12/11/1442H (corresponding to 24/05/2021G)	Ministry of Commerce - Riyadh	Activity / Wholesale and retail: tradinGold and jewelry machinery and accessories. Director / Mohamed Ibrahim Jumaa Al-Shorouki.
Municipality License (commercial activities)	Commercial activity license	L'Azurde for Jewelry branch	40031837116	26/07/1443H (corresponding to 16/06/2021G)	25/07/1442H (corresponding to 06/03/2021G)	Ministry of Municipal and Rural Affairs	

Branch 2: Al Adad Center Warehouse (Riyadh)							
Certificate	Purpose	License holder	License number	Issue / Renewal date	Expiry date	Issuing authority	Notes
Safety	Company's commitment to safety requirements of civil defense	L'Azurde for Jewelry branch	100054297641	11/04/1442H (corresponding to 26/11/2020G)	11/04/1443H (corresponding to 16/11/2021G)	General Directorate of Civil Defense	
Branch 3 – Sky Tower (Riyadh)							
Certificate	Purpose	License holder	License number	Issue / Renewal date	Expiry date	Issuing authority	Notes
Municipality License (commercial activities)	Commercial activity license	L'Azurde for Jewelry branch	40102414653	28/06/1441H (corresponding to 22/02/2022G)	28/06/1444H (corresponding to 21/01/2023G)	Ministry of Municipal and Rural Affairs	
Safety	Company's commitment to safety requirements of civil defense	L'Azurde for Jewelry branch	1-00686795	10/07/1442H (corresponding to 21/02/2021G)	10/07/1443H (corresponding to 11/02/2020G)	General Directorate of Civil Defense	
Branch 4 – Al Nakhil Mall (Riyadh)							
Certificate	Purpose	License holder	License number	Issue / Renewal date	Expiry date	Issuing authority	Notes
Commercial Registration Certificate	Registering the Company at the Register of Commerce	L'Azurde for Jewelry branch	1010469630	08/07/1438H (corresponding to 05/04/2017G)	08/07/1443H (corresponding to 09/02/2022G)	Ministry of Commerce-Riyadh	Activity / retail: sailing precious stones and metals. Director / Abdullah Ahmad Al-Obaid
Municipality License (commercial activities)	Commercial activity license	L'Azurde for Jewelry branch	40092205402	N/A	18/08/1442H	Al Riyadh Municipality	
Safety	Company's commitment to safety requirements of civil defense		100038010640	09/01/1441H (corresponding to 08/09/2019G)	09/01/1442H (corresponding to 28/08/2020G)	General Directorate of Civil Defense	Renewal of license is going on. Demand 2-00038020641
Branch 5 – Red Sea Mall (Jeddah)							
Certificate	Purpose	License holder	License number	Issue / Renewal date	Expiry date	Issuing authority	Notes
Commercial Registration Certificate	Registering the Company at the Register of Commerce	L'Azurde for Jewelry branch	4030184756	17/12/1429H (corresponding to 15/12/2008G)	17/12/1442H (corresponding to 27/10/2021G)	Branch of the Ministry of Commerce - Jeddah	Activity / retail: sailing precious stones and metals. Director / Abdullah Ahmad Al-Obaid
Municipality License (commercial activities)	Commercial activity license	L'Azurde for Jewelry branch	39111323775	N/A	22/08/1442H (corresponding to 04/04/2021G)	Jeddah Municipality	

Branch 5 – Red Sea Mall (Jeddah)							
Certificate	Purpose	License holder	License number	Issue / Renewal date	Expiry date	Issuing authority	Notes
Safety	Company's commitment to safety requirements of civil defense	L'Azurde for Jewelry branch	2-000379431-41	26/10/1441H (corresponding to 18/06/2020G)	26/10/1442H (corresponding to 07/06/2021G)	General Directorate of Civil Defense	
Branch 6 – Jeddah Mall (Jeddah)							
Certificate	Purpose	License holder	License number	Issue / Renewal date	Expiry date	Issuing authority	Notes
Commercial Registration Certificate	Registering the Company at the Register of Commerce	L'Azurde for Jewelry branch	4030298330	01/04/1439H (corresponding to 19/12/2007G)	01/04/1443H (corresponding to 26/11/2021G)	Branch of the Ministry of Commerce - Jeddah	Activity / retail: sailing precious stones and metals. Director / Abdullah Ahmad Al-Obaid
Municipality License (commercial activities)	Commercial activity license	L'Azurde for Jewelry branch	39111452720	N/A	27/04/1443H (corresponding to 02/12/2021G)	Jeddah Municipality	
Safety	Company's commitment to safety requirements of civil defense	L'Azurde for Jewelry branch	3-000096443-41	24/10/1441H	24/10/1442H (corresponding to 05/06/2021G)	General Directorate of Civil Defense	
Branch 7 – Wholesale Gold Center (Jeddah)							
Certificate	Purpose	License holder	License number	Issue / Renewal date	Expiry date	Issuing authority	Notes
Commercial Registration Certificate	Registering the Company at the Register of Commerce	L'Azurde for Jewelry branch	4030167428	20/02/1428H (corresponding to 10/03/2007G)	20/02/1443H (corresponding to 27/09/2021G)	Branch of the Ministry of Commerce - Jeddah	Activity / sailing and buying precious stones and metals. Director / Abdullah Ahmad Al-Obaid
Chamber of Commerce and Industry membership certificate	Company's commitment to the Register of Commerce requiring the Company to participate in the Chamber of Commerce	L'Azurde for Jewelry branch	119990	-	-	Chamber of Commerce and Industry	
Municipality License (commercial activities)	Commercial activity license	L'Azurde for Jewelry branch	40122537021	N/A	19/12/1442H (corresponding to 29/07/2021G)	Jeddah Municipality	
Safety	Company's commitment to safety requirements of civil defense	L'Azurde for Jewelry branch	2-000354620-41	22/12/1441H (corresponding to 12/08/2020G)	22/12/1442H (corresponding to 01/08/2021G)	General Directorate of Civil Defense	

Branch 8 – King Fahad Street – Wholesale (Dammam)							
Certificate	Purpose	License holder	License number	Issue / Renewal date	Expiry date	Issuing authority	Notes
Commercial Registration Certificate	Registering the Company at the Register of Commerce	L'Azurde for Jewelry branch	2050056794	09/10/1428H (corresponding to 20/10/2007G)	08/10/1442H (corresponding to 19/05/2021G)	Branch of the Ministry of Commerce – Jeddah	Activity / retail: sailing precious stones and metals. Director / Abdullah Ahmad Al-Obaid
Chamber of Commerce and Industry membership certificate	Company's commitment to the Register of Commerce requiring the Company to participate in the Chamber of Commerce	L'Azurde for Jewelry branch	90235	-	-	-	-
Municipality License (commercial activities)	Commercial activity license	L'Azurde for Jewelry branch	41063417487	N/A	06/07/1443H (corresponding to 07/02/2022G)	Al Sharqiyah Municipality	-
Safety	Company's commitment to safety requirements of civil defense	L'Azurde for Jewelry branch	2-000369024-41	19/12/1441H (corresponding to 29/08/2020G)	19/12/1442H (corresponding to 29/07/2021G)	General Directorate of Civil Defense	-

Branch 9 – Al Zahran Commercial Mall (Dammam)							
Certificate	Purpose	License holder	License number	Issue / Renewal date	Expiry date	Issuing authority	Notes
Commercial Registration Certificate	Registering the Company at the Register of Commerce	L'Azurde for Jewelry branch	2052001529	19/11/1430H (corresponding to 07/11/2009G)	18/11/1442H (corresponding to 18/06/2021G)	Branch of the Ministry of Commerce - Jeddah	Activity / retail: sailing precious stones and metals. Director / Abdullah Ahmad Al-Obaid
Chamber of Commerce and Industry membership certificate	Company's commitment to the Register of Commerce requiring the Company to participate in the Chamber of Commerce	L'Azurde for Jewelry branch	132221	-	-	-	-
Municipality License (commercial activities)	Commercial activity license	L'Azurde for Jewelry branch	40112511680	N/A	28/08/1444H (corresponding to 20/03/2023G)	Al Sharqiyah Municipality	-

Branch 9 – Al Zahran Commercial Mall (Dammam)							
Certificate	Purpose	License holder	License number	Issue / Renewal date	Expiry date	Issuing authority	Notes
Safety	Company's commitment to safety requirements of civil defense		1-000542950-41	04/09/1441H (corresponding to 27/04/2020G)	04/09/1442H (corresponding to 16/04/2021G)	General Directorate of Civil Defense	

Source: The Company.

It is not required to issue (a separate registration certificate) and (the Chamber of Commerce Membership Certificate) for a branch office that practice the same commercial activity in the same administrative region; so, one record is sufficient for homogeneous activities in the same administrative region.

9-3 The Subsidiaries

9-3-1 The Subsidiaries inside KSA

The Company has (3) three subsidiaries established in the KSA. The details of these companies are as follows:

9-3-1-1 Almujuharat Almasiah Company

Almujuharat Almasiah Company ("Almujuharat Almasiah") is a Limited Liability Company, with Golf capital, registered in Riyadh, KSA under commercial registration certificate 1010236734 dated 25/07/1428H (corresponding to 08/08/2007G). The head office of Almujuharat Almasiah is in Riyadh City. The principal activities of Almujuharat Almasiah, in concordance with the Commercial Registration certificate, include: production of precious and semi-precious stones, manufacture of precious metals, gemstones, jewelry, and diamond, as well as production of wrought diamonds. The current share capital of Almujuharat Almasiah is SAR 300,000.

The Company is managed by the following Board of Directors:

- 1- Khalifa Hasan Al-Jalhmah (Chairman of the Board of Directors).
- 2- Abdullah Abdulaziz Al-Othaim (Non-executive Director).
- 3- Abdullah Ahmad Al-Obaid (Executive Director).

Table (9-3): Ownership of the Almujuharat Almasiah Company.

Partner	Number of shares	Ownership percentage	Value of the share (in SAR)	Total (in SAR)
L'Azurde Company for Jewelry - KSA	49	98%	6,000	294,000
L'Azurde Company for Jewelry - Abu Dhabi	1	2%	6,000	6,000
TOTAL	50	100%	12,000	300,000

Source: Articles of Association of the Company.

Except for the commercial registration certificate, the Almujuharat Almasiah Company has not completed the legal procedures and has not registered at the associates' government; it does not engage in any activity, and is considered a Dormant Company as of the date of this Prospectus.

The accumulated losses of the subsidiary amounted to about (80%) of the capital (which amounts to SAR 300 thousand) as on 31/12/2019G. With respect to LLCs, Article 181 of the Companies' Law provides that if the losses of an LLC reached half of its share capital, the managers of the company must register the incident in the commercial register and call a shareholders' meeting within a period of not more than 90 days from the date on which the managers become aware of such losses to determine whether to continue or dissolve the company. As of the date of this Prospectus, the Company is guaranteed by the provisions of Article (181) of the Companies Law, whereby the shareholders unanimously agreed to continue the Company's operations while providing financial support to cover its losses, and the shareholders' decision was published on the Ministry of Commerce website.

'A Saudi Company partially owned by a GCC national' means that one of the shareholders is a Gulf Company, which is L'Azurde Company for Jewelry, Abu Dhabi.

9-3-1-2 Kenaz Company

Kenaz Company ("Kenaz") is a Saudi Limited Liability Company (a single person Company) registered under commercial registration certificate 1010352574 dated 21/11/1433H (corresponding to 07/10/2012G). The head office of Kenaz is in Riyadh City, P.O. Box 41270, Riyadh 11521 - KSA. Kenaz produces wrought pearls, precious or semi-precious stones, minerals, jewelry from gemstones or combined with precious metals, and diamond.

The Company is managed by the following Board of Directors:

- 1- Khalifa Hassan Al-Jalahma (Chairman of the Board of Directors)
- 2- Abdullah Abdulaziz Al-Othaim (Non-executive Director)
- 3- Abdullah Ahmad Al-Obaid (Executive Director)

Table (9-4): Ownership of Kenaz Company

Partner	Number of shares	Ownership percentage	Value of the share (in SAR)	Total (SAR)
L'Azurde Company for Jewelry - KSA	49	98%	6,000	2,940,000
L'Azurde Company for Jewelry - Abu Dhabi	1	2%	6,000	60,000
TOTAL	50	100%	6,000	3,000,000

Source: Articles of Association of the Company.

Kenaz headquarter is in Riyadh, and has 13 branches in the following cities: Riyadh (4 branches), Dammam (1 branch), Jeddah (3 branches), Jubail (1 branch), Jazan (1 branch), Abha (1 branch), Al Medina (1 branch), Tabuk (1 branch).

According to the commercial registration of the branches, the principal activities of Kenaz include: the trading of gold products and precious stones. The branches are managed by Mr. Abdullah Ahmad Al-Obaid, who was appointed as Vice-President for support and administrative affairs. He is authorized to sign on the Company behalf as for the government, according to the Board of Directors decision dated 19/09/2019G.

The following table shows licenses, certificates and approvals obtained by Kenaz.

Table (9-5): Licenses, certificates and approvals obtained by the subsidiary (Kenaz Company)

Type of license	Purpose	License holder	License number	Date of issue / renewal	Expiry date	Issuing authority	Note
Commercial Registration Certificate	Registration of the Company at the Register of Commerce	Kenaz's Company	1010352574	21/11/1443H (corresponding to 07/10/2012G)	21/04/1443H (corresponding to 26/11/2021G)	Ministry of Commerce - Register of Commerce - Riyadh	
Chambre of Commerce The Company's commitment to the General Organization for Social Insurance regulations	In compliance with provisions of Register of Commerce, the Company obtained a membership certificate (degree: 2)	Kenaz's Company	06842	21/01/1437H (corresponding to 05/11/2015G)	21/04/1443H (corresponding to 21/6/11/2021G)	Riyadh Chamber of Commerce and Industry	
Social Security Certificate	The Company's commitment to the General Organization for Social Insurance regulations		36782270	06/07/1442H (corresponding to 18/02/2021G)	06/08/1442H (corresponding to 19/03/2021G)	Public Institution for Social Security	
Evaluation Certificate of the Company entity	Company entity evaluation according to the Nitaqat program, which indicates that the Company is in the range (average category A)	Kenaz's Company	12320791	-	Until the publication of this Prospectus	Department of Electronic Services of the Ministry of Labor	

Type of license	Purpose	License holder	License number	Date of issue / renewal	Expiry date	Issuing authority	Note
VAT Registration Certificate	To state that the Company is registered for VAT	Kenaz's Company	300054684710003	11/04/1439H (corresponding to 29/12/2017G)	Issued only once	General Authority for Zakat and Income	Within the tax group of L'Azurde Company for jewelry L'Azurde and its subsidiaries submit a unified Zakat declaration with a distinguished number (3000546847)
Zakat Certificate	To state that the Company is registered for VAT	Kenaz's Company	3000546847			General Authority for Zakat and Income	Within the tax group of L'Azurde Company for jewelry L'Azurde and its subsidiaries submit a unified Zakat declaration with a distinguished number (3000546847)
Saudization Certificate	To indicate that the Company is in compliance with the required Saudization percentage according to the Nitaqat program	Kenaz's Company	20002011042520	15/04/1442H (corresponding to 03/11/2019G)	16/07/1442H (corresponding to 28/02/2021G)	Ministry of Human Resources and Social Development	
Municipality License (commercial activities)	Commercial activity license	Kenaz's Company	40092208735	-	08/02/1443H (corresponding to 05/10/2021G)	Riyadh Municipality	
Industrial and Factories' Licenses							
Industrial-National License	Company's commitment to Ministry of Energy, Industry and Mineral Resources regulations	Kenaz's Company	1001003817	21/12/1440H (corresponding to 22/08/2019G)	21/12/1443H (corresponding to 20/07/2022G)	Ministry of Industry and Mineral Resources	

Source: The Company.

9-3-1-3 Izdiad Commercial Company of Arabia - LLC

Izdiad Commercial Company of Arabia ("Izdiad") is a Saudi Limited Liability Company owned by one person registered under commercial registration 1010458294, dated 25/12/1439H (corresponding to 05/09/2018G) *. The head office of Izdiad is located in Riyadh, Hittin quarter, Riyadh Park no. 35. The principal activities of Izdiad include the trading of gold products and precious stones. The current capital of Izdiad is SAR 12,000,000. Izdiad is possessed by L'Azurde Company for Jewelry.

Table (9-6): Ownership of the subsidiary Company (Izdiad Company)

Partner	Number of shares	Ownership percentage	Value of the share	Total (SAR)
L'Azurde Company for Jewelry - KSA	100	100%	120,000	12,000,000

Source: Articles of Association of the Company.

Izdiad Commercial Company of Arabia is managed by the following Board of Directors:

- 1- Khalifa Hassan Al-Jalhma (Chairman of the Board of Directors)
- 2- Abdullah Abdulaziz Al-Othaim (Non-executive Director)
- 3- Abdullah Ahmad Al-Obaid (Executive Director)

Izdiad Commercial Company of Arabia headquarter is in Riyadh, and has 25 branches in the following cities: Riyadh (7 branches), Jeddah (8 branches), Al Khobar (2 branches), Dhahran (2 branches), Al-Ahsa (1 branch), Al Medina (1 branch), Taif (1 branch), Makkah (1 branch), Al-Qassim (1 branch), Tabuk (1 branch). The principal activities of Izdiad Commercial Company of Arabia include the retail and wholesale of precious stones and precious metals.

Izdiad Commercial Company of Arabia is managed by Mr. Abdullah Ahmad Muhammad Al-Obaid.

* It should be noted that Izdiad Commercial Company of Arabia (Izdiad) is a Limited Liability Company, established in Jeddah, KSA, under commercial registration certificate No 4030286357 dated 25/02/1437H (corresponding to 07/12/2015G). On 05/08/2018G, all shares were acquired by the Company in accordance with the terms and conditions of a share purchase agreement between Tamkeen Industry and Trade Ltd. and Mr. Basem Ahmed Talal Al-Juhani (the sellers) and L'Azurde Company for Jewelry (the buyer). On 12/03/1440H (corresponding to 20/11/2018G), the Company decided to move the main headquarters from Jeddah to Riyadh and register it there, keeping on the same commercial registration certificate number (1010458294) and the same date 25/12/1439H (corresponding to 05/09/2018G).

This acquisition was financed through a long-term facility obtained by the Company from the Saudi British Bank (SABB), which is a long-term Murabaha facility, with a cash facility of SAR 108 million. The duration of these facilities is 7 years in addition to the facilities, with a value of SAR 33.2 million that the Company is allowed to use after 3 years from the date of granting the first financing (it was on October 2018G, on October 2021G, where the duration of these facilities is 4 years (For more details about financing agreements and facilities, please refer to the Sub-paragraph (9-5-5) “Loans and Facilities Agreements” of this section.

The following table shows Izdiad Commercial Company of Arabia licenses, approvals, and certificates.

Table (9-7): Licenses and Certificates of the Subsidiary Company (Izdiad Company)

Type of license	Purpose	License holder	License number	Date of issue / renewal	Expiry date	Issuing authority	Note
Commercial Registration Certificate	Registration of the Company at the Register of Commerce	Izdiad Commercial Company of Arabia	1010458294	25/12/1439H corresponding to 05/09/2018G	25/12/1442H corresponding to 04/12/2021G	Ministry of Commerce	
Chambre of Commerce	In compliance with provisions of Register of Commerce, the Company obtained a membership certificate (degree: 1)	Izdiad Commercial Company of Arabia	470755	13/03/1440H corresponding to 21/11/2018G	25/12/1442H corresponding to 04/08/2021G		
Social Security Certificate	Company's commitment to the General Organization for Social Insurance regulations	Izdiad Commercial Company of Arabia and its branches	6678142	02/07/1442H corresponding to 14/02/2021G	07/08/1442H corresponding to 15/03/2021G	Public Institution for Social Security	
Company entity Evaluation Certificate	Company entity evaluation according to the Nitaqat program, which indicates that the Company is in the range (average category A)	Izdiad Commercial Company of Arabia and its branches	19228061	Till the publication date of this Prospectus	Till the publication date of this Prospectus	Department of Electronic Services of the Ministry of Labor	
VAT Registration Certificate	To state that the Company is registered for VAT	Izdiad Commercial Company of Arabia and its branches	310128691600003	14/05/1440H corresponding to 20/01/2019G	-	General Authority for Zakat and Income	Within the tax group of L'Azurde Company for jewelry L'Azurde and its subsidiaries submit a unified Zakat declaration with a distinguished number (3000546847)

Type of license	Purpose	License holder	License number	Date of issue / renewal	Expiry date	Issuing authority	Note
Zakat Certificate	To state that the Company is registered for VAT		3000546847			General Authority for Zakat and Income	Within the tax group of L'Azurde Company for jewelry L'Azurde and its subsidiaries submit a unified Zakat declaration with a distinguished number (3000546847)
Saudization Certificate	To indicate that the Company is in compliance with the required Saudization percentage	Izdiad Commercial Company of Arabia	20002012006331	21/04/1442H corresponding to 06/12/2020G	22/07/1442H corresponding to 06/03/2021G	Ministry of Human Resources and Social Development	
Municipality License	Commercial activities license	Izdiad Commercial Company of Arabia TOUS	40092208891	-	04/05/1443H corresponding to 08/12/2021G	Riyadh Municipality	
Civil Defense declaration	Company's commitment to the safety requirements of civil defense		100057694741	06/01/1442H corresponding to 25/08/2020G	06/01/1443H corresponding to 14/08/2021G	Directorate General of Civil Defense	

Source: The Company.

9-3-2 Subsidiaries outside KSA

1- L'Azurde Company for Jewelry (Dubai)

L'Azurde Company for Jewelry ("L'Azurde Dubai") is a limited liability Company registered in Dubai, United Arab Emirates, with the Commercial Registration Certificate No 1039193 dated 23/12/2008G (corresponding to 25/12/1429H). Its headquarters is located in Al Ras area. PO Box 60843, Dubai, UAE. Its current capital is 300 thousand dirhams (equivalent to SAR 306 thousand), divided into 300 shares with a fully-paid nominal value of 1,000 dirhams (equivalent to SAR 1.02) per share. The following table summarizes the ownership structure of L'Azurde Dubai as on December 31, 2020G:

Shareholders	Number of shares	Nominal value of each share (AED)	Value of shares (AED)	Value of shares (SAR)	Ownership percentage
L'Azurde Company for Jewelry L.L.C.	299	1,000	299,000	304,980	99.67%
L'Azurde Company for Jewelry L.L.C. ¹	1	1,000	1,000	1,020	0.33%
Total	300	1,000	300,000	306,000	100%

¹ L'Azurde Company for Jewelry is a limited liability company established in Abu Dhabi, United Arab Emirates.

The main activities of L'Azurde Dubai include trading in jewelry, pearls, precious and semi-precious stones, watches and their spare parts, and gold and jewelry.

L'Azurde Dubai owns equity stakes worth 71,625,500 Egyptian pounds (equivalent to 16,731,685 Saudi riyals) in L'Azurde Egypt (representing 50% of its capital) as on December 31, 2020G. L'Azurde Dubai owns 100% of the shares of L'Azurde Group for Gold and Jewelry, Inc., a limited liability company.

2- L'Azurde Company for Jewelry (Abu Dhabi)

L'Azurde Company for Jewelry ("L'Azurde Abu Dhabi") is a limited liability company registered in Abu Dhabi, United Arab Emirates, with Commercial Registration Certificate No 1060233 dated 19/10/2003G. Its headquarters is located in the Gold Market, Madinat Zayed, PO Box 72147, Abu Dhabi, United Arab Emirates. The current share capital of L'Azurde Abu Dhabi is 300 thousand dirhams (equivalent to 306 thousand Saudi riyals) divided into 300 shares with a fully paid nominal value of 1,000 dirhams (equivalent to 1.02 Saudi riyals) per share.

The following table summarizes the ownership structure of L'Azurde Dubai as on December 31, 2020G:

Shareholders	Number of shares	Nominal value of each share (AED)	Value of shares (AED)	Value of shares (SAR)	Ownership percentage
L'Azurde Company for jewelry L.L.C.	297	1,000	297,000	302,940	99%
L'Azurde Company for jewelry L.L.C. ¹	3	1,000	3,000	3,060	1%
Total	300	1,000	300,000	306,000	100%

¹ L'Azurde Company for Jewelry is a limited liability company established in Dubai, United Arab Emirates.

The main activities of L'Azurde Abu Dhabi include the retail trade of jewelry, diamonds, precious and semi-precious stones and watches.

L'Azurde Abu Dhabi owns equity stakes worth 71,625,500 Egyptian pounds (equivalent to 16,731,685 Saudi riyals) in L'Azurde Egypt (representing 50% of its capital) as on December 31, 2020G.

3- L'Azurde Egypt for Jewelry (Egypt)

L'Azurde Egypt is a limited liability company registered in Cairo, Egypt, under Commercial Registration Certificate No 14997 dated 08/06/2005G (corresponding to 05/01/1426H). Its headquarters is located in the First Industrial Zone, P.O. Box 62, Obour City, Egypt. The current paid-up capital of L'Azurde Egypt is 143,250,000 Egyptian pounds, divided into 143,250,000 shares (equivalent to 33,463,370 Saudi riyals according to the exchange rate as on December 31, 2020G).

The following table summarizes the ownership structure of L'Azurde Egypt as on December 31, 2020G:

Shareholders	Number of shares	Nominal value of each share (AED)	Value of shares (AED)	Value of shares (SAR)	Ownership percentage
L'Azurde Company for Jewelry L.L.C. ¹	71,625,000	1	71,625,000	16,731,685	50%
L'Azurde Company for Jewelry L.L.C. ²	71,625,000	1	71,625,000	16,731,685	50%
Total	143,250,000	1	143,250,000	33,463,370	100%

¹ L'Azurde Company for jewelry is a limited liability company established in Abu Dhabi, United Arab Emirates.

² L'Azurde Company for jewelry is a limited liability company established in Dubai, United Arab Emirates.

The following table summarizes the ownership structure of L'Azurde Egypt before the capital increase as on December 31, 2020G:

Shareholders	Number of shares	Nominal value of each share (AED)	Value of shares (AED)	Value of shares (SAR)	Ownership percentage
L'Azurde Company for Jewelry L.L.C.	46,142,500	1	46,142,500	9,714,211	50%
L'Azurde Company for Jewelry L.L.C.	46,142,500	1	46,142,500	9,714,211	50%
Total	92,285,000	1	92,285,000	19,428,422	100%

The main activities of L'Azurde Egypt include establishing and operating a factory to design, manufacture, distribute and sell gold and diamond jewelry.

4- Oro Egypt Company for Manufacturing Precious Metals

Oro Egypt Company for Manufacturing Precious Metals is a closed joint stock company registered in Cairo, Egypt, with Commercial Registration certificate No 7877 dated 11/14/1423 AH (corresponding to 17/01/2003G). Its headquarters is located in the Obour Market, P.O. 3067, Qalyubia, Egypt. The current capital of Euro Egypt for the operation of precious metals is 40,000,000 Egyptian pounds (equivalent to 9,344,047 Saudi riyals) divided into 1,600,000 shares with a fully paid nominal value of 25 Egyptian pounds (equivalent to 5.84 Saudi riyals) per share.

The following table summarizes the ownership structure of Euro Egypt as on December 31, 2020G:

Shareholders	Number of shares	Nominal value of each share (AED)	Value of shares (AED)	Value of shares (SAR)	Ownership percentage
L'Azurde Company for Jewelry - Listed company	1,586,000	25	39,650,000	9,262,287	99.125%
Diamond Jewelry Company - L.L.C.	12,000	25	300,000	70,080	0.750%
Kenaz Company - L.L.C.	2,000	25	50,000	11,680	0.125%
Total	1,600,000	25	40,000,000	9,344,047	100%

The main activities of Euro Egypt include establishing and operating a factory for the manufacture of jewelry, goldsmiths and precious stones of all kinds, as well as establishing a training center. Euro Egypt also operates a manufacturing unit in Qalyubia, and six branches all over Egypt.

5- L'Azurde Company for Jewelry (Qatar)

L'Azurde Company for jewelry ("L'Azurde Qatar") is a limited liability company registered in Qatar, with Commercial Registration certificate No 60716 dated 218/05/2013G (corresponding to 11/07/1434H). Its headquarters is located in Jabir bin Mohammed Street, P.O. Box 20464, Doha, Qatar. The current capital of L'Azurde Qatar is 200,000 dirhams (equivalent to 206,054 Saudi riyals) divided into 200 shares with a fully paid nominal value of 1,000 Qatari riyals (equivalent to 1,030 Saudi riyals) per share. The following table summarizes the ownership structure of L'Azurde Qatar as on December 31, 2020G:

Shareholders Number of Shares Nominal Value of Each Share (Qatari Riyal) The Value of Shares (Qatari Riyals) The Value of Shares (Saudi Riyals) Ownership Percentage.

Shareholders	Number of shares	Nominal value of each share (AED)	Value of shares (AED)	Value of shares (SAR)	Ownership percentage
Wafiq Sultan Al-Issa	102	1,000	102,000	105,082	51%
L'Azurde Company for Jewelry - Listed company	98	1,000	98,000	100,962	49%
Total	200	1,000	200,000	206,044	100%

The main activities of L'Azurde Qatar include trading in gold and precious unoccupied metals, jewelry, silver and gold artifacts, goldsmithing, precious metals and jewelry, maintenance and repair and modification of gold artifacts, jewelry and jewelry.

6- L'Azurde Company for Jewelry (Sultanate of Oman)

L'Azurde Company for jewelry ("L'Azurde Oman") is a limited liability company registered in the Sultanate of Oman, with Commercial Registration certificate No 1320525 dated 30/05/2018G. Its headquarters is located in Seeb Market, Muscat, PO Box 122, Muscat 125, Sultanate of Oman. The current capital of L'Azurde Oman is 20 thousand Omani riyals (equivalent to 195 thousand Saudi riyals) divided into 20 thousand shares with a fully paid nominal value of 1 Omani riyal (equivalent to 9.75 Saudi riyals per share).

The following table summarizes the ownership structure of L'Azurde Oman as on December 31, 2020G:

Shareholders	Number of shares	Nominal value of each share (AED)	Value of shares (AED)	Value of shares (SAR)	Ownership percentage
L'Azurde Company for Jewelry (UAE - Dubai)	19,800	1	19,800	193,050	51%
Lazurde Company for Jewelry (Abu Dhabi)	200	1	200	1,950	49%
Total	20,000	1	20,000	195,000	100%

The main activities of L'Azurde Company Oman are the manufacture and trade of jewelry made of minerals or precious stones.

The following table shows L'Azurde Company for Jewelry percentage ownership in the subsidiaries established outside KSA as on 30/09/2020G, as well as a summary of each subsidiary.

Table (9-8): Summary of the subsidiaries established outside KSA.

#	Address	Legal Entity Type	Company Activity	Capital (SAR)	Ownership (%)	Commercial Registration No.	Establishment Date	Administration	(Losses) / accumulated profits Latest audited financial statements (SAR)
1	L'Azurde Company for Jewelry - Dubai	Limited liability	Retail, sale of precious stones and metals	306,000	100%	1039193	25/12/1429H corresponding to 23/12/2008G	Two managers: 1- Salim Said Chidiac 2- Abdullah Ahmad Al-Obaid	57,777,124
2	L'Azurde Company for Jewelry - Abu Dhabi	Limited liability	Retail, sale of precious stones and metals	306,000	100%	1060233	23/08/1424H corresponding to 19/10/2003G	Two managers, namely: 1- Salim Said Chidiac 2- Abdullah Ahmad Al-Obaid	5,925,781
3	L'Azurde Company for Jewelry - Egypt	Limited liability	Factory and wholesale offices, and retail stores	33,46,370	100%	14997	01/05/1426H corresponding to 08/06/2005G	DirectorGeneral: Rida Ramadan	4,002,350
4	OroEgypt Company for Manufacturing Precious Metals	Locked contribution	Factory and offices for wholesale	9,344,047	100%	7877	14/11/1423H corresponding to 17/01/2003G	Board of Directors: Abdullah Abdulaziz Al-Othaim (Chairman of the Board) Abdullah Ahmad Al-Obaid (Vice President) (Adel Al-Mayman (Non-Executive) (Majid Farag (legal advisor) Samir Sidhum (Executive Director)	173,369,467
5	L'Azurde Company for Jewelry - Qatar	Limited liability	Office for wholesale	206,044	49%	60716	11/07/1434H corresponding to 21/05/2012G	Board of Directors: Abdullah Ahmad Al-Obaid (Executive Director) Ayman MohamedHaffar (Non-Executive) Salim Said Chidiac (Non-Executive) Wafqa Sultan (Non-Executive)	
6	L'Azurde Company for Jewelry - Oman	Limited liability	Office for wholesale	195,000	100%	1320525	15/09/1439H corresponding to 30/05/2018G	DirectorGeneral: Abdullah Ahmed Al-Obaid	

Source: The Company.

9-4 The continuous obligations imposed by the relevant governmental authorities on the Company and its subsidiaries in their capacity (as a “licensee”).

The following regulatory authorities requires that the Company and its subsidiaries comply with certain essential requirements as follows:

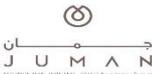
9-4-1 The continuous obligations as per the requirements of the Ministry of Commerce

Parent Company

- The Company is in compliance with the Commercial Register Act and has been registered with the Commercial Register at Riyadh city, where the new headquarters is located, and obtained the certificate number 1010221531 dated 26/06/1427H (corresponding to 22/07/2006G) which will expire on 26/06/1445H (corresponding to 08/01/2024G).
- The Company is in compliance with the Companies Law and the amendments thereto and its By-laws has been updated in line with the new amendments of the Companies Law issued according to the Royal Decree M/79 dated 25/07/1439H (corresponding to 11/04/2018G), which was approved by the Ministry of Commerce and the EGA dated 19/08/1440H (corresponding to 24/04/2019G).
- The Company is in compliance with the Commercial Register Act in terms of issuing a certificate of membership in the Chamber of Commerce and Industry for its headquarters under the number 168914 dated 22/07/2006G and expiring on 08/01/2024G.
- The Company and its Subsidiaries have registered a number of trademarks that they depend on as their trademark for their own products and brands. As of the date of this Prospectus, the “L’Azurde” trademark and some other ones derived from it have been registered.

For more details about the trademarks, please refer to the subparagraph 9-9 of this section, as mentioned in the table below:

Trademarks	Country
	Registered in each of the following countries: KSA - Iran - Tunisia - Iraq - Jordan - Qatar - Emirates - Egypt - Oman - Bahrain - Sudan - Libya - Algeria - Morocco - Yemen - Nigeria - Thailand - Turkey - USA - Canada - China - India - Palestine West Bank - Pakistan - Gaza - Syria - Singapore - Hong Kong, E.U.
	KSA
	Registered in each of the following countries: KSA - Turkey - the United States - Canada - Switzerland - China - Italy - France - Britain - Germany - Singapore - Spain - Hong Kong.
	Registered in each of the following countries: KSA - Iran - Jordan - Qatar - Egypt - Bahrain - Kuwait - Libya - Algeria - Morocco - Yemen.
	Registered in each of the following countries: KSA - Jordan - Qatar - Egypt - Kuwait - Algeria.
	Bahrain
Rehlati brand & Logo	
	Registered in each of the following countries: KSA - Qatar - Egypt - Oman - Bahrain - Kuwait.
	Registered in each of the following countries: KSA - UAE - Egypt - Oman - Bahrain - Kuwait.

Trademarks	Country
Joman brand & Logo	
	Registered in each of the following countries: KSA - Emirates - Egypt - Kuwait
	Registered in each of the following countries: KSA - Yemen - Morocco - Libya - Kuwait - Sudan - Bahrain - Egypt - Emirates - Qatar - Lebanon - Jordan - Iraq - Tunisia.
Kenaz brand & Logo	
	Registered in each of the following countries: KSA - UAE - Egypt - Oman - Bahrain - Kuwait - Algeria - Morocco.
	Registered in each of the following countries: KSA - Morocco - Algeria - Kuwait - Bahrain - Oman - Egypt - Emirates - Qatar - Tunisia.
	UAE
	KSA
Other brands & Logos	
	Pakistan
	China
	Registered in each of the following countries: Jordan - Iraq - Tunisia - Yemen - Egypt - Morocco - Algeria - Kuwait - Sudan - Bahrain - Oman - Qatar - Lebanon.

Source: The Company.

For more details about trademarks, please see sub-paragraph (9-7) of this section.

- The Company is in compliance with the Commercial Register Act in terms of rectifying any amendment to the Commercial Register information within 30 days from such amendment. The current commercial registration certificate has been updated with respect to the names of the Board Members as indicated in this Prospectus.
- The Company is in compliance with Article 15 of the Companies Law which requires to refer to the Company's paid up capital and the amount paid thereof on its official paper (letterhead) and documents used with third parties, and to reflect any amendments that occur to the Capital.
- The Company undertakes e-commerce activities, as it displays, markets and sells its products through its online store (www.lAzurde.com). L'Azurde is in compliance with the E-Commerce Law in terms of registering its e-store with the e-shop authentication bodies and was registered under the number 168041 on the "Maarouf" platform at the Ministry of Commerce.
- The Company did not register the website with the Saudi Network Information Center at the Communications and Information Technology Commission (www.Lazurde.com) in order to preserve their website property rights and prevent others from using a similar website by adding (.sa or @sa). With the exception of the sub-section (2-1-23) "Failure to obtain or renew the licenses and certificates" of Section 2 ("Risk Factors") of this Prospectus, the Company and its subsidiaries are in compliance and issued the required licenses and certificates.

- The Company is in compliance with Article 2 of the “Precious Metals and Gemstones Law” which requires a company that conduct trading and/or manufacturing of precious metals and gemstones to obtain a permit from the Ministry of Commerce. L’Azurde has issued such permit for four branches in Riyadh, Jeddah and Dammam.

Subsidiaries

- The Company has three subsidiaries in KSA and is in compliance with the Commercial Register Act in terms of registering them at the Commercial Registry directorate at the Ministry of Commerce.
- With the exception of the subsidiary (Almujawharat Almasiah Company) which is a dormant Company, all of the subsidiaries were registered in the Chamber of Commerce and Industry as required by in the Commercial Register Act,.
- The accumulated losses of the subsidiary (Almujawharat Almasiah Company) exceeded 50% of the paid up capital. The Company is in compliance with the Companies Law in terms of providing a support decision from the shareholders therein in accordance with the requirements of Article (181) of the Companies Law which provides that if the losses of the limited liability company reach the half of its capital, the company’s managers must record such occurrence in the Commercial Register and invite the shareholders to meet within a period of not more than ninety days from the date of being aware of the loss of amount to consider whether to support and continue or dissolve the company. The company is considered terminated by the force of law if the company’s managers failed to invite the shareholders or if the shareholders failed to issue a resolution to support and continue or dissolve the company. As of the date of this Prospectus, the Company is in compliance with Article (181) of the Companies Law. The shareholders of the subsidiary (Almujawharat Almasiah Company) unanimously agreed to continue the company’s operations while providing financial support to cover its losses, and such resolution was published on the Ministry of Commerce website.
- The Subsidiaries’ articles of associations have been updated according to the new Companies Law issued by the virtue of the Royal Decree (M/3) dated 28/01/1437H (corresponding to 10/11/2015G) and published in the Official Gazette (Umm Al-Qura) on 22/01/1437H (corresponding to 04/12/2015G) and amended by the Royal Decree (M/79) dated 25/07/1439H (corresponding to 11/04/2018G).
- As for the subsidiary (Kenaz Company), it uses e-commerce to display, market and sell its products on its e-shop (www.kenazjewelry.com). As stipulated in the E-commerce Law, the Company registered its e-store within the e-shop authentication bodies, being registered under the 168290 on the “Maarouf” platform of the Ministry of Commerce.
- The subsidiaries (Kenaz Company and Izdiad Company of Arabia) and their branches are in compliance with Article 2 of the Precious Metals and Gemstones Law which requires a company conducting the trade or manufacture of precious metals and gemstones to obtain a permit from the Ministry of Commerce.
- The Spanish Company (TOUS) has granted the subsidiary (Izdiad Arabian Company) the franchise right as an owner and operator of the Spanish TOUS brand. The franchisor registered the TOUS Trademark with the Ministry of Commerce under the certificate number 142405657 dated 22/07/1425H (corresponding to 07/09/2004G) which will expire on 13/09/1444H (corresponding to 05/03/2023G). The registered trademark mark is categorized under class 14. However, the subsidiary (Izdiad Arabian Company) did not issue a sub-license to use the registered trademark and relies on the franchise agreement which grant the franchisee the license to use the franchisor’s trademark. With the exception of what has been mentioned in sub-section (2-1-23) “**Failure to obtain or renew the licenses and certificates**” of Section 2 (**Risk Factors**) of this Prospectus, the Company and its subsidiaries are in compliance with applicable laws and obtained the prerequisite licenses.

9-4-2 Continuing Obligations as per the requirements of Ministry of Human Resources and Social Development

Parent Company

- A file was opened at the Ministry of Human Resources and Social Development (Labor Office) with the standard number (1- 171919) according to the Saudization certificate extracted from the Labor Office. As of the date of this Prospectus, the Company benefits from the electronic services of the Ministry. As the Company is classified within the mineral services and chemical industries sector and is thus located in the medium green range (C), a Saudization certificate was issued on 17/03/1442H (corresponding to 08/11/2020G) indicating that the Company is in compliance with the required rate of nationalization (18.34%) according to the Nitaqat program.
- The Company has its own HR Manual 1-171919 which is legalized by the Labor Office on 30/03/1441H (corresponding to 27/11/2019G).

Subsidiaries

Except for Almujawharat Almasiah, which is considered a dormant Company, the subsidiaries are in compliance with the Law of the Ministry of Human Resources and Social Development as follows:

- Kenaz Company: A file was opened at the Ministry of Human Resources and Social Development (Labor Office) with the standard number (1-1232079) according to the Saudization certificate extracted from the Labor Office. As of the date of this Prospectus, the Company benefits from the e-services of the Ministry. Moreover, a Saudization certificate was issued on 15/04/1442H (corresponding to 30/11/2020G) indicating that the Company is in compliance with the required rate of nationalization (39.24%) according to the Nitaqat program and that it is classified in the medium range (A).
- The Company has its own HR Manual legalized a law firm reviewed by a law office accredited by the Ministry of Human Resources and Social Development in accordance with the requirements of the Implementing regulations of the Labor Law, and was approved before the Labor Office on 21/05/1442H (corresponding to 05/01/2021G) under number (174136).
- Izdiad Commercial Company of Arabia: A file was opened at the Ministry of Human Resources and Social Development (Labor Office) with the standard number (1-2190550) according to the Saudization certificate extracted from the Labor Office. As of the date of this Prospectus, the Company benefits from the e-services of the Ministry. A Saudization certificate was issued on 21/04/1442H (corresponding to 06/12/2020G) indicating that the Company is in compliance with the required rate of nationalization (89.83%) according to the Nitaqat program and that it is classified in the medium range (A).
- The Company has its own HR Manual legalized a law firm accredited by the Ministry of Human Resources and Social Development in accordance with the requirements of the Implementing Regulations of the Labor Law, and approved by the Labor Office on 10/06/1442H (corresponding to 01/01/2021G) under (719084).

Except for what is specified in the subparagraph (2-1-28) “**Risks Related to Non-Compliance with the Saudization Requirements**” of Section 2 “**Risk Factors**” herein, the Company and its subsidiaries are in compliance with the laws and regulations of the Ministry of Human Resources and Social Development as of the date of this Prospectus.

9-4-3 Continuing Obligations as per the requirements of General Authority of Zakat and Tax

Parent Company

- Likewise other registered establishments and companies operating in KSA, the Company is required to submit its zakat and tax returns within 120 days of the end of the fiscal year for renewing the certificate issued by the General Authority for Zakat and Tax.
- The Company and its subsidiaries submitted a unified zakat declaration according to the distinctive tax 3000546847 and have obtained the zakat certificate 7001499511 till 2019G on 03/08/1441H (corresponding to 27/03/2020G) and it is valid until 18/09/1442H (Corresponding to 30/04/2021G).
- The Company and its subsidiaries submitted zakat statements and obtained zakat certificates for all years up to the 2019G fiscal year. During 2017G fiscal year, the Company and its subsidiary received zakat assessments for the 2005G-2014G fiscal years with additional zakat obligations amounting to approximately SAR 10.6 million and thus submitted an objection to these assessments. After discussion, the General Authority for Zakat and Tax agreed to reduce the Zakat liabilities to SAR 6 million, which were settled during the 2019G fiscal year. During May 2020G, the Company received the zakat assessment for the 2018G fiscal year with an additional zakat liability of about SAR 26.4 million. The Company submitted an objection to the final zakat assessment on 07/07/2020G for previous years and on 16/09/2020G, the General Authority of Zakat and Tax issued a notice of partial acceptance of the objection and making some adjustments to the total zakat differences on the Company. The assessment was therefore reduced to SAR 0.1 million agreed upon, settled and paid by the Company in September 2020G. As of the date of this Prospectus, there are no claims or assessments due for zakat on the Company for all years up to 2014G and 2018G. As for 2015G,

2016G, 2017G and 2019G, they are still under review by the General Authority of Zakat and Tax. Furthermore, no zakat assessments have been received so far.

- The Company is in compliance with the VAT Law and its implementing regulations. Moreover, it is registered in the General Authority of Zakat and Tax under the 300054684710003 dated 11/04/1439H (corresponding to 29/12/2017G), noting that it is a subscription certificate issued once with no need for renewal and no expiration date.

Subsidiaries

- Except for Almujawharat Almasiah, which is considered a dormant Company, the subsidiaries are in compliance with the Law of the General Authority of Zakat and Tax in terms of registration and declarations submission.
- The Company and its subsidiaries submit a unified zakat declaration according to the distinctive tax 3000546847 and have obtained a zakat certificate 7001499511 until 2019G on 03/08/1441H (corresponding to 27/03/2020G) valid till 18/09/1442H (Corresponding to 30/04/2021G).
- The subsidiary Kenaz Company is in compliance with the VAT Law and its implementing regulations and is registered among the tax group with L'Azurde under the distinguished tax number 300054684710003.
- The subsidiary Izdiad Commercial Company of Arabia is in compliance with the VAT Law and its implementing regulations and is registered at the General Authority of Zakat and Tax under the 310128691600003 according to the certificated issued on 26/03/1439H (corresponding to 14/12/2017G).

With the exception of what is specified in subparagraph 2-2-8 (“**Risks Related to Zakat Entitlements and Additional Claims**”) in Section 2 “**Risk Factors**” herein, the Company and its subsidiaries are in compliance with the tax and income laws and implementing regulations and instructions issued by the General Authority for Zakat and Tax.

9-4-4 Continuing Obligations as per the requirements of General Organization for Social Insurance

Files for the Company and its subsidiaries were opened at the General Organization for Social Insurance (except for Almujawharat Almasiah which is considered a dormant Company) as follows:

Parent Company

Subscription 501294179. The Company is subscribed in the Remunerations and Occupational Risks sectors for Saudi subscribers and in the Occupational Risks sector for non-Saudis, according to the Social Insurance Certificate 36678203 dated 02/07/1442H (corresponding to 14/02/2021G) and valid till 02/08/1442H (corresponding to 15/03/2021G).

Subsidiaries

Kenaz Company: Subscription 509158711. The Company is subscribed in the Remunerations and Occupational Risks sectors for Saudi subscribers and in the Occupational Risks sector for non-Saudis, according to the Social Insurance Certificate 36782270 dated 06/07/1442H (corresponding to 08/02/2021G) and valid till 06/07/1442H (corresponding to 19/03/2021G).

Izdiad Commercial Company of Arabia: Subscription 549854478. The Company is subscribed in the Remunerations and Occupational Risks sectors for Saudi subscribers and in the Occupational Risks sector for non-Saudis, according to the Social Insurance Certificate 36678142 dated 02/07/1442H (corresponding to 14/02/2021G) and valid till 02/08/1442H (corresponding to 15/03/2021G)*.

* Kindly note that the General Organization for Social Insurance grants the registered establishments commitment certificates that are valid for one month (maximum) and are renewable for a similar period.

Unemployment Insurance Law (SANED): The Company and its subsidiaries are in compliance with Unemployment Insurance Law (SANED) in accordance with the Royal Decree (M / 18) dated 12/03/1435H (corresponding to 14/01/2014G) stipulating the support of Saudi workers in private establishments affected by covid-19 repercussions through the SANED Law, as well as in accordance with the royal decree extending the support period for an additional three months, provided that the support percentage is a maximum of 70% of the Saudi workers in the establishments most affected by the pandemic, and a maximum of 50% of Saudi workers in the least affected ones, to fully benefit from the initiatives announced since the beginning of the pandemic. Moreover, the Company submitted its first request for support on 14/04/2020G under the subscription 501294178 and received 50% of the active Saudi workers in the Company. As for the subsidiaries, Izdiad Commercial Company of Arabia submitted its first request on 14/04/2020G under the subscription number 549854478 and received support for 50% of the active Saudi workers therein. The subsidiary Kenaz Company also submitted its first support request on 04/05/2020G under the subscription number 509158711 and received support for 50% of the active employees therein.

9-4-5 Continuing Obligations as per the requirements of Ministry of Municipal and Rural Affairs (Ministry of Municipalities)

- A municipal license should be obtained for administrative offices and industrial establishments so that the Company can operate, by submitting copies of the following documents: the commercial register, Articles of Association, lease contract and building permit for the rented building, industrial establishment or commercial store and warehouse and real estate license and a remote photograph of the building with the billboard (with a copy of the billboard bill and the property registration of the Company's trademark to be used on the facade) in addition to the civil defense license.
- The Company has used the industrial facility headquarters inside the Industrial Cities in Riyadh as an administrative center. Therefore, it is not subject to the Ministry of Municipal and Rural Affairs and Civil Defense requirements and may only apply the operating license issued by MODON under the 578144117012232 and valid till 10/05/1442H (Corresponding to 25/12/2020G).
- As for the branches, the Company extracted and renewed licenses for all its nine branches with the exception of the safety permit (issued by the Civil Defense) for the commercial store in Al Nakheel Mall (Riyadh) and the municipality license for the commercial store in Jeddah Mall.

The work is in progress to renew it before the competent authorities with the application number (2-000380206-41).

Table (9-9): List of municipality licenses and civil defense permits for the Company's branches.

#	Branch name	Address	Commercial Activity	Commercial Registration Certificate No.	Municipal License No.	Municipality's License Expiry Date	Civil Defense approval No.	Civil Defense License Expiry Date
1	Red Sea Mall	Jeddah	Selling gold and jewelry	4030184756	39111323775	228/08/1442H corresponding to 04/04/2021G	2-000379431-41	26/10/1442H corresponding to 07/06/2021G
2	Al Nakheel Mall	Riyadh	Selling gold and jewelry	1010469630	40092205402	18/08/1442H corresponding to 31/03/2021G	2-000380106-41	09/01/1442H corresponding to 28/08/2020G
3	Jeddah Mall	Jeddah	Selling gold and jewelry	4030298330	39111452720	27/04/1442H corresponding to 12/12/2020G	3-000096443-41	24/10/1442H corresponding to 05/06/2021G
4	Sky Towers	Riyadh	Selling gold and jewelry	1010221531	40102414653	28/06/1444H corresponding to 21/01/2021G	1-000686795-42	10/07/1443H corresponding to 11/02/2022G
5	King Fahd St. (Wholesale)	Dammam	Selling gold and jewelry	2050056794	41063417487	06/07/1443H corresponding to 07/02/2022G	2-000369024-41	119/12/1442H corresponding to 29/07/2021G
6	Gold Center (Wholesale)	Jeddah	Selling gold and jewelry	4030167428	40122537021	19/12/1442H corresponding to 29/07/2021G	2-000354620-41	22/12/1442H corresponding to 01/08/2021G
7	Al Adad center	Riyadh	Selling gold and jewelry	1010225625	40102431803	26/06/1444H corresponding to 19/01/2023G	1-000566724-41	18/03/1443H corresponding to 24/10/2021G
8	Al Adad center Warehouse	Riyadh	Selling gold and jewelry	1010225625	40031837116	26/07/1442H corresponding to 10/03/2021G	10005429741	11/04/1443H corresponding to 16/11/2021G
9	Dhahran Commercial Complex	Al Khobar	Selling gold and jewelry	2052001529	40112511680	28/08/1448H corresponding to 19/02/2023G	1-000542950-41	04/09/1442 corresponding to 16/04/2021G

Source: The Company

- Except for Almujaaharat Almasiah, which is considered a dormant Company, the subsidiaries (Kenaz and Izdiad Commercial Company of Arabia) are in compliance with the Ministry of Municipal and Rural Affairs and has obtained the necessary licenses to operate its shops and establishments, as follows:
- Kenaz Company and its branches:

Table (9-10): List of municipality licenses and civil defense permits for branches of the subsidiary (Kenaz)

#	Branch name	Address	Commercial Activity	Commercial Registration Certificate No.	Municipal License No.	Municipality's License Expiry Date	Civil Defense approval No.	Civil Defense License Expiry Date
1	Riyadh Park (Main site)	Riyadh	1010352574	Selling gold and jewelry	40092208735	08/02/1443H corresponding to 15/09/2021G	2-000376931-41	22/11/1442H corresponding to 02/07/2021G
2	Al Arab Mall	Jeddah	4030319652	Selling gold and jewelry	40052034064	21/05/1443H corresponding to 25/12/2021G	3-000052559-41	06/01/1443H corresponding to 14/08/2021G
3	Al Andalus Mall	Jeddah	4030319654	Selling gold and jewelry	40052036501	24/05/1442H corresponding to 08/01/2021G	1-000528906-41	27/07/1442H corresponding to 11/03/2021G
4	Jasmine Mall	Jeddah	4030319653	Selling gold and jewelry	40062043612	05/06/1442H corresponding to 18/01/2021G	2-000376911-41	24/10/1442H corresponding to 05/06/2021G
5	Panorama Amazing	Riyadh	1010901539	Selling gold and jewelry	40092207383	29/04/1442H corresponding to 14/02/2021G	1-000376786-40	05/02/1443H corresponding to 12/09/2021G
6	Al Hamra Mall	Riyadh	1010935734	Selling gold and jewelry	3909623215	10/06/1442H corresponding to 23/01/2021G	2-000377024-41	09/11/1942H corresponding to 19/06/2021G
7	Hayat Mall (shop)	Riyadh	1010901538	Selling gold and jewelry	40092206631	06/04/1443H corresponding to 11/811/2021G	2-000377032-41	20/01/1443H corresponding to 28/08/2021G
8	Hayat Mall (kiosk)	Riyadh	1010609439	Selling gold and jewelry	40092206044	14/11/1442H corresponding to 24/06/2021G	3-000040177-41	15/01/1443H corresponding to 23/08/2021G
9	Galleria Mall	Jubail	2055025899	Selling gold and jewelry	5075	-	-	Affiliated to the Royal Commission in Yanbu
10	Cady Mall	Jazan	5900115424	Selling gold and jewelry	40042007402	20/04/14543H corresponding to 25/11/2021G	2-000188781-40	05/01/1443H corresponding to 138/08/2021G
11	Aseer Mall	Abha	5850120580	Selling gold and jewelry	390946682	15/09/1442H corresponding to 27/04/2021G	2-000151710-40	16/02/1443H corresponding to 23/09/2021G
12	Al Noor Mall	Al Medina	4650200357	Selling gold and jewelry	40062061578	16/10/1442 corresponding to 28/05/2021G	1-000377548-40	23/07/1442H corresponding to 07/03/2021G
13	West Avenue Mall	Dammam	2050121300	Selling gold and jewelry	40072070052	07/07/1442H corresponding to 19/02/2021G	2-00030777-41	17/06/1442H corresponding to 30/01/2021G
14	Park Mall	Tabuk	3550124994	Selling gold and jewelry	40042014081	27/04/1443H corresponding to 02/12/2021G	1-000263137-40	05/04/1443H corresponding to 10/11/2021G

Source: The Company

- Regarding (Izdiad Commercial Company of Arabia) and its branches:

Table (9-11): List of municipality licenses and civil defense permits for branches of the subsidiary (Izdiad Commercial Company of Arabia)

#	Branch name	Address	Commercial Activity	Commercial Registration Certificate No.	Municipal License No.	Municipality's License Expiry Date	Civil Defense approval No.	Civil Defense License Expiry Date
1	Riyadh Parc (Main Office)	Riyadh	Selling gold and jewelry	1010458294	40092208891	04/05/1444H corresponding to 08/12/2021G	1-000576947-41	06/01/1443H corresponding to 14/08/2021G
2	Al Arab Mall	Jeddah	Selling gold and jewelry	4030305347	39111431523	01/07/1442H corresponding to 13/02/2021G	1-000380976-40	29/03/1443H corresponding to 04/11/2021G
3	Al Salam Mall	Jeddah	Selling gold and jewelry	4030305357	39111365221	12/11/1442H corresponding to 22/06/2021G	1-000381034-40	29/03/1443H corresponding to 04/11/2021G
4	Al Khayat Centre	Jeddah	Selling gold and jewelry	4030305352	39111431494	25/10/1442H corresponding to 06/06/2021G	1-000564998-41	30/11/1442H corresponding to 10/07/2021G
5	Jasmine Mall	Jeddah	Selling gold and jewelry	4030305350	39111431282	27/10/1442H corresponding to 08/06/2021G	1-000576950-41	06/01/1443H
6	Tahlia Shopping Centre	Jeddah	Selling gold and jewelry	4030305344	39111343064	25/10/1442H corresponding to 06/06/2021G	1-000402143-41	29/03/1443H corresponding to 04/11/2021G
7	Boulevard	Jeddah	Selling gold and jewelry	4030305349	39111342933	11/11/1442H corresponding to 21/06/2021G	2-000381221-41	08/11/1442H corresponding to 18/06/2021G
8	Stars Avenue Mall	Jeddah	Selling gold and jewelry	4030305355	39111343022	02/11/1442H corresponding to 12/06/2021G	1-000381691-40	18/01/1443H corresponding to 26/08/2021G
9	Red Sea Mall	Jeddah	Selling gold and jewelry	4030305346	39111338430	27/10/1442H corresponding to 08/06/2021G	2-000381168-41	08/11/1442H corresponding to 18/06/2021G
10	Al Nakheel Mall- Dammam	Dammam	Selling gold and jewelry	2050133340	41073443472	14/07/1442H corresponding to 26/02/2021G	1-000509100-41	15/07/1442H corresponding to 27/02/2021G
11	Al Sheikh Avenue	Al Khobar	Selling gold and jewelry	2051222577	40011586214	07/01/1443H corresponding to 15/08/2021G	1-000382919-40	21/07/1442H corresponding to 05/03/2021G
12	Al Rashid Shopping Centre	Al Khobar	Selling gold and jewelry	2051221996	3911993355	03/11/1442H corresponding to 13/06/2021G	1-000393849-41	08/07/1442H corresponding to 20/02/2021G
13	Dhahran Mall/ Shop 204	Dhahran	Selling gold and jewelry	2052101164	40112506910	08/01/1443H corresponding to 16/08/2021G	1-000528370-41	11/09/1442H corresponding to 23/04/2021G
14	Dhahran Mall/ Shop 55	Dhahran	Selling gold and jewelry	2052101161	40112507240	15/01/1443H corresponding to 23/08/2021G	1-000528359-41	11/09/1442H corresponding to 23/04/2021G
15	Al Rashid Town Square	Hasa	Selling gold and jewelry	2252102175	40021701774	12/02/1443H corresponding to 19/09/2021G	1-000382860-40	08/07/1442H corresponding to 20/02/2021G
16	Kingdom Centre	Riyadh	Selling gold and jewelry	1010519535	40092208945	24/05/1442H corresponding to 08/01/2021G	1-000577919-41	11/02/1443H corresponding to 18/09/2021G

#	Branch name	Address	Commercial Activity	Commercial Registration Certificate No.	Municipal License No.	Municipality's License Expiry Date	Civil Defense approval No.	Civil Defense License Expiry Date
17	Al Nakheel Mall	Riyadh	Selling gold and jewelry	1010610181	40031871072	20/08/1442H corresponding to 02/04/2021G	1-000380496-40	04/01/1443H corresponding to 12/08/2021G
18	Al Hamra Mall	Riyadh	Selling gold and jewelry	1010613893	40092208921	03/05/1442H	2-000273335-41	09/11/1442H
19	Panorama Mall	Riyadh	Selling gold and jewelry	1010610179	40031853499	05/05/1442H	1-000572312-41	20/12/1442H
20	Al Hayat Mall	Riyadh	Selling gold and jewelry	1010610180	40092202994	13/02/1443H corresponding to 20/09/2021G	1-000575617-41	11/01/1443H corresponding to 19/08/2021G
21	Granada Centre	Riyadh	Selling gold and jewelry	1010939578	40092208927	14/05/1442H corresponding to 29/12/2020G	1-000380478-40	058/02/1443H corresponding to 15/09/2021G
22	Al Naseem Street (Al Noor Mall)	Al Medina	Selling gold and jewelry	4650200252	40011607300	19/03/1443H corresponding to 25/10/2021G	1-000528736-41	24/07/1442H corresponding to 08/03/2021G
23	Jouri Mall	Taif	Selling gold and jewelry	4032229005	40021697722	09/02/1443H corresponding to 16/09/2021G	1-000382814-40	19/04/1442H corresponding to 04/12/2020G
24	Makkah Mall	Makkah	Selling gold and jewelry	4031215668	40011569733	11/10/1942H corresponding to 23/05/2021G	1-000474977-41	24/06/1442H corresponding to 06/02/2021G
25	Al Nakheel Plaza	Qassim / Buraidah	Selling gold and jewelry	1131296092	40052030781	16/05/1442H corresponding to 31/12/2020G	2-000277947-41	15/07/1442H corresponding to 27/02/2021G
26	Park Mall	Tabuk	Selling gold and jewelry	3550126767	40072087134	27/07/1442H corresponding to 11/03/2021G	2-000308499-41	23/06/1442H corresponding to 05/12/2021G

Source: The Company.

9-4-6 Continuing Obligations as per the requirements of Ministry of Industry and Mineral Resources (Ministry of Industry)

- The Company has the industry permit 1001008995 dated 24/02/1441H (corresponding to 23/10/2019G) till 24/02/1444H (corresponding to 20/09/2022G). For more details regarding the industry permit, kindly refer to Section 3 “**Overview About the Company and its Business Activity**” herein.
- As for the subsidiary Kenaz Company, it got the industry permit 1001003817 on 21/12/1440H (corresponding to 22/08/2019G) valid till 21/12/1443H (corresponding to 20/07/2022G), as well as the industrial facility permit (national investment) issued by the Ministry of Industry and Mineral Resources, as follows:

Table (9-12): Industrial license information for the subsidiary (Kenaz).

Clause	Description				
Industrial establishment name	Kenaz				
Establishment no	381250				
License date	21/12/1440H corresponding to 22/08/2019G				
Decision of the Minister of Industry and Mineral Resources	Amendment Decision (1001008995)				
Expiry date	21/12/1443H corresponding to 20/07/2022G				
Establishment activity	Manufacture of jewelry and related items / 3211				
Economic Cities Authority license no.	Contract number (381250)				
Employees no.	170 workers				
Investment capital	SAR 4,850,000				
	It was licensed to Kenaz to manufacture the following products:				
	Product code	Product Description	Industrial activity	Production capacity	Unit
Products	71131910	Gold crafts and precious metals studded with diamonds	321116 Manufacture and installation of jewelry from precious stones or combined with precious metals	50.0	Kg.
	71051000	Gold crafts and jewelry (rings / bracelets / earrings / sets / chains - pendants)	321113 / Manufacture of precious metals and gemstones	250.0	Kg.
	71131910	Various jewelry and goldsmiths	321113 // Manufacture of precious metals and gemstones	150.0	Kg.

Source: The Company

- The subsidiary Almujawharat Almasiah Company acquired the industry permit 4260020614 on 14/01/1442H (corresponding to 02/09/2020G) valid till 14/01/1443H (corresponding to 22/08/2021G), as well as the industrial facility permit (Initial approval for one year) issued by the Ministry of Industry and Mineral Resources, as follows:

Table (9-13): Information of the initial industrial license of the subsidiary (Almujawharat Almasiah).

Clause	Description										
Industrial establishment name	Almujawharat Almasiah Company										
License number	4260020614										
License date	14/01/1442H corresponding to 02/09/2020G										
Expiry date	14/01/1443H corresponding to 22/08/2021G										
Establishment activity	N/A										
Employees no.	N/A										
Investment capital	N/A										
It was licensed to Almujawharat Almasiah to manufacture the following products:											
Products	<table border="1"> <thead> <tr> <th>Product code</th> <th>Product Description</th> <th>Industrial activity</th> <th>Production capacity</th> <th>Unit</th> </tr> </thead> <tbody> <tr> <td>7113191045</td> <td>Gold crafts, diamonds, and precious stones</td> <td>N/A</td> <td>N/A</td> <td>-</td> </tr> </tbody> </table>	Product code	Product Description	Industrial activity	Production capacity	Unit	7113191045	Gold crafts, diamonds, and precious stones	N/A	N/A	-
	Product code	Product Description	Industrial activity	Production capacity	Unit						
7113191045	Gold crafts, diamonds, and precious stones	N/A	N/A	-							

Source: The Company.

The Ministry of Industry obliges the licensed companies to adhere to the following conditions in order to maintain their industrial licenses:

- 1- Adherence to the Unified Industrial Organization Law of GCC countries and its implementing regulations.
- 2- The total financing must be proportional to the licensed activity.
- 3- The Licensee shall refer to the Ministry immediately to obtain the final industrial permit before starting production, and inform the Ministry of the date thereto.
- 4- Adherence to the Saudi standards issued by The Saudi Standards, Metrology and Quality Organization (SASO) to obtain product specifications and work according to them.
- 5- Adherence to the General Environment Law and its implementing regulations, and obtaining environmental approval for industries among the third and second categories therein before starting the project^{*}.
- 6- Obtaining a civil defense license and adhering to industrial safety standards and requirements in accordance with the Civil Defense Law and its implementing regulations, as well as to the High Commission for Industrial Security instructions related to the strategic and vital factories for which a decision is issued by the Minister of Interior - Head of the High Commission for Industrial Security.
- 7- Obtaining the approval of the competent municipality and adhering to the instructions issued if the factory is set up outside the licensed industrial cities^{**}.
- 8- Industries that need petroleum derivatives as feedstock or as fuel in their production operations must obtain an allocation letter from the Ministry of Petroleum and Mineral Resources.
- 9- Adherence to the energy efficiency standards.
- 10- Not to include other shareholders without obtaining the approval of the Ministry.
- 11- This license does not give its owner the right to collect money and it cannot be sold or disposed of without obtaining the approval of the Ministry.

^{*} The Company has an environmental operating license issued by the General Authority for Meteorology and Environmental Protection under the 1525, issued on 10/07/1442H (corresponding to 21/02/2021G) until 05/07/1444H (corresponding to 26/01/2021G).

^{**} An operating license has been acquired as indicated in subparagraph 9-4-7 below.

With the exception of what was specified in subparagraph (2-1-23) “**Failure to Obtain or renew the licenses and certificates**” in Section 2 “**Risk Factors**” herein, the Company and its subsidiaries are in compliance with the laws of the Ministry of Industry, as well as by its implementing regulations and instructions.

9-4-7 Continuing Obligations as per the requirements of Saudi Authority for Industrial Cities and Technology Zones (MODON)

The Company has a lease contract 280152 for a real estate in the second industrial zone (Riyadh 2nd) for 18 years starting from 01/06/1435H (corresponding to 01/04/2014G) till 01/06/1453H (corresponding to 19/09/2031G). The Company has also acquired an operation license 57814411117012232 which includes some conditions and obligations that the Company has to comply with the followings:

- 1- Using the factory according to the commercial register and to the activity and conditions specified in the industrial license. It shall refrain from practicing any illegal works or other harmful or dangerous activities that violate regulations and instructions or cause harm to the environment or to the infrastructure of the factory or industrial city.
- 2- The Licensee must have the capable and qualified manpower to manage, operate, maintain, and secure the safety of the factory and its facilities, including workers.
- 3- The Licensee shall comply with the safety conditions and procedures approved by MODON, and adhere to the environmental and health requirements, and he shall not to accommodate workers in the factory.
- 4- The Licensee shall comply with the standards and requirements guides approved by MODON.
- 5- The Licensee shall undertake to keep the maintenance and cleanliness of the plant, dispose of waste and residues, spray pesticides and fight the pests and rodents.
- 6- The Licensee is required to provide safe drinking water for all factory workers, follow it up and maintain network lines in order to avoid any malfunctions and prevent leaks. Furthermore, the Licensee is required to use water services of all kinds and drainage provided by MODON or one of its contractors such as developers and operators, and to coordinate this with the service provider.
- 7- The licensee is not entitled to sublease or assign the leased property subject of this contract or any part or the facilities thereof. No third parties are allowed to use the property or any part thereof, except after obtaining the prior written consent of MODON.
- 8- The Licensee must comply with the clauses specified herein and in the lease contract. Any violation thereof may result in penalties according to the list of violations and penalties, or lead to the cancellation of the license, suspension of operation or withdrawal of the property.

The Company and its subsidiaries is in compliance with the Saudi Authority for Industrial Cities and Technology Zones, as well as its implementing regulations and instructions.

9-4-8 Continuing Obligations as per the requirements of Capital Market Authority (CMA)

- The CMA obliges the listed companies to adhere to the Rules on the Offer of Securities and Continuing Obligations and the particular instructions issued by the CMA and listing rules, especially adhering to periodic disclosure of substantial and financial developments and the Board of Directors' report. The advertisement models included in the instructions for announcing the companies' financial results must be adhered to, and the Company must also submit a statement of all the causes and effects of the change in the financial results for the current fiscal year with the comparison period, so that the reasons include all the clauses of the financial results announcement.
- The CMA also required companies listed in the Capital market to disclose their stages of transition to the International Accounting Standards. On 30/08/2016G, the Company announced on Tadawul website its commitment to such transition.
- The Company complies with the CMA's regulations and its financial statements; as for the corporate governance, the table below includes a summary of the most important articles of the Corporate Governance Regulations that the Company is in compliance with or did not adhere to.

Table (9-14): Summary of the most important articles of the Corporate Governance Regulations that the Company is in compliance with or did not adhere to:

Article	Details	Responsible party	Comments
Art. 9: B	The Board of Directors shall establish a clear policy for the distribution of dividends to achieve the interests of the shareholders and the Company as per the Company's bylaw	Board of Directors	In compliance - Approved on 04/21/1439H (corresponding to 01/08/2018G)
Art. 12: 5 Art. 54	Audit Committee Formation	Shareholders General Assembly	In compliance - The members of the Audit Committee were reelected by the Extraordinary General Assembly dated 19/08/1440H (corresponding to 24/04/2019G)
Art. 54: C	The Company's General Assembly shall, upon a recommendation of the Board, issue a regulation for the audit committee which shall include the rules and procedures for the activities and duties of the committee, the rules for selecting its members, the means of their nomination, the term of their membership, their remunerations, and the mechanism of appointing temporary members in case a seat in the committee becomes vacant	Shareholders General Assembly	Compliant - The updated version was approved by the Extraordinary General Assembly on 21/04/1439H (corresponding to 08/01/2018G)
Art. 12: 6	Approving the Company's financial statement for the year 2019G	Shareholders General Assembly	In compliance – On: 11/10/1441H (corresponding to 03/06/2020G)
Art. 12: 7	Approving the Board report for the year 2019G	Shareholders General Assembly	In compliance – On: 11/10/1441H (corresponding to 03/06/2020G)
Art. 12: 9 Art. 81	Appointing the external auditors of the Company, specifying their remunerations, reappointing them, replacing them and approving their reports	Shareholders General Assembly	In compliance – On: 11/10/1441H (corresponding to 03/06/2020G)
Art. 22: 2	Setting rules and procedures for internal control and generally overseeing them, including: developing a written policy to remedy actual and potential conflicts of interest scenarios for each of the Board members, the Executive Management, and the shareholders. This includes misuse of the Company's assets and facilities and the mismanagement resulting from transactions with Related Parties; ensuring the integrity of the financial and accounting rules, including rules relating to the preparation of financial reports; ensuring the implementation of appropriate control procedures for risk assessment and management by generally forecasting the risks that the Company may encounter and creating an environment which is aware of the culture of risk management at the Company level and disclosing such risks transparently to the Stakeholders and parties related to the Company	Board of Directors	In compliance - Approved by the General Assembly on 21/04/1439H (corresponding to 08/01/2018G)
Art. 22: 3	Setting forth specific and explicit policies, standards, and procedures for membership in the Board, without prejudice to the mandatory provisions of these Regulations, and implementing them following approval by the General Assembly	Shareholders General Assembly	In compliance - Approved by the General Assembly on 21/04/1439H (corresponding to 08/01/2018G)
Art. 22: 4	Developing a written policy that regulates the relationship with Stakeholders pursuant to the provisions of these Regulations	Board of Directors	In compliance - Approved in 06/1436H (corresponding to 04/2015G)
Art. 22: 13 Art. 50 Art. 60 Art: 60 – A Art. 64	Forming specialized committees of the Board pursuant to resolutions that shall specify the term, powers, and responsibilities of such committees as well as the manner used by the Board to monitor such committees. Such Resolutions shall also specify the names of the members and their duties, rights and obligations and shall evaluate the performance and activities of these committees and their members	Board of Directors	In compliance - Approved by the General Assembly on 21/04/1439H (corresponding to 08/01/2018G)
Art. 23: 1	Approving and developing internal policies in respect of the Company's business, including specifying the duties, competencies and responsibilities assigned to the various organizational levels	Board of Directors	In compliance - Approved in the Corporate Governance Regulations on 21/04/1439H (corresponding to 08/01/2018G) and the decisions of the Board of Directors to approve the Company's internal policies

Article	Details	Responsible party	Comments
Art. 23: 2	Approving written and detailed policy that identifies the powers delegated to the Executive Management, a matrix stating these powers, means of implementation and the period of delegation\ The Board may request the Executive Management to submit periodic reports in respect of its exercise of such delegated powers	Board of Directors	In compliance - Approved within the Corporate Governance Regulations, where the powers of the executive management were mentioned in the corporate governance regulation and the Board's decisions defining the functions, duties, and powers of the executive management
Art. 25	Appointing the Executive Management operates in accordance with the policies approved by the Board	Board of Directors	In compliance - Appointment approved by the Council's decision on 18/03/2020G. The Board's decision to appoint the CEO was issued based on the recommendation of the Nomination and Remuneration Committee in March 2019G.
Art. 26:5	Proposing the organizational and human resources structures of the Company and presenting them to the Board for approval	Board of Directors	In compliance - On 05/12/2017G
Art. 27:8	Convening periodic meetings with the Non-Executive Directors without the presence of any executive officers of the Company	Chairman of the Board of Directors	In compliance - A special session is designated after every Board meeting in which the (non-executive) board members meet
Art. 27: 9	Notifying the Ordinary General Assembly while convening of the businesses and contracts in which any Board member has direct or indirect interest, the notification shall include the information provided by the member to the Board as per paragraph (14) of Article (30) of these Regulations; this notification shall be accompanied by a special report of the Company's external auditor	Board of Directors	In compliance - A report from the Company's auditor on 22/06/1440H (corresponding to 27/02/2019G)
Art. 43	Developing an explicit and written policy to deal with actual and potential conflicts of interest situations which may affect the performance of Board members, the Executive Management or any other employees of the Company when dealing with the Company or other Stakeholders	Board of Directors	In compliance - Approved in 04/1440H (corresponding to 11/12/2018G)
Art. 51:C	Chairman of the Board shall not be a member of the audit committee. He may be a member of other committees, if he is not the chairman of committees mentioned in these Regulations	General Assembly	Compliant
Art. 55: B; 4 Art. 74	Establishing Independent Units or Departments within the Company	Board of Directors	In compliance - Appointed by the Board of Directors on 05/05/1435H (corresponding to 05/02/2014G)
Art. 60: B Art. 64: B	The Company's General Assembly, as per the Board recommendation, issues a regulation for the remuneration committee including its procedure, duties, and rules for selecting its members, the term of their membership and their remunerations	Shareholders General Assembly	In compliance - Approved by the General Assembly on 21/04/1439H (corresponding to 08/01/2018G)
Art. 61: 1	The competences of the remuneration committee are preparing a clear policy for the remunerations of the Board members and its committees and the Executive Management, and presenting such policy to the Board in preparation for approval by the General Assembly, provided that such policy follows standards that linked to performance, and disclosing and ensuring the implementation of such policy	Shareholders General Assembly	In compliance - Approved by the General Assembly on 21/04/1439H (corresponding to 08/01/2018G)
Art. 86	Policy for professional conduct and ethical values	Board of Directors	In compliance - Approved by the General Assembly on 21/04/1439H (corresponding to 08/01/2018G)
Art. 89	Writing the policies, procedures and supervisory rules related to disclosure pursuant to the disclosure requirements provided for in the Companies Law and the Capital Market Law	Board of Directors	In compliance - Within the corporate governance regulation approved on 21/04/1439H (corresponding to 08/01/2018G)

Article	Details	Responsible party	Comments
Art. 94	Implementation of Effective Governance	Board of Directors	In compliance - Approved by the General Assembly on 21/04/1439H (corresponding to 08/01/2018G)
Art. 65: 3	Preparing a description of the capabilities and qualifications required for membership of the Board and Executive Management positions	Remuneration and Nomination Committee	In compliance - Board membership policies and standards were issued and approved by the General Assembly on 21/04/1439H (corresponding to 08/01/2018G)

Source: The Company.

No penalty was imposed on the Company for violating the Capital Market Law and its implementing regulations during the last three years (2018G, 2019G, and 2020G).

9-5 Material Contracts

9-5-1 Agreements and Related Parties' Transactions

The Company deals and contracts with related parties. Hereunder are the following information:

Table (9-15): Summary of related party transactions.

Relationship	Member's name	The nature of the transaction	Transaction value
Board Member - Non-executive / non-independent	Brian Norman Dickie	Consulting fee allowance	500,000

Source: The Company.

On 11/10/1441H (corresponding to 03/06/2020G), the General Assembly of Shareholders approved the contracts and works that will be concluded between the Company and the member of the Board of Directors, Mr. Brian Norman Dickey, in which the Board member has a direct interest. It is a consulting services agreement with a total value of SAR 502,500. The main scope of this agreement is to provide advice to the CEO and senior management of the Company regarding its strategies, financial performance and operations. This agreement is subject to annual review and approval by the General Assembly of shareholders; it can be ended in any time without compensation by submitting a written notice before 30 days.

Except for the above-mentioned, the Company does not have contracts and deals with the related parties, including members of the Board of Directors, senior executives, and their relatives.

9-5-2 Contracts Related to the Real Estate Owned by the Company and its Subsidiaries

9-5-2-1 The Real Estate Owned by the Company

The Company has a title deed of the land according to the following information:

Table (9-16): Information of the title deed of the land owned by the Company.

Company	Title Deed No.	Location	Object
L'Azurde Company for Jewelry	410120019765 Dated: 29/04/1432H (corresponding to 03/04/2011G)	Dana, Riyadh, KSA	A plot of land with a total area of 700 square meters

9-5-2-2 Rented Real Estate

The Company and its subsidiaries signed several lease contracts (commercial stores and warehouses) as lessee. The Company and its subsidiaries did not sign any contract as lessor. The Company's management stated that the members of the Board of Directors and the senior management have no interest, directly or indirectly, with any of the lessors mentioned below.

The following is an overview of the lease contracts entered into force by the Company and its subsidiaries:

Table (9-17): Summary of the lease contracts entered into force by the Company and its subsidiaries.

#	Mother Company: L'Azurde Company and its subsidiaries					
	Parties of the Agreement	Address	Agreement / Renewal Date	Expiry date	Notes	Municipal licenses and Safety
1	Lease agreement with MODON	Main site	01/06/1435H corresponding to 01/04/2014G	01/06/1453H corresponding to 18/09/2031G	-	Not subjected to municipal and safety license requirements.
2	Arabian Centers Company and L'Azurde	Al Nakheel Mall Riyadh	16/12/1440H corresponding to 18/08/2019G	21/03/1443H corresponding to 27/10/2021G	Automatically renewed	Compliant
3	Shebal Holding Company and L'Azurde	Sky Towers Riyadh	16/10/1440H corresponding to 19/06/2019G	09/11/1441H corresponding to 30/06/2020G	Automatically extended for a year until 30/06/2021G	Compliant
4	Arabian Centers Company and L'Azurde	Dhahran Mall Al KHobar	22/03/1441H corresponding to 20/09/2019G	04/04/1443H corresponding to 09/11/2021G	Automatically renewable	Compliant
5	Muhammad Yusuf Daghistani and L'Azurde	Jeddah Mall Jeddah	01/10/1437H corresponding to 06/07/2016G	29/12/1442H corresponding to 08/05/2021G	Unrenewable automatically	Compliant
6	The Red Sea Markets Company Ltd. and L'Azurde	Red Sea Mall Jeddah	20/09/1438H corresponding to 15/06/2017G	02/10/2021G	Unrenewable automatically	Compliant
7	Hani Khamis Ahmad Al-Muhanna and L'Azurde	King Fahd Street (Wholesale) Dammam warehouse	29/12/1441H corresponding to 19/08/2020G	25/02/1443H corresponding to 02/10/2021G	Unrenewable automatically	Compliant
8	Mansour Abdullah Bin Ghamia and L'Azurde	Gold Centre - Wholesale (warehouse) Jeddah	11/10/1439H corresponding to 01/10/2017G	23/02/1443H corresponding to 30/09/2021G	Can be extended for one year	Compliant
9	Anhri Trade center and L'Azurde	Al Adad Centre Riyadh	01/04/1441H corresponding to 28/11/2019G	For 1 year	Automatically renewable Renewed until 06/11/2021G	Compliant
10	Al Safwa Real Estate and L'Azurde	Al Adad Centre Riyadh	01/02/1439H corresponding to 21/10/2017G	01/02/1443 h corresponding to 08/09/2021G	Automatically renewable	Compliant
Subsidiary 2: Kenaz and its branches						
1	Real estate investment Company and Kenaz	Riyadh Park Riyadh Main branch	15/11/1441H corresponding to 06/07/2020G	12/12/1442H corresponding to 31/07/2021G	Unrenewable automatically	Compliant
2	Arabian Centers Company and Kenaz	Al Hamra Mall Riyadh	22/11/1441H corresponding to 13/07/2020G	23/01/1443H corresponding to 31/08/2021G	Automatically renewable	Compliant

#	Mother Company: L'Azurde Company and its subsidiaries					
	Parties of the Agreement	Address	Agreement / Renewal Date	Expiry date	Notes	Municipal licenses and Safety
3	Arabian Centers Company and Kenaz	Al Noor Mall Al Medina	07/12/1441H corresponding to 28/07/2020G	06/06/1443H corresponding to 09/01/2022G	Automatically renewable	Compliant
4	Andalus Real Estate Company and Kenaz	Andalus Mall Jeddah	03/05/1441H corresponding to 29/12/2019G	04/11/1442H corresponding to 14/06/2021G	Unrenewable automatically	Compliant
5	Arabian Centers and Kenaz	Al Arab Mall Jeddah	02/12/1441H corresponding To 23/07/2020G	14/03/1443H corresponding to 20/10/2021G	Automatically renewable	Compliant
6	Ajwa' Aseer Real Estate Investment Company and Kenaz	Aseer Mall Abha	24/09/1440H corresponding to 29/05/2019G	05/12/1442H corresponding to 14/07/2021G	Automatically renewable	Compliant
7	Al-Mutlak Real Estate Investment Company and Kenaz	Galleria Mall Jubail	04/11/1441H corresponding to 25/06/2020G	14/11/1442H corresponding to 24/06/2021G	Unrenewable automatically	Compliant
8	Al-Hayat Real Estate Company and Kenaz	Al Hayat Mall (kiosk) Riyadh	08/09/1441H corresponding to 01/05/2020G	18/09/1442H corresponding to 30/04/2021G	Unrenewable automatically	Compliant
9	Al-Hayat Real Estate Company and Kenaz	Al Hayat Mall Riyadh	03/05/1441H corresponding to 29/12/2019G	18/09/1442H corresponding to 30/04/2021G	Unrenewable automatically	Compliant
10	Cady Al Jounoub Company Ltd. and Kenaz	Cady Mall Jazan	07/09/1440H corresponding to 12/05/2019G	23/12/1441H corresponding to 14/07/2020G	Until 14/08/2021G	Compliant
11	Aswak Al Mostaqbal Company and Kenaz	Panorama Mall Riyadh	26/08/1440H corresponding to 01/11/2020G	25/03/1443H corresponding to 31/10/2021G	Unrenewable automatically	Compliant
12	Ryof Tabuk Company Ltd. and Kenaz	Tabuk Park Tabuk	13/08/1440H corresponding to 18/04/2019G	24/12/1441H corresponding to 14/08/2020G	Until 14/08/2021G	Compliant
13	Gulf Real Estate Company and Kenaz	West Avenue Dammam	09/11/1431H corresponding to 30/06/2020G	20/11/1442H corresponding to 30/06/2021G	Unrenewable automatically	Compliant
14	Arabian Centers Company and Kenaz	Jasmine Mall Jeddah	22/11/1431H corresponding to 13/07/2020G	23/11/1443H corresponding to 03/07/2021G	Automatically renewable	Compliant
Subsidiary 3: Izdiad (TOUS) and its branches						
1	International Real Estate Investment Company and Izdiad	Riyadh Park Main branch	21/01/1439H corresponding to 11/10/2017G	25/05/1444H corresponding to 19/12/2022G	Unrenewable automatically	Compliant
2	Arabian Centers Company and Izdiad	Arab Mall Jeddah	02/02/1442H corresponding to 20/09/2020G	22/06/1442H corresponding to 04/12/2021G	Automatically renewable	Compliant
3	Arabian Centers Company and Izdiad	Al Hamra Mall Riyadh	17/11/1441H corresponding to 08/07/2020G	16/09/1442H corresponding to 28/04/2021G	Automatically renewable	Compliant
4	Arabian Centers Company and Izdiad	Al Nakheel Mall Riyadh	02/02/1442H corresponding to 20/09/2020G	27/09/1443H corresponding to 28/04/2022G	Automatically renewable	Compliant

#	Mother Company: L'Azurde Company and its subsidiaries					
	Parties of the Agreement	Address	Agreement / Renewal Date	Expiry date	Notes	Municipal licenses and Safety
5	Arabian Centers Company and Izdiad	Al Nakheel Mall Al Qassim	02/02/1442H corresponding to 20/09/2020G	27/03/1446H corresponding to 30/09/2024G	Automatically renewable	Compliant
6	Arabian Centers Company and Izdiad	Al Noor Mall Al Al Medina	17/11/1441H corresponding to 08/07/2020G	27/09/1444H corresponding to 18/04/2023G	Automatically renewable	Compliant
7	Al-Rashed Trading and Contracting Company and Izdiad	Al-Rashed Complex Al Khobar	28/10/1440H corresponding to 01/07/2019G	30/07/1441H corresponding to 25/03/2020G	Automatically renewable Renewed until 25/03/2021G	Compliant
8	Rashed Al-Rashed and Sons Co., Ltd. and Izdiad	Al-Rashed Town Square Al-Ahsa	15/11/1440H corresponding to 18/07/2019G	For 1 year	Automatically renewable Renewed until 10/05/2021G	Compliant
9	Arabian Centers Company and Izdiad	Al Salam Mall Jeddah	02/02/1442H corresponding to 20/09/2020G	20/12/1443 h corresponding to 19/07/2022G	Automatically renewable	Compliant
10	Abdullah Muhammad Al Sheikh Commercial Company and Izdiad	Sheikh Avenue Al Khobar	15/03/1441H corresponding to 01/11/2020G	24/03/1443H corresponding to 30/10/2021G	Automatically renewable	Compliant
11	Tamkeen Industry and Trade Company and Izdiad	Jeddah Boulevard	01/08/1438H corresponding to 27/04/2017G	30/07/1443H corresponding to 30/03/2022G	-	Compliant
12	Arabian Centers Company and Izdiad	Dhahran Mall Dhahran	02/02/1142H corresponding to 20/09/2020G	10/04/1443H corresponding to 15/11/2021G	Automatically renewable	Compliant
13	Arabian Centers Company and Izdiad	Dhahran Mall 2 Dhahran	23/12/1440H corresponding to 25/08/2019G	15/03/1441H corresponding to 21/10/2021G	Automatically renewable	Compliant
14	Granada Investment Company and Izdiad	Granada Mall Riyadh	02/11/1441H corresponding to 23/06/2020G	25/04/1443H corresponding to 30/11/2021G	Unrenewable automatically	Compliant
15	Al-Hayat Real Estate Company and Izdiad	Al Hayat Mall Riyadh	03/05/1441H corresponding to 29/12/2019G	11/08/1443H corresponding to 14/0/2022G	Unrenewable automatically	Compliant
16	Arabian Centers Company and Izdiad	Jeddah Park Jeddah	28/02/81442H corresponding to 27/10/2019G	18/08/1442H corresponding to 31/03/2021G	Automatically renewable	Compliant
17	Arabian Centers Company and Izdiad	Al Jouri Mall Taif	02/07/1441H corresponding to 26/02/2020G	05/10/1444H corresponding to 05/04/2023G	Automatically renewable	Compliant
18	Ahmed Taha Yassin Khayat and Izdiad	Khayat Center Jeddah	04/11/1440H corresponding to 07/07/2019G	27/05/1443H corresponding to 31/12/2021G	Unrenewable automatically	Compliant
19	Trade Centers Company and Izdiad	Kingdom Tower Riyadh	06/05/1439H corresponding to 30/01/2018G	27/05/1443H corresponding to 31/12/2021G	-	Compliant
20	Arabian Centers Company and Izdiad	Mecca Mall Mecca	23/12/1440H corresponding to 25/08/2019G	26/08/1443H corresponding to 29/03/2022G	Automatically renewable	Compliant

#	Mother Company: L'Azurde Company and its subsidiaries					
	Parties of the Agreement	Address	Agreement / Renewal Date	Expiry date	Notes	Municipal licenses and Safety
21	Arabian Centers Company and Izdiad	Al Nakheel Mall Dammam	15/04/1441H corresponding to 12/12/2019G	25/04/1444H corresponding to 19/11/2022G	Automatically renewable	Compliant
22	Aswak Al Mostaqbal Company and Kenaz	Panorama Mall Riyadh	13/11/1439H corresponding to 26/07/2018G	09/04/1443H corresponding to 14/11/2021G	Unrenewable automatically	Compliant
23	The Red Sea Market Company and Izdiad	Red Sea Mall Jeddah	27/02/1439H corresponding to 16/11/2017G	21/09/1442H corresponding to 03/05/2021G	Unrenewable automatically	Compliant
24	Ryouf Tabuk Company Limited and Izdiad	Tabuk Park Tabuk	02/07/1439H corresponding to 19/03/2018G	04/12/1442H corresponding to 14/07/2021G	Unrenewable automatically	Compliant
25	Saad Muhammad Al-Shumais Company and Tamkeen Company for Industry and Trade	Tahlia Commercial Center Jeddah	01/08/1432H corresponding to 02/07/2011G	30/07/1442H corresponding to 14/03/2021G	Unrenewable automatically	
26	Arabian Centers Company and Izdiad	Jasmine Mall Jeddah	23/12/1440H corresponding to 25/08/2019G	24/04/1443H corresponding to 29/11/2021G	Automatically renewable	Compliant

Source: The Company

9-5-3 Contracts and Dealings Related to Suppliers

L'Azurde relies on a wide network of suppliers. As for the Izdiad, it depends only on the exclusive franchise rights for "TOUS" brands and products. Almujaaharat Almasiah is an inactive company. Kenaz does not have any dealings with suppliers. The Company deals with companies within KSA or abroad in order to secure its requirements of raw materials, machinery and equipment, in addition to sale and promotion services. The lending banks do not actually hold the gold and the delivery takes place via an internationally accredited gold supplier chosen by L'Azurde Group, such as MKS (Switzerland) SA which is the primary source of delivery of gold borrowed from banks, with more than 95% of the Company's total supplies. It should be noted that MKS is a global group of financial services and precious metals that includes companies specialized in all aspects of the process and trade of gold and other precious materials. Moreover, there are many alternative companies with which L'Azurde Group can deal, that work in the field of gold delivery and provide the same services with the same conditions. The table below shows a summary of the most prominent dealings with suppliers:

Table (9-18): List of the Company's suppliers

Supplier	Establishment Address	Nature of Transaction	Note	The percentage of supply to the company's total supplies
MKS (Switzerland) SA	Switzerland	Dealing with an agreement dated 17/01/1438H (corresponding to 18/10/2016G). The supplier provides the raw materials (gold) to the Company	Valid - Either party may terminate the agreement with or without reason, without penalty, by providing written notice to the other party; this termination is immediate	3.8%
KGK Diamond & Jewelry DMCC	UAE	Dealing with purchase orders and the supplier provides raw materials (diamond jewelry) to the Company	The deal is still going on According to purchase orders	4.7%
Marsh Saudi Arabia Insurance & Reinsurance Brokers	KSA	Dealing with an agreement dated 17/05/1440H (corresponding to 23/01/2019G). The supplier provides brokering services concerning all the insurance affair.	Valid - Either party may terminate the agreement with or without reason, without penalty, by providing written notice to the other party; this termination is immediate	1.9%

Supplier	Establishment Address	Nature of Transaction	Note	The percentage of supply to the company's total supplies
Starcom MediaVest Group	KSA	Dealing according to purchase orders and the supplier provides marketing and promotional services	The deal is still going on According to purchase orders	1.1%

Source: The Company

9-5-4 Contracts and Dealings Related to the Distribution and Marketing of the Company's Products

9-5-4-1 Local Distributors

The Company works with 40 distributors, working in Gold and Jewelry Retail sale, through distribution contracts for its products within KSA, working in "retailing gold and jewelry products". It uses a unified form in its dealings with suppliers as follows:

- The Company's visits weekly to issue sales invoices to distributors, at wholesale price, for the goods sold by distributors to the final consumer, and to provide distributors with new products to sell.
- Distributors settle the Company's sales invoices within one week.
- Distributors are obligated to do their best to offer and sell the products deposited by the Company.
- The Company supplies distributors with products as a matter of trust and has full rights over the products and can recover all deposited products at any time if it feels any danger.
- The Company is Compliant to providing distributors with promotional materials for the merchant to be delivered to the final consumer with every purchase such as (L'Azurde jewelry box, L'Azurde fashion jewelry bag, warranty card, brochure).
- All agreements are automatically renewable with the approval of both parties.

The table below shows the dealings with the five largest clients and the total value of these transactions are as follows:

Table (9-19): List of the five largest clients.

#	Client's name	Transaction SAR	The percentage of the company's total transactions
1	Al Nabigha Jewelry	80,543,700	6.85%
2	Faidi Al Hashidi Gold and Jewelry	38,396,309	3.27%
3	Al-Hasna Jewelry	45,032,950	3.83%
4	Al Safat Al Watani Jewelry	44,514,333	3.79%
5	Al Samer Jewelry	44,177,782	3.76%

Source: The Company

9-5-4-2 International Distributors

The Company has also dealings and contracts to distribute and sell its products outside the KSA, especially in Kuwait, UAE, and USA, according to the following details:

Table (9-20): List of the external distributors' contracts.

#	Distributor	Country	Agreement Date	End Date	Agreement Content
1	Al-Nabigha Jewelry	Kuwait	14/04/1939H (corresponding to 01/01/2018G)	07/06/1444H (corresponding to 31/12/2022G)	Monthly purchase orders with motivation sales - annual sales target.
2	Al Romaizan Gold & Jewelry Company	UAE	14/04/1939H (corresponding to 01/01/2018G)	Unspecified contract Each of the parties may terminate the contract with written notice, and the termination shall be effective after (14) days	Purchase orders
3	Yasini	USA	18/04/1439H (corresponding to 05/01/2018G)	07/09/1441H (corresponding to 30/04/2020G)	Purchase orders The deal is still ongoing according to the purchase orders

Source: The Company.

9-5-4-3 Commercial Cooperation Agreement for Sale and Marketing the Company's Products in the Free Zone Within KSA Airports

On 12/08/2017G, a commercial cooperation agreement was signed with the "Saudi French Company for the management and operation of Duty-Free markets" (the franchisor) concerning all the Saudi international airports throughout the KSA. Pursuant to this agreement, L'Azurde was appointed as the exclusive supplier of gold jewelry, diamonds, and gem jewelry in the five international terminals in the KSA's airports in Riyadh, Jeddah, and Dammam, according to the following details:

- The agreement will enter in force on 08/02/2020G and end on 08/02/2021G. The French Company must notify L'Azurde if it desires to extend the agreement, 60 days before its expiry date. The agreement was extended until 08/02/2022G.
- L'Azurde will be the exclusive distributor of gold, diamond, and gemstone jewelry for the French Company. An approximate area of 25 square meters will be allocated to the Company in the airport; sale operations will be 24/24, 7/7.
- L'Azurde pays the rental fees as determined; these fees vary from a free zone to another one. The French Company deducts these rental fees from sales revenues, after the end of each year.
- Any judicial dispute shall be settled by the Saudi Law.

9-5-4-4 Franchise Contracts

On 05/08/2018G, L'Azurde signed an agreement to purchase the full shares of Shareholders in Izdiad Commercial Company of Arabia LLC, namely Tamkeen Industrial & Trading Co. Ltd. (the Seller) (owning 90%) and Mr. Bassem Ahmed Talal Al-Juhani (owning 10%) for a price that was agreed upon and specified in the agreement and paid in cash. This acquisition was financed through a long-term facility obtained by the company from the Saudi British Bank (SABB), which is a long-term Murabaha facility with a cash facility of SAR (108) million; the duration of these facilities is 7 years, in addition to the facilities with a value of SAR (33.2) million. The company is allowed to use it after 3 years from the date of granting the first financing (which was on October 2018G) i.e., on October 2021G, where the duration of these facilities is 4 years (for more details about financing agreements and facilities, please refer to the paragraph Sub (9-5-5) "**Loans and Credit Agreements**" from this section).

Noting that the acquired Izdiad Commercial Company of Arabia has owned since 21/10/2014G the franchise right for the international trademark TOUS, of the TOUS Spanish retail jewelry and accessories Company, in KSA.

Thus, the Company obtained the approval of the Franchisor (the Spanish TOUS) and the agreement was concluded on 02/08/2018G between the Spanish Company TOUS and L'Azurde Company for Jewelry represented by its CEO; where it was agreed to conclude a new franchise agreement. The Company obtained the approval of its Board of Directors to acquire the Izdiad Commercial Company of Arabia at its meeting on 24 July 2018G.

The subsidiary Izdiad Commercial Company of Arabia, the owner and operator of the Spanish TOUS trademark, did not legalize the franchise agreement nor translate it into Arabic at the competent authority for trademarks according to Chapter 7 of the implementing regulations of the Trademarks Law issued by the royal decree 21 dated 28/05/1423H. However, the Company registered the TOUS trademark at the Ministry of Commerce under the 142405657 on 2/07/1425H (corresponding to 07/09/2004G) and valid till 13/09/1444H (corresponding to 05/03/2023G) with the rank 14. Thus, Izdiad Commercial Company of Arabia has been authorized to use the foresaid trademark.

9-5-5 Loans and Facilities Agreements

The Company obtained loans and credit facilities from local commercial banks to finance its commercial business and operate its manufactures (For further information, please see sub-paragraph (5-6-7) “**Murabaha and Short-Term Credits**” of the Part 5: Financial Information and Management Discussion and Analysis). The following is an overview of the credit facilities and loans agreements obtained by the Company, stilling in force, as of the date of this Prospectus.

Table (9-21): Summary of credit facilities

The funder	Balance *	Amounts Used *	Amounts paid **	Balance**	End date of the facility provision	Credit limits	Payment dates	Note
Al Awwal Bank	198,055,927	1,185,869,328	1,363,925,255	20,000,000	31/10/2020G	135,107,935	The credit facility is repayable every three months	Short-term loan
Al Inma Bank	10,940,918	38,982,889	19,454,366	30,469,441	31/07/2021G	50,000,000	The credit facility is repayable every three months	Short-term loan
Saudi Fransi Bank	50,960,342	306,148,214	348,125,050	63,019,506	31/05/2021G	69,817,360	The credit facility is repayable every three months	Short-term loan
National Commercial Bank	516,584,388	4,739,405,499	4,711,424,900	544,565,087	30/06/2021G	615,000,000	The credit facility is repayable every three months	Short-term loan
The Saudi Investment Bank	36,000,000	67,000,000	59,000,000	44,000,000	31/12/2020G	45,000,000	The credit facility is repayable every three months	Short-term loan
Samba Bank	305,449,073	2,942,637,229	2,964,947,382	283,138,920	30/06/2021G	367,500,000	The credit facility is repayable every three months	Short-term loan
Saudi British Bank (SABB)	94,000,000	-	9,000,000	85,000,000	30/06/2020G	150,000,000	The credit facility is repayable every three months; the last payment is on 30/09/2025G.	Long-term loan
Total	1,211,990,648	9,334,079,259	9,485,876,953	1,070,192,954				
Letters of credit								
Saudi British Bank (SABB)	-	-	-	-	02/12/2021G	207,130,000	The credit facility is repayable every six months	Letters of credit
Riyadh Bank	-	-	-	-	10/05/2023G	300,480,000	The credit facility is repayable every six months	Letters of credit
Total		9,334,079,259	9,466,876,953			985,192,954		

* As on 01/01/2020G

** As on 31/01/2021G

9-5-5-1 Alawwal Bank Agreement

The following are the most prominent provisions of the agreement concluded on 11/02/2020G.

- Islamic Banking Facilities Letter and Agreement.
- Providing an order instrument signed by the Company by the amount of USD 30,692,994 (SAR 115,098,728) from which the amount of debt is to be executed on due date.
- Providing an insurance policy by the amount of USD 30,692,994 (SAR 115,142,250).
- Depositing at least 20% of the Company's annual sales proceeds in its bank account during the facilities' validity.
- Not making any change in the ownership or management of L'Azurde Company for jewelry without the prior written approval of the Bank.
- The Debt to Tangible Net Worth Ratio not exceeding 1: 4
- The net tangible equity remaining no less than SAR 400,000,000.
- Informing the Bank of any actual or expected changes to the legal status or the registered address of the Company, and any amendments to the articles of association/by-laws thereof.
- Not distributing profits that exceed 50% of the achieved annual profits, which must also not be disclosed without the prior approval of the Bank.
- After the integration of Alawwal Bank and SABB Bank, the Company duly placed the renewed insurance policy asset in favor of SABB as the first beneficiary ten days before the expiry date of the current insurance policy. In the event the Company fails to provide the Bank with the required renewed insurance policy within the period agreed upon, the Bank shall be entitled to request the renewal of the insurance policy by the Company issuing the current policy or by SABB Takaful under the terms and conditions required by the Bank as a first beneficiary and it shall be binding for the Company. Furthermore, the latter has authorized the Bank to deduct the value of renewing the policy from its account therein and pay / transfer it to the Company issuing the new policy.
- In the event of a change in the Company's property, the Bank shall reserve the right to amend the terms and conditions of the current facilities by requesting additional guarantees or demanding the payment of the due amounts, cancelling the limits or suspending the use of the granted credit facilities.
- The termination of this agreement does not prejudice the existing liabilities herein even if the payment date comes after the agreement termination or expiry date. Therefore, the effects of the contracts concluded under this agreement will be affected until all the amounts, liabilities and responsibilities of the Company towards the Bank are fulfilled.
- In the event of nonfulfillment of any of the abovementioned obligations / undertakings, a fine of 4% of the facilities total value will be imposed annually, or it may impose increasing prices on the Company in future contracts, facilities and commissions in documentary credit / new guarantees directly on new clients / deals. Moreover, the Bank shall reserve the right to directly cancel the facilities and request immediate payment of all existing ones.
- According to Clause 3 of the General Terms and Conditions of the Letter and Facilitation Agreement, it falls under the Company's responsibility to inform the Bank of any actual or expected changes to the articles of association/by-laws thereof. Whereas the Company is in the process of amending its capital and whereas the new capital will be specified in the articles of association, thus amending the relevant article; and whereas the mentioned clause insists on informing the bank about any real changes within any previous approval, it has sent on 11/10/2020G a letter by e-mail to inform SABB of its desire to increase its capital by offering Rights Issue.

9-5-5-2 Alinma Bank Agreement

The following are the most prominent provisions of the agreement concluded on 31/06/2020G:

- Notifying the Bank of any probable change in the Company's legal form or ownership percentages prior to such change. In the event the Bank chooses to continue with the Company in its new legal form, the latter must submit all necessary documents within fifteen days of making the required change and signing all contracts and additional documents with the Bank.
- The Company providing financial information and adhering to the following clauses:
 - 1- Presenting the audited balance sheet with its detailed information and clarifications within a period of six months from the end of each fiscal year and providing the Bank with a copy of the internal (unaudited) financial reports for each quarter, no later than thirty days from the end of the relevant quarter.
 - 2- An order instrument issued by the Company with all the limit mentioned in Article 4 of the Agreement (deferred sale limit). The Bank does shall not use the instrument except for the amount owed by the Company.
 - 3- The leverage ratio (which is total liabilities divided by the net tangible equity) should not exceed 1:4.
 - 4- Cash withdrawal should not exceed 25% of the net profit.

- Cases of breach:
 - 1- Changing of the Company's legal form or executive management without the Bank's prior knowledge and approval.
 - 2- Preventing the Company from exercising its activities or canceling its registry or licenses.
 - 3- In the event of any breach specified in paragraph 9-1 of the Agreement, the Bank is entitled to ask the Company to pay the remaining unpaid balance, seize its accounts and take measures to dispose of the guarantees and mortgages to pay the debt in accordance with the regulating procedures and instructions. Furthermore, in the event that the Company pays its debt to the Bank before the period ends for any reason, the Bank has undertaken to demean the profits according to the remaining period after the actual payment date, according to the Bank's records.
 - 4- The Company's issuing an order instrument at the disposal of the Bank in accordance with paragraph 5 of this Agreement for an amount equal to the credit value. The bank will only use it to pay what is due.
- According to Subparagraph 6-4 of Article 6 of the Credit Facilities Agreement, the Company must notify the Bank of any change in its ownership percentages prior to such change. Whereas (L'Azurde Holding Company), which owned 21,873,914 shares of the Company at a rate of 80.05% on September 30, 2020G, left the Company during the fourth quarter of 2020G, on 05/11/2020G, the Company on 11/05/2020G has sent a letter notifying the Bank about the substantially decrease in the ownership of a major shareholder has decreased (L'Azurde Holding Company) to less than 5%, which is the percentage required by law to classify the major shareholders.
- According to the credit facility agreement with the bank, the Company is not required to obtain prior approval from the bank for every change that occurs to its financial position, the Company has sent, on 11/10/2020G, a letter via e-mail to inform the bank of its desire to increase the capital by offering Rights Issue.

9-5-5-3 National Commercial Bank Agreement

The following are the most prominent provisions of the agreement concluded on 21/10/2020G:

- As a guarantee to pay the debts arising from the Company by the virtue of this agreement, the Company has provided the following:
 - 1- A gold mortgage equivalent to 100% of the financing of the gold stock approved by the first party in order to facilitate the Goods limit (2).
 - 2- Assigning the Insurance Policy of the second party for the benefit of the first party for an amount of no less than SAR 545,000,000 in order to facilitate the Goods limit (2).
 - 3- Coverage as a term deposit or as a gold deposit of 10% of the value of the commitment based on Limit (2) if it remained seized by the Bank until the amount is paid.
- The Company undertakes immediately to notify the bank by a registered written letter of every change to its address and legal, financial, or administrative status within a period not less than 30 business days before the change.
- A mortgage of a deposit among the bank or at its disposal now or in the future, as a guarantee for payment of the bank dues arising from the banking facilities granted to the Company, with a total amount of SAR 545,000,000 (only five hundred forty-five million Saudi Riyals only). In addition to the profit or banking services added to them according to the financing and banking services agreement dated 25/02/1442H corresponding to 12/10/2020G, as well as its amendments, and other signed bank facilities documents.
- The approval and acknowledgment of the Company that the guarantee created under this mortgage shall be enforceable by the bank at any time without notice and request submitted to the Company if:
 - 1- The Company has failed to pay any of the guaranteed debt when due or requested; or
 - 2- If any statement or pledge submitted by the Company under this mortgage proved to be incorrect or misleading; or
 - 3- The Company has instituted procedures or filed procedures against the Company to declare its bankruptcy, liquidate it, or appoint a trustee, a judicial guard, or a bankruptcy trustee; or
 - 4- The Company stops, for any reason whatsoever, from conducting its commercial business or disposing of all or a substantial part of its assets or revenues, or the Company completely curtails its business; or
 - 5- The Company breach of any other obligations stipulated under this mortgage.
- The Company is in compliance to reset the limit twice a year for 3 working days.
- Goods facilitation
 - 1- 20% of the limit is reset every 180 days
 - 2- 10% insurance is calculated from gold and cash

- 3- The National Commercial Bank has the right to choose an external auditor to evaluate the gold stock on a quarterly basis.
 - 4- The limit is settled by gold that corresponds to the same quantity and quality that the Company received, or by the US dollar, and the price of the dollar versus gold is determined according to the discretion of the National Commercial Bank.
 - 5- The brokerage fee is calculated at 2.5 basis points for each withdrawal or spin
 - 6- The mortgage on the gold stock is equal to the amount of the limit.
 - 7- 100% insurance policy on the stock of gold of the second party
 - 8- The limit for withdrawal is SAR 525,000,000. While the remaining amount of SAR 20,000,000 is to cover the increase in gold prices when the loan is rolled over within the finance period.
- Financial pledges:
During the period of validity of the facilities approved under this agreement. The Company undertakes to comply with the following:
 - 1- Directing the sales revenues in cash to his account within the bank.
 - 2- That the liquidity ratio is not less than (1: 1).
 - 3- That the tangible equity is not less than SAR 284,000,000
 - 4- The leverage should not exceed (4.78: 1)
 - 5- That profits shall not be distributed until fulfilling financial pledges
 - According to the Clause (3) of Article 17 of the agreement, the Company undertakes immediately to notify the bank by a registered written letter of every change to its address and legal, financial or administrative status within a period not less than 30 business days before the change; whereas the mentioned clause insists on informing the bank about any real changes, the Company has sent on 11/10/2020G, a letter via e-mail to inform the bank of its desire to increase its capital by offering Rights Issue.

9-5-5-4 Riyad Bank Agreement

The following are the most prominent provisions of the agreement concluded on 10/05/2020G:

- The Letter of credit is opened upon the request of the Company, which is submitted to the bank after signing the form approved by the bank according to the conditions, the documents required by the bank shall be attached with it
- The Company is Compliant, on its own expenses, to extract and present to the bank all the licenses, approvals, documents and instruments that impose rules, regulations or customs to be issued by various government agencies and others, whether in relation to opening accreditation (such as import licenses and others) or customs annulment or any procedure necessary to complete the execution of the accreditation. In addition, whether he was requested locally or abroad, whatever the time of his request, even after the entry into force of the accreditation.
- The Company's authorization and final approval of the bank's right to credit the Company's account with the bank upon issuing or extending each Letter of credit all commissions and expenditures in force at the bank and applied in accordance with their minimum and maximum limits. The bank has the right (according to its absolute discretion) to take whatever it deems necessary to execute the open credit according to these terms, including:
 - 1- His right to examine the documents ostensibly and to assess their conformity with the conditions of accreditation, acceptance, or payment of bills, or making payments or withdrawals, etc.
 - 2- Buying or selling foreign currencies necessary to execute the accreditation, or selling the purchased currency if the accreditation is not used at the price declared on the day of purchase or sale, with the Company's commitment to fully pay the equivalent value of the currency in SAR. So that the bank has the right to deduct what the Company differs from paying from it with a discount on the Company's account without prior notice. The proceeds of selling the currency remain controlled by the bank, guaranteeing the fulfillment of all debts of the Company before it for any reason.
- Corresponding breach:
 - 1- Breach of the borrower and / or one of the Subsidiary Companies / one of the Sister Companies of any of his obligations, undertakings or declarations established by the virtue of any agreements, contracts, or other financial arrangements, whether with the bank or any other creditor.
 - 2- The borrower and / or one of the subsidiaries / Sister Companies breach any of their obligations under any other agreement, or any guarantees presented by them or others are affected by any of the financial obligations - whatever their form - with the bank or any other creditor
 - 3- Any amendment in the legal form, ownership, or management structure of the borrower and / or his sponsors and / or guarantors and / or one of the Subsidiary Companies / one of the Sister Companies,

or taking any decisions that would affect their obligations with the bank or that would affect the bank's guarantees without recourse and obtaining prior written approval from the bank. On 05/11/2020G, the Company sent a letter to notify the bank about the sale of one of the major shareholders (L'Azurde Holding Company) a substantial part of his shares in (L'Azurde Holding Company), which owned 8.05%, and leave during the fourth quarter of 2020G.

- Responsibilities of the Borrower: The Company acknowledges that any change made to it, whether in relation to the legal form of the Company / partners / limits of their responsibilities / capital / liabilities before others / activity / eligibility / capacity / and their legal representatives / limits of their powers or otherwise will not affect in any way the continued enforcement of this contract. And he commits to notify the bank immediately after making this change and the procedures for its declaration by submitting the statutory documents indicating to the acceptable to the bank in addition to immediately signing the documents and providing any other guarantees required by the bank. The Company has sent on 11/10/2020G, a letter via e-mail to inform the bank of its desire to increase its capital by offering Rights Issue.

9-5-5-5 Saudi Investment Bank Agreement

The following are the most prominent provisions of the agreement concluded on 20/01/2020G.

- Setting an insurance policy in favor of the bank that covers gold and other precious stones and mineral stock showing the bank the first beneficiary of its returns covering the total amount of facilities granted to the customer.
- A promissory note for SAR 45,000,000 (forty-five million Saudi Riyals only).
- The customer undertakes after making any change in the ownership or control of his assets / shares (whether direct or indirect) without the prior written approval of the bank, with the exception of shares in the listed joint stock Company whose transfer does not require the approval of the Capital Market Authority.
- Ensuring its business and assets with the insurance Company with the amounts and risks that the bank reasonably thinks, and if the bank requests that, the customer must put the bank's name as the first beneficiary.
- The customer's liquidity ratio should not be less than (1: 1).
- Paying profits, announcing their payment, or distributing any other income among its shareholders if any event of potential breach or breach occurred and it was not handled to the bank's satisfaction.
- The customer's breach of one or more of his obligations outlined in Article (7).
- As a result of the occurrence of any of the above-mentioned cases:
 - 1- The bank stopped providing facilities to the customer with the bank's right to cancel the agreement.
 - 2- Full indebtedness solutions arising from all facility contracts granted to the customer and the bank in this case - without any obligation on him - can accept the debt installment if the customer submits additional guarantees accepted by the bank.
 - 3- The bank's right to fulfill all the guarantees provided by the customer, and the bank is free to choose any of those guarantees and present it to the rest of them.

9-5-5-6 Saudi Fransi Bank Agreement

The following are the most prominent provisions of the agreement concluded on 14/04/2020G:

- The Company provides the following documents:
 - 1- Non-cancellable guarantee.
 - 2- Assignment of the relevant insurance claims to Banque Saudi Fransi (100% of the value of the available facilities).
 - 3- Order instrument issued by the Company in favor of Banque Saudi Fransi with the full value of the facilities available.
 - 4- A pledge to deposit a cash margin equivalent to an agreed percentage of the borrowed gold's value in an account managed by Banque Saudi Fransi.
- The most important financial and operational pledges granted by the Company in favor of Banque Saudi Fransi under the following agreement include:
 - 1- A pledge that the net equity must not be less than SAR 450 million.
 - 2- A pledge that the total outstanding gold loans will not exceed the stock of gold and receivables (of gold).
- This agreement will remain Valid for an indefinite period, and if any of the party's desires to terminate it, the party desiring to do so must give the other party a 30-day notice

- This agreement and all “Murabaha trading operations” are subject to the laws and regulations in force in the Kingdom of Saudi Arabia and all parties to this agreement agree to refer disputes that arise in relation to the provisions contained in this agreement or pertaining to any Murabaha transaction to the Banking Dispute Settlement Authority of the Arab Monetary Agency, Saudi committees, courts, or other judicial bodies with jurisdiction in the Kingdom of Saudi Arabia in accordance with Islamic Sharia.

9-5-5-7 Samba Financial Group Agreement (Samba Bank)

The following are the most prominent provisions of the agreement concluded on 01/10/2019G:

- Samba Financial Group has the right to terminate the facilities and demand the payment of any amounts due at any time, and the Company believes that this is in line with prevailing market practices. The guarantees provided under this agreement are as follows:
 - 1- Assignment of insurance claims in favor of Samba Financial Group.
 - 2- An irrevocable order instrument submitted by the Company in favor of Samba Financial Group (equivalent to SAR 443 million).
 - 3- A pledge to deposit a cash margin equivalent to an agreed percentage of the cost value of the used and existing Murabaha operations in an account managed by Samba Financial Group.
- The most important financial and operational pledges granted by the Company in favor of Samba Financial Group under the agreement include the following:
 - 1- A pledge that the liquidity ratio should not be less than 1: 1, net equity is not less than 400 million SAR, and the debt coverage ratio is not less than 2.0 times.
 - 2- A pledge not to distribute profits exceeding 75% of the Company’s net profits (after Zakat).
- According to Article 11 of the agreement, in the event of any change in control, the Company shall inform the bank, otherwise the Company will be considered in case of breaching the obligation. Whereas L’Azurde Holding Company which owned 80.05% left during the fourth quarter of 2020G, the Company has sent on 05/11/2020G, a letter to notify the bank of the sale of one of the major shareholders (L’Azurde Holding Company) of a substantial part of his shares in the Company.
- According to the credit facility agreement with the bank, the Company is not required to obtain prior approval from the bank for every change in its financial position. However, on 11/10/2020G, the Company sent a letter via e-mail to inform the bank about the Company’s desire to increase its capital by offering Rights Issue.

9-5-5-8 Saudi British Bank Agreement (SABB)

It is considered the only long-term loan and the following are the most prominent terms of the agreement concluded on 17/10/2018G:

- Islamic banking facilities that were used for the purpose of acquiring the Izdiad Commercial Company of Arabia (TOUS Franchise) and to facilitate Letter of credit to be used by (MKS SA) (Switzerland) and (UK) ICBC Standard.
- Regarding the facilities related to the acquisition of Izdiad Commercial Company of Arabia, the most prominent terms and conditions of the agreement include the following items:
 - 1- That the Company inform the bank of any actual or anticipated changes to the legal status or the registered address, and any amendments to the articles of association/by-laws.
 - 2- In the event of a change of ownership, the bank has the right to request the amendment of the terms and conditions of the current facilities, requesting additional guarantees or demanding the payment of the amounts due, canceling the limits, or suspending the use of the credit facilities granted.
 - 3- The bank has the absolute right to unify all the amounts due to show the credit in a unified manner at any time according to its discretion and without any prior notice to the Company.
 - 4- The bank has Franchising and clearing procedure (or any similar right) on any property rights or interests of the Company under the custody and control of the bank, and the bank may merge and unify all or any of the accounts saved in the name of the second party regardless of their types and / or settle any exposed accounts of any money held by the bank, in whatever currency.
 - 5- The bank’s delay or omission will not limit the exercise or implementation (totally or partially) of any of its rights or procedures available to it under this agreement or be interpreted as a waiver of that right or procedure.
 - 6- If the bank desires to pay the dues partially or completely before the scheduled payment date, he has the right to accept that, and it has the right to waive part of its debt in return for that.
 - 7- When agreeing to set the price, the determination of profits is usually linked to the SIBOR index (which is the interest rate offered between banks in the Kingdom) and the LIBOR rates (which is the interest rate offered

between banks in London) under normal market conditions. But in the event of turmoil the market the price that is applied to the actual costs will reflect on the bank in exchange for obtaining similar financing in the related interbank market, which will be more than SIBOR and LIBOR, except for the change in rent in the lease contracts, as it is subject to what is agreed upon in the contract between the two parties.

- The occurrence of any of the following cases is considered a breach by the Company, and the bank may request immediate payment of credit obligations if the Company fails to address the situation within the time period specified by the bank:
 - 1- The Company's failure to implement or comply with any condition or approval contained in the facility letter and agreement issued by the bank from time to time.
 - 2- Any breach or Infraction by the Company under any other agreement with another bank or other financial institution or with any other legal entity is considered to have a material adverse effect on the ability to fulfill the obligations under the facility letter and agreement.
 - 3- In the event of bankruptcy, insolvency, or the appointment of a liquidator.
- The most important financial and operational undertakings granted by the Company in favor of SABB Bank under the following agreement include:
 - 1- Covering Foreign Currency Exposure other than the US dollar by 100%.
 - 2- Submitting an order instrument amounting to (160) million riyals.
 - 3- Providing the bank with periodic reports on the financial position, including analysis and classification of reconstruction of inventory and receivables on a quarterly basis.
 - 4- Providing the bank with periodic (quarterly) reports on the sales of the Arabian Commercial Company.
 - 5- Requiring all branches of TOUS Saudi Arabia to use point of sale devices.
 - 6- Priority should be given to repaying the granted financing before distributing any profits.
 - 7- The priority for the bank in the event of entering into a hedging agreement or obtaining a property insurance policy (for Saudi TOUS branches) should give priority to SABB Takaful.
 - 8- A pledge that there will be no change in the partner structure of the current Izdiad Commercial Company of Arabia during the financing period (after the full acquisition by L'Azurde), with the prior approval of SABB.
 - 9- In the event of non-compliance with the above clauses, a fine of (0.025%) will be calculated from the total value of the facilities, or this may result in an increase in the price on the Company in contracts / future facilities and commissions in documentary credits / new guarantees and this will be executed directly on new transactions / deals. The bank reserves the right directly to cancel the facilities and to request immediate settlement of all existing facilities.
- A penalty rate of 4% in excess of the base rate is applied in case of any late payments or current account overruns.
- The bank's current base rate for the SAR is 5.5% annually, and is subject to fluctuations based on our discretion. (The base rate will be available on the SABB website)
- As for the facilities used by MKS SA (Switzerland) and (UK) ICBC Standard, the main terms and conditions of the agreement include the following clauses:
 - 1- A pledge that the ratio of external debt (with profit margin) to tangible net equity does not exceed 4.5: 1
 - 2- A pledge that the deposits are the same as the facilities granted to the Company by SABB Bank.
 - 3- Undertaking to cover financing of Murabaha / Securitization in metals with receivables and inventory receivables in the ratio of 1: 1, at any time.
 - 4- That the total gold retained stock and net receivables to creditors be equal or more than the outstanding Gold loans with all banks
 - 5- Providing the bank with reports on stock within 60 days from the end of each quarter.
 - 6- Submitting order instruments of SAR 374 million.

Whereas (L'Azurde Holding Company) which owned 80.05% left the Company during the fourth quarter of 2020G, the Company, on 06/11/2020G, notified SABB Bank of an amendment in the ownership of the major shareholders.

On 11/10/2020G, the bank was notified by e-mail of the Company's desire to amend its By-laws in terms of capital (an increase by offering priority rights issue shares), according to the Terms and Conditions of the agreement that the Company (inform the bank) of any actual or expected changes in its Legal situation or registered address and any amendments to the By-laws.

9-6 Insurance Policies

The Company and its Subsidiaries have several insurance policies to ward off some risks and protect their assets and properties, including the following:

Parent Company

- **Compulsory Cooperative Health Insurance:** As an execution for the cooperative health insurance law issued by Royal Decree 10 / M dated 05/01/1420H and the implementing regulations issued by the Minister of Health Resolution 1/30/6131 dated 06/08/1430H, the Company entered into a health insurance policy for its subsidiaries' employees and their families (husband / wife / children from birth till the age of 25 years) concluded with Medgulf Cooperative Insurance Company, a Company licensed to operate in the Kingdom, according to document 1366703, and the period of coverage is from 07/23/2020G until 07/20/2021G with varying amounts depended the type of claim.
- **Compulsory Motor Insurance:** The Company has concluded with Chubb Arabia Cooperative Insurance Company an insurance policy for its fleet of cars, starting from 07/01/2020G till 30/06/2021G. The foresaid policy covers all of the Company's 54 vehicles. Furthermore, the maximum liability of the Company in one or more accident during the validity of this policy for both material and physical damages shall not exceed SAR 10,000,000. The Tamm extract issued by the Ministry of Interior indicates that the Company has registered 54 vehicles, all of which are insured.
- **Managers and Employees Liability Insurance:** L'Azurde Company for Jewelry has concluded with Medgulf Cooperative Insurance Company an insurance policy against managers and employees, covering the Company and its subsidiaries, starting from 01/12/2019G until 30/11/2021G, then extended till 30/11/2021G, with a coverage of USD 75,000,000 (SAR 218,297,052).
- **Public Liability Insurance:** The Company has concluded with Chubb Arabia Insurance Company a public liability insurance policy valid from 01/07/2020G till 30/06/2021G, with a coverage of SAR 10,000,000 as the insured persons are the third parties in the event of accidental death or physical injury and loss of damage that occurs during business operations with the Company.
- **Jewelers Block Insurance:** The Company has concluded with Chubb Arabia Cooperative Insurance Company a Jewelers Block Insurance which protects against damages occurring to precious and semi-precious stones valid from 01/07/2020G till 01/07/2021G, with a coverage of USD 100,000,000 (SAR 375,062,700).
- **Group Life Insurance:** The Company has concluded with Medgulf Cooperative Insurance Company a group life insurance policy covering the Company and its subsidiaries and all the members thereof, valid from 21/07/2020G till 20/07/2021G with varying amounts depended the situation.
- **Company's Property Risk Insurance:** The Company has concluded with Chubb Arabia Cooperative Insurance Company an insurance policy covering all risks that may occur on the Company or its subsidiary Kenaz Company' property (in events of fire, lightning strikes, earthquakes, workers' strike, explosion of water tanks and pipes, etc.) valid from 01/07/2020G till 30/06/2021G. Moreover, the insurance Company is responsible for compensating the losses resulting from theft accompanied by violence, threats, use of violence, or breaking the place during entering or leaving the mechanism, as well as undertaking to compensate the Company in cases of loss or damage of documents, records and computer system records. The Company shall be thus granted the value of that property (at the time of the loss or damage)- or the value of the damage and the amount of coverage shall be specified depended the type of claim, and limit the coverage to varying amounts depended the type of claim; the document includes L'Azurde Company and its subsidiary, "Kenaz ".

Subsidiaries

- **Good in Transit Insurance:** The subsidiary Izdiad Commercial Company of Arabia has concluded with Chubb Arabia Cooperative Insurance Company a good in transit insurance agreement, due to the negative consequences of its commercial losses during transport within the KSA. The agreement is valid from 13/08/2020G to 12/08/2021G, with a coverage value of SAR 75,000 for each single transit.
- **Property Risk Insurance:** The subsidiary Izdiad Commercial Company of Arabia has concluded an insurance agreement covering the Company and its branches with SABB Takaful valid from 26/10/2020G till 25/10/2021G. The foresaid agreement covers all the property risks, such as machines, buildings (showrooms), furniture and goods with a coverage value of SAR 76,250,000. However, it does not cover the defective materials or wrong designs / mechanical or electrical malfunctions / interruption of water supply, electricity or fuel / collapse or cracking of buildings / volcanoes / theft / embezzlement / fraud / stopping or delaying work or loss of markets / war damage / acts of terrorism / materials of nuclear weapons or pollution. The Company and its branches must also have a civil defense license.
- **Marine Insurance (Open Coverage):** The subsidiary Izdiad Commercial Company of Arabia has concluded with Chubb Arabia Cooperative Insurance Company a marine insurance policy for all the Company's goods that are shipped by sea starting from 27/01/2019G till 12/08/2021G with open coverage.

As for the subsidiary L'Azurde Egypt Company for Jewelry, it has the following insurance policies:

- **Group Insurance:** The subsidiary L'Azurde Egypt Company has concluded with MetLife Insurance a group life insurance policy covering all subsidiaries. The policy starts on 01/01/2021G until 01/03/2022G. It includes: Insurance against total disability (result for sickness or accident), insurance against death by accident (natural or as a result of an accident), insurance against permanent partial disability (as a result of an accident), with varying amounts depended the type of case.
- **Political Violence Insurance:** The subsidiary L'Azurde Egypt has concluded an insurance policy providing coverage for all of the Company's property (such as commercial buildings, exhibitions, workshops, parking lots, warehouses, etc.) in the event of any terrorist acts, sabotage, riot acts, civil strikes, revolution, coup, or wars. The foresaid policy is effective as on 15/01/2020G to 15/01/2022G with a coverage value of 12,000,000 Egyptian pound (SAR 2,878,279).
- **Brief of Trust Insurance:** The subsidiary L'Azurde Egypt has concluded an insurance policy for any loss of money or goods resulting from an employee's brief of trust and it covers 150 employees according to their positions. Furthermore, the insurance Company shall compensate the Company by paying 75% of the losses in advance and paying the rest upon the final ruling indicting the employee. In the event that the employee is not convicted, the Company must return the amount to the insurance Company. The agreement is valid from 15/01/2020G till 15/01/2022G and it covers the subsidiaries as well as Oro Egypt Company for Manufacturing Precious Metals.
- **Motor Insurance:** The subsidiary L'Azurde Egypt has concluded with Egyptian Takaful Insurance a vehicle insurance policy entering into effect as on 11/12/2019G to 31/12/2021G with an insurance amount that may be increased per vehicle and varying amounts depended special requirements (radio cassette, etc.). The insurance covers the Subsidiaries too.
- **Property Risk Insurance:** The subsidiary L'Azurde Egypt has concluded with Egyptian Takaful Insurance an insurance policy covering all the subsidiaries' risks and material losses (such as theft or fire) that may occur to all its properties (such as commercial buildings, showrooms, workshops, parking lots, warehouses and others). The foresaid policy is effective as on 15/01/2020G till 15/01/2022G with varying amounts depended the claim.
- **Insurance of theft from the person under coercion:** The subsidiary Company ("Egypt Jewelry Company") has an insurance policy for cases of forced theft, loss or damage due to outside of control for the monetary and in-kind covenant in all its forms, whether it is a sound (gold / or diamond / or cash) during transferring it with the authorized persons to transfer it between the factories, branches and clients of the Company inside Egypt, and during its leaving. The agreement is effective as on 15/01/2021G to 15/01/2022G.

As for Oro Egypt Company for Manufacturing Precious Metals, it has the following insurance policies:

- **Civil Liability and Miscellaneous Incidents Insurance:** Oro Egypt Company For Manufacturing Precious Metals has concluded with Egyptian Takaful Insurance Company an insurance policy under which the insurer pledges to compensate L'Azurde Egypt and subsidiary for losses and physical and material damages occurring while executing its work. Moreover, this agreement is effective as on 18/02/2020G to 18/02/2022G, with an annual insurance amount of 2,000,000 Egyptian pounds (SAR 479,713.26). The Company also bears 5,000 Egyptian pounds (SAR 1,199) from the value of each accident (Material damage only). This policy also covers all Oro Egypt subsidiaries.
- **Political Violence Insurance:** Oro Egypt Company For Manufacturing Precious Metals has concluded an insurance policy covering all of Oro Egypt subsidiaries and providing coverage for all of the Company's property (such as commercial buildings, exhibitions, workshops, parking lots, warehouses, etc.) in the event of any terrorist acts, sabotage, riot acts, civil strikes, revolution, coup, or wars. The foresaid policy is effective as on 15/01/2020G to 15/01/2022G with a coverage value of 50,000,000 Egyptian pound (SAR 11,992,831).
- **Property Risk Insurance:** Oro Egypt Company For Manufacturing Precious Metals has concluded with Egyptian Takaful Insurance Company an insurance policy covering all the subsidiaries' risks and material losses (such as theft or fire) that may occur to all its properties (such as commercial buildings, showrooms, workshops, parking lots, warehouses and others). The foresaid policy enters into effect as on 15/01/2020G to 15/01/2022G with varying amounts depended the claim.
- **Personal Accident Insurance:** Oro Egypt has concluded with the Egyptian Company for Takaful Insurance an insurance policy covering the legal liability arising from the Company conducting its business inside the rented store in City Center / Alexandria and the leased shop in Mall of Egypt. This insurance is valid from 08/0/2021G until 19/02/2022G. It has a coverage limits of 2,000,000 Egyptian pounds during the insurance period, equivalent to SAR 479,513.
- **Group Insurance:** The subsidiary Company (Oro Egypt Company for Manufacturing Precious Metals) has a group life insurance policy concluded with "MetLife Insurance". The policy is valid from 01/02/2021G until 03/01/2022G. The policy includes: insurance against total disability (as a result of illness or accident), insurance against death by accident (natural or as a result of an accident), insurance against permanent partial disability (as a result of an accident) and with varying amounts depended the type of case.

As for the subsidiary L'Azurde Company for Jewelry – Dubai, it has the following insurance policies:

- **General Liability Policy (Enterprise Risk Coverage):** L'Azurde has concluded with Qatar Insurance Company an insurance policy covering the Company's legal liability to third parties arising from death or injury to people or accidental damage to property, entering into effect as on 01/07/2020G to 20/06/2021G with a coverage of 5,000,000 UAE dirhams (SAR 5,105,485).
- **Property Risk Insurance:** L'Azurde has concluded with Qatar Insurance Company an insurance policy covering the Company subsidiaries' liability in the event of any damage to the insured property or any part thereof entering into effect as on 01/07/2020G to 30/06/2021G with varying amounts depended the claim.

9-7 Trademarks

As of the date of this Prospectus, the Company and its subsidiaries have registered several trademarks that they depend on as a trademark for their business. Around 183 brands registration certificates were issued inside and outside the KSA, and registered under the name of L'Azurde for jewelry, according to the following details:

As for the following L'Azurde brand and logo () , it has been registered in the KSA and abroad according to the following details:

Table (9-22): The Company's Trademarks.

#	Country	Category	Registration Number	Registration Date	Status	Protection End Date
1	KSA	35	1437002568	08/03/2016G	Registered	30/07/2025G
2	KSA	42	1437002569	08/03/2016G	Registered	30/07/2025G
3	KSA	14	1315/25	28/01/2012G	Registered	09/01/2030G
4	KSA	25	1438017633	23/10/2017G	Registered	06/01/2017G
5	Iran	14	139207521	14/01/2014G	Registered	20/04/2023G
6	Tunisia	14	TN/E/2014/00174	10/01/2015G	Registered	19/02/2024G
7	Jordan	14	129299	01/06/2014G	Registered	23/04/2023G
8	Jordan	35	129074	01/06/2014G	Registered	23/04/2023G
9	Jordan	42	129075	01/06/2014G	Registered	23/04/2023G
10	Egypt	35	298897	06/09/2015G	Registered	22/02/2024G
11	Egypt	42	298898	06/09/2015G	Registered	22/02/2024G
12	Egypt	14	298896	06/09/2015G	Registered	22/02/2024G
13	Amman	35	80337	18/06/2015G	Registered	19/04/2023G
14	Amman	14	80336	18/06/2015G	Registered	19/04/2023G
15	Amman	42	80335	18/06/2015G	Registered	19/04/2023G
16	Bahrein	14	TM98041	19/08/2015G	Registered	23/05/2023G
17	Bahrein	35	SM98042	19/08/2015G	Registered	23/05/2023G
18	Bahrein	42	SM98043	19/08/2015G	Registered	13/05/2023G
19	Sudan	14	-	-	Published	17/04/2023G
20	Sudan	35	47915	25/12/2018G	Registered	17/04/2023G
21	Libya	14	-	-	Acceptable	28/05/2023G
22	Libya	35	-	-	Acceptable	28/05/2023G
23	Libya	42	-	-	Acceptable	28/05/2023G
24	Algeria	14	88524	05/05/2015G	Registered	16/02/2024G
25	Morocco	14	151579	23/04/2013G	Registered	22/04/2023G
26	Yemen	14	62453	17/02/2014G	Registered	19/04/2023G
27	Yemen	35	62454	17/02/2014G	Registered	19/04/2023G
28	Yemen	42	62455	17/02/2014G	Registered	19/04/2023G
29	Nigeria	14	-	-	Acceptable	10/11/2022G
30	Nigeria	35	-	-	Acceptable	10/11/2022G
31	Nigeria	42	-	-	Acceptable	10/11/2022G

#	Country	Category	Registration Number	Registration Date	Status	Protection End Date
32	Thailand	14	890355	03/03/2016G	Registered	25/04/2023G
33	Thailand	35	SM68726	30/11/2015G	Registered	25/04/2023G
34	Thailand	42	890357	02/03/2016G	Registered	25/04/2023G
35	Turkey	14	2013-37132	22/04/2013G	Registered	21/04/2023G
36	USA	14	5,093,904	06/12/2016G	Registered	06/12/2006G
37	Canada	14	984135	02/11/2017G	Registered	01/11/2032G
38	Switzerland	14	682658	06/01/2016G	Registered	30/09/2025G
39	India	14	2517037	12/15/2018G	Registered	21/04/2023G
40	India	35	2517038	12/15/2018G	Registered	21/04/2023G
41	India	42	2517039	12/15/2018G	Registered	21/04/2023G
42	Palestine - the West Bank	42	22717	15/01/2014G	Registered	17/04/2020G
43	Palestine - the West Bank	14	22715	14/01/2014G	Registered	17/04/2030G
44	Palestine - the West Bank	35	22716	14/01/2014G	Registered	17/04/2020G
45	Pakistan	14	338656	02/03/2015G	Registered	18/04/2023G
46	Pakistan	35	338657	01/10/2014G	Registered	18/04/2023G
47	Pakistan	42	338658	01/10/2014G	Registered	18/04/2023G
48	Pakistan	3	432958	04/05/2018G	Registered	21/09/2026G
49	Pakistan	35	432952	04/05/2018G	Registered	21/09/2026G
50	Pakistan	42	432959	04/05/2018G	Registered	21/09/2026G
51	Pakistan	3	432949	04/05/2018G	Registered	21/09/2026G
52	Pakistan	14	432948	04/05/2018G	Registered	21/09/2026G
53	Japan	14	5712140	24/10/2014G	Registered	23/10/2024G
54	Palestine Gaza	14	17483	28/04/2014G	Registered	21/04/2020G
55	Palestine Gaza	35	17484	28/04/2014G	Registered	21/04/2030G
56	Palestine Gaza	42	17485	28/04/2014G	Registered	21/04/2030G
57	Syria	42	127900	05/05/2014G	Registered	21/04/2023G
58	Syria	35	127901	05/05/2014G	Registered	21/04/2023G
59	Syria	14	127897	05/05/2014G	Registered	21/04/2023G
60	Singapore	14	40201517434V	06/10/2015G	Registered	05/10/2025G
61	Hong Kong	14	302897353	18/02/2014G	Registered	17/02/2030G
62	European Union	14	12616132	11/07/2017G	Registered	19/02/2024G
63	Taiwan	14	1781936	16/07/2016G	Registered	15/07/2026G
64	Qatar	14	81089	03/08/2016G	Registered	17/04/2023G
65	Qatar	35	81090	02/08/2016G	Registered	17/04/2023G
66	Qatar	42	81091	24/10/2016G	Registered	17/04/2023G

The brand and logo of  was registered in the KSA and abroad, according to the following details:

#	Country	Category	Registration Number	Registration Date	Status	Protection End date
1	KSA	35	397/54 141600547	09/03/1997G	Renewed	03/11/2024G
2	KSA	14	371/45 141602243	18/03/1996G	Renewed	05/09/2024G
3	Jordan	42	397/55 141600548	09/03/1997G	Renewed	03/11/2024G
4	Qatar	14	6931	16/03/1996G	Renewed	27/06/2022G
5	Egypt	14	13782	02/05/2002G	Renewed	07/08/2025G
6	Egypt	20	96912	20/02/2000G	Renewed	06/08/2025G
7	Egypt	14	96910	20/02/2000G	Renewed	06/08/2025G
8	Egypt	18	96911	20/02/2000G	Renewed	06/08/2025G
9	Egypt	21	96913	20/02/2000G	Renewed	06/08/2025G
10	Egypt	26	96914	20/02/2000G	Renewed	06/08/2025G
11	Egypt	25	96915	20/02/2000G	Renewed	06/08/2025G
12	Egypt	35	96916	20/02/2000G	Renewed	06/08/2025G
13	Bahrein	42	96917	20/02/2000G	Renewed	06/08/2025G
14	Kuwait	14	TM18158	17/06/1996G	Renewed	30/10/2024G
15	Algeria	14	28049	05/11/1996G	Renewed	24/07/2025G
16	Morocco	14	49486	12/08/1995G	Registered	11/08/2025G
17	KSA	14	57220	02/08/1995G	Renewed	01/08/2025G

The brand and logo of  was registered in the KSA and abroad, according to the following details:

#	Country	Category	Registration Number	Registration Date	Status	Protection End date
1	Turkey	14	170773	22/01/1996G	Renewed	21/01/2026G
2	USA	14	2015860	12/11/1996G	Renewed	11/11/2026G
3	Canada	14	TMA473885	26/03/1997G	Renewed	25/03/2027G
4	Switzerland	14	435647	25/02/1997G	Renewed	08/02/2025G
5	China	14	1002267	14/05/1997G	Renewed	13/05/2027G
6	Italy	14	719058	17/07/1997G	Renewed	05/12/2025G
7	France	14	95585195	21/08/1995G	Renewed	20/08/2025G
8	Britain	14	2031858	11/10/1996G	Renewed	29/08/2025G
9	Germany	14	395 31 640	09/04/1996G	Renewed	01/08/2025G
10	Singapore	14	T/95/7134G	03/08/2005G	Registered	02/08/2025G
11	Spain	14	M1980847	05/02/1996G	Renewed	07/08/2025G
12	Hong Kong	14	11729	28/11/1997G	Renewed	23/08/2026G
13	Hong Kong	18	11730	28/11/1997G	Renewed	23/08/2026G
14	Hong Kong	20	11731	28/11/1997G	Renewed	23/08/2026G
15	Hong Kong	21	11732	28/11/1997G	Renewed	23/08/2026G
16	Hong Kong	25	11733	28/11/1997G	Renewed	23/08/2026G
17	Hong Kong	26	11734	28/11/1997G	Renewed	23/08/2026G

#	Country	Category	Registration Number	Registration Date	Status	Protection End date
18	Hong Kong	35	11735	28/11/1997G	Renewed	23/08/2026G
19	Hong Kong	42	11736	28/11/1997G	Renewed	23/08/2026G
20	Hong Kong	40	3576	12/06/1998G	Merged Transferring ownership of the trademark from Abdulaziz Saleh Al-Othaim registered under the name: "Saudi Gold and Pearl Factory" to "L'Azurde Company for Jewelry".	03/11/2023G

The brand and logo of  was registered in the KSA and abroad, according to the following details:

#	Country	Category	Registration Number	Registration Date	Status	Protection End Date
1	KSA	14	1435012251	09/12/2014G	Registered	05/01/2024G
2	Kuwait	14	132521	20/04/2016G	Registered	26/04/2024G
3	Egypt	14	296068	07/08/2015G	Registered	26/04/2024G

The brand and logo of  was registered in the KSA and abroad, according to the following details:

#	Country	Category	Registration Number	Registration Date	Status	Protection End Date
1	KSA	14	773/89	28/02/2005G	Renewed	04/10/2023G
2	Tunisia	14	TN/E/2013/2010	09/09/2014G	Registered	18/12/2023G
3	Jordan	14	132869	12/01/2015G	Registered	09/12/2023G
4	Lebanon	14	155697	05/03/2014G	Registered	04/03/2029G
5	Qatar	14	85838	15/11/2017G	Registered	11/12/2023G
6	UAE	14	202475	18/01/2016G	Registered	10/12/2023G
7	Egypt	14	296068	23/03/2015G	Registered	10/12/2023G
8	Bahrein	14	TM101176	08/09/2016G	Registered	10/12/2023G
9	Sudan	14	49312	25/01/2018G	Registered	09/12/2023G
10	Kuwait	14	116987	08/07/2014G	Registered	08/12/2023G
11	Libya	14	-	-	Acceptable	18/12/2023G
12	Morocco	14	156222	11/12/2013G	Registered	10/12/2023G
13	Yemen	14	64859	28/01/2015G	Registered	11/12/2023G

Source: The Company

The brand and logo of  was registered in the KSA and abroad, according to the following details:

#	Country	Category	Registration Number	Registration Date	Status	Protection End Date
1	KSA	14	1435013742	14/12/2014G	Registered	25/01/2024G
2	Tunisia	14	EE2014/00568	16/05/2015G	Registered	21/05/2024G
3	Qatar	14	89308	01/10/2015G	Registered	13/05/2024G
4	UAE	14	264662	24/07/2017G	Registered	13/12/2026G
5	UAE	14	264663	24/07/2017G	Registered	12/12/2026G
6	Egypt	14	0302429	19/09/2019G	Registered	10 years
7	Amman	14	84591	18/06/2015G	Registered	09/12/2023G
8	Bahrein	14	TM103562	26/12/2016G	Registered	15/05/2024G
9	Kuwait	14	132217	14/04/2016G	Registered	13/05/2024G
10	Algeria	14	91574	21/02/2016G	Registered	17/05/2024G
11	Morocco	14	159865	16/05/2014G	Registered	15/05/2024G

The brand and logo of  was registered in the KSA and abroad, according to the following details:

#	Country	Category	Registration Number	Registration Date	Status	Protection End Date
1	KSA	14	1435013743	14/12/2014G	Registered	25/01/2024G
2	Qatar	14	89309	04/10/2015G	Registered	13/05/2024G
3	Tunisia	14	EE2014/00567	16/05/2015G	Registered	21/05/2024G
4	Amman	14	87786	18/02/2016G	Registered	13/05/2024G
5	Bahrein	14	TM103563	26/12/2016G	Registered	15/05/2025G
6	Kuwait	14	132216	14/04/2016G	Registered	13/05/2024G
7	Algeria	14	91573	21/02/2016G	Registered	17/05/2024G
8	Morocco	14	159867	16/05/2014G	Registered	15/05/2024G

Source: The Company

The brand and logo of  was registered in the KSA and abroad, according to the following details:

#	Country	Category	Registration Number	Registration Date	Status	Protection End Date
1	Tunisia	14	TN/E/2013/2011	09/09/2014G	Registered	18/12/2023G
2	Iraq	14	-	-	Pended	10/12/2023G
3	Jordan	14	132870	12/1/2015G	Registered	09/12/2023G
4	Lebanon	14	155698	05/03/2014G	Registered	04/03/2029G
5	Qatar	14	85839	15/11/2017G	Registered	11/12/2023G
6	Morocco	14	156221	11/12/2013G	Registered	10/12/2023G
7	Amman	14	87787	26/05/2016G	Registered	13/05/2024G
8	Bahrein	14	TM101181	08/09/2016G	Registered	10/12/2023G
9	Sudan	14	49313	26/11/2015G	Registered	09/12/2023G
10	Kuwait	14	116988	08/07/2014G	Registered	08/12/2023G

Source: The Company

The brand and logo of  was registered in the KSA and abroad, according to the following details:

#	Country	Category	Registration Number	Registration Date	Status	Protection End Date
1	KSA	14	1435003176	09/04/2014G	Registered	07/09/2023G
2	Qatar	14	86270	15/11/2017G	Registered	28/12/2023G
3	UAE	14	203493	12/10/2014G	Registered	28/12/2023G
4	Egypt	14	296752	23/03/2015G	Registered	25/12/2023G
5	Amman	14	84825	05/01/2016G	Registered	25/12/2023G
6	Bahrein	14	TM101401	08/09/2016G	Registered	29/12/2023G
7	Kuwait	14	118324	02/11/2014G	Registered	25/12/2023G

The brand and logo of  was registered in the KSA and abroad, according to the following details:

#	Country	Category	Registration Number	Registration Date	Status	Protection End Date
1	KSA	14	1435003177	09/04/2014G	Registered	07/09/2023G
2	UAE	14	203492	09/10/2014G	Registered	28/12/2023G
3	Egypt	14	296751	23/03/2015G	Registered	25/12/2023G
4	Amman	14	84826	18/06/2015G	Registered	25/12/2023G
5	Bahrein	14	TM101402	05/09/2016G	Registered	29/12/2023G
6	Kuwait	14	121681	16/03/2015G	Registered	25/12/2023G

Source: The Company

The Company has also reserved and registered other brands according to the following details:

#	Country	Brand	Category	Registration Number	Registration Date	Status	Protection End Date
1	Kuwait	L'AZURDE in Latin Letter	42	119638	07/12/2014G	Registered	17/04/2023G
2	Kuwait	L'AZURDE in Latin Letter & Device	35	115163	23/02/2014G	Registered	17/04/2023G
3	Kuwait	L'AZURDE in Latin Letter & Device	14	116586	22/06/2014G	Registered	17/04/2023G
4	Hong Kong	L'AZURDE in Latin Characters & device	36	199803576AA	05/11/1996G	Renewed	05/11/2023G
5	Libya		14	-	-	Published	18/12/2023G
6	KSA		14	371/46 141601894	18/03/1996G	Renewed	05/09/2024G
7	KSA		14	371/47 141601895	18/03/1996G	Renewed	05/09/2024G
8	Iran		14	210780	15/04/2014G	Registered	23/11/2023G
9	Saudi		14	313/21 141401872	12/07/1994G	Renewed	18/03/2023G

#	Country	Brand	Category	Registration Number	Registration Date	Status	Protection End Date
10	Yemen	 لازوردية عبد العزيز العتيق	14	4811	08/05/1996G	Renewed	12/08/2025G
11	Syria	 لازوردية عبد العزيز العتيق	14	56225	12/09/1995G	Renewed	22/07/2025G
12	China	L'AZURDE	14	12492535	14/11/2014G	Registered	13/11/2024G
13	China	L'AZURDE	35	12492534	14/12/2014G	Registered	13/12/2024G
14	China	L'AZURDE	42	12492533	14/05/2015G	Registered	13/05/2025G
15	China	 The World is Above	14	-	-	Abandoned	-
16	Pakistan		3	432947	04/05/2018G	Registered	21/09/2026G
17	Pakistan		14	432957	04/05/2018G	Registered	21/09/2026G
18	Pakistan		35	432950	11/05/2018G	Registered	21/09/2026G
19	Pakistan		42	432951	04/05/2018G	Registered	21/09/2026G
20	UAE		14	264663	24/07/2017G	Registered	12/12/2026G
21	UAE		14	264662	24/07/2017G	Registered	12/12/2026G
22	Saudi		14	371/48 141601896	18/03/1996G	Renewed	05/09/2024G

9-8 Litigation

As of the date of this Prospectus, the Company is party to certain proceedings and claims filed by it as shown in the following tables.

- Cases and lawsuits filed by the Company (plaintiff) are detailed in the following table:

Table (9-23): List of cases filed by the Company.

The lawsuits filed by L'Azurde against clients						
#	Client name	The subject of the lawsuit	Indebtedness	The competent authority	Case situation	Notes
1	Fahad Al Shomar (employee)	Evacuating a property and handing it over to the company (a popular house in the city of Hail, mortgage against payment of debts - deficiency of custody)	SAR 200,000	Hail General Court	Traded	The case was registered on 26/07/1440H The last session was on 04/04/1442H The date of the next session is 12/05/1442H. A new date as appointed on 26/08/144H because of the absence of the judge
2	Anoud Jewelry	A financial claim to repay the client's debts for the value of manufacturing wages and goldsmiths	935.21 grams 24 carats SAR 58369 (Fees)	Dammam Commercial Court	The judgment was supported by the Court of Appeal (obligating the defendant to return the gold and the fees)	The case was registered on 17/01/1440H Upholding judgment from the appeal on 01/03/1442H Judgment received in the executive form on 01/05/1442H In process
3	Hassan Abdul Mughni Jewellery Est	A financial claim to pay a debt for the value of the manufacturing wages	SAR 77643 (Fees)	Jeddah Commercial Court	Traded	The case was registered on 14/11/1440H. The last session was on 22/08/1441H Another session was on 12/07/1442H The date of the next session is on 09/09/1442H
4	Emirates Jewellery	A financial claim to repay the client's debts for the value of manufacturing wages and goldsmiths	2770.66 grams 18 carats SAR 92528 (Fees)	Mecca General Court	The ruling was issued to compel the defendant to pay (407,907 riyals) against the debt	The case was registered in 1440H Emirates Jewellery requested implementation no. 401024200162310 The decision has been implemented
5	Sami Ahmed Al-Arbash	A financial claim to repay the customer's debt for the value of the manufacturing wages	SAR 60000	Dammam General Court	Traded	The defendant was sentenced to the amount while he is a prisoner under insolvency

The lawsuits filed by L'Azurde against clients

#	Client name	The subject of the lawsuit	Indebtedness	The competent authority	Case situation	Notes
6	Babiker Othman	A financial claim to repay the customer's debt for the value of the manufacturing wages	AED 1218881	External judgment from Sharjah Court (Certified)	Sentenced to compel the defendant to return the amount	The case was registered in 2012G. There is a case pending against the plaintiff, Ali, in Sudan, dated 2020G (Enforceable against him in the Riyadh Execution Court) (Defendant left the UAE and is being pursued from Sudan)
7	Mubarak Khojaly	Financial claim to repay the client's debt for the value of gold artifacts	7500 grams 24 carats	Riyadh General Court	Sentenced to compel the defendant to return the gold	The case was registered on 19/01/1434H. There is a case pending against the defendant in Sudan, dated 2020G (Enforceable against the guarantor in Dammam Execution Court)
8	Nasser Al-Zahrani	A financial claim to repay the client's debts for the value of wages	SAR 1286793	Jeddah General Court	Sentenced to compel the defendant to return the amount	The case was registered on 01/11/1424H. (Enforceable against him in Jeddah Execution Court)
9	Mwafak Al-Halabi	A financial claim to repay the client's debts for the value of manufacturing wages and goldsmiths	7162.5 21 carats SAR 112612.4	Taif Grand Court	Sentenced to compel the defendant to return the gold and fees	Dated 1425H Executor in Taif Execution Court (imprisoned)
10	Abdul Majeed Al-Maliki	A financial claim to repay the client's debts for the value of manufacturing wages and goldsmiths	6992.8 24 carats 26417.73 24 carats SAR 513 740 SAR 35764	Al Medina Criminal Court	Sentenced to compel the defendant to return the gold and fees	The case was registered on 11/04/1435H. Executed by Al Medina Execution Court (imprisoned)
11	Al Maadi	A financial claim to repay the customer's debt for the value of the gold jewelry	413 grams 21 carats	Abha Administrative Court	Sentenced to compel the defendant to return the gold	Implemented in Khamis Mushait Execution Court
12	Ahmed Al-Harhi	Execution on the customer to issue a check without balance	160000	Riyadh Execution Court	Check (contested and presented to the police)	Executed in Riyadh Execution Court
13	Fahad Al-Zahrani Establishment	Execution on the customer to issue a check without balance	SAR 1641679	Taif Execution Court	Check (contested and presented to the police)	Executed in Taif Execution Court (check SAR 2000000)

The lawsuits filed by L'Azurde against clients

#	Client name	The subject of the lawsuit	Indebtedness	The competent authority	Case situation	Notes
14	Jawahery Establishment for Gold and Jewellery	A financial claim to repay the client's debts for the value of manufacturing wages and goldsmiths	22922 grams 24 carats SAR 1132000 (Fees)		Checks (contested and presented to the police)	Executed in Riyadh Execution Court (prisoner)
15	Nasser Al Kaabi	A sum of money for a work custody deficit	30062	Riyadh General Court	Sentenced to compel the defendant to return the amount	The case was registered on 14/01/1441H. Executed in Riyadh Execution Court
16	Ahmed Al-Kahili – (sales representative)	Indebtedness deficit custody	16000	Payment Agreement	Debt repayment agreement	SAR 16,000 remaining Collection is in progress
17	Hashla Ali Saleh Al Duhaly	Financial claim to repay the client's debts for the value of manufacturing wages and goldsmiths (former employee)	8504 grams 24 carats SAR 91553 (Fees)	Jeddah General Court	Traded	Accounting expert (awaiting a report from the accountant expert for the year 2020G) about the client's business and his owed debt
18	Al Faisaliah Group	A financial claim to repay the customer's debt for the value of the manufacturing wages	SAR 230655.51	Riyadh General Court	It was ruled and was referred to the Court of Appeal	The case was registered on 20/02/1434H. The session will be on 02/05/1442H Sentenced to dismiss the lawsuit for lack of entitlement
19	Faisal Al-Dowaimer	A financial claim to repay the client's debts for the value of manufacturing wages and goldsmiths	1507 grams 24 carats 94.4 grams 18 carats SAR 7318	Riyadh General Court	Traded	The Court President asked to search for the file and its old record
20	Faisal Al-Zawaa	Embezzlement of a pledge	SAR 3050361	Jeddah General Court	Appellant against the ruling issued	The case was registered on 02/0/1429H. The sentence compels the defendant to return the amount of SAR 419334 riyals There is a current forensic treatment No hearing date has been set yet

The lawsuits filed by L'Azurde against clients

#	Client name	The subject of the lawsuit	Indebtedness	The competent authority	Case situation	Notes
21	Yaslam bin Suwaidan	A financial claim to repay the customer's debt for the value of the gold jewelry	3238 grams 18 carats 41964 grams 21 carats	Jeddah General Court	Appellant against the ruling issued	The case was registered on 11/06/1431H. The sentence compels the defendant to return the gold The last session was on 21/08/1441H. It returned from the Court of Appeal to the General Court No date has been set for a session yet
22	Eastern Corner Establishment	Execution of a check	847.34 grams 24 carats SAR 38681 (Fees)	Riyadh Execution Court	Check (contested and presented to the police)	Execution request is submitted to the Court of Appeal in Jeddah
23	Jawahery Establishment for Gold and Jewelry	Execution of a check	SAR 2000000	Riyadh Execution Court	Checks (contested and presented to the police)	Executed in Riyadh Execution Court (imprisoned)
24	Nayef Al-Subaie (employee)	His reign's deficit indebtedness	SAR 35000	Riyadh Execution Court	The defendant shall pay 35000 riyals, divided per month	The reconciliation lawsuit was registered on 27/12/1440H Executed in Riyadh Execution Court
25	Ministry of Human Resources	Objection to a violation	SAR 10000	Riyadh Administrative Court	Appellant against the ruling issued	The fine was decided to be paid
26	Ministry of Commerce	Objection to the violation of opening a branch without a license in the city of Buraidah	SAR 15000	Riyadh Administrative Court	Objection to the decision issued by the branch of the Ministry of Commerce in Buraidah: The Company shall pay a penalty concerning the amount	Case was restricted First hearing on 06/01/1442H Session on 24/02/2021G (The case was decided to be dismissed due to lack of local jurisdiction) and an appeal will be filed with the Administrative Court

Source: The Company.

- Cases and lawsuits filed by the Company (defendant) are detailed in the following table:

Table (9-24): List of cases filed against the Company.

#		Lawsuit Subject	Indebtedness	Competent Authority	Case situation	Note
1	Abdullah Saleh Al-Laghi	Compensation claim (financial claim)	SAR 17950000	Riyadh Commercial Court	The case was rejected due to lack of capacity	The case was registered on 24/03/1441H. The judgment was rejected due to lack of capacity
2	Abdullah Saleh Al-Laghi	Compensation claim (financial claim)	SAR 17950000	Riyadh Commercial Court	The case was rejected	The case was registered on 26/02/1442H. The sentence was rejected
3	Ministry of Commerce	Infraction Opening a branch without a license, in Buraidah	SAR 15000	Ministry of Commerce Buraidah branch	The Company must pay penalty (SAR 15000)	A case was lodged against the judgment in Riyadh Administrative Court Lawsuit and first session were registered on 01/06/1442H.
4	Moayad Nassar (employee)	Labor case	SAR 271279	Riyadh Labor Court	Sentenced to compel the defendant to return the amount of SAR 61444 receivables (absolute)	The case registration was on 25/05/1441H. Judgement: Amount of SAR 61444 The rest of the requests were refunded (which is according to the liquidation of his dues in the Company)
5	Abdullah Al-Yami (employee)	Labor case	SAR 11892.91	Jeddah Labor Court	Sentenced to compel the plaintiff to pay SAR 11892.91	The case registration was on 26/08/1440H while waiting the money transfer to the claimant
6	Fadel Al-Anzi	Labor case	Unfair dismissal compensation	Riyadh Labor Court	Traded	The case registration was on 17/03/1442H The first session was on 06/05/1442H The next session will be on 15/05/1442H at the Court of Appeal in Riyadh

Source: The Company.

Except what has been mentioned above and in Section 2 (“**Risk Factors**”), the Company and its subsidiaries are not parties to any legal disputes that may have a material adverse effect on the Company’s financial position.

- Cases and lawsuits filed by the subsidiaries outside KSA are detailed in the following table:

Table (9-25): List of cases filed by the subsidiaries outside KSA.

The lawsuits filed by L'Azurde against (clients)						
#		Lawsuit Subject	Indebtedness	Competent Authority	Case situation	Note
1	Vienna Jewelry	Financial claim (to settle a commercial debt with the customer)	SAR 122,266	Sharjah Courts	A police report was opened	Execution has been completed The case is being pursued
2	Al Nemr jewelry	Financial claim (to settle a commercial debt with the customer)	SAR 35,256.39	Dubai Police	A police report was opened	The case is being pursued
3	Al Nafees Jewelry	Financial claim (to settle a commercial debt with the customer)	SAR 31,761.24	Dubai Police	A police report was opened	The case is being pursued

Source: The Company.

The Company and its subsidiaries do not have legal disputes that may affect their financial status.

9-9 Key Information that has Materially Changed Since the CMA Approval of the Most Recent Prospectus

The following is a summary of the material information that has changed since approval of CMA of the most recent prospectus issued by the Company on 09/05/2016G:

- Company's By-laws:** The Company has updated its By-laws according to the amendments of the New Companies Law (for more details, please see sub-paragraph (9-1) of this section).
- Financial Statements:** The Company has modified its Financial Statement according to the IFRS.
- Activity:** The Company is in compliance with the regulations of the Ministry of Commerce (Companies Law) according to the ISIC. The Company has updated its Commercial Registration Certificates with respect to the details of its activities. During the year 2018G, the Company purchased the entire shares of all Izdiad shares (the owner of the international brand "TOUS" in the KSA, specialized in jewelry); further, a subsidiary was incorporated in Oman; As of the date of this prospectus, L'Azurde Group conducts its activities through 3 subsidiaries in KSA and 6 subsidiaries abroad, (for more details, please see sub-paragraph (9-3) of this section).
- Point of Sales:** The Company has signed an exclusive Duty-Free distribution agreement with Saudi French Company for Duty-Free operations and management of international airports across the Kingdom, in Riyadh, Jeddah, and Dammam. 11 points of sales inside KSA were closed. A new production unit was established in Egypt. 7 retail stores and a wholesale office in Oman were opened to reinforce the wholesale gold sales sector.
- Major Shareholders:** According to what was mentioned in sub-paragraph (9-1) of this section, the Company has one major shareholder (owning 5% or more of the Company's shares): Mr. Abdulaziz Saleh Ali Al-Othaim, owning (6,402,700) shares representing 14.89% of the Company total shares, before the offering. To note that L'Azurde Holding Company (owning 41.05% of the Company total shares), has abandoned the Company during the fourth quarter of 2020G.
- Governance:** The Ordinary General Assembly of Shareholders, based on the recommendations of the Board of Directors, approved most of the governance regulations and policies, according to the Corporate Governance Regulations issued by the Authority.
- Management:** The Company has elected a new Board of Directors during its shareholders Ordinary General Assembly, on 22/04/2018G. New members were elected. The Board Chairman was changed.
- Choosing international stars as ambassadors for "L'Azurde" brand.**
- Trademarks:** The Company has launched a new trademark Miss L: affordable and fashionable jewelry products sold by piece through the e-commerce platforms, retailers, and private points of sale. Prices range between SAR 500 and 3000.

9-10 Directors' declarations pertaining to the legal information section

In addition to the other declarations referred to in this Prospectus, the members of the Board of Directors declare the following:

- a. The issuance does not constitute a breach of the relevant Saudi laws and regulations.
- b. The issuance does not constitute a breach of any contract or agreement entered into by the Company or its subsidiaries.
- c. All material legal issues concerning the Company and its subsidiaries have been disclosed in this Prospectus.
- d. The Company and its subsidiaries are not subject to any claims, litigious cases or any other type of legal proceedings that could individually or collectively have a material effect on the business of the Company or its subsidiaries or their financial position.
- e. The Directors are not subject to any claims, litigious cases or any other type of legal proceedings that could individually or collectively have a material effect on the business of the Company or its subsidiaries or their financial position.

10. Underwriting arrangement

The Company and the underwriter, Samba Capital and Investment Management, have entered into an undertaking agreement to cover the subscription of (14,500,000) ordinary shares, at a price of SAR 10/share, representing the entire amount of the pre-emptive rights shares being offered for subscription ("Underwriting Agreement").

10-1 Underwriter

Underwriter

Samba Capital and Investment Management

Fourteenth floor, Kingdom Tower

Popularity of the Supreme

P.O. Box 220007, Riyadh 11311

Saudi Arabia

Phone: +966 (11) 4774770

Fax: +966 (11) 438 2117

Website: www.sambacapital.com.sa

E-mail: info@sambacapital.com.sa

sambacapital سامبا كابيٲال

Number of shares in Rights Issue	Fourteen million five hundred thousand (14,500,000) ordinary shares
Share price	10 riyals per share
Percentage of the pledged share of the total offering:	100%

10-2 Underwriters

The terms and conditions of the Underwriting Agreement:

- 1- The Company undertakes to the Underwriter that, at the date of allocations, it will issue and allocate to the Underwriter all remaining rights issue shares covered under the Underwriting Agreement which have not been subscribed to by the Eligible Shareholders. Such shares shall be issued as additional shares at the offer price.
- 2- The Underwriter undertakes to the Company that on the date of allocation, he will purchase the underwritten shares which have not been subscribed to by the Eligible shareholders, at the offer price.
- 3- The Underwriter shall receive financial consideration for providing such underwriting services, and these expenses will be deducted from the offering proceeds.

11. Waivers

The Company has not submitted a waiver request to the CMA in relation to this Offering.

12. Shares Information & Offering Terms and Conditions

The Company has filed a request with the CMA for registration and admission of the New Shares, and with the Saudi Stock Exchange (Tadawul) for listing the New Shares. All requirements have been fulfilled in accordance with the Rules on the Offer of Securities And Continuing Obligations and the Listing Rules.

All Eligible Persons (i.e Registered Shareholder, purchasers of the Rights during the Trading Period) and bidding investors shall read the Offering terms and conditions carefully before online subscription or submission of the Subscription Application form through a broker or filling of the Rump Offering form. The submission of the Subscription Application form, or signing and delivery of the Rump offering form shall be deemed an approval and acceptance of the aforementioned offering's terms and conditions.

12-1 The Offering

The Offering is for the increase of the Company's share capital through a rights issue with a total offering value of SAR 145,000,000 divided into (14,500,000) ordinary shares with nominal value of SAR 10 per share, at an offer price of SAR 10 per share.

12-2 How to Apply for Subscription to the Rights (New Shares)

Eligible shareholders wishing to subscribe to the Rights Issue shall submit the Subscription Applications during the Subscription Period through the investment portfolio in the trading platforms used to insert purchase and sale orders in addition to subscribing through other channels available at the broker and shares Custodian. If there is a Rump offering period, Subscription Application Forms can also be submitted during such period by Institutional Investors for any Rump Shares only.

By presenting the Subscription Application form, the Subscriber declares that they will:

- Agree to subscribe for the Company's Shares in the number of such Shares specified in the Subscription Application.
- Declare that he/she has read the Prospectus and understood its content.
- Accept the Company's By-laws and the terms of the Prospectus.
- Not Apply to subscribe to the same shares for this offering through broker, and the Company has the right to reject all applications in the event of a repeat subscription request.
- Accept the number of Shares allocated thereto and all other subscription instructions and terms mentioned in the Subscription Application Form and in this Prospectus.
- Make sure not to cancel or amend the Subscription Application Form after submitting it to the Broker.

12-3 Subscription Application Form

Eligible Persons wishing to exercise their full right and subscribe for all the New Shares to which they are entitled must fill and submit a completed Subscription Application Form through the investment portfolio in the trading platforms used to insert purchase and sale orders in addition to subscribing through other channels available at the broker and shares Custodian.

The number of Shares to which the Eligible Person is entitled to subscribe will be calculated based upon the number of Rights held by him. As for the subscription monies that the subscriber must pay for the New Shares will be calculated by multiplying the number of Rights owned prior to closing of the Subscription Period by SAR 10.

12-4 Trading Period, Offering Period and Rump Offering Period

Eligible Shareholders wishing to subscribe to the Rights shall submit the Subscription Application during the Subscription Period, which begins on Monday 26/10/1442H (corresponding to 07/06/2021G) and ends on Thursday 07/11/1442H (corresponding to 17/06/2021G).

The Extraordinary General Assembly held on Wednesday 21/10/1442H (corresponding to 02/06/2021G), approved the recommendation of the Board of Directors to increase the Company's share capital through Rights Issue. Under this Prospectus, 14,500,000 Ordinary Shares (34% of the Capital before the offering period) will be offered at a nominal value of SAR 10/share, and at an Offer Price of SAR 10/share, with a total value of SAR 145,000,000. New shares will be issued with one share for every one Right.

Rights Subscription is entitled to all Shareholders registered in the Company's register as of the close on the second trading day following the Extraordinary General Assembly Meeting dated Sunday 21/10/1442H (corresponding to 06/06/2021G), and to those Eligible Persons who purchased the offered Rights during the Trading Period in addition to the Registered Shareholders who purchased additional Rights alongside the Rights they already own.

In the event that the Eligible Persons do not exercise their right to subscribe to the New Shares at the end of the Offering Period, the Rump Shares, in addition to Fractional Shares (if any) will be offered to the Institutional Investors during the Rump Offering Period.

The Registered Shareholders may trade in the Rights deposited in their portfolios through the Tadawul system. Such Rights are deemed a right entitled to all Shareholders registered in the Company's register as of the close on the second trading day following the Extraordinary General Assembly Meeting. Each Right grants its holder eligibility to subscribe to one New Share at the Offer Price. The Rights will be deposited after the Extraordinary General Assembly. The Shares will appear in the portfolios of Registered Shareholders under a new symbol that designates Priority Rights.

Rights shares will be offered according to the phases and dates set out below:

- 1- **Eligibility Date:** close of trading on the day of the Extraordinary General Assembly Meeting dated Wednesday 21/10/1442H (corresponding to 02/06/2021G).
- 2- **Trading Period and Offering Period:** The Trading Period and Offering Period start on Monday 26/10/1442H (corresponding to 07/06/2021G), and the Trading Period will end on Monday 04/11/1442H (corresponding to 14/06/2021G), while the Offering Period will continue until the end of Thursday 07/11/1442H (corresponding to 17/06/2021G).
- 3- **The Rump Offering Period:** The period will start at 10:00 am on Tuesday 12/11/1442H (corresponding to 22/06/2021G) until the following day at 5:00 pm on Wednesday 13/11/1442H (corresponding to 23/06/2021G). During this period, Rump Shares will be offered to several institutional investors (referred to as "**Investment Institutions**"). These investment institutions shall make offers to buy the Rump Shares during the Rump Offering Period. The Rump Shares will be allocated to the Investment Institutions in order of priority based on the price per Share offered (provided that it is not less than the Offer Price) with shares being allocated on a proportional bases among those Institutional Investors that tendered offers at the same price. Fractional Shares will be added to the Rump Shares and treated in the same manner. In the event that any Rump Shares are not purchased by the Institutional Investors, such Shares will be allocated to the Underwriters, who will purchase the Shares at the Offer Price
- 4- **Final Allocation of Shares:** Shares will be allocated to each investor based on the number of Rights properly and fully exercised thereby. As for Shareholders entitled to fractional Shares, these shall be accumulated and offered to Institutional Investors during the Rump Offering. The total remaining Offering Price will be paid to the Company, and the remaining proceeds from the sale of the Rump Shares and fractional shares (i.e. above the offering price, if any) shall be paid to the Eligible Persons, no later than Thursday 28/11/1442H (corresponding to 08/07/2021G).
- 5- **Trading of New Shares on the Exchange:** Trading in the New Shares will start on Tadawul upon the completion of all procedures relating to the registration, allocation and listing of the New Shares.

The Company has applied to the CMA for registration, admission and offering of the New Shares, and has also applied to Tadawul for listing the New Shares.

12-5 Allocation and Refund

The Company and the Lead Manager will open an escrow account in which the proceeds of the Offering will be deposited. The Rights shall be allocated to Eligible Persons based on the number of Rights properly and fully exercised by it. As for the fractional Shares, these shall be accumulated and offered to Institutional Investors during the Rump Offering. The total remaining offering price will be paid to the Company, and the remaining proceeds from the sale of the Rump Shares and fractional shares (i.e. above the the offering price, if any) shall be paid to Eligible Persons, whichever is due by the date of Thursday 28/11/1442H (corresponding to 08/07/2021G). Excess unsubscribed Shares shall be purchased by and allocated to the Underwriter at the launch price.

Final notice for the number of Shares allocated to each Eligible Person is expected to take place by depositing the shares into the accounts of Subscribers without any charges or withholdings by the Lead Manager. Eligible Persons shall contact the branch of the Broker where they have submitted the Subscription Application Form to obtain any further information. The announcement regarding the allocation shall be made no later than Sunday 17/11/1442H (corresponding to 27/06/2021G). Cash compensation amounts (if any) will be paid to the Eligible Persons who did not subscribe wholly or partially to the Rights no later than Thursday 28/11/1442H (corresponding to 08/07/2021G).

12-6 Supplementary Prospectus

In accordance with the requirements of the Rules on the Offer of Securities and Continuing Obligations, A supplementary Prospectus must be submitted to CMA if, at any time after the date of the publication of this Prospectus and before the completion of the offering, the Company becomes aware that :

- There has been a significant change in material matters contained in this Prospectus.
- Additional significant matters have become known which would have been required to be included in this Prospectus.

The investor who subscribed for the new shares prior to the publication of the supplementary Prospectus may cancel or amend his subscription for these shares before the end of the offering period.

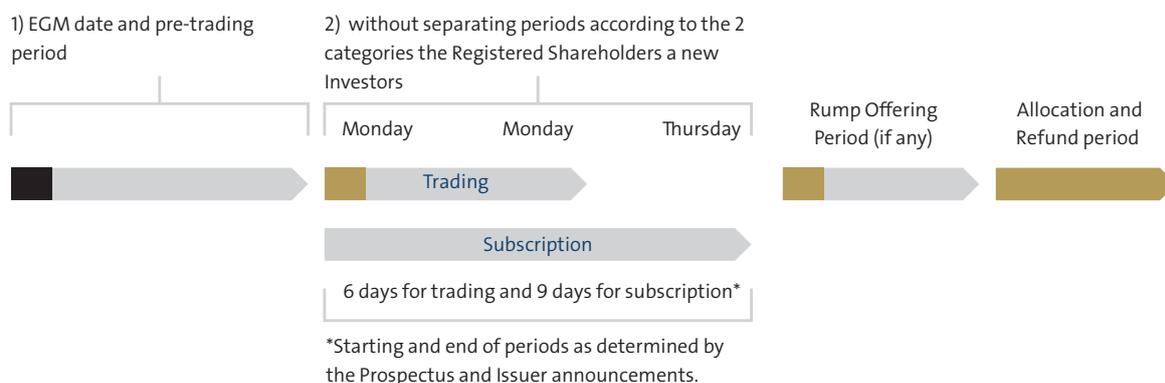
12-7 Suspension or Cancellation of the Offering

The Capital Market Authority may at any time issue a decision to suspend the offering if it deems that the offering may result in a breach of the financial market system, its implementing regulations, or the market rules.

In addition, the offer will be canceled if the Extraordinary General Assembly does not approve any of the details of the offer.

The following figure shows the mechanism for trading and subscribing to the traded right issue.

Figure (3): The mechanism for trading and subscribing to the traded Right



12-8 Questions and Answers on Right Issues

How to Apply

Subscription to Rights issue shares is limited to Eligible Persons, whether they are registered shareholders or new investors. In the event that the Eligible Persons do not exercise their rights, all the unsubscribed Rump Shares shall be offered to Institutional Investors through the Rump Offering Period.

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

The Subscription requests are submitted through the investment portfolio in the trading platforms (through which buy and sell orders are entered) in addition to the possibility of subscribing through any other means provided by the broker to the investors and the custodian of shares. The Company reserves the right to reject any application to subscribe to new shares in whole or in part if it does not fulfill any of the conditions or requirements of the subscription. It is not permissible to amend or withdraw the subscription application after its delivery. The subscription application, upon submission, constitutes a binding contract between the Company and the entitled shareholder.

Questions and Answers on Rights Issue

What is a Rights issue?

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

Who is granted the Rights?

All registered shareholders recorded in the Company's shareholders register at the close of trading on the second trading day following the date of the Extraordinary General Assembly at which the capital increase has been approved.

Who is a Registered Shareholder?

Any shareholder who appears in the Company Shareholder Register at the close of second trading day following the Extraordinary General Assembly at which the capital increase has been approved.

When are the Rights deposited?

After the Extraordinary General Assembly convenes and its approval of the capital increase through the offering of Right issue shares, the Rights issue are deposited as securities in the shareholders' own portfolios in the Company's shareholders' register at the Depository Center at the end of the second trading day after the extraordinary general meeting. The shares will appear in their portfolios under a new symbol for Rights issue. Trading or subscribing to these rights will not be permitted until the beginning of the trading and subscription periods.

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

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

How many Rights issue can be acquired by a registered shareholder?

The number is subject to the rights issue ratio and the number of the current shares held by the registered shareholder as at the close of the second trading day after the date of the Extraordinary General Assembly at which the capital increase has been.

What is the Rights issue ratio?

It is the ratio that enables registered shareholders to know how many Rights he/she is entitled to in relation to the current shares that he/she already owned at the close of the second trading day after the date of the Extraordinary General Assembly meeting at which the capital increase has been approved. This parameter is calculated by dividing the number of new shares by the number of the current shares of the Company, and accordingly, the eligibility factor is (0.337) right approximately for every (1) share owned by the registered shareholder on the eligibility date, and accordingly, if a registered shareholder owns (0.337) shares on the eligibility date, then he will be allocated (337) rights in exchange for the shares he owns.

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

Yes, the acquired rights will be added to the investors' portfolios under the name of the original share and by adding the word Rights issue, in addition to a new symbol for these rights.

What is the right value upon the commencement of trading?

The opening price of the Rights is the difference between the Company's share closing price on the day preceding such Right's Listing, and the Offer Price (indicative Rights value). For example: If the closing price of a share on the preceding day is SAR(40) forty Saudi Riyals and the Offer Price is SAR (10) ten Saudi Riyals, the opening price of the Rights will, at the beginning of trading, be SAR (30) thirty Saudi Riyals (which is the difference between the above mentioned two prices).

Can the registered shareholders subscribe for additional shares?

Yes, the registered shareholders can subscribe for additional shares by purchasing new Rights through the market during the trading period.

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

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

How does the offering take place?

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

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

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

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

Rights will be deposited into the same portfolio where the related shares exist. For example, if a shareholder owns (1,000) (one thousand) shares in the Company, (800) of them in portfolio (A) and (200) in portfolio (B), then the total number of rights to be deposited are (337) (three hundred thirty seven) rights considering that each share (0.337) right. In this case, 270 (two hundred seventy) rights will be deposited in portfolio (A) and 67 (sixty seven) rights will be deposited in portfolio (B).

Are share certificate holders allowed to subscribe and trade?

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

Are additional Rights purchasers entitled to trade them once again?

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

When can a shareholder subscribe for the Rights he/she purchased during the rights trading period?

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

Can the holder of Rights sell or assign the Rights after the end of the trading period?

No, it cannot. After the expiry of the trading period, the Eligible Person may only exercise the right to subscribe to the Right issue shares, or not to exercise. In the event that the Right is not exercised, the investor may be subject to loss or decrease in the value of his/her investment portfolio.

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

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

What happens if the New Shares are subscribed for, and then the Rights have been sold after that?

If a Registered Shareholder subscribes for New Shares, then sells the Rights without purchasing a number of Rights equal to the number of exercised Rights in which he/she subscribed before the end of the trading period, the subscription application will be rejected entirely, if all the Rights have been sold, or partly in an amount equal to the number of sold Rights. The rejected subscription amount will be reported and refunded through the shareholder's broker.

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

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

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

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

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

Yes, as the investor will be registered in the Company's shareholders' register two business days after the date of the shares' purchase (i.e., at the end of the second trading day following the day of the Extraordinary General Assembly meeting), bearing in mind that Right issue will be granted to all shareholders registered in the Company's shareholders' register at the end of trading the second trading day following the date of the Extraordinary General Assembly. However, he will not be entitled to attend or vote in the Extraordinary General Assembly of the capital increase.

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

The investor's share will be distributed among the portfolios that the investor owns, according to the percentage of ownership in each portfolio, and in case there are fractions, those fractions will be collected, and if you complete one or more integer numbers, the correct number is added to the portfolio in which the investor owns the largest amount of rights.

What are the trading and subscription periods?

Trading and subscription of rights begins at the same time until the end of trading on the sixth day, while the subscription continues until the ninth day, according to what is mentioned in this Prospectus and the Company's announcements.

Is it possible to subscribe during the weekend?

No, it is not possible.

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

Yes, after completing the purchase of Rights during the trading period.

Further Assistance:

In the event of any inquiries, please contact the Company via e-mail at (investors@lazarde.com). For legal reasons, the Company will only be able to provide the information contained in this Prospectus and will not be able to advise on the merits of Rights Issue or to provide financial, or Tax, legal or investment advice.

For more information on the terms, conditions and instructions of the offering, please see section (12) “**Shares Information & Offering Terms and Conditions**” and the rest of the information contained in this Prospectus.

12-9 Resolutions and Approvals Under Which the Shares are Offered

The Board of Directors of the Company recommended on 22/04/1442H (corresponding to 07/12/2020G) to increase the Company's current capital from SAR 430,000,000 to SAR 575,000,000 after obtaining the necessary regulatory approvals to increase the Company's Share Capital by issuance Rights at SAR 145,000,000.

On Wednesday 21/10/1442H (corresponding to 02/06/2021G), the Extraordinary General Assembly approved the Board's recommendation, to increase the Company's Share Capital by issuance of 14,500,000 ordinary shares at an offer price of SAR 10/share, and at a nominal value of SAR 10/share, to increase the Company's capital from SAR 430,000,000 to SAR 575,000,000, and to increase the Company's shares from 34,000,000 ordinary share to 57,500,000 ordinary shares.

Tadawul approved the Company demand to list the new shares on 05/07/1442H (corresponding to 17/02/2021G), as well as this Prospectus and all the supporting documents requested by on the day of announcement on the Capital Market Authority website on 25/08/1442H (corresponding to 07/04/2021G).

12-10 Miscellaneous Terms

The subscription application and all related terms, provisions and undertakings shall be binding and for the benefit of their parties, their successors, assigners in their favor, the executors of trusts, administrators of estates and heirs. It is stipulated that, except for what is specifically stipulated in this Prospectus, the application or any rights, interests or obligations arising from it, or delegated to them by any of the parties referred to in this publication, shall not be assigned to it without the consent of any of the parties referred to in this publication.

These instructions, clauses, and any receipt of subscription application forms or contracts arising therefrom shall be subject to the laws of the Kingdom and shall be construed in accordance with them. This Prospectus may be distributed in both Arabic and English, and in the event of a conflict between the Arabic text and the English text, the Arabic text of the Prospectus will be used.

12-11 Statement on any Existing Arrangements to Prevent the Disposal of Certain Shares

There are no arrangements in place to prevent the disposal of any share.

13. Change in the Share Price as a Result of the Capital Increase

The closing price of the Company's share on the day of the Extraordinary General Assembly is SAR (24.36); it is expected to reach SAR (20.74) in the opening session the next day. The change represents a decrease of (14.86%).

If any of the shareholders registered in the Company's shareholders register does not subscribe to the Depository Center at the end of the second trading day following the date of the extraordinary general assembly, their ownership percentage in the Company will decrease.

The method of calculating the Share Price as a result of the capital increase is:

First: Calculation of the market value of the Company at the close of trading on the day of the Extraordinary General Assembly:

Number of shares at the end of the day of the Extraordinary General Assembly × the closing price for the Company's share on the day of the Extraordinary General Assembly = market value of the Company at the close of trade on the day of the Extraordinary General Assembly.

Second: Calculation of the Share Price in the opening session on the day following the day of the Extraordinary General Assembly:

(the market value of the Company at the close of the day of the Extraordinary General Assembly + the value of the offered shares) / (the number of shares at the end of the day of the Extraordinary General Assembly + the number of New Shares offered in the Offering) = share price reset for the opening session on the day following the day of the Extraordinary General Assembly.

14. Underwriting undertakings

14-1 Brief on the Rights Issue Application and the Underwriting Undertakings

It is possible to subscribe using the trading platforms or through any other means provided by the broker to the investors. The new shares will be subscribed to in one stage, according to the following:

- During this period, all registered shareholders and new investors will be able to subscribe to the new shares.
- The registered shareholder will be allowed to subscribe directly with the number of his shares or less than the number of his shares during the subscription period. If he buys new rights, he will be able to subscribe for them after the end of the settlement period (two working days).
- New investors will be able to subscribe to the new shares immediately after the rights purchase is settled (two working days).
- Subscription will be made available electronically through the investment portfolio in trading platforms and applications through which buy and sell orders are entered in addition to subscribing to the channels and other means available to the broker.

Each of the priority rights gives its holder the right to subscribe to one new share, at the offering price. The subscriber to the new shares declares the following:

- His acceptance of all the terms and conditions for the subscription set forth in this Prospectus;
- That he has read this Prospectus and all its contents, carefully studied it, and understood its content;
- His acceptance of the Company's basic system
- An undertaking not to cancel or amend the subscription application after its implementation.

14-2 Allocation Processes

The Rights shall be allocated to Eligible Persons based on the number of Rights they have exercised in a complete and correct manner. As for the fractions of shares, such fractions will be summed and offered to investment institutions during the Rump Offering period. The total price of the Rump Shares will be paid to the Company. The rest of the proceeds from the sale of the Rump Shares and fractions of shares (exceeding the Offering Price) shall be distributed to the Eligible Persons not later than Thursday 28/11/1442H (corresponding to 08/07/2021G). If shares remain unsubscribed for, then the Undertakers will purchase the Rump Shares and they will be allocated to them, within any compensation to the investors who did not subscribe or sell their rights, as well as to the possessors of the fractions of shares during the Rump Offering period.

Eligible Persons must contact the branch of the agent through which the application was submitted for additional information. The results of the allocation will be announced no later than Sunday 17/11/1442H (corresponding to 27/06/2021G).

14-3 Saudi Stock Exchange (Tadawul)

Tadawul system was established in 2001G as an alternative system for the electronic securities information system. The electronic stock trading started in the KSA in 1990G. The trading process is carried out through an integrated electronic system from the execution of the transaction to the settlement. Trading is conducted on each business day at one go from 10 a.m. until 3:00 p.m., from Sunday to Thursday of each week, during which orders are executed. Beyond such times, orders are permitted to be inserted, amended, and cancelled from 9:30 a.m. until 10 a.m. Outside these times, orders can be entered, modified, and canceled from 9:30 a.m. to 10 a.m.

Transactions are conducted through an Automatically matching of orders. Each valid order shall be executed according to the price level. In general, market orders (orders made based on the best price) will be executed first, followed by the fixed price orders (orders made based on a fixed price), taking into consideration cases in which multiple orders are made for the same price and shall be executed first based on the time of entry.

The Tadawul system distributes a comprehensive range of information through different channels, most notably the Tadawul website on the Internet, which provides up-to-date market information for information providers such as Reuters. Transactions are Automatically settled within two business days (T + 2).

The Company must disclose all decisions, and important information through Tadawul, which is responsible for monitoring the market in its capacity as the operator of the mechanism through which the market works in order to ensure the fairness and easy flow of share exchange.

14-4 Trading of the Company Shares on the Saudi Stock Exchange

An Application has been submitted to the CMA to register and list the Rights in the Saudi Stock Exchange. This Prospectus has been approved and all requirements have been met.

Registration and the commencement of trading in the Rights in the Saudi Stock Exchange are expected after the final allocation of the Offering Shares is completed and will be announced on Tadawul website. The dates mentioned in this Prospectus are tentative, and may be changed with the approval of the Capital Market Authority.

Although the existing shares are listed on the Saudi Stock Exchange and the Company's Shares are listed on Tadawul, the new shares can only be traded after the final allotment of shares has been made and deposited in the subscribers' portfolios. Trading in the new shares is strictly prohibited before the allocation is approved.

Subscribers and bidders in the Rump Offering who engage in prohibited trading activities shall bear full liability for them, and the Company shall not be liable in such a case.

15. Documents Available for Inspection

The following documents will be available for inspection at the Head Office of the Company in Riyadh, second industrial city, Al-Kharj Road, exit 15, Street 198, Banks's area, in front of Al-Rajhi Bank, during the official working hours, between 8:00 a.m. and 4:00 p.m., from Sunday to Thursday, starting from the first working day, after the announcement for an Extraordinary General Assembly. Therefore, this period must be 14 days before the Offering Period and throughout the Offering Period. These documents will be available until the end of the Offering:

- 1- The By-laws and amendments thereto of the Company;
- 2- Commercial Registration certificate of the Company;
- 3- A copy of the Capital Market Authority approval of the Company's Share Capital increase through Rights Issue Offering;
- 4- Saudi Stock Exchange Company (Tadawul) approval to list priority rights shares;
- 5- Recommendation of the Board of Directors regarding capital increase;
- 6- Letters of consent from each of: The Financial Advisor, Lead Manager, Underwriter, Legal advisors, and auditors to use their names and logos and reports in the Prospectus;
- 7- Underwriting Agreement and Lead Manager Agreement.
- 8- Feasibility Study (in English language) prepared by the Company's management.



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