

# Rights Issue Prospectus

## Naseej International Trading Company

Naseej International Trading Company is a Saudi joint stock Company incorporated pursuant to Royal Decree ("RD") No. (523) dated 21/12/1428H (corresponding to 31/12/2007G) and the Commercial Registration Certificate ("CR") No (4030133919) issued in Jeddah and dated 05/03/1422H (corresponding to 28/05/2001G).

Offering of (15,000,000) fifteen million ordinary shares with an offer price of SAR (10) ten Saudi Riyals per share ("Offer Price") by issuing Rights Shares with a total value of SAR (150,000,000) one hundred fifty million Saudi riyals (the "Offering") representing an increase of approximately (243.4%) so that the Company's capital will be SAR (211,632,010).

Trading period: Starts from Tuesday date 04/04/1443H (corresponding to 09/11/2021G), to Tuesday date 11/04/1443H (Corresponding to 16/11/2021G).

Subscription period: Starts from Tuesday date 04/04/1443H (corresponding to 09/11/2021G), to Sunday date 16/04/1443H (Corresponding to 21/11/2021G).



Naseej International Trading Company ("Naseej" or the "Company") is a Saudi Joint Stock Company ("JSC"), established initially as a Limited Liability Company ("LLC") and registered in the Commercial Register in Jeddah under Certificate No. (4030133919) dated 05/03/1422H (corresponding to 05/28/2001G) under the trade name "Al Sorayai Carpet Factory Company". On 11/11/1427H (corresponding to 02/12/2006G), both companies "Abdullah and Nasser Abdul Aziz Al Sorayai - a general partnership company" and "Jeddah Industrial Yarn Factory Company Ltd." were merged into "Al Sorayai Carpet Factory Company". This merger resulted in the amendment of the trade name of the Company to become "Al Sorayai Trading and Industrial Group Co., Ltd.". The partners also decided to convert the company from a LLC to a closed JSC while retaining the same trade name without the phrase "Ltd." so that the company's trade name becomes "Al Sorayai Trading and Industrial Group Company". The approval of His Excellency the Minister of Commerce to convert was issued according to Ministerial Resolution No. (276 / S) dated 01/11/1428H (corresponding to 11/11/2007G) and the Ministerial Resolution No. 523 / Q Date of 21/12/1428H (corresponding to 31/12/2007G) announcing the conversion of the Company and it was registered as a closed JSC while keeping the same number and date of the Commercial Registration Certificate (4030133919) issued from the city of Jeddah. On 22/02/2010G, the company was converted from a Saudi closed JSC to a Saudi public JSC and its shares were listed on the Saudi Stock Exchange (the main market). The trade name of the company was changed from the "Al Sorayai Trading and Industrial Group Company" to "Naseej International Trading Company", after the approval of the Extraordinary General Assembly ("EGA") on 03/09/1441H (corresponding to 26/04/2020G).

The Company's current capital is SAR (61,632,010) sixty-one million six hundred thirty-two thousand and ten Saudi Riyals divided into (6,163,201) six million one hundred sixty-three thousand two hundred and one ordinary share ("Shares") with a fully paid nominal value of SAR ten (10) Saudi Riyals per share (referred to individually as "Current Share" and collectively as "Current Shares"). As of the date of publishing this Prospectus, there are no major shareholders (i.e. who own 5% or more of the company's shares) in the Company. On 11/02/1442H (corresponding to 28/09/2020G), the Company's Board of Directors recommended the increase of capital through the issue of SAR (150,000,000) one hundred and fifty million Saudi Riyals to finance working capital for the purchase of raw materials and finished products, manufacture and settlement of term loans with commercial banks and implementation of a monitoring system efficiency of production, adding a production line for making carpet backgrounds and a carpet production line with digital printing, and starting the unified operational footprint project and the central distribution center project.

On the day of Thursday 29/03/1443H (corresponding to 04/11/2021G), the EGA approved the increase of the Company's capital by issuing Rights shares (the "Subscription"). Subscription consists in offering (15,000,000) fifteen million new ordinary shares ("Rights Shares" or "New Shares") at an offer price of SAR (10) ten Saudi Riyals per share (the "Offering Price"), with a nominal value of SAR (10) ten Saudi Riyals in order to increase the Company's capital from (61,632,010) sixty-one million six hundred thirty-two thousand and ten Saudi Riyals divided into (6,163,201) six million one hundred sixty-three thousand two hundred and one ordinary shares to (211,632,010) two hundred and eleven million six hundred thirty-two thousand and ten Saudi Riyals divided into (21,163,201) twenty-one million one hundred sixty-three thousand two hundred and one ordinary shares.

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 meeting that includes approval of the capital increase on the day Thursday 29/03/1443H (corresponding to 04/11/2021G) (referred collectively as the "Registered Shareholders" and each a "Registered Shareholder") in the amount of (2,434) Right(s) for every (1) Current Share(s) held on such date, with such Rights being deposited into the portfolios of Registered within two days of the Eligibility Date in the ratio of (2,434) Rights per (1) each Company's shares owned by shareholder at that date. Each Right grants its holder the right to subscribe for one (1) New Share at the Offering 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 the subscription period start on Tuesday 04/04/1443H (corresponding to 09/11/2021G), while the trading period ends on the day Tuesday 11/04/1443H (corresponding to 16/11/2021G) ("Trading Period"), the subscription period ends on the day Sunday 16/04/1443H (corresponding to 21/11/2021G) ("Subscription Period"). It should be noted that the Trading Period and the 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 the 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 Wednesday 19/04/1443H (corresponding to 24/11/2021G) to 5:00 pm on Thursday 20/04/1443H (corresponding to 25/11/2021G) (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 Sunday 22/05/1443H (corresponding to 26/12/2021G). 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 and the Offering Terms & Conditions"). The Company's capital will be SAR (211,632,010) two hundred and eleven million six hundred thirty-two thousand and ten Saudi riyals divided into (21,163,201) twenty-one million, one hundred and sixty-three thousand two hundred and one ordinary share. The net proceeds of the offering will be used to finance working capital for the purchase of raw materials and finished products, settling future loans with commercial banks, implementing a production efficiency control system, adding a production line for the processing of carpet backgrounds and a rug production line with digital printing, starting a unified operational footprint project and a project Central distribution center. (Please refer to Section (6) "Use of Offering Proceeds").

The Company has 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 08/03/1431H (corresponding to 22/02/2010G), the Company listed (30,000,000) thirty million ordinary shares (with a nominal value of SAR (10) per share) after obtaining the approval of the Capital Market Authority of Saudi Arabia ("CMA") and the Saudi Stock Exchange ("Tadawul"). The company increased its capital from (300,000,000) three hundred million Saudi Riyals divided into (30,000,000) thirty million ordinary shares to (375,000,000) three hundred seventy-five million Saudi Riyals divided into (37,500,000) thirty-seven million five hundred thousand ordinary shares by capitalizing the retained profits through the issuance of one share for every four shares owned by shareholders. The company also reduced its capital on 10/04/1439 H (corresponding to 28/12/2017 G) from (375,000,000) three hundred seventy-five million Saudi riyals to (225,000,000) two hundred and twenty-five million Saudi Riyals, thus reducing the number of company shares from (37,500,000) Thirty-seven million five hundred thousand shares to (22,500,000) twenty-two million five hundred thousand shares by canceling (15,000,000) fifteen million shares with a capital reduction of (40%), and at a rate of reduction of two (2) shares for every five (5) shares, and the company has also reduced its capital Second time on 27/12/1440H (corresponding to 08/28/2019G) from (225,000,000) two hundred twenty-five million Saudi Riyals to (65,500,000) sixty five million five hundred thousand Saudi riyals, thus reducing the number of company shares from (22,500,000) twenty-two million five hundred thousand shares to (6,550,000) six million five hundred and fifty thousand shares by canceling (15,950,000) fifteen million nine hundred and fifty thousand shares, with a reduction in the capital of approximately (70.89%), and at a reduction rate of (3.54) shares approximately for every (5) shares. The company also increased its capital on 27/05/1441H (corresponding to 22/01/2020G) from (65,500,000) sixty-five million five hundred thousand riyals to (178,160,000) one hundred seventy-eight million one hundred and sixty thousand riyals by issuing rights shares at a value of (112,660,000) One hundred and twelve million six hundred and sixty thousand Saudi riyals at a rate of issuance of (1.72) rights for each (1) share. And the company reduced its capital on 05/05/1442H (corresponding to 20/12/2020G) from (178,160,000) one hundred seventy-eight million one hundred and sixty thousand Saudi Riyals to (61,632,010) sixty one million six hundred thirty-two thousand and ten Saudi Riyals, consequently, reducing the number of the company's shares from (17,816,000) seventeen million eight hundred and sixteen thousand shares to (6,163,201) six million one hundred and sixty-three thousand two hundred and one shares by canceling (11,652,799) eleven million six hundred and fifty-two thousand seven hundred and ninety-nine shares, with a reduction in the capital, its amount is approximately (65.4%), and at a rate of reduction of approximately (1) share for every (1,529) shares, after obtaining all the required approvals by law and the extraordinary general assembly.

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 (xvi) "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



مجموعة النفيعي للاستثمار  
Al-Nefae Investment Group

Underwriters



The offering of priority rights shares under this prospectus depends on the shareholders' approval of the capital increase in accordance with the recommendation of the Board of Directors and the company's obtaining of the regulatory approvals. A call for the extraordinary general assembly of the company has been published to approve the issue of priority rights shares on Wednesday 07/03/1443H (corresponding to 13/10/2021G), and the shareholders should know that if the shareholders' consent is not obtained for the offering of the rights issue shares, the issue of these rights will automatically stop, and at that time this prospectus will be considered void and shareholders will be notified of the same.

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.

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 05/02/1443 H (corresponding to 12/09/2021G).



NASEEJ ALWAYS  
BRINGS US TOGETHER.

## Important Notice

This Prospectus contains detailed information on Naseej International Trading Company 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.al-sorayai.com/en](http://www.al-sorayai.com/en)) the website of Financial Adviser ([www.wasatah.com.sa](http://www.wasatah.com.sa)) and the CMA website ([www.cma.org.sa](http://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 "**Wasatah Capital Company**" as a financial advisor (referred to as "**Financial Advisor**") and underwriter (the "**Underwriter**"), and Alnefaie Investment Group Company" as lead manager ("**Lead Manager**") 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 pages (v) and (vi) 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 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 Tuesday 04/04/1443H (corresponding to 09/11/2021G), and the trading period ends on Tuesday 11/04/1443H (corresponding to 16/11/2021G) (the "**Trading Period**"), while the subscription period continues until the end of the day Sunday 16/04/1443H (corresponding to 21/11/2021G) (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 will continue until the sixth day of the beginning of the period, while the subscription period will continue until the end of the ninth day from the beginning of the same 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).

- 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.

The trading and subscription period for Registered Shareholders and General Institutional and Individual Investors will be as follows:

- Trading during the period from Tuesday 04/04/1443H (corresponding to 09/11/2021G) to Tuesday 11/04/1443H (corresponding to 16/11/2021G) and;
- The Subscription during the period from Tuesday 04/04/1443H (corresponding to 09/11/2021G) to Sunday 16/04/1443H (corresponding to 21/11/2021G).

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 AM on Wednesday 19/04/1443H (corresponding to 24/11/2021G) until 5 PM on Thursday 20/04/1443H (corresponding to 25/11/2021G) (“**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 Sunday 22/05/1443H (corresponding to 26/12/2021G).

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 and the Offering Terms & Conditions**”). The final allocation for the new shares will be announced no later than Monday 24/04/1443H (corresponding to 29/11/2021G) (the “**Allocation Date**”) (see Section 12 “**Shares Information and the Offering Terms & 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 Thursday 29/03/1443H (corresponding to 04/11/2021G). 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, 2018G, 2019G and 2020G, and the interim unaudited consolidated financial statements for the financial period ended March 31, 2021G, and notes thereto, have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements for the last three years ended 31 December 2018G, 31 December 2019G have been audited by PKF Al Bassam & Co Auditing Company. As for 31 December 2020G and the period of the year ended March 31, 2021G, the review was carried out by El-Sayed El-Ayouty & Co (Certified Public Accountants). The Company issues its financial statements in Saudi Riyals.

## 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)

Name	Position	Membership Status	Appointment date**	Nationality	Age	Owned Shares				Total
						Direct		Indirect*		
						Number	Percentage	Number	Percentage	
Wael Bin Saad Abdulaziz Al-Rashed	Chairman of the Board	Non-executive Independent	16/07/2021G	Saudi	51	10	0.000162%	-	-	10
Ahmad Seraj AbdulRahman Khoufir	Vice Chairman of the Board	Independent	16/07/2021G	Saudi	54	50	0.000811%	-	-	50
Mansour Bin Saleh Al-Hamad Al-Kharbush	Board Member	Independent	16/07/2021G	Saudi	65	60	0.000974%	-	-	60
Nassr Saleh Al Sorei	Board Member	Non-executive	16/07/2021G	Saudi	35	0	-	-	-	0
Abdullah Ali Al Dbeighi	Board Member	Independent	16/07/2021G	Saudi	61	100	0.001623	-	-	100
Rashid Suleiman Al Rashid	Board Member	Independent	16/07/2021G	Saudi	46	10	0.000162%	-	-	10
Abdullah Yehia Ftehi	Board Member	Executive	16/07/2021G	Saudi	45	0	-	-	-	0

Source: The Company.

\* On 16/07/2021G the Board of Directors has been elected for a three years term.

#### Company Address

##### Textile International Trading Company

P.O. Box 1563 Jeddah 21441  
The Fourth Industrial Zone  
Phone: +966 12 6222608  
Fax: +966 12 6823930  
Website: [www.al-sorayai.com/en](http://www.al-sorayai.com/en)  
Email: [info@al-sorayai.com.sa](mailto:info@al-sorayai.com.sa)



#### First Authorized Company Representative

##### Essam Abdel-Latif Abdel-Bari AlMojalid

(Member of the Board of Directors)  
P.O. Box 40740, Jeddah 21511  
The Fourth Industrial Zone.  
Phone: +966 12 6055550 ext 666  
Fax: +966 12 6588916  
Website: [www.al-sorayai.com/en](http://www.al-sorayai.com/en)  
Email: [ealmojalid@al-sorayai.com](mailto:ealmojalid@al-sorayai.com)

#### Second Authorized Company Representative

##### Mahmoud Abdullah Shams El Din

(Director General of Internal Audit)  
P.O. Box 1563 Jeddah 21441  
The Fourth Industrial Zone  
Phone: +966 12 6369900 Ext. 264  
Fax: +966 12 6373921  
Website: [www.al-sorayai.com/en](http://www.al-sorayai.com/en)  
Email: [mshamseldeem@al-sorayai.com](mailto:mshamseldeem@al-sorayai.com)

#### Saudi Stock Exchange

##### Saudi Stock Exchange (Tadawul)

King Fahd Road - Olaya 6897  
Unit 15  
P.O. Box 60612, Riyadh 11555  
Saudi Arabia  
Phone: +966 11 2181200  
Fax: +966 11 2181260  
Website: [www.tadawul.com.sa](http://www.tadawul.com.sa)  
Email: [info@tadawul.com.sa](mailto:info@tadawul.com.sa)



## Advisors

### FINANCIAL ADVISOR

#### AlWasatah AlMaliah Company (Wasatah Capital)

Riyadh - Olaya Main Street  
P.O. Box 50315 Riyadh 11523  
Saudi Arabia  
Phone: +966 11 4944067  
Fax: +966 11 4944205  
Website: www.wasatah.com.sa  
Email: info@wasatah.com.sa



### LEAD MANAGER

#### Al-Nefae Investment Group Company

Tahlia Street – Bin Hamran Center - Jeddah  
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Saudi Arabia  
Phone: +966 12 6655071  
Fax: +966 12 6655723  
Website: www.nefaie.com.sa  
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مجموعة النفيعي للاستثمار  
Al-Nefae Investment Group

### UNDERWRITER

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Note: All of the aforementioned Advisors 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 Advisors nor any of their employees or relatives hold any shares or any interest of any kind in the Company.

External Auditor for the Years 2017G, 2018G, and 2019G

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External Auditor for the year 2020G and the Period Ended March 31, 2021G

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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:

The Company or Naseej	Naseej International Trading Company ("Naseej" or "The Company") is a Saudi joint stock company, initially established as a limited liability company and registered in the commercial registry in Jeddah under Certificate No. (4030133919) dated 05/03/1422H (corresponding to 28/05/2001G) And under the trade name "Al-Sorayai Carpet Factory Company". On 11/11/1427H (corresponding to 02/12/2006G), "Abdullah and Nasser Abdul Aziz Al Sorayai Joint Stock Company" and "Jeddah Factory for Industrial Threads Company Ltd." were merged into the Al Sorayai Carpet Factory Company. This merger resulted in the amendment of the company's name to become "Al Sorayai Trading and Industrial Group Co., Ltd." The partners also decided to convert the company from a limited liability company to a closed joint stock company while retaining the same trade name without the phrase "Ltd." so that the company's trade name becomes "Al Sorayai Trading and Industrial Group Company". The approval of His Excellency the Minister of Trade and Investment to convert was issued according to Ministerial Resolution No. (276 / S) dated 01/11/1428H (corresponding to 11/11/2007G) and Ministerial Decision announcing the establishment of the company No. 523 / s dated 21/12/1428H (corresponding to 31 / 12/2007G), and it was registered as a closed joint stock company while keeping the same number and date of the CR (4030133919) issued from the city of Jeddah. On 22/02/2010G, the company was transformed from a closed joint stock into a public joint stock company, and its shares were listed on the Saudi Stock Exchange (the main market). The name of the company was changed from the Al-Saraie Trading and Industrial Group Company to the Naseej International Trading Company, after the approval of the Extraordinary General Assembly on 03/09/1441H (corresponding to 26/04/2020G). During the month of April in 2018G the headquarters of the company was moved in the city of Jeddah from 60th Street (Al-Faisaliah District) to the Fourth industrial zone. The current capital of the company is (61,632,010) sixty one million six hundred thirty-two thousand and ten Saudi riyals divided into (6,163,201) six million one hundred sixty three thousand two hundred and one ordinary share with a nominal value of ten (10) riyals per share, paid in full.
Issuer's Business Activities	The main purposes of the company, according to the certificate of the commercial registry, are summarized in the wholesale and retail sale of home furniture, furniture, carpets, rugs, ready-made curtains and mosquito nets.
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.
Public	In the Rules on the Offer of Securities and Continuing Obligations, it designates the persons not mentioned below: <ol style="list-style-type: none"> <li>1- The Issuer's subsidiaries</li> <li>2- Major contributors to the source.</li> <li>3- Board Members and Senior Executives of the issuer.</li> <li>4- Board Members and Senior Executives affiliated with the source.</li> <li>5- Board Members and Senior Executives of the major shareholders of the source.</li> <li>6- Any relatives of the persons referred to in (1, 2, 3, 4 or 5) above.</li> <li>7- Any company controlled by any of the persons referred to in (1, 2, 3, 4, 5, or 6) above. or</li> <li>8- Persons who act in agreement together and collectively own (5%) or more of the class of shares to be listed.</li> </ol>
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 finance a working capital in order to buy raw materials and finished products, settle term loans with commercial banks, implement a production efficiency control system, add a production line to process carpet wallpapers, backgrounds a carpet production line with digital printing, and start off the unified operational footprint project and the central distribution center project.
Issuer's Total Number of Shares Before Offering	Six million one hundred sixty-three thousand two hundred and one (6,163,201) fully paid ordinary shares.
Nominal Value of Share	SAR (10) Ten Saudi Riyals per share.
Issuer's Capital Before Offering	SAR (61,632,010) Sixty one million six hundred thirty-two thousand and ten Saudi Riyals.
Total Number of Offered Shares	(15,000,000) Fifteen million fully paid ordinary shares.
Offering Price	SAR (10) Ten Saudi Riyals per share.
Total value of Offering	SAR (150,000,000) One hundred fifty million Saudi Riyals.
Adjusted Price	The Company's share price has been in the Stock Exchange to SAR 38.85 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 70.15 per share.

Registered Shareholders	A shareholder listed in the Company's register as at the close of the trading on the day of the Extraordinary General Assembly at which the capital increase has been approved and are registered in the Company's register with the depository center at the close of the second trading day following the convening of the (Extraordinary) General Assembly for the capital increase.																		
New Investors	In general, individual and institutional investors - except for registered shareholders - who purchased Right issue during the trading period.																		
Types of Targeted Investors	Registered Shareholders and New Investors.																		
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.																		
New Shares	Fifteen million (15,000,000) ordinary shares which will be issued as a result of the capital increase.																		
Eligibility Factor	Gives each registered shareholder (2,434) a right approximately for every (1) one share he owns, and this factor is the result of dividing the number of new shares by the number of the current shares of the company.																		
Number of Rights Issue	Fifteen million (15,000,000) rights.																		
Number of Underwritten Shares	(15,000,000) Fifteen million ordinary shares.																		
Total Underwritten Sum	SAR (150,000,000) One hundred and fifty million Saudi Riyals.																		
Total Number of Offered Shares After Capital Increase	Twenty one million one hundred and sixty-three thousand two hundred and one (21,163,201) ordinary shares.																		
Company's Capital After Capital Increase	SAR (211,632,010) Two hundred and eleven million six hundred thirty-two thousand and ten Saudi Riyals.																		
Percentage of Offered Shares to the Capital	Approximately (243.4%).																		
Total Proceeds Expected to Be Raised and a Detailed Breakdown and Description of the Proposed Use of the Proceeds	<p>It is expected that the total proceeds of the subscription for the rights issue will reach one hundred and fifty million (150,000,000) SAR. The net subscription proceeds will be used after deducting all the costs of the offering to finance working capital to purchase raw materials and finished products, settle term loans with commercial banks, expand thread extrusion lines, and upgrade the carpet and carpet rolls collection station. For further information, please see sub-section 6.2 "Use of Proceeds".</p> <p>The following table shows the uses of the net offering proceeds:</p> <table border="1"> <thead> <tr> <th>Use of Proceeds</th> <th>Amount (SAR)</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Payment of long-term credit facilities to Commercial Banks</td> <td>86,700,000</td> <td>60.8%</td> </tr> <tr> <td>Working capital (raw materials for yarn products, carpets, purchase of finished products for the commercial sector</td> <td>45,800,000</td> <td>32.1%</td> </tr> <tr> <td>Expansion of thread extrusion lines</td> <td>8,000,000</td> <td>5.6%</td> </tr> <tr> <td>Upgrade of carpet and carpet roll collection station</td> <td>2,000,000</td> <td>1.5%</td> </tr> <tr> <td>Total</td> <td>142,500,000</td> <td>100%</td> </tr> </tbody> </table> <p>For more information, please see section (6) "Using the Proceeds of the Offering and Future Projects".</p>	Use of Proceeds	Amount (SAR)	Percentage	Payment of long-term credit facilities to Commercial Banks	86,700,000	60.8%	Working capital (raw materials for yarn products, carpets, purchase of finished products for the commercial sector	45,800,000	32.1%	Expansion of thread extrusion lines	8,000,000	5.6%	Upgrade of carpet and carpet roll collection station	2,000,000	1.5%	Total	142,500,000	100%
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Total	142,500,000	100%																	
Offering costs	The costs of the offering are expected to amount to about SAR (7,500,000) seven million five hundred thousand Saudi Riyals. This amount is estimated. Please see section (6.2) "Using the Proceeds of the Offering and Future Projects".																		
Net Proceeds of the Offering After Deduction of the Offering Costs	It is expected that the net proceeds of the offering will reach about SAR (142,500,000) one hundred and forty-two million five hundred thousand Saudi Riyals, after deducting all the costs of the offering, which amount to SAR (7,500,000) seven million five hundred thousand million Saudi Riyals, noting that this amount is estimated. For more information, please refer to the section (6.2) "Using the Proceeds of the Offering and Future Projects".																		
Usage of Subscription Proceeds	The company will use the net offering proceeds to finance working capital in order to purchase raw materials and finished products, settle future loans with commercial banks, implement a production efficiency control system, add a production line to prepare carpet backgrounds and a carpet production line by digital printing, and start a unified operational footprint project. Central Distribution Center Project. Please see Section (6) "Using Subtraction Proceeds".																		
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 Thursday 29/03/1443H (corresponding to 04/11/2021G).																		

Trading Period	The trading period starts on Tuesday 04/04/1443H (corresponding to 09/11/2021G) and continues until the end of Tuesday 11/04/1443H (corresponding to 16/11/2021G). 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 Tuesday 04/04/1443H (corresponding to 09/11/2021G) and continues until the end of day Sunday 16/04/1443H (corresponding to 21/11/2021G). 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.
Rump Shares	The remaining unsubscribed shares during the subscription period.
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 Wednesday 19/04/1443H (corresponding to 24/11/2021G) until five o'clock in the evening. From the day of Thursday 20/04/1443H (corresponding to 25/11/2021G) (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.
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 Sunday 22/05/1443H (corresponding to 26/12/2021G), 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.
Listing and Trading in Offer Shares	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 Rights 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.
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 Rights Issue	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:  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.  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.
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.
Date of Allocation	Shares will be allocated no later than Monday 24/04/1443H (corresponding to 29/11/2021G).
Shares Allocation	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. 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) " <b>Terms, Conditions and Subscription Instructions</b> ").
Trading of New Shares	Trading of new shares in Tadawul begins after completing all procedures related to registering, allocating and listing the new shares.
Legibility for Profits	Owners of the new shares will be entitled to any dividends the Company announces after the date it is issued.

<b>Rights of Voting</b>	All shares of the Company are of one class, and no share gives its holder preferential rights. The new shares will be fully valued and equal to the existing shares. Each share gives its holder the right to one vote, and every shareholder in the Company has the right to attend the meeting of the general assembly of shareholders (whether ordinary or extraordinary) and vote in it.
<b>Limitations of Shares Trading</b>	There are no restrictions imposed on trading the Company's shares, except for regulatory restrictions imposed on publicly listed shares.
<b>Previously listed Shares</b>	<p>The entire shares of the Company were enlisted on the Saudi Stock Exchange on 08/03/1431H (corresponding to 22/02/2010G) with thirty million (30,000,000) ordinary shares, with a nominal value of ten (10) SAR per share. Later on, the Company increased its capital on 05/20/1434H (corresponding to 04/01/2013G) from (300,000,000) three hundred million Saudi Riyals to (375,000,000) three hundred seventy-five million Saudi Riyals by capitalizing the retained profits by issuing one share for every four Shares owned by shareholders. Also, on 10/04/1439H (corresponding to 28/12/2017G), the company reduced its capital from (375,000,000) three hundred seventy five million Saudi Riyals to (225,000,000) two hundred and twenty five million Saudi Riyals, thus reducing the number of the Company shares from (37,500,000) thirty-seven million five hundred thousand shares to (22,500,000) twenty-two million five hundred thousand shares by canceling (15,000,000) fifteen million shares, with a reduction in the capital of (40%), at a rate of reduction of two (2) shares for every five (5) shares. The capital was also reduced from (225,000,000) two hundred twenty five million Saudi Riyals to (65,500,000) sixty five million five hundred thousand Saudi Riyals, thus reducing the number of the Company's shares from (22,500,000) twenty-two million five hundred thousand shares to (6,550,000) six million five hundred and fifty-one thousand shares by canceling (15,950,000) fifteen million nine hundred and fifty thousand shares, with a reduction in the capital of approximately (70.89%), and at a rate of reduction equal to (3.54) shares for every (5) shares, after obtaining the approval of the CMA, the Saudi Stock Exchange Tadawul and the (Extraordinary) General Assembly held on Wednesday 27/12/1440H (corresponding to 28/08/2019G). The company also increased its capital on 27/05/1441H (corresponding to 22/01/2020G) from (65,500,000) sixty-five million five hundred thousand Saudi Riyals to (178,160,000) one hundred seventy-eight million one hundred and sixty thousand Saudi Riyals by issuing rights shares at a value of (112,660,000) one hundred and twelve million six hundred and sixty thousand Saudi Riyals at an issuance rate of (1.72) rights for each (1) share.</p> <p>The company then reduced its capital again on 05/05/1442H (corresponding to 12/20/2020G) from (178,160,000) one hundred seventy-eight million one hundred and sixty thousand Saudi Riyals to (61,632,010) sixty-one million six hundred thirty-two thousand and ten Saudi Riyals, thus reducing the number of the Company's shares from (17,816,000) seventeen million eight hundred and sixteen thousand shares to (6,163,201) six million one hundred sixty-three thousand two hundred and one shares, by canceling (11,652,799) eleven million six hundred and fifty-two thousand seven hundred and ninety-nine shares and reducing the capital of approximately (65.4%), and at a rate of reduction of approximately (1) for every (1,529) shares, after obtaining the approval of the CMA, the Saudi Stock Exchange Tadawul and the (Extraordinary) General Assembly.</p>
<b>Risks Factors</b>	<p>Investing in involves certain risks which can be classified into:</p> <ol style="list-style-type: none"> <li>1- Risks related to the Company's business</li> <li>2- Risks associated with the market and the sector</li> <li>3- Risks related to the new shares.</li> </ol> <p>These risks are described in Section (2) "Risk Factors" of this Prospectus, and they must be carefully studied before making any investment decision in the Rights Issue.</p>
<b>Terms of Subscription for New Shares</b>	Eligible persons willing to subscribe for new shares shall fulfill the related subscription conditions. For more information, see Section (12) "Offering Terms, Conditions and Instructions".

In the year 2020G, the Company was granted the approval of the Extraordinary General Assembly on 27/05/1441H (corresponding to 22/01/2020G) to increase the Company's capital so as to support its strategic direction and raise its financial solvency by restructuring and implementing a business plan that focuses on its main activities. Pursuant to the Rights Offering, the Company obtained an amount of (112,660,000) one hundred and twelve million six hundred and sixty thousand Saudi Riyals from the shareholders after issuing (11,266,000) eleven million two hundred and sixty-six thousand shares of Rights at an offer price of 10 riyals per share as a nominal value. The following table shows a summary of the Rights Issue for the year 2020G:

**Summary of Rights Issue Shares for the Year 2020G**

Beginning of Subscription Period	Monday 02/06/1441H (corresponding to 27/01/2020G)
End of Subscription Period	Thursday 12/06/1441H (corresponding to 06/02/2020G)
Number of Offered Shares	Shares 11,266,000
Offering Price	SAR 10
Total Proceeds of Issuance	112,660,000 SAR
Offering Costs	SAR 8,000,000
Net Proceeds of the Offering After Deduction of the Offering Costs	104,660,000 SAR
Eligibility Rate	1.72 Right for every outstanding Share
Company's Capital Before the Offering	SAR 65,500,000
Company's Capital After the Offering	SAR 178,160,000
Percentage of Increase in the Capital	172%
Number of Share Capital Prior to the Offering	6,550,000 fully-paid Ordinary Shares
Number of Share Capital After the Offering	17,816,000 fully-paid Ordinary Shares
Percentage of Increase in the Capital's Shares	172%

Source: Prospectus of Rights Issue Shares of Naseej Company (formerly Al-Sorayai Group), dated 28/04/1441H (corresponding to December 25, 2019G).

Shareholders as a result of offering (11,266,000) eleven million, two hundred and sixty-six thousand shares of rights issue, at an offer price of 10 riyals per share, representing the nominal value. The following table shows a summary of the rights issue for the year 2020G.

Total Proceeds Raised During the Last Rights Issue, their Analysis and Description

The Prospectus also indicated that the total investment costs of the proposed projects amounted to SAR 104,660,000 which will be funded from the net proceeds of the issue after the deduction of offering expenses estimated at SAR 8 million. The Company had been planning to use the proceeds of the offering to add a new production line by purchasing fitted carpets production machines and polyester yarn machines, make additions to the production lines made of polypropylene, expand the products' distribution of the Spanish brand Mora, establish a new business unit and focus on Vinyl production, purchase raw materials for carpets and fitted carpets products, purchase raw materials for the production of filament material used in manufacturing carpets and rugs. The following is a summary of the investment costs of the proposed projects according to the Rights issue prospectus for the year 2020G:

THOUSANDS SAUDI RIYALS	TOTAL
Fitted Carpet Machinery	15,000
Polyester Threads Machinery	12,000
Polypropylene Thread Machinery	5,000
Spanish Mora Franchise	4,260
Projects Carpets Flooring	10,000
Imported Vinyl	6,000
Materials for Fitted Carpets / Carpets Products	32,400
Materials for Filaments / Threads Production	20,000
Offering Costs	8,000
<b>Total</b>	<b>112,660</b>

Source: the management of Naseej Company

At the end of the subscription period, the Company obtained the proceeds and spent them on the projects referred to in the 2020G Rights Issue Prospectus. The following tables illustrate the actual use of the Rights issue proceeds for the year 2020G and the most important deviations from the targeted plan of use and their causes:

**Real Usage of Rights Issue Proceeds for the Year 2020G in Comparison to the Targeted plan**

NO.	Project	Planned Use	Actual Use	Deviation Amount	Deviation Percentage	Percentage of Actual Expenditure
1	Rugs Manufacturing Machinery	15,000,000	4,869,994	10,130,006	68%	32%
2	Polyester Thread Manufacturing Machinery	12,000,000	0	12,000,000	100%	0%
3	Polypropylene Threads Manufacturing Machinery	5,000,000	1,150,770	3,849,230	77%	23%
4	Spanish Mora Franchise	4,260,000	5,272,996	(1,012,996)	(23.8%)	123.8%
5	Projects Flooring	10,000,000	2,976,354	7,032,646	70.2%	29.8%
6	Imported Vinyl	6,000,000	5,268,309	731,691	12.2%	87.8%
7	Materials for Fitted Carpets and Carpets	32,400,000	46,444,563	(14,044,563)	(43%)	143%
8	Materials for Threads Manufacturing	20,000,000	21,385,528	(1,385,528)	(7%)	107%
9	Imported Goods	-	1,631,500	1,631,500	-	-
10	Partial Settlement for Credit Banks	-	16,178,515	16,178,515	-	-
11	Offering Expenses	8,000,000	7,444,734	552,653	7.0%	93.0%
	<b>Total</b>	<b>112,660,000</b>	<b>107,352,880</b>	<b>5,307,120</b>	<b>4.7%</b>	<b>95.3%</b>

Total Proceeds Raised During the Last Rights Issue, their Analysis and Description

Analysis of Projects Expenditure and Causes of Deviation						
Number	Project	Planned Usage	Actual Usage	Deviation Rate	Real Achievement Rate	Causes of Deviation and Project Position
1	Rugs Manufacturing Machines	15,000,000	4,869,994	68%	32%	The specialized technical teams could not arrive from Europe (the United Kingdom and Denmark) after the beginning of the pandemic, who had a major role in the work of the technological study that negates the ignorance, and accordingly the project has been suspended until now.
2	Polyester Threads Manufacturing Machines	12,000,000	0	100%	0%	The prices of polyester yarn decreased globally by the end of 2019G, and the administration re-examined this investment, and it became clear that purchasing these threads would cost less than investing in production lines for the same threads. The project was canceled and still is until the present day.
3	Polypropylene Threads Manufacturing Machines	5,000,000	1,150,770	77%	23%	It was not possible for the specialized technical teams to arrive from Europe (Switzerland and Germany) after the beginning of the pandemic, who had a major role in the work of the technological study negating the ignorance, and accordingly the project has been suspended until now.
4	Spanish Mora Franchise	4,260,000	5,272,996	-23.8%	123.8%	Due to the presence of selling opportunities in the markets, which necessitated responding to the market demand for this product.
5	Carpet Flooring Projects	10,000,000	2,976,354	70.2%	29.8%	Hospitality and hotel projects were among the most affected sectors due to the pandemic, and the Umrah and Hajj seasons were damaged, which had a negative impact on the economic viability of the project.

Total Proceeds Raised During the Last Rights Issue, their Analysis and Description

Analysis of Projects Expenditure and Causes of Deviation						
Number	Project	Planned Usage	Actual Usage	Deviation Rate	Real Achievement Rate	Causes of Deviation and Project Position
6	Imported Vinyl	6,000,000	5,268,309	12.2%	87.8%	Work is still in progress to implement the plan, but some delay occurred due to COVID-19 pandemic and its Repercussions on the transportation And shipment of exported goods.
7	Materials for Rugs & Carpets Manufacturing	32,400,000	46,478,687	43.45%	143.45%	Based on the market variables that accompanied the emergence of the COVID-19 pandemic and its negative impact on capital expenditures, which necessitated the management to pump available funds into working and available capital at the time, which in turn will increase the performance of operations and production outputs directly, which will positively affect sales performance and achieve targets.
8	Materials Used in Threads Manufacturing	20,000,000	21,385,528	7%	107%	Depending on the nature of the raw materials required for this industry, they are measured in units of weight. During their supply, a margin of increase or decrease may arise according to the operation of each supply order by the suppliers, which must be received and paid for by the company.
9	Imported Goods	-	1,631,500	0	0	The shift of market priorities and the the demand for imported design and quality.

Total Proceeds Raised During the Last Rights Issue, their Analysis and Description



Analysis of Projects Expenditure and Causes of Deviation							
Number	Project	Planned Usage	Actual Usage	Deviation Rate	Real Achievement Rate	Causes of Deviation and Project Position	
Total Proceeds Raised During the Last Rights Issue, their Analysis and Description	10	Partial Settlement to Credit Banks	-	16,178,515	100%	-	Due to the prevailing limited liquidity status during 2020G which hugely affected the markets as a result of COVID-19 pandemic, the Company was unable to settle its outstanding loans so it was obliged to use this amount in order to partially settle its dues to credit banks. to avoid the account freeze by the banks and thus to stop its operations completely. The company has not obtained the approval of the general assembly to change the use of the proceeds
	11	Offering Costs	8,000,000	7,447,347	7%	93%	The costs were expected and estimated in the beginning of the offering. The expected actual cost was recorded after completion of the capital increase process.
		<b>Total</b>	<b>112,660,000</b>	<b>112,660,000</b>	<b>0.1%</b>	<b>99.9%</b>	
The main reason that led the Company to use the proceeds on different terms is the change of market data and priorities, and the increasing demand for products of designs and quality available only in the imported goods.							
Significant Adjustments Made to the Information Disclosed in the Latest Prospectus	The Capital Market Authority has approved the publication of the Company's last Prospectus on 25/12/2019G (for further information about the information that has materially changed since approval of the most recent prospectus, please see section (8.9) "Legal Information").						

Note: The "Important Notice" on page (i) and Section (2) "Risk Factors" of this Prospectus should be considered carefully prior to making a decision to invest 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 are recorded in the Company's shareholders record at the depositing center by end of the second day of trading after the Extraordinary General Assembly.	On Thursday 29/03/1443H (corresponding to 04/11/2021G).
Trading Period	The trading period starts on Tuesday 04/04/1443H (corresponding to 09/11/2021G) and continues until the end of Tuesday 11/04/1443H (corresponding to 16/11/2021G). 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 Tuesday 04/04/1443H (corresponding to 09/11/2021G) and continues until the end of day Sunday 16/04/1443H (corresponding to 21/11/2021G) 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 Wednesday 19/04/1443H (corresponding to 24/11/2021G).
The Rump Offering Period	The Rump offering period starts at 10 am morning on Wednesday 19/04/1443H (corresponding to 24/11/2021G) and continues until 5 pm in the evening Thursday 20/04/1443H (corresponding to 25/11/2021G).
Notification of Final Allocation	On Monday 24/04/1443H (corresponding to 29/11/2021G).
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 Sunday 22/05/1443H (corresponding to 26/12/2021G).
The expected date 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](http://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	Wednesday 07/03/1443H (corresponding to 13/10/2021G)
Announcing the results of the Extraordinary General Assembly of the capital increase	The Company	Sunday 02/04/1443H (corresponding to 07/11/2021G)
Announcing the Company's share price adjustment, depositing the rights and the right indicative	Tadawul	Sunday 02/04/1443H (corresponding to 07/11/2021G)
Announcing the addition of the Company's Right issue	Edaa	Monday 03/04/1443H (corresponding to 08/11/2021G)
Announcing the specification of the rights trading period and the new shares subscription period	The Company	Monday 03/04/1443H (corresponding to 08/11/2021G)
Announcing the start of the rights trading period and the new shares subscription period	Tadawul	Monday 03/04/1443H (corresponding to 08/11/2021G)
A reminder announcement of the start of the rights trading period and the new shares subscription period	The Company	Tuesday 04/04/1443H (corresponding to 09/11/2021G)
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	Monday 10/04/1443H (corresponding to 15/11/2021G)
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 23/04/1443H (corresponding to 28/11/2021G)
Announcing the results of the Rump offering and notification of the final allocation	The Company	Monday 24/04/1443H (corresponding to 29/11/2021G)
Announcing the deposit of new shares in investors' portfolios	Edaa	Tuesday 25/04/1443H (corresponding to 30/11/2021G)
Announcing the distribution of compensation amounts to the beneficiaries (if any).	The Company	Sunday 22/05/1443H (corresponding to 26/12/2021G)

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](http://www.tadawul.com.sa)) in coordination with the Depository Center Company (Edaa) to determine date for depositing the shares.

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

- 1- The name and commercial registration certificate of the issuer.
- 2- The securities that are subject of the relevant application for registration and offer and their value, type and class.
- 3- The addresses and locations where the public may obtain the Prospectus.
- 4- The date of publication of the Prospectus.
- 5- A statement that the disclosure is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.
- 6- The names of the subscription lead manager (if any), the underwriter, the financial advisor and the legal advisor.
- 7- A disclaimer as follows: "The Capital Market Authority (CMA) and the Saudi Stock Exchange (Tadawul) takes no responsibility for the contents of this disclosure, makes 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.

### 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.

### 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 (2.434) right approximately for every (1) share owned by the registered shareholder on the eligibility date, and accordingly, if a registered shareholder owns (1000) shares on the eligibility date, then he will be allocated (2,434) two thousand four hundred and thirty-four 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 (15) fifteen 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 (5) five Saudi Riyals.

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.

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 (2,434) (two thousand and four hundred thirty-four) rights considering that each share has (2.434) rights. In this case, 1,947 (one thousand and nine-hundred forty-seven) rights will be deposited in portfolio (A) and 487 (four hundred eighty-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 Tadawul 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, he 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.

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 (info@sorayai.com.sa). For legal reasons, the Company will only be able to provide the information contained in this Prospectus and will not be able to advise on the merits of issuing rights or even provide financial advice or Tax, legal or investment.

For more information on the terms, conditions and instructions of the offering, please see section (12) “**Information related to shares and the terms and conditions of the offering**” 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 carefully and completely read the whole Prospectus before making any investment decision related to new rights or shares.

## Company Overview

Naseej International Trading Company for carpets and rugs (hereinafter referred to as “the Company” or “Naseej”), is a Saudi joint stock Company registered in the commercial register at the Ministry of Commerce under the CR No (4030133919) dated 05/03/1422H (corresponding to 28/05/2001G) under the trading name “Al Sorayai Carpet Factory Company”.

On 11/11/1427H (corresponding to 02/12/2006G), “Abdullah and Nasser Abdul Aziz Al Sorayai Joint Stock Company (JSC)” and “Jeddah Industrial Yarn Factory Company Ltd.” were merged into “Al Sorayai Carpet Factory Company”. This merger resulted in the amendment of the Company’s name to become “Al Sorayai Trading and Industrial Group Co., Ltd.” The partners also decided to convert the company from a limited liability company (LLC) to a closed joint stock (CJS) company while retaining the same trading name without the term “Ltd.” so that the Company’s trade name becomes “Al Sorayai Trading and Industrial Group Company”. The approval of his Excellency the Minister of Commerce and Investment to convert was issued according to Ministerial Resolution No. (276 / S) dated 01/11/1428H (corresponding to 11/11/2007G) and Ministerial Decision announcing the establishment of the company No. 523 / S dated 21/12/1428H (corresponding to 31/12 /2007G), and it was registered as a CJS company while keeping the same number and date of the CR No (4030133919) issued in the city of Jeddah. On 22/02/2010G, the company was transformed from a CJS into a public joint stock (PJS), and the shares were listed and registered in the Saudi Stock Exchange (the main market). The name of the company was changed from “Al Sorayai Trading and Industrial Group Company” to “Naseej International Trading Company”, after the approval of the Extraordinary General Assembly on 03/09/1441H (corresponding to 26/04/2020G).

The current capital of the Company is SAR (61,632,010) sixty-one million six hundred thirty-two thousand and ten Saudi Riyals divided into (6,163,201) six million one hundred sixty-three thousand two hundred and one (“shares”) with a nominal value of SAR (10) ten Saudi Riyals per share, paid in full.

There are no major shareholders among the Company’s shareholders who own 5% or more of the Company’s shares as on the date of this prospectus.

During the month of April 2018G, the Company’s head office in Jeddah was relocated from Al-Sittin Street (Al-Faisaliah District) to the Fourth Industrial Area.

## Summary of the Company's Main Activities

The main activities of the Company are as follows:

- a. Wholesale and retail trade in carpets, rugs, floors, furniture, antiques, wooden and metal blinds, office furniture, ceramics, kitchens, blankets, bedspreads, curtain fabrics and accessories, artificial turf, among others.
- b. Production and manufacturing of carpets and rugs under the license of the Ministry of Industry and Electricity No. (1566 / R) on 20/12/1420H.
- c. The manufacture of bobbin proline yarns, nylon yarns, processed polypropylene yarns, and processed nylon yarns (polyamide), according to Ministerial Decree issued by the Ministry of Commerce No. (1699 / R) on 12/27/1424H.
- d. Commercial services: (a) Marketing (b) commercial agents and distribution agents (c) import and export (d) brokerage in other than exchange and real estate (e) commercial undertakings.
- e. Real estate investment: (a) Buying and selling land, owning real estate, buildings construction, and investing in this field for the interest of the company; (b) Establishing and developing residential, commercial and service complexes and investing in this field by selling, leasing or operations management for the benefit of the Company; (c) Establishing commercial and industrial exhibitions and warehouses and investing in this field by selling, renting, or operations management for the benefit of the company; (d) General contracting for buildings (construction, repair, demolition and restoration).
- f. Services (transportation, freight, warehousing, customs clearance).
- g. Manufacturing Calcium carbonate and chemicals.
- h. Establishing, owning, maintaining, cleaning and establishing institutes, colleges and universities.
- i. Establishing, owning and managing factories and the metal drawing trade.
- j. Establishing, owning, maintaining, cleaning and establishing health centers.
- k. Wholesale and retail trade in building materials.
- l. Establishing, and managing the operation of standards and metrology laboratories.
- m. M. Security and safety activities.

The main activities of the Company are as follows:

- a. Commercial Activity: It is represented in the internal trade (wholesale and retail sale) of the Company's products, which are carpets and rugs. The Company conducts its activity through 14 branches which are exhibitions, stores and distribution centers as on September 30, 2020G. The Company's commercial activity also includes exporting products to some Arab countries and Africa. In addition, the Company is engaged in commercial services activity, as it has been appointed as an exclusive commercial agent for Mora Textiles, a Spanish company, for the sale of blankets.
- b. Industrial Activity: The company owns two industrial facilities in the industrial zones under the supervision of the Saudi Organization for Industrial Cities and Technology Zones ("MODON"). The company uses its factories to manufacture some of its products through main branches of the factories referred to below:

### A summary of the Company's branches engaging in industrial activity:

Branch	Commercial Register*	Industrial License**	Operation License***
Jeddah Industrial Thread Factory	4030115974	492	58714401219008770
Al Sorayai Carpet Factory	4030131014	56	58714401228008888 & 58714401227008864

Source: The Company

\* Ministry of Commerce

\*\* Ministry of Industry and Mineral Resources

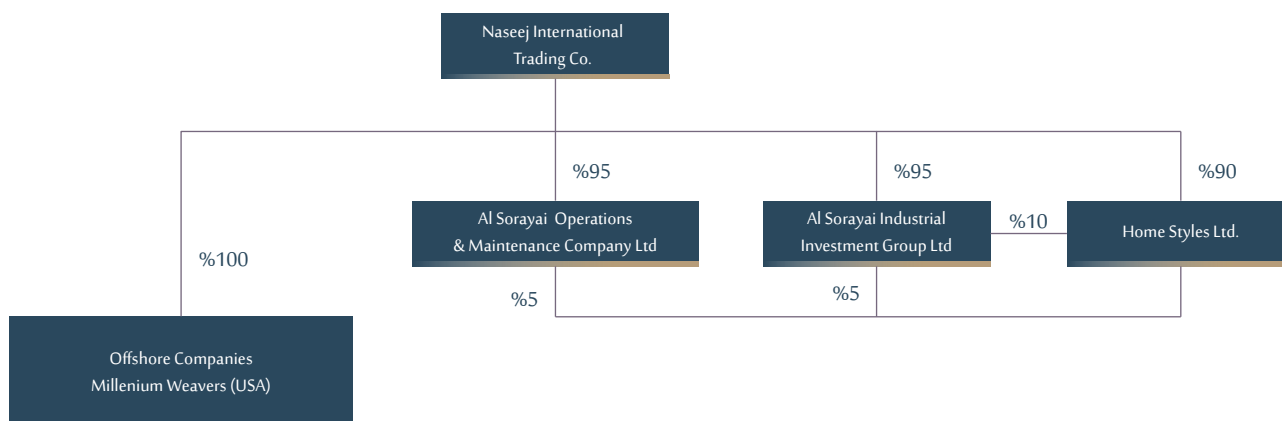
\*\*\* Saudi Authority for Industrial Cities and Technology Zones (MODON)

- c. Investment activity: The Company may establish companies alone with limited liability or closed shareholding provided that the capital is not less than SAR (5) million Saudi Riyals. It may also own shares and stakes in other existing companies or merge with them. It has the right to participate with others in establishing joint stock or limited liability companies, after fulfilling the requirements of the applicable regulations and instructions in this regard.



The chart below shows the (4) subsidiaries of Naseej International Trading Company, including (3) companies inside the Kingdom of Saudi Arabia and one company abroad:

Figure (1): Diagram of Naseej and its subsidiaries



- Al-Sorayai Company for Operation and Maintenance Ltd., which is a Saudi limited liability company, was established under the Commercial Registry Certificate No. (4030245783) dated 20/06/1434H (corresponding to 30/04/2013G) engages in maintenance services for factories, companies and government institutions and is used to provide labor for a textile company.
- The company also has an investment in a plot of land in the city of Hail for the purpose of establishing a warehouse to store the products of Al Sorayai Group and distribute them to customers based on purchase orders.

In line with the company's strategic plan for restructuring and focusing on the basic activities of the Company and in line with the challenges of the current period, the Company has taken a number of actions and decisions as follows:

- The company owns a non-controlling share (25%) in the National Peace College Limited Company (with limited liability) and on 13/06/2017G, the Board of Directors decided not to continue the project of establishing the National Peace College and to permanently dissociate from the Company, and the procedures are still under implementation as on the publication date of this prospectus.
- Al Sorayai Enterprises Ltd., a Saudi company with limited liability under the Commercial Registry Certificate No. (4030249966) dated 06/08/1434H (corresponding to 15/06/2013G) engages in the activity of providing government and private project services for furniture, rugs, carpets, and all types of floors. It is currently out of business.
- Its assets were sold in Millennium Weavers Europe (Belgium), which owns all the shares. All required legal procedures for the closure have been completed and it was delisted on 15/01/2018G.
- Millennium Weavers Group Holding Company was established in the US state of Delaware on 25/01/1432H (corresponding to 31/12/2010G) and it is a commercial office for a textile company in the United States. It is currently not operating as of the date of this prospectus.
- The procedures for closing the subsidiary, Millennium Weavers Ltd. (USA) started and all the legal procedures required for the closure were completed and was delisted on 28/06/2017G.
- Merging the operations of the subsidiary company (The Home Styles) under the Company's retail sector and working to complete the necessary procedures until the date of this prospectus.
- It should be noted that the company obtained the approval of the General Authority (CMA) to compete under letter No. (502539) dated 13/06/1439H (corresponding to 01/3/3/2018G), knowing that the exclusion of a large part of the assets of (The Home Styles) led to non-recurring losses of SAR (12,900,000) Saudi Riyals (as of 30/06/2017G) and to the dissociation of all assets of (Millennium Weavers Europe) in Belgium. This resulted in non-recurring losses from discontinued operations amounting to SAR (13,500,000) Saudi Riyals as on 30/06/2017G, noting the write-off of losses was done after capital reduction and as the Company obtained the approval of the Extraordinary General Assembly on 10/04/1439H (corresponding to 28/12/2017G).
- The activity of the company (Millennium Weavers Ltd.) ceased in the United States as on 30/06/2017G.
- Sale of All Jazeera Spinning and Rugs Factory - a branch of the Company registered under Commercial Registry Certificate No. (4030181265) dated 19/07/1429H (corresponding to 22/07/2008G). The agreement was concluded on 25/03/2019G and accordingly, the Company transferred the equipment and machinery of Al-Jazeera Spinning and Rugs Factory and agreed on the assignment of the building and its annexes only and the remaining period of the lease contract of the land where the factory is located as specified by the Industrial Cities Authority (MODON), in favor of the Saudi Carpet Supplies Manufacturing Company (Matex) for SAR (15) million Saudi Riyals representing the Company's indebtedness to "Matex".

For more information about the companies in which the Company owns shares (whether controlling or non-controlling), please refer to sub-paragraph (3.4) of Section (3) “**Overview of the Company and its Business Activity**” in this prospectus.

## The Company Capital's Structure

The Company's shares were listed on the market (thirty million (30,000,000) shares, with a nominal value of SAR (10) Saudi Riyals per share) on 08/03/1431H (corresponding to 22/02/2010G) after obtaining the approval of the Authority (CMA). The Company later increased its capital on 20/05/1434H (corresponding to 01/04/2013G) from SAR (300,000,000) three hundred million Saudi Riyals divided into (30,000,000) thirty million ordinary shares to SAR (375,000,000) three hundred seventy-five million Saudi Riyals divided into (37,500,000) thirty-seven million five hundred thousand ordinary shares by capitalizing the retained earnings and issuing one share for every four shares owned by shareholders. Moreover, on 10/04/1439H (corresponding to 28/12/2017G), the Company reduced its capital from SAR (375,000,000) three hundred seventy-five million Saudi Riyals to SAR (225,000,000) two hundred and twenty-five million Saudi Riyals, thus reducing the number of shares from (37,500,000) thirty-seven million five hundred thousand shares to (22,500,000) twenty-two million five hundred thousand shares, and by canceling (15,000,000) fifteen million shares, with a capital reduction of (40%), at a reduction rate of two (2) shares for every five (5) shares. The capital has also been reduced from SAR (225,000,000) two hundred twenty-five million Saudi Riyals to SAR (65,500,000) sixty-five million five hundred thousand Saudi Riyals. Consequently, reducing the number of shares from (22,500,000) twenty-two million five hundred thousand shares to (6,550,000) six million five hundred fifty thousand shares, by canceling (15,950,000) fifteen million nine hundred and fifty thousand shares, with a capital reduction of approximately (70.89%) and at a rate of reduction of (3.54) shares for every (5) shares, and after obtaining all the required approvals and the Extraordinary General Assembly held on Wednesday 27/12/1440H (corresponding to 28/08/2019G). Additionally, the Company increased its capital on 27/05/1441H (corresponding to 22/01/2020G) from SAR (65,500,000) sixty-five million five hundred thousand Saudi Riyals to SAR (178,160,000) one hundred seventy-eight million one hundred and sixty thousand Saudi Riyals by issuing rights at a value of SAR (112,660,000) one hundred and twelve million six hundred and sixty thousand Saudi Riyals and at an issuance rate of (1.72) rights for every (1) share. The Company reduced its capital on 05/05/1442H (corresponding to 20/12/2020G) from SAR (178,160,000) one hundred seventy-eight million one hundred and sixty thousand Saudi Riyals to SAR (61,632,010) sixty-one million six hundred thirty-two thousand and ten Saudi Riyals, and consequently the number of company shares from (17,816,000) seventeen million eight hundred and sixteen thousand shares to (6,163,201) six million one hundred sixty-three thousand two hundred and one share, by canceling (11,652,799) eleven million six hundred and fifty-two thousand seven hundred and ninety-nine shares and with a capital reduction of approximately (65.4%) at a reduction rate of approximately (1) share for every (1,529) shares.

The Company's Board of Directors (BOD) recommended in its decision on 11/02/1442H (corresponding to 28/09/2020G) to increase the Company's capital by offering rights issue shares of one hundred and fifty million SAR (150,000,000) Saudi Riyals in order to finance working capital for the purchase of raw materials and products, as well as finished products, the settlement of term loans with commercial banks, the implementation of the production efficiency control system, the introduction of a production line for processing carpet backgrounds in addition to a line with digital printing, the start of both a unified operational footprint and a central distribution center projects.

The Company obtained the approval of the Extraordinary General Assembly to increase the Company's capital by issuing rights shares on Thursday 29/03/1443H (corresponding to 04/11/2021G). This approval was announced on the Saudi Stock Exchange website (Tadawul).

## Vision of the Company

The company continues its commitment to maintain its reputation as a leading company in the field of manufacturing carpets and rugs and seeks to reach global success, which it can achieve by expanding its trade network through the local and global distribution of its products.

## Message of the Company

The company strives to provide its products and services with an optimal quality that ensures achieving customer satisfaction standards, in line with its values towards its employees and shareholders.

## Strategy of the Company

The stated strategy of the Company is as follows:

- Focusing on making high quality and profitable carpets and products and concentrating on the commercial side of business by importing and selling carpets to cover all tastes and obtaining the largest market share in the local market.
- Increasing the production capacity in the carpet manufacturing activity.
- Making the thread manufacturing plant an independent profit generating entity, due to high and local demand, as most of the raw materials required for this industry are manufactured in the Kingdom of Saudi Arabia by SABIC, in order to cover the market demand and conduct regional and international exportations.

- Diversifying the Group's investment portfolio by targeting profitable and sustainable activities that make Naseej shareholders gain long-term profit.

## Strengths and Competitive Advantages of the Company

Naseej is distinguished by the quality of its products that are locally manufactured in its factories, especially carpet.

For a breakdown of Naseej's strengths and its competitive advantages, as follows:

- Naseej uses latest technologies to manufacture yarns used in carpets and rugs making.
- Naseej adopts the highest standards by using the finest raw materials and in compliance with the international standards.
- Naseej has a widespread network to meet the needs of its customers in all regions of the Kingdom.
- Naseej provides excellent after-sales services to its customers in all sectors.

## Market Overview

The value of the carpets and rugs market in the Kingdom of Saudi Arabia reached 643.2 million US dollars in 2019G, and is expected to reach 668.2 million US dollars in 2025G, with a growth rate of 0.64%. This rate is based on the following main factors: shifting consumer preferences, increased focus on interior decoration in homes, advanced lifestyles, and high levels of consumer income. Moreover, the increase in spending on renovation and rebuilding activities on existing buildings is one of the main factors driving the market demand.

According to the Ministry of Housing in Saudi Arabia, an estimated 3 million homes will be built by 2025G, in order to address the housing shortage in the country. The growing residential construction sector is expected to increase the demand for carpets and rugs.

Source: The Company

## Summary of Risk Factors

There are many risks related to rights issue which are summarized as follows:

- Risks related to the Company's business
- Market and sector risks
- Risks related to new shares

## Financial Information Summary

The summary of the financial information presented below is based on the Company's audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G and the notes attached thereto, as well as the preliminary unaudited financial statements for the three (3) months period ended March 31, 2021G including the notes attached thereto. The consolidated and audited financial statements for the fiscal years ended December 31, 2018G, 2019G and 2020G and the notes attached thereto, as well as the preliminary unaudited financial statements for the three (3) months period ended March 31, 2021G including the notes attached thereto have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements for the year ended December 31, 2018G, December 31, 2019G were reviewed by Al-Bassam & Partners Company (Allied Accountants). The financial statements for the period ended December 31, 2020G and the three (3) months period ended March 31, 2021G were reviewed by Al-Sayed Al-Ayouti and Partners, Accountants and Legal Auditors (Certified Public Accountants). The company issues its financial statements in Saudi Riyals.

(SAR'000)	Fiscal Year Ended 31/12/2018G (audited)	Fiscal Year Ended 31/12/2019G (audited)	Fiscal Year Ended 31/12/2020G (audited)	Three months Period Ended 31/03/2020G (unaudited)	Three months Period Ended 31/03/2021G (unaudited)
Total current assets	439,898	281,999	295,904	364,117	278,197
Total non-current assets	241,797	237,349	215,639	232,106	209,655
Total assets	681,695	519,348	511,543	596,223	487,852
Total current liabilities	435,064	285,645	205,472	265,031	190,002
Total non-current liabilities	96,579	200,608	250,638	212,744	247,686
Total liabilities	531,643	486,253	456,110	477,775	437,688
Total shareholders' equity	150,052	33,095	55,433	118,448	50,164
Total liabilities and shareholders' equity	681,695	519,348	511,543	596,223	487,852

Source: The Company's financial statements

(SAR'000)	Fiscal Year Ended 31/12/2018G (audited)	Fiscal Year Ended 31/12/2019G (audited)	Fiscal Year Ended 31/12/2020G (audited)	Three months Period Ended 31/03/2020G (unaudited)	Three months Period Ended 31/03/2021G (unaudited)
Total revenue (loss)	47,850	(14,845)	22,487	1,599	10,154
Loss from operations	(30,429)	(89,458)	(59,757)	(11,522)	(2,399)
Net profit/ (loss) before Zakat	(52,313)	(113,430)	(80,972)	(18,632)	(5,199)
Net profit (loss)	(55,431)	(116,207)	(83,417)	(19,541)	(5,269)

Source: The Company's Financial Statements

(SAR'000)	Fiscal Year Ended 31/12/2018G (audited)	Fiscal Year Ended 31/12/2019G (audited)	Fiscal Year Ended 31/12/2020G (audited)	Three months Period Ended 31/03/2020G (unaudited)	Three months Period Ended 31/03/2021G (unaudited)
Cash and cash equivalent at the beginning of the year	6,009	4,873	4,531	4,531	38,493
Net cash resulting from operating activities	45,733	(16,616)	(63,137)	(63,137)	(18,682)
Net cash resulting from investing activities	(3,737)	(404)	2,796	2,796	(570)
Net cash resulting from financing activities	(43,132)	16,678	94,303	94,303	(11,036)
Net change in cash and cash equivalents for the year	(1,136)	(342)	33,962	33,962	(30,288)
Cash and cash equivalents at the end of the year	4,873	4,531	38,943	38,943	8,205

Source: The Company's Financial Statements

(SAR'000)	Fiscal Year Ended 31/12/2018G (audited)	Fiscal Year Ended 31/12/2019G (audited)	Fiscal Year Ended 31/12/2020G (audited)	Three months Peri- od Ended 31/03/2020G (unaudited)	Three months Period Ended 31/03/2021G (unaudited)
Gross profit	11.9%	(6.4%)	(11.76%)	(3.7%)	14.5%
Net profit	(13.8%)	(50.0%)	(43.45%)	(45.4%)	(7.5%)
Return on assets	(8.1%)	(22.4%)	(16.3%)	(3.5%)	(1.1%)
Return on Shareholders' equity	(36.9%)	(35.1%)	(150.5%)	(25.8%)	(10.5%)
Current assets / Current liabilities	1.0	1.0	1.4	1.37	1.5

Source: The Company's Financial Statements

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## 1. Definitions and Terms

Term	Definition
“The Company”, “Naseej”, or “The Issuer”	Naseej International Trading Co. A Saudi public shareholding company registered in the Commercial Register in the city of Jeddah under Certificate No. (4030133919) dated 05/03/1422H (corresponding to 28/05/2001G).
Advisors	The Company’s consultants whose names are mentioned on the page (v) and (vi).
Administration	Executive management team or senior executives in the Company. They include, but are not limited to, the Managing Director, the Chief Executive Officer, the General Manager (and their deputies), the Finance Director, the directors of key departments and those responsible for the maintenance, quality, human resources, risk, internal audit and information technology functions, and those of their equivalent, and the occupants of any positions. Other Certified in administrations or Sections Others as shown in the organizational structure.
The Board or Board of Directors	For the joint-stock company, it includes natural persons who are appointed by the shareholders in the General Assembly as members of the Board of Directors to formulate and implement the strategic decisions of the company; As for Naseej International Trading Company, it represents the Company Board of Directors formed of persons whose names appear on the page (iii).
Major Shareholders	Major shareholders in the company are any person (whether natural or legal) who owns 5% or more of the company’s shares. As on the date of this prospectus, there are no major shareholders in the Company.
Related Parties	Related Parties are meant to be the following: <ol style="list-style-type: none"> <li>1- The Issuer’s subsidiaries.</li> <li>2- Major Shareholders in the Issuer.</li> <li>3- The Issuer’s Board of Directors and senior executives.</li> <li>4- Board members and senior executives of the Issuer’s subsidiaries.</li> <li>5- Board members and senior executives of the Issuer’s major shareholders.</li> <li>6- Any relatives of the persons referred to in (1, 2, 3, 4 or 5) above.</li> <li>7- Any Company controlled by any person referred to in (1, 2, 3, 4, 5 or 6) above.</li> </ol>
Third Party	As the context indicates, it is an independent party.
Senior Executive	Any natural person (alone or with others) appointed by the Company’s administrative apparatus or by a member of the Company’s administrative body for oversight and management tasks, and he refers to any of the following: (1) the administrative body directly, (2) a member of the administrative body, and (3) the Chief Executive Officer (CEO).
Administrative Body	A group of individuals who take strategic decisions for the Company. It is appointed by the Board of Directors.
Compound Annual Growth Rate	One of the methods used to calculate the growth rate of a specific item during a specific period of time.
By-laws	The Company’s By-laws
Capital Market Authority or CMA	The Capital Market Authority in the Kingdom of Saudi Arabia
The Saudi Authority for Industrial Cities and Technology Zones (“MODON”)	The Saudi Authority for Industrial Cities and Technology Zones (“MODON”) is a government organization created by the Government of Saudi Arabia through Ministerial Legislation No. (235) dated 27/08/1422H and is directly related to His Excellency the Minister of Industry and Mineral Resources.
Companies Law	The Companies Law in the Kingdom of Saudi Arabia issued by Royal Decree No. (M 3) dated 28/01/1437H (corresponding to 10/11/2015G) and amended on 01/07/1441H (corresponding to 25/02/2020G).
Tadawul	The Saudi Stock Exchange
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.
GCC (Gulf Cooperation Council)	Cooperation Council for the Arab States of the Gulf.
Domestic Product	The Gross Domestic Product (GDP) of the Kingdom of Saudi Arabia.
The Government	The Government of the Kingdom of Saudi Arabia.
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 (Corresponding to 10/11/2015G) and amended by CMA Board resolution 1- 7-2021G dated 01/06/1442H (corresponding to 14/01/2021G).

Term	Definition
The Kingdom / Saudi Arabia	The Kingdom of Saudi Arabia.
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 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.
Capital Market Law	Capital Market Law issued by Royal Decree No. M / 30 on 02/06/1424H (corresponding to 01/08/2003G).
Rules for Offering Securities and Liabilities	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).
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 01/02/1441H (corresponding to 30/09/2019G).
Listing	Listing securities on the main market or - where context allows it - submitting a listing application to the Saudi Stock Exchange (Tadawul).
Underwriter	Wasatah Capital.
Net Offering Proceeds	Net offering proceeds after deducting the offering fees.
Offer / Subscription Price	SAR (10) Ten Saudi Riyals per share.
New Shares or Shares Offered for Subscription	15,000,000 ordinary shares.
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.
Offering Period	The period starting from Tuesday 04/04/1443H (corresponding to 09/11/2021G) and ended Tuesday 11/04/1443H (corresponding to 16/11/2021G).
Rump Offering	Offering any remaining unsubscribed shares by eligible persons to investment institutions in the remaining period.
Rump Offering Period	In the event that shares remain unsubscribed after the end of the subscription period ("Rump shares") will be offered to a number of institutional investors (referred to as "investment institutions") (this offering is referred to as a "Rump Offering"). These investment institutions submit their bids to purchase these shares, and such offers will be received as of 10 am Wednesday 19/04/1443H (corresponding to 24/11/2021G) until 5 pm Thursday 20/04/1443H (corresponding to 25/11/2021G). This offering is referred to as ("The Rump Offering"). The rump shares will be allocated to institutional investors of the top offer, and then least and the less. Such shares shall be allocated in proportion to investment institutions that make the same offer. As for fractional shares, they will be added to the Rump Shares and will be similarly dealt with.
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.
Eligible Persons	All holders of Rights, whether they are Registered Shareholders or those who purchased Rights during the Trading Period.
Registered Shareholders	The investor registered in the Issuer's securities registry.
New Investors	In general, individual and institutional investors - with the exception of Registered Shareholders - who purchased the Rights during the rading period.
Person	A natural or legal person.
Prospectus	It is this document prepared by the Company concerning the Offering of Rights Shares.
Riyal or Saudi Riyal	The Saudi Riyal - the official currency of the Kingdom of Saudi Arabia.
Currency	Saudi Riyal in which the consolidated financial statements are presented.
The US Dollar	The current official currency of the United States of America.
The Euro	The current official currency of the European region.
Shareholder	The owner of shares in a given company.

Term	Definition
Shares	The current shares of the Company amounting to (6,163,201) Six million one hundred sixty-three thousand two hundred one ordinary shares, with a nominal value of SAR (10) ten Saudi Riyals per share.
Free Shares	All shares traded on the Capital Market.
Rump Shares	The shares, if any, which were not subscribed for during the Subscription Period.
Wasatah Capital	Wasatah Capital is a Saudi closed joint stock company, licensed by the Capital Market Authority with license No. 08125-37, which allows it to offer securities brokerage, advise, arrange, manage, and deal as a Principal and an Underwriter.
Al Nefae Investment Group	Al Nefae Investment Group, a closed Saudi joint stock company, licensed by the Market Authority with License No. (07082-37), which allows it to deal as principal, agent, underwriting, management, arranging , advisory and custody services.
Brokers	A Capital Market Institution licensed by the CMA to engage in the activity of dealing in securities as an agent.
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.
Investment Institutions	Include a group of institutions, which are as follows: 1- Governmental and government-owned companies, directly or through a private portfolio manager, or any international body recognized by the Authority, the Market, and any other financial market recognized by the Authority or the depository center. 2- Public Investment Funds established in the Kingdom that are publicly offered in addition to private funds that invest in securities listed on the Saudi Stock Exchange if the terms and conditions of the fund allow it to do so, while adhering to the provisions and restrictions stipulated in the investment funds regulations. 3- People who are authorized to deal in securities in an authentic manner, while adhering to the requirements of financial sufficiency. 4- Persons / Clients authorized to engage in management business, provided that they are appointed to take decisions regarding the participation in offerings and investments in the Saudi Stock Exchange on behalf of the client without the need to obtain prior approval from him. 5- Any other legal persons who may open an investment account in the Kingdom and an account at the Depository Center, taking into account the investment controls of companies listed in securities, provided that the participation of the company does not lead to any conflict of interest. 6- Gulf Nationals Investors who have a legal personality, which includes companies and funds established in the countries of the Cooperation Council for the Arab States of the Gulf. 7- Eligible Foreign Investors. 8- An ultimate beneficiary of legal personality in a swap agreement concluded with a licensed person in compliance with the terms and conditions of the swap agreements.
Eligible Persons	All holders of Rights, whether they are Registered Shareholders or those who purchased Rights during the Trading Period.
Nationalization / Saudization	It is the process of replacing a foreign worker with a Saudi citizen in private sector jobs.
Saudi Organization for Certified Public Accountants (SOCPA)	The Saudi Organization of Certified Public Accountants.
International Financial Reporting Standards (IFRS)	A set of accounting standards and their interpretations issued by the International Financial Reporting Standards.
Ministry of Commerce	The Ministry of Commerce in KSA.
Subscriber	Any person subscribing to shares offered for subscription.
Tadawul System	Automated System for trading of securities on the Saudi Stock Exchange .
Industrial Fund	Saudi Industrial Development Fund.

Term	Definition
Value-added Tax (VAT)	<p>On 02/05/1438H the Council of Ministers decided to approve the unified agreement for value-added tax for the GCC countries, which came into effect from January 1, 2018G, as a new tax was added to the law of taxes and other fees must be applied by specific sectors in KSA and GCC countries. The amount of this tax is (5%), and some products are excluded from it (such as basic foods, services related to health care and education).</p> <p>The Board of Directors of the General Authority for Zakat and Tax (2-3-20) dated 17/10/1441H (corresponding to 09/06/2020G) decided to amend the VAT Law to become 15%, starting from 01/07/2020G, according to its authorities and based on Article 5 of the General Authority for Zakat and Tax Organization issued by Cabinet Resolution 465 dated 20/07/1438H after reviewing Royal Decree A / 638 dated 15/10/1441H regarding the amendment of the VAT law to allow an increase the basic tax rate to 15% as on July 1, 2020G.</p>
Underwriter	Wasatah Capital.
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).
Accumulated Losses	The results of the Company for the current period in addition to the results of the Company carried over from previous periods, which collectively represent a loss and appear as a separate item within the shareholders' equity in the balance sheet. On 30/09/ 2020G, the Company's accumulated losses that reached SAR 116,527,994, which is equivalent to 65.4% of its capital that amounts to SAR 178,160,000.
Capital	The balance appearing as a separate item within the shareholders' equity in the balance sheet.
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).
Litigation	Resorting to courts or judicial and quasi-judicial committees to reach a settlement of a dispute.
Industrial Threads	They are threads manufactured from petrochemical materials obtained through companies specialized in manufacturing the raw materials that locally produce these threads. Threads are a group of bristles gathered to form the final shape of the thread.
Polyester Yarn	It is a synthetic yarn composed of polyester and ester, which is characterized as a yarn resistant to heat, wrinkling and shrinkage, as well as its high resistance to absorption and staining.
Polypropylene Threads	They are synthetic threads made up of plastic and they have many uses in the textile industry. They are characterized by unique properties, they resist to heat, wrinkling and shrinkage in addition to having high resistance to absorption and staining.
Latex Rubber	It is a mixture of chemical substances, and is used for fixing the two primary and secondary layers of carpets or rugs.

## 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, and 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 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 Activity and Operations

#### 2.1.1 Risks Related to Relying on Major Suppliers

The Company has dealings with major suppliers. First, the Saudi Company Carpet Supplies Manufacturing Ltd. (Matex), a related party, (Please refer to Table No. 43 of Liabilities to Related Parties from Section 5 "**Financial Information, Discussion and Analysis of Management**"), The percentage of raw material supplies is 12.5% of the total supplies of raw materials as of 31/03/2021G, with an amount of SAR 4.3 million Saudi Riyals. Next, Al-Sorayai Group for Industrial Investment, a related party, with a percentage of raw material supplies of 1.25% of the total supplies of raw materials and an amount of SAR 0.43 million Saudi Riyals as of 31/03/2021G. Hence, any change in the terms, prices, and 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.

#### 2.1.2 Risks Related to Availability and Price Change of Main Raw Materials

The products of Naseej International Trading Co. depend, whether carpets, rugs or synthetic threads on raw materials made of plastics, whether in the form of granules or fibers, as the derivatives of petrochemical products are the most important raw materials for the Company's work and represent a major component of the Company's costs and expense. The price of petrochemical products has a cyclical and volatile nature and may fluctuate in the future. The Company always works on defining the minimum required stock level to avoid any supply problem in the market or being affected in case prices increase, as the published official reports are viewed by international counseling authorities in this regard as well as future expectations which clarify the probability of price fluctuation, all market conditions in order to cope with these fluctuations as soon as possible.

Thus, the Company mainly relies on the availability of these materials, and its operations may be directly and negatively affected in the event of any supplies' delay or unavailability, and any change in the terms of their provision which will not be in favor of the Company. Besides, the change in the prices of the main raw materials used production will affect the results of the Company's operations. The profitability of the Company may be influenced by the rise of raw materials prices 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 prospects.

#### 2.1.3 Risks Related to the Change in the Prices of the Company's Products

Naseej Global Trading Company's sales consist mainly of rugs, carpets and threads that constitute 78.3% for the year 2018G and 70.7% for the year 2019G from the total sales, and 85.9% for the period ended March 31,2021G. Price is a crucial factor for the consumer of rugs, carpets and other complementary products. Several factors are involved in determining the price level, including the level of demand, the type of product and its availability, the prices of petrochemical products (raw materials), the change in the consumer's taste and the availability of alternative goods.

The Company's products both locally and internationally change as a result of a change in supply and demand for these products. As the average selling price of a square meter of rugs was SAR (10.7) in 2018G, SAR (9.2) in 2019G, and SAR (11.7) in 2020G and SAR (11.2) during the three-month period ended March 31, 2021G. The Company's average selling price of a square



meter of carpet was SAR (24.78) in 2018G, SAR (28.8) in 2019G, SAR (26.1) in 2020G, and SAR (28.6) during the three-month period ended March 31, 2021G.

The decrease in market prices of the Company's products will have a negative impact on its business, results of operations, financial position and future prospects.

#### 2.1.4 Risks of Reliance on Major Clients

The Company has major clients who act as intermediaries, as they promote and sell its products to the end user. The percentage of sales from major clients reached 8.4% for the year 2018G, 9.3% for the year 2019G, 22% for the year 2020G and 32.1% for the period ended March 31, 2021G of the total sales. So, for any reason, a disagreement with major clients could affect the Company's revenues and profits, which will have a negative impact on its operations, its financial position and operational results.

#### 2.1.5 Risks Related to Availability of Utilities and their Price Change

The Company benefited from the services available for the industrial facilities located in the Industrial Cities and their appropriate equipment provided by the Saudi Authority for Industrial Cities and Technology Zones ("MODON") at a lower annual rent cost in comparison to those offered to industrial facilities outside "MODON". It also profited from all provided services such as electricity, water, sewage, industrial security, environmental services, communications and logistic services at symbolic prices in addition to customs exemptions allocated by "MODON" and that factory owners and land investors benefit from.

Nothing ensures that "MODON" will continue to provide these incentives to industrial establishments in terms of rents or services fees, and the Company cannot guarantee that future changes will not affect these incentives and the number of services' fees, which will negatively affect the Company's business, the results of its operations, and its financial position.

#### 2.1.6 Risks Related to Unexpected Business Interruption

The Company's income depends mainly on the operational processes of the industrial activity, which represent the manufacture of carpets, rugs and threads and constitutes 78.3% for the year 2018G, 70.7% for the year 2019G, and 78.8% for the year 2020G of the total sales and 85.9% of the total sales of the period ended March 31, 2021G. Accordingly, any interruption in the industrial facilities for any reason, such as issuing or changing any government regulations, may lead to an interruption in these operations and thus affect the Company's profits and revenues, which will have a negative impact on its operations, its financial position and its operating results.

#### 2.1.7 Risks Related to Customer Tastes

The Company counts on its ability to provide the highest quality products that satisfy customers' tastes which are subject to change. Thus, any failure to anticipate or identify this change and respond to it will lead to a decrease in the demand for the Company's products, which will lead to a decrease in the volume of sales and operational profits, and thus negatively affect its operations, its financial position and its operational results.

#### 2.1.8 Risks of Imposing a Fine Penalty for Violating Labor Laws

The Company has not adhered to the labor law and regulations since it didn't conform to the data and numbers of employees set by various government agencies, which may explain workers working for the Company while not being sponsored, or vice versa, that some workers are registered under the Company's sponsorship but work for another party. The Company didn't undertake the transfer of their guarantees in a regulatory way. In the event that the Company does not comply with the abovementioned terms, this will be considered as a violation of the Labor Law, regulations and ministerial decisions related to work and workers. Hence, it will be subject to a fine of (20) thousand Saudi Riyals for every employee according to the schedule of violations and penalties issued by the Ministerial Resolution No. (178743) dated 27/09/1440H (corresponding to 01/06/2019G). This will hugely affect the Company's business and results of operations.

The Company didn't commit to the standards and conditions of the Nitaqat Program with regard to its branches (Al-Sorayai Carpet Factory) and (Jeddah Industrial Threads Factory with number (106410-9) in terms of the Saudization rate required to be achieved, and the two branches have been classified within the red range. This results in the following negative consequences: not allowing the professions of expatriate workers to change, not allowing the transfer of expatriate labor services to the Company, not allowing new visas to be requested, not allowing the issuance of work permits for new expatriate workers, not allowing opening a file for a new facility or new branch, and finally, not allowing the renewal of work licenses for expatriate workers who work for them.

The Labor Law and its Implementing Regulations oblige all employers to have a written contract of employment with any employee and worker in two copies. The Ministry of Human Resources and Social Development also requires work contracts to be electronically documented by uploading and updating information on employees' work contracts and providing the opportunity for workers to verify the validity of their contracts by documenting them through the e-services portal of the Public Institution for Social Security in compliance with Ministerial Resolution No. (156309) issued on 18/08/1440H (corresponding to 23/04/2019G), noting that all employees' contracts after the date of this decision must be documented. As for those contracted

in advance, the documentation of their contracts is mandatory and in phases ending at the end of the fourth quarter of the year 2020G. Failure to do so by the Company may be considered a violation of the Labor Law and Regulations, and the Company will be subjected to a fine of: SAR (1000) multiplied by the multiplicity of violating workers and according to what was mentioned in the Schedule of Violations and Penalties issued under Ministerial Resolution No. (178743) dated 27/09/1440H (corresponding to 01/06/2019G). This will have a negative impact on the Company's business and the results of its operations.

As on the date of this prospectus, the Company has a certificate of commitment proving the implementation of the Wages Protection Regulation and which is considered as one of the Ministry's programs aiming to provide an appropriate and safe work environment in the private sector, in terms of raising the level of transparency and preserving the rights of the contracting parties, as the law monitors the processes of disbursing wages to all male and female workers in the private sector (Saudis and expatriates), and measures the extent to which establishments are committed to paying wages on time, the specified amount, and value agreed upon between the contracting parties, in order to reduce wage differences between enterprises and employment in the private sector. This law obliges the facility to raise the wage disbursement file on the Ministry's electronic services portal and to periodically update the employment data as soon as any change occurs. The program monitors the monthly wage disbursement data for the establishments and compares them with the data recorded in the Ministry of Human Resources and Social Development, and the Ministry monitors the employer's discipline by paying on time and at the agreed value, and according to what was registered in the Wages Protection Regulations. As of the date of this prospectus, the Company's commitment rate reached (99) % of the total percentage of commitment to the wage protection law, where the salaries of four hundred fifty-seven (457) workers were paid out of five hundred thirty-two (532) workers, with six (6) violations being recorded, which represent (1%) of the total percentage of commitment to a Wages Protection Regulations. Failure of the company to upload the wages file to the Ministry's website on the due date and to pay the wages at the time and / or the agreed value may expose it to incur penalties and fines that may lead to stopping the Ministry's services and a fine of SAR (10,000) ten thousand Saudi Riyals and a fine of SAR (3000) three thousand Saudi Riyals for each worker who proves that his salary has not been paid on the due date according to what is mentioned in the Schedule of Violations and Penalties issued under Ministerial Resolution No. (178743) dated 27/09/1440H(Corresponding to 01/09/2019G).

### 2.1.9 Risks of Funding Sources

The Company's financing depends on its capital, its financial position, the results of its operations, its cash flows, and the funds received from parties and banks. Neither the Company nor its subsidiaries guarantee obtaining the necessary financing at the right time and on acceptable terms, which will negatively affect the implementation of its business.

The balances of short and long-term loans are as follows:

	2018G	2019G	2020G	31/03/2020G	31/03/2021G
Term loans and credit banks - Not traded	70,992	154,557	208,149	166,583	208,149
Term loans and credit banks - Traded	234,443	167,556	103,000	155,123	92,372
<b>Total Amount of Financing (Loans)</b>	<b>305,435</b>	<b>322,113</b>	<b>311,149</b>	<b>321,706</b>	<b>300,521</b>

The actual cost of the projects that the Company undertakes may exceed the cost value estimated by the Company according to the studies it has prepared in this regard, which may affect the delay in financing the project. If the value of this cost substantially exceeds the expected cost, then the Company will have to resort to obtaining additional financing to cover this increase, which leads to the Company incurring additional financing costs in addition to the negative impact on its profitability.

In the absence of obtaining or delay in getting the financing when needed, or the availability of financing, but on conditions that are not appropriate for the conditions of the Company or its subsidiaries, this will negatively affect the implementation of its projects, its financial performance and the results of its operations.

### 2.1.10 Risks of Difficulty in Collecting from Customers

Balance accounts receivable reached around 163 million, 95 million, 87 million and 96 million Saudi Riyals as in 2018G, 2019G, 2020G and the three-month period ended March 31, 2021G respectively. Its shares represented (109%), (288%), (158%) and (191%) of the total shareholders' equity as in December 31, 2018G, 2019G, 2020G and the three-month period ended March 31, 2021G. They represent accumulated late payments. In case the Company is unable to collect, it will have to write off these claims, which will adversely affect its financial performance and the results of its operations and financial indicators. For example, but not limited to, the liquidity ratio will decrease from 1.46 times to 0.96 times, and the assets to liabilities ratio will decrease from 1.1 times to 0.89 times, thus defaulting on the Company's current liabilities.

### 2.1.11 Risks of Unavailability of Financial Resources

The Company may not be able to provide the financial resources needed to utilize the energy productivity which enables it to produce new products that contribute in improving the profit margin, although it is seeking to obtain financial resources from Rights Issue Offering for the purpose of financing these projects. Although getting these resources will reduce the impact of the risk, the risk remains due to the changing tastes and market demand. The lack of necessary financial resources will hugely impact the Company's financial performance and results of operations.

### 2.1.12 Risks of Inflation and Slow Movement of Inventory

The inventory value is approximately 241 million, 164 million, 150 million and 154 million Saudi Riyals as in 2018G, 2019G, 2020G, and the three-month period ended March 31, 2021G respectively. Inflated and slow inventory turnover may force the Company to sell part of its products with discounts that affect target profit margins. This will negatively affect the Company's financial performance and profitability. (For more details, please see the sales paragraph from Section 5 "Financial Information and Management Discussion and Analysis"). The inventory turnover period was (246) days, (202) days and (212) days, as on December 31, 2018G, 2019G, and 2020G respectively.

### 2.1.13 Risks of Not Extracting or Not Renewing Licenses and Certificates

The Company is required to obtain and maintain the various regulatory permits, licenses and approvals regarding its activities. These licenses include, but are not limited to: the Company's registration certificate issued by the Ministry of Commerce and the Chamber of Commerce's membership certificates, trademark registration certificates, Saudization certificates, Zakat and income certificates, value-added tax and social insurance registration certificates (For more details on licenses and certificates obtained by the Company, please see the sub-paragraph (9.2): For the licenses and permits under which the Company operates From the section (9) "Legal information").

As on the date this prospectus, the Company did not obtain municipal licenses for seven (7) sites that it uses as points of sale and warehouses, in addition to not renewing the number (five) 5 municipality licenses for points of sale. Any violation in this regard will expose the company to the penalties and fines stipulated in the Fines and Penalties Regulations for Municipal Violations (issued by Ministerial Resolution No. 218 dated 06/08/1422H), which set fines ranging from (1,000) thousand Saudi Riyals as a minimum to (5,000) five thousand Saudi Riyals as a maximum, and the site (offices) may be closed in addition to suspending the electronic services of the Labor Office, which negatively affects the Company's operations, the results of its operations, and its financial position.

The Company didn't get the security and safety licenses from the Civil Defense for some selling points and warehouses, which are seventeen (17) sites, and it has not renewed two (2) licenses for points of sale. Any violation in this regard will expose it to the penalties and fines stipulated in Article (30) of the Civil Defense Law issued by Royal Decree No. (M / 10) dated 5-10-1406H (corresponding to 21/01 / 1986G) and amended by Royal Decree No. (M / 66) and dated 02/10-1424H (corresponding to 26/11/2003G) that stipulated imposing a penalty on any violator of any of the provisions of this Law or its regulations or decisions issued pursuant thereto, with imprisonment for a period not exceeding six months, or a fine not exceeding SAR (30,000) thirty thousand Saudi Riyals or both for each violation. The failure of the Company to obtain Civil Defense licenses will not enable it to obtain new municipal licenses or renew existing licenses. If it is unable to obtain security and safety licenses from Civil Defense, this may lead to the closure of its headquarters, branches or facilities until the legal procedures for obtaining licenses are completed. This will negatively and fundamentally affect the Company's business, its financial position, the results of its operations and future prospects.

The Company's branches (Jeddah Industrial Yarns Factory / a branch of Naseej International Trading Co.) and (Al-Sorayai Carpet Factory / a branch of Naseej International Trading Co.) have valid licenses, but they have not obtained environmental licenses for operation, which are issued by the General Authority for Meteorology and Environmental Protection as on the date of this prospectus. Thus, these companies may be subject to the penalties stipulated in the Schedule of Violations and Penalties annexed to the General Environment Law issued by Royal Decree No. 34/M dated 28/07/1422H (corresponding to 15/10/2001G) and that amount to a fine not exceeding (10,000) Saudi Riyals, or they may be at risk of closure. This will negatively affect the Company's operations, the results of its operations, and its financial position.

As on the date of publishing this prospectus, the Company did not renew some commercial records of points of sale, which may affect its work, as it was unable to renew other licenses related to the CR numbers of these points (such as the municipality license and civil defense licenses) and therefore it may be subject to penalties and fines from the competent authority for not being able to renew. (For more details about Commercial records for point of sale, please refer to subparagraph (9.2) "The licenses and permits under which the Company operates" from section (9) "Legal information").

The Company has a (textile) logo used in dealings and transactions, and has submitted an application to register it as a trademark to the Saudi Authority for Intellectual Property on 02/05/1442H (corresponding to 17/02/2020G) under category (23). As of the date of publication of this prospectus, no final certificate of trademark registration was obtained. Failure to register the Company's logo as a trademark under a final certificate registration may lead to the illegal use of the Company's trademarks by third parties, which may affect its reputation, and will result in filing lawsuits and claims before the competent courts to protect these rights. It is an expensive process that requires a great deal of time and effort on the part of the administration to follow up. In the event that the Company fails to protect its trademarks effectively or trace similar trademarks, its value will be negatively affected. Moreover, the Company will not be able to use its trademark and place it on its products, the external facade of its building, offices or vehicles.

The inability of the Company to renew its current licenses, permits and certificates (for more information about the licenses and certificates obtained by the Company, its branches and points of sale, please refer to subparagraph (9.2) "The licenses and permits under which the Company operates" from section (9) "Legal information") or to obtain the necessary licenses for its business, or if any of its licenses is suspended, expired, or renewed on conditions that are not appropriate for the Company, or if it is unable to obtain additional required licenses, permits and certificates in the future, this may expose it to become out of

business and prevent it from carrying out its business. It can be by closing its headquarters or freezing part or all of the services provided by the supervisory authorities, which will result in disrupting its operations and incurring additional costs, and hence negatively affect the results of its operations and its financial position.

#### 2.1.14 Risks of Non-compliance with Social Insurance Regulations

On 10/05/1438H (corresponding to 07/02/2017G) the Royal Decree (M / 55) was issued amending Article (62) of the Social Insurance Law, which stipulated the imposition of a fine penalty in an amount not exceeding ten thousand (10,000) Saudi Riyals that can be doubled when iteration for every business owner who violates any of the provisions of the Social Insurance Regulations including providing any incorrect data or refraining from providing the data requested by the institution. The fine shall multiply according to the multiplicity of the joint workers against whom the employer has committed one or more violations, as well as the multiplicity of the data provided or not provided. On 22/02/2021G, the Company was informed of Decision No. (36834553) issued by the General Organization for Social Insurance to impose a fine of ten thousand (10,000) Saudi Riyals on the Company due to monitoring a violation through electronic inspection, which is the existence of a fictitious registration.

The Company's non-compliance with the provisions of the issued social insurance law by Royal Decree M / 33 and date 03/09/1421H (corresponding to 29/11/2000G) and the Regulations for Registration, Subscriptions and Regulations Insurance against unemployment issued by Royal Decree M / 18, dated 12/03/1435H (corresponding to 13/01/2014G) and its executive regulations expose it to impose financial fines ranging from two thousand SAR (2,000) Saudi Riyals to ten thousand SAR (10,000) Saudi Riyals that are doubled upon repetition and multiplied by the multiplicity of workers, which leads to the Company incurring additional costs and be negatively affected in terms of the results of its operations and its financial condition.

#### 2.1.15 Risks Associated with Future Projects Implementation

The Company's future performance depends on the effective implementation of its business plans and growth strategies which include focusing on its essential products, through continuously developing the Group's products that are marketed by its current customers or that aim to attract new major customers, acquire new government projects, increase export sales and target new markets with stable conditions. The Company's failure to adequately implement business plans and growth strategies, or the withdrawal or neglect of companies that may be assigned the duties of supervising these new projects, will negatively affect the Company's business, operations, and financial position.

The Company's ability to manage the expansion of its business in the future depends on its ability to continue implementing and improving its operational, financial and administrative information systems efficiently and in a timely manner, as well as on its ability to increase, train, motivate and manage its workforce. The Company cannot guarantee that its appointed employees or that the regulations, procedures and controls it adopts will be sufficient to support future growth and expansion.

Furthermore, any business expansion plans that the Company intends to execute in the future will be subject to the estimated costs and implementation schedule set for such plans and the Company may need additional funding to complete them. In the event these plans could not be executed by the Company according to the set schedule and estimated project costs, or in the event that the desired profitability of these projects is not achieved, which may be due to various reasons, including a change in the market situation at the time of implementation or a defect in the feasibility study, the Company competitive position and the results of its business and profitability will be affected.

#### 2.1.16 Risks of Reliance on Non-Saudi Employees

As of the date of this Prospectus, the non-Saudi employees constitute about (71.17) % of the total employees in the Company. In the event the Company is not able to maintain its non-Saudi cadres or find replacements for them with the same required skills and expertise or in the event of a change in the policies and regulations of the Ministry of Human Resources and Social Development, thus resulting in increasing the Saudization rate of the sector, the results of the Company's business, its financial position and its operational results will be negatively affected. Furthermore, the Company reliance on a high percentage of non-Saudi employees may lead to higher government fees incurred by the Company for every non-Saudi employee in terms of work permits and residency, thus increasing the Company's costs in general, and negatively affecting its business, financial performance and the results of its operations.

#### 2.1.17 Risks of Employee Misconduct or Errors

As per Article 13 of the Saudi Labor Law, the Company is required to adopt an internal work regulation complying to the form prepared by the Ministry. The Company may include therein additional terms and provisions that do not contradict the provisions of the Labor Law and its implementing regulations. The Company must announce the 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 (Human Resources Manual, Policies and Procedures) which were approved by the Company's executive management. However, as of the date of this Prospectus, they have not yet been presented to the Ministry of Human Resources and Social Development (Labor Office) for their approval. The regulation includes policies and internal controls related to work and workers.

The subsidiaries (Al Sorayai Operation & Maintenance Company Ltd) and (The Home Styles Company) do not have internal work regulations approved by the Ministry of Human Resources and Social Development, as per the requirements of the Labor Law.

Failure to comply with this shall expose the Company and its subsidiaries to the fines stipulated in Article 229 of the Labor Law, in addition to the fine of not announcing the work regulations after its approval in a public place in the Company. Such a fine could amount to SAR (10,000) ten thousand Saudi riyals stipulated in the chart of violations and penalties issued under Ministerial Resolution No. (178743) dated 27/09/1440H (corresponding to 01/06/2019G), thus negatively affecting the Company's business and the results of its operations.

All of the Company employees were informed, as the regulations were placed in a public place in the workplace.

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

### 2.1.18 Risks Associated with Corporate Governance Implementation

The Corporate Governance Regulations were issued pursuant to the CMA Board Decision No. (8-16-2017) dated 16/05/1438H (corresponding to 13/02/2017G) based on the Companies Law issued by Royal Decree No. M / 3, and amended by CMA Board Resolution No. (3- 57-2019) dated 15/09/1440H (corresponding to 20/05/2019G). The amended regulations include mandatory clauses and more detailed provisions than those previously included, as well as mandatory clauses related to the formation of the Board of Directors and their committees, specializations, responsibilities, meetings, rights and duties of their members and provisions for dealing with cases of conflict of interest between the aforementioned members and the Company and to ensure that the relation between the Shareholders and the Company Board of Directors on the one hand, and that of the Board and the executive management on the other hand, are clear. The regulations have also paid attention to the rights of shareholders in these companies, such as the right to fair treatment without any discrimination, and the right to obtain information transparently to enable them to fully exercise their statutory rights.

It should be noted that the Company is committed to all the mandatory articles in the Corporate Governance Regulations issued by the Authority (For more details on corporate governance and the extent of the Company's commitment, please refer to the sub-paragraph "The continuous obligations as per the CMA requirements" from Section 9 "Legal Information").

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

### 2.1.19 Liquidity Risks

The Company may face liquidity risks when it fails to provide the necessary funds to meet on time its liabilities and financial obligations arising from operating activities. 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. During the years studied in this Prospectus, the Company maintained an almost constant liquidity ratio equivalent to 1 time as in the years 2018G, 2019G, and increased to 1.4 times as on December 31, 2020G and 1.5 times on March 31, 2021G. Kindly refer to Table (28) "Current Assets" and Table (39) "Current Liabilities from Section (5) "Financial Information and Management Discussion and Analysis").

### 2.1.20 Risks of Credit

Credit risks occur when one of the parties fails to fulfill a specific financial obligation towards the other party. The Company may face credit risk in several temporary or permanent situations, including debit balances from clients, failure of other creditors to fulfill their obligations towards the Company and other situations. The balances of receivables amounted approximately to SAR 163.3 million, SAR 95.3 million, SAR 87.2 million, and SAR 96 million, as of December 31, 2018G, December 31, 2018G, 2019G and 2020G, and the period ending on March 31, 2021G, respectively. Please refer to Table (34) "Trade receivables" from Section (5) "Financial Information and Management Discussion and Analysis"). The Company applies a policy approved by the executive management to limit its exposure to credit risk in ordinary market conditions, by imposing credit limits on each client upon the start of the business relation, monitoring these limits regularly and performing collections to determine the dealing quality of each client. Then, it is possible to increase or decrease its previously granted limit, or stop dealing with it altogether. Moreover, the Company adopted an IFRS-consistent policy for calculating provisions for doubtful debts while these debts age as precaution.

However, the Company cannot guarantee that the parties with whom it deals will not fail to fulfill their obligations and cannot predict accurately their future ability to comply. In the event that the creditors fail to pay the Company's dues, the Company, its financial position and the results of its operations will be negatively and fundamentally affected.

### 2.1.21 Risks Associated with the Implementation of the Companies Law and Applied Ministerial Decisions

The Company is in compliance with the new Companies Law issued by Royal Decree No. (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), effective as on 27/07/1437H (corresponding to 04/05/2016G) and amended by Royal Decree No. (M / 79) and dated 25/07/1439H (corresponding to 11/04/2018G). It is also in compliance with Article (224) of the Companies Law in terms of amending its By-laws in accordance with the provisions of the Companies Law. The Company Extraordinary General Assembly approved the updated By-laws at its meeting held on 27/08/1438H (corresponding to 23/05/2017G).

On 25/07/1439H (corresponding to 11/04/2018G), Royal Decree No. (M / 79) was issued amending some articles of the new Companies Law, in particular Article (80) related to the liability lawsuits, as it allowed to have the Company incur the expenses paid by a shareholder who has filed a lawsuit against the Company, whatever its outcome. As of the date of this Prospectus, Article 50 of the By-laws has not yet been amended, thus violating the Companies Law. In the event that this violation continues and the Company does not obtain the approval of the Extraordinary General Assembly to amend the By-laws, it will be subject to the penalties stipulated in the Companies Law and imposing a fine not exceeding (SAR 500,000).

The Articles of Association of the subsidiaries (Al Sorayai Operation & Maintenance Company Ltd) and (The Home Styles Company) have not been updated according to the new Companies Law issued by Royal Decree No. (M / 3) dated 28/01/1437H (corresponding to 10/11/2015G) published in the Official Gazette (Umm Al-Qura) on 22/01/1437H (corresponding to 04/12/2015G), and amended by Royal Decree No. (M / 79) dated 25/07/1439H (corresponding to 11/04/2018G), which may expose it to the penalties stipulated in the Companies Law imposing a fine not exceeding (SAR 500,000).

The commercial records of the subsidiaries (Al Sorayai Operation & Maintenance Company Ltd) and (The Home Styles Company) were not updated according to the activities of the National Guide for Economic Activities (ISIC), in accordance with Royal Decree No. (44302) dated 25/09/1438H (corresponding to 20/06/2017G) which obligated all ministries and government agencies of economic activities to adopt the classification of such activities used by the General Authority for Statistics as a single approved classification throughout the Kingdom, and work to implement it before 01/01/2018G. Failure to comply with this shall expose the subsidiaries to the suspension of electronic services of the Ministry of Human Resources and Social Development, in particular the work permits of their employees, which will thus affect these companies' work and impose delay fines for not renewing such permits before their expiry, which will negatively affect the Company business and the results of its operations.

According to Article (5) of the Bylaws, the Company may establish branches by a Board of Directors' resolution. In this perspective, the Board has changed some branch managers and appointed new ones without disclosing its resolutions concerning this change, which constitutes a violation of its Bylaws stipulating that any change must be approved by the Board before being included in the Company and its branches' Commercial Records. This may expose the Company to the penalties stipulated in the Companies Law by imposing a fine that doesn't exceed SAR (500,000).

On 05/16/1438H (corresponding to 02/13/2017G), the Council of Ministers issued Resolution No. (292) stipulating that any rental contract, not registered in the electronic network, is not considered to be valid and administratively or judicially effective. The electronic network for rental services was launched in cooperation between the Ministries of Justice and Housing on 05/17/1439H, and a circular was issued by the Ministry of Justice approving its application to all contracts concluded after 05/05/1440H (corresponding to 01/11/2019G). Not complying to the aforementioned resolution shall affect the contract's validity, administrative and judicial effect. Moreover, failure to register the contract in the network may deprive the company of the advantages offered by the network, notably in terms of granting the electronic lease contract an executive status that renders it an executive document between two parties who may request its implementation directly or by force through the enforcement courts, without the need to file a lawsuit if any of the parties breaches the fundamental obligations included in the contract. The company shall also have the choice to pay a monthly rent instead of being obliged to settle it every six month or on a yearly basis. This will positively influence its financial position.

### 2.1.22 Risks of Unexpected Accidents

The factories of the Company consist of several production lines and machines. In the event of any defect, malfunction or sudden interruption in the work therein, this would negatively affect the Company's production throughout the period of the defect, breakdown or interruption, and thus negatively affect its business, expectations and the results of its operations throughout the period of production stoppage.

Accordingly, the Company's business and results are completely dependent on the work and continuity of its factories. Therefore, if anything occurs that would negatively affect its business, whether for technical reasons (such as cutting electricity, energy or water supplies) or exposure to any accident or emergency that affects the continuity of its business, whether temporarily or permanently, or any of the natural disasters (such as floods), the Company's operational and financial results will be materially affected.

### 2.1.23 Risks of Trademark Protection

The Company and its branches' ability to market their products and develop their business depends on the use of their name, logo and trademarks, which support their business and competitive position and grant them a clear distinction in the market among customers. The Company has registered (5) trademarks in the name of its (Jeddah Industrial Yarn Factory) branch. It has also submitted an application to register its trademark (Naseej). As of the date of this Prospectus, the competent authorities are still reviewing the application (please refer to subsection (9.6) "Trademarks" from Section (9) Legal Information). Any breach of property rights or unlawful use of the Company's trademarks will affect the Company and its subsidiaries' reputation and will lead to filing lawsuits and claims before the competent courts to protect these rights, thus having the management incur expenses and devote a lot of time and effort to follow them up. In the event that the Company fails to protect its trademarks effectively when renewing the registration certificate or to trace similar trademarks, the Company value, and consequently, its business, the results of its operations, financial position and future prospects will be negatively affected.

### 2.1.24 Risks Related to additional Zakat differences and not registering with VAT

Similar to other registered establishments and companies operating in the Kingdom, the Company is obliged to submit its Zakat and tax declarations within 120 days following the end of the fiscal year in order to renew the certificate issued by the Zakat, Tax and Customs Authority. The Company was registered as a taxpayer under the distinct tax number (3002274598) and has submitted its Zakat declaration for the fiscal year ending on December 31, 2020G and obtained a Zakat certificate from the Zakat, Tax and Customs Authority under the number (1110619706) dated 27/10/1442H (corresponding to 08/06/2021G) valid until 29/09/1443H (corresponding to 30/04/2022G). This certificate enables the Company to complete all its transactions, including the payment of its final dues for contracts.

The Company has paid to the Zakat, Tax and Customs Authority its Zakat payments regarding all years until December 31, 2012G. As for the years 2013G and 2014G, a Zakat assessment was issued with Zakat differences amounting to SAR (3,500,000) three million five hundred thousand Saudi riyals. The Company filed an objection which was overruled by the Zakat, Tax and Customs Authority, thus the company agreed to pay Zakat in installments. As of the date of this prospectus, the first payment equivalent to SAR (880,000) was settled.

Zakat declarations for the years 2015G to 2020G were submitted to the Zakat, Tax and Customs Authority and the latter issued some inquiries regarding the years 2015G and 2016G, to which the Company responded. The response is still being studied by the Zakat, Tax and Customs Authority which has not yet issued a final decision as of the date of this Prospectus.

The Company received a claimant in the amount of SAR (11,260,000) eleven million two hundred and sixty thousand Saudi riyals and the amount of SAR (9,980,000) nine million nine hundred and eighty thousand Saudi riyals for the years 2017G and 2018G respectively. The reason behind that is not being allowed to purchase importations which have been recorded in the other income, and the zakat has been calculated accordingly. The Company filed an objection to this assessment and submitted it to the General Secretariat of the Tax Committees. However, the objection is still under consideration as of the date of publication of this prospectus.

Whereas the Company's Zakat assessments for these years have not been finalized yet, there is a risk that the Company will be obligated to pay the General Authority for Zakat and Income in excess of what has been allocated for those years, which will negatively affect its profitability and performance.

### 2.1.25 Risks Related to Adequacy of Insurance Coverage

The Company's failure to obtain adequate insurance coverage may limit its ability to carry out its work as required, which will affect its business. The Company, as well as its business, branches, subsidiaries or industrial facilities, may also be exposed to many accidents that are beyond their control and that may affect the conduct of their business, including natural disasters, accidents, terrorist acts and war-related events for which there is no sufficient insurance coverage. Furthermore, the recurrence of various other events such as sudden accidents, work interruptions or potential damage to the Company's facilities, property and equipment resulting from bad conditions, human error, pollution, labor disputes or natural disasters will lead to the Company incurring great losses. As of the date of this Prospectus, the Company and its subsidiaries have a property insurance policy against all risks for their buildings, industrial facilities and equipment against fire, accidents and hazards with Medgulf Cooperative Insurance Company, a company licensed to operate in the Kingdom, signed on 20/07/2020G according to Document No. (5820859) valid from 03/05/2020G till 02/05/2021G. The Company failure to conduct an insurance policy against all risks may lead to the unavailability of adequate insurance coverage in the event of an accident. Consequently, the Company and / or its subsidiaries may lose the capital invested in any properties that were damaged or destroyed and may also lose the expected future revenues thereof. They may also be exposed to financial obligations related to the damaged property. The same actions may occur in the event that any evaluation made against the company is beyond any insurance coverage, as its assets may be seized or confiscated as per various judicial procedures. Any such accidents will negatively affect the future business of the Company, its subsidiary industrial facilities and its production capacity. Therefore, the Company does not guarantee to investors that none of these events will result in damages that lead to material losses which could not be fully or partially compensated by the Company due to the absence of any appropriate insurance coverage. Such event will negatively affect its operations and its ability to bear the amounts resulting from losses, and will result in the temporary suspension of its operations, thus affecting its financial results and profits.

The Company provided medical insurance for its employees and their families through a health insurance policy dated 11/08/2020G valid till 10/08/2021G, signed with The Company for Cooperative Insurance (Tawuniya). The subsidiaries Al Sorayai Company for Operation and Maintenance and The Home Styles Company also have a health insurance policy with the aforementioned Tawuniya. 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 companies 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. The latter cannot guarantee that it will not incur losses that exceed the limits of the insurance policies or the scope of coverage contained in these documents. Cases may arise such as the value of the claim exceeding the value of the insurance held by the Company, or the rejection of the compensation claim submitted by the Company to the relevant insurance company, or the claim and compensation period being prolonged, which will negatively affect the Company business, future expectations, results of its operations and financial position (For more information about the insurance coverage, please refer to sub-paragraph (9.7) "Insurance Policies" from Section 9 "Legal Information" of this Prospectus).

### 2.1.26 Risks Related to Litigation

The Company may be prone to cases and lawsuits related to its operations while conducting its business. The Company does not guarantee that there will be no future disputes between it and other parties dealing with it such as suppliers, distributors, etc. This may lead to the filing of cases with the competent judicial authorities. 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.

As of the date of this Prospectus, the Company was prone to some lawsuits which arose in the course of practicing its activities, in particular those filed by some of the Company's clients and previous workers in their capacity as plaintiffs, and the total claims amounted to SAR (4,418,533).

These lawsuits are still under consideration. The Company has not taken the necessary precautions to ward off any liability in the event that the full value of each claim is judged separately, which will cause the Company to face unexpected and non-substantial financial obligations which it cannot pay and fulfill its obligations, thus negatively affecting the Company's business, future expectations, results of its operations and its financial position.

Except for what is mentioned in sub-paragraph (9.5) "Litigation" of Section (9) "Legal Information" of this Prospectus, the Company is not a party to any legal action, claim, arbitration, or combined or single current or future administrative procedures that would materially affect its business or financial position.

### 2.1.27 Risks of Non-Compliance with Credit Facilities and Loan Agreements

The Company relies on loan facilities to finance its operations and has entered into agreements with local banks and other lending parties to provide short- and long-term facilities. As of March 31, 2021G, the Company's total facilities value amounted to SAR 317.42 million with SAR 300.52 million used amount. (For more details about loans, please refer to sub-paragraph (9.4.7) from Section (9) "Legal Information").

The Company has not complied with some of the terms and conditions of loan agreements, as the provisions thereof require maintaining the financial position at specific levels. The company also failed to pay some long-term loan installments, thus allowing the lenders to 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 business, subsidiaries and financial condition. (For more information, kindly refer to sub-paragraph "Term Loans and Credit Banks" of Section (5) "Financial Information and Management Discussion and Analysis" of this prospectus).

### 2.1.28 Risks Related to Transactions with Related Parties

In the course of its business, the Company may be exposed to transactions with related parties, which are presented to the General Assembly without giving the right to shareholders who have an interest therein to vote on them, and the Board members undertake not to compete with the Company's business and deal with the related parties on a competitive basis. Furthermore, in the event any of the Board members decides to withdraw from the Company, the transactions executed by the aforementioned member with related companies may be suspended, or the terms of the agreement may be amended or with terms which do not satisfy the Company, thus forcing it to work with other companies which may not end up with the same result. Accordingly, the Company's business and profitability will be negatively affected.

As of the date of this Prospectus, the Company has executed contracts and transactions with related parties, such as the Chairman of the Board of Directors and some Board members. These are commercial transactions such as selling and supplying raw materials to factories and lease contracts for exhibitions and warehouses. Upon its conclusion, the Company undertook



that all transactions would be on a purely commercial competitive basis and without any preferential conditions, thus guaranteeing the rights of shareholders, and that those contracts be voted on by the Company's General Assembly without the participation of the shareholders or Board members who have interests in these contracts. The Company, as well as its Board members and shareholders are obligated to implement Articles 71 and 72 of the Companies Law. These transactions were voted on in the Company Ordinary General Assembly.

### 2.1.29 Risks of Accumulated Losses

The Company reduced its capital from SAR (178,160,000) one hundred seventy-eight million one hundred sixty thousand Saudi riyals to SAR (61,632,010) sixty-one million six hundred thirty-two thousand and ten Saudi riyals, thus reducing (65.4) % of the Company's capital by canceling (11,652,799) eleven million six hundred fifty-two thousand seven hundred and sixty-six shares of the Company shares. Accordingly, the number of shares has been reduced from (17,816,000) seventeen million eight hundred and sixteen thousand shares to (6,163,201) six million one hundred sixty-three thousand two hundred and one shares at a reduction rate of (1) One share for every (1,529) shares. This reduce in capital is to amortize the accumulated losses of SAR (116,527,990) after obtaining all the required approvals, as well as the approval of the Extraordinary General Assembly held on 05/05/1442H (corresponding to 20/12/2020G).

Furthermore, the Company announced on 09/11/2020G that the accumulated losses reached (65.4) % of the capital as on 30/09/2020G, noting that they were (43.4) % of the capital on 30/06/2020G. In the event the Company incurs additional losses in the future, it will affect the availability of liquidity necessary for the Company's business and expansion plans, and will negatively affect the results of its operations and its financial position.

### 2.1.30 Risks of Covid-19

The novel Corona virus (Covid-19) began to spread in December 2019G and its negative effects have impacted greatly most business around the world. With the outbreak of the virus, many countries took precautionary measures to limit its rapid spread. The government of the Kingdom of Saudi Arabia was proactive in taking several precautionary measures to prevent the spread of the virus, and accordingly, many activities in the Kingdom were affected. Moreover, these measures led to the closure of the Company's exhibitions in whole or in part, thus negatively affecting its business. On 31/05/2020G, the Company announced how the latest government decisions aimed at easing some measures have affected its business. There is no certain information regarding the pandemic's duration and impact, as the situation may require applying more precautionary measures. Therefore, such event would impact the business continuity of the Company and its subsidiaries, thus negatively affecting its business, the results of its operations, its financial position and its future prospectus.

### 2.1.31 Legal Risks Relating to Failure to Obtain Approval of the General Assembly for the Change in The Use of Rights Issue Proceeds in 2020G

Due to circumstances beyond the Company's control that led to an impact on its liquidity during the year 2020G as a result of the Corona Pandemic, as shown in the Offering Summary Section on page (vii) "**Total Proceeds Raised During the Last Rights Issue, their Analysis and Description**", the Company has changed its plan of the use of the offering proceeds pertaining to the previous rights issue of Y2020G and that was previously disclosed to the public. The Company has changed its plan according to what its management deems appropriate to conduct its operations after obtaining the approval of the members of the Board of Directors but without obtaining the General Assembly's approval. The Company could be subject to legal risk if any shareholder(s) objects to such deviation of the use of proceeds without obtaining the approval of the General Assembly. If such event occurs, this will negatively affect the company's operations and its financial position.

### 2.1.32 Legal Risks Relating to Failure to Obtain a Written Approval from the Ministry of Finance for the Change of the Chief Executive Officer (CEO)

The Company breached the contractual obligations included in the facility agreement with the Ministry of Finance dated 24/03/2019G. According to the agreement the Company is required to obtain the Ministry's approval in writing upon changing the Company's CEO. On 24/11/2020G, the CEO (Mr. Mark Henry Verlin) resigned from his position for personal reasons; the Board of Directors approved his resignation by virtue of resolution No. 10 dated 18/08/1442H (corresponding to 31/03/2021G.) and approved the appointment of a new CEO (Eng. Yasser Osama Al Sebaei) starting from 01/04/2021G. The Company has not obtained the Ministry's written approval to change the CEO, but rather informed it of appointing a new CEO. Failure of the Company to fulfill its contractual obligations included in the agreement allows the Ministry of Finance to terminate the agreement and to declare all the deadlines of outstanding loan together with payment of all installments to be immediately due and payable, which could negatively affect the company's position, financial position and future expectations.

## 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 the manufacture of carpets, rugs or yarns 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 petrochemical products, and the manufacture of its products may result in some waste and polluting materials emitted that, if not properly controlled and managed, may lead to an environmental pollution risk, which will result in harm to 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 of Licenses Withdrawal

As of the date of this Prospectus, the Company's activities are governed and in compliance with the regulations of the Ministry of Environment, Water and Agriculture, the Saudi Organization for Industrial Cities and Technology Zones ("MODON"), and the Ministry of Industry and Mineral Resources. As the applicable laws and regulations may change periodically, the Company cannot guarantee that future changes thereto will not negatively affect its work, as it may not be able to comply with the foresaid changes.

### 2.2.3 Political Risks

The Kingdom's economy depends on the prevailing political conditions in the Middle East, thus affecting the current clients of the Company and its ability to obtain new ones, thus consequently affecting its revenues, profits and results of its operations. These risks would have a negative impact on the Company and thus lead to a material negative impact on its share price. It may also lead to the investor losing all or part of their investment value.

### 2.2.4 Competition Risks

The Company operates in a competitive environment and faces strong competition. The Company cannot guarantee that it will be able to compete effectively with other companies in the market, as the pricing policies of the Company's competitors affect its own financial performance. Moreover, the increase in supply for the products manufactured by the Company compared to the demand for them will lead to negative pressure on their prices, thus negatively affecting the Company's business, future expectations, results of its operations, and its financial position in general.

The Company's competitiveness relies on distinguishing its products from others offered in the market, as it provides high-quality products at reasonable prices.

In the event that current or potential competitors provide products of higher quality or of more competitive prices, the Company cannot guarantee that it will rapidly adapt to the evolving industry trends or changing market requirements, which will have a negative impact on the Company's financial results and profitability.

### 2.2.5 Risks Related to Non-Saudi Employees

The Kingdom's government has taken measures and procedures to regulate the employment of non-Saudi employees in accordance with the Labor Law and residency regulations, to be applicable against foreign companies and employees not working for the employer who sponsors them or working by a different job title than the one specified in their residence permits.

In the event the Company does not comply with the Labor Law and the applicable regulations and instructions in this regard, it will be subjected to fines or penalties, thus negatively affecting its business, the results of its operations, its financial position and its future prospects.

### 2.2.6 Risks of Saudization Requirements

The Company is classified within the medium green band of the Saudization Nitaqat program which was launched by the Ministry of Labor (kindly refer to sub-paragraph (3.9) "**Employees and Saudization**"). The Saudization percentage is negatively affected by Saudi employees quitting their work in the Company or by the employment of non-Saudi employees. The Company does not guarantee that it will maintain the required Saudization rate in the future due to the lack of qualified local manpower. In the event that the Saudization rate falls below the required percentage, the Company will be subject to penalties that may amount to suspending applications for work visas and transferring sponsorship for non-Saudi workers, prohibiting participation in government tenders, and preventing access to funds and other government incentives, thus negatively affecting the Company's operations and financial performance.

## 2.2.7 Risks Related to VAT

The Kingdom issued a VAT law which came into effect on January 1, 2018G, and imposed a VAT of 5% on some products and services. On July 1, a decision stipulating the increase of VAT rate to 15% came into effect. Accordingly, the Company must adapt to the changes resulting from the application of the VAT, including its collection and delivery, as well as its impact on the Company's business. Due to the recent application of this law, any violation or misapplication made by the Company or its employees may increase the costs and operational expenses that will be borne by the Company or expose it to fines or penalties or lead to damage to its reputation, which can reduce its competitive position and the demand for its products, which will have a material negative impact on its business, financial position, results of operations and future prospects.

## 2.2.8 Risks of Required Reports

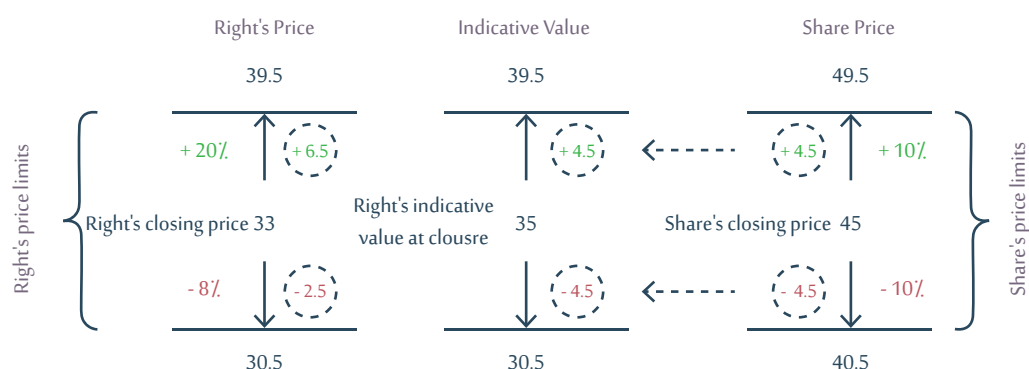
The Company is required to announce its financial quarterly and annual statements as well as the report of the Board of Directors within the period specified by the CMA. The Company is also required to disclose any material information as soon as it occurs. The Company may be subject to penalties and fines if it does not meet the requirements of the CMA and the Rules on the Offer of Securities and Continuing Obligations issued by the CMA and the listing rules issued by the Saudi Stock Exchange (Tadawul), which will have a negative and material impact on the Company's business, results of its operations, its financial position and its future prospects.

## 2.3 Risks Related to the Offer Shares

### 2.3.1 Risks Related to Potential Fluctuations in Rights Issue Price

The market price of the Rights issue may be subject to considerable fluctuations due to a change in factors affecting the Company shares. This fluctuation may be largely due to the difference between the permissible daily fluctuation rates for rights compared to the permissible daily volatility percentage for the Company shares. The following example shows how to calculate the daily price limits of the Right.

Clause	Value
Closure price of any Company share	SAR 45
Change rate of the share price	+/- 10%
Daily share limits	+/- SAR 4,5 (40,50 - 49,50)
Closure price of the Right	SAR 33
Offer Price	SAR 10
Indicative Right Value upon closure	SAR 35 (10 – 45)



Source: Tadawul

Tadawul and brokerage firms will update these ratios on a daily basis after the market closes. The Rights trading price depends on the trading price of the company's shares and the market's view of the fair price of the rights. These factors will negatively affect the rights trading price.

### 2.3.2 Risks Related to Potential Fluctuations in the Share Price

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. 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, deterioration of the Company's performance, inability to execute future plans, the entry of new competitors, change in the vision or estimates of experts and analysts of the stock market, and any announcement made by the Company or any of its competitors related to mergers and acquisitions or strategic alliances.

Selling large numbers of shares by shareholders or the belief that such a sale is likely to occur will negatively affect the market price of the Company's shares. Moreover, shareholders may not be able to sell their shares in the market without negatively affecting the share price. There is no guarantee that the market price of the Company's shares will not be lower than the offering price. If such event occurs after investors subscribe to the new shares, the subscription cannot be canceled or modified. Accordingly, investors may incur losses as a result. In addition to the foregoing, there is no guarantee that a shareholder will be able to sell his shares at a price equal to or higher than the offering price after subscribing to the new shares.

### 2.3.3 Risks of Rights Profitability or Sale of Rights

There is no guarantee of the share profitability when it is traded at a higher price. Moreover, there is no guarantee that it will be surely sold or that there will be sufficient demand in the market to exercise the Rights issue. The monetary compensation amounts will be paid to eligible persons who did not exercise their right to subscribe in whole or in part to the new shares and to those entitled to fractional shares, noting that these amounts represent the amount that exceeds the offering price from the net proceeds of the Rump and fractional shares sale.

### 2.3.4 Risks Related to Forward-looking Statements

The future results and performance information of the Company cannot be actually predicted, and may differ from what is actually mentioned in this Prospectus, 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.

### 2.3.5 Risks Related to the Possibility of Issuing New Shares

In the event the Company decides to issue new shares in the future, 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.

### 2.3.6 Risks of Lack of Demand for the Company 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 non-exercised Rights. Moreover, there is no guarantee that there will be sufficient market demand for shares acquired by a subscriber either through the exercise of Rights issue for these shares, or through a Rump offering or through the open market.

### 2.3.7 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.

### 2.3.8 Risks of Not Exercising the Rights Issue in a Timely Manner

The subscription phase starts on Tuesday 04/04/1443H (corresponding to 09/11/2021G) and ends on Sunday 16/04/1443H (corresponding to 21/11/2021G). Eligible shareholders and their representative financial intermediaries must act to ensure that all necessary instructions are fulfilled before the subscription phase expires. 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.

### 2.3.9 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. Moreover, the capital increase 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.

### 2.3.10 Risks Related to 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 exceeds the percentage that the share is subject to (which is represented by an increase or decrease of 10% from the previous day's closing price). 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. Consequently, investors must be aware of the full details of listing and trading new rights and shares and their operation, as well as the factors affecting them, in order to ensure that any investment decision is based on full awareness and understanding.

### 2.3.11 Risks Related to the Lack of Shareholders' Awareness of Rights Issue Trading

As of September 3, 2013G, the CMA, in coordination with Tadawul, developed a new mechanism for offering, registering and trading Rights issue shares as securities that allow registered shareholders to subscribe, sell rights in full or in part, or purchase additional rights, during the rights trading period in the market. The new mechanism also allows other (non-registered) investors to purchase rights from registered shareholders during the rights trading period.

Even though the CMA and Tadawul have developed awareness bulletins and organized special workshops to educate investors and shareholders on how to increase capital by issuing Rights shares and how to participate in investment and trading in Rights issue as securities similar to any other securities (shares), it may be difficult for some shareholders to comprehend the mechanism of Rights issue trading, in particular the calculation of the final price and shortening the periods of subscription and trading in the Rights issue, thus causing the shareholders not to make the appropriate decision in a timely manner. It should be noted that a shareholder who buys Rights issue and does not exercise his right to subscribe may be prone to lose the full amount paid for the right if the shares are sold to the institutions at the nominal value in the Rump offering period.

### 2.3.12 Risks Related to Not Publishing the Financial Statements and Information

According to Article 63 of the Rules for the Offer of Securities and Continuing Obligations, the issuer must prepare its initial financial statements and examine them in accordance with the accounting and auditing standards approved by the Saudi Organization for Certified Public Accountants (SOCPA) and disclose them to the public within a period not exceeding 30 days from the end of the financial period of these statements. The issuer must also prepare and review its annual financial statements in accordance with the accounting and auditing standards approved by SOCPA and disclose them to the public within a period not exceeding three months from the end of the annual financial period of these statements. The issuer must disclose these financial statements 21 days prior to the issuer's annual general assembly meeting. According to Article 36 of the Listing Rules, the Saudi Stock Exchange may suspend the trading of the issuer's securities in the event it does not adhere to the deadlines set for the disclosure of its periodic financial information in accordance with the relevant executive regulations. In the event the suspension of securities trading continues for a period of (6) months without the issuer taking appropriate actions to correct that suspension, the Authority may cancel the listing of securities. In the event that trading of the issuer's securities is suspended, the completion of the offering process, and thus the company's financial position and future expectations will be negatively affected.

### 3. Overview of the Company and its Business Activity

#### 3.1 About the Company

Naseej International Trading Company (“Naseej” or “The Company”) is a Saudi joint stock company, initially established as a limited liability company and registered in the CR in Jeddah under the No. (4030133919) dated 05/03/1422H (corresponding to 28/05/2001G) under the trade name “Al Sorayai Carpet Factory Co”. On 11/11/1427H (corresponding to 02/12/2006G), “Abdallah and Nasser Abdul Aziz Al Sorayai Joint Company” and “Jeddah Industrial Yarn Factory Company Ltd.” were merged into the Al Sorayai Carpet Factory Co., thus amending the Company name to “Al Sorayai Trading and Industrial Group Co., Ltd.” The partners also decided to convert the Company from a LLC to a closed joint stock company. The Minister of Commerce and Investment approved the conversion according to Ministerial Resolution No. (276 / S) dated 01/11/1428H (corresponding to 11/11/2007G). The Company was established by virtue of Ministerial Decision No. (523 / S) dated 21/11/1428H (corresponding to 31/12/2007G) as a closed joint stock company while maintaining the same number and date of the CR certificate (4030133919) of Jeddah. On 22/02/2010G, the Company was converted from a closed joint stock into a public joint stock and registered and listed in the Saudi Stock Exchange (Main Market / TASI). The name of the Company became Naseej International Trading Company, after the approval of the Extraordinary General Assembly on 03/09/1441H (corresponding to 26/04/2020G).

The current capital of the Company is SAR (61,632,010) sixty-one million six hundred thirty-two thousand and ten Saudi riyals divided into (6,163,201) six million one hundred and sixty-three thousand two hundred and one shares (“the Shares”) with a nominal value of SAR (10) ten Saudi riyals per share, paid in full.

As of the date of this Prospectus, there are no major shareholders who own 5% or more of the Company’s shares among its shareholders.

During April 2018G, the Company’s headquarters in Jeddah was transferred from Al Sittin Street (Al Faisaliah District) to the Industrial Area Phase 4.

#### 3.2 Company Vision, Mission and Strategy

The Company is keen on preserving its reputation as a pioneer in the carpet and rugs manufacture and seeks to reach global success, which can be achieved by expanding its trade network through distributing the Company’s products locally and globally.

The Company also strives to provide its products and services with an optimal quality that ensures achieving customer satisfaction standards, in line with its values towards its employees, shareholders and employees.

The stated strategy of the Company is as follows:

- Manufacturing high quality carpets and profitable products and developing its trade through importing and selling carpets to cover all tastes and obtaining the largest market share in the local market.
- Increasing the production capacity in the rugs manufacture activity
- Transforming the yarn manufacturing factory into an independent profit-generating entity, as there is a high local and international demand noting that most of the required raw materials required are manufactured in the Kingdom by SABIC, to cover the market demand by exporting regionally and internationally.
- Diversifying the Group’s investment portfolio by targeting profitable and sustainable activities that make Naseej shareholders gain long-term profit.

#### 3.3 Company Branches

In addition to the Company branches that were established and dedicated to register its factories and extract relevant industrial licenses, the Company has 14 branches as on September 30, 2020G in various Saudi regions, to be used as administrative offices and points of sale (such as warehouses or stores). Moreover, registration certificates for the branches issued by the Ministry of Commerce have been issued (For more details about these branches, please refer to sub-paragraph (9.2.2) of Section (9) of this Prospectus).

The Company asserts that it does not have any other branches, whether in the Kingdom of Saudi Arabia or abroad.

### 3.4 Investments in Other Companies

The Company invests in other companies, whether established in the Kingdom or abroad, by owning controlling and non-controlling shares therein. The table below shows a summary of Naseej International Trading Company's ownership in these companies:

**Table No. (1): The Company Investments in Other Companies**

Company Name	Place of Establishment	Date of Establishment	Activity	Percentage	Comments
<b>Subsidiaries (in which the Company owns 30% or more)</b>					
Home Styles Ltd (LLC)	The kingdom of Saudi Arabia	03/12/1431H (corresponding to 09/11/2010G)	Retail trade of carpets, rugs, floorings and furniture for the Company.	Naseej International Trading Co. (90%) Al Sorayai Projects Co. Ltd (10%)	As of the date of this Prospectus, work is underway to complete the necessary procedures to incorporate it in Naseej Co. under the retail sector. It has previously obtained the approval of the General Authority for Competition under letter No. (502539) dated 13/06/1439H (corresponding to 01/03/2018G).
Arabian Company for the Manufacture of Calcium Carbonate (LLC)	The kingdom of Saudi Arabia	23/1/1435H (corresponding to 26/11/2013G)	Manufacture of basic chemical materials and products	Naseej International Trading Co. (52%) Al-Jazeera Factory for Paints Co. (48%)	Naseej owns 25% of the shares of the Arab Company for Calcium Carbonate Industry Ltd. As per the decision of the Extraordinary General Assembly dated 18/04/1438H (corresponding to 16/01/201G), the shareholders agreed to reduce the shareholding percentage from 52% to 25% by having a new partner in the Company by the capital increase, which led to the company losing control of the subsidiary. As of the date of this Prospectus, all legal procedures have been completed to amend the ownership shares of the Arab Company for Calcium Carbonate Industry Ltd to become: Al Sorayai Trading and Industrial Group Co. (25%), Al-Jazirah Paints Factory Co. (48%) and Al-Sorayai Industrial Investment Group (27%)
Al Sorayai Operation & Maintenance Company Ltd (LLC)	The Kingdom of Saudi Arabia	20/06/1434H (corresponding to 30/04/2013G)	Maintenance services for factories, companies and government institutions	Naseej International Trading Co. (95%) The Home Styles Ltd Co. (5%)	Supply of Labor to Naseej Co. through this company
Al Sorayai Projects Co. Ltd (LLC)	The Kingdom of Saudi Arabia	06/08/1434H (corresponding to 15/06/2013G)	Governmental and private project services for carpets, rugs, home furniture and all types of floorings	Naseej International Trading Co. (95%) The Home Styles Ltd Co. (5%)	Ceased operating
Millennium Weavers Group Holding Ltd. (LLC)	United States of America	25/01/1432H (corresponding to 31/12/2010G)	Distribution of carpets, floorings and other related products	100%	Currently no longer operating as of the date of this Prospectus
Millennium Weavers Co. (LLC)	United States of America	25/01/1432H (corresponding to 31/12/2010G)	Distribution of carpets, floorings and other related products	100%	All legal procedures required for closure were completed and the company was canceled on 28/06/2017G

Company Name	Place of Establishment	Date of Establishment	Activity	Percentage	Comments
Millennium Weavers Europe Co.	Belgium	27/01/1433H (corresponding to 22/12/2011G)	Distribution of carpets, floorings and other related products	100%	All legal procedures required for closure were completed and the company was canceled on 15/01/2018G
<b>The Subsidiaries (in which the Company owns less than 30%)</b>					
Al-Salam national College Company Ltd (LLC)	The Kingdom of Saudi Arabia	19/05/1435H (corresponding to 20/03/2014G)	Establishing, managing and operating universities, colleges and institutes in various disciplines, and wholesale and retail trade of books and educational tools	25%	On 13/06/2017G, the Board of Directors decided to exit the company. On 29/11/2020G, the Board of Directors of Naseej, along with the rest of the partners therein, decided to reduce its capital from one million Saudi riyals to fifty thousand Saudi riyals in order to amortize the non-recurring pre-incorporation expenses. Procedures are still under execution.

Source: The Company.

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

### 3.5 Capital Structure

On 08/03/1431H (corresponding to 22/02/2010G), the Company shares were listed on the market and amounted to thirty million (30,000,000) shares with a nominal value of SAR (10) ten Saudi riyals per share) after obtaining the approval of the Authority.

On 20/05/1434H (corresponding to 01/04/2013G), the Company increased its capital from SAR (300,000,000) three hundred million Saudi riyals divided into (30,000,000) thirty million ordinary shares to SAR (375,000,000) three hundred seventy-five million Saudi riyals divided into (37,500,000) Thirty-seven million five hundred thousand ordinary shares by capitalizing the retained profits by issuing one share for every four shares owned by the shareholders.

On 10/04/1439H (corresponding to 28/12/2017G), the Company reduced its capital from SAR (375,000,000) three hundred seventy five million Saudi riyals to SAR (225,000,000) two hundred and twenty five million Saudi riyals, thus reducing the number of its shares from (37,500,000) Thirty-seven million five hundred thousand shares to (22,500,000) twenty-two million five hundred thousand shares by canceling (15,000,000) fifteen million shares, with 40% capital reduction, at a rate of reducing two (2) shares for every five (5) shares.

Moreover, the capital was once more reduced from SAR (225,000,000) two hundred twenty five million Saudi riyals to SAR (65,500,000) sixty five million five hundred thousand Saudi riyals, thus reducing the number of the Company's shares from (22,500,000) twenty-two million five hundred thousand shares to (6,550,000) six million Five hundred and fifty thousand shares by canceling (15,950,000) fifteen million nine hundred fifty thousand shares, with an approximate (70.89%) reduction in the capital at a reduction rate of (3.54) shares for each (5) shares, after obtaining all the required statutory approvals and the approval of the Extraordinary General Assembly held on Wednesday 27/12/1440H (corresponding to 28/08/2019G).

On 27/05/1441H (corresponding to 22/01/2020G), the company increased its capital from SAR (65,500,000) sixty-five million five hundred thousand Saudi riyals to SAR (178,160,000) one hundred seventy-eight million one hundred and sixty thousand Saudi riyals through Rights shares issue of SAR (112,660,000) one hundred and twelve million six hundred and sixty thousand Saudi riyals by issuing (1.72) shares for every (1) share. On 05/05/1442H (corresponding to 20/12/2020G), the Company reduced its capital from SAR (178,160,000) one hundred seventy-eight million one hundred and sixty thousand Saudi riyals to SAR (61,632,010) sixty one million six hundred thirty-two thousand and ten Saudi riyals, accordingly reducing the number of the Company shares from (17,816,000) seventeen million eight hundred and sixteen thousand shares to (6,163,201) six million one hundred and sixty three thousand two hundred and one share by canceling (11,652,799) eleven million six hundred and fifty two thousand seven hundred and ninety-nine shares, at an approximate capital reduction of (65.4%), thus reducing approximately (1) share for each (1,529) shares.

The Company's BOD recommended in its decision on 11/02/1442H (corresponding to 28/09/2020G) to increase the Company's capital by offering Rights issue shares of SAR (150,000,000) one hundred and fifty million Saudi riyals in order to raise the Company's financial solvency and its strategic expansion as well as to improve its financial performance, borrowing rates and their incurred costs.

The Company obtained the approval of the Extraordinary General Assembly to increase the Company's capital by issuing Rights issue shares on Thursday 29/03/1443H (corresponding to 04/11/2021G). This approval was announced on Tadawul website.



### 3.6 Company Activity

The Company activities are divided into three main categories:

- Commercial Activity
- Industrial Activity
- Investment Activity

#### Commercial Activity

It is the local trade (wholesale and retail sale) of the Company's products consisting of carpets and rugs. As of September 30, 2020G, the Company operates through 14 branches consisting of showrooms, stores and distribution centers. The Company's commercial activity also includes exporting its products to a number of Arab and African countries. Moreover, the Company is engaged in commercial services, as it has been appointed as an exclusive commercial agent for Mora Textiles, a Spanish company for the sale of blankets.

#### Industrial Activity

It is the manufacture of carpets and rugs through Naseej Carpet Factory which owns two operating licenses for the carpet factory and falls under Al Sorayai Carpet Factory, and the manufacture of textiles through the Jeddah Industrial Yarn Factory for textiles.

#### Carpet Factory

Falling under Al-Sorayai Carpet Factory, it was established on 30/07/1405H in Jeddah – Industrial Zone Phase 4, and it produces a variety of carpet designs that cover the needs of the market, such as high-quality low-price carpets to be used in offices and mosques. Naseej Carpet Factory also produces a variety of artificial grass carpets to be used in gardens, swimming pool areas and home floors. These products are sold in the local market and exported to many regions around the world, such as the countries of the Gulf, the Middle East, Europe, Asia, America and Australia.

The following is an overview of the carrying capacity of the carpet factory:

**Table No. (2): Overview of the Carpet Factory**

One thousand square meters	2017G	2018G	2019G	2020G	March 31, 2021G
Production capacity	4,942	4,773	4,789	4,789	1,197
Produced quantity	4,083	2,509	1,330	1,536	697
Sold quantity	3,829	3,977	1,969	1,706	790
Utilized capacity	82.6%	52.6%	27.8%	32.1%	58.3%

Source: The Company.

#### Rug Factory

Falling under Al-Sorayai Carpet Factory, it was established on 28/11/1436H in Jeddah – Industrial Zone Phase 4, and it manufactures all market requirements, whether in residential units, hospitals, mosques, lobbies, hotels or offices.

The factory produces high-quality rugs with special specifications, including those made of wool, acrylic and silk, as well as high-quality heat-resistant rugs to meet all the demands of the local and international market.

The following is an overview of the carrying capacity of the rug factory:

**Table No. (3): Overview of the Rug Factory**

One thousand square meters	2017G	2018G	2019G	2020G	March 31, 2021G
Production capacity	28,693	28,693	26,188	26,188	6,547
Produced quantity	20,799	17,360	7,088	8,900	2,485
Sold quantity	21,587	18,441	10,562	7,925	2,718
Utilized capacity	75.5%	60.5%	27.6%	34.0%	38.0%

Source: The Company.

## Jeddah Industrial Yarn Factory

On 23/01/1417H, Naseej Co. established the Jeddah Industrial Yarn Factory for the production of nylon and polypropylene yarn in Jeddah. Nylon and polypropylene yarns are the main components in the carpets and rugs manufacture.

The following is an overview of the carrying capacity of Jeddah Industrial Yarn Factory:

**Table No. (4): Overview of Jeddah Industrial Yarn Factory**

One thousand square meters	2017G	2018G	2019G	2020G	March 31, 2021G
Production capacity	21,000	20,000	16,971	16,971	4,243
Produced quantity	27,107	22,955	4,793	8,432	2,949
Sold quantity	3,812	4,001	1,601	1,769	801
Utilized capacity	31.5%	26.7%	28.2%	49.7%	69.5%

Source: The Company.

## Investment Activity

The Company has invested in a plot of land in Hail City in order to establish a warehouse to store its products and distribute them to customers as per the purchase orders, in addition to its investments in other companies as indicated in sub-paragraph (3.4) of this section.

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

## 3.7 Company Competitive Advantages

Naseej is distinguished by the quality of its locally-manufactured products, in particular the carpets.

Naseej strengths and competitive advantages can be summarized as follows:

- Using the latest technology available for the manufacture of yarns used in carpets and rugs.
- Adopting the highest standards in using the finest raw materials according to international standards.
- Having a wide network to meet in customers' needs in all regions of the Kingdom.
- Providing excellent after-sales services to its customers in all sectors.

## 3.8 Business Interruption

Three years prior to the date of this Prospectus, the Company took the following measures in order to reduce the accumulated losses and to restructure its capital:

- 1- Merging Home Styles Co. operations with the Company's business during the second quarter of 2017G, which led to non-recurring losses of SAR (12,900,000) as on 30/06/2017G. It should be noted that as of the date of this Prospectus, work is underway to complete the necessary procedures for the merge.
- 2- Exiting from (Millennium Waves Europe) assets in Belgium, thus leading to non-recurring losses from discontinued operations amounting to SAR (13,500,000) as of 30/06/2017G.
- 3- Ceasing the activity of (Millennium Weavers Ltd) in the United States as on 30/06/2017G.
- 4- Ceasing the production of Jeddah Industrial Yarn Factory during August and September 2017G.
- 5- Reducing the Company operational capacity substantially by 60% during April and May 2020G, due to the impact of Covid-19 on markets and demand. This procedure was one of several other measures developed and taken as an alternative plan for business continuity after the Covid-19 pandemic.

### 3.9 Employees and Saudization

As of December 2020G, the total number of the Company employees reached (541) employees, (109) of which are Saudi and (432) non-Saudi. The Company is classified within the medium green band (B) Category” of the Nitaqat Saudization Program of the Ministry of Human Resources and social development.

The following table shows the Saudi subsidiaries according to the Nitaqat program:

Facility Name	Entity Size	Band	Nationalization Rate
Al Sorayai Carpet Factory	Medium (C Category)	Low Green	22.67%
Jeddah Industrial Yarn Factory	Medium (C Category)	Medium Green	20.12%
Al Sorayai Operation & Maintenance Company	Medium (B Category)	Red	13.21%
The Home Styles	Small (B Category)	Platinum	44.44%

Source: The Company.

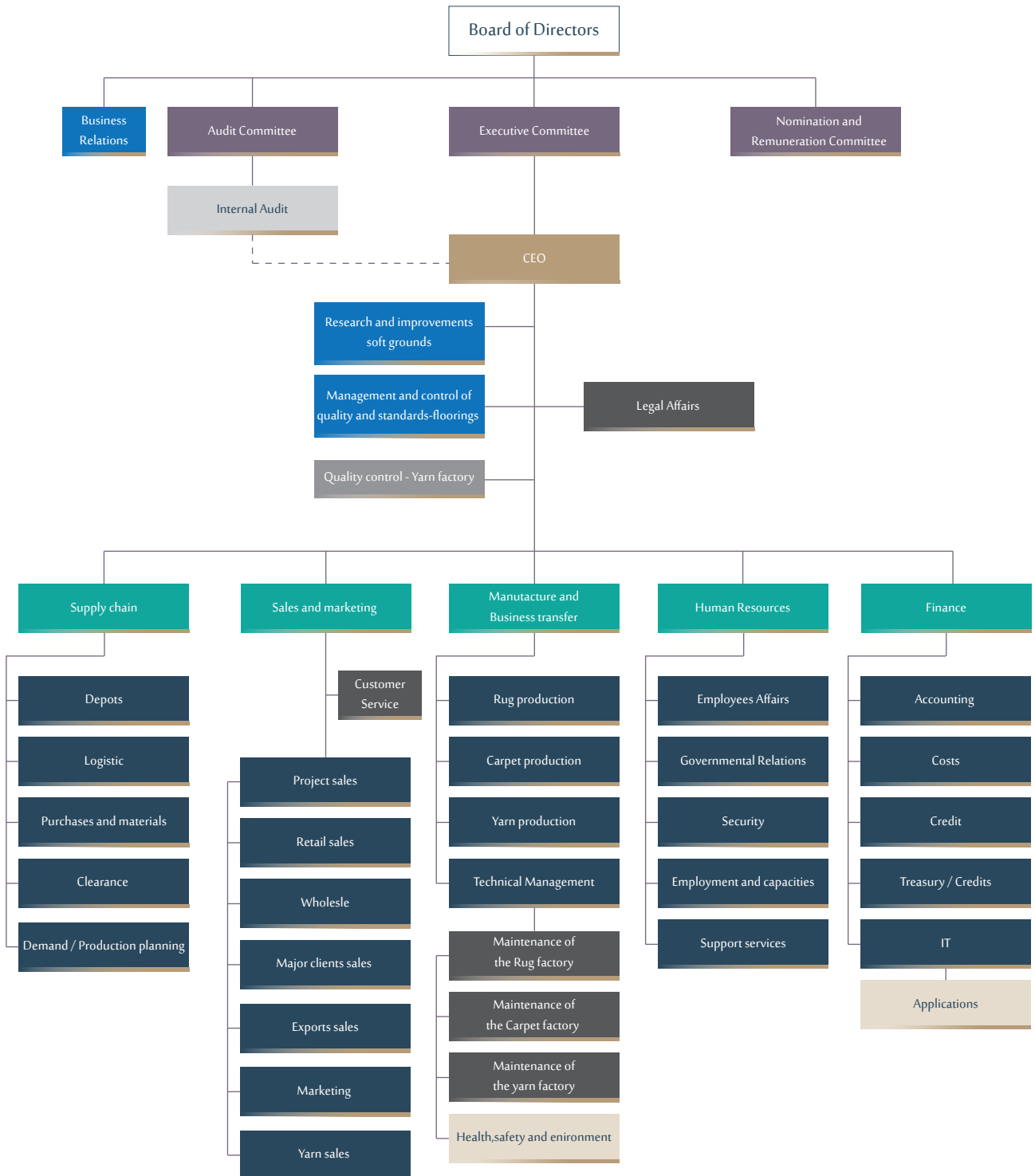
### 3.10 Employees' Shares Options Program

As of the date of this Prospectus, the Company does not have any employee shares programs or any other arrangements involving employees in the Company's capital.

## 4. Company Organizational Structure

### 4.1 Organizational Structure

Figure (2): Organizational Structure of the Company, as adopted by the Board on 10/09/2020G



Source: The Company.

## 4.2 Board of Directors (BOD)

In its meeting held on 26/04/2018G, the Ordinary General Assembly greed to appoint (7) seven members in the Board of Directors, to be effective as on 16/07/2018G for a period of three (3) years ending on 15/07/2021G. The following table shows the members of the Company Board of Directors as of the date of this Prospectus:

**Table No. (5): Members of the Board**

Name	Position	Membership Status	Nationality	Age	Owned Shares				Appointment Date <sup>****</sup>
					Direct	Indirect <sup>*</sup>	Total	Total Ownership %	
Mr. Wael Saad Abdul Aziz El Rashed	Chairman	Independent Non-Executive	Saudi	51	10	-	10	0.000162	16/07/2021G
Mr. Ahmad Seraj AbdulRahman Khofir	Vice-Chairman <sup>**</sup>	Independent	Saudi	54	50	-	50	0.000811	16/07/2021G
Mr. Mansour Saleh Ahmad Al Kharboush	Board Member	Independent	Saudi	65	60	-	60	0.000974	16/07/2021G
Mr. Abdullah Ali Al Dbeighi	Board Member	Non-Executive	Saudi	35	0	-	0	-	16/07/2021G
Mr. Nasser Saleh Al Sorayai	Board Member	Independent	Saudi	61	100	-	100	0.001623	16/07/2021G
Mr. Rashid Salman Al Rashid	Board Member	Independent	Saudi	46	10	-	10	0.000162	16/07/2021G
Mr. Abdallah Yehya Ftayhi		Executive	Saudi	45	0	-	0	-	16/07/2021G

Source: The Company

The Board Members were elected on 16/07/2021G for a term of three years.

<sup>\*\*\*\*</sup>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.
- An “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 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 group.
  - e. if he/she is a relative of any Senior Executive of the Company, or any other company within the Company group.
  - f. if he/she is a relative up to the fourth degree with any of the Company's advisors.
  - g. 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 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 served for more than nine years, consecutive or inconsecutive, as a Board member of the Company (it became mandatory starting the listed joint stock Company Board of Directors' session after 01/01/2019G).
  - l. If he/she engage in a business where he competes with the Company, or conducting businesses in any of the Company activities.

## Number of Board Meetings for the Last Three Years

The Administrative Authority	2017G	2018G	2019G	2020G
Board of Directors	6	8	6	9

## 4.3 Executive Management

**Table No. (6): Executive Management**

Name	Position	Nationality
Yasser Oussama Ahmad El Sbail	CEO	Saudi
Sayed Nadim El Din	Financial Manager	Pakistani
Wissam Mohamad Saramany	General Director of Sales and Marketing	Syrian
Abdallah Hamdan Al Sorayai	General Director of Wholesale	Saudi
Mohamad Oussama Mbarak	General Director of Human Resources - Acting General Manager of Manufacturing	Saudi
Abdallah Yehya Ftayhi	General Director of Supply Chain	Saudi
Mahmoud Abdallah Chames El Din	General Director of Internal Audit	Egyptian
Hossein Mahmoud Khodeir	General Director of Human Resources and Administrative Affairs	Saudi

Source: The Company

## 4.4 Board of Directors and Senior Executives Members' Compensations and Remunerations

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, Highest Executive Managers (they are two: the CEO and the Financial Manager) received during the last three years:

**Table No. (7): Board of Directors and the 5 Senior Executives Members Compensations and Remunerations**

Statement (SAR'000)	2017G	2018G	2019G	2020G	March 31, 2021G
Board Members	939	990	1,783	1,550	360
Senior Executives	4,202	3,902	4,871	4,458	1,337

Source: The Company.

## 4.5 Company Board Committees

The Board has formed a number of specialized committees, established whether according to the requirements of the Companies Law, the CMA Law and its implementing regulations, or in light of the need for work in the Company, to assist the Board in its tasks. The Committees are the following:

### 4.5.1 Audit Committee

The Audit Committee of the Company was formed as per the Companies Law and the Corporate Governance Regulations issued by the CMA. The duties of the Audit Committee include the following:

- Monitoring the Company's business and activities to ensure the integrity and fairness of the financial reports and the Company's internal and financial control systems.
- Studying the initial and annual financial statements of the Company before submitting them to the Board of Directors, and expressing its legal opinion and recommendations to ensure their fairness and transparency.
- Examining any issues raised by the financial director or the auditor.
- Supervising the Company's internal audit unit and recommending to the Board decisions regarding the appointment of internal auditor.
- Examining the internal audit reports and following up on the implementation of corrective measures.

- Recommending to the Board of Directors regarding the nomination and dismissal of auditors, suggesting their remuneration, verify their independence, and evaluate their performance.
- Studying the accounting policies applied in the Company and expressing believes and recommendation regarding them to the Board.
- Verifying the Company's compliance with the relevant laws and regulations.
- Reviewing the reports of the regulatory authorities and verifying that the Company has taken the necessary actions in this regard.
- Reviewing the committee's work regulations, evaluating tasks and performing controls periodically, recommending to the Board of Directors concerning any amendments, and recommending to the General Assembly for the approval of the foresaid amendments.

**Table No. (8): Members of the Audit Committee**

Name	Position	Membership Date
Mansour Saleh El Kharboush	Chairman of the Audit Committee	06/05/2021G
Khaled AbdelAziz Al Houshan	Member	06/05/2021G
Abdallah Salem Al Haiki	Member	06/05/2021G

Source: The Company

### The Audit Committee Meetings During the Last Three Years

The Administrative Authority	2017G	2018G	2019G	2020G	2021G <sup>*</sup>
Audit Committee	6	5	4	4	-

<sup>\*</sup>Until the date of this prospectus.

#### 4.5.2 Nomination and Remuneration Committee

The Nomination and Remuneration Committee of the Company was formed as per the Corporate Governance Regulations issued by the CMA. The duties of the Nomination and Remuneration Committee include the following:

- Issuing recommendations for the Board concerning the Board nominations according to the approved policies and standards.
- Reviewing periodically the required skills and competencies needs for Board membership, and preparing a description of the capabilities and qualifications required for membership, including the time needed for the member to allocate to the Board's businesses.
- Reviewing the structure of the Board of Directors and recommending to the Board regarding possible changes.
- Identifying the weaknesses and strengths in the Board of Directors, and submitting proposals regarding a mechanism to address weaknesses and take advantage of strengths.
- Ensuring, on an annual basis, that the independent members are independent and that there is no interest conflict if the member is a member of the Board of Directors of another Company.
- Establishing clear compensation and remuneration policies for members of the Board of Directors and senior executives.
- Submitting suggestions regarding Board members who will be appointed in each Board committee.
- Reviewing the Company's corporate governance regulations annually and proposing any amendments.
- Reviewing the laws and procedures that must be followed in evaluating each Board or Committee member's performance and submitting relevant proposals to the Board.
- Reviewing and suggesting appropriate amendments to compensation policy and procedures.
- Evaluating the effectiveness of the Company's compensation procedures in achieving strategic goals.
- Determining and approving CEO compensation.
- Evaluating the CEO's performance based upon the set goals and objectives.
- Approving the compensation of the Executive Management as set by the CEO.
- Studying the issues referred to the Committee from the Board, and submitting recommendations about them.

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

Name	Position	Membership Date
Rashid Sulaiman Al Rashid	Chairman of the Audit Committee	16/07/2021G
Nasser Saleh Al Sarei	Member	16/07/2021G
Nidal Khozaa Klloub	Member	16/07/2021G

Source: The Company.

#### The Nomination and Remuneration Committee Meetings During the Last Three Years.

The Administrative Authority	2017G	2018G	2019G	2020G
Nomination and Remuneration Committee	2	3	2	3



## 5. Financial Information and Management Discussion and Analysis

### Introduction

The following discussion and analysis of the financial position and results of operations are based on the Company's audited financial statements for the fiscal years ending on December 31, 2018G, 2019G and 2020G, as well as on the interim unaudited financial statements for the three-month period ending March 31, 2021G, which include the comparative figures for the said period. The audit for the fiscal years ended December 31, 2018G and 2019G was carried out by Al Bassam & Partners Co., while El Sayed El Ayouti Co. audited the interim financial statements for the period ended March 31, 2021G.

Neither Al Bassam & Partners Co. nor El Sayed El Ayouti Co. own any share or interest of any kind in the Company, whether by themselves or through their subsidiaries. On the date of this Prospectus, Al Bassam & Partners Co. and El Sayed El Ayouti Co., have given a written consent without retraction regarding the publication of their name in this Prospectus as auditors for the Company.

On June 2017G, the Company sold its assets in Millennium Waves Europe, with a value of SAR 14.7 million and all the required legal procedures were completed on January 2018G. Moreover, the Company Board of Directors has decided to close the subsidiary Millennium Weavers America LLC (100% owned). Accordingly, the Company management is working on ending all legal and tax procedures associated with this closure.

This section, which has been prepared by the Company's management, contains forward-looking statements involving risks and uncertainties. The actual results of the Company may differ materially from those discussed in any of the forward-looking statements due to various factors, including those discussed below and in other sections of this Prospectus, in particular the "Risk Factors" section.

It should be noted that the numbers in this section have been rounded to the nearest thousand Saudi riyals (unless otherwise indicated). Therefore, the sum of these numbers may differ from what is mentioned in the tables. Moreover, all percentages, margins and CAGRs are rounded to the nearest one decimal place.

### Directors' Declarations Regarding Financial Information

The BOD members acknowledge 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 financial information in this section is prepared on a unified basis for the fiscal years ending on December 31, 2018G, 2019G and 2020G and the three-month period ended March 31, 2021G.
- The financial information contained in this section has been extracted without substantial change from the Group's consolidated audited financial statements for the fiscal years ending on December 31, 2018G, 2019G and 2020G and those for the fiscal years ended March 31, 2021G. The financial information has been presented consistently with the Company's audited annual financial statements.
- The Company incurred losses during the years 2018G, 2019G, and 2020G, and the period ended March 31, 2021G. There was no negative and significant change in the financial and commercial position of the Company during the three years ending on December 31, 2018G, 2019G and 2020G, immediately preceding the date of the submission of capital increase and offering application, as well as the date of the auditor's final report, until the issue of this Prospectus.
- The Company and its subsidiaries' shares are not under option as of the date of this Prospectus.
- Neither Board members nor their relatives have any share or interest of any kind in the Company or any of its subsidiaries.
- Other than what has been mentioned in the sub-section "Term Loans and Credit Banks" of this section, The Company and its subsidiaries do not have any mortgages, rights or charges/assignment on their properties as of the date of this Prospectus.
- The Company and its subsidiaries have not granted any commissions, discounts, brokerage fees or non-monetary compensations from the Company to any Director, senior executives, responsible parties for presenting or offering securities or experts in connection with the issue or offering of any securities during the three years ending on December 31, 2018G, 2019G and 2020G and the three-month period ended March 31, 2021G immediately preceding the date of the submission of capital increase and offering application.
- 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 financial position, except as disclosed in this Prospectus.
- There are no significant fixed assets to be purchased or leased.
- 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 or its subsidiaries' operations.

- 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 the information disclosed in the section titled (“**Term Loans and Credit Banks**”), the Company does 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.

## Significant Accounting Policies

They are the significant accounting policies applied in the preparation of the consolidated financial statements on a consolidated basis. These policies are consistently applied to all the periods, unless otherwise stated.

### Preparation Basis

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted in the Kingdom of Saudi Arabia, in addition to other standards and publications approved by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

### Measurement Basis

The consolidated financial statements have been prepared on the basis of historical cost, except for investments, the significant items in the condensed consolidated statement of financial position, the employees’ defined benefit obligations and the derivative financial instruments which are measured at fair value.

### Consolidation Basis

These consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries (hereinafter referred to as the “Group”).

Name	Main Activity	% of Capital Ownership	
		2020G	2021G
Home Styles Ltd	Retail trade of carpets, rugs, floorings, furniture, blankets, curtain fabrics and accessories	100%	100%
Millennium Weavers Holding Co. Ltd	Distribution of carpets, floorings and other relevant products	100%	100%
Al Sorayai Operation & Maintenance Company Ltd	Maintenance services for factories, companies, governmental and private institutions	100%	100%
Al Sorayai Projects Co. Ltd (ceased working)	Public projects services, in particular furniture, rugs and carpets	100%	100%

- Home Styles Company Ltd (the “Subsidiary”) was established in November 2010G. Given that the Parent Company is the 100% beneficial subsidiary owner, then the consolidated financial statements include 100% of the results of the subsidiary. Pursuant to the restructuring of the Company and with the approval of the Board of Directors in its 2017G meetings, the operations of the Subsidiary were merged into the Group in the commercial sector.
- Millennium Weavers Holding Company (LLC) was established in the United States of America in January 2011G. During 2017G, the Company Board of Directors decided to close the Millennium Weavers Co. Ltd and to preserve the holding company. All legal and tax procedures have been finished by the Company’s management.
- Millennium Weavers Holding Company (LLC) is a subsidiary established in Belgium in 2012G and started its activity in the same year on the basis of the Group’s restructuring strategy. The Group exited the subsidiary’s assets. And in January 2018G, all legal procedures were concluded, and the Group performed its final exit.

#### Control is achieved when the Company has:

- Power over the investee
- Exposure or rights to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect the amount of the investment returns

In the event facts and circumstances indicate changes in one or more of the abovementioned elements of control, the Company reassesses whether or not it controls any of the investee companies:

The Company has control over the investee when the voting rights of the Company, in any of the investee companies, are a) less than the majority of the remaining voting rights, and b) sufficient to give it the practical ability to separately manage the activities related to the investee. The Company takes into consideration all relevant facts and conditions when assessing whether it has voting rights to grant it control in the investee. These facts and circumstances include:

- The amount of the Company's voting rights compared to other right holders
- Potential voting rights owned by the company and other voting rights holders or other parties
- Rights arising from other contractual arrangements
- Any additional facts and circumstances that may indicate that the Company has, or does not have, the current ability to make decisions related to relevant activities, including how to vote at previous shareholder meetings.

The consolidated accounting process of a subsidiary starts when the Company has control over the Subsidiary, and it stops when the Company loses the said control. The Subsidiary's acquired or disposed income and expenses are included in the consolidated statement of profit or loss and in the consolidated statement of comprehensive income, starting from the date of acquiring control over the Subsidiary till its end.

The consolidated statement of profit or loss and other comprehensive income, as well as those of the Subsidiary, are distributed to the shareholders of the Company.

Amendments will be made to the Subsidiary's financial statements so that its accounting policies remain consistent with those adopted by the Company, if necessary.

All transactions and balances, including assets, liabilities, equity, revenues, expenses and cash flows arising from intra-company transactions are excluded upon consolidation.

### Changes in the Company's Equity in Existing Subsidiaries

Changes in the Company's equity which do not cause losing control in subsidiaries are accounted for as equity transactions. The carrying values of the Company's equity and non-controlling interests are adjusted to reflect changes in the Company's ownership in the subsidiaries. Any difference between the value of the non-controlling interest adjustment and the fair value of the consideration paid or received is recognized directly in equity and is attributed to the shareholders of the Company.

When the Company loses control over the Subsidiary, any gain or loss is recognized in the consolidated income statement and is calculated on the basis of the difference between:

- 1- The total fair value of the received consideration and the fair value of any held interest
- 2- The book value previously recorded for the assets (including goodwill), the liabilities of the Subsidiary, and any non-controlling interests. All amounts previously recognized in other comprehensive income relating to that subsidiary are accounted for as if the Company had eliminated the assets or liabilities of the subsidiary directly (i.e., reclassification to profit or loss or transfer to another classification in equity as specified / permitted in accordance with the IFRS).

The fair value of the retained earnings from the investment in the previous subsidiary at the date of loss of control is considered a fair value for the remaining investment upon initial recognition in subsequent periods.

According to IFRS 9 and in the event the Company transforms into an associate or a joint venture, the fair value is considered as the cost of initial proof of investment in an associate or joint venture.

### Functional and Offering Currency

The consolidated financial statements are presented in Saudi Riyals which is the functional and offering currency of the Group. All numbers have been rounded to the nearest thousand Saudi Riyals, unless otherwise indicated.

### Goodwill and Business Combinations

Business combinations are accounted for using the acquisition method when control is transferred to the Group. The purchase cost is measured according to the total transferred consideration at fair value on the acquisition date and the value of any non-controlling interests in the acquired company. For each business combination, the Group chooses to measure the non-controlling interest in the acquired company either at fair value or in proportion to the share in its net asset value. Purchase-related costs are incurred expenses included in the administrative expenses.

The Group decides that it has acquired a business when the set of acquired activities and assets. include an input and a core process that have hugely contributed to the production of outputs. The acquired process is considered fundamental if it is

necessary for the continuous production of outputs. The acquired inputs comprise an organized and skilled workforce that possesses the required expertise, knowledge or experience to perform that process or to continue producing outputs, which is considered to be a unique, rare, or irreplaceable without significant cost, effort or delay in the ability to keep on producing outputs.

When the Group acquires a business, it assesses the estimated financial assets and liabilities for the purpose of identification and appropriate classification in accordance with the contractual provisions and economic conditions and related terms as of the acquisition date. This includes separating the derivatives embedded in the original contracts by the acquired company.

In the case of a phased business combination, the fair value at the date of the acquisition of the share previously owned by the purchaser in the purchased company is re-measured according to the fair value as of the date of acquisition and through the consolidated statement of profit or loss.

Any contingent consideration transferred by the buyer will be measured at fair value at the acquisition date. The potential consideration classified as an asset or liability is considered a financial instrument within the scope of IAS 39 Financial Instruments: Recognition and Measurement and is measured at fair value with changes in fair value included in the consolidated statement of profit or loss or in the statement of other comprehensive income. If the contingent consideration is classified within equity, it shall not be measured until it is fully settled within equity. In cases where the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost (being the aggregate's excess of the transferred consideration and the registered amount of the non-controlling interest and any previously held interest over the expected acquired and identifiable net assets and liabilities). If the acquired net assets' fair value exceeds the total transferred consideration, the Group reassesses the identification's accuracy of all acquired assets and assessed liabilities, then reviews the procedures used to measure the amounts to be recorded at the acquisition date. If the results of the reassessment still indicate that the fair value of the acquired net assets exceeds the total transferred consideration, the gain will be included in the consolidated statement of profit or loss.

After the initial assessment, goodwill is calculated at cost subtracted from any accumulated impairment losses resulting from depreciation in order to test this depreciation. From the acquisition date, goodwill acquired in the business combination is allocated to each of the Group's cash-generating units that are expected to benefit from the business combination, regardless of the assignment of other assets or liabilities of the company acquiring those units.

When goodwill constitutes part of a cash-generating unit and its process, it is hence included in the value listed in the books' operation when determining the gain or loss resulting from its disposal. In this case, the goodwill disposed of is measured based on the relative value of the disposed operation and the retained portion of the cash-generating unit.

### Classification of Assets and Liabilities into Current/Non-current

Assets and liabilities are presented in the statement of financial position based on their classification as current or non-current.

An asset is considered current when it is:

- expected to be realized or intended to be sold or consumed in a normal operating cycle.
- held primarily for the purpose of trading.
- expected to be realized within twelve months after the financial reporting period.
- in the form of cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the financial reporting period.

The Company classifies all other assets as non-current.

An obligation is current when:

- it is expected to be repaid in a normal operating cycle.
- it is held primarily for the purpose of trading.
- it is due for payment within twelve months after the financial reporting period.
- there is no unconditional right to defer settlement of the obligation for at least 12 months after the financial reporting period.
- The terms of the obligation can, at the option of the counterparty, be settled by the issue of equity instruments that do not affect its classification.

The Group classifies all other liabilities as non-current.

## Fair value measurement

The Group measures certain financial instruments and non-financial assets at fair value at the balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the assumption that a transaction to sell the asset or transfer the liability will occur in one of the following cases:

- Sale or transfer in the principal market for the asset or liability, or
- Sale or transfer in a market other than the principal market, i.e. in the market that is most favorable to the asset or liability.

The Group must have access to the main market or the most favorable market. The fair value of the asset is measured, or the use of assumptions, used by market participants when pricing the asset or liability, is applied, assuming that market participants will act in their best economic interests.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use, or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, while maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities whose fair value is measured or disclosed in the financial statements are classified within the fair value hierarchy, as shown below, based on the lowest level of input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) prices in active markets for similar assets or liabilities;
- Level 2: Valuation techniques where the lowest level of input that is significant to the fair value measurement is directly or indirectly observable; And
- Level 3: Valuation techniques that do not have the lowest level of input that is significant to the observable fair value measurement.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels of the hierarchical system by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each financial reporting period.

## Fair value Measurement

The Group's valuation committee sets policies and procedures for both recurring fair value measurements, such as investment properties and unquoted financial assets, and non-recurring measurements, such as assets held for sale in discontinued operations. The evaluation committee consists of the Head of the Investment Property Sector, the Heads of the Group's Internal (Mergers and Acquisitions) M&A Management Team, the Head of the Risk Management Department, Chief Financial Officers and Property Managers.

External evaluators participate in the evaluation of significant assets, such as investment properties and unquoted financial assets, and significant liabilities, such as contingent consideration. The participation of external evaluators is determined annually by the evaluation committee after discussion with and approval of the Company's Audit Committee. Selection criteria include knowledge of the market, reputation, independence and whether professional standards are being maintained. Residents are usually rotated every three years. The Evaluation Committee decides, after discussions with the Group's external evaluators, which evaluation techniques and inputs to use for each case.

At each reporting date, the Evaluation Committee analyzes the movements in the values of assets and liabilities that are required to be re-measured or re-evaluated in accordance with the Group's accounting policies. For this analysis, the Evaluation Committee verifies the key inputs applied in the most recent evaluation by approving the information in the evaluation account for contracts and other relevant documents.

The Evaluation Committee also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable or not.

On an interim basis, the Evaluation Committee submits the evaluation findings to the Audit Committee and the Group's independent auditors. This includes a discussion of the key assumptions used in the assessments.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as described above.

## Revenue from Contracts with Customers

The Group is engaged in the manufacture, sale and installation of services for carpets, rugs, yarn, colored PPE chips, blankets, bed sheets and other similar products. Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer in an amount that reflects the consideration to which the Group expects to get in exchange for those goods or services. The Group has generally concluded that it is the principal party to its revenue arrangements, except for the purchase services mentioned below, because it typically controls the goods or services before being transferred to the customer.

Selling carpets, rugs, yarn, colored PPE chips, blankets, sheets, and other similar products.

Revenue from the sale of carpets, rugs, yarn, colored PPE chips, blankets, sheets and other similar products is recognized when the asset's control is transferred to the customer, generally when goods are delivered to the customer's location or in most cases sold outright. The normal credit period is 30 to 90 days upon delivery.

If there are other promises in the contract, the Group considers them as separate performance obligations to which a portion of the transaction price must be allocated (e.g. guarantees and customer loyalty points). In determining the transaction price for the sale of carpets, rugs, rough tiles and other similar products, the Group takes into account the effects of variable consideration, presence of a significant financing component, non-cash consideration and consideration payable to customer (if any).

## Other Revenue

Other revenue is recognized on an accrual basis.

## Contract Balances

### Contract Origins

Contract assets are initially recognized for revenue earned from the sale of carpets, rugs, yarn, colored PPE chips, blankets, bed sheets and other similar products because the receipt of consideration is conditional on the successful completion of delivery. Upon delivery of the ordered product and acceptance by the customer, the amount recognized as contract assets is reclassified to trade receivables.

### Trade Receivables

A receivable is recognized if the amount of the unconditional consideration is due from the customer (for example, only time is required before the consideration is due).

### Contract Obligations

A contract obligation is recognized if payment is received or payment is due (whichever is earlier) from the customer before the Group has transferred the related goods or services. Contract obligations are recognized as revenue when the Group operates under the contract (i.e. transferring control of the related goods or services to the customer).

## Foreign Currencies

The consolidated financial statements of the Group are presented in Saudi Riyals, which is also the functional currency of the Parent Company. The Group determines the functional currency of each entity, and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method to consolidate and dispose of foreign operations. The gain or loss is reclassified to profit or loss that reverses the amount arising from the use of this method.

Transactions in foreign currencies are initially recorded by the Group's companies at the spot rates of their functional currency on the date the transaction qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the spot exchange rates for the functional currency at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss with the exception of monetary items that are identified as part of the hedge of the Group's net investment in a foreign operation. They are recognized in the statement of other comprehensive income until the net investment is disposed of, and while the cumulative amount is reclassified to profit or loss, tax charges and credit balances attributable to exchange differences on those monetary items are also recognized in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date that the fair value was determined. Gains or losses arising from the translation of non-monetary

items measured at fair value are treated in line with the recognition of the gain or loss arising from a change in the fair value of the item (i.e. translation differences on items for which fair value gains or losses are recognized in other comprehensive income, or profit or loss, respectively).

When determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) and when derecognizing a non-monetary asset or non-monetary liability in respect of an advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or Non-monetary obligations arising from the given consideration. If there are multiple payments or receipts in advance, the Group sets a transaction date for each payment or receipt for an advance consideration.

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyals at the exchange rate ruling at the reporting date and the profit or loss statements are translated at the exchange rates prevailing on the dates of the transactions. Exchange differences resulting from conversion to consolidation are recognized in the statement of other comprehensive income. On disposal of a foreign operation, an element of the statement of other comprehensive income related to that particular foreign operation is reclassified to profit or loss.

## Sector Reports

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, responsible for allocating resources and evaluating the performance of operating segments, has been identified as the strategic committee of the company's principal board of directors.

## Investment in Entities Invested in Using the Equity Method

### Associate Companies

Investments in associates are those in which the Group has significant influence and are accounted for using the equity method. Significant influence is considered participation in the financial and operating policy decisions of the investee and is usually recognized when the Group owns between 20% and 50% of the voting rights of the Company.

Investments in associates are initially recognized at cost and the carrying amount increases or decreases to recognize the Group's share of the profits or losses of the associate after acquisition. At the acquisition date, any excess of the acquisition's cost over the Group's share of the associate's identifiable net assets' fair value is recognized as goodwill and included in the carrying amount of the associate. The carrying amount of these investments is reduced to reflect the impairment of the individual investments. If the Group's share of losses exceeds its interest in an associate, the carrying amount of that investment is reduced to nil, and the additional losses continue to be recognized unless the Group has an obligation to make additional financing contributions to that associate.

The Group's share of the associate's post-acquisition profit or loss is recognized in profit or loss, and the share of post-acquisition movement in other comprehensive income is recognized in other comprehensive income.

When the Group transacts with an associate, unrealized gains and losses are eliminated to the extent of the interest in the associate. Accounting policies of associates are changed as often as necessary to ensure consistency with the policies adopted by the Group.

### Joint Projects

A joint venture is a joint contractual arrangement where the Group and the other parties have rights to the net assets of the arrangement.

The Group's interests in joint ventures are accounted for using the equity method. When the Group transacts with a joint venture, unrealized profits and losses are eliminated to the extent of the Group's interest in that joint venture.

### Non-continuity of Rights Issue

When the Group ceases to have significant influence or joint control as a result of a reduction or disposal of its interest, the interest held at its then fair value is reassessed with the gain or loss recognized directly in profit or loss. The amount is the cost of the continuing investment and according to which the accounting is done. Amounts previously recognized as share of other comprehensive income are reclassified to profit or loss or transferred to retained earnings, depending on the nature of the items.

If a change in interest occurs without loss of significant influence or joint control, items previously recognized as other comprehensive income are transferred or reclassified only to the extent of the interest excluded.

If the Group obtains control instead (as a result of an increase in its interest), the fair value of the previously held interest is recognized as part of the consideration.

## Property, Plant and Equipment

Property, plant and equipment excluding freehold land and capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment, if any. Freehold land and capital work in progress are valued at cost.

Based on the decision of the Group's Board of Directors dated 19 Rabi' Al-Thani 1441H (corresponding to December 16, 2019G), the depreciation policy for some machinery and equipment was changed from the straight-line method at depreciation rates determined for each type of property, plant and equipment to the production units' method as of January 1, 2020G, provided that consumption is as follows:

Item	Productive Life (in years)	Consumption Method
Buildings	10 - 20	Fixed Installment
Property, Equipment and Tools	12 – 4	Straight Line, Units of Output
Decorations and Improvements	7 – 4	Fixed Installment
Furniture, Fixtures and Office Equipment	4 – 3	Fixed Installment
Vehicles	4	Fixed Installment

The expected production units for each machine were estimated based on a study prepared by the production department and the factory's examination of some machines and equipment. Accordingly, a final study was prepared to determine the units expected to be produced by those machines and equipment that were approved by the Company's Board of Directors. Thus, depreciation was calculated during the period from January 1, 2020G to December 31, 2020G for these machines and equipment.

In respect of additions and disposals during this year, depreciation is charged from the day of acquisition or capitalization to the day before disposal respectively.

## Annual Check for Residual Values and Useful Lives

The residual value of an asset is the estimated current amount that the Group would be able to obtain from decommissioning an asset after deducting the estimated costs of disposal if the asset had already reached its expected life and condition at the end of its useful life.

The residual values and useful lives of the assets are checked and adjusted, if necessary, at the end of each reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimates.

## Assets by Sector

Property, plant and equipment often consist of different parts with different useful lives or depreciation patterns. These parts are replaced (independently) during the useful life of the asset. Accordingly:

Each part of an item of property, plant and equipment is depreciated. Its cost is relatively significant to the total cost of the item independently (unless one significant part has the same useful life and depreciation method as another part of the same item of property, plant and equipment, in which case the two parts can be combined for depreciation).

Under the segment method, the Group does not recognize the day-to-day maintenance costs of an item in the carrying amount of an item of property, plant and equipment. These costs are recognized in the consolidated statement of profit or loss when incurred. Different components of assets are identified and depreciated separately only for significant parts of property, plant and equipment with different useful lives or depreciation patterns. However, the principles relating to the replacement of parts (which represent the subsequent costs of the replaced part) generally apply to all specified parts, regardless of whether they are significant or insignificant.

## Capitalization of Costs within Property, Plant and Equipment

The item cost of property, plant and equipment consists of the following:

- The purchase price, including import duties and purchase taxes are not refundable, after deducting trade discounts and rebates.
- Any costs directly related to the origin of the site and the condition necessary for its operation in the manner deemed appropriate by management.



- The initial estimate of the costs of dismantling and transporting the item and restoring the site on which it is located, and the liability incurred either as a result of purchasing the item or its use during a specified period for purposes other than producing inventory during that year.
- Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of a component is derecognized as a separate asset when it is replaced.
- Borrowing costs related to qualifying assets are capitalized as part of the cost of qualifying assets until commercial production begins.
- All other repair and maintenance expenses are charged to the consolidated statement of profit or loss during the reporting period in which they are incurred. Regular maintenance and repairs that do not extend the estimated useful life of the asset or production output are charged to the consolidated statement of profit or loss when incurred.
- Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the net book value and included in other income.

## Lease Contracts

The Group leases various offices, equipment and vehicles, and the contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative standalone prices, unless it has chosen not to separate the lease and non-lease components and instead accounts for it as a single lease component. Leases are recognized as a right-of-use asset and a corresponding liability on the date that the leased asset is available for use by the Group.

## Right of Use Assets

The Group recognizes right-of-use assets on the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost less accumulated depreciation and impairment losses and adjusted for any re-measurement of the lease liability. The cost of right-of-use assets includes the amount of the lease commitments recognized, initial direct costs incurred and lease payments made on or before the commencement date less any lease incentives received. The right-of-use assets are depreciated on a straight-line basis over the shortest lease term and the estimated useful lives of the assets.

If ownership of the leased asset is transferred to the Group at the end of the lease term or the cost reflects the exercise of the purchase option, then depreciation is calculated using the estimated useful life of the asset. Right-of-use assets are also subject to impairment.

## Lease Contract Obligations

On the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of the lease payments to be made in the future over the lease term. Lease payments include fixed payments (including immaterial fixed payments) minus any lease incentives accrued, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of the purchase option that is reasonably certain to be exercised by the Group and the payment of lease termination penalties if the lease term reflects the Group's exercise of the option to terminate.

Lease payments made in the future under certain reasonably specific extension options are also included in the measurement of the liability.

Lease payments are discounted using the interest rate included in the lease. If that rate is not readily determinable - and generally occurs for group leases - the lessee's incremental borrowing rate is used which is the rate an individual lessee would have to pay to borrow the money needed to obtain an asset of similar value to the right-of-use asset in a similar economic environment with terms, guarantee and terms similar.

The Group is exposed to potential future increases in variable lease payments based on an index or rate that are not part of the lease commitment until they become effective. When adjustments to lease payments based on an index or rate become effective, the lease liability is reassessed and adjusted against the right-of-use asset.

The lease payments are distributed between the capital and the cost of finance. The finance cost is charged to profit or loss over the lease term to produce a constant periodic interest rate on the remaining balance of the liability for each period.

Payments associated with short-term leases and low-value assets on a straight-line basis are recognized as an expense in profit or loss.

Amounts due from lessees under finance leases are recorded as receivables at the value of the Group's investment in the related leases. Income from finance leases is allocated for accounting periods to reflect a constant periodic rate of return on the Group's outstanding net investment relating to the related leases.

Rental income from operating leases when the Group is a lessor is recognized in income on a straight line basis over the term of the lease. The initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as an expense over the lease term on the same basis as the rental income. The related leased assets are included in the balance sheet on the basis of their nature.

## Inventory

Inventory, excluding damaged stock/goods, is valued at cost or net realizable value, whichever is lower. Any reduction in net realizable value is recognized as an expense during the period when the reduction occurs. Any reversal is recognized in the consolidated statement of profit or loss during the period when the reversal occurs. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and marketing, and the selling and distribution costs to make the sale.

The cost is determined as follows:

Raw Materials	Standard Costs
Spare Parts	Standard Costs
Work in Progress	Average Industrial Cost
Finished Goods	Average Industrial Cost

Damaged items are valued at net realizable value. Inventory is evaluated through the purchase cost or supplier invoice value in addition to the expenses necessary to complete the purchase process.

These are valued at average cost less provisions for obsolete and slow moving items, if any. Items of goods on the road are valued at cost, including the invoice value and other incurred expenses.

## Net Realizable Value and Inventory Valuation Provision

The net realizable value is the estimated selling price in the normal course of business of the Group, less the estimated costs of completion and selling expenses. The valuation of the net realizable value of inventory reduction is usually done on an individual basis. This will be when items relate to the same product line (which has a similar purpose and end use) as they are produced and marketed in the same geographical area.

A provision is made against slow moving, obsolete and damaged inventories. Damaged stock is identified and recorded through the stock taking procedure. The provision for obsolete and slow moving inventory is assessed by each category of inventory as part of the ongoing financial reporting. Aging is assessed on the basis of comparing the level of inventory holding with expected future sales.

## Non-current Assets Held for Sale and Discontinued Operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amount will be mainly recovered through a sale transaction rather than continuing use. Non-current assets and disposal groups classified as held for sale are measured at their book value or fair value, whichever is lower, less costs to sell. Selling costs are the incremental costs directly attributable to the disposal of the asset (the disposal group) excluding financing costs and Zakat expenses.

The criteria for classification of held-for-sale are considered met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it will be unlikely to make major changes in the sale or that the decision to sell will be overturned. Management must adhere to the plan to sell the asset and the sale is expected to be completed within one year from the date of classification.

- Property, plant, equipment and intangible assets are not depreciated or amortized once they are classified as held for sale.
- Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.
- A disposal group qualifies as a discontinued operation if it is a component of an entity that has either been disposed of or is classified as held for sale, and:
- Represents a separate major line of business or geographic area of operations.
- Part of a single coordinated plan to exclude a separate major line of business or geographic area of operations or

- It is a subsidiary acquired exclusively for the purpose of reselling it.
- Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after Zakat and tax from the discontinued operations in the statement of profit or loss.

## Cash Dividends

The Company recognizes the obligation to pay dividends when a distribution is authorized and the distribution is no longer at the Company's discretion. In accordance with applicable laws, distribution is permitted when approved by shareholders. The corresponding amount is recognized directly in equity.

## Intangible Assets

Intangible assets acquired separately are initially measured at cost. The cost of intangible assets acquired in a business combination is their fair value at the acquisition date. After initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Internally produced intangible assets - excluding capitalized development costs - are not capitalized and related expenditures are recognized in profit or loss in the period in which they are incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment when there is an indication that the intangible assets may be impaired. Both the amortization period and the amortization method for intangible assets with finite useful lives are examined at least at the end of each reporting period. Changes in the expected useful life or the expected manner of consumption of future economic benefits embodied in the asset are considered to adjust the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss in the expense category consistent with the function of intangible assets.

Intangible assets with indefinite useful lives are not amortized but are annually tested for impairment, either individually or at the cash-generating unit level. The assessment of indefinite life is examined annually to determine whether the indefinite life is still supportable. If not, the useful life is changed from indefinite to finite on a prospective basis.

An intangible asset is derecognized upon disposal (i.e. the date the recipient obtains control) or when no future economic benefits are expected from its use or sale. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Type	Useful Life
Programs	4 Years

## Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of financial position consist of cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, which can be readily converted into a known amount of cash and are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits - as defined above - net of overdrafts from existing banks as they are considered an integral part of the Group's cash management.

## Financial Instruments

A financial instrument is any contract that results in a financial asset of one entity and a financial liability or equity instrument of another entity.

### (A) Recognition and Derecognition of Financial Instruments

Financial instruments, other than derivative financial instruments, are recognized in the Group's statement of financial position when the latter becomes a party to the contractual provisions of the instrument.

Financial assets that are bought or sold in the normal way are recognized using trade date accounting, i.e. when the Group commits to buy or sell.

Financial instruments that are not trade receivables are initially measured at fair value - that is generally the cost of purchase - which includes transaction costs for financial instruments that are not subsequently measured at fair value. Trade receivables are recognized at transaction cost if they do not contain a significant financing component (IFRS 15).

Financial assets are derecognized when:

- The contractual rights to the cash flows from the financial asset expire, or
- The asset is transferred so that the contractual rights to the cash flows of the asset and the risks and rewards of ownership are transferred.

On derecognition, the Group recognizes the differences between the carrying amount and the consideration.

To strengthen arrangements in respect of secured receivables, the transfer may not result in derecognition because the Group retains the exposure to risks and rewards to an extent. The Group evaluates its extended involvement and recognizes the liability, so that the net asset and liability represent the rights and obligations retained and is measured based on the classification of the original asset.

Financial obligations (or part of them) are derecognized when and only when the obligation is distinct - that is, when the obligation specified in the contract has been fulfilled, canceled or expired. The gain or loss between the carrying amount and the amount paid is recognized in profit or loss.

If the terms of the existing financial liability (loans and borrowings) are substantially modified, this will be considered to meet the criteria for derecognition of the original liability and a new financial liability is recognized.

## (B) Classification and Subsequent Measurement of Financial Assets

The measurement of financial assets depends on the classification that is determined by the business model for holding the asset and its cash flow characteristics.

### 1- Amortized Cost

Assets are held for the purpose of obtaining contractual cash flows which are only interest and principal such as vanilla debt instruments, loans and receivables including contract assets. Interest is calculated using the effective interest method and included in financing income in profit or loss. The impairment is presented in a separate line item in profit or loss.

### 2- Fair Value Through Other Comprehensive Income

In addition to the above, if the business model also includes the sale of assets, those assets will be measured at fair value with changes in fair value flowing through other comprehensive income. Interest income is calculated and presented as above. The impairment is recognized in profit or loss and decreases/increases the fair value gain/loss that was recognized in the other comprehensive income reserve.

On derecognition, gains and losses are recycled to profit or loss and included in other gains/losses.

### 3- Fair Value Through Profit or Loss

Assets that do not meet the above criteria are measured at fair value through profit or loss with changes in fair value presented in other profit/loss.

For equity investments that the Group considers to be long-term strategic investments, the Group has chosen IFRS 9 to present changes in fair value through other comprehensive income. Unlike 2) above, however when the investments are sold, the cumulative Other Comprehensive Income (OCI) gain/loss will be transferred within equity and will not be recycled through profit or loss.

Dividends are recognized as other income when the right to receive the payment is established.

## (C) Classification and Measurement of Financial Liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

## Financial Obligations

Financial liabilities are classified either as financial liabilities at fair value through profit or loss or as other financial liabilities that are measured at amortized cost. A financial liability is designated at fair value through profit or loss if it is either held for trading or otherwise classified under this classification. Gains and losses of these financial obligations are recognized in other profit or loss in the statement of comprehensive income.

A financial liability is classified as held for trading if (a) the obligation is acquired primarily for the purposes of subsequent short-term repurchase; (b) on initial recognition, it is part of a portfolio of identified financial instruments with a pattern of short-term profit taking; or (c) it is a derivative financial instrument that is not designated and effective as a hedging instrument.

Otherwise a financial liability may be designated at fair value through profit or loss on initial recognition if (a) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or (b) the financial liability forms part of a group of financial assets or financial liabilities or both that are managed and their performance is evaluated on a fair value basis as part of the group's documented risk management and investment strategies; and (c) form part of a contract that contains one or more embedded derivatives and the contract can be fully allocated in accordance with applicable financial reporting standards.

Other financial liabilities are measured initially at fair value less transaction costs and subsequently measured at amortized cost using the effective interest rate method with interest expense recognized on an effective yield basis within finance costs in the statement of comprehensive income.

The Group derecognizes financial obligations when the Group's obligations are discharged, canceled or expire.

### Latent Derivatives

Derivatives embedded in other financial instruments or non-derivative original contracts are treated as separate derivatives when their risks and characteristics are not closely related to the host contracts and the host contracts are not measured at fair value through profit or loss.

However, financial liabilities that contain multiple latent derivatives are not segregated and are treated at fair value through profit or loss.

The compound financial instruments issued by the Group consist of convertible loan securities that can be converted into capital at the option of the owner and the number of shares to be issued does not vary with changes in their fair value.

### Compound Financial Instruments

The liability component of a compound financial instrument is initially recognized at the fair value of a similar liability that does not contain an equity transfer option. The equity component is initially recognized as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any transaction costs that are directly attributable to the components of liabilities and equity are allocated in proportion to their initial carrying amounts.

After initial recognition, the liability component of the compound financial instrument is measured at amortized cost using the effective interest rate method. The equity component of a compound financial instrument is not re-measured after initial recognition until conversion or expiration.

The interest expense on the obligation component is calculated by applying the effective interest rate method. This is obtained by calculating the present value of future cash flows at the market rate of a loan without the convertible component. The difference between the effective interest rate and the interest paid is added to the book value of the convertible loan bond.

Interest, dividends, losses and profits relating to a financial liability are recognized in profit or loss. Dividends to equity holders are recognized in equity after deduction of the applicable taxes.

### Financial Instruments Clearing

Financial assets and liabilities are offset and the net amount recorded in the statement of financial position only when there is a legally enforceable right to set off the listed amounts and there is an intention to settle on a net basis or to simultaneously realize the assets and pay the liabilities.

Currently, the Group does not offset financial assets and liabilities. The only relevant arrangement to which the group is subject is the master netting arrangement.

### Derivative Financial Instruments and Hedging Activities

#### Derivative Financial Instruments

The Group uses derivative financial instruments to manage exposures to interest rate, commodity and foreign currency risks, including exposures arising from forecast transactions.

Derivative financial instruments are initially measured at fair value. Changes in fair value are subsequently recognized in profit or loss along with transaction costs. Trading derivatives are classified as a current asset or liability.

## Hedging

If the derivative financial instrument is used as a hedging instrument, it is classified into one of the following:

- a. Fair Value Hedge - This instrument hedges the exposure to changes in the fair value of a firm asset or liability or firm; or
- b. Cash Flow Hedge - This instrument hedges the exposure to changes in cash flows that are either attributable to a particular risk associated with a recognized asset, liability or a forecast transaction.
- c. Net Investment Hedges in a Foreign Operation (Net Investment Hedge)

To meet hedge accounting standards, management defines and formally documents the hedging relationship and the Group's risk management strategy for hedging, the risks' nature, the hedging instrument and the hedged item.

The effectiveness of the hedge is also evaluated against these requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not control the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as the quantity of the hedged item and the quantity of the hedge.

When the effectiveness is not subsequently achieved in terms of the hedge ratio, but the risk management objective remains the same, and the hedge ratio is adjusted accordingly.

The Group prospectively discontinues hedge accounting when: 1) the derivative is determined to be either ineffective as a hedge after a ratio adjustment; 2) the derivative expires, or is sold, terminated or exercised; or 3) the risk management objective has changed and the instrument no longer meets the criteria.

### Fair Value Hedges

For fair value hedges that meet the conditions of hedge accounting, any gain or loss on the hedging instrument is recognized in profit or loss, and the gain or loss on the hedged item attributable to the hedged risk is also recognized in profit or loss. The gain or loss of the effective portion of a fair value hedge is recognized in finance income or cost. The gain or loss of the ineffective portion of a fair value hedge is recognized in other profit or loss in profit or loss.

### Cash Flow Hedges

For cash flow hedges that meet the terms of hedge accounting:

- 1- The cash flow reserve for a component of equity is adjusted to the lesser of the following:
  - a. The cumulative gain/loss on the hedging instrument from the inception of the hedge
  - b. the cumulative gain/loss on the fair value of the hedged item
- 2- The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized through other comprehensive income.
- 3- The ineffective portion is recognized in profit or loss (equilibrium balance).

For cash flow hedges that affect future transactions, the gain or loss recognized as part of other comprehensive income is transferred to profit or loss in the same period in which the hedge transaction affects income. When the hedging transaction results in the recognition of an asset or liability, the associated gain or loss previously recognized in other comprehensive income is included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

If future cash flows are no longer expected, the amounts are immediately reclassified to profit or loss.

The Group uses futures contracts in cash flow hedges and designates only the change in the fair value of the spot component of the futures contract as a hedging instrument. The change in fair value ("forward points") is accounted for separately as hedging cost and is recognized in hedging reserve costs within equity.

When the Group uses options to hedge, only the change in intrinsic value is identified as a hedging instrument for transactions. Changes are calculated as above.

The full fair value of the hedging derivative is classified as a non-current asset or liability when the hedged item has a maturity of more than twelve months from the reporting date, and as a current asset or liability when the maturity of the hedged item is less than twelve months from the reporting date. Trading derivatives are classified as current assets or liabilities.

## Net Investment Hedges

Net investment hedges in foreign operations are calculated similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized directly in profit or loss in other net profit/loss.

Gains and losses accumulated in equity are recognized in profit or loss when the foreign operation is disposed of or partially sold.

## Term Loans and Credit Banks

Term loans and credit banks are initially recognized at fair value (being received proceeds) less eligible transaction costs incurred, if any. Subsequent to initial recognition, long-term borrowing is measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the term of the borrowing using the effective interest rate method.

Borrowing is removed from the statement of financial position when the obligation specified in the contract has been fulfilled, canceled or expired. The difference between the carrying amount of the financial liability that has been extinguished or transferred to another party and the consideration paid, including any transferred non-cash assets or liabilities assumed, is recognized in profit or loss as income or other finance costs. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

## Employee Defined Benefit Obligations

### Short and Long Term Benefits

Liabilities relating to wages and salaries, including non-cash benefits and accrued unused paid vacation that are expected to be fully settled within 12 months after the end of the period in which employees render the related service, are recognized in respect of employee services up to the end of the reporting period and are measured at amounts expected to be paid when settlement of obligations. The obligations are presented as current employee benefit obligations in the accruals in the statement of financial position.

### Employees' End of Service Benefits

It is the liability or asset recognized in the consolidated statement of financial position in respect of defined benefits. An employee's end of service benefit plan is the present value of the defined benefit obligation at the end of the financial year. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms that approximate those of the related obligation.

**The defined benefit costs are categorized as follows:**

#### Service Cost

Service costs include current service cost and past service cost is recognized immediately in the consolidated statement of profit or loss. Changes in the present value of the defined benefit obligation resulting from plan modifications or curtailments are recognized immediately in the consolidated statement of profit or loss as past service costs.

#### Interest Cost

The net interest cost is calculated by applying the discount rate to the net defined benefit obligation balance. This cost is included in employee benefit expense in the consolidated statement of profit or loss.

#### Remeasurement's Gain or Loss

The remeasurement's gains or losses arising from experience adjustments and changes in actuarial assumptions in the year in which they occur are recognized directly in other comprehensive income.

#### Zakat and Tax

The Group is subject to Zakat in accordance with the regulations of the General Authority for Zakat and Tax (the authority). Foreign subsidiaries are subject to the relevant income tax regulations in their respective countries. The Group's Zakat and its share in the income tax of foreign subsidiaries are accrued and charged to the currently consolidated statement of profit or loss. Additional Zakat and foreign income tax obligations, if any, related to previous years' assessments are calculated in the period in which the final assessments are completed.

## Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The provision should be reviewed at the end of each reporting period if future outflows are not probable, and the provision should be reversed.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset and not as a reduction of the required provision. Also, the amount to be recognized as an asset should not exceed the amount of the provision if it is almost certain that the payment will be received and the amount receivable can be reliably measured.

Contingent assets and liabilities are potential rights and obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the group's control.

## Expenditures

### Cost of Sold Goods

The cost of sold goods is determined based on the cost of production or purchase adjusted for inventory change. All other expenditures, including those relating to advertising and promotions, are recognized when the Group has received the risks and rewards of ownership of the goods or when it has received the services.

### Selling and Marketing Expenditures

Selling and marketing expenditures include all costs of selling and marketing the Group's products and include advertising expenses, marketing fees and other overheads related to sales. The apportionment between selling and marketing expenses and sales costs is made on a consistent basis, if required.

### General and administrative Expenditures

General and administrative expenditures include direct and indirect costs that are not specifically part of the cost of sales or the Group's selling and marketing activity. The allocation between cost of sales and general and administrative expenses is made on a consistent basis, if required.

## Earnings per Share

The Group presents basic and diluted earnings per share data for its ordinary/common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to the Group's common shareholders by the weighted average number of common shares outstanding during the period, adjusted for the private equity held. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for private equity held, for the effects of all potential dilutive common stock, including convertible bonds and stock options granted to employees, if any.

## Related Party Transactions

Transactions with related parties are priced on a commercial basis. The prices of these transactions are determined on the basis of the uncontrolled comparable price method which sets the price by reference to goods and services sold in an economically comparable market to a buyer who is not related to the seller.

## Events Following the Consolidated Statement of Financial Position's Date

The Group adjusts the financial statements if an event occurs after the reporting period that provides additional evidence of conditions that existed at the end of the reporting period, even if an event indicating the continuity assumption, in respect of all or part of the project, is not appropriate. These amendments are made up to the date of approval of the consolidated financial statements by the Board of Directors.



## Advance Costs

Direct advance costs of acquiring, establishing or producing a qualifying asset is an asset that basically takes a long period of time, i.e. more than one year, to prepare or sell. The borrowing cost is added to the cost of that asset until assets are ready for use or sale. Furthermore, the borrowing cost during dismissal is not capitalized to the extent that variable rate loans are used to fund a qualifying asset and hedged by effective cash flow hedging is done to offset the risk of commission rate changes. The effective portion of the derivative is recognized in the consolidated statement of other comprehensive income and transferred to the consolidated statement of profit or loss when the qualifying asset affects profit or loss to the extent that fixed rate loans are used to finance the qualifying asset and an actual fair value hedge of the rate risk is hedged. The capitalized borrowing costs reflect the hedge's interest rate. Investment income, earned on the temporary investment of specific loans and pending expenditures on qualifying assets, is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in the consolidated statement of profit or loss when they are incurred.

## Key Accounting Estimates and Judgments

The preparation of consolidated financial statements requires the Group's management to conduct judgments, estimates and assumptions that affect the application of policies and the reported amounts of revenues, expenses, assets, liabilities and disclosures. These estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the current circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects current and future periods.

The following are the critical judgments and estimates that have the most significant effect on the amounts recognized in the consolidated financial statements:

### Lease Term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise the option of extending or terminating. The assessment is reviewed if a material event or significant change in circumstances that affects this assessment occurs. During the current fiscal year, there was no material financial impact of lease terms' revision that reflect the effect of exercising the extension or termination options.

### Depreciation and Amortization of Non-Current Assets

Depreciation and amortization are recognized to write off the cost of assets minus their residual value over their useful lives using the appropriate method. The Group's management estimates the useful lives, residual values and method of depreciation, then reviews them at the end of each reporting period. The effect of any changes in estimate is accounted for on a prospective basis.

### Zakat and Income Tax

When the amount of Zakat, tax liability or assets is uncertain, the Group recognizes a provision that reflects management's best estimate of the most likely outcome, based on facts known in the relevant authority. Any differences between Zakat, tax assessments and final tax assessments are charged to the consolidated statement of profit or loss, in the period they are incurred, unless expected.

### Allowance for Doubtful Debts

Provisions for doubtful accounts receivable represent the Group's estimate of losses that could arise from the failure or inability of customers to make payments when due. These estimates are based on the aging of customer balances, specific credit conditions and the Group's historical experience with bad receivables.

### Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Group estimates the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

### Provision for Obsolete, Slow Moving and Damaged Inventory

Management makes provision for obsolete, slow moving and damaged inventory items. Estimates of the net realizable value of inventories are based on the most reliable evidence at the time the estimates were made. These estimates take into account price or cost fluctuations directly related to events that occurred after the balance sheet date to the extent that such events confirm conditions that exist at the end of the year.

## Contingent Obligations

By nature, contingent liabilities will only be resolved when one or more future events occur or do not occur. The assessment of such contingent liabilities inherently involves the exercise of significant judgment and estimates of the results of future events.

## Employee Defined Benefit Obligations

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash flows expected by the Group in respect of services provided by employees up to the reporting date.

The Group determines the appropriate discount rate at each reporting date. In determining the appropriate discount rate, management considers the interest rate of corporate bonds that are denominated in the currency in which the benefits will be paid and that have maturities close to the expected term of the related retirement obligation.

## Results of Operations for the Years Ended December 31, 2018G, 2019G and 2020G and the Three-Month Periods Ended March 31, 2020G and 2021G.

### Income Statement

**Table No. (10): The Company's Results of Operations for the Years Ended December 31, 2018G, 2019G and 2020G and the Three-Month Periods Ended March 31, 2020G and 2021G**

(SAR'000)	Fiscal Year Ended December, 31			Period Ended March 31		Increase / (Decrease)		
	2018G audited	2019G audited	2020G audited	2020G Unaudited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Sales	401,052	232,351	192,201	43,033	70,263	(42.1%)	(17.3%)	63.3%
Sales cost	(353,202)	(247,196)	(169,714)	(41,434)	(60,109)	(30.0%)	(31.3%)	45.1%
<b>Gross profit / (loss)</b>	<b>47,850</b>	<b>(14,845)</b>	<b>22,487</b>	<b>1,599</b>	<b>10,154</b>	<b>(131.0%)</b>	<b>(251.5%)</b>	<b>535.0%</b>
Selling and distribution expenses	(47,122)	(39,528)	(33,994)	(9,373)	(7,043)	(16.1%)	(14.0%)	(24.9%)
General and administrative expenses	(22,061)	(18,803)	(22,061)	(5,153)	(5,199)	(14.8%)	17.3%	0.9%
Net decrease in the value of current assets	(8,882)	(45,745)	(46,105)	(1,450)	(297)	415.0%	0.8%	(79.5%)
(Expenses) of other income	(214)	29,463	19,916	2,855	(14)	Insignificant	(32.4%)	(100.5%)
<b>(Loss) / Profit from continuing operations</b>	<b>(30,429)</b>	<b>(89,458)</b>	<b>(59,757)</b>	<b>(11,522)</b>	<b>(2,399)</b>	<b>194.0%</b>	<b>(33.2%)</b>	<b>(79.2%)</b>
(Losses) / Profits from changes in the fair value of derivative financial instruments	(1,655)	(1,100)	(68)	(846)	447	(33.5%)	(93.8%)	(152.7%)
The Company's share in (loss) / profits of associates and joint ventures	(2,670)	(670)	(409)	21	209	(74.9%)	(39.0%)	895.2%
Financial burdens	(17,559)	(22,202)	(20,738)	(6,285)	(3,455)	26.4%	(6.6%)	(45.0%)
<b>(Loss) / profit before Zakat</b>	<b>(52,313)</b>	<b>(113,430)</b>	<b>(80,972)</b>	<b>(18,632)</b>	<b>(5,199)</b>	<b>116.8%</b>	<b>(28.6%)</b>	<b>(72.1%)</b>
Zakat	(4,046)	(2,777)	(2,445)	(909)	(70)	(31.4%)	(12.0%)	(92.3%)
<b>Net (loss) / profit for the period</b>	<b>(56,359)</b>	<b>(116,207)</b>	<b>(83,417)</b>	<b>(19,541)</b>	<b>(5,269)</b>	<b>106.2%</b>	<b>(28.2%)</b>	<b>(73.0%)</b>
<b>Discontinued operations</b>								
The year's Profit / (loss) from discontinued operations after zakat	928	-	-	-	-	-	-	-
<b>Net income / (loss) for the year</b>	<b>(55,431)</b>	<b>(116,207)</b>	<b>(83,417)</b>	<b>(19,541)</b>	<b>(5,269)</b>	<b>109.6%</b>	<b>(28.2%)</b>	<b>(73.0%)</b>

Source: The audited financial statements for the fiscal years ended December 31, 2018G, 2019G and 2020G and the audited financial statements for the three-month period ended March 31, 2020G.

Note: "Insignificant" refers to increase / decrease greater than 500.0% for the purposes of this Prospectus.

The Company's sales include domestic and export sales, with the domestic sales accounting for 88.7%, 88.5%, 85.0%, 80.1% and 80.3% of the total sales achieved by the Company in 2018G, 2019G, and 2020G, and the three-month periods ended March 31, 2020G and 2021G respectively. Sales decreased by 42.1%, from SAR 232.4 million in 2019G in comparison with 2018G. This is primarily due to the decrease in local sales by 42.2% in 2019G, caused by closing a number of showrooms and warehouses in order to reduce incurred costs and improve the profitability, following the decrease in demand. Sales also decreased by 17.3% from SAR 232.4 million in 2019G to SAR 192.2 million 2020G. This decrease is mainly due to a decrease in domestic sales by 20.6%. Domestic sales have decreased in 2020G due to the Covid-19 pandemic. As a result, the Group's business regressed. An increase in VAT from 5% to 15% and in sales by 63.3%, i.e. from SAR 43.0 million during the three-month period ended March 31, 2020G to SAR 70.3 million during the three-month period ended March 31, 2021G was recorded as well due to an increase in domestic sales after a global increase in market demand.

The cost of sales includes: the user expenses of raw materials, salaries and benefits of personnel working in factories, depreciation expenses, fuel and motive power, the decrease in Net Realizable Value (NRV), spare parts and consumables, change of full production inventory balance from finished and in operation, and other operating expenses. The cost of sales decreased by 30.0% from to reach SAR 247.2 million in 2019G, and in comparison with SAR 353.2 million in 2018G, and by 31.3% from SAR 247.2 million in 2019G to SAR 169.7 million in 2020G due to a drop in the expenses of raw materials, salaries, and employees' benefits. The cost of sales increased by 45.1% from SAR 41.4 million during the three-month period ended March 31, 2020G to SAR 60.1 million during the three-month period ended March 31, 2021G. This increase was driven by the increase in raw material costs, which augmented in part with the rise in sales between the two mentioned periods.

The gross profit recorded by the Company in 2018G amounted to SAR 47.9 million to a total loss of SAR 14.8 million after the noticeable decrease in sales between these two years. It turned into a total profit of SAR 22.5 million in 2020G, after the noticeable decrease in the cost of sales. Gross profit increased by 535.0% from SAR 1.6 million in the three-month period ended March 31, 2020G to SAR 10.2 million in the three-month period ended March 31, 2021G as a result of the increase in sales between the two mentioned periods.

Sale and distribution expenses mainly include staff cost, travelling, transportation and consumption expenses, in addition to other sale and distribution expenses. Sale and distribution expenses also decreased by 16.1% to SAR 39.5 million in 2019G, compared to SAR 47.1 million in a in 2018G. This is primarily due to the reduction in staff cost, rental expenses and consolidation of operations. Sale and distribution expenses continued to decline by 14.0% from SAR 39.5 million in 2019G to SAR 33.9 million in 2020G. This was mainly due to reduction in staff cost, rental expenses and consolidation of operations. Sale and distribution expenses decreased by 24.9% from SAR 9,4 million during the three-month period ended March 31, 2020G to SAR 7,0 million during the three-month period ended March 31, 2021G as a result of a drop in staff costs and the closure of a number of showrooms and warehouses, which also led to a decrease in rental expenses, utilities and insurance expenses.

General and administrative expenses basically comprise staff cost, depreciation and banking expenses, Board of Directors and Committees' fees, and other different general and administrative expenses. General and administrative expenses also decreased by 14.8% to reach SAR 18.8 million in 2019G compared to SAR 22.1 million in 2018G. This is mainly due to a drop in staff cost by 6.7%. Administrative and public costs increased by 17.3% from SAR 18.8 million in 2019G to SAR 1.22 million in 2020G, as a result of the increase in staff costs and professional fees. General and administrative expenses did not witness significant fluctuations between the two periods ended March 31, 2020G and 2021G. For more details, kindly refer to the paragraph titled: "**General and Administrative Expenses**" of this section.

The decrease in the value of net current assets is related to the difference in the balance between the book value of the assets, if it exceeded the fair value of these assets according to International Financial Reporting Standards (IFRS). These include provisions recorded against trade receivables in addition to other receivables and provision recorded against inventory obsolete.

(Expenses) include /other revenue (losses) / revenue from property, machines and equipment sale, waste sales, differences in evaluation of foreign currencies, expenses and other income. The company registered net revenue worth SAR 29.5 million in 2019G compared to expenses worth SAR 0.2 million in 2018G, mainly due to an increase in profits from the sale of property and equipment amounting to SAR 14.5 million, and revenue from a debt discount agreement amounting to SAR 14.3 million in 2019G. Other revenues decreased to SAR 19.9 million in 2020G. It should be noted that the revenues and expenses continuously fluctuate within the normal work context.

Other revenue worth SAR 2.9 million during the three-month period ended March 31, 2020G became a loss (expenses) during the three-month period ended March 31, 2021G equivalent to SAR (14,000) as a result of a decrease in other miscellaneous income from SAR 2.5 million to SAR 0,1 million between the two aforementioned periods.

The Company's derivatives are mainly formed of commission rate and foreign exchange contracts, mostly used to manage exposure to foreign currency and interest rate risks.

The Company's investments related to associate companies and joint ventures, are shown as the Group invested in Al Salam National College and the Arabian Company Calcium Carbonate (ACC). The Company registered a loss of SAR 2.7 million in 2018G, SAR 0.7 million in 2019G and SAR 0,4 million in 2020G. This loss is linked to the operating expenses of the Arabian Company Calcium Carbonate, as production started during 2018G. The Company registered profits from associate companies and joint ventures worth SAR (21,000) during the three-month period ended March 31, 2020G and SAR 0.2 million during the three-month period ended March 31, 2021G. This profit is attributed to the revenue achieved by associate companies during the

two aforementioned periods. For more details, please refer to paragraph “The Company’s Share in (Loss)/Profits of Associates” of this section.

The financial burden, mainly linked to fees and costs related to outstanding loans, increased by 26.4% from SAR 17.6 Million in 2018G to SAR 22.2 million in 2019G. This is primarily due to higher commission rates and management fees on existing loans. The financial burden decreased by 6.6% from SAR 22.2 million in 2019G to SAR 20.7 million in 2020G, and another decrease of 45.0% from SAR 6,3 Million in the three-month period ended March 31, 2020G to SAR 3.5 million in the three-month period ended March 31, 2021G. This decline arose from the Company’s negotiations with commercial banks to reschedule loans.

Prior to Zakat, the Company registered a loss of SAR 52.3 Million in 2018G that reached SAR 113.4 million in 2019G. This was mainly due to the decrease in sales and in the value of net current assets in 2019G. The loss dropped to SAR 81.0 Million in 2020G following the notable decrease of revenues cost. The Company reported a gross loss prior to Zakat equivalent to SAR 18.6 million and SAR 5.2 million during the three-month periods ended March 31, 2020G and 2021G, respectively. The decrease was affected by the increase of sales between the two aforementioned periods.

Zakat decreased by 31.4% from SAR 4.0 million in 2018G to SAR 2.8 million in 2019G and dropped to SAR 2.4 million in 2020G. Zakat expenses reported a decrease by 92.3% from SAR 0.9 million in the three-month period ended March 31, 2020G to SAR (70,000) in the three-month period ended March 31, 2021G.

On June 2017G, the Company sold its assets in Millennium Weavers Europe Co. for SAR 14.7 million, and completed all the required legal procedures by January 2018G. Moreover, the Company’s Board of Directors decided to close the subsidiary “Millennium Weavers America LLC”, which is 100% owned by the Company. Currently, the Company’s management is working on completing all legal and tax procedures required to complete the closure process.

As for the net loss of the Company, it increased by 109.6% from SAR 55.4 million in 2018G to SAR 116.2 million in 2019G due to a decrease in revenue and an increase in the loss related to the drop in the value of net current assets and an increase in the financial burden expenses. The loss decreased by 28.2% to 83.4 million Saudi riyals in the year 2020G, after the increase in the gross profit between the two years. The Company recorded a net loss of SAR 19.5 million during the three-month period ended March 31, 2020G, and SAR 5.3 million during the three-month period ended March 31, 2021G, after the total profit increased from SAR 1.6 million to SAR 10.2 million between the two aforementioned periods.

## Key Performance Indicators (KPIs)

**Table No. (11): Key Performance Indicators for the Company for the Fiscal Years Ended December 31, 2018G, 2019G, 2020G and the Periods Ended March 31, 2020G and 2021G**

	Unit	Fiscal Years Ended December 31			Fiscal Period Ended March 31	
		2018G	2019G	2020G	2020G Unaudited	2021G Unaudited
<b>Financial KPIs</b>						
Net profit / (loss)	SAR'000	(55,431)	(116,207)	(83,417)	(19,541)	(5,269)
Gross profit margin	%	11.9%	(6.4%)	11.1%	3.7%	14.5%
The net margin	%	(13.8%)	(50.0%)	(43.4%)	(45.4%)	(7.5%)
Return on assets	%	(8.1%)	(22.4%)	(16.3%)	-	(1.1%)
Return on equity	%	(36.9%)	(351.1%)	(150.5%)	-	(10.5%)
Current assets / current liabilities	X	1.0	1.0	1.4	-	1.5
<b>Operational KPIs</b>						
<b>Production capacity</b>						
The Carpet Factory	Thousand m2	28,693	26,188	26,188	6,547	6,547
The Rugs Factory	Thousand m2	4,773	4,789	4,789	1,197	1,197
Yarn	Thousand Kg	20,000	16,971	16,971	4,243	4,243
<b>Produced quantity</b>						
The Carpet Factory	Thousand m2	17,360	7,088	8,900	1,683	2,485
The Rugs Factory	Thousand m2	2,509	1,330	1,536	341	697
Yarn	Thousand Kg	11,061	4,793	8,432	2,032	2,949

	Unit	Fiscal Years Ended December 31			Fiscal Period Ended March 31	
		2018G	2019G	2020G	2020G Unaudited	2021G Unaudited
<b>Sold quantity</b>						
The Carpet Factory	Thousand m2	18,441	10,562	7,925	1,631	2,718
The Rugs Factory	Thousand m2	3,977	1,969	1,706	361	790
Yarn	Thousand Kg	4,001	1,601	1,769	606	801
<b>Utilized capacity (%)</b>						
The Carpet Factory	%	60.5%	27.6%	34.0%	25.7%	38.0%
The Rugs Factory	%	52.6%	27.8%	32.1%	28.5%	58.3%
Yarn	%	26.7%	28.2%	49.7%	47.9%	69.5%
<b>Sales per m2 / kg</b>						
The Rugs factory (square meters)	SAR'000	10.7	9.9	11.7	10.6	11.2
The Carpet factory (square meters)	SAR'000	24.29	23.9	26.1	25.6	28.6
Yarn (kg)	SAR'000	6.9	7.8	8.1	8.4	9.1

Source: The Company

The gross profit margin decreased from 11.9% in 2018G to minus 6.4% in 2019G following a gross profit decrease of SAR 47.9 million and a loss of SAR 14.8 million in 2019G. The gross profit margin increased by 11.7% in 2020G due to a decrease in revenue cost in 2020G, and from 3.7% to 14.5% between the two consecutive three-month periods ended March 31, 2020G and March 31, 2021G, after a sales increase between these two periods.

The net margin decreased from minus 13.8% in 2018G to minus 50.0% in 2019G, as a result of the net loss for the year at a rate higher than sales. The net margin increased by 50.0% in 2019G to 43.4% in 2020G after a rise in gross profit, from a loss worth SAR 14.8 million in 2019G, to a profit equivalent to SAR 22.5 million in 2020G. The net margin recorded a new increase from minus 45.4% to minus 7.5% between the three-month period ended March 31, 2020G and the three-month period ended March 31, 2021G. The aforementioned increase was affected by an increase in sales by 63.3% from SAR 43.0 million in the three-month period ended March 31, 2020G to SAR 70.3 million in the three-month period ended March 31, 2021G.

As for the return on shareholders' equity, it decreased from minus 36.9% as on December 31, 2018G to minus 351.1% as on December 31, 2019G as a result of the increase in the net loss recorded by the Company, and the decrease in the balance of the shareholders' equity between the two years. The return on shareholders' equity decreased from minus 351.1% as on December 31, 2019G to minus 150.0% as on December 31, 2020G after the net loss recorded by the Company decreased from SAR 116.2 million in 2019G to SAR 83.4 million Saudi in the year 2020G. The return on shareholders' equity was remarkably low in the three-month period ended March 31, 2021G, as the return amounted to minus 10.5%, as a result of the Company reporting a net loss of SAR 5.3 million during the aforementioned period.

## Sales

**Table No. (12): The Breakdown of Sales for the Fiscal Years Ended December 31, 2018G, 2019G, 2020G, and the Periods Ended March 31, 2020G and 2021G**

(SAR'000)	Fiscal Year Ended December 31			Period Ended March 31		Increase / Decrease		
	2018G Audited	2019G Audited	2020G Audited	2020G Unaudited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Domestic Sales	355,804	205,674	163,291	34,455	56,439	(42.2%)	(20.6%)	63.8%
Export Sales	45,248	26,677	28,910	8,578	13,824	(41.0%)	8.4%	61.1%
<b>Gross Total</b>	<b>401,052</b>	<b>232,351</b>	<b>192,201</b>	<b>43,033</b>	<b>70,263</b>	<b>(42.1%)</b>	<b>(17.3%)</b>	<b>62.3%</b>

Source: Management Data

The Company lists its sales through two main activities: domestic sales and export sales. Domestic sales accounted for 88.7%, 88.5%, 85.0%, 80.1% and 80.3% of the total revenues achieved by the Company in 2018G, 2019G, 2020G and the three-month periods ended March 31, 2020G, and March 31, 2021G, respectively.

Domestic sales are the wholesale and retail sales, which mainly include carpets, rugs and fabrics. Domestic sales decreased by 42.2% to SAR 355.8 million in 2018G to SAR 205.7 million in 2019G due to the lack of sufficient financial resources to exploit the production capacity that enables the Company to produce new products which, in turn, contribute to improving the profit margin against the slow-moving products sold at a lower price than the cost, due to the difficulty of collecting from some customers, which also contributed to the decrease in the required cash liquidity necessary to produce new products that match the market demands. Domestic sales continued to decline by 20.6% from SAR 205.7 million in 2019G to SAR 163.3 million in 2020G. This decrease is mainly due to the Covid-19 pandemic and the increase in VAT from 5% to 15% in 2020G. Domestic sales increased by 63.8% from SAR 34.5 million during the three-month period ended March 31, 2020G to SAR 56.4 million during the three-month period ended March 31, 2021G as a result of an increase in market demand.

Export sales are mainly the sales exported to Yemen, Syria, UAE, Pakistan and some African countries such as Mauritania and Sudan. Export sales decreased by 41.0% from SAR 45.3 million in 2018G to SAR 26.7 million in 2019G. This is mainly due to non-payment by some clients from Yemen and Syria due to civil conditions, in addition to the difficulty of recovering payments due from some clients in African countries. Export sales increased by 61.2% from SAR 34.5 million during the three-month period ended March 31, 2020G to SAR 56.4 million during the three-month period ended March 31, 2021G as a result of an increase in market demand.

**Table No. (13): Sales by Customer Category for the Fiscal Years Ended December 31, 2018G, 2019G, 2020G and the Periods Ended March 31, 2020G and 2021G**

(SAR'000)	Fiscal Year Ended December 31			Period Ended March 31		Increase / (Decrease)		
	2018G audited	2019G audited	2020G audited	2020G Unaudited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Wholesale sales	242,526	129,594	94,667	21,405	31,149	(46.6%)	(27.0%)	45.5%
Major clients	33,601	21,608	26,629	4,755	16,724	(35.7%)	23.2%	251.7%
Contracts	27,375	24,144	26,355	4,221	4,668	(11.8%)	9.2%	10.6%
International sales	45,527	26,677	27,996	4,435	4,929	(41.4%)	4.9%	11.1%
retail sales	21,510	15,415	12,504	2,564	2,736	(28.2%)	(18.9%)	6.7%
Yarn	27,785	13,835	3,886	5,606	9,889	(50.2%)	(71.9%)	76.4%
Other	2,728	1,078	162	45	168	(60.5%)	(84.9%)	272.4%
<b>Gross Total</b>	<b>401,052</b>	<b>232,351</b>	<b>192,201</b>	<b>43,033</b>	<b>70,263</b>	<b>(42.1%)</b>	<b>(17.3%)</b>	<b>63.3%</b>

Source: The Company.

### Sales by Customer Category

Wholesale sales are the main component of the Company's sales, as they accounted for 60.5%, 55.8%, 49.3% 49.7% and 44.3% of the Company's total sales achieved in 2018G, 2019G, and 2020G, and for the three-month periods ended March 31, 2020G, and 2021G respectively.

Wholesale sales include all products and sales that originate from warehouses directly and are sold through them. Wholesale sales decreased by 46.6% and 27.0%, i.e., by SAR 112.9 million and SAR 34.9 million in 2019G and 2020G, respectively. This is mainly due to the decrease in demand for products. Accordingly, the Company closed 10 warehouses in 2018G and 3 warehouses in 2019G. The decline was also affected by the spread of the Covid-19 pandemic, which had a huge impact on the market and led to the closure of the majority of markets where the company has outlets, hence, sales outlets shrank substantially, which led to a decrease in sales. Wholesale sales increased by 45.5% from SAR 21.4 million in the three-month period ended March 31, 2020G to SAR 34.1 million in the three-month period ended March 31, 2021G, after Covid-19 restrictions' easing and the return of activity to the work cycle.

Sales from major customers are mainly related to five customers who act as intermediaries as they sell products to the end user. Major customers' sales decreased by 35.7% from SAR 33.6 Million in 2018G to SAR 21.6 million in 2019G. This is primarily due to the fact that the majority of sales during 2018G were from obsolete and low value inventory, and thus led to a decrease in sales during this year. Major customers' sales increased once again by 23.2% from SAR 21.6 million in 2019G to SAR 26.6 million in 2020G. Major customers' sales also increased by 23.2% from SAR 4.8 million in the three-month period ended March 31, 2020G to SAR 16.7 million in the three-month period ended March 31, 2021G. The mentioned increases were affected by the high volume of demand in the market in general.

Contract sales were represented in major projects such as universities, hotels, public and private clients. Contract sales decreased by 11.8% from SAR 27.4 million in 2018G to SAR 24.1 million in 2019G. This decrease is primarily due to the lack of raw materials needed to cover production, as a result of the lack of sufficient financial resources for raw materials. Contract sales increased once again by 9.2% from SAR 24.1 million in 2019G to SAR 26.4 million in 2020G. Moreover, contract sales recorded an increase by 10.6% from SAR 4.2 million in the three-month period ended March 31, 2020G to SAR 4.7 million in the three-month period ended March 31, 2021G. The increases were driven by increased market demand in general.

International sales are related to all products sold to international customers - except for thread sales. International sales decreased by 41.4% from SAR 45.5 million in 2018G to SAR 26.7 million in 2019G. This decline is primarily caused by a faltering production due to the lack of sufficient financial resources to cover production's needs. International sales increased by 4.9% from SAR 26.7 million in 2019G to SAR 28.0 million in 2020G and recorded an increase of 11.1% from SAR 4.4 million in the three-month period ended March 31, 2020G to SAR 4.9 million in the three-month period ended March 31, 2021G, as the volume of work and demand in the market has increased during the first quarter of 2021G.

Retail sales include all products sold through showrooms. Retail sales dropped by 28.3% and 18.9% to reach SAR 6.1 million and SAR 2.9 million in 2019G and 2020G, respectively. This is mainly due the closure of 4 showrooms and 2 other in 2018G and 2019G, respectively in order to reduce costs incurred and improve the level of profitability. Retail sales did not witness a material difference between the three-month period ended March 31, 2020G and the three-month period ended March 31, 2021G.

Sales realized in the yarn category mainly relate to domestic yarn sales as well as international sales. Yarn sales decreased by 50.2% of SAR 27.8 million in 2018G to SAR 13.8 million in 2019G, with an additional decrease of 71.9% to reach SAR 3.9 million in 2020G. This decrease is mainly attributed to the Company's initiative to cover its needs for the yarns used in the production of its own products, instead of exporting these yarns to international customers. These sales increased by 76.4% from SAR 5.6 million during the three-month period ended March 31, 2020G to SAR 9.9 million during the three-month period ended March 31, 2021G. This increase is attributed to the volume of demand and the level of production.

Other sales relate to imported furnishings and sales of scrap. Other sales decreased by 60.5% and 84.9% during 2019G and 2020G. This decrease is due to the shrinkage of obsolete stocks in durable warehouses, and the removal of the remaining furniture and scrap due to the Company's displacement from this sector, and its reluctance to engage in activity in this field. Other sales did not witness a significant difference between the three-month period ended March 31, 2020G and the three-month period ended March 31, 2021G.

## Sales by Business Unit

**Table No. (14): Sales by Business Unit for the Fiscal Years Ended December 31, 2018G, 2019G, 2020G, and the Periods Ended March 31, 2020G and 2021G**

(SAR'000)	Fiscal Year Ended December 31			Period Ended March 31		Increase / (Decrease)		
	2018G audited	2019G audited	2020G audited	2020G Unaudited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Rug factory	195,523	104,737	98,357	17,742	31,005	(46.4%)	(6.1%)	74.8%
Carpet factory	90,847	47,066	45,605	9,299	22,708	(48.2%)	(3.1%)	144.2%
Yarn	27,785	12,411	16,168	5,606	9,997	(55.3%)	30.3%	78.3%
Imported	86,897	68,137	32,071	10,386	6,553	(21.6%)	(52.9%)	(36.9%)
<b>Gross total</b>	<b>401,052</b>	<b>232,351</b>	<b>192,201</b>	<b>43,033</b>	<b>70,263</b>	<b>(42.1%)</b>	<b>(17.3%)</b>	<b>63.3%</b>
<b>% from gross total</b>								
Rug factory	48.8%	45.1%	51.2%	41.2%	44.1%			
Carpet factory	22.7%	20.3%	23.7%	21.6%	32.3%			
Yarn	6.9%	5.3%	8.4%	13.0%	14.2%			
Imported	21.7%	29.3%	16.7%	24.1%	9.3%			

Source: The Company

The Company conducts its sales through four main business units: the rug factory, the carpet factory, the yarn factory, and the imported products. The carpet factory products represent 48.8%, 45.1%, 51.2%, 41.2% and 44.1% of the Company's total sales in 2018G, 2019G and 2020G and the three-month period ended March 31, 2020G and 2021G, respectively.

The rug factory sales decreased by 46.4% from SAR 195.5 million in 2018G to SAR 104.7 million in 2019G, with an additional decrease of 6.1% to SAR 98.4 million in 2020G. This was primarily due to the majority of sales being from obsolete products and thus sold at a lower value.

The rug factory sales increased by 47.8% from SAR 17.7 million in the three-month period ended March 31, 2020G to SAR 31.0 million in the three-month period ended March 31, 2021G after the increase in production volume and demand.

The carpet factory sales decreased by 48.2% from SAR 90.8 million in 2018G to SAR 47.1 million in 2019G. Sales continued to decline by 3.1% to SAR 45.6 million in 2020G. This was primarily due to the majority of sales being from obsolete products and thus sold at a lower value.

The carpet factory sales increased by 144.2% from SAR 9.3 million in the three-month period ended March 31, 2020G to SAR 22.7 million in the three-month period ended March 31, 2021G, as the volume of demand in the markets increased.

Yarn products mainly include domestic yarn sales in addition to international yarn sales. Yarn sales decreased by 55.3% from SAR 27.8 million in 2018G to SAR 12.4 million in 2019G. This decline was mainly caused by the company's focus on internal sales to feed the rug factory and the carpet factory. This strategy aims to promote and support the main activities of rugs and carpets. Yarn sales increased by 30.3% from SAR 12.4 million in 2019G to SAR 16.2 million in 2020G. These sales also increased by 78.3% from SAR 5.6 million in the three-month period ended March 31, 2020G, to SAR 10.0 million in the three-month period ended March 31, 2021G. These increases were driven by increased demand and production.

The imported products mainly represent blankets from the Spanish Mora brand, as the company was the exclusive agent for this brand in the Kingdom, in addition to carpets imported from Turkey and vinyl floors imported from Belgium. Imported sales decreased by 21.6% from SAR 86.9 million in 2018G to SAR 68.1 million in 2019G, with an additional decrease of 52.9% to SAR 32.1 million in 2020G. This is mainly due to the lack of financial resources and to the low demand for these products.

Imported sales also decreased by 36.9% from SAR 10.4 million in the three-month period ended March 31, 2020G to SAR 6.6 million in the three-month period ended March 31, 2021G. This decline was mainly attributed to the Corona pandemic (Covid-19), which affected the market in general and reduced the demand for luxury products in particular, along with the increase in value-added tax from 5% to 15% which mainly led to a decrease in the demand for luxury products.

## Sales cost

**Table No. (15): The Company's Cost of Sales for the Fiscal Years Ending on December 31, 2018G, 2019G, 2020G, and the Periods Ended March 31, 2020G and 2021G**

(SAR'000)	Fiscal Year Ended December 31			Period Ended March 31, 2021G		Increase / (Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2020G Unaudited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Raw Material Consumption	163,838	107,496	86,035	42,972	53,813	(34.4%)	(20.0%)	25.2%
Employee salaries and benefits	33,589	29,238	23,484	6,509	7,070	(13.0%)	(19.7%)	8.6%
Consumption	26,123	24,110	14,109	3,811	3,784	(7.7%)	(41.5%)	(0.7%)
Fuel and motive power	2,151	8,577	10,111	2,303	3,334	298.7%	17.9%	44.8%
Decrease in NRZ	8,794	-	-	-	-	(100.0%)	-	-
Spare parts and consumables	8,874	11,091	6,782	1,376	1,691	25.0%	(38.9%)	23.0%
Other	25,721	17,422	6,219	956	1,572	(32.3%)	(64.3%)	64.4%
<b>Total operating expenses</b>	<b>269,090</b>	<b>197,934</b>	<b>146,740</b>	<b>57,928</b>	<b>71,264</b>	<b>(26.4%)</b>	<b>(25.9%)</b>	<b>23.0%</b>
Change in balance of Finished goods and Work-in-progress (WIP)	84,112	49,262	22,974	(16,494)	(11,155)	(41.4%)	(53.4%)	(32.4%)
<b>Gross total</b>	<b>353,202</b>	<b>247,196</b>	<b>167,714</b>	<b>41,434</b>	<b>60,109</b>	<b>(30.0%)</b>	<b>(32.2%)</b>	<b>45.1%</b>

Source: The audited financial statements for the fiscal years ending on December 31, 2018G, 2019G, 2020G, and the Company's data for the period ended March 31, 2020G and 2021G.

The cost of raw material consumption, which consists of all the products used in the production of the Company's various products, decreased by 34.4% from SAR 163.8 million in 2018G to SAR 107.5 million in 2019G, mainly due to the decrease in production in these periods. The cost of raw material consumption continued to decrease by 20% from SAR 84.0 million in 2020G as a result of the continuous decline in production. It increased by 25.2% from 43.0 million Saudi riyals in the three-month period ending on March 31, 2020G to SAR 53.8 million in the three-month period ended March 31, 2021G after the increase in the purchase prices of raw materials and the increase in the volume of activity.

Employee salaries and benefits consist of salaries and benefits provided to employees working in factories. Employee salaries and benefits decreased by 13.0% from SAR 33.6 million in 2018G to SAR 29.2 million in 2019G. This is primarily due to the decrease in the number of workers in the factories, about 48 workers in 2019G, according to the cost improvement measures taken by the company. The salaries and benefits of employees decreased by 19.7% to SAR 23.5 million in 2020G, after the number of workers in factories declined during the mentioned year. It increased by 8.6% from SAR 6.5 million in the three-month period ended March 31, 2020G to SAR 7.1 million in the three-month period ended March 31, 2021G.

Depreciation is related to the Company's assets and property which mainly includes machinery and equipment used in the factories production and distribution. Depreciation expenses decreased by 7.7% from SAR 26.1 million in 2018G to SAR 24.1 million in 2019G, with an additional decrease of 41.5% to SAR 14.1 million in 2020G as a result of the company's adoption of the units of production method instead of straight line method of depreciation. Depreciation expense did not witness any significant changes between the three-month period ended March 31, 2020G and the three-month period ended March 31, 2021G.



Fuel and motor costs relate to forklifts and factory electricity. Fuel and powertrain costs increased by 298.7% from SAR 2.2 million in 2018G to SAR 8.6 million in 2019G, with an additional increase to SAR 10.1 million in 2020G. The costs of fuel and powertrain for forklifts increased by 44.8% from SAR 2.3 million in the three-month period ended March 31, 2020G to SAR 3.3 million in the three-month period ended March 31, 2021G. The aforementioned increases were affected by the increase in the volume of production. The decrease in net realizable value relates to finished inventories including all products.

Spare parts and consumables are associated with parts used in factories. The costs of spare parts and consumables increased by 25.0% from SAR 8.9 million in 2018G to SAR 11.1 million in 2019G, mainly attributed to lower production volumes in general and hence lower use of devices in factories in 2019G. Depreciation expenses decreased by 38.9% from SAR 11.1 million in 2019G to SAR 6.8 million in 2020G as a result of the continuous decrease in the volume of production. It increased by 23.0% from SAR 1.4 million in the three-month period ended March 31, 2020G to SAR 1.7 million in the three-month period ended March 31, 2021G, as the level of production and work increased during the first quarter of the year 2021G.

Other costs mainly include insurance premiums as well as rent and factory service costs. Other expenses decreased by 32% from SAR 25.7 million in 2018G to SAR 17.4 million in 2019G and by 64.3% to SAR 6.2 million in 2020G. This is primarily due to the decrease in insurance premiums, in addition to the decline in rents and lower maintenance costs and government expenses during this period. Other expenses increased once again by 64.4% from SAR 1 million in the three-month period ended March 31, 2020G to SAR 1.6 million in the three-month period ended March 31, 2021G, after an increase in production volume and activity in general.

Change in balance of Finished goods and Work-in-progress (WIP) is related to the products sold from inventory carried over from previous years. In contrast, this balance decreased by 41.4% from SAR 84.1 million in 2018G to SAR 49.3 million in 2019G, with an additional decrease of 53.4% to drop to SAR 23.0 million in 2020G. This is mainly due to the lack of sufficient liquidity to purchase inventory during 2019G. This balance and its related operations amounted to SAR 16.5 million and SAR 11.2 million in the three-month periods ended March 31, 2020G, and 2021G, respectively. The aforementioned change was related to the volatility of production volume.

## Gross Profit

Gross profit also decreased by 131.0% from a profit of SAR 47.9 million in 2018G to a loss of SAR 14.9 million in 2019G, since sales dropped from SAR 401.1 million to SAR 232.4 million between these two consecutive years. The Company recorded once again a profit of SAR 22.5 million in 2020G, after a decrease in the cost of sales from SAR 247.2 million to SAR 169.7 million between these two consecutive years. Gross profit increased by 535.0% from SAR 1.6 million in the three-month period ended March 31, 2020G to SAR 10.2 million in the three-month period ended March 31, 2021G, as a result of an increase in revenues from SAR 43.0 million to SAR 70.3 million between these two periods.

## Sale and Distribution Expenses

Table No. (16): Sale and Distribution Expenses for the Fiscal Years Ended December 31, 2018G, 2019G, 2020G, and the Periods Ended March 31, 2020G and 2021G

(SAR'000)	Fiscal Year Ended December 31			Period Ended March 31		Increase / (Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2020G Unaudited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Employee cost	20,540	18,342	15,881	4,788	3,248	(10.7%)	(13.4%)	(32.1%)
Rentals	9,581	7,318	4,053	1,324	927	(23.6%)	(44.6%)	(30.0%)
Travel and transportation	2,725	2,474	3,142	694	1,050	(9.2%)	27.0%	51.2%
Depreciation	4,190	2,901	1,956	569	357	(30.8%)	(32.6%)	(37.1%)
Advertisement	893	506	156	9	23	(43.3%)	(69.2%)	163.0%
Sales commission	723	929	1,146	133	182	28.5%	23.4%	37.6%
Insurance	1,305	1,051	698	131	55	(19.5%)	(33.6%)	(58.1%)
Utilities	1,014	690	431	112	75	(32.0%)	(37.5%)	(32.7%)
Repair and maintenance	1,017	597	436	156	180	(41.3%)	(27.0%)	15.2%
Government expenses	2,113	409	347	19	50	(80.6%)	(15.2%)	163.6%
Other	3,021	4,311	5,748	1,438	894	42.7%	33.3%	(37.8%)
<b>Gross total</b>	<b>47,122</b>	<b>39,528</b>	<b>33,994</b>	<b>9,373</b>	<b>7,043</b>	<b>(16.1%)</b>	<b>(14.0%)</b>	<b>(24.9%)</b>

Source: The audited financial statements for the fiscal years ending on December 31, 2018G, 2019G, 2020G and the Company's data for the periods ended March 2021G and 2021G.

Employee cost includes salaries and benefits related to the expenses of sale and distribution employees. Staff costs decreased by 10.7% from SAR 20.5 million in 2018G to SAR 18.3 million in 2019G. This decrease is mainly due to a decrease in the number of employees by 69 in 2019G. Staff costs continued to decline by 13.4% from SAR 15.9 million in 2020G. The cost of employees also decreased by 32.1% from SAR 4.8 million in the three-month period ended March 31, 2020G to SAR 3.2 million in the three-month period ended March 31, 2021G. This decrease is mainly due to the continuous decrease in the number of employees during the period.

Rentals, which include exhibition and warehouse rental costs, decreased by 23.6% from SAR 9.6 million in 2017G to SAR 9.6 million in 2018G to SAR 7.3 million in 2019G. Rents also decreased by 44.6% to SAR 4.1 million in 2020G, and by 30.0% from SAR 1.3 million in the three-month period ended March 31, 2020G to SAR 0.9 million in the three-month period ended March 31, 2021G. This resulted primarily from the Company's tendency to diversify and adopt other ways of display, in addition to the closure of some showrooms and warehouses in order to reduce costs incurred and improve the level of profitability.

Travel and transportation expenses are the expenses incurred by the Company on travel and transportation of the sales and distribution employees between branches and to customer premises. Travel and transportation expenses decreased by 9.2% to SAR 2.7 million in 2018G to SAR 2.5 million in 2019G to SAR 3.1 million in 2020G, and by 51.2% from SAR 0.7 million to SAR 1.1 million between the three-month periods ended March 2020G and 2021G, due to an increase in sales and business activity volume.

The depreciation expense relates to improvements to leasehold buildings for showrooms and warehouses. Depreciation expenses decreased by 30.8% from SAR 4.2 million in 2018G to SAR 2.9 million in 2019G, by 32.6% to reach SAR 2.0 million in 2020G, and by 37.1% from SAR 0.6 million to SAR 0.4 million in the three-month periods ended March 31, 2010G and 2021G, respectively. This decrease is mainly due to the Company's tendency to diversify its production, in addition to the use of other display methods and the standardization of operations.

Advertising expenses include outdoor advertising materials on roads like billboards, publications and e-advertisement. Advertising expenses decreased by 43.3% from SAR 0.9 million in 2018G to SAR 0.5 million in 2019G due to the Company's tendency to use its internal advertising channels instead of contracting with third parties for advertising. Advertising expenses continued to decline by 69.2% to SAR 0.5 million in 2019G to SAR 0.2 million in 2020G. They remained slight and amounted to SAR (9,000) and SAR (23,000) in the three-month periods ended March 31, 2020G and 2021G.

Sales commission includes a percentage of sales and revenue collection. Sales commission decreased by 28.5% from SAR 0.7 million in 2018G to SAR 0.9 million in 2019G and increased by 23.4% to reach SAR 1.1 million in 2020G. Sales commissions increased by 37.6% from SAR 0.1 million to SAR 0.2 million between the two three-month periods ended March 31, 2020G and 2021G, respectively, due to a lower sales volume.

Insurance expenses represent fixed assets and inventory in showrooms and warehouses. Insurance expenses decreased by 19.5% from SAR 1.3 million in 2018G to SAR 1.1 million in 2019G, by 33.6% to SAR 0.7 million in 2020G, and by 51.8% from SAR 0.1 million to SAR (55,000), between the three-month periods ended March 31, 2020G and 2021G, respectively, as a result of the closure of some showrooms and warehouses in order to reduce incurred costs and improve profitability.

Utility expenses mainly consist of electricity, water and telecommunications costs related to exhibitions and warehouses. Utility expenses decreased by 32.0% from SAR 1.0 million in 2018G to SAR 0.7 million in 2019G, and further by 37.5% to reach SAR 0.4 million in 2020G. The benefit expense continued to decline by 32.7% from SAR 0.1 million in the three-month period ended March 31, 2020G, to SAR (75,000) in the three-month period ended March 31, 2021G. This decline is mainly due to the Company's tendency to diversify its line of production, means of display and to the standardization of operations.

Repair and maintenance expenses relate to showrooms and warehouses. Maintenance and repair expenses also decreased by 41.3% from SAR 1.1 million in 2018G to SAR 0.6 million in 2019G with an additional decrease of 27.0% to SAR 0.4 million in 2020G. This decline is mainly due to the Company's tendency to diversify its line of production, means of display and to the standardization of operations. Repair and maintenance expenses did not witness any significant changes between the three-month periods ended March 31, 2020G and 2021G, respectively.

Government expenses mainly relate to accommodation and other government expenses related to non-Saudi employees. Government expenditures decreased by 80.6% from SAR 2.1 million in 2018G to SAR 0.4 million in 2019G. This is mainly due to the reclassification of government expenses related to employees to the cost of employees. Government expenditures did not witness material fluctuations between 2019G, 2020G and the three-month periods ended March 31, 2020G and 2021G, respectively.

Other expenses consist of discounts offered to customers on early payment. Other expenses also increased by 42.7% from SAR 3.0 million in 2018G to SAR 4.3 million in 2019G, with an additional decrease of 33.3% from SAR 4.3 million to SAR 5.7 million in 2020G. This is mainly due to the high fees related to the Group's legal advisor. Other expenses decreased by 37.8% from SAR 1.4 million during the three-month period ended March 31, 2020G to SAR 0.9 million during the three-month period ended March 31, 2021G within the normal course of business.

## General and Administrative Expenses

**Table No. (17): General and Administrative Expenses for the Fiscal Years Ended December 31, 2018G, 2019G, 2020G, and the Periods Ended March 31, 2020G and 2021G**

(SAR'000)	Fiscal Year Ended December 31			Period Ended March 31		Increase / (Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2020G Unaudited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Employee cost	14,694	13,704	14,829	3,294	3,812	(6.7%)	8.2%	15.7%
Depreciation	1,856	1,762	1,420	321	315	(5.1%)	(19.4%)	(1.8%)
Bank expenses	1,335	-	-	-	-	(100.0%)	-	-
Professional fees	791	1,255	2,265	368	480	58.7%	80.5%	30.5%
Internet and software subscriptions	356	-	-	129	160	(100.0%)	-	23.8%
Board and committees' fees	1,307	470	1,105	452	381	(64.0%)	135.1%	(15.6%)
Government expenses	365	-	-	46	-	(100.0%)	-	(100.0%)
Travel and transportation	164	-	-	66	69	(100.0%)	-	5.5%
Utilities	12	-	-	2	23	(100.0%)	-	844.2%
Insurance	44	-	-	-	10	(100.0%)	-	-
Rentals	10	-	-	-	-	(100.0%)	-	-
Other	1,127	1,612	2,442	475	(52)	43.0%	51.5%	(111.0%)
<b>Gross total</b>	<b>22,061</b>	<b>18,803</b>	<b>22,061</b>	<b>5,153</b>	<b>5,199</b>	<b>(14.8%)</b>	<b>17.3%</b>	<b>0.9%</b>

Source: The audited financial statements for the fiscal years ended December 31, 2018G, 2019G, 2020G, and the Company's data for the periods ended March 31, 2020G and 2021G.

Employee cost is related to salaries and benefits provided to employees of management departments such as human resources, finance and accounting, information systems and other departments. Employee costs accounted for 66.6%, 72.9%, 67.2%, 63.9% and 73.0% of the gross total and administrative expenses in 2018G, 2019G, 2020G, and the three-month periods ended March 31, 2020G, and 2021G, respectively. The employee cost decreased by 6.7% from SAR 14.7 million in 2018G to SAR 13.7 million in 2019G due to the continuous decrease in the number of employees. Employee cost increased once again by 8.2% to SAR 13.7 million in 2020G and by 15.7% from SAR 3.3 million in the three-month period ended March 31, 2020G to SAR 3.8 million in the three-month period ended March 31, 2021G. This increase was mainly driven by the rise in the number of employees so as to keep pace with volume augmentation of activity and work.

Depreciation expenses relate to fixed assets in the main office and to amortization expense related to information systems programs. Depreciation expense relates to fixed assets in the head office, in addition to amortization expense related to information systems software. Depreciation expenses did not witness any significant fluctuations between the year 2018G and the three-month period ended March 31, 2021G.

Bank expenses recorded in 2018G mainly represented the costs of cash deposits in banks by value and various other bank expenses. The Company did not record bank expenses between the year 2019G and the three-month period ended March 31, 2021G. Whereas, bank expenses were reclassified as financial burdens, starting in 2019G.

Professional fees relate to the expenses paid by the Company to the audit consultants and value added tax, in addition to various other advisory services. Professional fees expenses increased by 58.7% from SAR 0.8 million in 2018G to SAR 1.3 million in 2019G and SAR 2.3 million in 2020G. This increase is mainly due to the incurring of professional expenses and fees related to consultants. Professional fees expenses did not witness any material changes between the three-month periods ended March 31, 2020G and 2021G, respectively.

Internet and software subscriptions expenses include Microsoft and other software services contracts for the main office, exhibitions and warehouses. Internet and software subscriptions expenses include Microsoft and other software service contracts for the main office in addition to exhibitions and warehouses. Internet and software subscriptions expenses decreased from SAR 0.4 million in 2018G to SAR 0.0 million in 2019G and 2020G. This is mainly due to the closure of a number of exhibitions and thus the decrease in the number of subscriptions. Internet and software subscriptions expenses increased by 23.8% from SAR 0.1 million in the three-month period ended March 31, 2020G to SAR 0.2 million in the three-month period ended March 31, 2021G, as a result of the increase in the number of employees who were recruited to keep pace with the high level of work and production.

Board and committees' fees witnessed a decrease of 64.0% from SAR 1.3 million in 2018G to SAR 0.5 million in 2019G, mainly due to the Board of Directors' decision to waive accrued bonuses. Board fees increased by 135.1% from SAR 0.5 million in 2019G to SAR 1.1 million in 2020G, as a result of including the amounts due to members of the BOD, as the year 2019G was hugely affected by the BOD Resolution to waive the remuneration due. The BOD the committees' fees did not witness any drastic changes between the three-month periods ended March 31, 2020G and 2021G, respectively.

Government expenses recorded by the Company in 2018G mainly relate to residency expenses and other government expenses related to non-Saudi employees.

Travel and transportation expenses that were recorded in 2018G represent the costs of business travels for the head office's employees. The Company did not record travel and transportation expenses during 2019G and 2020G. On the other hand, travel and transportation expenses were insignificant and fixed between the three-month periods ended March 31, 2020G and 2021G.

Utility expenses include communications' costs and other services. The mentioned expenses were minor in 2018G and during the three-month periods ended March 31, 2020G and 2021G. The Company did not record any similar expenses between 2019G and 2020G.

Insurance expenses that were recorded in 2018G include the cost of securing fixed assets in the head office, in addition to securing cash in boxes and in transit while transporting it from showrooms and warehouses to banks. No similar expenses were recorded between 2019G and the three-month period ended March 31, 2021G.

The rents recorded in 2018G represent the rental expenses related to the head office and management.

Other expenses include expenses related to hospitality, stationery, publications, and maintenance. Other expenses increased by 43.0% from SAR 1.1 million in 2018G to SAR 1.6 million in 2019G and SAR 2.4 million in 2020G, due to the reclassification of some general and administrative expenses under other expenses. Other expenses were converted from an expense of SAR 0.5 million in the three-month period ended March 31, 2020G, to a profit of SAR (52,000) in the three-month period ended March 31, 2021G, due to the Company's adoption of a rationalization and reduction of expenses policy, and to incurred expenses.

## Decrease in the Net Current Asset Value

**Table No. (18): Decrease in the Net Current Asset Value for the Fiscal Years Ended December 31, 2018G, 2019G, 2020G, and the Periods Ended March 31, 2020G and 2021G**

(SAR'000)	Fiscal Year Ended December 31			Period Ended March 31		Increase / (Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2020G Unaudited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Trade receivables	4,579	14,990	16,953	-	297	227.4%	13.1%	-
Other receivables	3,700	-	452	-	-	(100.0%)	-	-
Inventory	603	30,755	28,700	1,450	-	5,000.3%	(6.7%)	(100.0%)
<b>Gross total</b>	<b>8,882</b>	<b>45,745</b>	<b>46,105</b>	<b>1,450</b>	<b>297</b>	<b>415.0%</b>	<b>0.8%</b>	<b>(79.5%)</b>

Source: The audited financial statements for the fiscal years ended December 31, 2018G, 2019G, 2020G, and the Company's data for the period ended March 31, 2020G and 2021G.

The impairment of trade receivables represents the allowance recorded against doubtful debts. The value of the decrease in trade receivables increased by 227.4% from SAR 4.6 million in 2018G, SAR 15.0 million in 2019G and SAR 17.0 million in 2020G. This increase is primarily due to the impact from the application of IFRS 9. The impairment value of receivables was insignificant during the three-month period ended March 31, 2021G.

The decrease in the value of other receivables represents the customs duties paid during 2015G that the Company claimed to be refunded, amounting to SAR 16.5 million, and a corresponding provision was established for it during 2016G. Additional allocations against these customs duties were recorded in 2017G and the end of 2018G, until the allocation reached the full value to be recovered from customs. Therefore, the Company did not record any significant decrease in the value of other receivables between the year 2019G and the three-month period ended March 31, 2021G. This is primarily due to auditor prudential adjustments relating to supplier balances.

The decrease in the value of inventory is recorded according to the Company's policy on inventory obsolescence. The decrease in the value of inventory increased from SAR 0.6 million in 2018G to SAR 30.8 million in 2019G. This increase is primarily due to the obsolescence of part of the inventory of finished goods and raw materials and the effect of net realizable value. The balance decreased once again by 6.7% to SAR 28.7 million in 2020G, while no provision was recorded in the three-month period ended March 31, 2021G.

## Other Income / (Expenses)

Table No. (19): Other Income / (Expenses) for the Fiscal Years Ending on December 31, 2018G, 2019G, 2020G, and the Periods Ended March 31, 2020G and 2021G

(SAR'000)	Fiscal Year Ended December 31			Period Ended March 31		Increase / (Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2020G Unaudited	2021G Unaudited	December 2019G	December 2020G	March 2021G
(Losses) / Profits from property and equipment sale	(481)	14,499	2,990	405	-	(3,114.3%)	(79.4%)	(100.0%)
Write-off Establishment Expenses	-	-	(1,115)	-	-	-	-	-
Residual sales	-	-	667	-	-	-	-	-
Foreign Exchange Valuation differences	197	-	-	-	(158)	(100%)	-	-
Revenue from Discounted Payoff (DPO)	-	14,281	-	-	-	-	(100%)	-
Other Net income / (expenses)	70	683	17,374	2,450	144	875.7%	2,443.8%	(94.1%)
<b>Gross Total</b>	<b>(214)</b>	<b>29,463</b>	<b>19,916</b>	<b>2,855</b>	<b>(14)</b>	<b>(13,867.8%)</b>	<b>(32.4%)</b>	<b>(100.5%)</b>

Source: The audited financial statements for the fiscal years ending on December 31, 2018G, 2019G, 2020G, and the Company's data for the periods March 31, 2020G and 2021G.

Losses of property sale, which amounted to SAR 0.5 million in 2018G, mainly represented the sale of old production machinery and equipment. The Company recorded profits from the sale of property, machinery and equipment amounting to 14.5 SAR million and SAR 3.0 million in 2019G and 2020G, respectively, after selling Al-Jazeera Spinning and Carpet Factory site and building to the Saudi Carpet Supplies Manufacturing Company, with a net book value of SAR 1.4 million. Its market value amounted to SAR 15.0 million, in exchange for settling part of the balance between the two parties, amounting to SAR 26.2 million, as there were other transactions with the Saudi Carpet Supplies Industry Company, part of which was settled against the amount of the site and building sale. Profits from the sale of property, plant and equipment amounting to SAR 0.4 million in the three-month period ended March 31, 2020G, were mainly related to the sale of scrap.

Expenses of writing off the establishment expenses that were recorded in 2020G, which amounted to SAR 1.1 million in 2020G.

Waste sales represent sales of scrap and production waste that are sold on a weight basis. Waste sales amounted to SAR 0.7 million in 2020G.

Revenue from foreign exchange valuation differences mainly relates to buying and selling of the Euro and the Pound Sterling. The Company recorded revenues from foreign exchange valuation differences of SAR 0.2 million in 2020G.

The Company recorded revenues from a debt discount agreement amounting to SAR 14.3 million in 2019G, but did not witness any revenue from a debt discount agreement in 2018G, 2020G and the three-month period ended March 31, 2021G.

Other income/(expenses) refer mainly to foreign exchange rate contracts, interest rates and other income and expenses. The Company recorded other revenues of SAR 70,000, SAR 0.7 million and SAR 17.4 million in 2018G, 2019G and 2020G, respectively. These revenues and expenses are related to the movement in currency and interest rates. In contrast, the value of other revenues amounted to SAR 2.5 million and SAR 0.1 million in the three-month periods ended March 31, 2020G and 2021G.

## (Losses)/Profits on Change in Fair Value of Derivative Financial Instruments

The Company's derivatives mainly consist of currency rate swap contracts and interest rate swap contracts. (currency exchange contracts were valid in 2016G only) and interest rate swap contracts are still valid as on March 31, 2021G, as they are part of a loan rescheduling agreement with one of the lending banks. Derivatives are mainly used to manage exposure to interest rate risk.

## The Company's Share in Profits/(Losses) of Associates and Joint Ventures

Table No. (20): The Company's Share in Profits / (Losses) of Associates and Joint Ventures for the Fiscal Years Ending on December 31, 2018G, 2019G, 2020G, and the Periods Ended March 31, 2020G and 2021G

(SAR'000)	Fiscal Year Ended December 31			Period Ended March 31		Increase / (Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2020G Unaudited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Arabian Company for the Manufacture of Calcium Carbonate	(2,670)	(670)	(409)	21	209	(74.9%)	(39.0%)	895.2%
<b>Gross total</b>	<b>(2,670)</b>	<b>(670)</b>	<b>(409)</b>	<b>21</b>	<b>209</b>	<b>(74.9%)</b>	<b>(39.0%)</b>	<b>895.2%</b>

Source: The audited financial statements for the fiscal years ended December 31, 2018G, 2019G, 2020G, and the Company's data for the periods ended March 31, 2020G and 2021G.

The Group owns 52% of the Arabian Company for the Manufacturing of Calcium Carbonate (a limited liability company) which was established in the KSA on December 6, 2012G. On January 16, 2017G, the shareholders agreed to reduce the company's share from 52% to 25%, by the entry of a new shareholder and a capital increase. Thus, the company lost control of the subsidiary. The investment in the Arabian Calcium Carbonate Manufacturing Company (with 25% of the shares) was accounted for use of the equity method of accounting, based on the management's financial statements for the year ended December 31, 2020G.

The recorded loss of SAR 2.7 million, SAR 0.7 million and SAR 0.5 million in 2018G, 2019G and 2020G was related to the company's share of the operating expenses of the Arabian Calcium Carbonate Manufacturing Company, as production started during 2018G.

The company recorded profits of SAR (21,000) and SAR 0.2 million in the three-month periods ended March 31, 2020G and 2021G. These profits represented the company's share in the results and profits of the Arabian Company Calcium Carbonate Manufacturing Company for those periods.

## Financial Burdens

Table No. (21): Financial Burdens for the Fiscal Years Ended December 31, 2018G, 2019G, 2020G, and the Periods Ended March 31, 2020G and 2021G

(SAR'000)	Fiscal Year Ended December 31			Period Ended March 31		Increase / (Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2020G Unaudited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Administrative expenses	300	1,229	1,629	188	111	(99.6%)	32.5%	(40.8%)
Financial burdens	17,259	20,973	19,109	6,097	3,344	(99.9%)	(8.9%)	(45.2%)
<b>Gross total</b>	<b>17,559</b>	<b>22,202</b>	<b>20,738</b>	<b>6,285</b>	<b>3,455</b>	<b>(99.9%)</b>	<b>(6.6%)</b>	<b>(45.0%)</b>

Source: The Company

The financial burdens are mainly related to fees and costs of outstanding loans with the Company. These burdens increased by 99.9% from SAR 17.6 million in 2018G to SAR 22.2 million in 2019G due to the increase in commission rates and administrative fees on existing loans, and financial burdens decreased by 6.6% from SAR 20.7 million during 2020G, and from SAR 6.3 million during the period ended March 31, 2020G to SAR 3.5 million during the period ended March 31, 2021G. This decrease was mainly caused by the Company negotiations with the commercial banks to reschedule the loans. For more details, kindly refer to the "Term Loans and Credit Banks" section of this section.

## Pre- Zakat Profit / (Loss)

The Company's total pre-zakat loss increased by 116.8% from SAR 52.3 million in 2018G to SAR 113.4 million in 2019G after a decrease in revenues and an increase in the value of a decline in the value of net current assets in 2019G. The loss decreased by 28.6% from SAR 113.4 million in 2019G to SAR 81.0 million in 2020G, after an increase in revenues that automatically led to an increase in the gross profit.

The Company recorded a total pre-zakat loss by 72.1% from SAR 18.6 million in the three-month period ended March 31, 2020G to SAR 5.2 million during the three-month period ended March 31, 2021G. The decrease in loss was affected by the increase in sales by 63.3% from SAR 43.0 million to SAR 70.3 million between the two mentioned periods.

## Zakat

Zakat decreased by 31.4% from SAR 4.0 million in 2018G to SAR 2.8 million in 2019G with an additional decrease by 12.0% to reach SAR 2.4 million in 2020G. Zakat expenses decreased by 92.3% from SAR 0.9 million in the three-month period ended March 31, 2020G to SAR (70,000) in the three-month period ended March 31, 2021G. The aforementioned decreases were affected by the fluctuations and calculation of the Zakat basis.

## Post- Zakat Profit / (Loss) From Continuing Operations for the Year / Period

The gross loss of the Company increased by 109.6% from SAR 55.4 million in 2018G to SAR 116.2 million in 2019G, before declining by 28.2% to reach SAR 83.4 million in 2020G. The gross loss then increased by 73.0% from SAR 19.5 million in during the three-month period ended March 31, 2020G to SAR 5.3 million during the three-month period ended March 31, 2021G. The fluctuations in the post-Zakat net loss for the year from continuing operations were related to fluctuations in the sales volume during the mentioned periods.

## Statement of Financial Position

Table No. (22): The Statement of Financial Position as on December 31, 2018G, 2019G, 2020G, and the Period Ended March 31, 2021G

(SAR'000)	Fiscal Year Ended December 31			Increase / (Decrease)			March 2021G
	2018G Audited	2019G Audited	2020G Audited	2021G Unaudited	December 2019G	December 2020G	
Non-current assets	241,797	237,349	215,639	209,655	(1.8%)	(9.1%)	(2.8%)
Current assets	439,898	281,999	295,904	278,197	(35.9%)	4.9%	(6.0%)
<b>Total assets</b>	<b>681,695</b>	<b>519,348</b>	<b>511,543</b>	<b>487,852</b>	<b>(23.8%)</b>	<b>(1.5%)</b>	<b>(4.6%)</b>
<b>Total Shareholders' Equity</b>	<b>150,052</b>	<b>33,095</b>	<b>55,433</b>	<b>50,164</b>	<b>(77.9%)</b>	<b>67.5%</b>	<b>(9.5%)</b>
Non-current Liabilities	96,579	200,608	250,638	247,686	107.7%	24.9%	(1.2%)
Current Liabilities	435,064	285,645	205,472	190,002	(34.3%)	(28.1%)	(7.5%)
<b>Total Liabilities</b>	<b>531,643</b>	<b>486,253</b>	<b>456,110</b>	<b>437,688</b>	<b>(8.5%)</b>	<b>(6.2%)</b>	<b>(4.0%)</b>
<b>Total liabilities and shareholders' equity</b>	<b>681,695</b>	<b>519,348</b>	<b>511,543</b>	<b>487,852</b>	<b>(23.8%)</b>	<b>(1.5%)</b>	<b>(4.6%)</b>

Source: The audited financial statements for the fiscal years ended December 31, 2018G, 2019G, 2020G, and the Company's data for the period ended March 31, 2021G.

Non-current assets, which mainly represent the net book value of the Company's property, machinery, plant and equipment, gradually decreased from SAR 241.8 million as of December 31, 2018G to SAR 237.3 million as of December 31, 2019G with an additional decrease to SAR 215.6 million as of December 31, 2020G and SAR 209.7 million as of March 31, 2021G, due to the gradual decrease in the net book value of property, plant and equipment from SAR 226.0 million as of December 31, 2018G to SAR 171.9 million as of March 31, 2021G.

Current assets, which mainly represent net inventory balances and trade receivables, decreased by 35.9% from SAR 439.9 million as of December 31, 2018G to SAR 282.0 million as of December 31, 2019G, after a decrease in inventory balances and trade receivable balances. Current assets increased by 4.9% to SAR 295.9 million as of December 31, 2020G. It was mainly attributed to the increase in prepaid expenses and other debit balances, which increased by 6.0% to SAR 278.2 million as of March 31, 2021G, after an increase in the balance of prepaid expenses and other debit balances.

Shareholder's equity mainly represented the Company's capital. It decreased by 77.9% from SAR 150.1 million as of December 31, 2018G to SAR 33.1 million as of December 31, 2019G after the capital decrease. Shareholders' equity increased once again by 67.5% to SAR 55.4 million as of December 31, 2020G, after a decrease in accumulated losses. The balance of shareholders' equity decreased by 9.5% from SAR 55.4 million as of December 31, 2020G to SAR 50.2 million as of March 31, 2021G, after the accumulated losses increased.

The non-current liabilities represented mainly the balance of the non-current portion of the term loans, credit banks and employee benefits liabilities. Non-current liabilities increased by 107.7% from SAR 96.6 million as of December 31, 2018G to SAR 200.6 million as of December 31, 2019G, with an additional increase of 24.9% to SAR 250.6 million as of December 31, 2020G, as a result of the application of IFRS 16. The balance of current liabilities decreased by 1.2% to SAR 247.7 million as of March 31, 2021G, after a decrease in the balances of lease commitments and employee benefits liabilities.

The current liabilities represented mainly the balance of the current portion of the term loans and credit banks. Current liabilities also decreased by 34.3% from SAR 435.1 million as of December 31, 2018G to SAR 285.6 million as of December 31, 2019G with an additional decrease of 28.1% to SAR 205.5 million as of December 31, 2020G, by 7.5% to SAR 190.0 million as

of March 31, 2021G. The fluctuation was mainly affected by the fluctuation of term loans, credit banks and the balance of liabilities to related parties.

## Non-Current Assets

**Table No. (23): Non-Current Assets as of December 31, 2018G, 2019G, 2020G, and the Period Ended March 31, 2021G**

(SAR'000)	Fiscal Year Ended December 31			Period Ended March 31	Increase / (Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Net Property, machinery and equipment	225,985	193,097	175,547	171,874	(14.6%)	(9.1%)	(2.1%)
Investment in associates and joint ventures	15,812	15,142	14,733	14,534	(4.2%)	(2.7%)	(1.4%)
Intangible Assets	-	1,998	1,142	928	-	(42.8%)	(18.7%)
Right-of-use Assets	-	27,112	24,217	22,319	-	(10.7%)	(7.8%)
<b>Gross Total</b>	<b>241,797</b>	<b>237,349</b>	<b>215,639</b>	<b>209,655</b>	<b>(1.8%)</b>	<b>(9.1%)</b>	<b>(2.8%)</b>

Source: The audited financial statements for the fiscal years ended December 31, 2018G, 2019G, 2020G, and the Period Ended March 31, 2021G.

The net book value of property, machinery and equipment represented 93.5%, 81.4%, 81.4% and 82.0% of the total non-current assets as of December 31, 2018G, 2019G, 2020G and March 31, 2021G, respectively.

## Property, Machinery and Equipment

**Table No. (24): Net Property, Machinery and Equipment as of December 31, 2018G, 2019G, 2020G, and the Period Ended March 31, 2020G**

(SAR'000)	Fiscal Year Ended December 31			Period March 31	Increase / (Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Lands	146	146	146	146	-	-	-
Buildings	59,906	54,144	49,641	48,516	(9.6%)	(8.3%)	(2.3%)
Machinery, equipment and tools	150,622	130,436	121,101	118,964	(13.4%)	(7.2%)	(1.8%)
Improvements, Decorations Furniture, Furnishings Office Equipment	10,192	5,822	3,037	2,848	(42.9%)	(47.8%)	(6.2%)
Vehicles	3,523	2,549	1,622	1,400	(27.6%)	(36.4%)	(13.7%)
Capital work in progress (CWIP)	1,596	-	-	-	(100.0%)	-	-
<b>Net book value</b>	<b>225,985</b>	<b>193,097</b>	<b>175,547</b>	<b>171,874</b>	<b>(14.6%)</b>	<b>(9.1%)</b>	<b>(2.1%)</b>

Source: The audited financial statements for the fiscal years of December 31, 2018G, 2019G, 2020G, and the Period Ended March 31, 2020G.

Lands mean the plots of land owned by the Company located in Hail, which are used as location for a warehouse, and were recorded in the financial statements with a book value of SAR 146.0 thousand according to the historical cost principle of fixed assets.

Buildings are the leasehold improvements for the factories, headquarters and central warehouse. The decreases in the net book value are attributed to the continuous depreciation of the assets as per the Company's policy.

Machinery, equipment and tools are mainly assets related to production. The decreases in the net book value are attributed to the continuous depreciation of the assets as per the Company's policy.

Improvements and decorations represented mainly improvements to the leasehold properties for exhibitions and warehouses. It also includes furniture, furnishings and office equipment found in the main office, factories, showrooms and warehouses. The value of these assets gradually decreased from SAR 10.2 million as of December 31, 2018G to SAR 2.8 million as of March 31, 2021G. The decreases in the net book value are due to the closure of a number of showrooms and warehouses during 2018G and 2019G, in addition to the continuous depreciation of fixed assets.



Vehicles represented mainly forklifts and pickup trucks, in addition to the cars of sales staff. The decrease in the net book value is attributed gradually from SAR 3.5 million as on December 31, 2018G to SAR 1.6 million as of December 31, 2019G and SAR 1.4 million as of March 31, 2021G. The decrease in the net book value is attributable to Continuous depreciation of assets as per company policy.

Capital work in progress (CWIP) mainly represented the new business intelligence, forecasting and technical support units for information systems that were under implementation during 2018G.

It is worth noting that the company is required to conduct a periodic evaluation to monitor any impairment in the value of assets in accordance with International Accounting Standard (36), which is related to addressing the impairment of assets. No evaluation has been made by an independent third party as on December 31, 2020G and March 31, 2021G to assess the accuracy of the value of the assets that were recorded and reported in the financial statements. However, the company conducted an internal evaluation in order to verify the accuracy of the declared numbers.

## Additions to Property, Machinery and Equipment

**Table No. (25): Additions to Property, Machinery and Equipment as of December 31, 2018G, 2019G, 2020G, and the Period Ended March 31, 2021G**

(SAR'000)	Fiscal Year Ended December 31			Period Ended March 31
	2018G Audited	2019G Audited	2020G Audited	2021G Unaudited
Lands	-	-	-	-
Buildings	-	7	4	-
Machinery, equipment and tools	817	111	10	463
Improvements and decorations Furniture, furnishings and office equipment	-	838	194	106
Cars	3,898	293	-	-
Capital work in progress (CWIP)	651	452	-	-
<b>Gross total</b>	<b>5,366</b>	<b>1,701</b>	<b>208</b>	<b>570</b>

Source: The audited financial statements for the fiscal years ended December 31, 2018G, 2019G, 2020G, and the Period Ended March 31, 2021G.

There were no material additions to buildings during the period between 2018G and the three-month period ended December 31, 2020G.

Additions to machinery and equipment amounted to SAR 0.8 million, SAR 0.1 million, SAR (10,000) and SAR 0.5 million as of December 31, 2018G, 2019G, 2020G and March 31, 2021G, respectively. These additions are mainly due to the capitalization of spare parts, the modernization of some carpets and rugs, and the purchase of spare parts for the gas tank.

Additions to improvements, decorations, furniture, furnishings and office equipment amounted to SAR 0.8 million as of December 31, 2019G, SAR 0.2 million as of December 31, 2020G, and SAR 0.1 million as of March 31, 2021G. These additions are due to renovations in various showrooms, some retail branches, smoke detectors and fire extinguishers. It also included additions to furniture and furnishings mainly surveillance cameras and capitalization of the ERP system unit for manufacturing and the purchase and maintenance of air conditioners in factories.

Additions to cars amounting to SAR 3.9 million as of December 31, 2018G and SAR 0.3 million as of December 31, 2019G represented 14 forklifts and the purchase of two additional buses to transport employees and cars for sales representatives.

Additions to capital work in progress amounted to SAR 0.7 million as of December 31, 2018G and SAR 0.5 million as of December 31, 2019G. The additions to the capital work-in-progress were mainly the new business intelligence, forecasting and technical support modules for information systems.

## Investment in Associates and Joint Ventures

**Table No. (26): Investment in Associates and Joint Ventures as of December 31, 2018G, 2019G, 2020G, and the Period Ended March 31, 2020G**

(SAR'000)	Fiscal Year Ended December 31			Period Ended March 31	Increase / (Decrease)		
	2018G Audited	2019G audited	2020G Audited	2021G Audited	December 2019G	December 2020G	March 2021G
Capital	1,500	5,250	5,250	5,250	250.0%	-	-
Long-term Payments	20,630	16,880	16,880	16,472	(18.2%)	-	(2.4%)
The Group's share of business results	(6,773)	(7,334)	(7,397)	(7,188)	9.9%	(0.6%)	(2.8%)
The Company's share in investments by cost-exceeding equity method	455	455	-	-	-	(100%)	-
<b>End of the Year Balance</b>	<b>15,812</b>	<b>15,142</b>	<b>14,733</b>	<b>14,534</b>	<b>(4.2%)</b>	<b>(2.7%)</b>	<b>(1.4%)</b>

Source: The audited financial statements for the fiscal years ended December 31, 2018G, 2019G, 2020G, and the Period Ended March 31, 2020G.

Investment in associates accounted for 25.0% of the Company's investment in Al-Salam National College Company. The Company also has an investment in the Arabian Company for the Manufacture of Calcium Carbonate. The Company also has an investment in the Arab Company for the manufacture of calcium carbonate and its activity is the production of calcium carbonate. The commercial production of the Company started in 2018G, of which the company owned 52.0% of it as of December 31, 2017G, but the Company then reduced its share of the investment to 25.0%, and thus lost control over the subsidiary company, in accordance with the resolution of the Extraordinary General Assembly on January 16, 2017G.

The Company has investments in the Arabian Company for the Manufacture of Calcium Carbonate and Al-Salam National College Company. The Capital did not witness any changes between December 31, 2017G and 2018G. However, it increased by 250.0% from SAR 1.5 million as in December 31, 2018G to SAR 5.3 million as of December 31, 2019G due to the transfer of part of the long-term payments to the capital.

The long-term payments, which will be later added and transferred to equity, were converted into an additional contribution from the Company to the subsidiary, the long-term payments decreased by 18.2% from SAR 20.6 million as of December 31, 2018G to SAR 16.8 million as of December 31, 2019G. This is mainly due to the transfer of a portion of the long-term payments to the capital. The long-term payments did not witness any change between December 31, 2019G and March 31, 2021G.

The Company's share of business results represented the operating losses and other losses incurred in these investments. Losses increased by 9.9% from SAR 6.8 million as of December 31, 2018G to SAR 7.4 million as of December 31, 2019G, due to the increase in operating expenses incurred by Arabian Company for the Manufacture of Calcium Carbonate, as production started in 2018G. Moreover, the Group's share of business results did not witness any significant changes between December 31, 2018G and March 31, 2021G.

The Company's share in investments by the equity method that exceeds the cost represented the increase difference between the capital and the Company's share of losses of Al-Salam National College Company, which amounted to SAR 0.5 million on December 31, 2018G and 2019G, respectively.

### Right-of-use Assets

The Company has operating leases associated with warehouses and showrooms, which were previously recognized as operating leases according to IAS 17. However, they were classified as rental expenses in the other comprehensive income statement. As of January 01, 2019G, the Company has adopted IFRS 16 in lieu of IAS 17. IFRS 16 applies a single accounting model for leases, under which all the Company's major lease contracts are recognized in the balance sheet. However, the operating leases, to which IFRS 16 applies, are excluded such as low-value leases or short-term leases (less than one year). The Company applied IFRS 16 to all its operating lease contracts. Moreover, right-to-use assets were recognized at fair value, while operating lease liabilities were recognized at present value (discounted using the interest rate included in the lease contract). Depreciation is recorded as an expense in the income statement with the change of the "right to use" balance. The discount rate is recognized as an interest expense at the end of each period.

### Intangible Assets

The intangible assets that the company recorded between 2019G and March 31, 2021G are related to the information systems program. The value of intangible assets decreased by 42.8% from SAR 2.0 million as on December 31, 2019G to SAR 1.1 million as of December 31, 2020G with a decrease of 18.7% to SAR 1 million as of March 31, 2021G. The gradual decline was affected by the continuous amortization during the mentioned period.

## Current Assets

Table No. (27): Current Assets as of December 31, 2018G, 2019G, 2020G, and the Period Ended March 31, 2021G

(SAR'000)	Fiscal Year Ended December 31			Period Ended March 31	Increase / (Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Related parties Liabilities	10,156	4,214	-	-	(58.5%)	(100.0%)	-
Net inventory	240,924	164,065	150,264	153,669	(31.9%)	(8.4%)	2.3%
Net Prepaid expenses and other debit balances	20,679	13,913	19,992	20,400	(32.7%)	43.7%	2.0%
Net Trade receivables	163,266	95,276	87,155	95,923	(41.6%)	(8.5%)	10.1%
Cash and cash equivalents	4,873	4,531	38,493	8,205	(7.0%)	749.5%	(78.7%)
<b>Gross total</b>	<b>439,898</b>	<b>281,999</b>	<b>295,904</b>	<b>278,197</b>	<b>(35.9%)</b>	<b>4.9%</b>	<b>(6.0%)</b>

Source: The audited financial statements for the fiscal years ended December 31, 2018G, 2019G, 2020G, and the period ended March 31, 2021G.

Net inventory constituted 54.8%, 58.2%, 50.8% and 55.2% of the total current assets as of December 31, 2018G, 2019G, 2020G and March 31, 2021G, respectively. Furthermore, net trade receivables constituted 37.1%, 33.8%, 29.5% and 34.5% of the total current assets as of December 31, 2018G, 2019G, 2020G and March 31, 2021G, respectively.

## Related Parties Liabilities

Table No. (28): Related Parties Liabilities as of December 31, 2018G, 2019G, 2020G, and the Period Ended March 31, 2021G

(SAR'000)	Fiscal Year Ended December 31			Period Ended March 31	Increase / (Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Al Tadamon Al Awal Co.	4,233	1,014	-	-	(76.0%)	(100.0%)	-
Khaled Hamdan Al Sorayai Foundation	5,818	3,200	-	-	(45.0%)	(100.0%)	-
Green Vision Company for Artificial Grass, Ltd	105	-	-	-	(100.0%)	-	-
Other	-	-	-	-	-	-	-
<b>Gross total</b>	<b>10,156</b>	<b>4,214</b>	<b>-</b>	<b>-</b>	<b>(58.5%)</b>	<b>(100.0%)</b>	<b>-</b>

Source: The audited financial statements for the fiscal years ended December 31, 2018G, 2019G, 2020G, and the period ended March 31, 2021G.

Al Tadamon Al Awal Co. specializes in the import and export of carpets, noting that a share therein is owned by a member who joined the Company's Board of Directors in 2018G. The liabilities of Al Tadamon Al Awal Co. decreased by 76.0% from SAR 4.2 million as of December 31, 2018G to SAR 1.0 million as of December 31, 2019G and zero as of December 31, 2020G, as a result of the collection of these amounts.

As for Khaled Hamdan Al Sorayai Foundation, it also specializes in the import and export of carpets and it is owned by a brother of one of the Board members who joined the Board in 2018G. The liabilities of the Khaled Hamdan Al Sorayai Foundation decreased by 45.0% from SAR 5.8 million as of December 31, 2018G to SAR 3.2 million as of December 2019G and zero as of December 31, 2020G. This is mainly due to the company's focus on collecting liabilities during 2019G.

The Green Vision Company for Artificial Grass, Ltd. represented the Company's sales of artificial turf products that the Company had stopped producing. The Chairman of the Board of Directors owns a stake in it. The liabilities of the Green Vision Company for Artificial Grass, Ltd. amounted to SAR 0.1 million as of December 31, 2018G. This balance was written off by the end of 2019G.

## Inventory

Table No. (29): Inventory as of December 31, 2018G, 2019G, 2020G, and the Period Ended March 31, 2021G

(SAR'000)	Fiscal Year Ended December 31			Period Ended March 31	Increase / (Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Finished goods	129,696	89,850	80,785	90,042	(30.7%)	(10.1%)	11.5%
Raw materials	86,471	72,794	61,139	46,631	(15.8%)	(16.0%)	(23.7%)
Spare parts	20,256	22,138	22,518	22,474	9.3%	1.7%	(0.2%)
Goods in process	28,114	18,698	4,790	6,688	(33.5%)	(74.4%)	39.6%
Goods in transit	349	-	-	-	(100.0%)	-	-
Provision of Slow-moving and obsolete Inventory	(23,962)	(39,415)	(18,968)	(12,165)	64.5%	(51.9%)	(35.9%)
<b>Gross total</b>	<b>240,924</b>	<b>164,065</b>	<b>150,264</b>	<b>153,669</b>	<b>(31.9%)</b>	<b>(8.4%)</b>	<b>2.3%</b>

Source: The audited financial statements for the fiscal years ended December 31, 2018G, 2019G, 2020G, and the period ended March 31, 2021G.

Finished goods mainly include carpet products and imported goods. The finished goods decreased by 30.73% from SAR 129.7 million as of December 31, 2018G to SAR 89.9 million as of December 31, 2019G, with an additional decrease of 10.1% to SAR 80.8 million as of December 31, 2020G. This was mainly due to the liquidation and sale of part of the obsolete inventory of finished goods as of December 31, 2018G. Finished goods increased by 11.5% to SAR 90.0 million as of March 31, 2021G. This rise was mainly caused by higher production and lower demand due to the (Covid-19) pandemic, which mainly affected orders.

Raw materials are mainly stock of yarn, in addition to rubber (latex). Inventories of raw materials decreased by 15.8% from SAR 86.5 million as of December 31, 2018G to SAR 72.8 million as of December 31, 2019G, with an additional decrease of 16.0% to SAR 61.1 million as of December 31, 2020G and another decrease of 23.7% to SAR 46.6 million as of March 31, 2021G. This decline was driven by the focus on new products and market needs.

Spare parts represented the parts and consumables used for machines in factories. The spare parts inventory increased by 9.3% from SAR 20.3 million as of December 31, 2018G to SAR 22.1 million as of December 31, 2019G. This is mainly due to the purchase of new spare parts and the revaluation of the stock of spare parts and consumables. The stock of spare parts did not witness significant fluctuations between December 31, 2019G and March 31, 2021G.

Goods in process were represented in products under production in factories that will be converted into finished goods. The balance of goods in process decreased by 33.5% from SAR 38.1 million as of December 31, 2018G to SAR 18.7 million as of December 31, 2019G, with an additional decrease of 74.4% to SAR 4.8 million as of December 31, 2020G. The balance returned and increased by 39.6% to SAR 6.7 million as of March 31, 2021G. The movement of goods in process fluctuates in the normal course of business and is mainly affected by fluctuations in the volume of production.

Road goods represented in transit inventory transported from factories to warehouses, showrooms, and customers.

## Slow-moving Inventory/Stock Provision Movement

Table No. (30): Slow-moving Inventory/Stock Provision Movement as of December 31, 2018G, 2019G and 2020G, and March 31, 2021G

(SAR'000)	Fiscal Year Ended December 31			Period Ended March 31	Increase / (Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Balance at the beginning of the year	42,587	23,962	39,415	18,968	(43.7%)	64.5%	(51.9%)
Provision for redress during the year	603	30,754	28,700	72	5.000.2%	(6.7%)	(99.7%)
Used during the year	(19,228)	(15,301)	(10,718)	(6,875)	(20.4%)	(30.0%)	(35.9%)
Written-Off during the year	-	-	(38,429)	-	-	-	(100.0%)
<b>Balance at the end of the year</b>	<b>23,962</b>	<b>39,415</b>	<b>18,968</b>	<b>12,165</b>	<b>64.5%</b>	<b>(51.9%)</b>	<b>(35.9%)</b>

Source: The Company audited financial statements for the fiscal years ended December 31, 2018G, 2019G and 2020G, and March 31, 2021G.

The provision for slow moving stock is recorded according to the company's inventory obsolescence policy and net realizable value. The provision for slow moving inventory decreased by 64.5% from SAR 24.0 million as of December 31, 2018G to SAR 39.4 million as of December 31, 2019G. This increase was driven by the creation of additional provisions for obsolete inventory of finished goods and raw materials. Then the provision decreased by 51.9% to SAR 19.0 million and SAR 12.2 million as of December 31, 2020G and March 31, 2021G after the company wrote-off a provision amounting to SAR 38.4 million in 2020G as a result of correcting differences in costs and prices that had appeared in previous inventories and were corrected in later stages.

The inventory included spare parts valued at SAR 22.5 million as of March 31, 2021G. These spare parts are of a capital nature and were to be classified under machinery, property and equipment and subject to depreciation. However, the aforementioned spare parts were classified under current assets and no depreciation expenses associated with them were recorded.

## Prepaid Expenses and Other Debit Balances

**Table No. (31): Prepaid Expenses and Other Debit Balances as of December 31, 2018G, 2019G and 2020G, and March 31, 2021G**

(SAR'000)	Fiscal Year Ended December 31			Period Ended March 31	Increase / (Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Expenses paid in advance	2,363	3,442	2,565	2,553	45.7%	(25.5%)	(0.5%)
Ancestor employees	839	455	794	699	(45.8%)	74.5%	(12.0%)
Saudi Customs	16,544	16,544	-	-	-	(100.0%)	-
Down payment contractors	13,303	6,735	13,493	15,516	(49.4%)	100.3%	15.0%
Other	4,174	3,281	3,140	1,632	(21.4%)	(4.3%)	(48.0%)
Provision for doubtful debts	(16,544)	(16,544)	-	-	-	(100.0%)	-
<b>Total</b>	<b>20,679</b>	<b>13,913</b>	<b>19,992</b>	<b>20,400</b>	<b>(32.7%)</b>	<b>43.7%</b>	<b>2.0%</b>

Source: The Company audited financial statements for the fiscal years ended December 31, 2018G, 2019G and 2020G, and March 31, 2021G.

Prepaid expenses were mainly insurance, rent and other expenses. Prepaid expenses increased by 45.7% from SAR 2.4 million as of December 31, 2018G to SAR 3.4 million as of December 31, 2019G. This increase was due to the change of the medical insurance policy and the recording of the submitted administrative expenses. In contrast, the prepaid expenses decreased by 25.5% to SAR 2.6 million as of December 31, 2020G. This decrease was mainly due to lower rents offered. These expenses did not witness any material change between December 31, 2020G and March 31st, 2021G.

Employee advances decreased by 45.8% from SAR 0.8 million as of December 31, 2018G to SAR 0.5 million as of December 31, 2019G. This is mainly due to the decrease in the number of employees. Employee advances returned and increased by 74.5% to SAR 0.8 million as of December 31, 2020G. The balance did not witness a material change between December 31, 2020G and March 31, 2021G. The balance fluctuates in the normal course of business.

The balance of Saudi customs represented the amount paid in 2015G, which the company demanded to recover during 2016G. The balance decreased from SAR 16.5 million on December 31, 2018G and December 31, 2019G to zero on December 31, 2020G and March 31, 2021G after settling the balance with the established provision.

The balance of contractors mainly represented in payments to suppliers of raw materials. Payments to contractors decreased by 49.4% from SAR 13.3 million as on December 31, 2018G to SAR 6.7 million as on December 31, 2019G. This is mainly due to the normal course of business. Payments made to contractors increased by 100.3% to SAR 13.5 million as on December 31, 2020G and by 15.0% to SAR 15.5 million as on March 31, 2021G. This rise was mainly caused by the Corona pandemic (Covid-19).

Other debit balances represented mainly cash margins related to letters of guarantee in addition to dues from the General Organization for Social Insurance. Other debit balances decreased by 21.4% from SAR 4.2 million as on December 31, 2018G to SAR 3.3 million as on December 31, 2019G with an additional decrease of 4.3% to SAR 3.1 million as on December 31, 2020G and another decrease by 48.0% to SAR 1.6 million as of March 31, 2021G. This is mainly due to lower cash margins related to letters of guarantee.

## Movement in Allowance for Doubtful Debts

Table No. (32): Movement of Provision for Doubtful Debts for Prepaid Expenses and Other Debit Balances

(SAR'000)	Fiscal Year Ended December 31			Period Ended March 31	Increase / (Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Balance at the beginning of the year	12,844	16,544	16,544	-	28.8%	-	(100.0%)
Provision for redress during the year	3,700	-	(16,544)	-	(100.0%)	-	(100.0%)
<b>Balance at the end of the year</b>	<b>16,544</b>	<b>16,544</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(100.0%)</b>	<b>-</b>

Source: The Company audited financial statements for the fiscal years ended as of December 31, 2018G, 2019G and 2020G, and the Management data as of March 31, 2021G.

The provision for doubtful debts for prepaid expenses and other debit balances represents the recorded allowance against the amount due from the Customs Authority in return for an amount that the company paid during 2015G, which the company demanded to recover, amounting to 16.5 million Saudi riyals. The provision decreased from 16.5 million Saudi riyals as on December 31, 2018G and December 31, 2019G to zero on December 31, 2020G and March 31, 2021G after writing off and settling the amount owed from the Customs Authority with the constituent provision.

## Trade Receivables

Table No. (33): Company Trade Receivables as of December 31, 2018G, 2019G, 2020G, and March 31, 2021G

(SAR'000)	Fiscal Year Ended December 31			Period Ended March 31	Increase / (Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Government agencies	5,846	320	-	-	(94.5%)	(100.0%)	-
Major customers	5,590	4,156	17,375	22,152	(25.7%)	318.1%	27.5%
External clients	31,434	18,528	18,027	32,121	(41.1%)	(2.7%)	78.2%
Commercial clients	133,850	70,166	50,115	86,737	(47.6%)	(28.6%)	73.1%
Other	25,045	55,025	70,403	23,975	119.7%	27.9%	(65.9%)
Provision for doubtful debts	(38,499)	(52,919)	(68,765)	(69,062)	37.5%	29.9%	0.4%
<b>Total</b>	<b>163,266</b>	<b>95,276</b>	<b>87,155</b>	<b>95,923</b>	<b>(41.6%)</b>	<b>(8.5%)</b>	<b>10.1%</b>

Source: The Company audited financial statements for the fiscal years ended December 31, 2018G, 2019G, 2020G, and March 31, 2021G.

Government agencies mainly represented tenders for government universities, offices of various ministries, and government facilities. Trade receivables from government agencies decreased by 94.5% from SAR 5.8 million as of December 31, 2018G to SAR 0.3 million as of December 31, 2019G. No receivables were recorded from government agencies between December 31, 2020G and March 31, 2021G. This is mainly due to the collection of the outstanding balance.

The main clients were mainly five clients who act as intermediaries who sell products to the end user. Trade receivables from major customers decreased by 25.7% from SAR 5.6 million as of December 31, 2018G to SAR 4.2 million as of December 31, 2019G. This is mainly due to the settlement of part of the outstanding receivables as on December 31, 2018G by the customers. Moreover, the company has provided additional discounts to the customers as an incentive upon early payment of dues. In contrast, trade receivables from major customers increased by 318.1% to SAR 17.4 million as of December 31, 2020G and SAR 22.2 million as of March 31, 2021G. This was mainly as a result of the drop in the collection rate due to the impact of the Corona pandemic (Covid-19).

It represented external clients (international clients) mainly from Gulf countries, Yemen, Syria and some African countries. Trade receivables from external customers also decreased by 41.1% from SAR 31.4 million as on December 31, 2018G to SAR 18.5 million as on December 31, 2019G and SAR 18.0 million on March 31, 2021G. On the other hand, trade receivables from external customers increased by 78.2% to SAR 32.1 million as on March 31, 2021G as a result of reclassifying some customer balances from other balances to those of external customers.

Commercial customers were mainly wholesale customers. Trade receivables from commercial customers decreased by 47.6% from SAR 133.9 million on December 31, 2018G to SAR 70.2 million as on December 31, 2019G with an additional decrease of 28.6% to SAR 50.1 million as on December 31 2019G. This was mainly as a result of the increase in collection and the closure

of a number of branches. Trade receivables returned from commercial customers and increased by 73.1% to 86.7 million Saudi riyals as on March 31, 2021G as a result of reclassifying some customer balances from other balances to those of commercial customers.

Other trade receivables were mainly contract and string customers. Other trade receivables increased by 119.7% from SAR 25.0 million as on December 31, 2018G to SAR 55.0 million as on December 31, 2019G, with an additional increase of 27.9% to SAR 70.4 million on December 31, 2020G. This increase was mainly due to the delay in collection from thread customers and as a result of reclassifying some customers from government agencies to other receivables. Other trade receivables returned and decreased by 65.9% to SAR 24.0 million as on March 31, 2021G, after reclassifying part of customer balances under other specific customer categories.

## Provision for Doubtful Debts of Trade Receivables

Table No. (34): As on December 31, 2018G, 2019G and 2020G, in addition to the period ending on March 31, 2021G

(SAR'000)	Fiscal Year Ended December 31			Period Ended March 31	Increase / (Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Balance at the beginning of the year	30,105	38,499	52,919	68,765	27.9%	37.5%	29.9%
The impact of international standards No. 9 on the balance of the first term	6,053	-	-	-	(100.0%)	-	-
Provision for redress during the year	4,579	14,990	16,953	297	227.4%	13.1%	(98.2%)
Used during the year	(2,238)	(570)	(1,107)	-	(74.5%)	94.2%	(100.0%)
<b>Balance at the end of the year</b>	<b>38,499</b>	<b>52,919</b>	<b>68,765</b>	<b>69,062</b>	<b>37.5%</b>	<b>29.9%</b>	<b>0.4%</b>

Source: The Company audited financial statements for the fiscal year ended December 31, 2018G, 2019G and 2020G and management information for the period ended March 31, 2021G.

The provision for doubtful debts for trade receivables increased by 37.5% from SAR 38.5 million as of December 31, 2018G to SAR 52.9 million as of December 31, 2019G. This is mainly due to the recording of the provision based on IFRS 9, and the provision for doubtful debts continued to rise by 29.9% to SAR 68.8 million as of December 31, 2020G, with an additional increase of 0.4% to 69.1 SAR 1 million as on March 31, 2021G. As a result of the impact of the application of International Financial Reporting Standard No. 9.

## Cash and Cash Equivalents

Table No. (35): Cash and Cash Equivalent as of December 31, 2018G, 2019G, 2020G, and March 31, 2021G

(SAR'000)	Fiscal Year Ended December 31			Period Ended March 31	Increase / (Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Cash in the Company	1,912	2,567	38,245	7,776	34.3%	1,389.9%	(79.7%)
Cash at banks	2,961	1,964	248	429	(33.7%)	(87.4%)	72.8%
<b>Total</b>	<b>4,873</b>	<b>4,531</b>	<b>38,493</b>	<b>8,205</b>	<b>(7.0%)</b>	<b>749.5%</b>	<b>(78.7%)</b>

Source: The Company audited financial statements for the fiscal years ended December 31, 2018G, 2019G, 2020G, and March 31, 2021G.

Cash and cash equivalents decreased by 7.0% from SAR 4.8 million as of December 31, 2018G to SAR 4.5 million as of December 31, 2019G after the company recorded cash outflows from operating activities amounting to SAR 16.6 million in 2019G. Cash and cash equivalents increased by 749.5% to SAR 38.5 million as of December 31, 2020G after the net cash flow obtained from financing activities increased from SAR 16.7 million in 2019G to SAR 94.3 million in 2020G. Cash and cash equivalents returned and decreased by 78.7% to SAR 8.2 million as on March 31, 2021G, after the company recorded a cash outflow from financing activities of SAR 11.0 million in the first quarter of 2021G.

## Shareholders' Equity

Table No. (36): Shareholders' Equity as of December 31, 2018G, 2019G and 2020G, in addition to the period ended March 31, 2021G

(SAR'000)	Fiscal Year Ended December 31			Period Ended March 31	Increase / (Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Capital	225,000	65,500	61,632	61,632	(70.9%)	(5.9%)	-
Accumulated losses	(74,948)	(32,405)	(6,199)	(11,468)	(56.8%)	(80.9%)	85.0%
<b>Total</b>	<b>150,052</b>	<b>33,095</b>	<b>55,433</b>	<b>50,164</b>	<b>(77.9%)</b>	<b>67.5%</b>	<b>(9.5%)</b>

Source: The Company audited financial statements for the fiscal years ended December 31, 2018G, 2019G and 2020G, in addition to the period ended March 31, 2021G.

## Company Capital

The company reduced the capital from SAR 225.0 as on December 31, 2018G to SAR 65.5 million as on December 31, 2019G, after obtaining all the required approvals by law and the extraordinary general assembly held on Wednesday 27/12/1440H (corresponding to 28/ 08/2019G). On the other hand, the capital decreased to SAR 61.6 million as on March 31, 2021G, after obtaining all the required approvals by law.

## Accumulated Losses

Accumulated losses decreased by 56.8% from SAR 74.9 million as of December 31, 2018G to SAR 32.4 million as of December 31, 2019G. Another decrease in the accumulated losses was recorded by 80.9% to SAR 6.2 million as on December 31, 2020G, as a result of the amortization of the accumulated losses in the capital. The balance of accumulated losses increased by 85.0% to SAR 11.5 million as on March 31, 2021G, after using part of the capital to partially amortize some losses.

## Non-current Liabilities

Table No. (37): Non-current Liabilities as of December 31, 2018G, 2019G, 2020G, and March 31, 2021G

(SAR'000)	Fiscal Year Ended December 31			Period Ended March 31	Increase / (Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Term loans / non-current portion	70,992	154,557	208,149	208,149	117.7%	34.7%	-
Lease obligations / non-current portion	-	21,907	19,748	18,528	-	(9.9%)	(6.2%)
Employee benefits liabilities	24,039	21,496	20,025	18,739	(10.6%)	(6.8%)	(6.4%)
Derivative financial instruments	1,548	2,648	2,716	2,270	71.1%	2.6%	(16.4%)
<b>Total</b>	<b>96,579</b>	<b>200,608</b>	<b>250,638</b>	<b>247,686</b>	<b>107.7%</b>	<b>24.9%</b>	<b>(1.2%)</b>

Source: The Company audited financial statements for the fiscal years ended December 31, 2018G, 2019G, 2020G, and March 31, 2021G.

The non-current portion of future loans represented 73.5%, 77.0% 83.0% and 84.0% of the total non-current liabilities as of December 31, 2018G, 2019G, 2020G, and March 31, 2021G, respectively. In addition, the employee benefit liabilities represented 24.9%, 10.7%, 8.0% and 7.6% of the total non-current liabilities as of December 31, 2018G, 2019G, 2020G, and March 31, 2021G, respectively.

## Term Loans / Non-current Portion

The balance of the non-current portion of the term loans increased by 117.7% from SAR 71.0 million on December 31, 2018G to SAR 154.6 million as on December 31, 2019G, with an additional increase of 34.7% to SAR 208.1 million as of December 31, 2019G and 2020G. This increase was mainly due to the rescheduling of all existing loans and the reclassification of some loans from current to non-current. The balance of the non-current portion of the term loans did not witness any material fluctuations between December 31, 2020G and March 31, 2021G.

(For further information about these loans, kindly refer to "Futures and Banks Credits" section).



## Lease Obligations / Non- Current Portion

The company has operating leases related to warehouses, exhibitions and factories, which were previously recognized as operating leases in accordance with International Accounting Standard No. 17. Operating leases are recognized as lease expenses in the statement of other comprehensive income. The company adopted IFRS 16 as of January 01, 2019G instead of IAS 17. IFRS 16 applies a single accounting model for leases and recognizes all major lease contracts with the company on the balance sheet. There are exceptions to operating leases to which IFRS 16 applies, such as low-value leases or short-term leases (less than one year). The company has applied IFRS 16 to all its operating leases, and right-of-use assets have been recognized at fair value, while operating lease liabilities have been recognized at present value (discounted using the interest rate included in the lease). Depreciation is recorded as an expense in the income statement with the change of the “right of use” balance. The discount rate is recognized as an interest expense at the end of each period.

(For further information about IFRS 16, kindly refer to “Significant Accounting Policies” section).

## Employees’ Benefit Liabilities

Employee benefit liabilities represented the statutory provision relating to end of service benefits based on the actuarial valuation performed by an independent third party actuary. These bonuses are payable to employees upon resignation or termination of the employment contract with the company in accordance with the Saudi Labor Law and the Labor Law. Employee benefits liabilities also decreased by 10.6% from SAR 24.0 million as of December 31, 2018G to SAR 21.5 million as of December 31, 2019G. The balance decreased again by 6.8% to SAR 20.0 million as of December 31, 2020G, with an additional decrease of 6.4% to SAR 18.7 million as of March 31, 2021G. This is mainly due to the decrease in the number of employees during the mentioned period.

## Derivative Financial Instruments

Derivative financial instruments are interest rate swap contracts. Derivative financial instruments increased from SAR 1.5 million as of December 31, 2018G to SAR 2.6 million as of December 31, 2019G. Derivative financial instruments continued to rise by 2.6% and 14.3% to SAR 2.7 million as on December 31, 2020G, before declining to SAR 2.3 million as of March 31, 2021G. Fluctuations in the balances of derivative financial instruments are due to the movement in currency rates, interest rates and contracts outstanding as at the date of each financial position.

## Current Liabilities

Table No. (38): Current Liabilities as of December 31, 2018G, 2019G, 2020G, and March 31, 2021G

(SAR'000)	Fiscal Year Ended December 31			Period Ended March 31	Increase / (Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Company shares in equity investments in companies that exceed the cost	455	455	-	-	-	(100.0%)	-
Trade payables	80,080	44,079	39,557	32,076	(45.0%)	(10.3%)	(18.9%)
Accrued expenses and other payables	28,503	22,004	33,122	34,872	(22.8%)	50.5%	5.3%
Term loans and credit banks	234,443	167,556	103,000	92,372	(28.5%)	(38.5%)	(10.3%)
Lease obligations - rolling part	-	4,240	3,948	3,170	-	(6.9%)	(19.7%)
Related parties’ liabilities	75,335	31,059	21,413	24,182	(58.8%)	(31.1%)	12.9%
Zakat due	16,248	16,252	4,432	3,330	0.0%	(72.7%)	(24.9%)
<b>Total</b>	<b>435,064</b>	<b>285,645</b>	<b>205,472</b>	<b>190,002</b>	<b>(34.3%)</b>	<b>(28.1%)</b>	<b>(7.5%)</b>

Source: The Company audited financial statements for the fiscal years December 31, 2018G, 2019G, 2020G, and March 31, 2021G.

The balance of the term loans and creditor banks constituted 53.9%, 58.7%, 50.1% and 48.6% of the total current liabilities as on December 31, 2018G, 2019G and 2020G and March 31, 2021G, respectively. In addition, trade payables accounted for 18.4%, 15.4%, 19.3% and 16.9% of the total current liabilities as on December 31, 2018G, 2019G, 2020G and March 31, 2021G, respectively.

## Company Share in Equity Investments in Companies Exceeding the Cost

The Company share in investments using the equity method that exceeds the cost represented the increase difference between the capital and the Company share of losses belonging to the National Peace College Company. The Company share in equity method investments that exceeds cost did not witness any change during the financial period.

## Trade Payables

Table No. (39): Trade Payables as of December 31, 2018G, 2019G, 2020G, and March 31, 2021G

(SAR'000)	Fiscal Year Ended December 31			Period Ended March 31	Increase / (Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Local suppliers	54,802	37,844	32,185	25,219	(30.9%)	(15.0%)	(21.6%)
Outside suppliers	25,278	6,235	7,372	6,857	(75.3%)	18.2%	(7.0%)
<b>Total</b>	<b>80,080</b>	<b>44,079</b>	<b>39,557</b>	<b>32,076</b>	<b>(45.0%)</b>	<b>(10.3%)</b>	<b>(18.9%)</b>

Source: The Company audited financial statements for the fiscal years ended December 31, 2018G, 2019G, 2020G, and March 31, 2021G.

The balance of domestic suppliers mainly represents suppliers of raw materials, spare parts and packaging materials. Trade payables to local suppliers decreased by 30.9% from SAR 54.8 million as of December 31, 2018G to SAR 37.8 million as of December 31, 2019G. Trade payables to local suppliers continued to decline by 15.0% to SAR 32.2 million as of December 31, 2020G, with an additional decrease of 21.6% to SAR 25.2 million as of March 31, 2021G. This is mainly due to the decrease in the previous debts through direct payment.

The balance of external suppliers mainly represents imported raw materials, spare parts and imported finished goods. Trade payables to external suppliers decreased by 75.3% from SAR 25.3 million as of December 31, 2018G to SAR 6.2 million as of December 31, 2019G. This decrease was mainly due to the settlement of part of the outstanding payables and the decrease in the volume of purchases of imported goods during the period. Trade payables to external suppliers increased by 18.2% to SAR 7.4 million as of December 31, 2020G, before declining again to SAR 6.9 million as of March 31, 2021G as a result of the decrease in previous debts with direct payment.

## Accrued Expenses and Other Payables

Table No. (40): Accrued Expenses and Other Payables as of December 31, 2018G, 2019G, 2020G, and March 31, 2021G

(SAR'000)	Fiscal Year Ended December 31			Period Ended March 31	Increase / (Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Due expenses	14,135	13,368	14,000	14,330	(5.4%)	4.7%	2.7%
Advance payments from clients	10,226	5,780	10,127	11,638	(43.5%)	75.2%	14.9%
Other	4,142	2,856	8,995	8,904	(31.0%)	215.0%	(1.0%)
<b>Total</b>	<b>28,503</b>	<b>22,004</b>	<b>33,122</b>	<b>34,872</b>	<b>3.9%</b>	<b>(22.8%)</b>	<b>5.3%</b>

Source: The Company audited financial statements for the fiscal years ended December 31, 2018G, 2019G, 2020G, and March 31, 2021G.

Accrued expenses mainly represented service and rental expenses. Accrued expenses did not witness significant fluctuations between December 31, 2018G and December 31, 2020G. Accrued expenses increased by 2.4% from SAR 14.0 million as of December 31, 2020G to SAR 14.3 million as of March 31, 2021G. This increase was mainly caused by the increase in the balances of dues related to employees and travel tickets due to the Corona pandemic (Covid-19).

Advances from clients were mainly contract clients. Payments made by customers decreased by 43.5% from SAR 10.2 million as of December 31, 2018G to SAR 5.8 million as of December 31, 2019G. This is mainly due to the fact that the balance of December 31, 2018G was related to projects under completion that were completed during the first half of 2019G. The balance of advance payments from customers increased by 75.2% to SAR 10.1 million as of December 31, 2020G, and by 14.9% to SAR 11.6 million as of March 31, 2021G, mainly due to the implementation of a new credit policy.

Other payables were mainly employee leave accruals and payments made from retail and contract customers. The balance of other payables decreased by 31.0% from SAR 4.1 million as of December 31, 2018G to SAR 2.9 million as of December 31, 2019G. This was mainly driven by the lack of financial resources to cover the obligations required to pay. On the other hand, other payables increased by 215.0% to SAR 9.0 million as of December 31, 2020G and March 31, 2021G. This was mainly driven by the increase in the balances of accruals related to employees' leaves.

## Term Loans and Credit Banks

Table No. (41): Future Loans, Credit Banks and Non-Current Portion of Future Loans as of March 31, 2021G

Bank	Basic Amount (SAR'000)	Facilities Type	Commission Rate	Guarantees	Commission Rate	March 2021G (SAR'000)	Loan Conditions	Rescheduled Loan Repayment date	Financial Provisions	Compliance Status
Arab national Bank	25,450	Short-term			397	-	It was finished		-	-
Al Rajhi Bank	102,416	Short-term	SIBOR + margin	Promissory note	2,102	-	It was finished		Leverage	Not In compliance with
National Commercial Bank	65,069	Short-term	SIBOR + margin	Promissory note	947	21,771	Will be working on rescheduling <sup>*</sup>		current ratio	In compliance with
Riyad Bank	129,291	Short-term	SIBOR + margin	Promissory note	819	24,893	Will be working on rescheduling <sup>*</sup>		Leverage	In compliance with
Saab	63,532	Short-term	SIBOR + margin	Promissory note	786	18,705	Will be working on rescheduling <sup>*</sup>		Days of stockpiling	- Not In compliance with
Samba	25,532	Short-term	do not apply	Promissory note	195	-	Will be working on rescheduling <sup>*</sup>		-	-
Ministry of Finance	23,989	Short-term	SIBOR + margin	Promissory note	-	24,442	Will be working on rescheduling <sup>*</sup>		Liabilities to net worth	Not In compliance with
Al Rajhi Bank	N/A	Long term	SIBOR + margin	Promissory note	-	48,866	Will be working on rescheduling <sup>*</sup>	3/4/2022G	current ratio	In compliance with
National Commercial Bank	N/A	Long term	SIBOR + margin	Promissory note	-	11,067	Will be working on rescheduling <sup>*</sup>	27-03-2022G	Liabilities to net worth	Not In compliance with
Riyad Bank	38,301	Long term	SIBOR + margin	Promissory note	592	105,881	Will be working on rescheduling <sup>*</sup>	20-12-2023G	-	-
Saab	6,746	Long term	SIBOR + margin	Promissory note	135	-	Will be working on rescheduling <sup>*</sup>	Coordination will be made with the bank	-	-
Samba	25,532	Long term	N/A	Promissory note	-	6,732	Will be working on rescheduling <sup>*</sup>	31-12-2020G	-	-
Saudi Industrial Development Fund	35,794	Long term	N/A	A mortgage on factory equipment	-	28,357	Will be working on rescheduling <sup>*</sup>	30-09-2024G	-	-
Other lenders	1,480	do not apply	SIBOR + margin	N/A	-	-	N/A		-	-
<b>Total</b>						<b>300,521</b>				

Source: Management information.

Note: The principal amount shown in the above table is on March 31, 2021G.

Not applicable: Refers to loans that have been rescheduled from short-term to long-term loans.

<sup>\*</sup> Part of the short-term loans will be converted into long-term loans.

<sup>\*\*</sup> In 2018G, the Company rescheduled the loans; it will also reschedule the existing loans as of March 31, 2020G.

The Company has credit facilities from banks as letter of guarantee, letters of credit, and Islamic Murabaha to finance documentary credits, foreign exchange contracts, tawarruq facilities and deferred Murabaha. These facilities are secured by order bonds in favor of the banks. Facilitation agreements include specific conditions that require, among other articles, to maintain certain rates, shareholder rights, and balances related to related parties within certain restrictions, with limits on dividends.

During 2012G, the Company obtained long-term loans (SAR 53 million) from the Saudi Industrial Development Fund. The first installment was in February 2013G, followed by semi-annual installments, bearing in mind that this installment is secured by a real estate mortgage for all property and equipment of Jeddah Industrial Yarn Factory and Naseej. The loan agreement includes specific conditions that require preservation of sample rates and the maintenance of a minimum level of financial solvency and a minimum of liquidity.

During 2019G, the Company obtained short-term credit facilities from the Ministry of Finance as an interest-free loan (SAR 40 million), which can be used to pay the bills of local and external suppliers.

Term loans and credit banks include specific financial conditions that the Company must comply with during the validity period of loans agreements concluded with banks. Since it is a binding agreement, all its terms should be respected; thus, in case of no commitment to the contracts' clauses, re-negotiation shall occur, including withdrawal of the facility or payment on demand, and others. Conditions are monitored on a periodic basis by management. In the event of potential non-compliance, measures are taken by management to ensure compliance with the conditions.

During the period ended March 31, 2021G, there was no non-compliance with some conditions regarding unpaid term loans with different banks. The management is currently in discussion with these financial institutions regarding the exemption of the Company; it expects such exemptions in future periods according to the agreement. Therefore, loans were not repaid as of March 31, 2021G.

It should be noted that the Company has prepared the rescheduling of loans granted by Al Rajhi Banks, the National Commercial Bank and the Ministry of Finance. The value of the three mentioned loans amounted to 121.4 million Saudi riyals, of which the company used SAR 116.2 million Saudi riyals. Restructuring agreements were signed with the three parties and all necessary procedures related to the rescheduling process were completed as on March 31, 2021G. With regard to the loans that the Company obtained from Samba and Riyadh banks, which amounted to a total of SAR 142.4 million Saudi riyals (of which the Company used SAR 137.3 million Saudi riyals), the Company has obtained the final approval from the banks regarding the restructuring process, and the necessary procedures will be completed in a very short period of time. The Company is currently completing the negotiations related to the loans that have been obtained from the Saudi Industrial Development Fund and SABB Bank to reach a rescheduling agreement (the value of loans granted by the Saudi Industrial Development Fund and SABB Bank amounted to SAR 53.6 million Saudi riyals, of which the Company used SAR 47.1 million Saudi riyals).

Term loans mainly represented the facilities granted to the Company by several commercial banks in addition to the loan granted by the Saudi Industrial Development Fund. These facilities were used for working capital financing purposes, and the Saudi Industrial Development Fund loan was used for the purpose of expanding factories. The term loans include interest rates at an average of 6% in addition to bank commissions, and are due within four and a half years. These loans and facilities were secured by order bonds equal to the amount. As for the Saudi Industrial Development Fund loan, it is guaranteed in exchange for machinery in factories.

The balance of term loans and credit banks decreased by 28.5% from SAR 234.4 million as of December 31, 2018G to SAR 167.6 million as of December 31, 2019G. The balance recorded an additional decrease of 38.5% from SAR 167.6 million as of December 31, 2019G to SAR 103.0 million as of December 31, 2019G, and by 10.3% to SAR 92.4 million as of March 31, 2021G. This is mainly due to rescheduling of some outstanding loans and reclassification of some loans from current to non-current loans.

It should be noted that the balance related to the loans granted by Al Rajhi Bank and the Saudi Industrial Development Fund, which amounted to SAR 77.2 million Saudi riyals as of March 31, 2021G, should have been classified under the current liabilities on the mentioned date, but it was classified under the non-current liabilities balance.

### Lease Obligations - Rolling Part

The Company has operating leases associated with warehouses and showrooms, which were previously recognized as operating leases in accordance with IAS 17. Operating leases are recognized as rental expenses in the statement of other comprehensive income. The Company has adopted IFRS 16 from January 01, 2019G instead of IAS 17. IFRS 16 applies a single accounting model for leases and under which all major lease contracts with the Company are recognized in the balance sheet. There are exceptions to operating leases to which IFRS 16 applies, such as low-value leases or short-term leases (less than one year). The Company applied IFRS 16 to all its operating lease contracts; right-to-use assets were recognized at fair value, while operating lease obligations were recognized at present value (discounted using the interest rate included in the lease contract). Depreciation is recorded as an expense in the income statement with the change of the "right to use" balance. The discount rate is recognized as an interest expense at the end of each period.

(For further details about IFRS 16, please refer to "Significant Accounting Policies" section).

## Related Parties Liabilities

Table No. (42): Related Parties Liabilities as of December 31, 2018G, 2019G, 2020G, and March 31, 2021G

SAR'000	Fiscal Year Ended December 31			Period Ended March 31	Increase / (Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Saudi Carpet Accessories Manufacturing Company Ltd.	26,229	10,812	4,939	7,137	(58.8%)	(54.3%)	44.5%
Al-Hikma International Real Estate Development Company	24,194	10,891	10,105	11,369	(55.0%)	(7.2%)	12.5%
Al Sorayai Group for Industrial Investment	11,786	1,105	1,077	705	(90.6%)	(2.5%)	(34.5%)
Mr. Hamdan Abdullah Al-Sorayai	4,000	-	-	-	(100.0%)	-	-
Jada Al-Raqi Real Estate Investment and Development Company	4,000	3,149	3,049	3,049	(21.3%)	(3.2%)	-
SNASCO Investment Holding Group Company	1,769	1,745	1,559	1,557	(1.4%)	(10.7%)	(0.1%)
Mohammed bin Nasser Al-Sorayai	3,000	3,000	359	-	-	(88.0%)	(100.0%)
Other	357	357	325	364	-	(9.0%)	12.0%
<b>Total</b>	<b>75,335</b>	<b>31,059</b>	<b>21,413</b>	<b>24,181</b>	<b>(58.8%)</b>	<b>(31.1%)</b>	<b>12.9%</b>

Source: The Company audited financial statements for the fiscal years ended December 31, 2018G, 2019G, 2020G, and March 31, 2021G.

Saudi Carpet Accessories Manufacturing Company Ltd. supplies raw materials to the Company, and the Chairman of the BOD occupies the position of a member of the BOD. Liabilities to the Saudi Carpet Supplies Manufacturing Company Ltd. decreased by 58.8% from SAR 26.2 million as of December 31, 2018G to SAR 10.8 million as of December 31, 2019G. with an additional decrease of 54.3% to SAR 4.9 million. On December 31, 2020G. This decline was driven by the settlement of part of the previous dues in exchange for transferring the ownership of the site and building of the Al-Jazirah factory from Al Sorayai Trading and Industrial Group Company (currently Naseej International Trading Company) to the Saudi Carpet Supplies Industry Ltd., paying part of the dues and decreasing purchases. The balance returned and increased by 44.5% to SAR 7.1 million as of March 31, 2021G, after a partial increase in purchases.

Al-Hikma International Real Estate Development Company Ltd. provides locations for the Company warehouse, owned by 12% by the Chairman of the BOD., liabilities to Al-Hikma International Real Estate Development Company Ltd. decreased by 55.0% from SAR 24.2 million as of December 31, 2018G to SAR 10.9 million as of December 31, 2019G and by 7.2% to SAR 10.1 million as of December 31, 2019G. This decrease was driven by 50% adjustments of previous receivables. The balance increased once again by 12.5% to SAR 11.4 million as of March 31, 2021G.

Al Sorayai Industrial Investment Group Company supplies raw materials to the company, and the Chairman of the Board of Directors is one of the members of the Board of Directors of this company. Liabilities to Al Sorayai Industrial Investment Group Company decreased by 90.6% from SAR 11.8 million as of December 31, 2018G to SAR 1.1 million as of December 31, 2019G with an additional decrease of 2.5% to SAR 1.1 million as of December 31, 2020G, and another decrease of 34.5% to SAR 0.7 million as of March 31, 2021G. This decrease was driven by in-kind settlements against previous receivables.

The liabilities to Hamdan Abdullah Al-Sari as of December 31, 2018G represented the outstanding portion of SAR 4 million of the loan he provided to the Company, amounting to SAR 10.0 million, where SAR 6 million were repaid during the year. Whereas, Hamdan Abdullah Al Sorayai is a related party to one of the Board members (the father of Board Member Abdullah Hamdan Al Sorayai). The entire loan was repaid during 2019G.

The liabilities to Jada Al Raqi Real Estate Investment and Development Company as of December 31, 2018G represented the outstanding portion of the loan it provided to the Company, amounting to SAR 8.6 million. This company is owned by a party related to the Chairman of the Board of Directors. The decrease in the balance of liabilities to this company was by 21.3%, from SAR 4.0 million as of December 31, 2018G to SAR 3.1 million as of December 30, 2019G, mainly due to the payment of part of the existing loan. The balance remained almost constant between December 31, 2020G and March 31, 2021G.

Warehouses are leased by SNASCO Investment Group Holding Company, 12.5% owned by the Chairman of the Board of Directors. Liabilities to SNASCO Investment Group Holding Company decreased gradually from SAR 1.8 million as of December 31, 2018G to SAR 1.6 million as of March 31, 2021G. This decrease mainly resulted from the settlement of part of the accounts payable balances to this company as on December 31, 2018G.

The liabilities to Muhammad bin Nasser Al-Sorayai represented the outstanding portion of the loan he provided to the Company as of December 31, 2018G. Whereas, Mohammed bin Nasser Al-Sorayai is a party related to one of the members of the Board of

Directors (the brother of the Chairman of the Board of Directors). The balance decreased from SAR 3.0 million as of December 31, 2018G to zero as of March 31, 2021G after paying the amount.

Liabilities to other related parties mainly represented payments against capital in connection with the investment in Al Salam Private College Company. These liabilities did not witness significant fluctuations between December 31, 2018G and March 31, 2021G.

## Zakat Due

Zakat payable increased by 72.7% from SAR 16.2 million as of December 31, 2018G and 2019G to SAR 4.4 million as of December 31, 2020G and SAR 3.3 million as of March 31, 2021G. This is mainly due to the decrease in Zakat base during the mentioned period.

## Contingent Liabilities

**Table No. (43): Contingent Liabilities as of December 31, 2018G, 2019G, 2020G, and March 31, 2021G**

SAR'000	Fiscal year ended December 31			Period Ended March 31	Increase /(Decrease)		
	2018G Audited	2019G Audited	2019G Audited	2020G Unaudited	December 2019G	December 2020G	March 2021G
Letters of credit	9,736	1,880	779	4,012	(80.7%)	(58.6%)	415.0%
Bank guarantees	1,956	3,049	3,137	1,535	55.9%	2.9%	(51.1%)
Enhanced bills of exchange	446	-	-	-	(100.0%)	-	-
Promissory note	-	346,483	346,483	346,483	-	-	-

Source: The Company audited financial statements for the fiscal years ended December 31, 2018G, 2019G, 2020G, and March 31, 2021G.

Letters of credit mainly represented letters of credit issued to suppliers for the purpose of purchasing imported carpets and raw materials. The value of the letters of credit decreased from SAR 9.7 million Saudi riyals as on December 31, 2018G to SAR 0.8 million as of December 31, 2020G, and then increased to SAR 4.0 million as of March 31, 2021G. The volatility was related to the volatility of the carpet trading activity and the quantities of purchase of raw materials by letters of credit.

Bank guarantees amounting to SAR 2.0 million, SAR 3.1 million, SAR 3.1 million and SAR 1.5 million as of December 31, 2018G, 2019G, 2020G and March 31, 2021G, respectively relate to letters of guarantee for contract sales customers and letters of credit to suppliers of raw materials.

The enhanced bills of exchange amounting to SAR 0.4 million as of December 31, 2018G and 2018G, respectively, were issued mainly to external suppliers to import Turkish carpets.

Promissory note amounting to SAR 346.5 million between December 31, 2019G and March 31, 2021G mainly represented bonds for order for the purpose of increasing the scope of trade operations by increasing bonds by SAR 30 million from Riyadh Bank.

## Lease Contracts

**Table No. (44): Lease Contracts as of December 31, 2018G, 2019G, 2020G, and the Period Ended March 31, 2021G**

SAR'000	Fiscal year ended December 31			Period Ended March 31	Increase /(Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2021G Unaudited	December 2019G	December 2020G	March 2021G
In 1 year	5,218	-	-	-	(100.0%)	-	-
During 1- 5 years	7,981	-	-	-	(100.0%)	-	-
More than 5 years	2,517	-	-	-	(100.0%)	-	-
<b>Total</b>	<b>15,716</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(100.0%)</b>	<b>-</b>	<b>-</b>

Source: The Company audited financial statements for the fiscal years ended December 31, 2018G, 2019G, 2020G, and the Period Ended March 31, 2021G.

Operating leases refer to lands, warehouses, showrooms, and labor accommodations. The lease terms range from one year to 40 years. The Company does not reserve the right to purchase these properties at the end of the contract.

## Cash Flows Statement

Table No. (45): Cash Flows Statement as of December 31, 2018G, 2019G, 2020G, and the Period Ended March 31, 2021G

SAR'000	Fiscal year ended December 31			Period Ended March 31		Increase /(Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2020G Unaudited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Net cash generated from operating activities	45,733	(16,616)	(63,137)	(63,137)	(18,682)	(136.3%)	280.0%	(70.4%)
Net cash used in investing activities	(3,737)	(404)	2,796	2,796	(570)	(89.2%)	(792.1%)	(120.4%)
Net cash used in financing activities	(43,132)	16,678	94,303	94,303	(11,036)	(138.7%)	465.4%	(111.7%)
<b>Change in cash balances and cash equivalents</b>	<b>(1,136)</b>	<b>(342)</b>	<b>33,962</b>	<b>33,962</b>	<b>(30,288)</b>	<b>(69.9%)</b>	<b>(10,030.4%)</b>	<b>(189.2%)</b>
Cash and cash equivalents at the beginning of the year	6,009	4,873	4,531	4,531	38,493	(18.9%)	(7.0%)	749.5%
<b>Cash and cash equivalents at the end of the year</b>	<b>4,873</b>	<b>4,531</b>	<b>38,493</b>	<b>38,493</b>	<b>8,205</b>	<b>(7.0%)</b>	<b>749.5%</b>	<b>(78.7%)</b>

Source: The Company audited financial statements for the fiscal years ended December 31, 2018G, 2019G, 2020G, and the Period Ended March 31, 2021G.

Net cash and cash equivalents in 2018G are mainly attributable to net cash generated from operating activities. Whereas, the net cash and cash equivalents in 2019G, and 2020G are attributable to the net cash flows resulting from financing activities. Net cash decreased by 78.7% from SAR 38.5 million in the three-month period ending on March 31, 2020G to SAR 8.2 million in the three-month period ending on March 31, 2021G after the company recorded cash outflows from financing activities worth 11.0 million Saudi riyals in the first quarter of 2021G.

## Cash flows from Operating Activities

Table No. (46): Cash flows from Operating Activities Statement as of December 31, 2018G, 2019G, 2020G, and the Period Ended March 31, 2021G

SAR'000	Fiscal year ended December 31			Period Ended March 31		Increase /(Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2020G Unaudited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Net Loss Before Zakat	(52,313)	(113,430)	(80,972)	(80,972)	(5,199)	116.8%	(28.6%)	(93.6%)
<b>Adjustments for non-cash items</b>								
Consumption	32,169	28,773	17,485	16,629	4,243	(10.6%)	(39.2%)	(74.5%)
Amortization of intangible assets	-	-	-	856	214	-	-	(75.0%)
Right-of-use assets depreciation	-	2,108	2,895	2,895	1,898	-	37.3%	(34.4%)
Realization of employee benefits requirements	4,326	4,335	2,815	2,815	684	0.2%	(35.1%)	(75.7%)
financial burdens	17,559	22,202	20,738	20,738	3,455	26.4%	(6.6%)	(83.3%)
Reserve of foreign currency translation for subsidiaries	-	-	-	-	-	-	-	-
A decrease in the value of current assets	8,882	45,745	45,653	45,653	297	415.0%	(0.2%)	(99.3%)
Losses/(profits) on sale of property, plant and equipment	481	(14,555)	(1,875)	(1,875)	-	(3.126.0%)	(87.1%)	(100.0%)
Other gains/(losses)	-	(14,250)	-	-	-	-	(100.0%)	-
Profit/(loss) for the year/period after zakat from discontinued operations	928	-	(10,654)	-	-	(100.0%)	-	-
Reversal of the excess zakat provision	-	-	-	(10,654)	-	-	-	(100.0%)

SAR'000	Fiscal year ended December 31			Period Ended March 31		Increase /(Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2020G Unaudited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Group's share of losses/(profits) of associates and joint ventures	2,670	670	409	409	209	(74.9%)	(39.0%)	(48.9%)
Losses/(profits) change in fair value of derivative financial instruments	1,655	1,100	68	68	(446)	(33.5%)	(93.8%)	(755.9%)
<b>Total adjustments for non-cash items</b>	<b>16,357</b>	<b>(37,302)</b>	<b>(3,438)</b>	<b>(3,438)</b>	<b>5,355</b>	<b>(328.0%)</b>	<b>(90.8%)</b>	<b>(255.8%)</b>
<b>Change in operating assets and liabilities</b>								
Trade receivables Prepaid expenses and other debit balances	(8,416)	59,765	(14,911)	(14,911)	(9,473)	(810.1%)	(124.9%)	(36.5%)
Liabilities from related parties	(731)	5,942	4,214	4,214	-	(912.9%)	(29.1%)	(100.0%)
Origin of the right to use	-	-	-	(2,451)	(1,998)	-	-	(18.5%)
Stock	57,658	46,105	(14,899)	(14,899)	(3,405)	(20.0%)	(132.3%)	(77.1%)
Trade and other payables	(7,043)	(42,500)	6,596	6,596	(5,731)	503.4%	(115.5%)	(186.9%)
Liabilities to Related Parties	13,982	(15,026)	(9,646)	(9,646)	2,769	(207.5%)	(35.8%)	(128.7%)
Loss of investment in associates	-	-	(455)	(455)	-	-	-	(100.0%)
Right to Use Obligations	-	-	(2,451)	-	-	-	-	-
<b>Net cash generated from operating activities</b>	<b>71,807</b>	<b>16,984</b>	<b>(34,990)</b>	<b>(34,990)</b>	<b>(12,483)</b>	<b>(76.3%)</b>	<b>(306.0%)</b>	<b>(64.3%)</b>
Paid financial charges	(17,559)	(22,202)	(20,738)	(20,738)	(3,066)	26.4%	(6.6%)	(85.2%)
zakat paid	-	(2,773)	(3,611)	(3,611)	(1,162)	-	30.2%	(67.8%)
Paid employee benefits	(8,515)	(8,625)	(3,798)	(3,798)	(1,971)	1.3%	(56.0%)	(48.1%)
<b>Net cash generated from operating activities</b>	<b>45,733</b>	<b>(16,616)</b>	<b>(63,137)</b>	<b>(63,137)</b>	<b>(18,682)</b>	<b>(136.3%)</b>	<b>280.0%</b>	<b>(70.4%)</b>

Source: The Company audited financial statements for the fiscal years ended as of December 31, 2018G, 2019G, 2020G, and the Period Ended March 31, 2021G.

Net cash from operations was transferred from net cash generated from operations, amounting to SAR 45.7 million Saudi riyals in 2018G, to net cash used in operations, amounting to SAR 16.6 million Saudi riyals in 2019G. This was mainly due to a decrease in trade and other payables during the period ending in 2019G due to settlements with the required to related parties to settle part of the previous dues in return for transferring the ownership of the site and building of the island factory from Al Sorayai Commercial and Industrial Group (Naseej International Trading Company currently) to The Saudi Carpet Supplies Industry Co., Ltd. and settlement of 50% of the previous dues to Al-Hikma International Real Estate Development Company. Cash used in operating activities increased from an outflow of SAR 16.6 million in 2019G to an outflow of SAR 63.1 million in 2020G. The mentioned movement was affected by the movement of trade receivables and the movement of inventory between the two mentioned periods. Negative cash flow decreased by 70.4% from SAR 63.1 million in the three-month period ended March 31, 2020G to SAR 18.7 million in the three-month period ended March 31, 2021G after a decrease in the net loss recorded between the two periods.



## Cash flows from Investing Activities

**Table No. (47): Cash flows from Investing Activities Statement as of December 31, 2018G, 2019G, 2020G, and the Period Ended March 31, 2021G**

SAR'000	Fiscal year ended December 31			Period Ended March 31		Increase /(Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2020G Unaudited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Payments for property, machinery and equipment	(5,366)	(1,701)	(208)	(208)	(570)	(68.3%)	(87.8%)	174.0%
Proceeds from exclusion of property, plant and equipment	1,629	1,297	3,004	3,004	-	(20.4%)	131.6%	(100.0%)
<b>Net cash used in investing activities</b>	<b>(3,737)</b>	<b>(404)</b>	<b>2,796</b>	<b>2,796</b>	<b>(570)</b>	<b>(89.2%)</b>	<b>(792.1%)</b>	<b>(120.4%)</b>

Source: The Company audited financial statements for the fiscal years ended December 31, 2018G, 2019G, 2020G, and the Period Ended March 31, 2021G.

The net cash used in investing activities in 2019G decreased by 89.2% from SAR 3.8 million in 2018G to SAR 0.4 million in 2019G. The decrease in net cash used in investing activities is mainly due to the recording of proceeds from the disposal of property, plant and equipment amounting to SAR 1.3 million Saudi riyals in 2019G. On the other hand, net cash for investment activities turned from net cash used in investment activities in the amount of SAR 0.4 million Saudi riyals during the year 2019G to a positive cash flow of SAR 2.8 million Saudi riyals in the year 2020G after recording proceeds from the disposal of property and equipment amounting to 3.0 million riyals Saudi during 2020G. The positive cash flow recorded by the company amounting to SAR 2.8 million in the three-month period ending on March 31, 2020G turned into a negative cash flow of SAR 0.6 million in the three-month period ended March 31, 2021G after no receipts were recorded from operations Selling assets.

## Cash flows from Financing Activities

**Table No. (48): Cash flows from Investing Activities Statement as of December 31, 2018G, 2019G, 2020G, and the Period Ended March 31, 2021G**

SAR'000	Fiscal year ended December 31			Period Ended March 31		Increase /(Decrease)		
	2018G Audited	2019G Audited	2020G Audited	2020G Unaudited	2021G Unaudited	December 2019G	December 2020G	March 2021G
Net movement in term loans and banks payable	(43,132)	16,678	(10,964)	(10,964)	(10,628)	(138.7%)	(165.7%)	(3.1%)
Capital increase	-	-	112,660	112,660	-	-	-	(100.0%)
Rights Issue Cost	-	-	(7,393)		-	-	-	-
Capital increase Cost	-	-	-	(7,393)	-	-	-	(100.0%)
Proceeds from Investment in Associates & Joint Ventures	-	-	-	-	(408)	-	-	-
<b>Net cash used in financing activities</b>	<b>(43,132)</b>	<b>16,678</b>	<b>94,303</b>	<b>94,303</b>	<b>(11,036)</b>	<b>(138.7%)</b>	<b>465.4%</b>	<b>(111.7%)</b>

Source: The Company audited financial statements for the fiscal years ended as of December 31, 2018G, 2019G, 2020G, and the Period Ended March 31, 2021G.

Net cash for financing activities was transferred from net cash used in financing activities amounting to SAR 43.1 million Saudi riyals to net cash generated from financing activities amounting to SAR 16.7 million Saudi riyals in 2019G. This was the result of capitalization of interests for the years 2019G and 2020G. Net cash generated from financing activities increased by 465.4% from SAR 16.7 million Saudi riyals in 2019G to SAR 94.3 million Saudi riyals as a result of the increase in the capital. The company recorded a cash outflow from financing activities amounting to SAR 11.0 million Saudi riyals in the three-month period ended March 31, 2021G as a result of repayments of term loans and creditor banks.

## Related Party Transactions

**Table No. (49): Related Party Transactions as of December 31, 2018G, 2019G, 2020G, and the Period Ended March 31, 2021G**

SAR'000	Fiscal year ended December 31			Period Ended March 31
	2018G Audited	2019G Audited	2020G Audited	March 2021G
<b>Transaction Nature</b>				
Purchases	17,047	12,902	14,618	4,704
Finance	11,000	-	-	-
Property Sale	-	15,000	-	-
Sales	19,457	26,018	79	10
Dues to senior management	3,902	4,871	4,458	1,337
Board and committee fees	990	1,783	1,550	360
Rentals	5,423	4,333	2,153	1,035

Source: The Company audited financial statements for the fiscal years ended December 31, 2018G, 2019G, 2020G, and the Period Ended March 31, 2021G.

The purchases were mainly transactions with suppliers of raw materials, mainly transactions with the Saudi Carpet Supplies Manufacturing Company Ltd. (Matex) and Al Sorayai Group Company for Industrial Investment Ltd.

Funding transactions mainly constituted loans taken from Muhammad bin Nasser Al-Sorayai, Hamdan Abdullah Al-Sorayai, and Jada Al-Raqi Company for Investment and Real Estate Development Ltd. as of December 31, 2018G.

The property sale transactions registered during December 31, 2019G are mainly related to the sale of the Al-Jazirah Spinning and Carpet site and building to the Saudi Carpet Accessories Manufacturing Company Ltd. with a settlement of SAR 15.0 million.

The sales-related transactions were mainly represented in carpet sales to the First Solidarity Company and Khaled Hamdan Express Corporation.

Receivables refer to top management refers to the salaries and benefits disbursed to top management. The fluctuations in the transactions related to receivables are due to the major management to reduce or merge some expenses.

Board and committee fees are represented by annual board remuneration and fees associated with attending board or committee meetings according to the Company corporate governance regulation and its by-law, where the largest part of which is the annual remuneration for members of the BOD is approved through the annual meeting of the General Assembly of shareholders.

The warehouse lease transactions mainly represent Al-Hikma International Real Estate Development Company Ltd. and SNASCO Investment Holding Group Company.

## 6. Use of Proceeds

### 6.1 Net Offering Proceeds

The total offering proceeds of the rights issue are estimated at SAR 150,000,000 of which SAR 7,500,000 will be paid to cover the expenses of the offering, which include the fees of the financial advisor, the rights offering, the legal advisor, the legal accountant, underwriting expenses, advertising, marketing, printing and other expenses.

The net proceeds of the offering will reach SAR 142,500,000; this increase is mainly aimed at raising its financial solvency, strategic expansion, improving financial performance, borrowing incurred rates and costs. Shareholders will not receive any of the proceeds arising from the offering.

The Company will also disclose to the public on the Saudi Stock Exchange website (Tadawul) when there is a difference of 5% or more between the actual use of the proceeds of the offering against what was disclosed in this Prospectus as soon as it becomes aware of it.

### 6.2 Use of Proceeds

The Company will only use the net offering proceeds to finance the following projects, and it will not use any other funding sources in its plan with regard to the use of the proceeds of the offering. The Company has also conducted a feasibility study for the projects for which the proceeds of the offering are to be used, as its management estimates that the projects shown below are expansion projects for its business and will greatly contribute to meeting the demand for the Company's products during the current and future period.

**Working Capital for the Purchase of Raw Materials and Finished Products:** It represents the purchase of raw materials of SAR (45.8) million to be used in the manufacture of yarns used in the manufacture of carpets / rugs, purchase of raw materials to be used in the manufacture of carpet and carpet products, purchase of finished products such as vinyl, artificial grass and imported carpets in order to meet all tastes and demands in Markets.

**Settlement of term Loans with Commercial Banks and Government Agencies:** It represents the repayment of SAR (86.7) Million to settle part of some long-term loans, which include Riyad Bank, Al-Rajhi Bank, Al-Ahli Bank, SABB Bank, Samba, the Ministry of Finance, and the Saudi Industrial Development Fund (please refer to Table No. (58)). The credit facilities (from Section 9 "Legal Information") are outstanding loans that are being rescheduled in order to spare the company from bearing annual financial burdens, which will improve the levels of profitability and financial performance of the company.

**Expanding of Filament Extrusion Lines:** It represents the combined extrusion of filament is the first stage of production, where polypropylene granules were converted into synthetic fibers to be used in the production of yarns used in the manufacture of soft floor products. The polypropylene line could be trichromatic / monochrome line; the current market demands that it is heading towards the soft thread; this will increase the internal production capacity; so, carpet manufacturers can be supplied (the new line can produce 25% more capacity compared to the current line), in order to obtain more opportunities to export this kind of globally required thread and to gain a larger market share. It is expected that contracting with suppliers to supply machinery and equipment will take place during the third quarter of 2021G, that these equipment and machinery will be received during the fourth quarter of 2021G. and the first quarter of 2022G, and that the project will be prepared and the trial operation will start during the second and third quarters of 2022G, provided that the commercial operation will take place. During the fourth quarter of 2022G. It is expected that the value of expanding the filament extrusion lines will amount to (8) million Saudi riyals. The company's management estimates that the expected financial impact on the company's revenues is (17.8) million riyals annually.

**Upgrading of Carpet and Carpet Roll Collection Station:** Based on the expansion in the production of the soft yarns referred to in the above clause, there is a need to develop a station for collecting the coils produced from soft carpet made from these yarns; it also requires a special technique for winding the rolls to have this yarn low flexibility needing advanced technology to ensure that the rolls are equally and correctly tightened in order to avoid any deterioration in their operational process. It is expected that contracting with suppliers to supply machinery and equipment will take place during the third quarter of 2021G, that these equipment and machinery will be received during the fourth quarter of 2021G. and the first quarter of 2022G, and that the project will be prepared and the trial operation will start during the second and third quarters of 2022G, provided that the commercial operation will take place. During the fourth quarter of 2022G. It is expected that the value of the upgrade of the carpet and carpet rolls collection station is SAR 2 million. The company's management estimates that the expected financial impact on the company's revenues is (18) million riyals annually.

The following shows the expected table for the use of subtraction proceeds.

**Table No. (50): Use of Subtraction Outcomes**

SAR'000	2021G				2022G		Total
	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	
Working capital (raw materials for yarn products, moquette, carpets, purchase of finished products for the commercial sector)	-		10,000	15,000	10,000	10,800	45,800
Term loan settlement with commercial banks	-		86,700	-	-	-	86,700
Expansion of thread extrusion lines	-		1,500	1,500	3,000	2,000	8,000
Upgrade of carpet and carpet roll collection station	-		1,000	1,000		-	2,000
Offering costs	-		7,500	-	-	-	7,500
<b>Total</b>			<b>106,700</b>	<b>17,500</b>	<b>13,000</b>	<b>12,800</b>	<b>150,000</b>

Source: The Company.

## 7. Statements by Experts

Written consent was obtained from the financial advisor, legal advisor, underwriters and lead manager of the Company to include their names, logos and statements in the context in which they appear in this Prospectus. In addition, written approval was obtained from the Company's external auditors to include their names and logos in the context in which they appear in this Prospectus. These approvals have not been withdrawn as of the date of this Prospectus. All the Advisors, whose names are listed, 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.

## 8. Declarations

Up of the date of this Prospectus, the Directors declare the following:

- Other than what has been mentioned in Section 3 “**Background about the Company and the Nature of its Business**”, there has not been any interruption in the business of the Company or any of its subsidiaries which may have or has had a significant impact on the financial position during the last 12 months.
- No commissions, discounts, brokerage fees or any non-cash compensation 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.
- Other than what has been mentioned in Section 5 “**Financial Information, Management Discussion and Analysis**” in relation to the capital reduction of the Company, there has not been any material adverse change in the financial or trading position of the Company or any of its subsidiaries in the three financial years immediately preceding the date of submitting the application for registration and offer of securities that are subject to this Prospectus and during the period from the end of the period covered in the external auditors’ report report up to and including the date of approval of the Prospectus.
- Other than what is mentioned on page 3 of this Prospectus, the Directors, or any of their relatives, do not have any shareholding or interest of any kind in the Company or any of its subsidiaries.
- The issuer does not have treasury shares;
- There is no resolution from extraordinary general assembly approving a share buy back transaction.

## 9. Legal Information

### 9.1 About the Company

- **Name:** Naseej International Trading Company is a Saudi public shareholding Company registered under CR number (4030133919) dated 05/03/1422H (corresponding to 28/05/2001G) and is valid until 04/03/1444H (corresponding to 10/10/2022G). The Company was registered at the commercial register upon its incorporation under the trade name “Al Sorayai Carpet Factory Ltd. In 2006G, Abdullah and Nasser Abdul Aziz Al Sorayai Company and Jeddah Filament Factory Company were merged into Al Sorayai Carpet Factory Ltd. accordingly. The name of the Company has been modified to be “Al Sorayai Trading and Industrial Group Company”. In 2020G, the Company trade name was changed to become “Naseej International Trading Company, a listed Saudi joint stock Company,” based on the approval of the EGA of shareholders, which is the current trade name; no amendment took place after that to the name until the date of this Prospectus.
- **Incorporation:**
  - Naseej International Trading Company was initially established as a limited liability Company, and was registered at the commercial register in Jeddah registered under CR number (4030133919) dated 05/03/1422H (corresponding to 28/05/2001G), under the trade name “Al Sorayai Carpet Factory Company”. On 11/11/1427H (corresponding to 02/12/2006G), the partners of Al-Sorayai Carpet Factory Company decided to approve the merging of Abdullah and Nasser Abdul Aziz Al-Sorayai, Joint Stock Company and Jeddah Industrial Yarn Factory Company Ltd into the Company. The merger resulted in the amendment of the Company name to become “Al Sorayai Trading and Industrial Group Ltd.”, according to the partners’ decision confirmed by the notary on 17/01/1428H (corresponding to 05/02/2007G).
  - On 19/10/1428H (corresponding to 31/10/2007G), the partners decided to transfer the Company from a limited liability Company to a closed joint stock Company while preserving the same number and date of the commercial register, after getting the approval of the Minister of Commerce to convert the Company according to the Ministerial Resolution 276/S dated 01/11/1428H (corresponding to 11/07/2007G) and the Ministerial Decision 325/S of its establishment dated 21/11/1428H (corresponding to 31/12/2007G). The Company was registered in Jeddah Registry as a closed joint stock Company under the CR No. 4030133919 issued in Jeddah on 05/03/1422H (corresponding to 28/05/2001G).
  - In February 2010G, the Company was converted from a closed joint stock to a public joint stock company after the lock up period that was imposed on the founding shareholders to trade their shares expired, when 9,000,000 shares (30%) were offered from the Company shares for public subscription and listing its shares in the Saudi Stock Exchange (the main market).
- **Capital:** The current paid up capital of the Company is SAR 61,632,010 divided into 6,163,201 nominal shares of equal value, each of which is worth SAR 10, all of which are Ordinary shares. Since the Company establishment until the date of this Prospectus, the Company capital has been amended many times. (For more information, please see the subsection “**By-laws**” of this section).
- **Major Shareholders:** The Company had 4 major shareholders at the date of its listing; currently there is no major shareholder [whose percentage exceeds 5% of the Company shares].
- **Headquarters:** The headquarters of the Company is located in Jeddah, first industrial city, second phase, P.O. 1563, Postal Code 2144, Tel: 6918222. According to Article 5 of the By-laws, the Company may establish branches, offices, or agencies inside or outside KSA by a decision of the BOD.  
(For further information, please see Subsection 9.2.2 “**Company Branches and Points of Sale**” from this section).
- **Duration:** According to Article (6) of the By-laws, the duration of the Company shall be (99) Gregorian years, starting from the date of registering at the commercial register. 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 CR shows that the duration of the Company will expire on 05/01/1528H (corresponding to 02/02/2104G).
- **Objectives:** The By-laws Article 3 stipulates the activities that the Company is entitled to practice after the approval of the Commercial Registry Department and the competent authority (if any) in contrast to any of these activities in the Commercial Registry Certificate. Pursuant to the CR, the Company is licensed to carry out the following activities: manufacturing rugs; making carpets, including prayer and travel carpets; manufacturing carpets; wholesaling home furniture; wholesaling carpets and rugs; retailing carpets and rugs; retailing ready-made curtains and mosquito nets; retailing home furniture. The Company carries out its activities through its head office and its branches, which the Company has established in the Kingdom in accordance with the applicable regulations and after obtaining the necessary licenses from the competent authorities. The Company has obtained the necessary licenses from the competent authorities to conduct its activity.  
(For further information, please see subsection 9.2 “**Company Licenses, Certificates and Approvals**” from this section).

- Management:** According to Article 16 of the By-laws, the Company is managed by a BOD of 7 members, elected by the Ordinary General Assembly of shareholders, for not more than 3 years; the members of the BOD may be reappointed. On 24/09/1442H (corresponding to 06/05/2021G), the Ordinary General Assembly of shareholders elected the members of the BOD for a new term of three-years starting 06/12/1442H (corresponding to 16/07/2021G), and ending 09/01/1446H, (corresponding to 15/07/2024G). The BOD names for the aforementioned session are indicated in sub-paragraph 4.2 “**The BOD**” of Section (4) “Organizational Structure of the Company” of this Prospectus. The Company is in compliance with to the Companies Law and the Corporate Governance Regulations with respect the number of Board members which is not less than 3 and not more than 11. Further, the Company complies with Article 16 of the Corporate Governance Regulations, which requires that any listed companies have the majority of their board members composed from non-executive members and that the number of its independent members is not less than two members or less than one-third of the board members (whichever is more). The Company appointed 7 members out of which 6 are non-executive members and 1 executive among them 5 being independent and 2 are non-independent members. (For further information about the Company compliance with the Corporate Governance Regulations, please see subsection 9.3.7 “**The continuous obligations as per the CMA requirements**” from this section).
- By-laws:** The current version of the Company By-laws was issued based on the decision of the EGA hold on 03/09/1441H (corresponding to 22/04/2020G). The By-laws articles were amended in accordance with the following:

  - The Company was established with a capital of SAR 220,000,000 divided into 22,000,000 ordinary shares with a nominal value of SAR 10 per share. The founders have subscribed all the shares of the Company (22,000,000). In 2008G, the EGA approved the increase of the Company capital from SAR 220,000,000 to SAR 300,000,000; the number of shares has been increased from 22,000,000 to 30,000,000 shares.
  - On 20/05/1434H (corresponding to 01/04/2013G), the EGA agreed to increase the Company capital from SAR 300,000,000 to SAR 375,000,000, as well as the number of shares from 30,000,000 to 37,500,000 by granting 1 free share for every 4 shares owned by the shareholders registered in the Company records at the end of the trading on the day of the EGA meeting. This increase was covered with a capitalization of SAR 75 million from the retained earnings as of 30/09/2012G, in order to support internal and external expansion strategic plans.
  - On 07/06/143H (corresponding to 07/04/2014G), the EGA accepted the amendment of Article 2 of the B-laws to correspond to the purposes of the Company, where the following activities were added: establishing, owning, maintaining, and cleaning institutes, colleges and universities; establishing, owning and managing factories and metal drawing trade; establishing, owning, maintaining, cleaning and establishing health centers, wholesale and retail trade in building materials; establishing and managing the operation of laboratories for specifications and standards.
  - On 18/04/1438H (corresponding to 16/01/2017G), the EGA accepted the amendment and updates the Company the B-laws in line with the amendments made to the Companies Law.
  - On 10/04/1439H (corresponding to 28/12/2017G), the EGA accepted to reduce the Company capital from SAR 375,000,000 to SAR 225,000,000 by canceling 15,000,000 shares of the Company shares; the number of shares has been reduced from 37,500,000 to 2,500,000 shares because of the amortization of accumulated losses.
  - On 27/12/1440H (corresponding to 28/08/2019G), the EGA accepted to reduce the Company capital from SAR 225,000,000 to SAR 65,500,000 by cancelling 15,950,000 shares of the Company shares; so, the number of shares has been reduced to 6,550,000 shares, in order to stop the accumulated losses.
  - On 03/09/1441H (corresponding to 26/04/2020G), the EGA accepted the Company commercial amendment from Al-Sorayai Group to Naseej International Trading Company.
  - On 27/05/1441H (corresponding to 22/01/2020G), the EGA accepted to increase the Company capital from SAR 65,500,000 to SAR 178,160,000 through offering and listing Right Issues for 11,266 ordinary shares; accordingly, the number of shares has been increased from 6,550,000 to 17,816,000 shares. All these shares are cash shares.
  - On 30/06/2020G, the accumulated losses of the Company amounted to SAR 77,405,000 (43.4% of the Company capital). So, the BOD recommended in its decision dated 28/09/2020G to reduce the Company capital from SAR 178,160,000 to SAR 100,755,000, at a rate of reduction of 43.4% of the capital. Noting the Company losses (SAR 116,528,000) on 30/09/2020G, representing 65.4% of the Company capital, the BOD decided in its pass-through decision dated 10/11/2020G to amend its previous recommendation issued on 28/09/2020G, and recommend the EGA to reduce the Company capital from SAR 178,160,000 to SAR 61,632,010; this recommendation needs the approvals of the competent authorities: The CMA (the “Authority”), the Saudi Stock Exchange Company (“Tadawul”), the Ministry of Commerce, and the Extraordinary General Assembly meeting. The Company obtained the approval of the Authority on 26/11/2020G.



- On 05/05/1442H (corresponding to 20/12/2020G), the EGA approved the capital reduction from SAR 178,160,000 to SAR 61,632,010), at a reduction of 65.4% of the Company's paid up capital, by canceling 11,652,799 shares from the Company shares; accordingly, the number of shares has been reduced from 17,816,000 to 6,163,201 share, in order to repay the accumulated losses (SAR 116,527,990).
- On 11/02/1442H (corresponding to 28/09/2020G), the BOD recommended to the EGA to increase the Company capital by SAR 150,000,000; so, it becomes SAR 211,632,010 through offering rights issue, if the Company obtains the approvals of the competent authorities: The CMA (the "Authority"), the Capital Market Company ("Tadawul"), the Ministry of Commerce, and the EGA. The EGA approval must be obtained within 6 months from the date of the Authority approval; if not, the Authority approval is considered null, and the Company must resubmit the request if it desires to increase its Capital. The Company obtained "CMA" and "Tadawul" approval on 05/02/1443H (corresponding to 12/09/2021G) and 05/07/1442H (corresponding to 17/02/2021G), respectively, and the EGA approval on Thursday 29/03/1443H (corresponding to 04/11/2021G).

## 9.2 Company Licenses, Certificates and Approvals

### 9.2.1 Licenses, Certificates and Approvals related to Headquarters

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

The following tables show the Company current licenses, Certificates and Approvals.

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 Commercial register (Shareholding Company)	Naseej	4030133919	05/03/1442H Corresponding to 28/05/2001G	04/03/1444H Corresponding to 30/09/2022G	Ministry of Commerce and Investment - Commercial Register Office in Jeddah	
The Chambre of Commerce Membership Certificate (1st degree)	The Company commitment to the commercial register law that requires the Company to participate in the Chamber of Commerce and Industry	Naseej	79653	10/03/1422H Corresponding to 02/06/2001G	04/03/1443H Corresponding to 10/10/2021G	Chamber of Commerce and Industry in Jeddah	
Zakat Certificate	To state that the Company has submitted its annual declaration and has paid zakat	Al Sorayai Trading and Industrial Group Company	1110798522	27/10//1442H Corresponding to 08/06/2021G	29/09/1442H Corresponding to 30/04/2022G	General Authority for Zakat and Income	The Company can complete all its transactions, including the payment of its final dues on contracts. The certificate includes the Company (47) branches
VAT Registration Certificate	To state that the Company is registered for VAT	Naseej	300227459800003	03/12/1438H Corresponding to 25/08/2017G	Issued only once	General Authority for Zakat and Income	

Type of license	Purpose	License holder	License number	Date of issue / renewal	Expiry date	Issuing authority	Note
Company entity Evaluation Certificate (Nitaqat)	Company entity evaluation according to the Nitaqat program, which indicates that the Company is in the range (green medium)	Naseej	N/A	03/08/2021G	N/A	Department of Electronic Services Ministry of Human Resources and Social Development ..	
Saudization Certificate ***	To state that the Company is committed to the required Saudization rate according to Nitaqat program	Naseej	20002106002272	13/11/1442H Corresponding to 23/11/2020G	16/02/1443H Corresponding to 23/09/2021G	Department of Electronic Services Ministry of Human Resources and Social Development	
Social Security Certificate ****	Company commitment to the General Organization for Social Insurance regulations	Naseej	40039643	22/12/1442H Corresponding to 01/08/2021G	22/01/1443H Corresponding to 03/08/2021G	Public Institution for Social Security	

Source: The Company.

\* "Ministry of Commerce and Investment" has been modified to become "Ministry of Commerce."

\*\* "General Authority for Zakat and Income Tax" has been modified to become "Zakat, Tax and Customs Authority"

\*\*\* "Ministry of Labor and Social Development" has been modified to become "Ministry of Human Resources and Social Development."

\*\*\*\* the Saudization compliance certificate, valid for a maximum of 3 months; it can be renewed electronically upon request.

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

## 9.2.2 Company Branches and Points of Sale

Article 5 of the Company By-laws stipulates that the Company may establish branches, offices or agencies within KSA or abroad by a decision of the BOD.

As on the date of this Prospectus, the Company has established 25 branches in KSA according to the following:

**Table No. (51): List of Branches (Regional Administrations) and Their Commercial Registrations**

### (A) Current licenses and approvals obtained by Al-Sorayai Carpet Factory.

License Type	Purpose	License holder	License number	Date of issue / renewal	Expiry date	Issuing authority	Note
Commercial register	Registration of the Company at the Commercial register (Shareholding Company)	Al Sorayai Carpet Factory	4030131014	08/05/1421H Corresponding to 08/08/2000G	07/05/1443H (Corresponding to 11/12/2021G)	Ministry of Commerce and Investment - Commercial Register Office in Jeddah	
Membership Chambre of Commerce Certificate (1st degree)	The Company commitment to the commercial register law that requires the Company to participate in the Chamber of Commerce and Industry	Al Sorayai Carpet Factory	83804	18/12/1431H Corresponding to 07/02/2002G	07/05/1443H Corresponding to 11/12/2021G	Chamber of Commerce and Industry in Jeddah	
Company entity Evaluation Certificate (Nitaqat)	Company entity evaluation according to the Nitaqat program, which indicates that the Company is in the range (green medium)	Al Sorayai Carpet Factory	N/A	06/12/2020G	N/A	Department of Electronic Services Ministry of Human Resources and Social Development ..	
Industrial facility license	Licensing to practice an industrial activity	Al Sorayai Carpet Factory	411102105126	09/11/1441H Corresponding to 30/06/2020G	08/11/1444H Corresponding to 28/05/2023G	Ministry of Industry and Mineral Resources	
Operating license	License from the competent authority to operate the factory	Al Sorayai Carpet Factory	587144260015556	N/A	01/07/1443H Corresponding to 02/02/2022G	Saudi Authority for Industrial Cities and Technology Zones	

Source: The Company.

**(B) Current licenses and approvals obtained by Jeddah Industrial Threads Factory - Branch of Naseej Company.**

License type	Purpose	License holder	License number	Date of issue / renewal	Expiry date	Issuing authority	Note
Commercial register	Registration of the Company at the Commercial register (Shareholding Company)	Jeddah Industrial Thread Factory	4030115974	03/07/1416H Corresponding to 26/11/1995G	02/07/1443H Corresponding to 03/02/2022G	Ministry of Commerce and Investment - Commercial Register Office in Jeddah	
Membership for the Chamber of Commerce Certificate (1st degree)	The Company commitment to the commercial register law that requires the Company to participate in the Chamber of Commerce and Industry	Jeddah Industrial Thread Factory	5996	18/12/1431H Corresponding to 22/05/1996G	02/07/1443H Corresponding to 03/02/2022G	Chamber of Commerce and Industry in Jeddah	
Company entity Evaluation Certificate (Nitaqat)	Company entity evaluation according to the Nitaqat program, which indicates that the Company is in the range (green medium)	Jeddah Industrial Thread Factory	N/A	06/12/2020G	N/A	Department of Electronic Services Ministry of Human Resources and Social Development ..	
Industrial facility license	Licensing to practice an industrial activity	Jeddah Industrial Thread Factory	411102105715	01/12/1441H Corresponding to 22/07/2020G	01/12/1444H (Corresponding to 19/06/2023G)	Ministry of Industry and Mineral Resources	
Operating license	License from the competent authority to operate the factory	Jeddah Industrial Thread Factory	5871442620015562	N/A	01/07/1443H (Corresponding to 02/02/2022G)	Saudi Authority for Industrial Cities and Technology Zones	

Source: The Company.

Table No. (52): List of Points of Sale and Commercial Register Number

#	Point of Sales	Commercial Register no.	Address	Activity	Date of issue	Expiry date	Manager
1	Branch office of Naseej (Riyadh city)	1010006131	Riyadh / Al-Sulay - Obaidah Bin Al-Jarrah Street	Retail of blankets, sheets, linens and bedspreads, retail of carpets and rugs, retail of ready-made curtains and mosquito nets.	30/01/1392H Corresponding to 16/09/1972G	20/05/1443H Corresponding to 24/12/2021G	Moheisen Dawi Nahed Al Ghamidi
2	Branch office of Naseej (Buraidah city)	1131008569	Buraidah / Arbaeen Road / AlGhad Souks	Retail sale of blankets, bedspreads, linens and bedspreads, retail of carpets and rugs, retail sale of ready-made curtains and mosquito nets, other activities of retail sale of carpets, rugs,.	11/11/1410H Corresponding to 05/06/1990G	09/11/1443H Corresponding to 08/06/2022G	Ahmed Bakhit Ibn Ghurm Allah Al-Zahrani
3	Branch office of Naseej (Dammam city)	2050013058	Dammam - Al-Faisaliah District - Abu Ubaidah Al-Jarrah Street	Retail of blankets, sheets, linens and bedspreads, retail of carpets and rugs, retail of ready-made curtains and mosquito nets.	21/02/1403H Corresponding to 07/12/1982G	29/05/1443H Corresponding to 02/01/2022G	Ahmed Bakhit Ibn Ghurm Allah Al-Zahrani
4	Branch office of Naseej (Hail city)	3350017419	Hail - Southern Ring - opposite to the Electricity Company in Hail	Retail of blankets, sheets, linens and bedspreads, retail of carpets and rugs, retail of ready-made curtains and mosquito nets.	19/03/1425H Corresponding to 08/05/2004G	19/0/1443H Corresponding to 25/10/2021G	Ahmed Bakhit Ibn Ghurm Allah Al-Zahrani
5	Branch office of Naseej (Sakaka)	3400010968	Skaka	Retail of blankets, sheets, linens and bedspreads, retail of carpets and rugs, retail of ready-made curtains and mosquito nets.	29/03/1428H Corresponding to 17/04/2007G	28/03/1443H Corresponding to 24/12/2021G	Ahmed Bakhit Ibn Ghurm Allah Al-Zahrani
6	Branch office of Naseej (Jeddah city)	4030005840	Jeddah / Briman east of the highway / King Abdullah Al-Amoudi	Wholesale of blankets, ready-made linens and bedspreads	29/02/1388G Corresponding to 27/05/1968G	29/05/1444H Corresponding to 23/12/2022G	Ahmed Bakhit Ibn Ghurm Allah Al-Zahrani
7	Branch office of Naseej (Jeddah)	4030195584	Jeddah / 60th Street / north of Irfan Hospital / Company property	Renovations of residential and non-residential buildings, demolition and removal of buildings and others, purchase and sale of land and real estate, their division and off-plan sales activities. Non-Saudis are not entitled to engage in real estate activities in Makkah and Madinah.	05/01/1431H Corresponding to 22/12/2009G	05/01/1444H Corresponding to 03/08/2022G	Ahmed Bakhit Ibn Ghurm Allah Al-Zahrani
8	Branch office of Naseej (Jeddah)	4030195587	Jeddah / Sixty Street, north of Irfan Hospital, owned by the Company	Retail of blankets, sheets, linens and bedspreads, retail of carpets and rugs, retail of ready-made curtains and mosquito nets.	05/01/1431H Corresponding to 22/12/2009G	05/07/1442H Corresponding to 17/02/2021G	Moheisen Dawi Nahed Al Ghamidi
9	Branch office of Naseej (Makkah city)	4031003965	Makkah Al-Mukarramah - Al-Hajj Al-Alam Street, owned by the Company	Retail of blankets, sheets, linens and bedspreads, retail of carpets and rugs, retail of ready-made curtains and mosquito nets.	29/00/1388H Corresponding to 2/05/1968G	29/05/1443H Corresponding to 02/01/2022G	Moheisen Dawi Nahed Al Ghamidi

#	Point of Sales	Commercial Register no.	Address	Activity	Date of issue	Expiry date	Manager
10	Branch office Naseej (Taif city)	4032000509	Al-Taif Al-Sharafia Al-Sail Road, owned by the Company	Retail of blankets, sheets, linens and bedspreads, retail of carpets and rugs, retail of ready-made curtains and mosquito nets.	01/08/1388H Corresponding to 23/10/1968G	29/05/1443H Corresponding to 02/01/2022G	Moheisen Dawi Nahed Al Ghamidi
11	Branch office Naseej (Abha)	5850021602	Abha – King Fahad Road – next to academic school of girls – (premise owned by the Company)	Retail of blankets, sheets, linens and bedspreads, retail of carpets and rugs, retail of ready-made curtains and mosquito nets.	22/10/1422H. (corresponding to 01/01/2002G)	21/10/1442H. (corresponding to 02/06/2021G.)	Moheisen Dawi Nahed Al Ghamidi
12	Branch office of Naseej (Jizan city)	5900003118	Jizan – Airport road	Retail of blankets, sheets, linens and bedspreads, retail of carpets and rugs, retail of ready-made curtains and mosquito nets.	02/06/1406H. (corresponding to 11/02/1986G,)	29/05/1443H. (corresponding to 02/01/2022G.)	Ahmed Bakhit Ibn Ghurm Allah Al-Zahrani

Source: The Company.

\* under deregistration.

### 9.2.3 Subsidiaries

According to Article 4 of the Company By-laws, the Company may establish one person company as a limited liability or a closed joint stock, provided that the capital is not less than SAR 5 million. It may also acquire shares in other existing companies or merge with them and have the right to participate with others in establishing joint stock companies or limited liability companies after fulfilling the requirements of the regulations and instructions followed in this regard. The Company may also dispose of these shares, provided that this does not include brokerage in its trading. As of the date this Prospectus, the Company has 3 subsidiaries within KSA, and another Company established outside KSA.

#### 9.2.3.1 Subsidiaries in the KSA

- **Al-Sorayai Company for Operation and Maintenance Ltd.:** It is a Saudi limited liability Company established under the CR number (4030245783) dated 20/061434H (corresponding to 30/04/2013G). Naseej Company owns 95% in it. This Company maintains services for factories, companies and government institutions, and provides labor for Naseej.
- **Home Styles: It is a limited liability Company affiliated with Naseej:** It was established under the CR number No. (4030206178) dated 03/12/1431H (corresponding to 11/09/2010G). This Company wholesale and retails trades carpets, rugs and floors. Naseej Company owns 90% in it. However, the Company operations have been merged under the retail sector of Naseej Company and work is in progress to complete the necessary procedures until the date of this Prospectus. It should be noted that the Company obtained the approval of the General Authority for Competition under letter No. (502539) dated 16/03/1439H (corresponding to 01/03/2018G).

#### 9.2.3.2 Subsidiaries Outside KSA

- **Millennium Weavers Group Holding:** It was established in Delaware (US State) on 25/01/1432H (corresponding to 21/12/2010G). It is a commercial office for Naseej in the US. It is currently not working until the date of this Prospectus.

### 9.3 The continuous obligations imposed by the relevant governmental authorities on the Company and its subsidiaries in their capacity (as a “licensee”).

#### 9.3.1 The continuous obligations as per the requirements of the Saudi Authority for Industrial Cities and Technology Zones (MODON)

In addition to the licenses, approvals and certificates mentioned in the table above, the Company obtained all the necessary licenses to conduct its activity in accordance with the regulations in force, which are as follows:

- **Operating license for Jeddah Factory for Synthetic Threads:** The Company leased a land / factory from MODON in the First Industrial City in Jeddah, according to the lease contract No. (30800). It obtained the operating license number (58714401219008770E) valid until 16/05/1442H (corresponding to 31/12/2020G).
- **Operating license for Al-Sorayai Carpet Factory Ltd.:** The Company leased a land / factory from MODON in the first industrial city in Jeddah, according to the lease contracts No. (30680) and (31216). It obtained the operating license number (58714401227008864E) valid until 16/05/1442H (corresponding to 31/12/2020G).
- **Operating License for Al-Sorayai Textile Factory:** The Company leased a land / factory from MODON in the First Industrial City in Jeddah, according to the lease contract No. (30387). It obtained the operating license number (58714401227008864E) valid until 16/05/1442H (corresponding to 31/12/2020G).

Accordingly, MODON obliges the Company to abide by the following terms, conditions and regulations:

##### (A) Conditions and regulations:

- The license means permission to operate the facility; it is licensed to operate it according to its legal entity, licenses and records; the operator has no right to assign the operation, the factory or any part of it to others.
- The licensee shall abide by the conditions and obligations mentioned in the license, as well as with all the rules, regulations, conditions and instructions issued by MODON. Except of what it was not mentioned in Modon, the Company has to refer to laws and regulations in force applied in KSA.
- The licensee is obligated to renew the license within a maximum of 15 days after its expiry.
- The license is considered invalid in the absence of registration and compliance with the approved safety requirements.
- This license has been extended as part of the industrial incentives package against the Corona pandemic.

##### (B) Conditions and Commitments:

- The Company should use the factory according to the commercial register, activity and conditions mentioned in the industrial license. It must not practice any other activities or illegal purposes, violate regulations and instructions, dangerous activities, inconvenience others, harmful the environment or the infrastructure of the factory or industrial city.
- The licensee must have manpower capable and qualified to manage and operate safety and security of the factory and its facilities, including workers.
- The licensee shall abide by the safety conditions and procedures approved by MODON, adhere to environmental and health requirements, and should not accommodate the workers in the factory.
- The licensee must abide by MODON standards and requirements guides.
- The licensee must undertake the maintenance and cleaning of the plant, the disposal of waste and residues, the spraying of pesticides, and the control of insects and rodents.
- The licensee must provide safe drinking water for all factory workers, follow it up, and maintain network lines to avoid any malfunctions and prevent leaks. He must 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.
- The licensee has no right to lease or assign to others the leased land that is the subject of this contract or any part of it or the facilities; it is not allowed for others to participate in using the land or any part of it, until obtaining MODON written consent
- The licensee must abide by the provisions of the above and what is stated in the lease contract; any violation may result in penalties according to the list of violations and penalties, cancellation of the license, suspension of operation or withdrawal of land
- The sealed license is placed in a prominent place at the entrance.
- Any abrasion or modification revokes the license.

### 9.3.2 The continuous obligations as per the requirements of the Ministry of Industry and Mineral Resources

- The Company and its branches have industrial licenses issued by the Ministry of Industry and Mineral Resources. Regarding the continuous obligations according to the requirements of the Ministry of Industry and Mineral Resources, the Ministry requires the licensing parties to adhere to the following conditions in order to maintain the license:
  - 1- Adherence to the articles of the Common Industrial Regulatory Law of the Cooperation Council for the Arab States of the Gulf (GCC Common Industrial Law) and its executive regulations.
  - 2- No expansion or modification shall be made in the products prior to obtaining the Ministry's approval.
  - 3- Updating the factory data every six months through the Ministry website.
  - 4- Conforming the products to the approved specifications and standards or specifications adopted by the Saudi Standards, Metrology and Quality Organization (SASO).
  - 5- Commitment to the articles of the General Environmental Regulations and Rules for Implementation, to preserve the environment from pollution.
  - 6- Maintain rules, instructions, safety regulations, industrial security and public health.
  - 7- The accounts of the industrial project shall be regular in accordance with the accounting principles and the applicable legal rules; providing the Ministry with a balance sheet, for each financial year, certified by a legal accountant.
  - 8- Did not misuse the project benefits.
  - 9- Providing the Ministry with complete and correct data it requests about the project.
  - 10- Allowing the Ministry's employees to enter the industrial project, review records, documents and accounts, monitor production processes and other project activities.
  - 11- Do not establish any industrial project, expand it, develop it, alter it in terms of production, merge it into another industrial project, split it into more than one project, or change its location, dispose it totally or partially, mortgage it, lease it, or assign it with any kind of assignment unless a license to this effect has been issued by the Minister.

### 9.3.3 The continuous obligations as per the requirements of the Ministry of Commerce and Investment

- The Company is in compliance with the Commercial Register Act and has been registered with the Commercial Register at Jeddah, where the new headquarters is located, and obtained the certificate number 4030133919 dated 28/05/2001G, which will expire on 04/03/1443H (corresponding to 10/10/2021G).
- 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, which was approved by the Ministry of Commerce and the EGA on 08/10/1440H (corresponding to 11/06/2019G). The last copy of the By-laws was approved by the Corporate Governance Department (Ministry of Commerce) on 20/09/1441H (corresponding to 13/05/2020G). The Company is in compliance with the requirements of the Saudi Stock Exchange and CMA (Tadawul) in terms of uploading a copy of its By-laws on Tadawul website on the Company page.
- The Company branch (Jeddah Factory for Synthetic Threads, Branch of Al-Sorayai Trading and Industrial Group Company) has 5 trademarks registered with the Ministry of Commerce and Investment. The Company is allowed to place its name and logo on the external facade of its building or offices, as it has registered the trademark and granted it the necessary legal protection in accordance with the trademark regulations (For further information, please see paragraph 9.6 of this Section).
- The Company is in compliance with the Commercial Register Act and obtained the Chamber of Commerce and Industry membership certificate number 79653 dated 10/03/1442H (corresponding to 06/02/2001G), which will expire on 04/03/1443H (corresponding to 10/10/2021G).
- The Company is committed to complete the procedures in order to establish its branches and points of sale in Riyadh, Buraidah, Dammam, Hafar Al-Batin, Hail, Sakaka, Jeddah, Makkah Al-Mukarramah, Taif, Medina, Abha, Bisha, Jizan and Najran. It is in compliance with the Commercial Register Act and has been registered with the Commercial Register; it obtained the Chamber of Commerce and Industry membership certificate for each branch. (For further details about the Company branches and points of sale, please see sub-paragraph 9.2.2. of this Section).
- The Company is also in compliance with the provisions of Article (150) of the Companies Law, which obliges any responsible member of the Company or the auditor of losses, as soon as he learns that the losses have reached half of the paid-up capital, to inform the Chairman of the Board of Directors, who shall inform the members and call the extraordinary General Assembly within (15) days of his knowledge in order to meet within (45) from the



date of his knowledge of the losses so as to decide either to increase or decrease the capital to the extent that the percentage of losses decreases to less than half of the paid-up capital, or to dissolve the Company before term specified in the Bylaws. The Extraordinary General Assembly, held on 20/12/2020G, decided to reduce the capital from SAR (178,160,000) to SAR (61,632,000). On December 28, 2020G, the Company announced that the accumulated losses had decreased to 0% of the capital, according to the Company's auditor's confirmation in the report issued on December 27, 2020G. The Company is committed to Article (87) from the Companies Law which oblige the Shareholders' General Assembly to convene at least once during the six months following the end of the Company's fiscal year, as the assembly was held during the statutory period on 06/05/2021G. It should be noted that the aforementioned Assembly has delegated the authority of the ordinary General Assembly with the authorization contained in paragraph (1) of Article (71) of the Companies Law, for a period of one year from the date of approval of the General Assembly, or until the end of the delegated Board of Directors session, whichever is earlier, and in accordance with the conditions set out in the regulatory restrictions and procedures issued in implementation of the Companies Law for Listed Joint Stock Companies.

**With the exception of what has been mentioned above and in Section 2 ("Risk Factors") of this Prospectus, the Company is in compliance with the Ministry of Commerce and Investment Law.**

### 9.3.4 The Continuous Obligations as per the requirements of General Authority of Zakat and Tax

- Likewise other registered establishments and companies operating in KSA, the Company is required to submit its zakat and tax returns within 120 days of the end of the fiscal year for renewing the certificate issued by the General Authority for Zakat and Tax. The Company was registered as a taxpayer under the distinct tax number 3002274598. The Company submitted a unified zakat declaration for the fiscal year ended December 31, 2019G, and have obtained the zakat certificate 1110798522 dated 27/10/1442H (corresponding to 08/06/2021G) which is valid until 29/09/1443H (corresponding to 30/04/2022G). This certificate enables the Company to complete all its transactions, including the payment of its final dues for contracts.
- It should be noted that the zakat due and paid to the General Authority for Zakat and Income for the fiscal year ended December 31, 2019G amounted to SAR 2,773,000 and the amount settled for the fiscal year 2020G. is SAR 3,611,000.
- The Company is in compliance with the VAT Law and its executive regulations. Moreover, it is registered in the General Authority of Zakat, Tax and Customs under the subscription certificate 300227459800003 dated 03/12/1438H (corresponding to 25/08/2017G), noting that the Company was registered since 03/12/1438H (corresponding to 25/08/2017G).
- Pursuant to the requirements of the General Authority for Zakat, Tax and Customs, the Company branches have been added in the various cities of KSA (Jeddah - Makkah - Riyadh - Taif - Jizan - Abha - Hail - Bisha - Sakaka - Hafar Al-Batin - Buraidah - Dammam - Medina - Najran - AlAhsa); they are 47 branches and points of sale.
- **Zakat Assessments**
  - The Parent Company submitted zakat statements and obtained zakat certificates for all previous years up to the 2012G fiscal year. the authority has issued a revised assessment for the fiscal years 2013G and 2014G showing an additional zakat obligations amounting to approximately SAR 3,500,000. The Company submitted an objection to the authority's revised assessment which was rejected. The Company finalized and paid the amount in installments; and as of the date of this Prospectus, the Company paid the first installment amounting SAR 800,000.
  - Further, the Company received a revised assessment for the fiscal years from 2017G until 2018G showing additional liability of SAR (11,260,000) and SAR (9,980,000); the Company objected and this matter is still under review by the General Authority of Zakat and Tax as of the date of this prospectus.
  - Al Sorayai Company for Operation and Maintenance subsidiary is in compliance with the tax and income laws and executive regulations and instructions issued by the General Authority of Zakat and Tax; it has been registered as a taxpayer under the distinguished tax number 3008095886800003. The Company submitted a unified zakat declaration for the fiscal year ended December 31, 2019G (amounted to SAR 14,077,064), and have obtained the zakat certificate 1030604053 dated 02/08/1441H (corresponding to 26/03/2020G) which is valid until 18/09/1442H (corresponding to 31/04/2021G). it should be noted that the zakat due and paid for the fiscal year ended 31 December 2019G is SAR 14,077,064
  - The Company is in compliance with the VAT Law and its executive regulations and is registered at the General Authority of Zakat and Tax under the 300809586800003 according to the certificate issued on 20/12/2020G. To nota that the Company was registered since 26/11/2018G.
  - With regard to Millennium Waves Holding Ltd. Subsidiary, established outside the KSA (in the USA), the Company is obligated to pay the tax to the General Authority of Zakat and Income; according to the financial statements for the fiscal year ended December 31, 2019G, no tax was imposed on the Company that incurred loss during the fiscal year ended December 31, 2016G.

With the exception of what is specified above, and in Section 2 “Risk Factors” herein, the Company is in compliance with the tax and income laws and executive regulations and instructions issued by the General Authority for Zakat and Tax.

### 9.3.5 The continuous obligations as per the requirements of Ministry of Human Resources and Social Development

- A file was opened at the Ministry of Human Resources and Social Development (Labor Office) with the standard number (9-106399) 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 in the medium green range (C), a Saudization certificate was issued indicating that the Company is in compliance with the required rate of nationalization (21.06%) according to Nitaqat program.
- A file was opened for its branches (Al-Sorayai Carpet Factory with file number (9-106409)) and (Jeddah Factory with file number (9-106410)) at the Ministry of Human Resources and Social Development (Labor Office) according to the Netaqat certificate extracted from the Labor Office and they are in compliance with the required rate of nationalization it is classified in the medium green range (c). It should be noted that the Labor Office classified the branch office under the following activities: wholesale and retail trade of materials, food, furniture and agricultural commodities.
- with respect to other branch office which has employees under its sponsorship the Company opened a Labour office file for each branch office at the Ministry of Human Resources and Social Development (Labor Office) in Riyadh, with the standard number (1-120786), in the city of Abha with the standard number (11-15984) and in the city of Makkah with the standard number (13-1485). According to Nitaqat certificate, the Company is in compliance with the required rate of Saudization; on 03/08/2021G, it reached 25% and was classified in the high green – medium range (A). To note that the Labor Office has classified the Company under the following activities: wholesale and retail trade of technology, machinery, clothes, etc.
- With respect to the subsidiary (AlSorayai Operations and Maintenance Company) a Labour office file for each branch office at the Ministry of Human Resources and Social Development (Labor Office) with the file number (172021-9) and in accordance with Netaqat certificate the company is in compliance with the required rate of Saudization; on 03/08/2021G, it reached 14.96% and was classified in the green –low range (B). To note that the Labor Office has classified the Company under the following activities: Contracting and Maintenance.
- Home Styles LLC.: A file was opened for this subsidiary at the Ministry of Human Resources and Social Development (Labor Office) in Jeddah office with the standard number (9-140601). According to Nitaqat certificate, the Company is in compliance with the required rate of Saudization; on 03/08/2021G, it reached 43.75% and is located in the platinum-small range (B). To note that the Labor Office has classified the Company under the following activities: wholesale and retail trade of materials, food, furniture and agricultural commodities. To note that the Company will be incorporated into Naseej Company; the application has been submitted to the Ministry of Trade and is still under process as of the date of this Prospectus.
- The Company has an internal work regulation By-law (HR - Policies and Procedures Manual); as of the date of this Prospectus, it has not been approved by the Ministry of Human Resources and Social Development (Labor Office).
- As for the Company branches that have workers, a file was opened at the Ministry of Human Resources and Social Development (Labor Office) in: Riyadh with the standard number 1-120786; Abha with the standard number 11-15984; and in the of Makkah with the standard number 13-1485.
- In 2020G, a fine of thirteen thousand SAR (13,000) was imposed on the Company for violating some provisions of the Labor Law and the instructions of the Labor Office (the employer empowering the non-Saudi worker to work in a profession other than the one listed in his work permit).
- **Wages Protection Regulations**

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

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

The Company is in compliance with the Wages Protection Regulations, depositing the wages of its employees through local banks and regularly raising the wage protection file, according to a certificate issued by the Ministry of Human Resource and Social Development, and the percentage of commitment to the wage protection regulations reached 81% as of July 2021G

The subsidiary (AlSorayai Operations and Maintenance Company) is also in compliance with the Wages Protection Regulations, depositing the wages of its employees through local banks and regularly raising the wage protection file, according to a certificate issued by the Ministry of Human Resource and Social Development, and the percentage of commitment to the wage protection regulations reached 81% as of July 2021G.

Further, the subsidiary (Home Styles Company LLC) is also in compliance with the Wages Protection Regulations, depositing the wages of its employees through local banks and regularly raising the wage protection file, according to a certificate issued by the Ministry of Human Resource and Social Development, and the percentage of commitment to the wage protection regulations reached 92% as of July 2021G.

**Except for what is specified in Section 2 “Risk Factors” herein, the Company is in compliance with the laws and regulations of the Ministry of Human Resources and Social Development as of the date of this Prospectus.**

### 9.3.6 The continuous obligations as per the requirements of General Organization for Social Insurance

- A file for the Company was opened at the General Organization for Social Insurance. The Company is subscribed, under the subscription 150013313, 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 (40039643) dated 22/12/1442H (corresponding to 01/08/2021G).
- As for the subsidiaries, a file has been opened for Al-Sorayai Company for Operation and Maintenance Limited at the General Organization for Social Insurance under subscription number (506430992) in accordance with the Social Insurance Certificate No. (40039991) dated 12/22/1442H (corresponding to 01/08/2021G), and for Home Styles Ltd. under subscription number (503581450) according to Social Insurance Certificate No.40040127) and dated 12/22/1442H (corresponding to 01/08/2021G).
- It should be noted that the General Organization for Insurance grants the establishments registered with it a commitment certificate whose validity is for one month (maximum) and is renewable for a similar period.
- The value of contributions paid to the General Organization for Social Insurance for 2019G amounted to SAR 4,129,000.

**Table No. (53): Number of Saudi and Non-Saudi Employees (Naseej and its Branches)**

Number of Saudi and Non-Saudi Employees					
Authority	Reference*	Number of Saudi employees	Number of non-Saudi employees	Total	Period / As of
Social Security	Insurance certificate	106	410	516	01/08/2020G
Labor Office	Nitaqat Certificate	87	343	430	08/03/2021G
Passports - Resident	Extract from Residents	N/A	446	446	02/03/2021G
Company	Salary	-	-	525	30/11/2020G

Source: The Company.

**Table No. (54): Number of Saudi and Non-Saudi Employees (Al Sorayai Company for Operation and Maintenance Ltd.)**

Number of Saudi and Non-Saudi Employees					
Authority	Reference*	Number of Saudi employees	Number of non-Saudi employees	Total	Period / As of
Social Security	Insurance certificate	23	133	156	01/08/2021G
Labor Office	Nitaqat Certificate	23	132	155	08/03/2021G
Passports - Resident	Extract from Residents	N/A	132	132	30/06/2021G
Company	Salary	-	-	148	30/11/2020G

Source: The Company.

**Table No. (55): Number of Saudi and Non-Saudi Employees (Home Styles Company Ltd.)**

Number of Saudi and Non-Saudi Employees					
Authority	Reference*	Number of Saudi employees	Number of non-Saudi employees	Total	Period / As of
Social Security	Insurance certificate	4	9	13	01/08/2021G
Nitaqat	Nitaqat Certificate	4	9	13	08/03/2021G
Passports - Resident	Extract from Residents	N/A	10	10	27/10/2020G
Company	Salary	4	9	13	30/11/2020G

Source: The Company.

- During the year 2020G, a fine of SAR (10,000) was imposed on the Company for violating some provisions of the General Organization for Social Security Regulations related to the false registration of workers (incorrect reason for excluding (1) Saudi contributor).
- Unemployment Insurance Law (SANED): The Company is in compliance with Unemployment Insurance Law (SANED) in accordance with the Royal Decree (M/18) dated 12/03/1435H (corresponding to 14/01/2014G) stipulating the support of Saudi workers in private establishments affected by covid-19 repercussions through the SANED Law, as well as in accordance with the royal decree extending the support period for an additional three months, provided that the support percentage is a maximum of 70% of the Saudi workers in the establishments most affected by the pandemic, and a maximum of 50% of Saudi workers in the least affected ones, to fully benefit from the initiatives announced since the beginning of the pandemic. Moreover, the Company submitted its first request for support on 14/04/2020G under the subscription 501294178 and received 60% 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 150013313 and received support for 50% of the active Saudi workers therein.
- The subsidiary Company submitted its first support request on 17/04/2020G under the subscription number 503581450 and received support for 60% of the active employees therein.

**Except for what is specified in Section 2 “Risk Factors” herein, the Company and its subsidiaries are in compliance with the laws and regulations of the General Organization for Social Insurance as of the date of this Prospectus.**

### 9.3.7 The continuous obligations as per the CMA requirements

- The Authority obliges the listed companies to adhere to the rules of offering securities, continuing obligations and special instructions issued by the Authority, especially the obligation concerning the periodically disclose the material and financial developments and the BOD report, and the insurance companies are obligated to announce their financial results in accordance with the forms approved by the Commission, which must include clear data on the surplus (Deficit) of insurance operations minus the return on policyholders' investments, total written premiums, net written premiums, net claims incurred, net profits (losses) of policyholders' investments, and net profits (losses) of shareholders funds' investments and comparing these data with the corresponding quarterly period or Annual. According to the Guide to Continuous Obligations of Listed Companies, the annual financial results announced on the Tadawul website must be derived from the audited financial statements approved by the Company external auditor appointed by the association and approved by the BOD, and the advertisement forms included in the instructions for companies' announcements of their financial results must be adhered to. The Company must also submit a statement of all the causes and effects of the change in the financial results of the current fiscal year with the comparison period, so that the reasons include all the items of the financial results announcement.
- The authority also required companies listed on the financial market to disclose the stages of their compliance with the transition to international accounting standards. On 02/05/1438H (corresponding to 30/01/2017G) the Company announced on the Tadawul website that it is committed to this.
- On 23/01/1438H (corresponding to 24/10/2016G), the Commission's Board Decision No. (1-130-2016) was issued to amend the procedures and instructions for companies whose shares are listed in the market whose accumulated losses amounted to (50%) or more of their capital in light of the new Companies Law, whose name has been amended to read “Procedures and Instructions for Companies Listed in the Market whose accumulated losses amounted to (20%) or more of their capital, as amended by Resolution of the CMA Board No. (1-77-2018) dated 05/11/1439H (corresponding to 18/07/2018G). On 23/03/1432H (corresponding to 09/11/2020G), the Company announced that its accumulated losses reached (65.4%) of the capital.
- The Authority has also obligated companies listed in the Capital Market to follow the list of instructions for announcements of joint-stock companies whose shares are listed in the financial market issued pursuant to the Authority's Board Decision No. (1-199-2006) dated 18/07/1427H (corresponding to 12/08/2006G), as amended according to Resolution No. (1-104-2019) dated 01/02/1441H (corresponding to 30/09/2019G).

- The authority required companies listed in the financial market to appoint representatives thereof at the CMA for all purposes related to its implementation and its regulations. The Company is committed to this, as the BOD, in accordance with its decision dated 11/04/1439H, appointed Mr. Munzer Muhammad Abdullah Al-Sorayai (Board Member) and Mr. Muhammad Abdullah Shamsuddin (Senior Executives). On 06/10/2019G, the BOD appointed Mr. Abdullah Hamdan Abdullah Al-Sorayai (Board Member) to be a representative and commissioner of the Company at the CMA, in place of Mr. Munther Muhammad Al-Sorayai, who resigned from the BOD.
- With regard to corporate governance, the table below includes a summary of the Company compliance with the corporate governance regulations issued by the CMA.

Article in Companies' governance regulation	Detail	Responsible authority	Commentary
9/B	The BOD must set a clear policy regarding the distribution of dividends in the interests of the shareholder and the Company in accordance with the Company Articles of Association	BOD	Compliant - approved by the BOD on 12/26/2017G
8/A	Provide a copy of the information about the candidate for membership of the BOD on the Company's website	BOD	Committed
12/5 & 54	Form the audit committee	Shareholders General Assembly	Committed - The members of the Audit Committee were appointed by the EGA held on 26/04/2018G
54/C	The general assembly of the Company - based on a proposal from the BOD - shall issue the work bylaw of the audit committee, provided that this regulation includes the controls and procedures for the committee work, its tasks, the rules for selecting its members, how to nominate them, the term of their membership, their remuneration, and a mechanism for temporarily appointing its members in the event of a seat vacancy	Shareholders General Assembly	Compliant - The Audit Committee's bylaw was approved by the Ordinary General Assembly held on 26/04/2018G
12/6	Approval of the 2018G financial statements	Shareholders General Assembly	Committed - The financial statements for the fiscal year ending 2019G were approved by the Ordinary General Assembly held on 13/09/1441H (corresponding to 06/05/2020G)
12/7	Approval of the annual report of the BOD for the year 2018G	Shareholders General Assembly	Compliant - The BOD ' report for the fiscal year 2019G was approved by the Ordinary General Assembly held on 13/09/1441H (corresponding to 06/05/2020G)
12/9 & 81	Appointing Company auditors, determining their remuneration, reappointing them, changing them, and approving their reports	Shareholders General Assembly	Committed - The Ordinary General Assembly held on 13/09/1441H (corresponding to 06/05/2020G) voted to appoint an auditor (Mr. Al-Ayouti's office) as an auditor for the Company upon the recommendation of the Audit Committee, to examine, review and audit the financial statements for the second, the third and the fourth quarter of 2020G, as well as the annual statement of the same year, and the first quarter of 2020G, and asked to determine the fees
13/D	Publication of the announcement of the date of the general assembly meeting, place and agenda twenty-one days before the date at least on the Company website	BOD	Committed

Article in Companies' governance regulation	Detail	Responsible authority	Commentary
14/C	Make available to the shareholders through the Company website - when publishing the invitation to convene the general assembly - obtaining information related to the items of the general assembly agenda, especially the report of the BOD, the auditor, the financial statements, and the report of the audit committee	BOD	Committed - through Tadawul
22/1	laying down the plans, policies, strategies and main objectives of the Company	BOD	There is no independent written policy, and the provisions of the Company corporate governance regulation and the Company articles of association are based on.
22/2	Establishing regulations and controls for internal control and general supervision, including: Establishing a written policy to address actual and potential "conflicts of interest" cases for both members of the BOD, executive management and shareholders, including misuse of the Company assets and facilities, and misbehavior resulting from dealings with related persons. To ensure the integrity of the financial and accounting regulations, including those related to the preparation of financial reports. To ensure the application of appropriate control regulations to measure and manage risks, by developing a general perception of the risks that the Company may face, creating an environment familiar with the culture of risk management at the Company level and presenting it transparently with stakeholders and related parties to the Company. The annual review of the effectiveness of internal control procedures in the Company	Shareholders General Assembly	Compliant - the bylaw was approved by the BOD on 08/04/1439H (corresponding to 26/12/2017G)
22/3	Establishing clear and specific policies, standards and procedures for membership in the BOD, and putting them into effect after their approval by the General Assembly	BOD	Compliant - the bylaw was approved by the EGA meeting held on 10/04/1439H (corresponding to 28/12/2017G)
22/4	Establishing a written policy that organizes the relationship with stakeholders in accordance with the provisions of the Governance Regulations, and must cover - in particular - the following: Mechanisms for compensation to stakeholders in the event of violation of their rights recognized by the regulations and protected by contracts. Mechanisms for settling complaints or disputes that may arise between the Company and stakeholders. Appropriate mechanisms to establish good relationships with customers and suppliers and to maintain the confidentiality of information related to them.	BOD	Compliant - the bylaw was approved by the BOD on 08/04/1439H (corresponding to 26/12/2017G)

Article in Companies' governance regulation	Detail	Responsible authority	Commentary
22/5	Establishing policies and procedures that ensure the Company compliance with laws and regulations and its commitment to disclosing essential information to shareholders and stakeholders, and verifying the executive management compliance with them	BOD	Compliant - the bylaw was approved by the BOD on 08/041439H (corresponding to 26/12/2017G)
22/13 & 50 & 60 & 60/A & 64	Forming specialized committees emanating from it by decisions specifying the committee term, powers and responsibilities, and how the board will monitor them, provided that the formation decision includes naming members and specifying their duties, rights and duties, along with evaluating the performance and work of these committees and their members	BOD	Compliant - The Remuneration, Nomination Committee and Executive Committee were appointed by the BOD on 04/11/1439H (corresponding to 16/07/2018G)
23/1	Approving and developing internal policies related to the Company work, including defining the tasks, specializations and responsibilities assigned to the various organizational levels	BOD	Committed
23/2	Adopt a written and detailed policy specifying the powers delegated to the executive management and a table explaining those powers, the method of implementation and the duration of delegation, and the BOD may request the executive management to submit periodic reports on its practices of the delegated powers	BOD	Compliant - The list of authority delegated to the executive management was approved by the BOD on 08/04/1439H (corresponding to 26/12/2017G)
25	Appointing the Chief Executive Officer	BOD	Compliant - Mr. Yasser Osama Ahmed Al-Sebaei was appointed according to the BOD Decision dated 19/081442H (corresponding to 01/04/2021G)
26/5	Establishing the organizational and functional structures of the Company and submitting them to the BOD for consideration and approval	BOD	Compliant - the organizational structure was approved by the BOD ON 25/03/2019G
26/10	Suggesting a policy and the types of remuneration to be granted to workers, such as fixed bonuses, performance-related bonuses, and bonuses in the form of shares	BOD	Compliant - the policy was approved by the BOD on 08/041439H (corresponding to 26/12/2017G)
43	A written and clear policy for dealing with current or potential conflicts of interest situations that may affect the performance of members of the BOD, executive management, or other Company employees when they deal with the Company or other stakeholders	BOD	Compliant - the policy was approved by the BOD on 08/041439H (corresponding to 26/12/2017G)
55/B/4 & 74	Appointing a director of the internal audit unit or department or the internal auditor and proposing his remuneration	Shareholders General Assembly	Compliant - Mr. Mohamed Abdullah Shams El Din was appointed according to the BOD Decision dated 06/03/1440H (05/11/2019G)

Article in Companies' governance regulation	Detail	Responsible authority	Commentary
60/B & 64/B	The general assembly of the Company - based on a proposal from the BOD - shall issue a work bylaw for the Remuneration and Nomination Committee, provided that this list includes the committee controls, procedures, and work plan, its functions, the rules for selecting its members, how they are nominated, term of their membership, Compensation and temporarily appointment in case one of the seats of the committee	Shareholders General Assembly	Compliant - The remuneration and nomination committee regulations were approved by the Ordinary General Assembly held on 22/02/2011H (corresponding to 27/03/2011G).
61/1	The Remuneration and Nominations Committee shall prepare a clear policy for the remuneration of the members of the BOD and the committees emanating from the Board and the Executive Management, and submit it to the BOD for consideration in preparation for its approval by the General Assembly, so that the follow-up of this policy and the follow-up of that policy are taken into account	Committee, Nominations and Remuneration	Compliant - The policy was approved by the BOD on 08/04/1439H (corresponding to 26/12/2017G) and by the EGA Meeting held on 10/04/1439H (corresponding to 28/12/2017G)
65/3	Preparing a description of the capabilities and qualifications required for membership of the BOD and for occupying executive management positions	BOD	Committed - approved by the EGA Meeting held on 10/04/1439H (corresponding to 28/12/2017G)
68	Publication of the announcement of candidacy for membership of the BOD on the Company website	BOD	Compliant - The announcement was made on Tadawul on 04/01/2021G
84	Policies or procedures for stakeholders to file complaints or report violating practices	BOD	Compliant - The policy was approved by the BOD on 08/04/1439H (corresponding to 26/12/2017G)
86	A policy of professional conduct and ethical values	BOD	Compliant - The policy was approved by the BOD on 08/04/1439H (corresponding to 26/12/2017G)
89	Written disclosure policies, supervisory procedures and regulations thereof in accordance with the disclosure requirements contained in the Companies Law and the Financial Market Law	BOD	Compliant - The policy was approved by the BOD on 08/04/1439H (corresponding to 26/12/2017G)
91/B	Publication of the audit committee report on the Company website	BOD	Committed - Published on the Company website
94	The Company corporate governance rules do not contradict the mandatory provisions	BOD	Compliant - The Governance Regulations were approved by the BOD on 08/04/1439H (corresponding to 26/12/2017G)



- In accordance with Article 21 of the Company By-laws, the BOD appoints from among its members a chairman and a vice-president; he may appoint a managing director. It is not permissible to combine the position of the chairman of the BOD with any executive position in the Company; the BOD must appoint a secretary of the board.
- The Company is committed to the By-laws and the Corporate Governance Regulations in terms of mandatory appointment to these positions, as the BOD approved appointment to these positions according to the following:

**Table No. (56): Mandatory Positions in the BOD**

Position	Decision	Name
Chairman of BOD	Minutes of the Board of Directors meeting on 07/12/1442H (corresponding to 07/17/2021G)	Dr. Wael Saad Abdul Aziz Al-Rashed
Deputy Chairman of the Board	Minutes of the Board of Directors meeting on 07/12/1442H (corresponding to 07/17/2021G)	Dr. Ahmed Siraj Abdul Rahman Khokir
Chief Executive Officer	Board of Directors resolution by passing on 08/18/1442H (corresponding to 03/31/2021G)	Mr. Yasser Osama Al Sibai
Secretary of the BOD	Minutes of the Board of Directors meeting on 07/12/1442H (corresponding to 07/17/2021G)	Mrs. Maram Abdul Rahim Khotani

Source: The Company

On 08/18/1442H (corresponding to 03/31/2021G) the Board of Directors appointed Mr. Yasser Osama El Sebai as CEO of the company as of 04/01/2021G, after Mr. Marc Henry Verlaine submitted his resignation from his position as CEO, which was accepted by the Board of Directors on March 31, 2021G. The Board of Directors also decided to appoint Mr. Mark Henry Verlaine as an advisor to the CEO during the remainder of his contract and as a member of the Executive Committee until the end of the current Board session on 07/15/2021G.

The powers of the BOD are defined in Article Nineteen (19) of the Company's Bylaws, and the powers of the chairman, his deputy, managing director and secretary are detailed in Article twenty-first (21) of the Bylaws. The Secretary of the Board of Directors shall assume the duties and powers assigned to him/her by the BOD.

The Company is bound by the article twenty-second (22) of the its Bylaws. In terms of the number of meetings, the Board provided that it shall not be less than four (4) times annually upon the invitation of its president, deputy or secretary. The invitation is by letter and mentioned in the agenda The Chairman of the Board shall call for a meeting whenever two of the members request him to do so. The Board of Directors held six (6) meetings during the year 2019G and (9) meetings during the year 2020G.

The remuneration of the Board of Directors is made in accordance with the provisions of Article (20) of the Bylaws, provided that the annual remuneration for one member of the Board of Directors does not exceed the limit stipulated in the Companies Law of SAR (500,000). The value of the expenses of the BOD members for the fiscal year ended December 31, 2019G, was equal to SAR (92,500), which is an attendance allowance, as Board members waived their bonuses for the year 2019G. The value of the remunerations received by Board members for the fiscal year 2020G amounted to SAR (1,102,500).

As for the senior executive management, it is headed by the CEO, and this position is currently occupied by (Mr. / Yasser Osama Al-Sibai) as of 01/04/2021G, and his duties, powers and rewards have been defined in accordance with (Board Resolution No. (10) for the year 2021G).

- The following table shows the details of the executive management of the Company according to the first job level, in compliance with the form of the organizational structure referred to in Paragraph (4-1) of Section (4) "The organizational structure of the Company".

**Table No. (57): Senior Employees List**

Name	Position	Nationality	Age	Hiring date	Shares number			
					Direct		Indirect	
					Number	%	Number	%
Yasser Osama Ahmed Al-Sebaei	Chief Executive Officer	Saudi	53	01/04/2021G	-	-	-	-
Sayed Nadim El Din Ahmed	Financial Director	Pakistani	40	17/11/2020G	-	-	-	-
Wissam Muhammad Sarmani	General Sales & Marketing Manager	Syrian	40	12/09/2019G	-	-	-	-
Muhammad Osama Mubarak	General Director of Manufacturing & Business Transformation	Saudi	34	12/11/2011G	-	-	-	-

Name	Position	Nationality	Age	Hiring date	Shares number			
					Direct		Indirect	
					Number	%	Number	%
Abdullah Yahya Fitaihi	General Manager Supply Chain	Saudi	45	05/08/2020G	-	-	-	-
Hassan Mahmoud Khodeir	General Director of HR and Administrative Affairs	Egyptian	40	06/06/2021G	-	-	-	-

Source: The Company.

- The company has not suffered any penalty from the CMA during the previous three years (2017G, 2018G, and 2019G).

**With the exception of what has been mentioned above and in Section 2 (“Risk Factors”) of this Prospectus, the Company is committed to the Corporate Governance Regulations in accordance with the CMA requirements.**

### 9.3.8 The continuous obligations as per the requirements of Ministry of Municipal and Rural Affairs (Ministry of Municipalities)

A municipal license should be obtained for administrative offices, branches and points of sale, so that the Company can operate, by submitting copies of the following documents: a copy of the commercial register, Articles of Association, lease contract and building permit for the rented building, food establishment or shop, the commercial exhibition, warehouse, point of sale, 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 trademark to be used on the facade) in addition to the civil defense license.

- The Company has 34 sites leased for the purpose of conducting its activity, including 7 leased sites as housing for the Company workers. (For further information, please refer to sub-paragraph 9.4.2 “Lease Contracts” of this section). As of the date of publishing this Prospectus, the Company did not obtain municipal licenses for 10 locations / leased premises. Likewise, the licenses and permits referred to in the table below have not been renewed.

**Table No. (58): List of Municipality Licenses for the Company Branches (regional administrations) and Points of Sale**

#	Company Branches	License Number	Issuance Date	Expiry Date	Address	Safety permit (civil defense)
1	Al Sorayai Trading Group Company	3911132705	17/10/1438H Corresponding to 11/07/2017G	16/10/1441H Corresponding to 08/06/2020G	Jeddah Al-Faisaliah District King Fahd Road	Compliant, in accordance with License No. /
2	Al Sorayai Trading and Industrial Group Company	40062043024	-	02/06/1442H Corresponding to 15/01/2021G	Al-Jouf Al-Sinaiyah District Main Street	41-000481821-1
3	Nassej International Trading Company	3909351989	-	15/05/1444H Corresponding to 09/12/2022G	Al-Qassim Al-Marqab District Main Street	The license will be canceled
4	Nassej International Trading Company	39111396945	-	20/02/1442H Corresponding to 07/10/2020G	Jeddah Al-Ajwa District Saleh bin Ibrahim Al-Zahri Street	The license will be canceled after closing the branch
5	Nassej International Trading Company	39111327059	-	19/02/1442H Corresponding to 06/10/2020G	Jeddah Al-Sururiyya District Al-Waqabi Street	
6	Nassej International Trading Company	39111445494	17/10/1438H Corresponding to 11/07/2017G	16/10/1442H Corresponding to 28/05/2021G	Jeddah Al-Faisaliah District Irfan Al-Jamil Street	The license will be canceled
7	Al Sorayai Carpet Factory, a branch of the International Textile Trading Company	39111018659		25/03/1443H Corresponding to 31/10/2021G	Taif Al-Sharafiya district Main Street	The license will be canceled

#	Company Branches	License Number	Issuance Date	Expiry Date	Address	Safety permit (civil defense)
8	Nassej International Trading Company	3909573940	-	09/02/1445H Corresponding to 25/08/2023G	Makkah Al-Mukarramah Cordoba district Al-Hajj Street	
9	Al Sorayai Trading and Industrial Group Breman	1100042853	-	20/02/1441H Corresponding to 19/10/2019G	Makkah Al-Mukarramah Jeddah Al-Manar District Al-Manar Street	Work is in progress to write it off
10	Al Sorayai Trading Group	10233	21/02/1435H Corresponding to 24/12/2013G	19/03/1441H Corresponding to 16/11/2019G	Riyadh Thulaim District Al-Rass Street	
11	Nassej International Trading Company	3909389267	-	Work is in progress to issue a civil defense safety license	Jazan - Industrial District - Shar 10	04/07/1443H (corresponding to 05/02/2022G)
12	Nassej International Trading Company	39111445494	-	Work is in progress to issue a civil defense safety license	Jeddah Municipality - Airport Municipality - Al-Faisaliah District - Irfan Al-Jamil Street	10/16/1442H (corresponding to 05/28/2021G)

Source: The Company.

It should be noted that there are applications under procedure for obtaining municipal and civil defense licenses for the company's branches in the city of Abha, for record No. (5850021602), Record No. (5850021602) and Record No. (4032000509), which are exhibitions and warehouses.

With the exception of what is mentioned in Section 2 ("Risk Factors") of this Prospectus, the Company and its subsidiaries are bound by the Ministry of Municipal and Rural Affairs regulations, implementing regulations and related instructions.

### 9.3.9 The continuous obligations as per the requirements of the Saudi Standards, Metrology and Quality Organization (SASO)

The Company activity that is licensed to practice requires adhering to the rules and regulations of the Saudi Standards, Metrology and Quality Organization (SASO), especially the technical regulations for textile products approved by the BOD of the Authority No. 164 dated 19/071439H corresponding to (04/05/2018G), where the technical regulation is binding. The manufacturing companies adhere to the basic requirements to ensure the safety of the textile products offered in KSA markets, and to provide all the documents, upon request by the regulatory authorities. The textile products must meet the technical requirements mentioned in the relevant regulations and standard specifications. An effective environmental management regulations must be in place at the plant.

The Company is committed to the technical law and regulations of the SASO and has an effective environmental management regulations. It has obtained the environmental management regulations (ISO 14001) under Certificate No. (0093191) dated 28/07/2019G.

With the exception of what has been mentioned in Section 2 ("Risk Factors") of this Prospectus, the Company and its subsidiaries are bound by the rules and regulations of SASO.

## 9.4 Summary of Material Contracts

### 9.4.1 Contracts and Transactions with Related Parties

The Company has entered into a number of contracts and agreements. It committed that all transactions will be on a competitive and commercial basis, guarantying shareholders' rights; the Company general assembly voted these contracts without the participation of shareholders or members of the BOD having interests in them. The Company, its board members and shareholders are obligated to implement Articles 71 and 72 of the Companies Law. These transactions were voted on in the Company Ordinary General Assembly, which was held on 13/09/1441H (corresponding to 06/05/2020G) and approved. The aforementioned assembly agreed on the transactions and contracts that will be concluded with these parties, and licensing them for a next year.

The table below shows the completed business and contracts; in which there is a direct or indirect interest for members of the BOD or senior executives during 2019G.

**Table No. (59): Contracts and Transactions with Related Parties**

Related Party	Name	Relation	Dealing nature	Transaction value
Al Sorayai Group for Industrial Investment Ltd.	Mr. Saleh Nasser Al-Sorayai	BOD Chairman	Purchasing and supplying raw materials to factories	SAR 2,846,000
Al Sorayai Group for Industrial Investment Ltd.	Mr. Saleh Nasser Al-Sorayai	BOD Chairman	Selling carpets and rugs One sale during the year	SAR 9,071,000
Saudi Carpet Accessories Manufacturing Company Ltd. (Matex)	Mr. Saleh Nasser Al-Sorayai	BOD Chairman	Purchasing and supplying raw materials to factories	SAR 10,056,000
Saudi Carpet Accessories Manufacturing Company Ltd. (Matex)	Mr. Saleh Nasser Al-Sorayai	BOD Chairman	Sale to Al Jazira warehouse building in the industrial area. One sale during the year	SAR 15,000,000
Al-Hikma Real Estate Development Company	Mr. Saleh Nasser Al-Sorayai	BOD Chairman	Lease contracts for showrooms, warehouses and offices	SAR 4,333,000
Khalid Hamdan Rapid Foundation	Mr. Abdullah Hamdan Al-Sorayai	BOD Member	Selling carpets and rugs	SAR 8,600,000
Al Tadamon Al Awal Company	Mr. Abdullah Hamdan Al-Sorayai	BOD Member	Selling carpets and rugs	SAR 8,347,000

Related Party	Name	Relationship	Transaction	Value
Al Sorayai Industrial Investment Group Co., Ltd.	Mr. Saleh Nasser Al Sorayai	Chairman of Board of Directors	Purchase and supply of raw materials for factories	SAR 3,085,185
Saudi Carpet Supplies Manufacturing Co. Ltd. (Matex)	Mr. Saleh Nasser Al Sorayai	Chairman of Board of Directors	Purchase and supply of raw materials for factories	SAR 11,454,199
Hikma Real Estate Development Company	Mr. Saleh Nasser Al Sorayai	Chairman of Board of Directors	Lease contracts for showrooms, warehouses and offices	SAR 2,152,50

- The Company, its board members and the shareholders are obligated to implement Articles 71 and 72 of the Companies Law. These transactions were voted on in the Company Ordinary General Assembly, which was held on 13/09/1441H (corresponding to 06/05/2020G) and approve; the aforementioned assembly agreed on the transactions and contracts that will be concluded with these parties, and licensing them for a next year. There are no preferential terms in the contracts.

### 9.4.2 Lease Contracts

The Company has 34 lease contracts in its capacity as a tenant (which are offices, showrooms, shops, workers' accommodation, lands and factories) in order to practice its activity, including 7 lease contracts for the accommodation of the Company workers and branches, which do not require issuance of municipal licenses.

Most of these contracts are traditional lease contracts (that is, stipulate an annual rental amount that the Company pays the lessor) and are renewable; they are considered invalid if the tenant is late in paying the rent, and the lessee is not entitled to sublet the property without taking the written consent of the lessor. It is also not permissible to change the method of using the leased property or the activity without the consent of the lessor.

The following is a list of the Company sites lease contracts and their most important details:

**Table No. (60): List of Valid and Renewed Lease Contracts for the Sites Occupied by the Company**

#	Lessor name	Tenant / Investor	Property location	Property Type	Rental value	Starting date	Ending date	Comments
1	Secretariat Hail	Abdullah and Nasser Abdul Aziz Al Sorayai Solidarity Company	Plot 7 Plan 1332 Hail City	Mall	SAR 54,789	09/03/1429H Corresponding to 17/03/2008G	08/03/1454H Corresponding to 16/06/2032G	
2	Al-Hikma International Real Estate Development Company Ltd.	Textile International Trading Company	Riyadh Al-Sulay District	Commercial warehouses	Annually SAR 500,000	01/01/2020G	30/12/2020G	Contract can be renewed
3	Al-Hikma International Real Estate Development Company Ltd.	Textile International Trading Company	Dammam Al-Faisaliah District	Commercial warehouses	Annually SAR 350,000	01/01/2020G	30/12/2020G	Contract can be renewed
4	Al-Jouf Region Municipality	Al Sorayai Trading and Industrial Group Company	Sakaka	Warehouse	Annually SAR 7640	13/09/1431H Corresponding to 23/08/2010G	12/09/1446H Corresponding to 12/03/2025G	
5	Al-Hikma International Real Estate Development Company Ltd.	Branch of Textile International Trading Company	Abha	Warehouse	SAR 862,500.00	17/05/1442H Corresponding to 01/01/2021G	27/05/1443H Corresponding to 31/12/2021G	Contract can be renewed
6	Jazan Region Municipality	Saleh Abdul Aziz Al-Sorayai	Plan 198 / H Jizan	Warehouse	Annually SAR 13,025			
7	Abdullah Ahmed Al-Rahman Al-Amoudi	Al Sorayai Commercial Industrial Group	Briman neighborhood lighthouse	Warehouse	Annually SAR 120,000	01/07/1439H Corresponding to 18/03/2018G	01/07/1440H Corresponding to 08/03/2019G	Contract is automatically renewed for a one year from 01/07/1440H (Corresponding to 08/03/2019G) to 01/07/1441H (Corresponding to 25/02/2020G) with the possibility of renewal again
8	Jada Al Raqi Real Estate Development and Investment Company	Textile International Trading Company	Taif Al-Sharafiyah District	Commercial warehouses	Annually SAR 250,000	01/01/2020G	30/12/2020G	Contract can be renewed
9	Hamad Muhammad Hamad Al-Qahtani	Al Sorayai Trading and Industrial Group Company	Tabuk	Commercial warehouses	SAR 200,000	01/03/2019G	01/03/2022G	Contract can be renewed
10	Al-Hikma International Real Estate Development Company Ltd.	Textile International Trading Company	Jeddah King Fahd 6th Road	Trade fair	Annually SAR 700,000	01/01/2020G	30/12/2020G	Contract can be renewed
11	Farida bint Yassin al-Azma endowment	Al Sorayai Trading and Industrial Group	Hajj Street (Jewel Gallery)	Trade shows	Annually SAR 444,675	13/04/1439H Corresponding to 31/12/2017G	30/12/1439H Corresponding to 10/09/2018G	Contract can be renewed

#	Lessor name	Tenant / Investor	Property location	Property Type	Rental value	Starting date	Ending date	Comments
12	Abdul Rahman bin Mohammed Al-Suhaibani	Al Sorayai Trading and Industrial Group Company	Al Ghad Souks	Market	Annually SAR 70,000	01/05/1441H Corresponding to 27/12/2019G	30/04/1444H Corresponding to 24/11/2022G	Contract can be renewed
13	Abdullah Saleh Al-Hamad	Al Sorayai Trading and Industrial Group	Al Ghad Souks	Market	Annually SAR 160,000	01/05/1439H Corresponding to 18/01/2018G	01/05/1441H Corresponding to 27/12/2019G	Contract can be renewed
14	Othman Ibrahim Al-Farawi	Al Sorayai Trading and Industrial Group Company	Al Ghad Souks	Market	SAR 38,000	01/05/1441H Corresponding to 27/12/2019G	01/05/1442H Corresponding to 16/12/2020G	Contract can be renewed
15	Ibrahim Saleh Hassan Aba Hussein	Al Sorayai Trading and Industrial Group Company	Riyadh Thulaim district Al-Rass Street	Opposed	Annually SAR 110,000	01/01/1438H Corresponding to 02/10/2016G	30/12/1438H Corresponding to 21/09/2017G	Contract can be renewed
16	Jeddah Industrial City Administration	Al Sorayai Textile Factory	Plot 32 +1/2 M5 1/2 and its area of 11250 square meters 4th stage Jeddah Industrial City	Vacant land in Jeddah Industrial City to establish a factory	Annually SAR 56,250.00			Contract can be renewed
17	Jeddah Industrial City Administration	Al Sorayai Carpet Factory	Plot 31 / 2M5 4th phase and its area of 5625 square meters Jeddah Industrial City	Vacant land in the Jeddah Industrial City to establish a factory	Annually SAR 28,125.00 according to the attached invoice and SAR 450 according to the contract	From signing the contract on 07/02/1446H Corresponding to 06/07/1995G		Contract can be renewed
18	Jeddah Industrial City Administration	Jeddah Industrial Thread Factory	Plot 21 / 2M5: 1+ 4th phase and its area of 11875 square meters Jeddah Industrial City	Vacant land in the Jeddah Industrial City to establish a factory	Annually SAR 84,375.00 according to the attached invoice, and SAR 1,350 according to the contract	From signing the contract on 30/05/1416H Corresponding to 25/10/1995G		Contract can be renewed
19	Saudi Authority for Industrial Cities and Technology Zones	Jeddah Industrial Thread Company	Plot 21 / 2M5: 1+ 4th phase and its area of 1,125 square meters Jeddah Industrial City	Vacant land in Jeddah Industrial City to establishing the factory licensed under Ministerial Resolution 1699 / p	Annually SAR 5,625.00 according to the attached invoice and SAR 688.82 according to the contract	From signing the last contract on 09/03/1409H Corresponding to 21/10/1988G		Contract can be renewed
20	Jeddah Industrial City Administration	Al Sorayai Carpet Factory	Plot C9 5 + 6 4th phase and its area of 15,000 square meters Jeddah Industrial City	Vacant land in the Jeddah Industrial City to establish a factory	Annually SAR 75,000.00 according to the attached invoice and SAR 1,200.00 according to the contract			Contract can be renewed

#	Lessor name	Tenant / Investor	Property location	Property Type	Rental value	Starting date	Ending date	Comments
21	Saudi Authority for Industrial Cities and Technology Zones	Jeddah Industrial Thread Company	Land adjacent to Plot M5 (1) within the general plan and its area of 3,720 square meters Jeddah Industrial City	Vacant land in Jeddah Industrial City to establishing the factory licensed under Ministerial Resolution 1699 / p	Annually SAR 18,600.00, according to the attached invoice	26/07/1427H Corresponding to 20/08/2006G		Contract can be renewed
22	Jeddah Industrial City Administration	Al Sorayai Carpet Factory	Plot of land 4th phase with an area of 500 square meters Jeddah Industrial City	Vacant land in Jeddah Industrial City to establish a factory	Annually SAR 2,495.00 according to the attached invoice and forty riyals according to the contract.			
23	Saudi Authority for Industrial Cities and Technology Zones	Al Sorayai Carpet Factory Company	Plot of land within the general plan with an area of 3357 square meters Jeddah Industrial City	Vacant land in Jeddah Industrial City to establishing the factory licensed under Ministerial Resolution 1699 / p	Annually SAR 16,785.00 according to the attached invoice	06/02/1427H Corresponding to 06/03/2006G	05/02/1452H Corresponding to 07/06/2030G	
24	Saudi Authority for Industrial Cities and Technology Zones	Al Sorayai Carpet Factory Co., Ltd.	Plot adjacent to Plot 9 → C9: 5 within the general plan and its area of 5039 square meters Jeddah Industrial City	Land in Jeddah Industrial City in order to establish the licensed factory	SAR 688,82 SAR according to the contract	From signing the last contract on 09/03/1409H Corresponding to 21/10/1988G		Contract can be renewed
25	Saudi Authority for Industrial Cities and Technology Zones	Jeddah Industrial Thread Company	Plot of land (corridor number + 2 + 1: 6C) + (8: C) within the general plan and its area of 34,441 square meters Jeddah Industrial City	Land in Jeddah Industrial City to establishing the factory licensed under Ministerial Resolution No. 695 / p	Annually 192,110.00 according to the attached invoice and SAR 688,82 according to the contract	From signing the last contract on 09/03/1409H Corresponding to 21/10/1988G		Contract can be renewed
26	The Saudi Authority for Industrial Cities and Technology Zones "MODON"	Al Sorayai Carpet Factory Ltd.	Plot 0030Y00044 with an area of 3,006 square meters Jeddah 1st Industrial City	Residential building (investment activity)	Annually SAR 120,240	06/06/1438H Corresponding to 05/03/2017G		Contract can be renewed
27	The Saudi Authority for Industrial Cities and Technology Zones "MODON"	Al Sorayai Carpet Factory Ltd.	Industrial land 0030M00083 with an area of 33,528 square meters	Industrial land to practice textile manufacturing activity licensed under Industrial License No. 319 / r	SAR 100,584	28/11/1436H Corresponding to 12/09/2015G	27/11/1456H Corresponding to 06/02/2035G	

#	Lessor name	Tenant / Investor	Property location	Property Type	Rental value	Starting date	Ending date	Comments
28	The Saudi Authority for Industrial Cities and Technology Zones "MODON"	Al Sorayai Carpet Factory Ltd.	Plot 0030Y00033 with an area of 4,524 square meters Jeddah 1st Industrial City	Residential building (investment activity)	Annually SAR 180,960	06/06/1438H Corresponding to 05/03/2017G		Contract can be renewed
29	Al Jazeera Tents General Contracting Est	Al Sorayai Trading and Industrial Group Company	Prince Nayef Road Dammam	Living Apartment	SAR 13,000.00	10/06/1440H Corresponding to 15/02/2019G	10/06/1441H Corresponding to 04/02/2020G	
30	Top Homes Real Estate Office	Al Sorayai Trading Group Company	Al-Morafq district Al-Qassim city	Living Apartment consisting of 1 room and a hall	SAR 6,000	12/06/1440H Corresponding to 17/02/2019G	06/12/1441H Corresponding to 06/02/2020G	Contract can be renewed
31	Mohammed Abdullah Ghanem Al-Ismail	Textile International Trading Company	Al-Saada Al-Baqi Street Riyadh	2 apartments	Annually SAR 22,400		09/08/2021G	Contract can be renewed
32	Hamad Muhammad Hamad Al-Qahtani	Al Sorayai Trading and Industrial Group Company	Madinah Road Al-Qahtani Complex Tabuk	2 apartments	SAR 18,000	01/03/2019G	01/03/2022G	Contract can be renewed
33	Abdul Rahman Mohammed Salem Al-Ghami	Al Sorayai Trading Group	Al Faisaliah neighborhood	Apartment	SAR 16,000	01/01/2020G	31/12/2020G	Contract can be renewed
34	Jeddah Industrial City Administration	Al Sorayai Carpet Factory	Plot C9 (7 + 8 + 9) 4th phase and its area 20,196 square meters	Vacant land in Jeddah Industrial City to set up a factory	Annually SAR 105,980	07/02/1431H Corresponding to 22/01/2010G	06/02/1451H Corresponding to 18/06/2029G	

Source: The Company.

**With the exception of what has been mentioned in Section 9-4-1 "Contracts and Dealings with Related Parties", legal persons with whom the Company deals as a tenant does not have any direct or indirect relationship with the members of the BOD.**

The Company owns plot 7990 from Plan 2020G in Al-Madaen district, Hail city; and an area of 800 square meters, according to document 342112001855 dated 13/11/1437H (corresponding to 16/08/2016G).

It should be noted that the Council of Ministers Decision 292 dated 16/05/1438H states that any lease contract unregistered in the electronic network is not considered a valid contract that produces its administrative and judicial effects. Since the electronic network of rental services was launched in cooperation between the Ministries of Justice and Housing on 17/05/1439H, a Ministry of Justice circular was issued approving its application to all contracts concluded after 05/05/1440H. As of the date of this Prospectus, the above tenancy contracts were not registered in accordance with the requirements of the Minister of Justice circular.



### 9.4.3 Shipping and Transportation Agreements

The Company has entered into a number of shipping and transportation agreements with other parties for the transfer and shipment of goods and parcels and the delivery of goods according to the following:

**Table No. (61): Shipping and Transportation Agreements**

Agreement date	Agreement parties	Agreement subject	Agreement period	Comments
04/02/1442H Corresponding to 21/09/2020G	Al Sorayai Trading and Industrial Group Company and Mohammed Al Dhafir Company	Agreement of freight forwarding and logistical services	1 year from the signing date, renewable for another year in the event that neither party objects to this.	
26/10/1441H Corresponding to 18/06/2020G	Al Sorayai Trading and Industrial Group and Aramex - Saudi Tal Trading and Contracting	Agreement for the transport of non-postal documents and parcels	Unlimited term (open agreement on demand)	
30/11/1441H Corresponding to 21/07/2020G	Textile International Trading Company and Bafco International Shipping and Transport Services Ltd.	Export freight services agreement	From 21/07/2020G to 31/12/2021G	
19/12/1441H Corresponding to 09/08/2020G	Naseej and SINAS Post	Logistic services agreement (delivery of goods, domestic or international express transportation)	2 years, subject to extension by agreement of the two parties.	
08/08/1441H Corresponding to 01/04/2020G	Naseej and EQ Line Saudi Arabia	Export Shipping Services agreement	Unlimited term (open agreement on demand)	
05/12/1441H Corresponding to 26/07/2020G	Naseej and Gulf American Line Inc.	Logistic services agreement (management of imported or exported shipments, customs clearance, transportation at the port of loading and port of discharge, local and within the GCC countries, in addition to any other services)	Starting from 08/01/2020G	
04/02/1442 Corresponding to 21/09/2020G	Naseej and Saqar Business Corporation, Branch of Khaled Nasser Al-Qahtani Corporation	Logistic services agreement (international and domestic shipping by air, sea, land, and on-board delivery services)	Two years from the signing date	Renewable

#### 9.4.4 Contracting Contracts

The Company has concluded 2 contracting contracts for the supply and installation of the Company products of carpets and rugs according to the following:

**Table No. (62): Contracting Contracts**

Contract date	Contract parties	Contract subject	Contract period	Contract value	Comments
18/04/1441G Corresponding to 15/12/2019G	Al Sorayai Trading and Industrial Group and Nesma & Partners Contracting Company Ltd.	Contracting contract for implementation, supply and installation of carpets for the Al-Fadhili Singles Camp on the East Coast of the Kingdom of Saudi Arabia project.	One year (the project was suspended due to the Corona pandemic for a period of 2 months, and thus the contract was extended for two months to end the project)	Approximately SAR 3,900,000	
06/08/1440H Corresponding to 11/04/2019G	Al Sorayai Trading and Industrial Group and Trans Kingdom Real Estate Company	Manufacturing, supplying and installing carpeting for the Copthron Millennium Hotel (Al Adl) project.	Starting the supply work with a maximum of (12 weeks) from the date of signing the contract, receiving the advance payment and approving the plans, and ends within 2 weeks of its commencement - completion of the installation work within (3 weeks) of the supply and installation according to the readiness of the place.	SAR 3,271,291.8	

Source: The Company.

#### 9.4.5 Consulting Services Contracts

While exercising its activities, the Company entered into some consulting services contracts to provide financial and auditing services for them according to the following details:

**Table No. (63): Consulting Services Contracts**

Contract date	Contract parties	Contract subject	Contract period	Price	Comments
10/09/1440H Corresponding to 15/05/2019G	Al Sorayai Trading and Industrial Group and KPMG Al Fozan & Partners	Financial advisory service contract (auditing and improving the financial flow for 1-year, financial evaluation and preparation of the client's financial project related to the financial flow)	Completing the work within 4-5 weeks.	\$30,000	
20/09/1441H Corresponding to 13/05/2020G	Al Sorayai Trading Industrial Group and Mr. Al Ayouti and Partners	Financial advisory services contract (review of the quarterly financial statements ending in June and September 2020G, and March 2021G, and the legal audit for the fiscal year ended December 31, 2020G)	1 year	SAR260,000	
13/03/1441G Corresponding to 10/11/2019G	Al Sorayai Trading Industrial Group and PwC	Financial advisory services contract (providing assistance to develop a financial reorganization plan)	12 months renewable.	Retainer fee (\$225,000) Monthly fee (\$40,000) Success fee (\$200,000)	
09/05/2020G	Al Sorayai Trading Industrial Group and Mr. Al Ayouti and Partners	Auditing services for the Q2 for the fiscal year 2021G	Timetable agreed upon by the parties – attached with the contract	SAR260,000	

### 9.4.6 Supply Contracts and Secondment Agreements

The Company has entered into 3 agreements in order to benefit from the services of foreign workers whom are not under its guarantee; the supplying Company bears all the expenses related to this labor, including housing, transportation, residence fees and medical insurance.

**Table No. (64): Supply Contracts and Secondment Agreements**

Agreement date	Party	Agreement Subject	Agreement term	Notes
-	Safwan Business Corporation for General Contracting	Contract for Manpower supply	From 20/01/1442H (corresponding to 08/09/2020G.) automatically renewable	
2020G	Fahad Al Gharbia General Contracting Est	Contract for Manpower supply		Automatically renewable
20/09/2020G	Rawafed Advanced General Contracting Corporation	Contract for Manpower supply	From 03/02/1442H (corresponding to 20/09/2020G.) automatically renewable	

### 9.4.7 Loans and Facilities

The Company has a number of loan and credit facilities agreements to support its client and expand its factories, according to the following details:

**Table No. (65): Loans and Credit Facilities**

Funder	The expiry date of the facility	Credit Limit (SAR)	short term loans	long term loans	Amounts Used	Paid in 2020G	Remaining Amount as of 30/06/2021G	Remarks
Al Ahli Bank <sup>*</sup>	31/05/2022G	4,000,000	32,318,785	540,546	32,318,785	540,546	32,318,785	Promissory note of 37,400,000
Riyad Bank <sup>**</sup>	05/07/2023G	138,343,000	130,624,755	7,161,178	130,624,755	7,161,178	130,624,755	Promissory note for the amount of SAR 181,843,000
SABB Bank	01/07/2019G	25,000,000	18,705,086	455,277	18,705,086	455,277	18,705,086	Promissory note of SAR 25,000,000
Ministry of Finance <sup>***</sup>	01/12/2023G	4,442,418,	34,442,417	1,532,746	34,442,418	1,532,746	34,442,417	-
SAMBA <sup>****</sup>	31/12/2020G	10,809,409,03	6,538,074	1,007,745	6,558,841	1,007,745	6,538,074	Promissory note for the amount of SAR 10,809,409.03
Industrial Development Fund <sup>*****</sup>	01/12/2020G	28,857,00	28,357,000	0	28,357,000	0	28,357,000	Mortgage of machinery and equipment
Al Rajihi Bank <sup>*****</sup>	31/05/2022G	3,000,000	48,866,355	266,527	53,000,000	266,527	48,866,355	Promissory note of SAR 53,891,427
<b>Total</b>			<b>299,852,472</b>	<b>10,964,019</b>		<b>10,964,019</b>	<b>299,852,472</b>	

Source: The Company.

<sup>\*</sup> The Company undertakes to notify the bank by registered letter without delay of every change to its address and legal, financial or administrative status within a period of no less than (30) business days before the change.

<sup>\*\*</sup> The Company is obligated to notify the bank of any change to the legal entity or partners and the limits of their responsibilities or capital, and to provide the statutory documents evidencing that.

<sup>\*\*\*</sup> The Company is committed to the following:

- Maintaining the Company existence and its licenses are valid and renewed.
- Not to change the CEO, Operations Director and Financial Director without referring to the lender and obtaining his prior written approval.
- Disposal of any of the group's assets.
- A mortgage of any of the group's assets or revenues.
- A fundamental change in the nature of the activity you carry out.
- Not proposing to distribute any profits without the prior and written approval of the lender.
- Insurance against risks.
- Commitment to Saudization and not to go below the middle green range according to.
- Employing Saudis, with the Saudization rate not less than 23%.

<sup>\*\*\*\*</sup> The Company pledge not to approve or allow the issuance of any other shares or granting stock options or subscribing to any other shares in the Company capital to any person other than the current partner or shareholder of the Company.

<sup>\*\*\*\*\*</sup> The Company undertakes the following:

- Maintain at all times the management acceptable to the fund.
- Not to make any change to the legal description of the Company or the persons who make up the Company without the prior written approval of the fund.

## 9.5 Litigation

- With the exception of the cases shown in the table below, the Company and its subsidiaries are not parties to any litigation, claim, arbitration, combined or individual administrative proceedings that exist or can be later on, that may have a material adverse effect on the Company financial position.

Cases filed against the Company (as defendant) are detailed in the following table:

**Table No. (66): List of Lawsuits Filed against the Company (as Defendant)**

Claimant	Allegation	Lawsuit Status	Litigation Expense (SAR)	Date
ARKANAT	Claiming Unpaid Overdue Wages for Security Guards	The case is still pending. The claimant refused to pay the amount in instalments, as suggested by the Company (the claimant demanded reconciliation and suggested a settlement agreement for payment).	439,875	
Mohammad Samir Mostafa	Labor Lawsuit	The judgement was in favour of the claimant.	4,533	Lawsuit Ended and Amount Paid
Attorney/ Ibrahim Trabelsi	Claiming Professional Fees worth SAR 125,000	The judgement was in favour of the claimant and obligated the Company to pay an amount of SAR 65,000. The judgment was appealed by the Company, but the Court of Appeal upheld the judgment, thus the Company must pay the amount.	65,000	Lawsuit Ended and Amount Paid
Italian Homes Foundation	The Company has a warehouse adjacent to the its warehouse, and it was affected by the fire that hit the Company's warehouse. To that end, the concerned party demands the Company to pay an amount of SAR 3,150,000	A first instance judgement was issued in favour of the Defendant which was appealed and deliberated in the General Court in Riyadh. The claimant was informed that he had the defendant's oath to deny the infringement and negligence according to the Sharia rules. However, he rejected the Defendant "Nassej Company" oath. The transaction was referred to the Court of Appeal, and no progress was made on the case. The case is still pending, and a final judgement has not been yet issued as of the date of this Prospectus.	3,15,000	Ended
Fahad Al-Juhani – Mecca	A claim to pay the rent of seven showrooms in Mecca	It was decided in favor of the plaintiff and obligated the company to pay an amount of 379,166.66 riyals The judgment has been appealed by the company	379,166.66	Verdict Appealed
Mashi Al-Shammari	He is the Company's customer, and he claims to have forged the promissory note	The Public Prosecution confirmed the validity of the promissory note. The case is still pending.	Undefined	Case Dismissed
<b>TOTAL</b>			<b>4,038,574</b>	

Source: Company

Table No. (67): List of Lawsuits Referred to Execution

Name	Total Amount (SAR)	Amount Due (SAR)	City	Lawsuit Status
Al Wafa Furniture	4,206.21	4,206.21	Sakakah	-
Furniture of the complex Naif	5,424.90	5,424.90	Ta'if	-
Ali bin Sultan	167,505.77	167,505.77	Dammam	-
Green Path	1,010,964.42	1,010,964.42	Jeddah	Implementation of Articles 34 and 46 - Suspension of electronic services
Green Cover	252,716.93	252,716.93	Amman	green cover
Hamzah Al Zabadi	277,560	277,560	Jeddah	Grasco/Customer
Amar AlArabia	392,958.80	392,958.80	Riyadh	Suspension of applicable services
Alwan Trading Company	72,380	72,380	Jeddah	The customer paid an amount of SAR 70,000 and then stopped paying. Then, a lawsuit was filed under a bond of SAR 350,000, and the judgment was issued. Accordingly, an amount of SAR 350,000 was paid. Hence, the remaining amount is SAR 72,380.
Issa Adl		177,709	Abha	Need to file a lawsuit again
Al Hennawi		62,520	Abha	Need to file a lawsuit within the correct spatial jurisdiction in Jizan
Khalil Mohammad Ali – Ali Abdo for Furniture		218,353	Abha	To follow up on the case - need to update the customer's identity and renew the power of attorney.
Al-Nesr Company for Security Services		150,000	Jeddah	Judgment in favour of the Company - The case is still in the time limit for appeal by the defendant.
Mansour Rawa		163,630	Mecca	Case dismissed - Will be filed again.
Rakan Al Etebih		49,972	Riyadh	Waiting for court verdict The issuance of the judgment depends on the reconciliation and the defendant's recognition of the specified amount of money. He will pay an amount of SAR 30,000, and a request to deduct the remaining amount. It is required to prove the reconciliation decision and include the waiver of the settlement in the power of attorney.
Fahd Al Soufyani		363,141	Mecca	The case was dismissed by the Court - the Court of Appeal reconfirmed the judgment of lack of jurisdiction.
Iraqi Touch for Furniture Nasser Al Shamari		40,000	Hail	The defendant was notified three times to attend the court session - His services were suspended by the Company.
Samir Nasr		36,000	Tabuk	Ex-Employee - Subject of the case/ The amount in his custody - Judgment in favour of the Company - Defendant has appealed the case and it is still under consideration.
Tabuk Municipality		252,800	Tabuk	Judgment against the Company - the Board of Grievances confirmed the verdict.
Dakhil Al-Doseri		259,491	Al-Dammam	A former employee, a regional manager in the Eastern Province - The judgment was issued obligating the employee to pay an amount of SAR 44,000 -The case is still pending.
Abdo Ali Dosh		158,945	Mecca	The customer paid the amount of SAR 129,000.
Athath Al Qusur Abdallah Al-Kaidi		305,234	Medina	The customer paid SAR 185,000 and the remaining sum of money is 120,234.

Name	Total Amount (SAR)	Amount Due (SAR)	City	Lawsuit Status
Jawhara Al-Khouloud		80,000	Jeddah	Case dismissed due to lack of personal customer information
Abdallah Al-Fahd		31,307	Al Qassim	The judge stated that Mr. Abdullah Al-Fahd is unable to pay the fixed amount of money, and someone wishes to settle the amount after deducting 30% of it. Approval has been obtained from the administration. The hearing was attended on January 23, 2021G, and the claimant was informed that the judge will be present at the next hearing on January 28, 2018G.
Al-Dawli for Furniture		228,788	Al Qassim	The customer pays the amount in instalments weekly. SAR 150,000 have been paid, and the remaining amount is SAR 78,788.
Nour Qorashi		209,718	Jeddah	Implementation of Articles 34 and 46 - Suspension of Electronic Services
Al-Qoreini for Furniture		41,664	Riyadh	Implementation of Articles 34 and 46 - Suspension of Electronic Services
Hassan Al-Anzi		34,354	Hail	Implementation of Articles 34 and 46 - Suspension of Electronic Services
Mansour Al-Omeiri		118,650	Jeddah	Customer Suspended - Suspension of Electronic Services
Mohammad Chah Alam		4,240,605	Jeddah	Implementation of Articles 34 and 46 - Suspension of Electronic Services
Thimar Company		264,270	Jeddah	The customer is imprisoned in Briman Prison.
Chafi Store		29,932	Tabuk	The customer paid an amount of SAR 20,000, and the remaining amount is SAR 9,000.
Economic Solidarity – Orchid Al-Ghorab Hotel		415,000	Riyadh	Implementation of Articles 34 and 46 - Suspension of Electronic Services
	<b>TOTAL</b>	<b>10,115,800</b>		

With the exception of what has been mentioned above and in Section 2 (“Risk Factors”) of this Prospectus, the Company does not have cases that would adversely affect it.






## 9.6 Trademarks

The Company has deposited its trademark (Naseej) with the Saudi Authority for Intellectual Property on 02/05/1442H (corresponding to 17/12/2020G) under Class 23, pertained to yarns and threads, for textile use. The application is still under process until the date of this Prospectus. It should be noted that this mark belongs to the main Company logo; in the event that the Company request and trademark registration are accepted, the Company will be able to place its name and logo on the external facade of its building or offices, as it has registered and granted the trademark and the necessary legal protection in accordance with the trademark law.

The branch of the Company (Jeddah Synthetic Yarn Factory) has 5 trademarks registered with the Ministry of Commerce (Trademarks Administration \*) Class 23, pertained to yarns and threads, for textile use.

The following table detailed these trademarks:

**Table No. (68): Trademarks**

#	Registration Number	Registration date	Company	Protection start date	Protection end date	Category	Trademark
1	1436006751	01/04/1436H (Corresponding to 21/01/2015G)	Jeddah Industrial Thread Factory **	24/03/1436H Corresponding to 15/01/2015G	30/03/1446H Corresponding to 03/10/2024G	23	
2	1436006833	01/04/1436H (Corresponding to 21/01/2015G)	Jeddah Industrial Thread Factory **	27/03/1436H Corresponding to 18/01/2015G	30/03/1446H Corresponding to 03/10/2024G	23	
3	1436006752	01/04/1436H (Corresponding to 21/01/2015G)	Jeddah Industrial Thread Factory **	24/03/1436H Corresponding to 15/01/2015G	30/03/1446H Corresponding to 03/10/2024G	23	
4	1436006766	01/04/1436H (Corresponding to 21/01/2015G)	Jeddah Industrial Thread Factory **	24/03/1436H Corresponding to 15/01/2015G	30/03/1446H Corresponding to 03/10/2024G	23	
5	1436006750	01/04/1436H (Corresponding to 21/01/2015G)	Jeddah Industrial Thread Factory **	24/03/1436H Corresponding to 15/01/2015G	30/03/1446H Corresponding to 03/10/2024G	23	

\* The authority to register trademarks has been transferred to the Saudi Authority for Intellectual Property.

\*\* Requests have been submitted to transfer the ownership of trademarks from (Jeddah Synthetics Factory) to (Naseej International Trading Company).

- It should be noted that the Company does not have any intangible assets except for its trademark as on the date of this Prospectus.
- The Company is committed to registering its website <https://www.alsorayai flooring.com.sa/> with the Communications and Information Technology Commission.

## 9.7 Insurance Policies

The Company and its Subsidiaries have several insurance policies toward off some risks and protect their assets and properties, including the following:

- **Medical Insurance:**

The Company has concluded with Malath Cooperative Insurance Company (an insurance company licensed to operate in the Kingdom) a medical care insurance policy that also covers its subsidiaries and branches and factories. The policy includes the followings:

- 1- The Company pursuant to policy number (9002914).
- 2- The subsidiary (Home Styles Ltd) pursuant to policy number (9002907).
- 3- The subsidiary (AlSorayai Maintenance and Operations LLC) pursuant to policy number (9002908).
- 4- AlSorayai Factory for carpet pursuant to policy number (9002909).
- 5- The Company's Branch office – Mekkah – pursuant to policy number (9002910).
- 6- Jeddah Factory for carpet pursuant to policy number (9002913).

The group medical insurance policy and the underlying policies is valid from 30/11/2020G until 29/11/2021G and it covers the medical care through the network of service providers appointed by the Company and provided that the case is covered by insurance coverage. Further, it provides medical care to employees working in companies and institutions and their family members (husband or wife; children from the date of birth; unmarried children up to a maximum of 25 years; unmarried, divorced, and unemployed widows).

The Health Insurance Council and the Committee that is formed pursuant to a decision by the chairman of the council shall be the competent authority and have the power to review violations of the provisions of the cooperative health insurance law and shall settle any disputes pertaining to the insurance policy in accordance with article 14 of the law.

- **Property Insurance Policy Against All Risks:**

on 20/07/2020G the Company has concluded with the Mediterranean & Gulf Cooperative Insurance and Reinsurance Company (Medgulf) a property insurance policy that provides insurance coverage for owned and leased property including its factories, buildings and equipment against fire, accidents and hazards. The policy number (5820859) is valid from 03/05/2021G until 02/05/2022G, with a coverage limits amount to SAR 310,063,180.

- **Boilers & Pressure Stations Insurance Policy:**

The Company has concluded with Allianz Saudi Fransi an insurance policy that provides insurance coverage for equipment and machines against all risks. The policy number (BPI/46128) is valid from 01/04/2021G until 31/03/2022G, with a coverage limits amount to SAR 6,730,180.

- **Fidelity Guarantee Insurance Policy:**

The Company has concluded with Allianz Saudi Fransi an insurance policy that provides insurance coverage against loss due to specific dishonest acts. The policy number (FGI/23887) is valid from 01/04/2021G until 31/03/2022G, with a coverage limits amount to SAR 65,650,000.

- **Money Insurance Policy:**

The Company has concluded with Allianz Saudi Fransi an insurance policy that provides insurance coverage against loss of money in safe as well as while in transit during business hours. The policy number (MNY/23895) is valid from 01/04/2021G until 31/03/2022G, with a coverage limits amount to SAR 114,000,000 provided that the limit coverage for one cargo shall not exceed SAR550,000 and the total amount in safe box insured during or outside business hours shall be SAR7,500,000.

- **Transit Open Cargo Insurance Policy:**

The Company has concluded with Allianz Saudi Fransi an insurance policy that provides insurance coverage against loss due to specific dishonest acts. The policy number (TOC/177642) is valid from 01/04/2021G until 31/03/2022G, with a coverage limits amount to SAR 250,000,000.

- **Public Liability Insurance Policy:**

The Company has concluded with Allianz Saudi Fransi an insurance policy that provides general liability insurance coverage against damages to third parties. The policy number (PLI/26997) is valid from 01/04/2021G until 31/03/2022G, with a coverage limits amount to SAR 10,000,000.

- **Motor Insurance Policy:**

The Company has concluded with Arab Insurance Company an insurance policy that provides insurance coverage against third party damages. The policy number (P/111/550/21/000171) is valid from 01/04/2021G until 31/03/2022G, with a coverage limits amount to SAR 10,000,000.



## 9.8 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 the approval of CMA of the last Prospectus issued by the Company on 28/04/1441H, corresponding to 25/12/2019G:

- **Capital:** On 27/05/1441H, corresponding to 22/01/2020G, the EGA approved to increase the Company capital from SAR 65,500,000 to SAR 178,160,000; accordingly, the number of shares has been increased from 6,550,000 shares to 17,816,000 shares. The Company obtained the approval of the Authority on 25/12/2019G.
- **Name:** The Company name “Al-Sorayai Trading and Industrial Group” became Naseej International Trading Company, according to the approval of the EGA hold on 03/09/1441H, corresponding to 26/04/2020G.
- **Major Shareholders:** According to what was mentioned in sub-paragraph 9.1 of this section, the Company has not any major shareholder (owning 5% or more of the Company shares), noting that the Company has 2 Major Shareholders according to the last Prospectus issued by the Company on 28/04/1441H, corresponding to 25/12/2019G.
- **Executive Committee:** the Board appointed the Executive Committee on 07/12/1442H (corresponding to 17/07/2021G.) with the following gentlemen being new members: Ahmed Siraj Khoufeir (chairman), Wael Saad AlRashed and Nasser Saleh AlSorayai (both members) and Fairouz Khan as secretary of the committee. The term is 3 years starting from 16/07/2021G till 15/07/2024G.
- **Capital:** On 05/05/1442H (corresponding to 20/12/2020G), the EGA agreed to reduce the company’s capital from SAR 178,160,000 to SAR 61,632,010, at a reduction of 65.4% of the company’s capital, by canceling 11,652,799 shares from the company’s shares; accordingly, the number of shares has been reduced from 17,816,000 to 6,163,201 shares, in order to extinguish the accumulated losses of SAR 116,527,990.
- **Company losses:** The accumulated losses of the company reached more than 20% of the capital, reaching 65.4%, as on 30/09/2020G
- **By-laws:** The Company has updated its By-laws and published a new one according to the EGA Decision dated 26/04/2020G, and adopted by the Ministry of Commerce (Corporate Governance Department) on 20/09/1441H, corresponding to 13/05/2020G.
- **Reducing the losses:** As of 20/12/2020G the accumulated losses has been reduced to 0% following the capital reduction of the paid up capital to (61,632,010).
- **Resignation of the CEO:** The resignation of the CEO (Mark Henry Firline) and appointment of Mr. Yasser Ossama AlSubaie on 01/04/2021G pursuant to a BOD resolution dated 18/08/1442H. (corresponding to 31/03/2021G.).
- **New BOD appointment:** On 06/05/2021G. a new BOD was elected for a new term starting from 16/07/2021G. for a period of 3 years ending on 15/07/2024G.

## 9.9 Directors’ Declarations Pertaining to Legal Information Section

In addition to the other declarations referred to in this Prospectus, the members of the BOD 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, have entered into an undertaking agreement to cover the subscription of (15,000,000) ordinary shares, at a price of SAR 10/share, with a total value of SAR 150,000,000, representing the entire amount of the rights shares being offered for subscription (“**Underwriting Agreement**”).

### 10.1 Underwriter

**Wasatah Capital**  
Riyadh - Olaya Main Street  
P.O. Box 50135 Riyadh 11523  
Saudi Arabia  
Phone: +966 11 4944067  
Fax: +11 966 4944 205  
Website: [www.wasatah.com.sa](http://www.wasatah.com.sa)  
Email: [info@wasatah.com.sa](mailto:info@wasatah.com.sa)



### 10.2 Underwriting agreement

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 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 share capital from SAR 61,632,010 to SAR 211,632,010 through a rights issue with a total offering value of SAR 150,000,000 divided into (15,000,000) 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 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 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 Tuesday 04/04/1443H (corresponding to 09/11/2021G) and ends on Sunday 16/04/1443H (corresponding to 21/11/2021G).

The EGA held on Thursday 29/03/1443H (corresponding to 04/11/2021G), approved the recommendation of the BOD to increase the Company share capital through Rights Issue. Under this Prospectus, 15,000,000 Ordinary Shares (243.4% 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 150,000,000. New shares will be issued with one share for every one Right. Rights Subscription is entitled to all Shareholders registered in the Company register as of the close on the second trading day following the EGA Meeting dated Thursday 29/03/1443H (corresponding to 04/11/2021G), 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 register as of the close on the second trading day following the EGA 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 EGA Meeting dated Thursday 29/03/1443H (corresponding to 04/11/2021G).
- 2- **Trading Period and Offering Period:** The Trading Period and Offering Period start on Tuesday 04/04/1443H (corresponding to 09/11/2021G), and the Trading Period will end on Tuesday 11/04/1443H (corresponding to 16/11/2021G), while the Offering Period will continue until the end of Sunday 16/04/1443H (corresponding to 21/11/2021G).
- 3- **Rump Offering Period:** The period will start at 10:00 am on Wednesday 19/04/1443H (corresponding to 24/11/2021G) until the following day at 5:00 pm on Thursday 20/04/1443H (corresponding to 25/11/2021G). 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 Offering Price) with shares being allocated on a proportional bases among those Institutional Investors that tendered offers at the same price. Fractional Shares will be added to the Rump Shares and treated in the same manner. In the event that the price of the unsubscribed shares is higher than the offer price, the difference (if any) shall be distributed as compensation to holders of priority rights who did not subscribe for their rights in proportion to the rights they own.
- 4- **Final Allocation of Shares:** Shares will be allocated to each investor based on the number of Rights properly and fully exercised thereby. As for Shareholders entitled to fractional Shares, these shall be accumulated and offered to Institutional Investors during the Rump Offering. The total remaining Offering Price will be paid to the Company, and the remaining proceeds from the sale of the Rump Shares and fractional shares (i.e., above the offering price) shall be paid to the Eligible Persons, no later than Monday 24/04/1443H (corresponding to 29/11/2021G).
- 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 offering price, if any) shall be paid to Eligible Persons, whichever is due by the date of Sunday 22/05/1443H (corresponding to 26/12/2021G). Excess unsubscribed Shares shall purchase 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 Monday 24/04/1443H (corresponding to 29/11/2021G).

The Cash compensation amounts (the remaining proceeds of the offering process beyond the offering price) will be paid to the Eligible Persons who did not subscribe wholly or partially to the Rights (if any) without any commissions or deductions no later than one day, dated Sunday 22/05/1443H (corresponding to 26/12/2021G).

## 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.

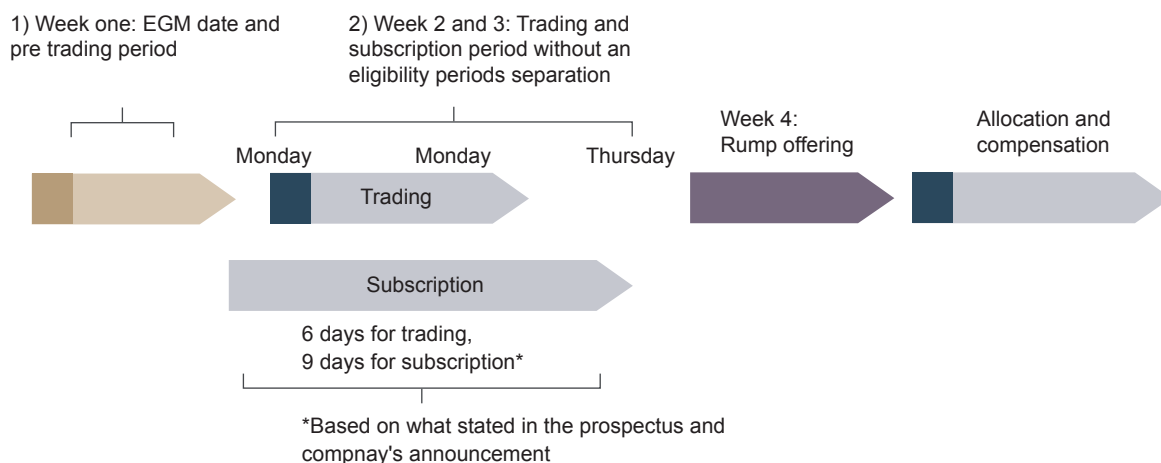
The investor who subscribed for the new shares prior to the publication of the supplementary Prospectus may cancel or amend his subscription for these shares before the end of the offering period.

## 12.7 Suspension or Cancellation of the Offering

The CMA may at any time issue a decision to suspend the offering if it deems that the offering may result in a breach of the capital market law, its implementing regulations, or the market rules. In addition, the offer will be canceled if the EGA does not approve any of the details of the offer.

The following figure shows the mechanism for trading and subscribing to the traded right issue.

**Figure (3): Mechanism for trading and subscribing to the traded right issue**



## 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.

### 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.

### 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 (2.434) right approximately for every (1) share owned by the registered shareholder on the eligibility date, and accordingly, if a registered shareholder owns (1000) shares on the eligibility date, then he will be allocated (2,434) two thousand four hundred and thirty-four 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 (15) fifteen 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 (5) five Saudi Riyals.

### 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.

### 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 (2,434) (two thousand and four hundred thirty-four) rights considering that each share has (2.434) rights. In this case, 1,947 (one thousand and nine-hundred forty-seven) rights will be deposited in portfolio (A) and 487 (four hundred eighty-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 Tadawul 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, he 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.

### 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 (info@sorayai.com.sa). For legal reasons, the Company will only be able to provide the information contained in this Prospectus and will not be able to advise on the merits of issuing rights or even provide financial advice or Tax, legal or investment.

For more information on the terms, conditions and instructions of the offering, please see section (12) "**Information related to shares and the terms and conditions of the offering**" and the rest of the information contained in this Prospectus.

## 12.8 Resolutions and Approvals Under Which Shares are Offered

The BOD of the Company recommended in its Decision dated 11/02/1442H (corresponding to 28/09/2020G) to increase the Company current capital from SAR 150,000,000 by Offering shares to finance working capital for the purchase of raw materials and finished products Settlement of future loans with commercial banks, implementation of the production efficiency control system, addition of a production line for preparing carpet backgrounds and a carpet production line with digital printing, and starting the unified operational footprint project and the central distribution center project.

On Thursday 29/03/1443H (corresponding to 04/11/2021G), the EGA approved the Board's recommendation, to increase the Company Share Capital by issuance of 61,632,010 ordinary shares at an offer price of SAR 10/share, and at a nominal value of SAR 10/share, to increase the Company capital from SAR 61,632,010 to SAR 211,632,000.

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 CMA website on 05/02/1443H (corresponding to 12/09/2021G).

## 12.9 Miscellaneous Terms

The subscription application form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties of the subscription and their respective successors permitted assignees, executors, administrators and heirs. Provided that, except as specifically contemplated herein, neither the application nor any of the Rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the consent of the party.

These instructions, the conditions clauses, and the receipt of subscription application forms or related contracts shall be governed, construed and enforced in accordance with the laws of the Kingdom of Saudi Arabia. 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 shall prevail.

## 12.10 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 share on the day of the EGA is SAR 109; it is expected to reach SAR 38.85 in the opening session the next day. The change represents a decrease of 64.35%. If any of the shareholders registered in the Company 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 EGA × the closing price for the Company share on the day of the EGA = 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:

$$\frac{\text{(the market value of the Company at the close of the day of the EGA + the value of the offered shares)}}{\text{(the number of shares at the end of the day of the EGA + the number of New Shares offered in the Offering)}} = \text{share price reset for the opening session on the day following the day of the Extraordinary General Assembly.}$$

## 14. Underwriting undertakings

### 14.1 Brief on the Rights Issue Application and the Underwriting Undertakings

- 1- During this period, all registered shareholders and new investors will be able to subscribe to the new shares.
- 2- 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).
- 3- New investors will be able to subscribe to the new shares immediately after the rights purchase is settled (two working days).
- 4- 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 by-laws
- 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 Sunday 22/05/1443H (corresponding to 26/12/2021G). 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 Monday 24/04/1443H (corresponding to 29/11/2021G).

### 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 trade transaction through settlement thereof. Trading occurs on each business day of the week between from 10 a.m. and 3:00 p.m., from Sunday to Thursday of each week, during which orders are executed. However, during other than those times, orders are permitted to be entered, amended, and cancelled from 9:30 a.m. until 10 a.m. 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 and Tadawul to register and list the Rights in the Saudi Stock Exchange. This Prospectus has been approved and all requirements have been met.

Registration and the commencement of trading in the Rights in the Saudi Stock Exchange are expected after the final allocation of the Offering Shares is completed and will be announced on Tadawul website. The dates mentioned in this Prospectus are tentative, and may be changed with the approval of the CMA.

Although the existing shares are listed on the Saudi Stock Exchange and the Company Shares are listed on Tadawul, the new shares can only be traded after the final allotment of shares has been made and deposited in the subscribers' portfolios. Trading in the new shares is strictly prohibited before the allocation is approved.

Subscribers and bidders in the Rump Offering who engage in prohibited trading activities shall bear full liability for them, and the Company shall not be liable in such a case.

## 15. Documents Available for Inspection

The following documents will be available for inspection at the Head Office of the Company in Jeddah, during the official working hours, between 8:30 a.m. and 5:30 p.m., 14 days before the EGA to increase the Share Capital of the Company. These documents will be available until the end of the Offering:

### 15.1 Constituent Documents relating to Company's incorporation and By-laws

- Company's CR
- Company's By-laws

### 15.2 Approvals relating to Offering of Rights Shares

- Recommendation of the BOD regarding capital increase
- CMA's approval of the Company's Share Capital increase through Rights Issue
- Tadawul's approval of the Company's Rights Issue
- Resolution of the EGM approving the Company's Share Capital increase through Rights Issue.


### 15.3 Reports, letters and documents:


- Material contracts and agreements that have been disclosed in this Prospectus
- Written consents by the Financial Advisor, the Lead Manager, the Underwriters, and the Legal Advisor to publish and use their names, logos and statements in the Prospectus
- Letter of approval by the External Auditor to publish and use their names and logos in the Prospectus
- Comfort letter of the Legal Advisor


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