PROSPECTUS

RED SEA HOUSING SERVICES COMPANY

Sale of 9,000,000 shares representing 30% of Red Sea Housing Services Company through an Initial Public Offering at an Offer Price of SAR 58 per Share

A Saudi Joint Stock Company (under conversion) in accordance with the Ministerial Resolution No. 1801 dated 5/7/1427H (Corresponding to 30/7/2006G)

Offer Period: 18/7/1427H to 27/7/1427H (Corresponding to: 12/8/2006G to 21/8/2006G)

Red Sea Housing Services Company ("Red Sea" or the "Company") was formed as a Saudi general partnership with Commercial Registration Number 4030052466 dated 03/05/1406H (corresponding to 13/01/1986G). The Company was converted on 07/11/1411H (corresponding to 21/05/1991G) into a Saudi limited liability company with Commercial Registration Number 2055006105 dated 26/10/1424H (corresponding to 20/12/2003G), as amended. The Minister of Commerce and Industry has, pursuant to resolution No. 1801 dated 5/7/1427H (Corresponding to 30/7/2006G), authorized the conversion of the Company into a joint stock company with a share capital of SAR 300 million comprising thirty (30) million shares with a nominal value of SAR 10 each. Following completion of the Offering (as defined below) and the conclusion of the Conversion General Assembly, an application will be submitted to the Minister of Commerce and Industry requesting him to announce the conversion of the Company. The Company will be considered duly converted into a joint stock company from the date of issuance of the Ministerial Resolution declaring its conversion.

The Initial Public Offering (the "Offering") of 9,000,000 shares (the "Offer Shares") with a nominal value of SAR 10 each, all of which are fully paid, and representing 30% of the issued share capital of the Company, is directed at and may be accepted by individuals having the Saudi nationality ("Subscriber" and collectively referred to as the 'Subscribers"). The Offer Shares are being sold by Dabbagh Group Holding Company Limited ("Dabbagh Group" or the "Selling Shareholder"), which owns 24,300,000 shares of the Company (the "Shares") representing 81% of the share capital of the Company before Offering. Upon completion of the Offering, Dabbagh Group will own 51% of the Shares and will consequently retain a controlling interest in the Company. The net proceeds from the Offering will be paid to the Selling Shareholder. The Company will not receive any part of the proceeds from the Offering. The Offering is fully underwritten (Please refer to section "Underwriting").

The Offering will commence on Saturday 18/7/1427H (corresponding to 12/8/2006G) and will remain open up to and including Monday 27/7/1427H (Corresponding to 21/8/2006G) (the "Offering Period"). Subscription to Offer Shares can be made through branches of each of the Lead Manager and the Receiving Banks (as defined in the "Important Notice" section) during the Offering Period.

Each individual subscriber to the Offer Shares must apply for a minimum of ten (10) Offer Shares. Each Subscriber may not apply for more than twenty five thousand (25,000) Offer Shares. Each Subscriber will be allocated a minimum of ten (10) Offer Shares with the remaining Offer Shares, if any, being allocated on a pro-rata basis. The Company does not guarantee the minimum allocation of ten (10) Offer Shares in the event that the number of Subscribers exceeds nine hundred thousand (900,000). In that case, the Offer Shares will be allocated equally between all Subscribers. If the number of Subscribers exceeds the number of Offer Shares, the allocation will be determined at the discretion of the Capital Market Authority of the Kingdom of Saudi Arabia ("CMA" or "Authority"). Excess of subscription monies, if any, will be refunded to Subscribers without any charge or withholding by the Lead Manager and the Receiving Banks. Notification of the final allotment and refund of subscription monies, if any, will be made no later than Monday 4/8/1427H (Corresponding to 28/8/2006G). (Please refer to section "Subscription Terms and Conditions" – Allocation and Refunds).

Each Share entitles the holder to one vote and each shareholder ("Shareholder") with at least 20 Shares has the right to attend and vote at the general assembly meeting (the "General Assembly Meeting"). The Offer Shares will be entitled to receive dividends declared by the Company from the date of commencement of the Offering Period and for subsequent fiscal years. The Company's net income amounted to SAR 97.9 million for the fiscal year ending March 31, 2005G of which SAR 48.6 million was paid out as dividends to the shareholders of the Company and the Company is expected to pay approximately SAR 60 million in dividends for the fiscal year ending March 31, 2006G to the Existing Shareholders (Please refer to section "Dividends Record and Policy").

Prior to the Offering, there has been no public market for the Shares in Saudi Arabia or elsewhere. An application has been made to the CMA for the admission of the Shares to the Official List and all relevant approvals pertaining to this Prospectus and all other supporting documents requested by the CMA in addition to all relevant regulatory approvals required to conduct the Offering have been granted. Trading in the Shares is expected to commence on the Exchange soon after the final allocation of the (Please refer to section "Key Dates for Investors"). Subsequent to the Shares commencing trading, Saudi and GCC nationals, companies, banks and funds as well as individuals having an Iqama (resident permit) in Saudi Arabia will be permitted to trade in the Shares. The "Important Notice" and "Risk Factors" sections in this Prospectus should be considered carefully prior to making an investment decision in the Shares offered hereby.

Financial Advisor | Lead Manager and Lead Underwriter | Co-Underwriters

SWICORP | Saudi Hollandi Bank | Banque Saudi Fransi, NCB

Receiving Banks

Saudi Hollandi Bank, Banque Saudi Fransi, NCB, Al Rajhi Bank, arab national bank, Bank AlBilad, Bank AlJazira, riyad bank, SABB, samba, The Saudi Investment Bank

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

The date of this prospectus is 6/7/1427H (corresponding to 31/7/2006G)
English Translation of the Official Arabic Prospectus

IMPORTANT NOTICE

This Prospectus provides full details of information relating to Red Sea and the Offer Shares. In applying for Offer Shares, investors will be treated as applying on the basis of the information contained in the Prospectus, copies of which are available for collection from the Receiving Banks (as defined below) or by visiting both the Company's website (www.redseahousing.com) and the website of the Capital Market Authority of Saudi (www.cma.org.sa).

The Company has appointed Swicorp Financial Advisory Services S.A. ("Swicorp") as its Financial Advisor and Saudi Hollandi Bank as the Lead Manager and Lead Underwriter (the "Lead Manager"), The Company has also appointed Saudi Hollandi Bank, Banque Saudi Fransi and National Commercial Bank as Underwriters ("Underwriters") in relation to the Offer Shares described herein.

This Prospectus includes details given in compliance with the Listing Rules of the CMA. The directors, whose names appear on page (IV) of this Prospectus, collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The CMA and the Exchange take no responsibility for the contents of this document, make no representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, substantial portions of the market and industry information herein are derived from external sources, and while neither Swicorp nor any of the Company's advisors whose names appear on page (V) of this Prospectus (the "Advisors") has any reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information.

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

The Prospectus is not to be regarded as a recommendation on the part of the Company, the Selling Shareholder or any of their advisors to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice in relation to the Offering and for considering the appropriateness of the information herein, that the information is with regard to individual objectives, financial situations, and needs.

The Offering is being made to, and is only capable of acceptance by, nationals of Saudi Arabia. The distribution of this Prospectus and the sale of the Offer Shares in any other jurisdiction are expressly prohibited. The Company, Selling Shareholder, and Lead Manager require recipients of this Prospectus to inform themselves about and to observe all such restrictions.

Industry and Market Data

In this Prospectus, information regarding the manufactured housing industry and other data regarding the market segment in which the Company operates have been obtained from (i) the Company's estimates, (ii) data and analysis on the manufactured housing industry, which were obtained from various publicly available third party sources and materials, including a report issued on April 5, 2005G by Icon Group International, a global market research firm. Icon Group International states on its website (http://www.icongrouponline.com) that the statements in its reports are derived from or based upon various information sources and/or econometric models that Icon Group International believes to be reliable, but do not guarantee their accuracy, reliability or quality. Such information, sources, and estimates are believed to be reliable, but have not been independently verified by the Company or Swicorp and no guarantee can be presented as to their accuracy or completeness.

Industry and market data is subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any survey of market size. None of the publications, reports or other published industry sources referred to in this prospectus were commissioned by the Company or prepared at its request and the Company has not sought or obtained the consent from any of these sources, including Icon Group International, to include such market data in this prospectus.

Financial Information

The audited financial statements of Red Sea for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as the interim audited financial statements for the eight months ended November 30, 2005G of the Company's fiscal year ending March 31, 2006G and the notes thereto, which are incorporated elsewhere in this Prospectus, have been prepared in conformity with the accounting principles issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). Red Sea publishes its financial statements in Saudi Arabian Riyals ("SAR").

The AJC/PwC report included in this offering document relates to the Company's historical financial information only.

Transfer of Head Office

The Company transferred its head office from Jeddah to Jubail under Commercial Registration No. 2055006105 dated 26/10/1424H (corresponding to 20/12/2003G).

Forecasts and Forward Looking Statements

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

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

Subject to the requirements of the Listing Rules, Red Sea must submit a supplementary prospectus to the CMA if at any time after the Prospectus has been approved by the CMA and before admission to the Official List, Red Sea becomes aware that: (1) there has been a significant change in material matters contained in the Prospectus or any document required by the Listing Rules, or (2) additional significant matters have become known which would have been required to be included in the Prospectus. Except in the aforementioned circumstances, Red Sea does not intend to update or otherwise revise any industry or market information or forward looking statements in this Prospectus, whether as a result of new information, future events, or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Prospective investors should consider all forward looking statements in light of these explanations and should not place undue reliance on forward looking statements.

CORPORATE DIRECTORY

Proposed Directors

Name		Title
1.	Dr. Majid Abdullah Al Kassabi	Chairman
2.	Engr. Hussein Abdullah Mohammed Ali Al Dabbagh	Director
3.	Mr. Jamal Abdullah Mohammed Ali Al Dabbagh	Director
4.	Mr. Don Brown Sumner	Managing Director
5.	Mr. John Hugh Parry	Director
6.	Mr. Mohammed Husnee Jazeel	Director
7.	Mr. Tareq Abboud Hassan	Director
8.	*	Director
9.	*	Director

**To be appointed as independent members by the Shareholders in the Conversion General Assembly to take place following the Offering*

Registered Office

Red Sea Housing Services Company (under conversion)
P.O. Box 1531, Jubail 31952
Kingdom of Saudi Arabia

Board of Directors' Secretary

Mr. Tareq Abboud Hassan
Dabbagh Group Holding Company Limited
2nd Floor, Badr Center
Thaliah Street
P.O. Box 1039
Jeddah 21431
Kingdom of Saudi Arabia

Share Registrar

Tadawul
Abraj Atta'awuneya 700
King Fahd Road
P.O. Box 60612
Riyadh 11555
Kingdom of Saudi Arabia

ADVISORS

Financial Advisor

Swicorp Financial Advisory Services S.A
8, Quai Gustave-Ador
1211 – Geneva
Switzerland

Legal Advisors to the Transaction

Legal Advisors, Torki A. Al-Shubaiki in association with Baker & McKenzie Limited
PO Box 4288
Riyadh 11491
Kingdom of Saudi Arabia

Registered Auditors

Al Juraid & Company, member firm of PricewaterhouseCoopers
Al-Suhaili Business Center
P.O. Box 16415
Jeddah 21464
Kingdom of Saudi Arabia

Reporting Accountants

Sami E. Farah, Abdulhamid M. Bushnaq & Partner; member firm of Ernst & Young International Limited
P.O. Box: 12187
Jeddah 21473
Kingdom of Saudi Arabia

Media Adviser

Targets Leo Burnett
PO Box 295797
Riyadh 11351
Kingdom of Saudi Arabia

Public Relations Consultant

MS&L
PO Box 295797
Riyadh 11351
Kingdom of Saudi Arabia

Lead Manager, Underwriters and Receiving Banks

Lead Manager and Lead Underwriter

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

Co-Underwriters

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

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

Receiving Banks

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

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

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

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

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

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

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

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

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

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

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

THE OFFERING

Share Capital	SAR 300,000,000
Offer Price	SAR 58
Nominal Value	SAR 10 per share
Number of issued Shares	30,000,000 fully paid ordinary shares
Number of Offer Shares	9,000,000 fully paid ordinary shares
Percentage of Offer Shares	The Offer Shares represent 30% of the Company's issued share capital
Total value of Offer Shares	SAR 522,000,000
Number of Offer Shares Underwritten	9,000,000 shares
Amount Underwritten	SAR 522,000,000
Minimum number of Offer Shares to be applied for	10 shares
Minimum subscription amount	SAR 580
Maximum number of Offer Shares to be applied for	25,000 shares
Maximum subscription amount	SAR 1,450,000

Selling Shareholder	Pre-Offering SAR 10 par value/share			Post-Offering SAR 10 par value/share		
	Shares	Percent	Capital (SAR)	Shares	Percent	Capital (SAR)
Dabbagh Group Holding Company Limited*	24,300,000	81.00%	243,000,000	15,300,000	51.00%	153,000,000

* *Please refer to section "Dabbagh Group (The Selling Shareholder)".*

Use of Proceeds	The net proceeds of the Offering will be paid to the Selling Shareholder. The Company will not receive any proceeds from the Offering.
Allocation of Offer Shares	Each Subscriber will be allocated a minimum of ten (10) Offer Shares with the remaining Offer Shares being allocated on a pro-rata basis. In the event that the number of Subscribers exceeds nine hundred thousand (900,000), the Company does not guarantee the minimum allocation of ten (10) Offer Shares. In that case, the Offer Shares will be allocated equally between all Subscribers. If the number of Subscribers exceeds the number of Offer Shares, the allocation will be determined at the discretion of the CMA. (Please refer to section "Subscription Terms and Conditions" – Allocation and Refunds).
Excess of Subscription Monies	Excess of subscription monies, will be refunded to Subscribers without any charge or withholding by the Receiving Banks on Monday 4/8/14727H (Corresponding to 28/8/2006G). (Please refer to section "Subscription Terms and Conditions" – Allocation and Refunds).
Offering Period	The Offering will commence on Saturday 18/7/1427H (corresponding to 12/8/2006G) and will remain open up to and including Monday 27/7/1427H (Corresponding to 21/8/2006G).
Dividends	The Company's net income amounted to SAR 97.9 million for the fiscal year ended March 31, 2005G of which SAR 48.6 million were paid out as dividends to the shareholders of the Company. In the first half of 2006G, the Company is expected to pay approximately SAR 60 million in dividends for the fiscal year ending March 31, 2006G to the Existing Shareholders. The Offer Shares will be entitled to receive dividends declared by the Company from the date of commencement of the Offering Period and for subsequent fiscal years. For a discussion of the Company's dividend policy, please refer to section "Dividends Record and Policy".
Voting Rights	The Company has only one class of Shares and no Shareholder has any preferential voting rights. Each Share entitles the holder to one vote and each Shareholder holding at least 20 Shares has the right to attend and vote at the General Assembly Meeting. For a discussion of the Company's voting rights, please refer to section "Voting Rights".
Share Restrictions	The Existing Shareholders may not dispose of any Shares during the period of 6 months from the date on which trading of the Offer Shares commences on the Exchange. After the 6-months share trading restriction period has elapsed, the Existing Shareholders may dispose of their Shares only after obtaining CMA approval.
Listing of Shares	Prior to the Offering, there has been no public market for the Shares in Saudi Arabia or elsewhere. An application has been made to the CMA for the admission of the Shares to the Official List and all relevant regulatory approvals required to conduct the Offering have been granted. Trading in the Shares is expected to commence on the Exchange soon after the final allocation of the Shares and after all relevant official procedures have been completed (Please refer to section "Key Dates for Investors").

Risk Factors

There are certain risks relating to an investment in this Offering. These risks can be categorized into (i) Risks related to the Company's operations, (ii) Risks related to the market, and (iii) Risks related to the ordinary shares. These risks are described in the "Risk Factors" section of this Prospectus which should be considered carefully prior to making an investment decision in the Shares offered hereby.

KEY DATES FOR INVESTORS

Offering Timetable	Date*
Offer Period	18/7/1427H to 27/7/1427H (corresponding to 12/8/2006G – 21/8/2006G)
Last date for submission of application form and subscription monies	27/7/1427H (corresponding to 21/8/2006G)
Notification of final allotment and refund of subscription funds (in the event of over-subscription)	4/8/14727H (corresponding to 28/8/2006G)
Start date of trading of Offer Shares	Upon completion of all relevant procedures

**The above timetable of events is indicative. Actual dates will be conveyed through printed press.*

SUBSCRIPTION PROCEDURE

The Offering is directed to and may be accepted by individuals having the Saudi Arabia nationality only. Subscription Forms will be made available during the Offering Period at the branches of the Lead Manager and Receiving Banks and on the website of the Lead Manager. Subscription can be also effected through the internet, phone banking, or automated teller machines through the Receiving Banks that offer one or all of those facilities to those Subscribers which have previously subscribed to recent offerings, given that (i) the Subscriber holds an account at such Receiving Bank providing such services, and (ii) there are no changes to the Subscriber' information or details since the Subscriber's subscription in a recent offering.

The Subscription Forms must be completed in accordance with the instructions described in the "Subscription Terms and Conditions" section of this Prospectus. Each Subscriber must agree to and complete all relevant sections of the Subscription Form. The Company reserves the right to decline any Subscription Form, in part or in whole, in the event any of the subscription terms and conditions is not met. Amendments to and withdrawal of the Subscription Form shall not be permitted once the Subscription Form has been submitted. Furthermore, the Subscription Form shall, upon submission, represent a binding agreement between the Subscriber and the Company (Please refer to section "Subscription Terms and Conditions").

SUMMARY OF THE KEY INFORMATION

This summary of the key information aims to give an overview of the information contained in this Prospectus. As it is a summary, it does not contain all of the information that may be important to interested Subscribers. Recipients of this Prospectus should read the whole Prospectus before making a decision to invest in the Company. Capitalized and abbreviated terms have the meanings ascribed to such terms in the "Definitions and Abbreviations" section and elsewhere in this Prospectus.

The Company

Red Sea Housing Services Company (the "Company" or "Red Sea"), is a Saudi company operating in the manufactured housing market in the Middle East, Africa and Asia. The Company sells and leases a wide range of manufactured buildings for commercial and residential applications and offers quick and durable housing solutions to the oil & gas, construction, and mining sectors as well as government and multilateral organizations. Red Sea has three manufacturing facilities strategically located in Jubail Industial City in the Kingdom of Saudi Arabia, Jebel Ali Free Zone in the United Arab Emirates and Accra in the Republic of Ghana (the latter through its wholly-owned subsidiary Red Sea Housing Services (Ghana) Limited) to serve the growing demands of its clients worldwide and has successfully completed projects in over 40 countries over the last 20 years.

Red Sea Housing Services company was formed as a Saudi general partnership with Commercial Registration Number 4030052466 dated 03/05/1406H (corresponding to 13/01/1986G). The Company was converted on 07/11/1411H (corresponding to 21/05/1991G) into a Saudi limited liability company with Commercial Registration Number 2055006105 dated 26/10/1424H (corresponding to 20/12/2003G), as amended. The Company has two subsidiaries, the first of which – Rea Sea Housing Services (Ghana) Limited – is a wholly owned Ghanaian limited liability company registered under commercial registration number CA-14,061 issued in Victoriaburg, Accra on 20/10/2004G. The second company – SARL Red Sea Housing Services Algeria Ltd – is a 99% owned Algerian limited liability company registered under commercial registration number 189878 issued in Algiers on 08/03/2006G.

The Minister of Commerce and Industry has, pursuant to resolution No. 1801 dated 5/7/1427H (Corresponding to 30/7/2006G), authorised the conversion of the Company into a joint stock company with a share capital of SAR 300 million comprising thirty (30) million shares with a nominal value of SAR 10 each. Following completion of the Offering (*as defined below*) and the conclusion of the Conversion General Assembly, an application will be submitted to the Minister of Commerce and Industry requesting him to announce the conversion of the Company into a joint stock company. The Company will be considered dully converted into a joint stock company from the date of issuance of the Ministerial Resolution declaring its conversion.

Ownership Structure of Red Sea

	Pre-Offering			Post-Offering		
	Shares	Percent	Capital (SAR)*	Shares	Percent	Capital (SAR)*
Dabbagh Group Holding Company Limited	24,300,000	81.00%	243,000,000	15,300,000	51.00%	153,000,000
Tanmiah Commercial Group	1,200,000	4.00%	12,000,000	1,200,000	4.00%	12,000,000
Supreme Foods Company Limited	1,500,000	5.00%	15,000,000	1,500,000	5.00%	15,000,000
National Scientific Company Limited	1,500,000	5.00%	15,000,000	1,500,000	5.00%	15,000,000
Marketing and Commercial Agencies Company Limited	1,500,000	5.00%	15,000,000	1,500,000	5.00%	15,000,000
Offering Subscribers	0	0.00%	0	9,000,000	30.00%	90,000,000
Total	30,000,000	100.00%	300,000,000	30,000,000	100.00%	300,000,000

**SAR 10 par value/share*
Source: Red Sea

Red Sea has been growing and profitable in the past with net income averaging 17% of revenues during the past three fiscal years ended March 31, 2003G, 2004G, and 2005G. Return on assets and return on equity over this period averaged 27% and 51% respectively. The revenues of the Company grew from SAR 177.1 million for the fiscal year ended March 31, 2003G to SAR 394.8 million for the fiscal year ended March 31, 2004G and SAR 421.6 million for the fiscal year ended March 31, 2005G. This translated into growth in revenues of 123% and 7% during the fiscal years ended March 31, 2004G and 2005G respectively. Net income of the Company grew from SAR 22.7 million for the fiscal year ended March 31, 2003G to SAR 63.0 million for the fiscal year ended March 31, 2004G and SAR 97.9 million for the fiscal year ended March 31, 2005G. This translated into growth in net income of 178% and 55% during the fiscal years ended March 31, 2004G and 2005G respectively (Please refer to section "Management's Discussion and Analysis of Financial Condition and Results of Operations").

With three manufacturing facilities strategically located in Saudi Arabia, the United Arab Emirates, and the Republic of Ghana, (the latter through its wholly-owned subsidiary Red Sea Housing Services (Ghana) Limited), Red Sea is certified to the ISO 9001:2000 standard for its quality management system in two of its production facilities with the newly established manufacturing facility in Republic of Ghana currently in the process of obtaining an ISO 9001:2000 certification. The Company has a current production capacity of 335,000 m^2 per year and serves its clients with products built under high standards to ensure their uniformity and quality. (Please refer to section "Manufacturing Facilities and Operations").

Red Sea takes pride in its reputation for expertise, craftsmanship, and durability evidenced by the fact that it is one of the manufactured housing companies in the Kingdom which is certified by Saudi Aramco. Building on its vast experience in design, planning, and production of manufactured housing, the Company continuously strives to deliver high quality products and loyal service.

Enjoying considerable operating flexibility, Red Sea strives to meet its customers' specific needs ranging from a small guardhouse up to a spacious hotel. Red Sea offers a broad range of housing products with a proven track record of expertise in providing turnkey package solutions, i.e. completely furnished buildings, utilities, and infrastructure work.

Red Sea has a large and diverse customer base with sales offices strategically located at Jubail in Saudi Arabia, Dubai in the United Arab Emirates, and Accra in the Republic of Ghana as well as sales representative and agents and site offices to meet the specific needs of its customers.

Red Sea currently employs 968 full time personnel. Its Management is highly qualified and possesses a diverse and relevant experience in both the Middle Eastern and international markets.

Vision Statement

"To be the supplier of choice for all major multinational oil & gas, and mining companies operating in our market area".

Mission Statement

"To be totally committed in providing our customers with quality products that shall be delivered defect-free and on time".

Competitive Advantages

Company's position in large and growing markets: Red Sea's management believes that the Company benefits from its position in the important manufactured housing markets of the Middle East, Africa, and Asia. The Company's main focus is on the oil & gas, construction, and mining sectors as well as government and multilateral organizations. The importance of these market segments is evidenced by the key characteristics of these regions including the abundance of natural resources, ongoing industrial development, geo-political conditions, and the housing needs of the growing populations across these regions.

Comprehensive product range: Red Sea has developed a comprehensive range of products over the years to meet the specific needs of its customers. Red Sea is recognized to meet a wide range of housing requirements, with either temporary or permanent structures, including accommodation units, offices, power generation plants, water treatment plants, kitchen/dining units, recreation units, laundry areas, labor quarters, drill/rig camps, dormitories, guard houses, hospitals/clinics, hotels, relief housing facilities, and schools. With products ranging from the single-section, moveable camp shelters to multi-section, luxury villas, Red Sea strives to meet the growing manufactured housing demands of its diverse customer base using high quality products tailored to the specific needs of each customer. Additionally, the Company offers a range of value added services to its customers including lease, buy back, rental, camp management, and civil works, which not only bring additional revenues to the Company but also help increase the sales of its core products through bundling and enhanced customer satisfaction.

Large, diverse, and loyal customer base: Red Sea's robust performance over the past several years is underpinned by a large and diverse customer base, evidenced by the successful completion of hundreds of projects in over 40 countries over the past 20 years. Red Sea's array of customers stems from both public and private sectors, including oil & gas, construction, and mining companies as well as government and multilateral organizations. These different customer demographics and their differing housing needs enable Red Sea to avoid over-dependence on any single geographic or market segment.

Reputation for quality of products, superior customer service, and turnkey solutions: Red Sea's management believes that the Company is perceived by its customers as being among the best providers of manufactured housing products and services in the markets it serves with high ethical values in its customer dealings. In addition, the Company's turnkey solutions that include the design, the delivery, the provision of civil and foundation works, and the assembly sets Red Sea distinctly apart from the competition. Red Sea also prides itself in working with its customers and showing a high degree of flexibility to optimize and tailor its products and services to match the specifications and economics desired by its customers.

Ability and willingness to deliver quickly under challenging circumstances: Red Sea believes it has positioned itself to be the most responsive provider of manufactured housing products within its market area as a result of the Company's strategy to effectively manage inventories in order to meet the sudden demand surges, the high flexibility of its workforce, and the use of the most appropriate delivery services.

Strategically located manufacturing facilities: Red Sea's existing manufacturing facilities are strategically located in the Middle East and Africa in Jubail, Saudi Arabia, Jebel Ali Free Zone, UAE, and Accra, Republic of Ghana (the latter through its wholly-owned subsidiary Red Sea Housing Services (Ghana) Limited). Current production capacity in excess of 335,000 m^2 per year allows Red Sea to serve its clients promptly and efficiently, delivering high quality products and solutions on tight schedules (Please refer to section "Manufacturing Facilities and Operations").

Talented management team and workforce with a diverse and relevant experience: Red Sea is managed by a highly experienced team of professionals, many of whom have more than 20 years of industry experience, mostly acquired within Red Sea. The Executive Management team possesses extensive experience in both regional and international manufactured housing markets with expertise in production and installation and other relevant disciplines such as procurement, supply chain management, marketing, distribution, logistics, and finance. Having served more than 130 major customers over the last 20 years across the Middle East, Africa, and Asia, the Red Sea management possesses a unique experience and insight into the core markets of the Company. A large proportion of the Red Sea employees have technical skills in multiple areas of manufacturing and installation operations which helps to avoid operational disruptions that might occur due to any on site emergency situation (Please refer to section "Executive Management").

Well reputed selling shareholder: Red Sea's Selling Shareholder, Dabbagh Group is one of the Middle East's leading business corporations comprising more than 28 autonomous companies with major interests in real estate development, food and agriculture, energy, technology, media & telecommunications, trade and financial services sectors, currently operating in various countries around the world.

FINANCIAL HIGHLIGHTS

The selected financial information presented below should be read in conjunction with the audited financial statements for the fiscal years ended March 31, 2003G, 2004G, and 2005G and the eight months ended November 30, 2005G as well as unaudited interim financial statements for the eight months ended November 30, 2004G including, in each case, the notes thereto, included elsewhere in this Prospectus.

Financial Highlights (SAR 000s)					
	Fiscal Year Ended March 31			Eight Months Ended November 30	
	2003G	2004G	2005G	2004G*	2005G
Income Statement Summary					
Revenues	177,126	394,763	421,624	307,681	273,184
Cost of Revenues	(126,326)	(287,486)	(278,571)	(200,724)	(163,080)
Gross Profit	**50,800**	**107,277**	**143,053**	**106,957**	**110,104**
Selling and Marketing	(13,988)	(15,969)	(27,832)	(20,998)	(16,774)
General and Administrative	(15,487)	(29,879)	(18,282)	(13,350)	(14,225)
Reversal of excess accruals	-	-	-	-	14'700
Operating Income	**21,325**	**61,429**	**96,939**	**72,609**	**93,805**
Financial Income (Charges) - Net	(44)	(154)	1,180	332	835
Other Income	2,064	3,736	2,325	1,650	2,991
Income Before Zakat	23,345	65,011	100,444	74,591	97,631
Zakat	(612)	(1,981)	(2,511)	(1,854)	(4,571)
Net Income	**22,733**	**63,030**	**97,933**	**72,737**	**93,060**
Balance Sheet Summary					
Current Assets	81,973	186,283	220,326	219,926	(**)390,414
Non-Current Assets	56,319	48,336	45,955	41,167	67,062
Total Assets	**138,292**	**234,619**	**266,281**	**261,093**	(**)**457,476**
Current Liabilities	59,720	124,651	106,150	77,844	94,287
Non-Current Liabilities	4,873	4,863	5,732	5,407	6,230
Total Liabilities	**64,593**	**129,514**	**111,882**	**83,251**	**100,517**
Share Capital	3,000	3,000	3,000	3,000	(**)300,000
Statutory Reserves	1,500	1,500	1,500	1,500	1,500
Retained Earnings	69,199	100,605	149,899	173,342	55,459
Total Shareholders' Equity	**73,699**	**105,105**	**154,399**	**177,842**	**356,959**
Total Liabilities and Shareholders' Equity	**138,292**	**234,619**	**266,281**	**261,093**	**457,476**
Key Ratios					
Sales Growth	24.2%	122.9%	6.8%	(***) 16.9%	(***) (2.8%)
Total Assets Growth	16.7%	69.8%	13.5%	11.3%	15.5%
Gross Profit Margin	28.7%	27.2%	33.9%	34.8%	40.3%
Net Income Margin	12.8%	16.0%	23.2%	23.6%	34.1%
Current Ratio	1.4	1.5	2.1	(***) 2.8	(***) 2.5
Total Assets Turnover	1.3	1.7	1.6	(***) 1.8	(***) 1.3
Return on Assets	16.4%	26.9%	36.8%	(***) 42%	(***) 45%
Return on Equity	30.8%	60.0%	63.4%	(***) 61%	(***) 67%
Earnings per Share (SAR)****	0.8	2.1	3.3	2.4	3.1

*Unaudited financials; ** Pursuant to the Partners Resolution signed by the Existing Shareholders and notarized before the Notary Public of the Chamber of Commerce and Industry in the Eastern Province on 29/6/1427H (Corresponding to 25/7/2006G), the Capital of the company was increased from SAR 3 million (consisting of 3,000 Shares at a nominal value of SAR 1,000 each) to SAR 300 million (consisting of 30,000,000 Shares at a nominal value of SAR 10 each) through a transfer of SAR 147 million from retained earnings as of November 30, 2005G and the injection of SAR 150 million in new capital by the Dabbagh Group, on December 4, 2005G.(Please refer to section "Capitalization").*** Percentages are computed by annualising the 8-months figures (8-months figures*12/8), Ratios for the eight months ended November 30 2005G are computed without taking into account the SAR 150 million injection in new capital. **** Earnings per share for the years ended March 31, 2005G, 2004G and 2003G and for the months ended November 30 2004G and 2005G have been computed by dividing the net income for each of those years/period by thirty million shares to give a retroactive effect of the prospective increase in share capital mentioned in "Capitalization" section. Source: Red Sea. Figures are rounded.

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1 DEFINITIONS AND ABBREVIATIONS

Items	Definitions
AED	United Arab Emirates Dirham
Authority	The Capital Market Authority of the Kingdom of Saudi Arabia, including, where applicable, any committee, employee or agent delegated with any function of the Authority
AutoCAD	A popular computer aided drafting program
Board or Board of Directors	Board of Directors of the Company
CBM	Cubic Meter
CFO	Chief Financial Officer
CIS	Commonwealth of Independent States
CMA	The Capital Market Authority of the Kingdom of Saudi Arabia
Companies Regulations	The Companies Regulations, issued under the Royal Decree Number (M/6), dated 22/3/1385H, as amended
Dabbagh Group	Dabbagh Group Holding Company Limited, a limited liability company with Commercial Registration Number 4030088071 issued in Jeddah on 07/01/1413H
Directors	Proposed Members of Board of Directors of Red Sea
Engr.	Engineer
Exchange	The Saudi Stock Exchange
Financial Advisor	Swicorp Financial Advisory Services S.A.
Existing Shareholders	Dabbagh Group Holding Company Limited, Tanmiah Commercial Group, Supreme Foods Company Limited, National Scientific Company Limited, Marketing and Commercial Agencies Company Limited
G	Notation for Gregorian Year
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GM	General Manager
Government	The Government of the Kingdom of Saudi Arabia
H	Notation for Hijrah Year
ISO	International Organization for Standardization
IT	Information Technology
JAFZA	Jebel Ali Free Zone Authority
KGS	Kilograms
Kingdom	The Kingdom of Saudi Arabia
L/C	Letter of Credit
Listing Rules	The Listing Rules issued by the CMA pursuant to Article 6 of the Capital Market Law promulgated under Royal Decree No. (M/30) dated 02/06/1424H (corresponding to 31/07/2003G)
Lead Manager	Saudi Hollandi Bank
m	Meters

m^2	Meters Squared
Management	Management of Red Sea
MBA	Master of Business Administration
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company
MoCI	Ministry of Commerce and Industry
NGOs	Non-governmental Organizations
Offering or IPO	The initial public offering of 9,000,000 ordinary Shares of Red Sea, representing 30% of its issued share capital
Offering Period	The period of time during which applications can be made for subscription to the Offer Shares
Offer Price	SAR 58 per Offer Share
Offer Shares	Up to 9,000,000 ordinary shares of the Company
Official Gazette	Um AlQura, the Official Gazette of the Government of Saudi Arabia
Official List	The list of securities maintained by the Capital Market Authority in accordance with the Listing Rules
Person	A natural person
Prospectus	This prospectus prepared by the Company in connection with the Offering
PVC	Poly-Vinyl Chloride
Receiving Banks	Saudi Hollandi Bank, Banque Saudi Fransi, National Commercial Bank, Al Rajhi Banking and Investment Corp., Bank Albilad, Bank Aljazira, Riyad Bank, Saudi British Bank, Samba Financial Group, The Saudi Investment Bank.
Red Sea or Company	Red Sea Housing Services Company Limited and upon its conversion into a joint stock company, Red Sea Housing Services Company
SAR	Saudi Arabian Riyal
SASO	Saudi Arabian Standards Organization
Saudi Arabia	The Kingdom of Saudi Arabia
Saudi GAAP	Generally accepted accounting principles in Saudi Arabia
Saudization	Labour market regulations in the Kingdom of Saudi Arabia making it mandatory for companies operating in Saudi Arabia to employ a certain proportion of Saudi nationals
Selling Shareholder	Dabbagh Group
Shareholders	Holders of the Shares at any particular time
Shares	Fully paid ordinary shares of the Company with a nominal value of SAR 10 per Share
SIBOR	Saudi Inter Bank Offer Rate
SOCPA	Saudi Organisation for Certified Public Accountants
Subscriber	Each person subscribing for the Offer Shares
Swicorp	Swicorp Financial Advisory Services S.A, the financial advisor for the Offering
Tadawul	Automated system for trading of Saudi shares
UAE	United Arab Emirates
UK	United Kingdom
Underwriters	Saudi Hollandi Bank, Banque Saudi Fransi, National Commercial Bank

Lead Underwriter	Saudi Hollandi
US, USA	United States of America
US$ / USD	United States Dollar
WTO	World Trade Organization

2 RISK FACTORS

In addition to the other information contained in this Prospectus, prospective Subscribers should consider carefully the risk factors set forth below before making a decision to invest in the Offered Shares. The risks described below are not the only ones that the Company may face. Additional risks not currently known to the Company or ones currently deemed immaterial may also impair their business operations. The Company's business and financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of the Offered Shares could decline due to any of these or other risks, and Subscribers may lose part of or all of their investment.

2.1 RISKS RELATED TO THE COMPANY'S OPERATIONS

2.1.1 UNEXPECTED BUSINESS INTERRUPTION

Red Sea's business is dependent on the ongoing, efficient operations of its manufacturing facilities in Jubail, Saudi Arabia, Jebel Ali Free Zone, UAE and Accra, Republic of Ghana (the latter through its wholly-owned subsidiary Red Sea Housing Services (Ghana) Limited), as well the systems and infrastructure that Red Sea has in place. Inherent risks include natural disasters, failure of critical machinery, accidents to key personnel, power, water supply, and computer equipment.

Material interruptions in production capabilities will inevitably increase production costs and reduce revenues and profitability of the Company. Furthermore, any interruptions in the Company's manufacturing capabilities may require the Company to make large capital expenditures to remedy the situation, which could have a negative effect on the Company's profitability and cash flows.

Although the Company maintains insurance policies consistent with industry norms and has put in place safety and protective measures to minimise the effects of such risks including fire protection, back-up machines, and contingency plans among others, such measures may not adequately compensate the Company for losses that may occur and any losses and/or damages incurred could have a material adverse effect on the Company's business.

2.1.2 REGULATORY ENVIRONMENT

Red Sea's business is subject to regulations in Saudi Arabia and in certain foreign jurisdictions in which the Company operates or into which its products may be sold. The regulatory environment in which the Company operates may be subject to change. Regulatory changes caused by political, economic, technical and/or environmental factors could significantly impact the Company's operations by restricting the development of the Company or its customers, restricting sales and distribution of the Company's products or increasing the opportunity for additional competition. The Company may deem it necessary or advisable to modify its products or operations in order to operate in compliance with such regulations, which may have a negative impact on the Company's profitability and cash flow.

To the best of the Management's knowledge, there are no indications as of the date of this Prospectus of any changes in the regulatory environment that may have an adverse material effect on the Company's operations and future prospects.

2.1.3 RELIANCE ON KEY CUSTOMERS

Over the years, Red Sea has developed strategic relationships with a number of its key customers which have commissioned the Company's products and services on a repetitive basis and contributed significantly to the Company's operations. However, the Company cannot guarantee that the customers will keep on relying on Red Sea for their manufactured housing needs. Any incident(s) or factor(s), which may or may not be in the Company's control, may result in the loss of one or more of such customers and there can be no guarantee that such a loss will not materially affect the results of operations and financial condition of the Company.

2.1.4 RELIANCE ON KEY SUPPLIERS

Red Sea relies on a number of suppliers, both domestic and international, which supply different raw materials used in the production of the Company's products. The Company cannot guarantee that existing supplier relationships will continue on their existing basis. Any incident(s) or factor(s), which may or may not be in the Company's control, may result in the loss of one or more of Company's suppliers and there can be no guarantee that such a loss will not materially affect the results of operations and financial condition of the Company.

2.1.5 GROWTH PROSPECTS

While Red Sea has achieved healthy growth over the past with revenues growth averaging 44% during the three fiscal years ending March 31, 2003G, 2004G, and 2005G, there is no guarantee that a similar rate of growth can be sustained. In particular difficulties may arise in hiring and training sufficient number of qualified personnel to keep pace with the growth in the demand for the Company's products. In addition, the Company may experience difficulties in upgrading, expanding, and developing its manufacturing facilities fast enough to absorb the demand for its products. In the event Red Sea is unable to manage rapid growth successfully, its business could be adversely affected.

2.1.6 FUTURE AVAILABILITY OF ADDITIONAL CAPITAL

Whilst Red Sea has sufficient capital to meet its envisaged needs, the Company may require additional capital in the future, which may not be available or only be available at unfavorable terms. In order for the Company to grow, it will require to expand its base of operations to remain competitive. Red Sea may also require additional capital which will be dependent on its future financial condition, results of operations, and cash flows. There can be no assurance that the Company will be able to obtain additional capital in a timely manner or on acceptable terms.

2.1.7 EXCHANGE RATE

The Companies' expenses and revenues involve a number of currencies due to the raw materials procurement from a number of different markets, manufacturing facilities located in more than one country, and sales being generated from a number of different markets. As the Company currently does not employ any foreign exchange risk management practices, a significant movement of exchange rate between the Saudi Arabian Riyal and the other currencies in which the Company might do any trade may have a material adverse effect on the Company's profitability. Even if the Company employs foreign exchange risk management tools in the future, it might still affect the Company's profitability due to the added cost of employing such tools.

2.1.8 RAW MATERIAL PRICE

Most of the products utilized for production by Red Sea are Lumber, Wood, Paint, Steel and PVC. The prices of these products are a function of the global changes in the supply and demand forces. Accordingly, any material changes in raw material prices could adversely impact the company's results, operations and financial position.

2.1.9 FAIR VALUE

Fair value represents the amount of cash for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Red Sea's financial statements are prepared using historical cost and differences may arise between the book values and fair value estimates.

In the case of cash and cash equivalents, accounts receivables and other receivables, and accounts payables and other payables, fair value is deemed to approximate the book value due to their short-term nature. In the case of borrowings, fair value is based on discounted cash flows.

In line with the International Accounting Standards, no value is estimated for the Red Sea brand in the Company's financial statements. With this exception, Management and Directors believe that the fair values of Red Sea's financial assets and liabilities are not materially different from their book values as stated in the financial statements.

2.1.10 CREDIT

Credit risk represents the risk that one party to a transaction may fail to meet an obligation and will cause another party to incur a financial loss. The principal financial instruments that expose Red Sea to credit risk are accounts receivables. Red Sea's accounts receivables are predominantly with its long term customers.

Red Sea does not consider itself exposed to a concentration of credit risk with respect to receivables due to a large customer base, the reputation of its clients and the nature of existing relationships with its clients. Cash and cash equivalents are placed with national and international banks with sound credit ratings.

2.1.11 COMMISSION RATE

Commission rate risk arises due to the exposure to various risks associated with the effects of fluctuations in the prevailing commission rates on Red Sea's financial position and cash flows. Red Sea does not have significant commission bearing assets. Due to banks, which at March 31, 2005G amounted to SAR 5 million are commission bearing liabilities. Due to the insignificance of commission bearing liabilities, Red Sea currently does not employ any hedging instruments against the commission rate risk.

2.1.12 LIQUIDITY

Liquidity risk arises due to an enterprise encountering difficulties in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value.

Liquidity risk is managed by ensuring that sufficient funds are available to meet future commitments. Red Sea has adequate funding available to meet anticipated future commitments.

2.1.13 EMPLOYEE MISCONDUCT

Despite established internal guidelines, controls and procedures regarding employee conduct, the Company cannot guarantee that employee misconduct will not happen in future. Employee misconduct could result in violation of law by the Company, regulatory sanctions, financial liability and/or serious damage of reputation to Red Sea. Such misconduct may include:

- Improper use or disclosure of confidential information

- Concealment of unauthorized or unsuccessful activities
- Recommendation for products and/or services that are not suitable
- Engagement in misrepresentation or fraudulent, deceptive or otherwise improper activities while marketing or selling the Company's products and/or services to customers; or
- Disregard for applicable laws or internal controls and procedures

There can be no guarantees that the Company will always be able to deter employee misconduct, as the safety measures taken to prevent and detect these activities may not be successful in all cases. Red Sea, therefore, cannot guarantee that employee misconduct will not materially and adversely affect the financial condition and results of operations of the Company.

2.1.14 RELIANCE ON KEY MANAGEMENT PERSONNEL

The Company's business and prospects depend to a significant degree upon the continuing contributions of certain key Executive Management members, including Don B. Sumner, Mark M. Sumner, Donnie B. Sumner, Dan M. Meikleham, Glenn Warren, John N. Moon, Partick Cain, Craig Conklin, and Jerry McLaine. There can be no assurance that the Company will be able to retain the services of its existing key management personnel or attract and retain additional qualified personnel as and when needed. In addition, employee compensation levels may need to be increased in order to retain existing officers and attract additional key personnel.

The Company is aware of the importance of its management and has a number of measures in place to retain and attract key management employees, but the success of these measures in retaining existing key management employees or attracting new ones cannot be guaranteed. The loss of any of Red Sea's key management employees could have a material adverse effect on the Company's ability to implement its business plan and business, results of operations and financial condition.

2.1.15 ACCOUNTS RECEIVABLE

The Company had trade accounts receivable – net of SAR 66.0 million as of March 31, 2005G. Of this total amount, two key customers accounted for SAR 31.9 million whereas the remaining amount was due from a large number of customers. As of March 31, 2005G, all trade accounts receivable over one year old were fully provided for. Although, the Company has not incurred any major problems in collecting its trade accounts receivable, there can be no guarantee that this will continue to be the case and the inability of the Company to recover a major portion of its trade accounts receivable for any reasons including any of the clients going bankrupt might adversely affect the Company's financial condition and results of operations. The Company's trade account receivable - net as of November 30, 2005G amounted to SAR 97.5 million. (Please refer to section "Current Liabilities").

2.1.16 PROTECTION OF INTELLECTUAL PROPERTY

Red Sea has received the approval of the competent authorities for the registration of the trademark "Red Sea Housing Services" (including its logo) in Saudi Arabia under Class 37 of the international trademark classification system. Red Sea does not, however, have any trademark (including its logo), or other intellectual property registered in its name in any of the other jurisdictions in which the Company operates. The Company has recently engaged a leading intellectual property firm which has already begun the process of taking the necessary steps to protect its trademarks through their registration in the principal markets outside Saudi Arabia in which the Company operates.

The Company's competitive position depends, in part, upon its ability to use its name and logo on its products in the jurisdictions where the products are marketed and sold. The inability to prevent infringement in jurisdictions where the Company operates may adversely affect the brand and may make it more expensive to do business thus adversely affecting the Company's operating results. The Company's business could be further affected if it were to have to compete with similar trademarks within the major markets in which it operates and if it were to cease to have the right to utilize trademarks to which it does not have complete ownership rights.

2.1.17 TECHNOLOGICAL CHANGES

The primary technological risks associated with the manufactured housing industry are the innovation in the manufacturing technology and processes as well as the materials. Though the Company's manufacturing facilities enable it to keep pace with the market, there is no guarantee that this will continue to be the case and any radical developments in these areas might impact the competitive position, results of operations and financial condition of the Company.

2.2 RISKS RELATED TO THE MARKET

2.2.1 COMPETITIVE LANDSCAPE

The Company operates in competitive markets. There are a number of companies which compete directly with Red Sea and such competition may put pressure on the margins for the Company's products. In addition, the Company's future performance might be adversely impacted by new entrants to its markets.

2.2.2 WTO CONSIDERATIONS

The Middle East in general and Saudi Arabia in particular, comprises one of the most important markets for the Company. As part of a drive by a number of regional economies for accession into the WTO, there are demands for a higher degree of domestic economic liberalization and removal of certain mechanisms in place to protect the local producers. As a result of such compliance with the future WTO obligations, the competitive conditions faced by the Company may change significantly and affect its sales and profitability.

2.2.3 MARKET AND ECONOMIC CONDITIONS

Although the economies of the Middle East and North Africa region continue to pursue a policy of diversification to enhance the contribution of non-oil sectors to their GDPs, oil related revenues are expected to continue to play a dominant role in the economic planning and development of these economies.

The market wide economic downturn also imposes serious risks for the industries like manufactured housing due to their relatively large fixed assets base. In case, large investments are made in new facilities, equipment, and machinery to cope with the rising demand, and suddenly the market conditions turn unfavorable, cash flows can be seriously impacted. As such conditions are not possible to predict with any certainty, there can be no guarantee that this will not happen and in the event such a situation materializes, it may have material effect on the Company's results of operations and financial condition.

2.2.4 GOVERNANCE AND SECURITY CHALLENGES

Governance and security challenges are common in a number of countries especially across Africa. Such challenges can result in a range of problems for the businesses operating across these markets including the business of Red Sea, security of the Company personnel, delivery of products, production, recovery of receivables, and fair award of contracts. The Company cannot guarantee that such challenges will not materially affect its results of operations and financial condition.

2.3 RISKS RELATED TO THE ORDINARY SHARES

2.3.1 PRINCIPAL SHAREHOLDERS

The value of the Shares could be adversely affected if the Selling Shareholder, in whom Mr. Abdullah Mohammed Ali Al-Dabbagh has a 98% stake, were to dispose of its shareholding in the Company following the share-restriction period referred to in the "Future Sales and Offerings" section.

2.3.2 EFFECTIVE CONTROL BY THE SELLING SHAREHOLDER

Following this Offering, the Selling Shareholder will own no less than 51% of the Company's issued Shares. The Selling Shareholder will therefore be able to influence all matters requiring Shareholder approval, including significant corporate expenditures and the appointment of directors (except as prescribed by Articles 69 and 70 of the Companies Regulations).

As a result, the Selling Shareholder may exercise this ability in a manner that could have a significant effect on the Company's business, financial condition and results of operations including significant corporate transactions and capital adjustments.

2.3.3 DIVIDENDS

Future dividends will depend on, amongst other things, the future profit, financial position, capital requirements, distributable reserves and available credit of the Company and general economic conditions and other factors that the Directors of the Company deem significant from time to time.

Although the Company intends to pay annual dividends to its shareholders, the Company does not make any assurance that any dividends will actually be paid nor any assurance as to the amount, which will be paid in any given year. The distribution of dividends is subject to certain limitations contained in the Company's proposed By-Laws (Please refer to section "Summary of the Company's Proposed By-Laws").

2.3.4 ABSENCE OF A PRIOR MARKET FOR THE SHARES

Currently, there is no public market for the Company's Shares, and there can be no assurance that an active market for the Company's Shares will develop or be sustained after this Offering. The Offer Price has been determined based upon several factors, including the history of, and prospects for, the Company's business and the industry in which it competes and an assessment of the Company's management, operations, and historic and projected financial results. Various factors, including the Company's future financial results, general conditions in the industry, health of the overall economy or other factors beyond the Company's control could cause significant fluctuations in the price and liquidity of the Company's Shares. Specific factors that could cause market price fluctuations include:

- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market price and trading volume;
- actual or anticipated changes in the Company's earnings or fluctuations in the Company's operating results or in the expectations;
- general economic conditions and trends;
- sales of large blocks of shares of the Company's stock, or
- departures of key personnel.

2.3.5 FUTURE SALES AND OFFERINGS

Sales of substantial amounts of the Shares in the Public market following the completion of the Offering, or the perception that these sales will occur, could adversely affect the market price of the Shares.

Upon the successful completion of the Offering, the Existing Shareholders will own 70% of the Shares and would be subject to a 6-month holding period. After the Capital Market Authority approval, the sale of a substantial number of Shares by the Company, or any of the Existing Shareholders following the 6-month holding period could have an adverse effect on the market for the Shares and the market price of the Shares.

The Company does not currently intend to issue additional shares immediately following the Offering. If and when the Company decides to raise additional capital by issuing new shares, the newly issued shares will dilute existing shares to a certain extent and could potentially reduce the value of such shares.

3 MANUFACTURED HOUSING MARKET

3.1 GLOBAL MARKET

3.1.1 OVERVIEW

With shelter being one of the basic human needs, demand for manufactured housing around the world has been growing in line with global population growth, governmental efforts especially in emerging markets to improve housing conditions for their populations, and increasing demand for more affordable, quick, and innovative solutions tailored to people's specific housing needs.

The manufactured housing industry is a diverse and fragmented one. The key market segments of the manufactured housing industry include:

- Commercial and industrial housing which includes facilities such as offices, hotels, construction camps, and multi-purpose buildings. This category is driven by a number of major factors such as general economic growth and industrial demand.
- Residential housing (single or multi family housing) which covers a wide range of housing types and sizes and is primarily aimed at permanent residents and the leisure markets. This category is driven by demographic factors especially population growth.

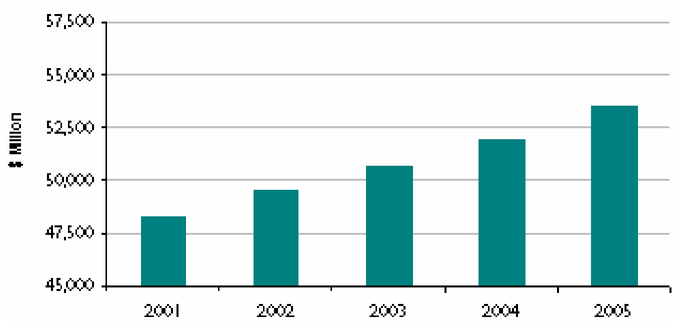
A feature of the manufactured housing market is that customer types and their specific product requirements differ according to the characteristics of the specific geographic markets (e.g. natural resources, industrial base, geological conditions, political situation, and cultural values).

In the service-based, developed economies, with affluent and increasingly independent populations like North America, Europe, and Japan, manufactured housing products and services are targeted mostly towards the general public and consumers to satisfy their holiday as well as permanent housing needs at relatively low cost.

Conversely, in countries with vast reserves of natural resources and major industrial and infrastructure projects, these products and services are mostly tailored towards satisfying the temporary housing needs of commercial and industrial clients. Military conflicts are also an important factor driving demand for manufactured housing products in certain developing countries in order to provide housing for the refugees and reconstruction and rehabilitation of such areas. Natural disasters, governmental and non-governmental humanitarian aid works, and climatic and geological conditions are among the other factors shaping the nature of markets for manufactured housing in different geographies.

According to Icon Group International, the global demand for manufactured housing currently exceeds $53.5 billion with an average annual growth rate of about 2.6 percent over the last 4 years. The following chart highlights the global demand for manufactured housing for the period 2001-2005.

Exhibit 3.1: Global Demand for Manufacturing Housing

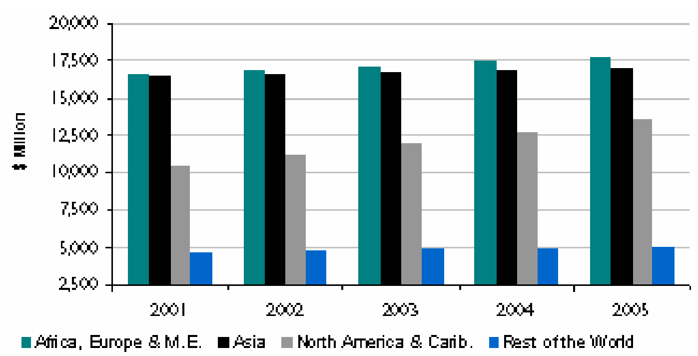


Source: ICON Group International, Dated: 2005

The distribution of the world demand, however, is not evenly distributed across the different regions. Africa, Europe & the Middle East is the largest market with $17.8 billion or 33.3 percent, followed by Asia with $17.0 billion or 31.8 percent, and then North America & the Caribbean with $13.8 billion or 25.8 percent of the world market. In essence, if firms target these top 3 regions, they cover 90.8 percent of the global latent demand for manufactured homes, mobile homes, and non-residential mobile buildings.

The following chart highlights the current geographic breakdown of the manufactured housing demand worldwide.

Exhibit 3.2: Regional Demand for Manufacturing Housing



Source: ICON Group International, Dated: 2005

Due to the fact that the nature of customers as well as products and services provided by the manufactured housing industry change from one geographic market to the other, trends in terms of growth, profitability, and innovation vary widely among these markets as well. Overall, however, management believes the emerging markets are likely to grow faster than the mature markets.

3.1.2 COMPETITION

Competition in the manufactured housing industry can be categorized into two distinct categories:

- Local Competitors
- International Competitors

There are a large number of small size local producers concentrating on narrow geographic markets in close proximity to their production operations, and offering limited ranges of products. These producers are usually competitive at supplying the small size contracts utilizing local standards. However, in case of large size contracts usually commissioned by multinational corporations, and governmental and multilateral agencies, such small producers do not possess the required expertise or capabilities to complete large projects under tight schedules. Providing the sophisticated building specifications and special equipment requirements generally involved in such projects presents a formidable challenge for small producers. Additionally, the complexity of paper work involved in the tendering for such projects, where the tender documents are long and require verifiable data on prior similar experiences, is an overwhelming challenge for the small size producers.

The major contenders in Saudi Arabia and the United Arab Emirates are Red Sea, Eastern Homes (KSA), New Fab (KSA), Space Maker (UAE), Al-Massod Bergman (UAE), Nitco (UAE).

International competitors are usually large manufactured housing producers with centralized production facilities. These manufacturers are usually capable of complying with sophisticated customer requirements. However these manufacturers face a number of challenges including:

- Higher overhead costs driven mainly by substantial labor costs
- Higher raw material costs due to the fact that these companies mostly procure raw materials in their home markets of North America and Europe where prices of raw materials are relatively higher compared to Asia
- High transportation costs driving up the prices of the offered products
- Manufactured housing is not the core business of some of the contenders
- Narrow range of products
- Longer delivery time
- No turnkey installation for every location
- Higher tax costs

The major contenders in this category are ATCO Structures (Canada, and Hungary), PortaKamp (USA), IBS (USA), PortaCabin (England), and Top Housing (Sweden).

Although accurate market data and market share information are not readily available for this industry, based on the information provided by Icon Group International and Red Sea's financial data, it is estimated that Red Sea has an average market share of 16% across the main geographic areas in which they operate.

3.2 THE MIDDLE EAST AND AFRICAN MARKET

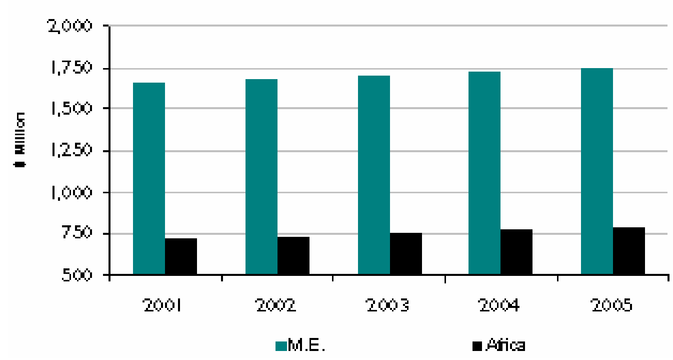
3.2.1 MARKET OVERVIEW

Due to the vast reserves of oil, gas, and other mineral resources, and the presence and development of related industries, a large portion of the demand for manufactured housing products and services in the Middle East and Africa has traditionally arisen from the commercial and industrial segments. The demographic trends across the region with young and growing populations, are also giving rise to significant demand for residential housing in a drive by both the government and the private sector to improve the housing conditions for the populations. The geopolitical conditions and natural disasters have also been a key factor in driving the demand growth for the manufactured housing across the Middle East and Africa from governmental and multilateral organizations, as well as reconstruction and infrastructure development firms. The particular characteristics of the manufactured housing notably, quick delivery and low cost, make them particularly suitable to cope with emergency housing requirements.

Currently, according to Icon Group International, the demand for manufactured housing across the Middle East and Africa (excluding Israel, Turkey, and South Africa) stands at around $2.6 billion per year with the demand growing at an average annual rate of around 1.7 percent over the last 4 years.

The following chart highlights the demand levels for the manufactured housing industry across the Middle East and Africa (excluding Israel, Turkey, and South Africa) for the period 2001-2005.

Exhibit 3.3: Middle East & Africa Demand for Manufacturing Housing



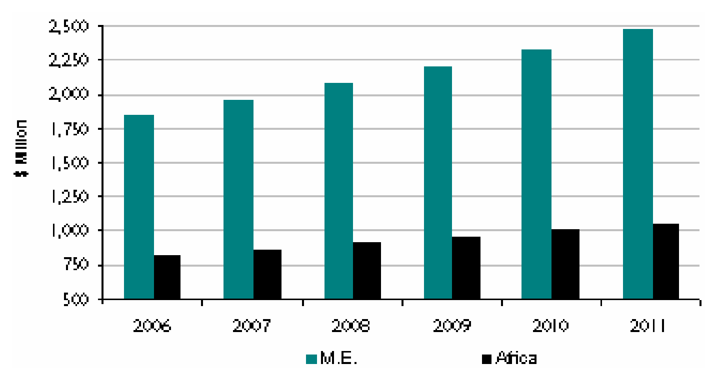
Source: ICON Group International, Dated: 2005

3.2.2 MARKET OUTLOOK

The demand for the manufactured housing across the Middle East and Africa is expected to achieve healthy growth of 5.7 percent over the coming years driven mainly by the oil & gas, mining, commercial and industrial activities, government initiatives to improve the housing conditions for their populations, as well as the humanitarian efforts in the conflict zones across the region to provide housing for the large number of refugees across the region and rehabilitation and reconstruction efforts in the conflict zones.

The following chart highlights the projected demand levels for the manufactured housing industry across the Middle East and Africa (excluding Israel, Turkey, and South Africa) for the period 2006-2011.

Exhibit 3.4: Middle East & Africa Demand for Manufacturing Housing



Source: ICON Group International, Dated: 2005

However, the demand growth may be much higher especially if:

- **Oil prices, which are currently around US$ 70** per barrel, continue to be high, as this will boost the government revenues and hence the government spending on petrochemical projects; and
- **Financial aid for the conflict stricken areas across the region is boosted by the international community** for the rehabilitation and reconstruction of these areas
- The **large number of mega projects expected across the region in the infrastructure, real estate, oil & gas, and petrochemical sectors** in particular materialize

The current drive by a number of regional governments to enhance the development of their industrial sectors in order to diversify their economies, reduce reliance on oil & gas, and provide jobs for their growing work force, is expected to play a major role in driving demand for manufactured housing across the Middle East and Africa. These efforts, which include privatizations, the development of industrial and free trade zones, more friendly investment climate, and provision of subsidized financing is expected to amplify the industrial activity across the region through a higher involvement of the private sector and higher inflows of foreign direct investment.

There are also notable efforts across the Middle East and Africa by governments to improve the housing conditions for their populations which include higher spending on infrastructure and housing developments, incentives for private investors in the construction sector, as well as initiatives to develop the mortgage markets which are expected to boost the demand for manufactured housing products and services.

Development and reconstruction efforts across the Middle East are expected to continue to drive healthy demand for manufactured housing products as the infrastructure and housing projects are implemented and the industrial and commercial activities keep growing.

The implementation of the recommendations of the Africa Commission Report Dated April, 2005G, will also have an impact on the demand for manufactured housing across the African market. The recommendations in that report, among other things, call for the doubling of the aid for Africa to improve the living conditions of the people and promotion of better trade and investments across Africa.

Also, about US$ 4.5 billion pledged by a donors' conference held in Norway in April 2005G for the rehabilitation of over six million displaced Sudanese in Southern Sudan is expected to be a major factor in the future demand for the manufactured housing in this market as this money will be mainly spent on the housing and infrastructure development (source: Norwegian Ministry of Foreign Affairs website: http://www.odin.dep.no).

A number of mega projects planned across the region in a range of sectors including real estate, energy, and petrochemicals sectors are also expected to result in a substantial demand for manufactured housing products to meet the temporary as well as permanent housing needs for these projects. The sheer size of these projects is highlighted by the example of a recent address by His Royal Highness Prince Mohammad bin Fahd bin Abdul Aziz of Saudi Arabia. Speaking at the First Saudi Mega Projects Conference in Dammam in May 2005G, he highlighted the US$ 56 billion worth of investment opportunities in Jubail 2 industrial city according to *AME Info (http://www.ameinfo.com)*. Similarly, the Yanbu 2 industrial city inaugurated in July 2005G by the Custodian of the Two Holy Mosques King Abdullah bin Abdul Aziz of Saudi Arabia (Crown Prince at the time) is expected to attract investments of US$ 30.6 billion according to *AME Info (http://www.ameinfo.com)*.

3.2.3 SECTOR LIFE-CYCLE

The industry life cycle is an important factor to consider in any business and provides valuable information on what strategic actions to take for future predictions. It appears that while there remains a large demand for housing products in the Middle Eastern countries, many attractive future sales opportunities will come from the African region due to:

- Immense amounts of global aid pouring into the continent
- The shift of oil exploration companies from the Middle East region to African countries

Characterized by a normal growth rate, the manufactured housing products sector in the Middle East region is expected to be in the mature stage of the industry life cycle. However, Africa is reckoned to be in the development phase of the industry life cycle. With proper execution and a well conceived strategy, a company can achieve higher growth in its revenues and earnings than could be achieved in other sectors in the African market. Accordingly, a company accessing this market may be able to maximize its earnings potential.

4 THE COMPANY

4.1 OVERVIEW

Red Sea Housing Services Company (the "Company" or "Red Sea"), is a Saudi Arabian company operating in the manufactured housing market in the Middle East, Africa and Asia. The Company sells and leases a wide range of manufactured buildings for commercial and residential applications and offers quick and durable housing solutions to the oil & gas, construction, and mining sectors as well as government and multilateral organizations (Please refer to section "Key Products and Services"). Red Sea has three manufacturing facilities strategically located in Jubail, Jebel Ali and Accra (the latter through its wholly-owned subsidiary Red Sea Housing Services (Ghana) Limited) to serve the growing demands of its clients worldwide and has successfully completed projects in over 40 countries over the last 20 years.

Red Sea Housing Services company was formed as a Saudi general partnership with Commercial Registration Number 4030052466 dated 03/05/1406H (corresponding to 13/01/1986G). The Company was converted on 21/05/1991G (corresponding to 07/11/1411H) into a Saudi limited liability company with Commercial Registration Number 2055006105 dated 26/10/1424H (corresponding to 20/12/2003G), as amended. The Company has two subsidiaries, the first of which – Rea Sea Housing Services (Ghana) Limited – is a wholly owned Ghanaian limited liability company registered under commercial registration number CA-14,061 issued in Victoriaburg, Accra on 20/10/2004G. The second company – SARL Red Sea Housing Services Algeria Ltd – is a 99% owned Algerian limited liability company registered under commercial registration number 189878 issued in Algiers on 08/03/2006G.

Pursuant to the Partners Resolution signed by the Existing Shareholders and notarized before the Notary Public of the Chamber of Commerce and Industry in the Eastern Province on 29/6/1427H (Corresponding to 25/7/2006G), the Capital of the company was increased from SAR 3 million to SAR 300 million through a transfer of SAR 147 million from retained earnings as of November 30, 2005G and the injection of SAR 150 million in new capital by the Dabbagh Group, on December 4, 2005G.

The Minister of Commerce and Industry has, pursuant to resolution No. 1801 dated 5/7/1427H (Corresponding to 30/7/2006G), authorised the conversion of the Company into a joint stock company. The share capital of the Company is SAR 300 million comprising thirty (30) million shares with a nominal value of SAR 10 each. Following completion of the Offering (*as defined below*) and the conclusion of the Conversion General Assembly, an application will be submitted to the Minister of Commerce and Industry requesting him to announce the conversion of the Company. The Company will be considered duly converted into a joint stock company from the date of issuance of the Ministerial Resolution declaring its conversion.

Exhibit 4.1: Ownership Structure of Red Sea

	Pre-Offering			Post-Offering		
	Shares	Percent	Capital (SAR)*	Shares	Percent	Capital (SAR)*
Dabbagh Group Holding Company Limited	24,300,000	81.00%	243,000,000	15,300,000	51.00%	153,000,000
Tanmiah Commercial Group	1,200,000	4.00%	12,000,000	1,200,000	4.00%	12,000,000
Supreme Foods Company Limited	1,500,000	5.00%	15,000,000	1,500,000	5.00%	15,000,000
National Scientific Company Limited	1,500,000	5.00%	15,000,000	1,500,000	5.00%	15,000,000
Marketing and Commercial Agencies Company Limited	1,500,000	5.00%	15,000,000	1,500,000	5.00%	15,000,000
Offering Subscribers	0	0.00%	0	9,000,000	30.00%	90,000,000
Total	**30,000,000**	**100.00%**	**300,000,000**	**30,000,000**	**100.00%**	**300,000,000**

**SAR 10 par value/share*
Source: Red Sea

Following is a brief overview of Red Sea actual shareholders:

- **Dabbagh Group Holding Company Limited:** (Please refer to section "Dabbagh Group (The Selling Shareholder)")

- **Tanmiah Commercial Group Company Limited:** Tanmiah Commercial Group Company Limited is a limited liability company based in Jeddah. It was established in 14/10/1411 H under laws and regulations applicable in the Kingdom of Saudi Arabia, and is an affiliate of Dabbagh Group Holding Company Limited. Tanmiah Commercial Group Company Limited principally functions as a holding company for Dabbagh Group's interests in the real estate sector.

- **Supreme Foods Company Limited:** Supreme Foods Company Limited is a private liability company based in Riyadh. It was established in 06/04/1412 H under laws and regulations applicable in the Kingdom of Saudi Arabia, and is a subsidiary of Dabbagh Group Holding Company Limited. Supreme Foods Company Limited is a leading high quality food and distribution company which operates fully integrated food production and distribution centers throughout the Kingdom of Saudi Arabia and the neighboring GCC region enabling it to provide a wide range of innovative fresh and frozen food products and services to customers throughout its target markets.

- **National Scientific Company Limited:** National Scientific Company Limited is a limited liability company based in Jeddah. It was established in 28/04/1423 H under laws and regulations applicable in the Kingdom of Saudi Arabia, and is a subsidiary of Dabbagh Group Holding Company Limited. National Scientific Company Limited offers a comprehensive range of technical products and services to customers throughout the Kingdom of Saudi Arabia, Bahrain and the United Arab Emirates, and principally specializes in industrial and scientific chemicals, laboratory equipment, scientific instruments and related research and training services.

- **Marketing & Commercial Agencies Company Limited:** Marketing & Commercial Agencies Company Limited is a limited liability company based in Jeddah. It was established in 30/12/1413 H under laws and regulations applicable in the Kingdom of Saudi Arabia, and is a subsidiary of Dabbagh Group Holding Company Limited. Marketing & Commercial Agencies Company Limited principally functions as a holding company for Dabbagh Group's interests in the financial services sector, including interests in investment banking and insurance activities.

Red Sea is a profitable and growing company with net income averaging 17% of revenues during the past three fiscal years ended March 31, 2003G, 2004G, and 2005G. Return on equity over this period averaged 51% per annum. The revenues of the Company grew from SAR 177.1 million for the fiscal year ended March 31, 2003G to SAR 394.8 million for the fiscal year ended March 31, 2004G and SAR 421.6 million for the fiscal year ended March 31, 2005G. This translated into growth in revenues of 123% and 7% during the fiscal years ended March 31, 2004G and 2005G respectively. Net income of the Company grew from SAR 22.7 million for the fiscal year ended March 31, 2003G to SAR 63.0 million for the fiscal year ended March 31, 2004G and SAR 97.9 million for the fiscal year ended March 31, 2005G. This translated into growth in net income of 178% and 55% during the fiscal years ended March 31, 2004G and 2005G respectively (Please refer to section "Management's Discussion and Analysis of Financial Condition and Results of Operations").

Building on its vast experience in design, planning, and production of manufactured housing, the Company continuously strives to deliver **high quality products and loyal service**.

- Red Sea takes pride in its reputation for expertise, craftsmanship, durability and infrastructure work evidenced by the fact that it is one of the manufactured housing companies in the Kingdom of Saudi Arabia which is **certified by Saudi Aramco**.
- The Company is certified by Bureau Veritas Quality International to the **ISO 9001:2000 standard** for its quality management system in its production facilities in Jubail and Jebel Ali, and is in the process of obtaining it for the Republic of Ghana.
- All imported material used in the manufacturing process meets the **Saudi SASO quality standards**.

Enjoying considerable operating flexibility, Red Sea strives to meet its customers' specific needs ranging from a one bedroom unit to a multi-room hotel, a small guard house or a fully functional field hospital. Red Sea offers a broad range of housing products with a proven track record of expertise in providing entire turnkey camp package solutions, i.e. completely furnished sleeping accommodations, restaurants and recreational facilities, electricity and water utilities, roads, and gated security infrastructure.

Red Sea has a large and diverse customer base with sales offices strategically located at Jubail in Saudi Arabia, Dubai in the United Arab Emirates, and Accra in the Republic of Ghana as well as sales representative offices, agents, and site offices in the Company's major target areas to serve existing customers and seek additional business.

Red Sea currently employs 1,315 personnel (968 full time employees and 347 contracted labor) and the Management is highly experienced and qualified in the manufactured housing industry with a vast array of experience in both the Middle Eastern and international markets (Management's Discussion and Analysis of Financial Condition and Results of Operations please refer to section "Executive Management").

4.2 HISTORICAL DEVELOPMENT

Exhibit 4.2: Key Historic Developments

Year (G)	Event
1986	• Formed as a Saudi general partnership known as Red Sea Housing Services Company with a share capital of SAR 550 thousand
1991	• Converted into a Saudi limited liability company known as Red Sea Housing Services Company Limited with a share capital of SAR 2 million
1991	• Manufacturing facility of the Company opened in Jubail, Saudi Arabia
1998	• A manufacturing facility is established in the Jebel Ali Free Zone in Dubai, UAE
2002	• The Company is awarded ISO 9001:2000 certification
2004	• Red Sea Housing Services (Ghana) Limited, a wholly-owned subsidiary of Red Sea, is established in Accra, Republic of Ghana
2005	• A manufacturing facility is established in Accra, Republic of Ghana
2006	• SARL Red Sea Housing Services Algeria Ltd, a 99% owned subsidiary of Red Sea is established in Algeria
2006	• Increase of the share capital of the Company to SAR 300 million

Source: Red Sea

4.3 VISION STATEMENT, MISSION STATEMENT, AND CORPORATE STRATEGY

4.3.1 VISION STATEMENT

"To be the supplier of choice for all major multinational oil & gas, and mining companies operating in our market area".

4.3.2 MISSION STATEMENT

"To be totally committed in providing our customers with quality products that shall be delivered defect-free and on time".

4.3.3 CORPORATE STRATEGY

Red Sea is one of the leading players in the manufactured housing markets of the Middle East, Africa, and Asia with particular emphasis on oil & gas, construction, and mining sectors as well as government and multilateral organizations. The Company's Management believes that Red Sea is recognized among its customers as a highly responsive provider of manufactured housing products under challenging conditions, while maintaining high levels of quality and cost control. Red Sea's current corporate strategy is based on its goal to consolidate its leadership position and create superior value for its shareholders over the long term.

In order to achieve this goal, Red Sea has based its corporate strategy on the following key objectives and performance drivers:

Revenue growth: Growing by:

- Focusing on the most valuable and high growth market segments, especially oil & gas, and also construction, mining, as well as government and multilateral organizations
- Increasing its market share in these markets through a sustained effort to enhance quality, pricing of products and services, and reducing time of delivery
- Increase its current customer base by identifying areas of significant opportunity for geographic expansion outside its core markets, and more specifically acquire a higher market share in Africa and expand into new markets in South America
- Providing value added services (e.g. infrastructure work, transportation, leasing, owning and operating camps etc) to the customers to generate additional revenues, healthier margins, as well as to increase the attractiveness and sales of the products being bundled along with these services

Profitability: Enhancing the overall profitability of the Company by:

- Prioritizing higher margin businesses
- Reducing costs by effectively deploying the intellectual and technology resources of the company
- Implementing cost control/monitoring mechanisms, and more specifically applying standardized project management techniques and deploying integrated IT systems (Enterprise resource planning)
- Maintaining a pool of preferred suppliers with a dual objective of reducing input/raw material costs and securing multiple sources of supply

Return on invested capital: Maximizing return on invested capital by:

- Strategically placing the manufacturing and support facilities of the Company in areas of greater opportunity (e.g Africa) and where market volume is expected to justify logistical investments creating reduced product delivery time and pricing
- Increasing the production capacity and the assets utilization thereof

Continuous product development: Consistently improving the product offering to respond to customer needs by:

- Debriefing marketing and installation teams to understand customers needs and identify ways to satisfy them
- Supporting the continuous process improvement culture and applying external best practice

- Developing new methods of production and incorporating new production materials to enhance the quality and reduce the cost of the end product

Human resources excellence: Continuous enhancement of human resources excellence by:

- Attracting and retaining highly qualified and talented professionals
- Empowering management and employees along with effective control and accountability systems in place
- Developing deep and special expertise in each functional area through training, development, and focused operational experience
- Ensuring high employee motivation by offering additional compensation based on individual success and Company success

4.4 COMPETITIVE ADVANTAGES

Company's position in large and growing markets: Red Sea's management believes that the Company benefits from its position in the important manufactured housing markets of the Middle East, Africa, and Asia. The Company's main focus is on the oil & gas, construction, and mining sectors as well as government and multilateral organizations. The importance of these market segments is evidenced by the key characteristics of these regions including the abundance of natural resources, ongoing industrial development, geo-political conditions, and the housing needs of the growing populations.

Comprehensive product range: Red Sea has developed a comprehensive range of products over the years to meet the specific needs of its customers. Red Sea is recognized as being able to meet a wide range of housing requirements, with either temporary or permanent structures, including accommodation units, offices, power generation, kitchen/dining units, recreation units, laundry areas, labor quarters, drill/rig camps, dormitories, guard houses, hospitals/clinics, hotels, relief housing facilities, and schools. With products ranging from the single-section, moveable camp shelters to multi-section, luxury villas, Red Sea strives to meet the growing manufactured housing demands of its diverse customer base using high quality products tailored to the specific needs of each customer. Additionally, the Company offers a range of value added services to its customers including lease, buy back, rental, camp management, and civil works, which not only bring additional revenues to the Company but also help increase the sales of its core products through bundling and enhanced customer satisfaction.

Large, diverse, and loyal customer base: Red Sea's robust performance over the past several years is underpinned by a large and diverse customer base, evidenced by the successful completion of hundreds of projects in over 40 countries over the past 20 years. Red Sea's array of customers stems from both public and private sectors, including international multilateral organizations, mining, and construction companies, governments, NGOs, public and private companies, and civilians. These different customer demographics and their differing housing needs enable Red Sea to avoid over-dependence on any single geographic or market segment.

Reputation for quality of products, superior customer service, and turnkey solutions: Red Sea's management believes that the company is perceived by its customers as being among the best providers of manufactured housing products and services in the markets it serves with high ethical values in its customer dealings. In addition, the company's turnkey solutions that include the design, the delivery, the assembly and the provision of civil and foundation works set Red Sea distinctly apart from the competition. Red Sea also prides itself in being unique in working with its customers, by showing a high degree of flexibility to optimize and tailor its products and services to match the specifications and economics desired by its customers.

Ability and willingness to deliver quickly under challenging circumstances: Red Sea positions itself to be the most responsive provider of manufactured housing products across the Middle East, Africa, and Asia thanks to the strategy of the Company to effectively manage inventories in order to meet the sudden demand surges, the high flexibility of its workforce, and the use of the most appropriate delivery services.

Strategically located manufacturing facilities: Red Sea's existing manufacturing facilities are strategically located in the Middle East and Africa in Jubail - Saudi Arabia, Jebel Ali Free Zone - UAE, and Accra - Republic of Ghana (the latter through its wholly-owned subsidiary Red Sea Housing Services (Ghana) Limited). An overall production capacity in excess of 335,000 m^2 per year allows Red Sea to serve its clients promptly and efficiently, delivering high quality products and solutions on tight schedules.

Talented management team and workforce with a diverse and relevant experience: Red Sea is managed by a highly experienced team of professionals, many of whom have more than 20 years of industry experience, mostly acquired within Red Sea. The Executive Management team possesses extensive experience in both regional and international manufactured housing markets with expertise in production and installation and other relevant disciplines such as procurement, supply chain management, marketing, distribution, logistics, and finance. Having served more than 130 major customers in the last 20 years across the Middle East, Africa, and Asia, the Red Sea management possesses a unique experience and insight into the core markets of the Company. A large proportion of the Red Sea employees have technical skills in multiple areas of manufacturing and installation operations which helps to avoid operational disruptions that might occur due to any on site emergency situation (Please refer to section "Executive Management").

Well reputed selling shareholder: Red Sea's Selling Shareholder, Dabbagh Group is one of the Middle East's leading business corporations comprising more than 28 autonomous companies with major interests in Real Estate Development, Food and Agriculture, Energy, Technology, Media & Telecommunications, Trade and Financial Services sectors, currently operating in various countries around the world.

4.5 EXAMPLES OF MAJOR PROJECTS ACCOMPLISHED

Over the years, the Company has completed a number of high profile projects, and prides itself on completing them in a timely fashion and within budget. Few examples are presented below:

Saudi Arabia

In 1997G Red Sea built more than 10 residential housing compounds in Jeddah, comprising more than 175 housing units in total, with a variety of product types tailored to specific customer needs and valued at SAR 116.25 million. Khalidiah Compound, Lotus Compound, and Al-Zahra Compound are some examples.

In 2001G Red Sea provided a SAR 43.125 million complete turnkey housing facility for 1,700 workers involved in a Gas Plant in a remote area south of Riyadh, Saudi Arabia.

In 2002G Red Sea completed a SAR 131.25 million project considered the largest modular office building totaling 10,000 m2 for the Jubail United Petrochemical Company (JUPC) in Saudi Arabia.

In 2004G Red Sea completed two major residential housing projects in Jubail totaling SAR 46.875 million and comprising more than 200 housing units utilizing varying product specifications.

Chad

In 2003G and 2005G Red Sea delivered a 2,500 man camp for the oil & gas industry of Chad for a value of more than SAR 33.75 million.

Equatorial Guinea

From 2003G to date Red Sea supplied over SAR 112.5 million of housing and office facilities for 5,000 workers in developing the gas fields of Equatorial Guinea.

Greece
As part of the initial rebuilding effort resulting from the earthquake in 1999G, Red Sea was selected to provide 400 houses valued at SAR 13.125 million. Red Sea was the first to deliver houses in this plan and set the stage for others to follow.

Kuwait
In 2002G Red Sea manufactured, delivered, and installed a 342 man camp including furniture equipment and civil work and valued at SAR 9 million.

Kyrgyzstan
In 2005G Red Sea completed a SAR 12.75 million project involving the construction of camps.

Nigeria
In 2003G and 2004G Red Sea manufactured, delivered and installed office facilities and camp housing at a Petrochemical Facility valued at SAR 16.5 million.

Sudan
In 2004G and 2005G Red Sea delivered a total of 17 camps for the United Nations valued at SAR 68.625 million.

In 2004G Red Sea manufactured, and installed 3 rig camps in addition to camp facilities valued at over SAR 11.25 million

Tanzania
In 2004G and 2005G Rea Sea manufactured and installed a SAR 18.75 million office & kitchen/diner, air terminal building including furnishings for a 500-man camp in Tanzania, Africa

4.6 KEY PRODUCTS AND SERVICES

4.6.1 PRODUCT RANGE

Red Sea sells and leases a wide range of manufactured buildings in the markets of the Middle East, Africa, and Asia. With products ranging from the single-section, moveable camp shelters to multi-section, luxury villas, Red Sea strives to meet the growing manufactured housing demands of its diverse customer base.

Red Sea is recognized as serving a wide range of commercial and residential housing requirements, with either temporary or permanent structures, including accommodation units, offices, power generation, water treatment plants, kitchen/dining units, recreation units, laundry areas, labor quarters, drill/rig camps, dormitories, guard houses, hospitals/clinics, hotels, relief housing facilities, and schools.

Although Red Sea is flexible to custom design and manufacture housing to customers' specifications, the Company has also developed various standard types of buildings. The following is a brief overview of standard products currently being offered by Red Sea (the pictures shown below have been taken from existing Red Sea projects):

Sitemaster-3 Series

These are standard camp buildings utilized extensively for remote workforce camps and offices that can be relocated from one project to another. Built to rugged specifications, many of the Sitemaster units built in 1982 are still in use today. Sitemaster-3 Series is designed to endure the extreme weather conditions in both hot and cold climates.

Sitemaster-3 Roughneck

These are economical heavy duty buildings for rig camps used for oilfield explorations. The building is mounted on steel skid to provide flexibility and easy relocation from one place to other. It is specifically designed to meet the housing needs in tough conditions experienced in the oilfield areas. Sitemaster-3 Roughneck can be shipped in cube or in knockdown configuration, depending on the client's requirements.

Seaway Series

These buildings are designed to endure the tough weather conditions experienced in the oilfield operations and exploration areas. These units are heavy duty with steel skids to provide flexibility and easy relocation from one project to another. The Seaway buildings are especially suitable for extreme climates.

The Seaway Series' walls and ceilings are clad with PVC composite panels which are specially manufactured in-house. The panels do not need repainting, are fire resistant, easy to clean, and insect resistant.

The Seaway Series is designed to last for 20 years or more in the toughest environments. All container units used to build the Seaway Series are ISO certified. The containers come in standard 8'x20' and 8'x40' measurements. The Seaway Series can also be mounted on rolling wheels, as required by customers.

Sitemaster-25 Series

This is the newest and an innovative product developed by Red Sea. Sitemaster-25 is a revolutionary housing system, versatile and the very first of its kind in the manufactured housing industry. Sitemaster-25 is applicable for both commercial and residential applications.

Sitemaster-25 walls are constructed of Red Sea's propriety PVC composite panels, insulated with polystyrene insulation, manufactured at Red Sea's facilities. Each composite panel undergoes stringent quality control testing to ensue that they are of required building standards and free from any defects.

Red Sea's PVC panels are environmentally friendly, fire and heat resistant, water proof, do not rust, never need repainting, require low maintenance, termites and insect resistant, withstand extreme weather conditions, economical, with high insulation value, and sound proof. These buildings can be packed for shipping, leading to low shipping costs.

Sitemaster-25 Roughneck

This is a heavy duty unit, made of PVC materials mounted on steel skids.

Rolling Roughneck

Rolling Roughnecks are designed to meet tough weather conditions experienced in oilfield operation and exploration. These units are heavy duty and mounted on wheels to provide easy relocation from one site to another.

Rolling Roughneck interior walls and ceilings are clad with PVC composite panels. The Rolling Roughneck is designed to last for 20 years or more in the toughest environments. The units are available in various custom sizes (3mx6m, 3mx7m, 3mx8m, 3mx9m, 3mx10m, 3mx11m, 3mx12m). Other sizes are available on special order.

Steel Roughneck

Steel Roughnecks are designed to meet the tough weather conditions experienced in oilfield operations and explorations. These units are heavy duty with steel skids to provide flexibility and easy relocation from one project to another. Steel Roughnecks are highly suitable for extreme climates.

The Steel Roughneck units can also be transported on wheels for frequent relocation from site to site.

Premier Series

These are houses intended primarily for residential applications. The interior and exterior finishes are of deluxe quality to create a more permanent settled look while still retaining full portability. Premier Series houses are designed with energy conservation features, such as fully insulated walls, roofs, windows, and doors. These houses are almost four times as energy efficient as conventional block structures. The sturdy construction blends itself to a variety of design applications, from single storey to two storey homes.

4.6.2 SERVICES

Red Sea provides a range of value added services to its customers in order to assist them in choosing the most suitable solution for their specific needs. By bundling various services with its products, Red Sea is able to offer comprehensive solutions to its customers and act as a "one stop shop" for manufactured housing. These value added services are geared towards increasing the profile of the Company in the industry in addition to creating other profit sources. A brief overview of the services currently provided by Red Sea to its customers is given below.

Designing

Red Sea has extensive experience in designing a diverse range of manufactured housing products ranging from single sleeping units to multi-section units for use as villas, offices, restaurants, recreation, medical and other special purposes such as convenience stores. This includes the building as well as interior designing of the projects being offered using advanced computer aided simulation programs and state of the art techniques and know how. The Company's competence in designing helps it to offer excellent added value to its customers.

The Company's expertise in designing an entire camp to suit diverse needs of its customers helps it to prepare competitive bidding proposals to win over the entire contract. This is especially valuable to the customer in cases of contact prior to the issuance of their requests for proposal as it enables Red Sea to interact with the customer in formulation of the design concepts better suited to the geography and enhances Red Sea's opportunity to secure the contract.

Turnkey Installations

Red Sea Housing strives to satisfy the customers' needs by offering a full installation service. This service facilitates the utilization of the product by the customer within a minimum timeframe. Turnkey installations include: shipment of the products, receipt of the products at port of discharge and delivery to the customer's site, offloading and installation of products at the site, civil works required to make the products operational at the customer's site, and furnishing the products. This service enables customers to focus all their efforts on their core activities while ensuring that important ancillary services such as housing are being provided by professionals according to a predefined time plan.

Property Management

In addition to providing products for housing complexes, the Company offers the service of managing the property on behalf of the customer. This service includes marketing the property, negotiating with third parties and finalizing lease or occupancy agreements, operation and maintenance of the property, collection services, and financial booking. The Property management activities were slowed down during 2004G and 2005G to focus on the production of prefabricated housing and respond to the increasing demand for these products. In 2006G, Red Sea decided to increase its Property management activity level.

Product Rental/Leasing

Red Sea offers the luxury of manufacturing, installing, and then renting the products to customers. Accordingly, this service provides many advantages to the customer; including the ability to focus on their core business rather than being distracted by property management as well as reducing the upfront cash requirement. Additionally, the Company offers a range of value added services to its customers including lease, buy back and rental.

4.7 CUSTOMER BASE

Over the years, Red Sea has developed strategic relationships with a number of customers which have commissioned the Company's products and services on a recurrent basis. The vast customer base of the Company includes multinational oil & gas, construction, and mining sectors as well as government and multilateral organizations. The following table gives a breakdown of the Company's net sales by customer segment for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 4.3: Revenues Breakdown by Customer Segment (SAR 000s)

	Fiscal Year Ended March 31				Eight months ended November 30	
	2003G	2004G	2005G		2004G*	2005G
Oil & Gas / Construction	130,126	115,637	203,624	48.3%	184,930	212,650
Mining	22,000	0	10,000	2.4%	0	19,515
Government and multilateral organizations	25,000	279,126	208,000	49.3%	122,751	41,019
Total	**177,126**	**394,763**	**421,624**	**100%**	**307,681**	**273,184**

**Unaudited Financials*

Source: Red Sea

4.8 GEOGRAPHIC COVERAGE

Red Sea takes pride in being able to assist in the improvement of human lives by meeting the housing needs of the people in a large number of geographic markets. Over the past 20 years, the Company has served its customers in over 40 countries across the Middle East, Africa, and Asia. The ability and willingness of the Company to serve its customers in a timely fashion at any place including conflict and disaster zones is a key factor behind the current market leading position of the Company in the manufactured housing markets of the Middle East, Africa, and Asia. The following table gives a geographic breakdown of the Company's net sales for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 4.4: Revenues Breakdown by Geography (SAR 000s)

	Fiscal Year Ended March 31				Eight months ended November 30	
	2003G	2004G	2005G		2004G*	2005G
Middle East	99,864	331,962	252,815	60%	160,135	119,398
Africa	24,268	8,288	97,921	23.2%	71,477	77,775
Asia	52,994	54,513	70,888	16.8%	76,069	76,011
Total	**177,126**	**394,763**	**421,624**	**100%**	**307,681**	**273,184**

**Unaudited Financials*
Source: Red Sea

4.9 MANUFACTURING FACILITIES AND OPERATIONS

The manufacturing process at Red Sea is a production line process whereby the product moves through various workstations. Each station has a particular process similar to an assembly line for products such as automobiles. The first station creates the chassis and floor of the product, the next adds walls, and the next completes the roof, with the process continuing on down the line until the final completion and inspection.

There are certain other manufacturing support processes taking place in the manufacturing facilities of Red Sea to produce components used in different products. Such processes include typical industrial welding, sand blasting and painting, fiberglass molding, and PVC extrusion among others.

The installation process varies depending on the nature of each product and the specification to which it is built. Some products are installed on concrete foundation blocks spread even under each building unit according to a floor loading calculation for each product. Others may be installed on a concrete slab and still others, such as drilling rig camps, may be installed on a skid to enable the mobility from one site to another. All installation processes at Red Sea generally utilize industrial handling equipment such as cranes, forklifts, and other miscellaneous hand tools.

4.9.1 MANUFACTURING FACILITIES OVERVIEW

Red Sea currently has three manufacturing facilities strategically located in Jubail - Saudi Arabia, Jebel Ali Free Zone - UAE, and Accra - Republic of Ghana to meet the housing needs of its customers. These facilities currently manufacture, deliver, and install all the housing products supplied by Red Sea to its customers across the Middle East, Africa, and Asia with a current overall production capacity of 335,000 m^2 per year. The yearly production reached 212,259 m^2 in March 31 2005G (Please refer to Exhibit 4.7 "Company's Annual Production").

The following table gives a breakdown of the Company's assets value by operation for the eight months ended November 30, 2004G and 2005G.

Exhibit 4.5: Asset Value by Operation (SAR 000s)

	Eight months ended November 30	
	2004G*	2005G
Jubail manufacturing facility	23,358	19,280
Jebel Ali Free Zone Operation	17,228	28,319
Accra Manufacturing facility	580	19,462
Total	**41,166**	**67,061**

**Unaudited Financials*
Source: Red Sea

Each facility is assisted by a marketing and sales department and all facilities coordinate their operations with each other to achieve the best possible solution for each customer. Requests may come into either facility for quotations and proposals for a wide variety of housing needs. Each request is jointly reviewed by the management and a decision is taken about which type of product is the best solution for each specific customer's needs and how each facility can play a role in a successful effort to provide the required products and solutions to the customers in the shortest possible time.

In many circumstances, one facility may build the products for customers served by other facilities, and forces are combined as necessary to achieve the best results. Each facility has its own Plant Manager and a Field Construction Coordination that supervise the manufacturing and installations of each project. Close coordination also takes place with the shipping department as the product is completed and required in the field. Timing is important and the products may go by land, sea or air depending on the customers' needs.

The following table gives a breakdown of the Company's sales by operation for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 4.6: Revenues Breakdown by Operation (SAR 000s)

	Fiscal Year Ended March 31				Eight months ended November 30	
	2003G	2004G	2005G		2004G*	2005G
Property Management	7,064	1,570	0	0.0%	0	0
Jubail Operation	62,664	290,877	226,135	53.6%	160,650	113,003
Jebel Ali Free Zone Operation	107,398	102,316	195,489	46.4%	147,031	159,436
Accra Operation				0.0%	**0**	**745**
Total	**177,126**	**394,763**	**421,624**	**100%**	**307,681**	**273,184**

**Unaudited Financials*
Source: Red Sea

4.9.2 JUBAIL MANUFACTURING FACILITY

This is the oldest of the two existing manufacturing facilities of the Company and was established in 1991G at Jubail, Saudi Arabia, a strategic industrial location in the Kingdom of Saudi Arabia with a well planned and developed infrastructure and supporting industries. Currently, this facility mainly serves the demands of the local Saudi Arabian market as well as the neighbouring GCC countries such as Kuwait and Bahrain.

Currently, 489 personnel (215 full time employees and 274 contracted labor) are employed at the Jubail facility which has an annual production capacity of 140,000 m^2. Though mostly constructing wood specifications, this facility is also capable of producing other specifications including steel and PVC. With in-house architectural and design capabilities using modern computer-based designing systems; this facility serves the housing needs of a diverse customer base with a host of innovative products.

The manufacturing machinery and equipment installed in this facility include welding machines, overhead hoists, compressors, fork lifts, sheet metal cutting and bending machines, and assorted carpentry, electrical and plumbing tools. This facility has in-house maintenance and repair capabilities to cope with technical problems and ensure seamless operations.

4.9.3 JEBEL ALI FREE ZONE MANUFACTURING FACILITY

Red Sea's Jebel Ali Free Zone manufacturing facilitiy has an annual production capacity of over 95,000 m^2. This facility is capable of producing the whole product range being offered by Red Sea using wood, steel and PVC materials. It was established in 1998G at the Jebel Ali Free Zone in Dubai, UAE to cope with the growing international demand for the Company's products.

This facility primarily provides for the international operations of the Company. It is currently employing 551 personnel (478 full time employees and 73 contracted labor) and is a modern and sophisticated facility equipped with the manufactured housing technology and equipment and has in house architectural and design capabilities. This facility also houses the PVC extrusion operations of Red Sea used to produce PVC panels for all of the manufacturing facilities of the Company as needed.

The manufacturing machinery and equipment installed in this facility include welding machines, overhead hoists, compressors, fork lifts, sheet metal cutting and bending machines, assorted carpentry, electrical and plumbing tools and PVC extrusion machinery.

4.9.4 ACCRA MANUFACTURING FACILITY

Red Sea, through its wholly-owned subsidiary Red Sea Housing Services (Ghana) Limited, recently established a new manufacturing facility in Accra, Republic of Ghana in West Africa to meet the strong and growing demand for its products and services in Africa.

The new facility employs 275 full time employees and is mainly aimed at placing the Company's manufacturing operations closer to its customers across Africa, to improve the time of delivery. This facility has been setup with an initial capacity of 100,000 m^2 per year and is planned to be equipped to produce wood, PVC, and steel based products. Due to the relative lack of steel fabrication capabilities in the area, this facility will include a steel fabrication department with the intent to produce, in addition to housing products, various steel fabricated structures utilized mainly in the oil & gas industries. This will be an add-on product to be offered to the Company's customers in the oil & gas sector.

Exhibit 4.7: Company's Annual Production

	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G	2005G
Company's annual production (m^2)	129,485	218,581	212,259	157,911	134,417
Company's annual production (units)	3,703	5,732	5,403	3,929	3,754

Source: Red Sea

4.10 PRODUCT DEVELOPMENT

Product development plays an important role in the success of the company. Accordingly, over the past 3 year, the company developed new methods of production in order to:

- Enhance the quality of the end product
- Improve customer utility satisfaction
- Reduce costs
- Increase efficiency through reducing time consumption for production and installation.

The conventional products utilized in the production are wood and metal; however, consequent to thorough product development initiative, the Company developed a new product utilizing PVC extrusion developed from polyethylene resin that has the capability to replace wood and metal and outperform these materials in many ways. The advantages of the new PVC product are:

- Cheaper import and stocking requirements
- The product is faster and easier to assemble
- The product is fire, rust, and termite resistant.
- Much less maintenance is required.
- Extended life expectancy of the product.

The new composite panel is being currently utilized in several Red Sea products (Please refer to section "Product Range").

4.11 MARKETING AND SALES

Each manufacturing facility of the Company is responsible for sales in a particular area with exception in the situations where the project size or required product specifications might require the involvement of another facility. The areas usually served by the manufacturing facilities of the Company are:

Exhibit 4.8: Markets served by Red Sea Manufacturing Facilities		
Jebel Ali Free Zone, UAE	Jubail, Saudi Arabia	Accra, Ghana
Afghanistan	Bahrain	South America
Azerbaijan	Iraq	West and South Africa
India	Jordan	
Iran	Kuwait	
Kazakhstan	Lebanon	
Kyrgyzstan	Qatar	
North and East Africa	Saudi Arabia	
Oman	Syria	
Pakistan		
Tajikistan		
Turkmenistan		
United Arab Emirates Uzbekistan		
Yemen		

Source: Red Sea

In reality, there might be overlapping of these sales areas served by different manufacturing facilities of the Company depending on the customer and factory production at the time of the projects. Different manufacturing facilities of the Company coordinate sales and production very closely, with some of the larger projects being supplied by more than one facility. Additionally, some projects are sold by one manufacturing facility with the production being carried out entirely at another manufacturing facility of the Company. This helps rationalize the capacity utilization of different manufacturing facilities of the Company.

Each manufacturing facility has its own independent sales and production engineering departments. All design, engineering, and estimating works are performed in-house utilizing qualified civil, mechanical, electrical, and structural engineers supported by a staff of AutoCAD operators.

The Company's General Manager for International Business Development maintains and develops relationships with the existing customers, and looks for new opportunities in the targeted industries and beyond. He also coordinates the Company's effort in responding to the various requests for quotation with the necessary sales and marketing departments.

4.11.1 MARKETING AND SALES STRATEGY

The basic philosophy behind the marketing and sales strategy of Red Sea is "Total Customer Satisfaction" and is based on two main principles:

Clear marketing strategy driven by deep customer insight:

- Careful targeting of the market segments and deep understanding of their characteristics
- Clearly defining the objectives for each target segment
- Understanding of the overall strategic fit between objectives for each target segment and the overall Company objectives
- Understanding the specific needs of each customer and the drivers behind those needs

Distinctive value proposition with strong branding:

- Clear understanding of the specific product features and services that satisfy the specific needs of the customers
- Understanding of the key features that distinguish the Company's products and services from the competition
- Understanding of the customer service being offered by the Company
- Clearly defined pricing strategy and understanding of the appropriate pricing levels for different products and services

Red Sea is adopting many marketing and promotional means in order to achieve its objectives. Among these means are:

Direct marketing
The Company initiates many direct marketing activities such as sending promotional packages to a list of customers by mail or email in order to increase awareness of the company.

Event sponsorship
The Company is responsible for sponsoring events related to targeted industries. Among these events, Red Sea co-sponsored the Oil Barons' event in Dubai which is a premier event in the oil industry.

Customer database
The marketing departments input all coordinates of potential and existing customers met during events and exhibitions in the Company's customer database. Moreover, the marketing personnel try to maintain contact with the customers through direct marketing activities.

Online marketing
One of the major channels utilized to establish contact and enhance awareness among customers was to launch Red Sea's website (www.redseahousing.com) that promotes the company's profile, products, services, achievements, and capabilities.

Media marketing
Red Sea utilizes media, mainly specialized publications and magazines, to reach its customers. The specialized publications and magazines selected are mainly related to the targeted industries. Among these are the "Engineering News Record" and the "Pipeline Magazine".

Sales Representative and Agents
Red Sea has sales representatives and agents located at strategic sites around the world. This is in order to be closer to the customers and to respond in a very timely manner with "boots on the ground". These sales representatives and agents are located in Houston (USA), Calgary (Canada), Luanda, (Angola), Sanaa (Yemen), Doha (Qatar), and Tripoli (Libya).

4.12 DISTRIBUTION & LOGISTICS

Red Sea has extensive warehousing and storage facilities at its current facilities in Jubail, Saudi Arabia Jebel Ali, UAE and Accra, Republic of Ghana. With a broad geographic presence, Red Sea has 20 years of experience in shipping and installing manufactured housing products in over 40 countries around the world. The table below describes the locations where Red Sea has provided housing solutions:

Exhibit 4.9: Countries in which Red Sea has completed Projects			
1 – Albania	11 – Egypt	21 – Kenya	31 – Saudi Arabia
2 – Algeria	12 – Equatorial Guinea	22 – Kuwait	32 – Somalia
3 – Angola	13 – Eritrea	23 – Kyrgyzstan	33 – Sudan
4 – Aruba	14 – Ethiopia	24 – Libya	34 – Syria
5 – Azerbaijan	15 – Gabon	25 – Madagascar	35 – Tajikistan
6 – Bahrain	16 – Ghana	26 – Nigeria	36 – Tanzania
7 – Cameroon	17 – Greece	27 – Oman	37 – Turkmenistan
8 – Chad	18 – India	28 – Pakistan	38 – U.A.E
9 – Curacao	19 – Jordan	29 – Qatar	39 – Uzbekistan
10 – Djibouti	20 – Kazakhstan	30 – Republic of Congo	40 – Yemen

Source: Red Sea

Red Sea products are shipped by land, sea or air, anytime, anywhere in the Middle East, Africa and Asia. The buildings are normally shipped in flat-packed format when possible, thereby minimizing shipping volume and overall shipping cost for the clients. Wet and mechanical areas such as bath cubes and kitchen modules are shipped fully assembled, thereby eliminating plumbing work at the site. Site installation can be carried out with a small crew under Red Sea supervision.

4.13 DABBAGH GROUP (THE SELLING SHAREHOLDER)

Dabbagh Group Holding Company Limited ("Dabbagh Group"), a limited liability Company based in the Kingdom of Saudi Arabia is one of the Middle East's leading business corporations, comprising more than 28 autonomous companies operating in various countries around the world. Operating successfully for over 40 years, Dabbagh Group was founded in 1962G by Mr. Abdullah Mohammed Ali Al-Dabbagh, its principal shareholder, who graduated from Cairo University in 1946G and became the first Agricultural Engineer and Minister for Agriculture in Saudi Arabia. A vision to contribute towards the needs of an emerging nation placed him among those who pioneered Saudi Arabia's program of irrigation and cultivation.

On leaving Government Service in 1962G, Mr. Abdullah Mohammed Ali Al-Dabbagh established his company based initially on Agriculture and Engineering and a philosophy of professional, strategic and long-term management thinking. By the turn of the century, Mr. Abdullah Mohammed Ali Al-Dabbagh's vision of a global operating group of companies had been fully realized with 28 autonomous companies, operating in diverse businesses in several international markets. Today, Dabbagh Group's Portfolio is comprised of five diversified and strategic portfolios:

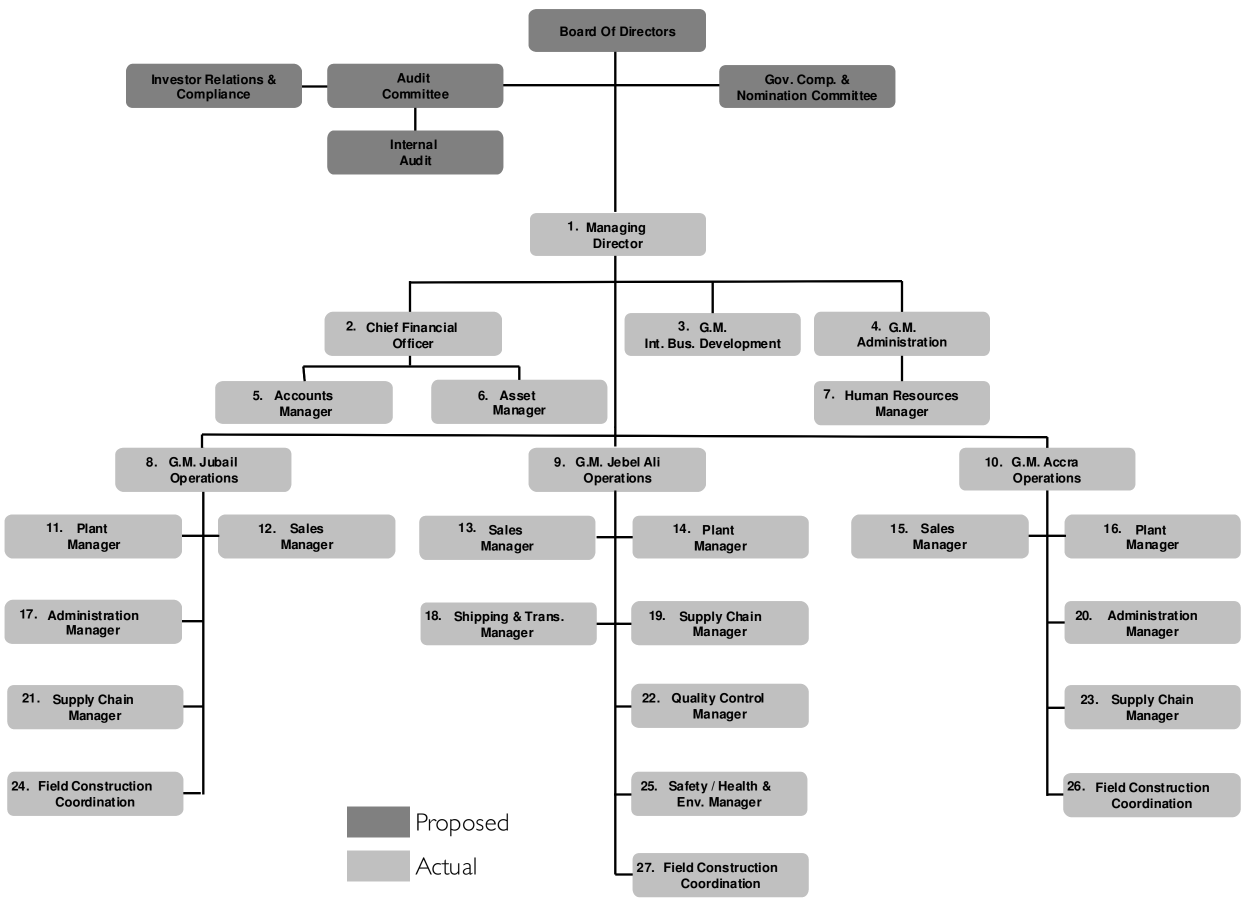
- Real Estate Development
- Food and Agriculture
- Energy
- Technology, Media & Telecommunications
- Trade and Financial Services

5 CORPORATE STRUCTURE

5.1 ORGANISATION OVERVIEW

Red Sea's organisation is mainly reflective of its corporate make up designed along its manufacturing facilities as well as centrally provided support functions like internal audit, Investor relations, IT, marketing, sales, distribution, finance and accounting, legal, and business development.

Exhibit 5.1: Red Sea Organisation Overview



1. Don B. Sumner	2. Daniel M. Meikleham	3. Glen D. Warren	4. John N. Moon
5. Kohinoor Noushad 9. Don B. Sumner	6. Randy Gehol 10. Mark M. Sumner	7. Jun Repato 11. Craig Conklin	8. Donnie B. Sumner 12. Mike Martinez
13. Brian Goldberg	14. Patrick Cain	15. John Micock	16. Jerry McLaine
17. Jay Castro	18. Yasser Samir	19. Russell Jahn	20. Demonthenes Palamos
21. Zaldy Espino	22. Danilo Castillo	23. Donald Ardelian	24. Hugh Carey
25. Mark Farrell	26. Paul Rainey	27. Ernesto Dayawon	

Source: Red Sea

Red Sea is currently being managed through a combination of centrally provided services through the head office as well as decentralized management at the facilities level due mainly to the fact that the Company has multiple manufacturing facilities located at different places across the Middle East and Africa and complete centralization of operations is not feasible.

The head office in Jubail is led by the Company's Managing Director who is the overall head of the Company's management. He is supported by the Chief Financial Officer, General Manager – International Business Development, and General Manager – Administration of Red Sea. The head office of Red Sea is responsible mainly for the overall supervision of the Company's business, setting its long term strategy, and business development objectives. Additionally, the head office of the Company currently provides a number of support services to all of its manufacturing facilities.

The Jubail and Accra operations of Red Sea are organized and managed in a similar way with a General Manager ("GM") of the facility being the overall head of the respective operation. The GM of each of these operations is supported and reported to by the Plant Manager, the Administration Manager, the Supply Chain Manager, the Field Construction Coordinator, and the Sales Manager. Though these managers report directly to the GM of their respective operation, in certain cases, they can directly coordinate with the central departments (e.g. finance, administration, business development, etc) at the head office on an as needed basis.

The Jebel Ali operation is organized in a slightly different manner. The General Manager of this operation is supported by the Plant Manager, the Supply Chain Manager, the Quality Control Manager, the Safety / Health & Environment Manager, the Field Construction Coordinator, the Sales Manager, and the Shipping and Transportation Manager. Though these managers report directly to the GM of the Jebel Ali operation, in certain cases, they can directly coordinate with the central departments (e.g. finance, administration, business development, etc) at the head office on an as-needed basis.

The Company is currently finalizing and intends to put in place upon completion of the Offering a new structure whereby the Board of Directors (the "Board") will rely on two specific committees, namely, the Audit Committee and the Governance, Compensation & Nomination Committee to monitor and enforce its new corporate governance policy. The Audit committee will be supported by the Internal Audit and the Investor Relations & Compliance functions. These functions do not report to the Managing Director but to the Board of Directors in order to ensure their independence.

These committees will operate in accordance with applicable law, and the applicable CMA Listing Rules. The Board shall ensure that:

- All committees have written and approved terms of reference explaining their roles and responsibilities;
- Minutes are prepared for all meetings held and copies of such minutes are reviewed by the full Board; and
- Each committee's powers and authority is clearly specified.

The Audit Committee is primarily role is to assist the Board in fulfilling its oversight responsibilities in respect to (a) the financial statements and other information provided by Red Sea to its stockholders (b) the Company's compliance with all legal and regulatory requirements, (c) the auditors' qualifications and independence and (d) the performance of the Company's financial management.

The Governance, Compensation and Nomination Committee is appointed by the Board of Directors to assist it in (i) identifying individuals qualified to become Board members and to recommend to the Board the director nominees, (ii) recommending to the Board the corporate governance guidelines, code of ethics and other policies, relating to corporate governance, and (iii) overseeing the Board's annual review of its performance (iv) approving and evaluating the compensation plans, policies, and programs of the Company.

The Internal Audit's primary role is to identify, monitor and report financial and operational risks. Its objective is to provide an independent assessment of the soundness of risk management strategies and practices, management control frameworks and practices, and information used for decision-making and reporting.

The Investor Relations & Compliance function (i) ensures that the Company is compliant with the legal and regulatory requirements of the Capital Market Authority of the Kingdom of Saudi Arabia, (ii) overseas all public communications ensuring that price sensitive information is properly handled (iii) prepares and distributes annual and interim financial reports prepared by the investor relations team (iv) acts as a primary contact for Red Sea's shareholders (v) keeps the public and the Company's shareholders well informed of all major developments within the Company through publicly announced financial performance reports, and annually at the Company's Annual General Assembly.

5.2 BOARD OF DIRECTORS

The purpose of the Company's Board of Directors ("Board of Directors") is to provide effective guidance and implementation of internal controls to safeguard the interests of the Company.

Red Sea believes strongly that good corporate governance is a requirement for the Company's long-term business success. The Company's success to date has been the direct result of the Company's key business strategies and the highest business standards. The Board will have the necessary authority and practices in place to review and evaluate the Company's operations and to make decisions that are independent of the Company's management.

The Board of Directors is ultimately responsible for defining and implementing the corporate policies of the Company, appointment of executive officers and authorized signatories of the Company, and supervision over the Company's management. The Board of Directors is also responsible for organizing the Shareholders' meetings and carrying out Shareholders' resolutions.

The Composition of the Company's Board of Directors is as follows:

Exhibit 5.2: Directors

	Name	Title
1.	Dr. Majid Abdullah Al Kassabi	Chairman
2.	Engr. Hussein Abdullah Mohammed Ali Al Dabbagh	Director
3.	Mr. Jamal Abdullah Mohammed Ali Al Dabbagh	Director
4.	Mr. Don Brown Sumner	Managing Director
5.	Mr. John Hugh Parry	Director
6.	Mr. Mohammed Husnee Jazeel	Director
7.	Mr. Tareq Abboud Hassan	Director
8.	*	Director
9.	*	Director

**To be appointed as independent members by the Shareholders in the Conversion General Assembly to take place following the Offering*

Source: Red Sea

The Company shall be managed by a Board of Directors composed of nine (9) members to be appointed by the Ordinary General Assembly for a term of three years.

The following are short biographies of the Directors:

Dr. Majid Abdullah Al Kassabi

Chairman, Saudi

Dr. Majid Abdullah Al Kassabi, aged 45 years, Saudi national, holds a Ph.D degree in Engineering Management (with honors) from Missouri University, USA (1985G), a master degree in Engineering Management (with honors) from Missouri University, USA (1983G), a master degree in Civil Engineering (with honors) from Berkley University, USA (1982G), and a bachelor degree in Civil Engineering (honors) from Portland University, USA (1981G). His professional experience includes Assistant Professor in Industrial Engineering department of College of Engineering at King Abdul Aziz University Jeddah, Director General of Kara Construction Est, Secretary General of Jeddah Chamber of Commerce & Industries, and Director General of Sultan bin Abdulaziz Al-Saud Foundation. His current memberships include:

- Board Member, Saudi Cables Company, 1420H to date
- Member of Foundation, Board of Directors of Jeddah Holding Company

- Board Member, The Savola Group, June 2001G to date
- Board Member, Almarai Company
- Board Member, General Ports Authority, 1420H to date
- Board Member, Al-Furousiya at Holy Makkah Area 1420H to date
- Board Member of Saudi Council of Engineering
- Consultative Organization for Economical Affairs Higher Economical Council
- Higher Organization for developing "Hail" Region

Engr. Hussein Abdullah Mohammed Ali Al Dabbagh

Director, Saudi

Engr. Hussain Abdullah Mohammed Ali Al Dabbagh, aged 54 years, Saudi national, holds a Bachelor degree in Civil Engineering from University of Texas in Arlington, USA (1983G). He is a member of the Saudi Engineering Committee and is Managing Director of the Consulting and Engineering Bureau, Managing Supervisor of REEM (a Dabbagh Group company), a Manager of Tanmiah Commercial Group Company Limited and General Manager of:

- Advanced Petroleum Services Limited
- Express Quality Automotive Services Company Limited
- Gulf Power International
- International Saudi Logistics and Electronics Company Limited
- National Scientific Company
- Gulf Cooperation Insurance Company
- International Projects Developers

He is also a member of the board of directors of Dabbagh Group Holding Company Limited.

Mr. Jamal Abdullah Mohammed Ali Al Dabbagh

Director, Saudi

Mr. Jamal Abdullah Mohammed Ali Al Dabbagh, aged 45 years, Saudi national, holds a Master of Business Administration degree from King Saud University, Saudi Arabia (1999G). He is Agricultural Committee Member at Chamber of Commerce Riyadh – Poultry Committee, member of the Saudi Cooperative Association of Poultry Producers, Managing Director of Supreme Foods Company, a Manager of Tanmiah Commercial Group Company Limited and General Manager and member of the board of directors of Dabbagh Group Holding Company Limited. He is also a member of the board of directors of the Pure Breed Chicken Company.

Don Brown Sumner

Managing Director, American

Don Brown Sumner, aged 53 years, American National, joined Red Sea in 1986G. He has a thirty-two years work experience in the manufactured housing and construction business, with twenty-seven years of that in the Middle East, Saudi Arabia, and the CIS (Kazakhstan). Over the last twenty years, he has built Red Sea to its present level leading the Company's management team and manages the Jebel Ali manufacturing operations of Red Sea. He holds a high school degree from the United States of America.

Mr. John Hugh Parry

Director, British

Mr. John Hugh Parry, aged 60 years, British National, is Chief Operating Officer of Dabbagh Group, and serves as a member of the Dabbagh Group's Executive Committee. Prior to his appointment as Chief Operating Officer, he served as Vice President for Strategic Operations, and was responsible for the Dabbagh Group's overall strategic development. Prior to that, and for over nine years, he served as head of the Dabbagh Group's Food & Agriculture Portfolio. He has previously served as Sales & Marketing Director of Moy Park Foods Ltd. and Commercial Director of Sims Food Group Plc. He studied Business Administration in Wales, and is a member of both the British Institute of Management and the Chartered Institute of Marketing.

Mr. Mohammed Husnee Jazeel

Director, Sri Lankan

Mr. Mohammed Husnee Jazeel, aged 46 years, Sri Lankan National, is currently the Chief Financial Officer of Dabbagh Group. He is a fellow of the Chartered Institute of Management Accountants, UK (2003G) and counts nearly 25 years of experience in the fields of audit practice, corporate finance and general management. Prior to joining Dabbagh Group, he had a successful career at PricewaterhouseCoopers, serving them with professional achievements in the many countries where he was based: Sri Lanka, Singapore and Malawi. He also serves as a director of many other overseas subsidiaries and affiliates of the Dabbagh Group.

Mr. Tareq Abboud Hassan

Director, Jordanian

Mr. Tareq Abboud Hassan, aged 35 years, Jordanian National is General Counsel of Dabbagh Group, and serves as a member of the Group's Executive Committee. He has responsibility for all legal matters affecting Dabbagh Group companies. Prior to joining Dabbagh Group, he was a Senior Associate in the Jeddah office of White & Case LLP. Prior to that, he was an Associate in the Corporate and Energy Practice Groups of Stroock & Stroock & Lavan LLP in New York City. He holds a Doctor of Law degree from Georgetown University (1995G), a Master of Law degree from the London School of Economics and Political Science (1998G), and a Bachelor of Arts degree from Columbia University (1992G). He is also a graduate of Deerfield Academy and The Eaglebrook School. He was admitted to the New York Bar in 1998, and is a member of the New York City and American Bar Associations.

5.3 EXECUTIVE MANAGEMENT

Red Sea is managed by a highly experienced and qualified management team with a vast array of experience in both the Middle Eastern and international markets, operating under a transparent and accountable corporate culture. The current senior management team is as follows:

Exhibit 5.3: Red Sea Executive Management

Name	Title	Nationality	Age (Years)	Service with Red Sea (Years)
Don B. Sumner	Managing Director of Red Sea and General Manager of Jebel Ali Operations	USA	53	20
Daniel M. Meikleham	Chief Financial Officer of Red Sea	UK	62	0.5
Glen D. Warren	General Manager International Business Development of Red Sea	USA	56	19
John N. Moon	General Manager Administration of Red Sea	USA	58	20
Donnie B. Sumner	General Manager of Jubail Operations	USA	33	14
Mark M. Sumner	General Manager of Accra Operations	USA	43	15
Craig Conklin	Plant Manager of Jubail Plant	USA	37	10
Patrick Cain	Plant Manager of Jebel Ali Operations	Canada	39	4
Jerry McLaine	Plant Manager of Accra Operations	Canada	37	1

Source: Red Sea

Don B. Sumner

Managing Director of Red Sea and General Manager of Jebel Ali *Operations*

(Please refer to section "Board Of Directors")

Daniel M. Meikleham

Chief Financial Officer of Red Sea

Daniel M. Meikleham has been retained by Red Sea as the Company's CFO. He has forty-six years of experience in various industries, including Industrial Manufacturing, Military, Industrial Relations, Insurance, Management Consulting, Risk Management, Securities, IT, Corporate Finance and Compliance in both private and public corporations. He has held positions as Director of Finance and CFO of US and Canadian public and private corporations. He studied commercial practice and finance at the Central College of Commerce and Distribution, Glasgow, Scotland and advanced management and internal audit courses with the Royal London Mutual Insurance Society, City of London, In 1973G, he emigrated to Canada where he studied Insurance and Risk Management at the University of Calgary, Canada.

Glen D. Warren

General Manager International Business Development of Red Sea

Glen D. Warren joined Red Sea in 1986G. He has twenty-nine years of overall experience in construction, maintenance, and operations with twenty-one years in the Middle East (Kuwait, Yemen, and Saudi Arabia). He is responsible for setting standards of marketing and on-site civil works. His qualifications include Certificate in Civil Engineering from US Air Force Technical School, Certificate in Contract Law from George Washington University, Certificate in Contract Administration from George Washington University, Diploma in Project Management from George Washington University, and Bachelor of Science in Business Administration from Robert Kennedy University, United States of America in 2000G.

John N. Moon

General Manager Administration of Red Sea

John N. Moon joined Red Sea in 1986G. He has thirty-one years experience in the Manufactured Housing industry with twenty-two years in the Middle East, Africa, and the CIS. He has the overall responsibility of the human resources and administration functions within Red Sea. John holds bachelor's degree in Industrial Engineering from the Georgia Institute of Technology in 1971G and a Masters of Business Administration from Georgia State University, United States of America in 1972G.

Donnie B. Sumner

General Manager of Jubail Operations

Donnie B. Sumner joined Red Sea in 1991G. He has fourteen years experience in the manufactured housing industry including field erection and operations. Donnie has recently taken responsibility for all the Jubail Operations. He holds a high school degree from the United States of America.

Mark M. Sumner

General Manager of Accra Operations

Mark M. Sumner joined Red Sea in 1990G. He has twenty years experience with fifteen years in Saudi Arabia in the field of modular building production, field construction, and maintenance. He has recently been relocated from Jubail, Saudi Arabia where he had supervision responsibilities for all the manufacturing and construction operations in Saudi Arabia. He is now responsible for all the Company's operations in Accra Republic of Ghana. He holds a high school degree from the United States of America.

Craig Conklin

Plant Manager of Jubail Operations

Craig Conklin joined Red Sea in 1995G. He has ten years experience in the production and installation of modular buildings. He is responsible for the production operations at the Jubail plant in Saudi Arabia. Prior to joining Red Sea, he served with Ocala and Florida Fire Department. He holds a high school degree from the United States of America.

Patrick Cain

Plant Manager of Jebel Ali Operations

Patrick Cain joined Red Sea in 2001G. He has fifteen years experience in all aspects of factory built housing including field erection and operations. He is responsible for production in the Jebel Ali plant and field operations. He holds a diploma in Inventory Control & Supply Chain Management from the Okanogan University College, and a degree in Business Administration & Marketing Management from the Southern Alberta Institute of Technology, Canada.

Jerry McLaine

Plant Manager of Accra Operations

Jerry McLaine joined Red Sea in 2005 following the expansion of the Company's manufacturing operations to Republic of Ghana. His responsibilities include production planning, resource allocation, budgeting, performance management, recruiting, direct supervision, coaching and technical training at the Republic of Ghana operations of the Company. He holds a BSc Chemistry degree (1991G) from Saint Francis Xavier University and an MBA (2006G) from Athabasca University, Canada.

5.4 EMPLOYEES

Red Sea currently employs 968 full time personnel with varying degrees of experience and relevant expertise in the production of manufactured houses or related support functions including marketing, sales, finance, accounting, procurement, and general administration. A large number of Red Sea employees have experience and expertise in multiple functions providing operating flexibility to cope with demand fluctuations and dealing with contingencies.

The Red Sea work force comprises a diverse mix of nationalities and backgrounds creating a unique atmosphere for cross-fertilization of ideas. This work force is spread across different manufacturing, sales, and support facilities as well as site offices to provide construction and erection along with a host of other value added services to the customers. The distribution of full time work force of the Company across different operations for the fiscal years ended March 31, 2003G, 2004G, and 2005G is set out in the table below.

Exhibit 5.4: Full Time Employees' Breakdown by Operation

	Fiscal Year Ended March 31			Eight months ended November 30		
	2003G	2004G	2005G	2004G	2005G	
Jubail, Saudi Arabia	225	225	212	218	215	22.2%
Jebel Ali Free Zone, UAE	334	384	418	400	478	49.4%
Jeddah, Saudi Arabia	60	0	0	0	0	0.0%
Accra Operation	0	0	0	0	275	28.4%
Total	**619**	**609**	**630**	**618**	**968**	**100%**

Source: Red Sea

The following table highlights the breakdown of the Company's full time employees by function as of November 30, 2005G.

Exhibit 5.5: Full Time Employees' Breakdown by Function

	Eight months ended November 30, 2005G			
	Production	Support*	Total Employees	
Jubail, Saudi Arabia	193	22	215	22.2%
Jebel Ali Free Zone, UAE	454	24	478	49.4%
Accra Operation	259	16	275	28.4%
Total	**906**	**62**	**968**	**100%**

** Includes (Human resources, finance, IT, etc…)*

Source: Red Sea

In addition to the full time employees as shown in "Exhibit 5.4", Red Sea contracts certain amount of work force through employment agencies.

The following table highlights the breakdown of total Red Sea work force as of November 2005G including the full time employees, contracted labor and total number of employees by operation.

Exhibit 5.6: Total Employees' Breakdown by Operation

	Eight months ended November 30, 2005G			
	Full Time Employees	Contracted Labor	Total Employees	
Jubail, Saudi Arabia	215	274	489	37.2%
Jebel Ali Free Zone, UAE	478	73	551	41.9%
Accra Operation	275	0	275	20.9%
Total	**968**	**347**	**1,315**	**100%**

Source: Red Sea

In order to ensure high employee motivation and better alignment of interests of the Company's employees and Shareholders, Red Sea distributes 10% of its Profit before Zakat and management bonus among its employees (Please refer to section "Remuneration of Directors and Management"). The employee bonus amounted to SAR 8.6 million for the fiscal year ended March 31, 2005G and SAR 6.6 million for the fiscal years ended March 31, 2004G. This is in addition to the regular salaries paid to the employees of the Company.

Due to the global nature of Red Sea's operations, the Company complies with Saudi Law for Saudi Workers, UAE Law for Dubai workers and the Republic of Ghana Law for Ghana Workers.

The total number of Saudi nationals employed in the Jubail operation amounted to 45 as of November 30, 2005G, which is equivalent to 21% of the Company's workforce in Saudi Arabia.

Red Sea complies fully with the saudization requirements, and received a saudization certificate from the Ministry of Employment dated 6/2/1427H.

5.5 CORPORATE GOVERNANCE

Good corporate governance is seen as crucial to the success of the Company which requires the implementation of a clear framework for transparency and disclosure to ensure that the Board of Directors acts in the best interests of the Shareholders and present a fair and true picture of the Company's financial condition and results of operations.

The Company is currently finalizing and intends to put in place upon completion of the Offering a formal corporate governance policy with a view to ensuring that the Company's corporate governance guidelines meet high standards. Such a framework will have a positive impact for all the stakeholders of the Company including Shareholders, employees, and the society among others.

The following is a summary of Red Sea's proposed corporate governance framework:

Shareholders' General Assembly

Shareholders shall be kept well informed of all major developments within the Company through extensive interaction, provision of periodic financial performance reports, and promoting the participation of non-institutional Shareholders in the Company's Annual General Assembly.

Board of Directors

A competent Board of Directors shall be ultimately responsible for running the Company, to provide effective leadership and maintain a sound system of internal controls to safeguard the interests of the shareholders of the Company.

Independent Non Executive Directors

To further improve the governance structure, 2 independent directors will be nominated. Independent directors refer to the directors who hold no posts in the Company other than the position of director, and who maintain no relations with the Company and its major shareholder that might prevent them from making objective judgment independently.

Chairman and Managing Director

Clear guidelines will be provided as to the responsibility sharing between the Managing Director and the Chairman of the Board, in order to ensure a balanced power-sharing and authority.

Board's Balance

The majority of the Board of Directors shall be non-executive directors (these directors will hold no posts in the Company other than the position of director) in order to provide objectivity and balance to the Board of Directors' decision making process.

Presentation of Financial and Other Information

The Board of Directors' shall be responsible for presenting to the Shareholders a true and fair picture of the Company's financial performance. Additionally, there shall be a mechanism in place to ensure that the Board of Directors receives the relevant information in a timely fashion, to enable it to effectively fulfill its obligations.

Appointment and Re-election to the Board of Directors

A formal and transparent mechanism will be put in place at the Company for the appointment of new directors. Additionally, all directors shall be required to submit themselves for re-election every 3 years.

Committees of the Board of Directors

The Board of Directors shall form committees to enable it to ensure better management of the Company. The Board of Directors shall ensure that:

- All committees have written and approved terms of reference explaining their roles and responsibilities;
- Minutes are prepared for all meetings held and copies of such minutes are reviewed by the full Board; and
- Each committee's powers and authority is clearly specified.

Code of conduct and business ethics

The Company's "Code of Conduct and Business Ethics" manual sets out internal guidelines, controls and procedures regarding employee conduct. Employee misconduct could result in violation of law by the Company, regulatory sanctions, financial liability and/or serious damage of reputation to Red Sea. The Company will always consider an act of employee misconduct as a very serious matter and will be swiftly dealt with in a prudent manner. The Red Sea "Code of Conduct and Business Ethics" manual has been and will be distributed to all Directors, Managers and supervisors of Red Sea. It is a condition of employment for all employees to acknowledge receipt and acceptance of Red Sea's Code of Conduct.

5.6 REMUNERATION OF DIRECTORS AND MANAGEMENT

Compensation of the members of the Board of Directors will be determined by the remuneration committee after the approval of the Ordinary General Meeting in accordance with the official decisions and instructions issued in this regard, within the limits of the provisions of the Companies Regulations and the laws or regulations complementary thereto.

The Board of Directors is responsible for submitting a report to the Ordinary General Assembly furnishing a statement of all payments received by the members of the Board of Directors during the fiscal year, including salaries, profit share, attendance allowances, expenses and other benefits. The report also includes a statement of payments made for any technical, administrative or consultancy work carried out by any member of the Board of Directors.

According to their employment agreements, the Managing Director, the General Manager Accra Operations, and the General Manager Jubail Operations are each entitled to a fixed monthly salary as well as to an annual incentive bonus of 2.7% of the Company's income before Zakat. Pursuant to their employment agreements, the executives undertake for a period of two

(2) years following the termination of their employment for whatever reason, not to directly or indirectly act as an employee for any legal entity, which is in competition with the Company, induce any employee of the Company to work for another entity, or enter into a contract with a customer of the Company. The Company requires each employee to keep confidential all information or data, which may be disclosed to him in connection with the duties entrusted to him. The Executive Employment Agreements are governed by the laws and regulations of the Kingdom of Saudi Arabia, Dubai and the Republic of Ghana.

The total remuneration of the Executive Management for the two fiscal years ended 31 March 2005G, and 2004G amounted to SAR 15.2 million and SAR 13.1 million respectively. The remuneration includes basic salaries, bonuses and all company benefits, such as housing and education fees. Additionally, the total remuneration of the Executive Management for the eight months ended November 30, 2005G and 2004G amounted to SAR 11.7 million and SAR 10.9 million respectively.

Save as disclosed herein, no commissions, discounts, brokerages, or other non-cash compensation were granted within the last two years immediately preceding the application for listing in connection with the issue or sale of any Red Sea securities to any director, proposed director, senior executive, promoter or experts.

Save as disclosed herein, there are no contracts or arrangements in effect or contemplated at the time of submission of the Prospectus in which the Managing Director, CFO or a director or any relatives of any of them is materially interested and which is significant to the business of Red Sea.

6 AUDITOR'S REPORT

The audited financial statements for the fiscal years ended March 31, 2003G, and 2004G and the notes thereto have been audited by Sami E. Farah, Abdulhamid M. Bushnaq & Partner, member firm of Ernst & Young International Limited, independent auditors of Red Sea at such time. These reports will be available for inspection at Red Sea's head office in Red Sea Housing Services Company.

The audited financial statements for the fiscal year ended March 31, 2005G, and for the eight months ended November 30, 2005G and the notes thereto have been audited by Al Juraid & Company, member firm of PricewaterhouseCoopers, independent auditors of Red Sea, as stated in their report appearing herein. (Please refer to section "Auditor's Report" page 47)

The pro-forma condensed consolidated financial statements for the eight months ended November 30, 2005G and the special purpose auditors' report have been prepared by Al Juraid & Company, member firm of PricewaterhouseCoopers, as stated in their report appearing herein. (Please refer to section "Auditor's Report" page 40)

The AJC/PwC report included in this offering document relates to the Company's historical financial information only.

AL JURAID & COMPANY
MEMBER FIRM OF
PRICEWATERHOUSECOOPERS

Andalus Business Center
P.O. Box 16415
Jeddah 21464
Saudi Arabia
Telephone: 651-4880
Facsimile: 653-2370

SPECIAL PURPOSE AUDITORS' REPORT

May 18, 2006

To the Shareholders of Red Sea Housing Services Company Ltd.:

We have examined the pro-forma adjustments reflecting the transactions described in Note 3 (the "Transactions") and the application of those adjustments to the historical amounts in the accompanying pro-forma condensed consolidated balance sheet of Red Sea Housing Services Company Ltd. (the "Company") and its subsidiary as of November 30, 2005, and the related pro-forma condensed consolidated statements of income, changes in shareholders' equity and cash flows for the eight months then ended. The historical amounts in the accompanying pro-forma financial information are derived from the historical consolidated financial statements of the Company for the period ended November 30, 2005, which were audited by us, appearing elsewhere, and we have issued our unqualified audit report thereon dated February 8, 2006. The pro-forma adjustments are based upon the transactions described in Note 3. The Company's management is responsible for the pro-forma financial information. Our responsibility is to express an opinion on the pro-forma financial information based on our examination.

Our examination was conducted in accordance with generally accepted attestation standards and, accordingly, included such procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

The management's objective in presenting the accompanying pro-forma financial information is to show what the significant effects on the historical financial information might have been had the transactions described in Note 3 occurred on November 30, 2005. However, the pro-forma condensed financial information are not necessarily indicative of the results of operations or related effects on financial position that would have been attained had the above-mentioned Transactions actually occurred earlier.

In our opinion, the Transactions described in Note 3 provide a reasonable basis for presenting the significant effects directly attributable to the related pro-forma adjustments, and the pro-forma column reflects the proper application of those adjustments to the historical financial statement amounts in the pro-forma condensed consolidated balance sheet as of November 30, 2005, and in the related pro-forma condensed consolidated statements of income, changes in shareholders' equity and cash flows for the eight months then ended.

AL JURAID & COMPANY
Member Firm of PricewaterhouseCoopers

By: ______________________

Omar M. Al Sagga
License Number 369

Al Juraid & Company, License No. 25
Licensed Partners:
Abdullah M. Al Juraid, No. 99
Sami B. Al Sarraj, No. 165
Walid I. Shukri, No. 329
Rashid S. Al Rashoud, No. 366
Omar M. Al Sagga, No. 369

RED SEA HOUSING SERVICES COMPANY LTD.
(A Limited Liability Company)

PRO-FORMA CONDENSED CONSOLIDATED BALANCE SHEET NOVEMBER 30, 2005

	November 30, 2005 (Audited)	Pro-forma adjustments (See Note 3)	As adjusted at November 30, 2005 (Pro-forma)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	SR 48,451,261	SR 150,000,000	SR 198,451,261
Trade accounts receivable - net	97,455,174	-	97,455,174
Due from related parties	99,572	-	99,572
Advances to suppliers	8,990,998	-	8,990,998
Inventories - net	75,622,240	-	75,622,240
Prepayments and other	9,795,235	-	9,795,235
Total current assets	240,414,480	150,000,000	390,414,480
PROPERTY, PLANT AND EQUIPMENT - Net	42,192,368	-	42,192,368
INVESTMENT PROPERTIES - Net	24,869,047	-	24,869,047
TOTAL	SR 307,475,895	SR 150,000,000	SR 457,475,895
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term bank borrowings	SR 741,234	SR -	SR 741,234
Trade accounts payable	53,641,416	-	53,641,416
Shareholders' accounts	2,811,048	-	2,811,048
Due to related parties	15,076	-	15,076
Advances from customers	5,704,873	-	5,704,873
Accrued expenses and other	27,208,570	-	27,208,570
Accrued zakat	4,164,473	-	4,164,473
Total current liabilities	94,286,690	-	94,286,690
EMPLOYEES' TERMINATION BENEFITS	6,229,835	-	6,229,835
Total liabilities	100,516,525	-	100,516,525
COMMITMENTS AND CONTINGENCIES			
SHAREHOLDERS' EQUITY:			
Share capital	3,000,000	297,000,000	300,000,000
Proposed increase in capital	147,000,000	(147,000,000)	-
Statutory reserve	1,500,000	-	1,500,000
Retained earnings	55,459,370	-	55,459,370
Total shareholders' equity	206,959,370	150,000,000	356,959,370
TOTAL	SR 307,475,895	SR 150,000,000	SR 457,475,895

The accompanying notes 1 to 4 form an integral part of these pro-forma condensed consolidated financial statements.

RED SEA HOUSING SERVICES COMPANY LTD.
(A Limited Liability Company)

PRO-FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
FOR THE EIGHT MONTHS ENDED NOVEMBER 30, 2005

	November 30, 2005 (Audited)	Pro-forma adjustments (See Note 3)	As adjusted at November 30, 2005 (Pro-forma)
REVENUES - Net	SR 273,184,483	SR -	SR 273,184,483
COST OF REVENUES	(163,079,924)	-	(163,079,924)
GROSS PROFIT	110,104,559	-	110,104,559
EXPENSES:			
Selling and marketing	(16,774,130)	-	(16,774,130)
General and administrative	(14,225,187)	-	(14,225,187)
Reversal of excess accruals	14,700,013	-	14,700,013
OPERATING INCOME	93,805,255	-	93,805,255
FINANCIAL INCOME - Net	834,862	-	834,862
OTHER INCOME	2,990,810	-	2,990,810
INCOME BEFORE ZAKAT	97,630,927	-	97,630,927
ZAKAT	(4,570,647)	-	(4,570,647)
NET INCOME	SR 93,060,280	SR -	SR 93,060,280

The accompanying notes 1 to 4 form an integral part of these pro-forma condensed consolidated financial statements.

RED SEA HOUSING SERVICES COMPANY LTD.
(A Limited Liability Company)

PRO-FORMA CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE EIGHT MONTHS ENDED NOVEMBER 30, 2005

	November 30, 2005 (Audited)	Pro-forma adjustments (See Note 3)	As adjusted at November 30, 2005 (Pro-forma)
SHARE CAPITAL -			
Balance at beginning and end of period	SR 3,000,000	SR 297,000,000	SR 300,000,000
PROPOSED INCREASE IN CAPITAL:			
Balance at beginning of period	-	-	-
Transfer from retained earnings	147,000,000	(147,000,000)	-
Balance at end of period	147,000,000	(147,000,000)	-
STATUTORY RESERVE -			
Balance at beginning and end of period	1,500,000	-	1,500,000
RETAINED EARNINGS:			
Balance at beginning of period	149,899,090	-	149,899,090
Net income for the period	93,060,280	-	93,060,280
Dividends	(40,500,000)	-	(40,500,000)
Transfer to proposed increase in capital	(147,000,000)	-	(147,000,000)
Balance at end of period	55,459,370	-	55,459,370
TOTAL SHAREHOLDERS' EQUITY	SR 206,959,370	SR 150,000,000	SR 356,959,370

The accompanying notes 1 to 4 form an integral part of these pro-forma condensed consolidated financial statements.

RED SEA HOUSING SERVICES COMPANY LTD.
(A Limited Liability Company)

PRO-FORMA CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE EIGHT MONTHS ENDED NOVEMBER 30, 2005

	November 30, 2005 (Audited)	Pro-forma adjustments (See Note 3)	As adjusted at November 30, 2005 (Pro-forma)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	SR 93,060,280	SR -	SR 93,060,280
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	4,861,869	-	4,861,869
Gain on sale of property and equipment and investment properties	(2,355,533)	-	(2,355,533)
Changes in operating assets and liabilities:			
Trade accounts receivable	(31,500,853)	-	(31,500,853)
Advances to suppliers	(3,683,230)	-	(3,683,230)
Inventories	(31,424,938)	-	(31,424,938)
Prepayments and other current assets	(5,843,302)	-	(5,843,302)
Trade accounts payable	13,830,481	-	13,830,481
Advances from customers	(2,451,878)	-	(2,451,878)
Accrued expenses and other current liabilities	(10,232,445)	-	(10,232,445)
Accrued zakat	1,364,979	-	1,364,979
Employees' termination benefits	497,934	-	497,934
Net cash provided by operating activities	26,123,364	-	26,123,364
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(29,009,548)	-	(29,009,548)
Purchase of investment properties	(820,690)	-	(820,690)
Proceeds from sale of property, plant and equipment and investment properties	6,217,757	-	6,217,757
Net cash used by investing activities	(23,612,481)	-	(23,612,481)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net change in short-term bank borrowings	(4,258,766)	-	(4,258,766)
Net change in shareholders' accounts	(10,116,127)	-	(10,116,127)
Additions to share capital	-	150,000,000	150,000,000
Dividends paid	(40,500,000)	-	(40,500,000)
Net cash used by financing activities	(54,874,893)	150,000,000	95,125,107
NET CHANGE IN CASH AND CASH EQUIVALENTS	(52,364,010)	150,000,000	97,635,990
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	100,815,271	-	100,815,271
CASH AND CASH EQUIVALENTS AT END OF PERIOD	SR 48,451,261	SR 150,000,000	SR 198,451,261

The accompanying notes 1 to 4 form an integral part of these pro-forma condensed consolidated financial statements.

RED SEA HOUSING SERVICES COMPANY LTD.
(A Limited Liability Company)

PRO-FORMA NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE EIGHT MONTHS ENDED NOVEMBER 30, 2005

1. THE COMPANY AND NATURE OF BUSINESS

Red Sea Housing Services Company Ltd. (the "Company") is a limited liability company registered in the Kingdom of Saudi Arabia under Commercial Registration as last amended under number 2055006105 dated Shawwal 26, 1424H (December 20, 2003). During 2005, the Company's shareholders decided to convert the Company from a limited liability company to a closed joint stock company, and eventually to a public joint stock company. Also, in this connection, the shareholders of the Company are in the process of admitting new shareholders. Legal proceedings for this change have not been completed as of November 30, 2005.

The objectives of the Company are to purchase land and real estate for the purpose of developing and improving them and to manufacture residential and commercial buildings thereon, and to ultimately sell or lease them. The Company's objectives also include producing non-concrete residential units.

The Company's head office is located at the following address:

P.O. Box 1531
Jubail 31951
Saudi Arabia

The Company has 100% ownership interest in Red Sea Housing Services (Ghana) Limited ("RSG"), which is registered and operates in Accra, Ghana. RSG is principally engaged in producing non-concrete residential units.

The Company also has licenses to operate in Afghanistan and Equatorial Guinea.

2. BASIS OF PREPARATION

The pro-forma condensed financial information as of November 30, 2005 has been prepared by the management to show the effects of the transactions related to increase in share capital (described in Note 3), on the actual historical financial information as of November 30, 2005 had such transactions occurred on November 30, 2005. However, the pro-forma condensed financial information are not necessarily indicative of the results of operations or related effects on financial position that would have been attained had the above-mentioned transactions actually occurred earlier.

The historical amounts in the pro-forma financial information are derived from the historical consolidated financial statements of the Company for the period ended November 30, 2005, which have been separately issued.

3. PRO-FORMA ADJUSTMENTS

During the year ended March 31, 2005, the shareholders resolved to increase the share capital of the Company from SR 3 million to SR 300 million. Such increase in share capital was partly affected by transferring SR 147 million from retained earnings to proposed increase in capital as of November 30, 2005. In December 2005, the proposed increase in capital of SR 147 million was transferred to share capital and a cash injection of SR 150 million was received from the shareholders to complete the increase in share capital to SR 300 million. The legal formalities for the increase in share capital to SR 300 million are currently in progress.

4. MANAGEMENT'S APPROVAL

These pro-forma condensed consolidated financial information have been approved for issue by the Company's management on May 18, 2006.

AL JURAID & COMPANY
MEMBER FIRM OF
PRICEWATERHOUSECOOPERS

Andalus Business Center
P.O. Box 16415
Jeddah 21464
Saudi Arabia
Telephone: 653-4880
Facsimile: 653-2370

INDEPENDENT AUDITORS' REPORT

February 8, 2006

To the Shareholders of
Red Sea Housing Services Company Ltd.:

We have audited the accompanying consolidated balance sheets of Red Sea Housing Services Company Ltd. (the "Company") and its subsidiary as of November 30, 2005 and March 31, 2005 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the eight months ended November 30, 2005 and for the year ended March 31, 2005, and the notes which form an integral part of the consolidated financial statements. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, such consolidated financial statements taken as a whole present fairly, in all material respects, the financial position of the Company and its subsidiary as of November 30, 2005 and March 31, 2005 and the results of their operations and their cash flows for the eight months ended November 30, 2005 and for the year ended March 31, 2005 in conformity with accounting principles generally accepted in Saudi Arabia appropriate to the circumstances of the Company and its subsidiary.

AL JURAID & COMPANY
Member Firm of PricewaterhouseCoopers

By:____________________
Omar M. Al Sagga
License Number 369

Al Juraid & Company, License No. 25
Licensed Partners:
Abdullah M. Al Juraid, No. 99
Sami B. Al Sarraj, No. 165
Walid I. Shukri, No. 329
Rashid S. Al Rashoud, No. 366
Omar M. Al Sagga, No. 369

RED SEA HOUSING SERVICES COMPANY LTD.
(A Limited Liability Company)

CONSOLIDATED BALANCE SHEETS
NOVEMBER 30, 2005 AND MARCH 31, 2005

	Notes	November 30, 2005	March 31, 2005
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	3	SR 48,451,261	SR 100,815,271
Trade accounts receivable - net	4	97,455,174	65,954,321
Due from related parties	5	99,572	99,572
Advances to suppliers		8,990,998	5,307,768
Inventories - net	6	75,622,240	44,197,302
Prepayments and other		9,795,235	3,951,933
Total current assets		240,414,480	220,326,167
PROPERTY, PLANT AND EQUIPMENT - Net	7	42,192,368	15,399,016
INVESTMENT PROPERTIES - Net	8	24,869,047	30,556,254
TOTAL		SR 307,475,895	SR 266,281,437
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term bank borrowings	9	SR 741,234	SR 5,000,000
Trade accounts payable		53,641,416	39,810,935
Shareholders' accounts	12	2,811,048	12,927,175
Due to related parties	5	15,076	15,076
Advances from customers		5,704,873	8,156,751
Accrued expenses and other	10	27,208,570	37,441,015
Accrued zakat	11	4,164,473	2,799,494
Total current liabilities		94,286,690	106,150,446
EMPLOYEES' TERMINATION BENEFITS	13	6,229,835	5,731,901
Total liabilities		100,516,525	111,882,347
COMMITMENTS AND CONTINGENCIES	24		
SHAREHOLDERS' EQUITY:			
Share capital	14	3,000,000	3,000,000
Proposed increase in capital	14	147,000,000	-
Statutory reserve	15	1,500,000	1,500,000
Retained earnings		55,459,370	149,899,090
Total shareholders' equity		206,959,370	154,399,090
TOTAL		SR 307,475,895	SR 266,281,437

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

RED SEA HOUSING SERVICES COMPANY LTD.
(A Limited Liability Company)

CONSOLIDATED STATEMENTS OF INCOME
FOR THE EIGHT MONTHS ENDED NOVEMBER 30, 2005 AND FOR THE YEAR ENDED MARCH 31, 2005

	Notes	November 30, 2005	March 31, 2005
REVENUES - Net	16	SR 273,184,483	SR 421,624,309
COST OF REVENUES		(163,079,924)	(278,571,342)
GROSS PROFIT		110,104,559	143,052,967
EXPENSES:			
Selling and marketing	17	(16,774,130)	(27,831,994)
General and administrative	18	(14,225,187)	(18,282,427)
Reversal of excess accruals	19	14,700,013	-
OPERATING INCOME		93,805,255	96,938,546
FINANCIAL INCOME - Net		834,862	1,180,255
OTHER INCOME	20	2,990,810	2,325,034
INCOME BEFORE ZAKAT		97,630,927	100,443,835
ZAKAT	11	(4,570,647)	(2,511,096)
NET INCOME		SR 93,060,280	SR 97,932,739

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

RED SEA HOUSING SERVICES COMPANY LTD.
(A Limited Liability Company)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE EIGHT MONTHS ENDED NOVEMBER 30, 2005 AND FOR THE YEAR ENDED MARCH 31, 2005

	Note	November 30, 2005	March 31, 2005
SHARE CAPITAL -			
Balance at beginning and end of period/year		SR 3,000,000	SR 3,000,000
PROPOSED INCREASE IN CAPITAL:			
Balance at beginning of period/year		-	-
Transfer from retained earnings	14	147,000,000	-
Balance at end of period/year		147,000,000	-
STATUTORY RESERVE -			
Balance at beginning and end of period/year		1,500,000	1,500,000
RETAINED EARNINGS:			
Balance at beginning of period/year		149,899,090	100,604,917
Net income for the period/year		93,060,280	97,932,739
Dividends		(40,500,000)	(48,638,566)
Transfer to proposed increase in capital	14	(147,000,000)	-
Balance at end of period/year		55,459,370	149,899,090
TOTAL SHAREHOLDERS' EQUITY		SR 206,959,370	SR 154,399,090

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

RED SEA HOUSING SERVICES COMPANY LTD.
(A Limited Liability Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE EIGHT MONTHS ENDED NOVEMBER 30, 2005 AND FOR THE YEAR ENDED MARCH 31, 2005

	November 30, 2005	March 31, 2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	SR 93,060,280	SR 97,932,739
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,861,869	7,044,016
Gain on sale of property and equipment and investment properties	(2,355,533)	(1,881,751)
Changes in operating assets and liabilities:		
Trade accounts receivable	(31,500,853)	(328,982)
Due from related parties	-	1,478
Advances to suppliers	(3,683,230)	2,710,801
Inventories	(31,424,938)	7,486,893
Prepayments and other current assets	(5,843,302)	1,072,381
Trade accounts payable	13,830,481	(10,760,900)
Advances from customers	(2,451,878)	(9,516,030)
Accrued expenses and other current liabilities	(10,232,445)	(6,074,788)
Accrued zakat	1,364,979	848,853
Employees' termination benefits	497,934	868,758
Net cash provided by operating activities	26,123,364	89,403,468
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(29,009,548)	(7,171,673)
Purchase of investment properties	(820,690)	(3,557,835)
Proceeds from sale of property, plant and equipment and investment properties	6,217,757	7,948,231
Net cash used by investing activities	(23,612,481)	(2,781,277)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in short-term bank borrowings	(4,258,766)	2,855,008
Net change in shareholders' accounts	(10,116,127)	4,147,024
Dividends paid	(40,500,000)	(48,638,566)
Net cash used by financing activities	(54,874,893)	(41,636,534)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(52,364,010)	44,985,657
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD/YEAR	100,815,271	55,829,614
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	SR 48,451,261	SR 100,815,271

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

1. THE COMPANY AND NATURE OF BUSINESS

Red Sea Housing Services Company Ltd. (the "Company") is a limited liability company registered in the Kingdom of Saudi Arabia under Commercial Registration as last amended under number 2055006105 dated Shawwal 26, 1424H (December 20, 2003). During 2005, the Company's shareholders decided to convert the Company from a limited liability company to a closed joint stock company, and eventually to a public joint stock company. Also, in this connection, the shareholders of the Company are in the process of admitting new shareholders. Legal proceedings for this change have not been completed as of November 30, 2005.

The objectives of the Company are to purchase land and real estate for the purpose of developing and improving them and to manufacture residential and commercial buildings thereon, and to ultimately sell or lease them. The Company's objectives also include producing non-concrete residential units.

The Company's head office is located at the following address:

P.O. Box 1531
Jubail 31951
Saudi Arabia

The Company has 100% ownership interest in Red Sea Housing Services (Ghana) Limited ("RSG"), which is registered and operates in Accra, Ghana. RSG is principally engaged in producing non-concrete residential units.

The Company also has licenses to operate in Afghanistan and Equatorial Guinea.

The Articles of Association of the Company specify its fiscal year to commence on April 1 of each Gregorian calendar year and to end on March 31 of the following year. However, the accompanying consolidated financial statements for the period from April 1, 2005 to November 30, 2005 have been prepared for the use of the management of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared under the historical cost convention on the accrual basis of accounting, and in compliance with the accounting standards promulgated by the Saudi Organization for Certified Public Accountants (SOCPA). Significant accounting policies are summarized as follows:

Basis of consolidation - The consolidated financial statements include the financial statements of the Company and its subsidiary set forth in Note 1 above. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of estimates - The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Cash and cash equivalents - Time deposits purchased with original maturities of less than three months are included in cash and cash equivalents.

Accounts receivable - Accounts receivable are carried at original amounts less provision made for doubtful accounts. A provision for doubtful accounts is established when there is a significant doubt that the Company will not be able to collect all amounts due according to the original terms of accounts receivable.

Inventories - Inventories are valued at the lower of cost or net realizable value. Cost is determined on the weighted-average method. The cost of finished goods includes the cost of raw materials, direct labor and manufacturing overheads.

During the eight months ended November 30, 2005, the management of the Company decided to change the method of determining the cost of inventories from the first-in, first-out (FIFO) method to the weighted-average method to comply with the provisions of Saudi Accounting Standards. Had the Company used the FIFO method, the cost of inventories and the cost of revenues for the eight months ended November 30, 2005 would not have been materially different.

Property, plant and equipment - Property, plant and equipment are recorded at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Buildings and residential houses	5 - 20
Machinery and equipment	10 - 15
Motor vehicles	4
Furniture and fixtures	4 - 5
Leasehold improvements	Over the period of the lease agreement

Expenditures for maintenance and repairs that do not materially extend the asset's life are included in expenses. Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are included in the consolidated statement of income currently.

Investment properties - Properties held for long-term rental yields, which are not occupied by the Company, are recorded at cost net of accumulated depreciation. Depreciation is calculated over their estimated useful lives of 5 to 20 years using the straight-line method.

Expenditures for maintenance and repairs that do not materially extend the asset's life are included in expenses. Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are included in the consolidated statement of income currently.

Impairment of long-lived assets - Property, plant and equipment and investment properties are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Borrowings - Borrowings are recognized at the proceeds received, net of transaction costs incurred.

Other provisions - Other provisions are recognized when the Company 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 a reliable estimate of the amount can be made.

Employees' termination benefits - Employees' termination benefits are accrued in accordance with the labor and workman laws of the countries in which the Company and RSG operate, and are charged to the consolidated statement of income currently. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should the employee leave at the consolidated balance sheet date. Termination payments are based on the conditions stated in the laws of those countries.

Revenue recognition - Revenues from long-term contracts are recognized on the percentage-of-completion method, measured by the percentage of cost incurred to-date to estimated total cost for each contract. Revenues from short-term contracts are recognized when the contract is completed or substantially completed.

Contract costs include all direct material and labor costs and those indirect costs related to the contracts. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

Costs and estimated earnings in excess of billings on uncompleted contracts are included in unbilled trade accounts receivable. Billings in excess of costs and estimated earnings on uncompleted contracts are included in advances from customers.

Rental income is recognized on the accrual basis in accordance with the terms of the contracts entered into with the tenants.

General, administrative, selling and marketing expenses - General, administrative, selling and marketing expenses include direct and indirect costs not specifically part of cost of revenues as required under generally accepted accounting principles. Allocations between cost of revenues and general, administrative, selling and marketing expenses, when required, are made on a consistent basis.

Operating leases - Rentals in respect of operating leases are charged to the consolidated statement of income over the terms of the related leases.

Zakat and income tax - The Company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). The Jebel Ali branch is not subject to any zakat or income tax in the country of operations. RSG is subject to tax regulations in Ghana. Income tax related to RSG, if any, is charged to the consolidated statement of income currently.

Additional zakat and tax payable, if any, on the finalization of the Company's and RSG's assessments are accounted for when determined.

Foreign currency translation - The Company's books of account are maintained in Saudi riyal. Foreign currency transactions are translated into Saudi riyal at the exchange rates prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies are adjusted to reflect their Saudi riyal equivalents as of the consolidated balance sheet date. Exchange adjustments, which were not significant for the period/year, are charged or credited to the consolidated statement of income currently.

Assets and liabilities of RSG are translated at the exchange rates in effect at the date of the consolidated financial statements. The components of RSG's equity accounts, except retained earnings, are translated at the exchange rates in effect at the dates the related items originated. The elements of RSG's income statement are translated using the weighted-average exchange rate for the period. Adjustments resulting from the translation of RSG's financial statements into Saudi riyal are reported as a separate component of shareholders' equity. Translation difference at November 30, 2005 and March 31, 2005 were not material.

Reclassifications - Certain amounts in the March 31, 2005 consolidated financial statements have been reclassified to conform to the November 30, 2005 presentation.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at November 30, 2005 and March 31, 2005 are comprised of the following:

	November 30, 2005	March 31, 2005
Time deposits	SR 25,000,000	SR 62,360,365
Cash at banks	23,267,775	38,361,307
Petty cash	183,486	93,599
Total	SR 48,451,261	SR100,815,271

4. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable at November 30, 2005 and March 31, 2005 are comprised of the following:

	November 30, 2005	March 31, 2005
Trade accounts receivable:		
Billed	SR 90,651,200	SR 67,199,317
Unbilled	8,048,964	-
	98,700,164	67,199,317
Less allowance for doubtful accounts	(1,244,990)	(1,244,996)
Trade accounts receivable - net	SR 97,455,174	SR 65,954,321

5. RELATED PARTY MATTERS

The following is a summary of balances with related parties at November 30, 2005 and March 31, 2005:

	November 30, 2005	March 31, 2005
Due from related parties:		
Advance Petroleum Services Ltd.	SR 34,610	SR 34,610
Gulf Power International Company Ltd.	32,046	32,046
Dabbagh Information Technology Group Ltd.	19,921	19,921
Supreme Foods Company Ltd.	11,925	11,925
Saudi Logistics and Electronics International Company Ltd.	1,070	1,070
Total	SR 99,572	SR 99,572
Due to related parties:		
Agricultural Development Company Ltd.	SR 13,560	SR 13,560
National Scientific Company Ltd.	1,516	1,516
Total	SR 15,076	SR 15,076

There were no significant related party transactions during the eight months ended November 30, 2005 and the year ended March 31, 2005.

6. INVENTORIES

Inventories at November 30, 2005 and March 31, 2005 are comprised of the following:

	November 30, 2005	March 31, 2005
Raw materials	SR 64,085,492	SR 33,387,359
Work in process	10,886,375	10,119,789
Finished goods	2,358,686	2,398,525
Total	77,330,553	45,905,673
Less: provision for slow moving inventories	(1,708,313)	(1,708,371)
Inventories - net	SR 75,622,240	SR 44,197,302

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are comprised of the following:

November 30, 2005	April 1, 2005	Additions (transfers)	Disposals	November 30, 2005
Cost				
Land	SR -	SR 1,316,381	SR -	SR 1,316,381
Buildings and residential houses	9,641,847	23,989,882	-	33,631,729
Machinery and equipment	6,508,729	7,619,374	-	14,128,103
Motor vehicles	6,570,818	639,011	(18,000)	7,191,829
Furniture and fixtures	2,588,892	237,350	-	2,826,242
Projects under construction	5,846,248	(4,792,450)	-	1,053,798
Total	31,156,534	29,009,548	(18,000)	60,148,082
Accumulated depreciation				
Buildings and residential houses	4,972,872	1,156,021	-	6,128,893
Machinery and equipment	2,828,656	650,875	-	3,479,531
Motor vehicles	5,781,889	198,232	(18,000)	5,962,121
Furniture and fixtures	2,174,101	211,068	-	2,385,169
Total	15,757,518	2,216,196	(18,000)	17,955,714
Property, plant and equipment - net	SR 15,399,016			SR 42,192,368

March 31, 2005	April 1, 2004	Additions (transfers)	Disposals	March 31, 2005
Cost				
Buildings and residential houses	SR 10,591,795	SR 903,041	SR (1,852,989)	SR 9,641,847
Machinery and equipment	8,139,552	349,558	(1,980,381)	6,508,729
Motor vehicles	6,233,818	577,338	(240,338)	6,570,818
Furniture and fixtures	2,498,493	90,399	-	2,588,892
Leasehold improvements	2,988,840	-	(2,988,840)	-
Projects under construction	594,911	5,251,337	-	5,846,248
Total	31,047,409	7,171,673	(7,062,548)	31,156,534
Accumulated depreciation				
Buildings and residential houses	6,284,253	512,873	(1,824,254)	4,972,872
Machinery and equipment	3,800,257	982,363	(1,953,964)	2,828,656
Motor vehicles	5,707,526	301,578	(227,215)	5,781,889
Furniture and fixtures	1,964,569	209,532	-	2,174,101
Leasehold improvements	2,966,445	22,395	(2,988,840)	-
Total	20,723,050	2,028,741	(6,994,273)	15,757,518
Property, plant and equipment - net	SR 10,324,359			SR 15,399,016

The Company has a 5-year renewable operating lease commencing from November 1, 2001 for land upon which the Company's Jubail Industrial City ("JIC") production facilities are located. Annual lease payments to JIC are SR 0.7 million. The Company also has a 10-year operating lease commencing from July 1, 1997 for land upon which the Company's Jebel Ali Free Zone production facilities are located. Annual lease payments to Jebel Ali Free Zone Authority are SR 0.5 million. Also see Note 22 with respect to future rental commitments.

Projects under construction include costs incurred to construct a production facility in Accra, Ghana. Also, see Note 24 with respect to capital commitments.

8. INVESTMENT PROPERTIES

Investment properties are comprised of the following:

November 30, 2005	April 1, 2005	Additions	Disposals	November 30, 2005
Cost				
Land	SR 6,477,897	SR -	SR -	SR 6,477,897
Buildings and residential houses	52,391,957	820,690	(8,545,607)	44,667,040
Total	58,869,854	820,690	(8,545,607)	51,144,937
Accumulated depreciation				
Buildings and residential houses	28,313,600	2,645,673	(4,683,383)	26,275,890
Investment properties - net	SR 30,556,254			SR 24,869,047

March 31, 2005	April 1, 2004	Additions	Disposals	March 31, 2005
Cost				
Land	SR 6,477,897	SR -	SR -	SR 6,477,897
Building and residential houses	59,899,819	3,557,835	(11,065,697)	52,391,957
Total	66,377,716	3,557,835	(11,065,697)	58,869,854
Accumulated depreciation				
Building and residential houses	28,365,817	5,015,275	(5,067,492)	28,313,600
Investment properties - net	SR 38,011,899			SR 30,556,254

These investment properties are held for long-term rental yields and are not occupied by the Company. Also see Note 22 with respect to operating leases.

9. SHORT-TERM BANK BORROWINGS

Short-term bank borrowings at November 30, 2005 and March 31, 2005 are comprised of the following:

	November 30, 2005	March 31, 2005
Bank overdrafts	SR 741,234	SR -
Short-term bank loans	-	5,000,000
Total	SR 741,234	SR 5,000,000

Short-term bank borrowings bear financing charges at market rates, which are generally based on Saudi Inter Bank Offer Rate (SIBOR). Unused short-term bank credit facilities available to the Company at November 30, 2005 were approximately SR 63.1 million (March 31, 2005 - SR 138.1 million). Such bank borrowings are unsecured.

10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities at November 30, 2005 and March 31, 2005 are comprised of the following:

	November 30, 2005	March 31, 2005
Employee-related (see Note 19)	SR 22,651,159	SR 30,422,381
Unearned revenue	1,769,621	1,250,443
Other	2,787,790	5,768,191
Total	SR 27,208,570	SR 37,441,015

11. ZAKAT AND FOREIGN INCOME TAXES

Zakat and foreign income taxes are charged to the consolidated statement of income. The Company and its subsidiary file separate zakat and income tax declarations, which are filed on unconsolidated basis. Significant components of the Company's zakat base are comprised of shareholders' equity, provisions at the beginning of the period/year and adjusted net income, less deductions for the net book value of property, plant and equipment, investment properties and certain other items. Zakat and foreign income tax included in the consolidated statement of income for the eight months ended November 30, 2005 and for the year ended March 31, 2005 are as follows.

	November 30, 2005	March 31, 2005
Zakat of the Company	SR 4,570,647	SR 2,511,096
Foreign income tax of RSG	-	-
Total	SR 4,570,647	SR 2,511,096

Accrued zakat

The movements in accrued zakat account for the eight months ended November 30, 2005 and for the year ended March 31, 2005 are as follows:

	November 30, 2005	March 31, 2005
Balance at beginning of period/year	SR 2,799,494	SR 1,950,641
Provided during the period/year	4,570,647	2,511,096
Payments during the period/year	(3,205,668)	(1,662,243)
Balance at end of period/year	SR 4,164,473	SR 2,799,494

Zakat status

The Company has finalized its zakat status and obtained the final zakat certificate for the year ended March 31, 2004.

The Company has filed its final zakat return for the year ended March 31, 2005, which is still under review by the DZIT. Any additional zakat liability that may be assessed by the DZIT upon the finalization of the Company's zakat returns for the open years will be recorded by the Company when finalized with the DZIT.

2. SHAREHOLDERS' ACCOUNTS

The movements in shareholders' accounts for the eight months ended November 30, 2005 and for the year ended March 31, 2005 are as follows:

	November 30, 2005	March 31, 2005
Balance at beginning of period/year	SR 12,927,175	SR 8,780,151
Net movements during the period/year	(10,116,127)	4,147,024
Balance at end of period/year	SR 2,811,048	SR 12,927,175

Such balance does not bear any finance cost and is due on demand.

13. EMPLOYEES' TERMINATION BENEFITS

The movements in employees' termination benefits for the eight months ended November 30, 2005 and for the year ended March 31, 2005 are as follows:

	November 30, 2005	March 31, 2005
Balance at beginning of period/year	SR 5,731,901	SR 4,863,143
Provided during the period/year	570,177	1,106,255
Payments during the period/year	(72,243)	(237,497)
Balance at end of period/year	SR 6,229,835	SR 5,731,901

14. SHARE CAPITAL

The Company's share capital of SR 3 million at November 30, 2005 and March 31, 2005 consists of 3,000 fully paid and issued shares of SR 1,000 each, and is held as follows:

	Ownership percentage
Dabbagh Group Holding Company Ltd.	96%
Tanmiah Commercial Group Company Ltd.	4%
Total	100%

The shareholders of the Company resolved to increase the Company's share capital from SR 3 million to SR 300 million and to increase the number of shares from 3,000 to 6 million shares. Such increase in capital was affected by transferring SR 147 million from retained earnings to proposed increase in capital as of November 30, 2005, and by contributing cash of SR 150 million on December 4, 2005.

15. STATUTORY RESERVE

In accordance with its Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company maintains a statutory reserve equal to one-half of its share capital. Such reserve is not currently available for distribution to the shareholders. No transfers to statutory reserve were made for the eight months ended November 30, 2005 and for the year ended March 31, 2005 as the reserve at those dates represented 50% of the registered share capital.

16. REVENUES

Revenues for the eight months ended November 30, 2005 and for the year ended March 31, 2005 are comprised of the following:

	November 30, 2005	March 31, 2005
Contract revenues	SR 261,342,722	SR 398,905,269
Rental income	11,841,761	22,719,040
Total	SR 273,184,483	SR 421,624,309

17. SELLING AND MARKETING EXPENSES

Selling and marketing expenses for the eight months ended November 30, 2005 and for the year ended March 31, 2005 are comprised of the following:

	November 30, 2005	March 31, 2005
Freight outward	SR 10,242,949	SR 18,434,246
Employee-related costs	4,509,248	5,672,957
Sales commission	1,537,140	3,318,646
Other	484,793	406,145
Total	SR 16,774,130	SR 27,831,994

18. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the eight months ended November 30, 2005 and for the year ended March 31, 2005 are comprised of the following:

	November 30, 2005	March 31, 2005
Employee-related costs	SR 12,159,096	SR 15,691,316
Depreciation	208,631	72,041
Professional fees	270,555	360,693
Insurance	182,776	208,280
Rent	90,463	173,830
Other	1,313,666	1,776,267
Total	SR 14,225,187	SR 18,282,427

19. REVERSAL OF EXCESS ACCRUALS

In prior years, the Company had accrued for management bonuses, which were based on management's estimates and underlying agreements. However, based on on-going discussions and agreements reached with the concerned management personnel during the eight months ended November 30, 2005, it was determined that an amount of SR 14.7 million was accrued by the Company in excess of the amount due to the management as of that date. Accordingly, such amount was reversed and credited to the consolidated statement of income for the eight months ended November 30, 2005.

20. OTHER INCOME

Other income for the eight months ended November 30, 2005 and for the year ended March 31, 2005 is comprised of the following:

	November 30, 2005	March 31, 2005
Gain on sale of property and equipment, and investment properties	SR 2,355,533	SR 1,881,751
Other	635,277	443,283
Total	SR 2,990,810	SR 2,325,034

21. SEGMENT REPORTING

The Company's operations are in a single industry segment, comprising of manufacturing and sale of non-concrete residential and commercial buildings and leasing of such properties. The Company's operations are conducted in Saudi Arabia, United Arab Emirates ("UAE"), Ghana and certain other geographical areas. Selected financial information as of November 30, 2005 and for the eight months then ended, and as of March 31, 2005 and for the year then ended, summarized by geographic area, is as follows (SR 000's):

	Saudi Arabia	UAE	Africa	Central Asia	Other countries	Total
November 30, 2005						
Property, plant and equipment - net	574	21,849	19,769	-	-	42,192
Investment properties - net	18,592	658	1,900	1,687	2,032	24,869
Revenues - net	113,003	6,395	77,775	65,817	10,194	273,184
Net income	52,091	1,662	19,443	17,112	2,752	93,060

	Saudi Arabia	UAE	Africa	Central Asia	Other countries	Total
March 31, 2005						
Property, plant and equipment - net	593	9,321	5,485	-	-	15,399
Investment properties - net	20,986	975	2,187	4,053	2,355	30,556
Revenues - net	226,134	1,228	99,850	71,150	23,262	421,624
Net income	64,032	245	16,830	13,104	3,722	97,933

22. OPERATING LEASES

The Company has various operating leases for its offices, warehouses and production facilities. Rental expenses for the eight months ended November 30, 2005 are SR 2.7 million (year ended March 31, 2005 - SR 3.5 million). Future rental commitments under these operating leases are as follows:

Years ending March 31:	
2006	SR 457,370
2007	1,483,092
2008	453,399
Total	SR 2,393,861

The Company has leased out various residential houses (see Note 8) under operating lease agreements. Rental income from such leases for the eight months ended November 30, 2005 amounted to SR 11.8 million (year ended March 31, 2005 - SR 22.7 million).

Operating leases for rental income with terms expiring within one year and in excess of one year as of November 30, 2005 are as follows (SR in millions):

Within one year	15.8
Between two and five years	-
More than five years	-
Total	15.8

23. KEY MANAGEMENT PERSONNEL REMUNERATION

The total remuneration of the key management personnel for the eight months ended November 30, 2005 amounted to SR 11.7 million (for the year ended March 31, 2005 - SR 15.2 million). The remuneration includes basic salaries, bonuses and other benefits as per the Company's policy.

The Managing Director and the General Managers of Accra and Jubail operations are each entitled to a fixed monthly salary as well as to an annual incentive bonus of 2.7% of the Company's consolidated net income before zakat according to their employment contracts.

Key management personnel are those persons, including the Managing Director, having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

24. COMMITMENTS AND CONTINGENCIES

The Company has outstanding bank guarantees and letters of credit amounting to SR 20.9 million at November 30, 2005 (March 31, 2005 - SR 10.9 million) issued in the normal course of business.

At November 30, 2005, the Company has a commitment to purchase buildings at a cost of SR 5.5 million.

25. FINANCIAL RISK MANAGEMENT

Financial assets and liabilities carried on the consolidated balance sheet include cash and cash equivalents, trade and other accounts receivable, trade and other accounts payable, short-term bank borrowings, and other liabilities.

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company has no significant concentration of credit risks. Cash is placed with banks of sound credit ratings. Trade accounts receivable are mainly due from customers and are stated at their estimated realizable values.

Fair value and cash flow interest rate risks are the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. As the Company has no significant interest-bearing assets at November 30, 2005 and March 31, 2005, the Company's income and operating cash flows are independent of changes in market interest rates. The Company's interest rate risks arise mainly from its short-term bank borrowings, which are at floating rates of interest, and are subject to re-pricing on a regular basis. Management monitors the changes in interest rates and believes that the fair value and cash flow interest rate risks to the Company are not significant.

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with its financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value.

Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Company's future commitments.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's management believes that there is no currency risk as the Company's transactions are principally in Saudi riyal, United States dollar and UAE Dirham.

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Company's consolidated financial statements are prepared under the historical cost method, differences can arise between the book values and the fair value estimates.

The management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

26. MANAGEMENT'S APPROVAL

These consolidated financial statements have been approved for issue by the Company's management on February 8, 2006.

7 MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of Red Sea's financial condition and results of operations is based upon and should be read in conjunction with the audited financial statements of Red Sea as at and for the years ended 31 March 2003, 2004, which have been audited by Sami E. Farah, Abdulhamid M. Bushnaq & Partners; as well as the audited financial statements of Red Sea as at and for the year ended 31March 2005G and the first eight months ended November 30 2005G, which have been audited by Al Juraid & Company, member firm of PricewaterhouseCoopers.

The Management's Discussion and Analysis of Financial Condition and Results of Operations section contains forward-looking statements that involve risks and uncertainties. Actual results for the Company could differ materially from those contemplated by these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly under the heading "Risk Factors".

7.1 DIRECTORS' DECLARATION FOR FINANCIAL INFORMATION

Red Sea confirms that it has sufficient working capital for the twelve (12) months immediately following the date of this Prospectus.

The Directors declare that the financial information presented in the Prospectus is extracted without material change from the Audited Financial Statements and that the Audited Financial Statements have been prepared in accordance with SOCPA Accounting Standards.

Save as disclosed herein, the directors declare that there has been no material adverse change in the financial or trading position of the company during the last two (2) years ending March 31 2005G, 2004G, and from November 30, 2005G until the date of publication of the prospectus.

Save as disclosed herein, the Directors, the Directors, the Managing Director, and the Company Secretary declare as of the date of the Prospectus that they have not at any time been bankrupt or been subject to bankruptcy proceedings.

Save as disclosed herein, the directors and senior management team declare that they do not have any powers allowing them to borrow from the issuer.

Save as disclosed herein, neither the senior executives nor the secretary or any of their relatives and affiliates have a direct or indirect interest in the shares of the Company.

The Directors further declare that there has not been any interruption in the business of the issuer and the group which may have or have had a significant effect on the financial position in the last 12 months.

In addition, the Management declares that there are no mortgages, rights, and charges on the Company's properties as of the date of this Prospectus.

7.2 OVERVIEW

Exhibit 7.1: Ownership Structure of Red Sea

	Pre-Offering			Post-Offering		
	Shares	Percent	Capital (SAR)*	Shares	Percent	Capital (SAR)*
Dabbagh Group Holding Company Limited	24,300,000	81.00%	243,000,000	15,300,000	51.00%	153,000,000
Tanmiah Commercial Group	1,200,000	4.00%	12,000,000	1,200,000	4.00%	12,000,000
Supreme Foods Company Limited	1,500,000	5.00%	15,000,000	1,500,000	5.00%	15,000,000
National Scientific Company Limited	1,500,000	5.00%	15,000,000	1,500,000	5.00%	15,000,000
Marketing and Commercial Agencies Company Limited	1,500,000	5.00%	15,000,000	1,500,000	5.00%	15,000,000
Offering Subscribers	0	0.00%	0	9,000,000	30.00%	90,000,000
Total	**30,000,000**	**100.00%**	**300,000,000**	**30,000,000**	**100.00%**	**300,000,000**

**SAR 10 par value/share*
Source: Red Sea

The purpose of the Company is to use its extensive range of products and the strategic location of its manufacturing facilities to provide tailored manufactured housing products and solutions to meet the specific needs of its diverse clientele. Competitive pricing, quick delivery, and value added services are stressed upon to achieve competitive advantage against the competition to provide both turnkey solutions as well as stand alone products. The Company currently has three manufacturing facilities located in the Kingdom of Saudi Arabia, the UAE, and the Republic of Ghana.

Pursuant to the Partners Resolution signed by the Existing Shareholders and notarized before the Notary Public of the Chamber of Commerce and Industry in the Eastern Province on 29/6/1427H (Corresponding to 25/7/2006G), the Capital of the company was increased from SAR 3 million (consisting of 3,000 Shares at a nominal value of SAR 1,000 each) to SAR 300 million (consisting of 30,000,000 Shares at a nominal value of SAR 10 each) through a transfer of SAR 147 million from retained earnings as of November 30, 2005G and the injection of SAR 150 million in new capital by the Dabbagh Group, on December 4, 2005G.

7.3 RESULTS OF OPERATIONS

The following table shows a summary of Red Sea's results of operations for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.2: Results of Operations (SAR 000s)					
	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G
Revenues	177,126	394,763	421,624	307,681	273,184
Cost of Revenues	(126,326)	(287,486)	(278,571)	(200,724)	(163,080)
Gross Profit	**50,800**	**107,277**	**143,053**	**106,957**	**110,104**
Selling and Marketing	(13,988)	(15,969)	(27,832)	(20,998)	(16,774)
General and Administrative	(15,487)	(29,879)	(18,282)	(13,350)	(14,225)
Reversal of Excess Accruals	-	-	-	-	14,700
Financial Income (Charges) - Net	(44)	(154)	1,180	332	835
Other Income	2,064	3,736	2,325	1,650	2,991
Income Before Zakat	**23,345**	**65,011**	**100,444**	**74,591**	**97,631**
Zakat	(612)	(1,981)	(2,511)	(1,854)	(4,571)
Net Income	**22,733**	**63,030**	**97,933**	**72,737**	**93,060**

**Unaudited Financials*

Source: Red Sea Audited Financial Statements, Figures are rounded

Exhibit 7.3: Results of Operations (% of Revenues)					
	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Revenues	(71.3)%	(72.8)%	(66.1)%	(65.2)%	(59.7)%
Gross Profit	28.7%	27.2%	33.9%	34.8%	40.3%
Selling and Marketing	(7.9)%	(4.0)%	(6.6)%	(6.9)%	(6.1)%
General and Administrative	(8.7)%	(7.6)%	(4.3)%	(4.3)%	(5.2)%
Reversal of Excess Accruals	-	-	-	-	5.4%
Financial Income (Charges) - Net	(0.0)%	(0.0)%	0.3%	0.1%	0.3%
Other Income	1.2%	0.1%	0.6%	0.5%	1.1%
Income Before Zakat	13.2%	16.5%	23.8%	24.2%	35.7%
Zakat	(0.3)%	(0.5)%	(0.6)%	(0.6)%	(1.7)%
Net Income	12.8%	16.0%	23.2%	23.6%	34.0%

**Unaudited Financials*

Source: Red Sea Audited Financial Statements, Figures are rounded

7.3.1 REVENUES

The following table gives a breakdown of revenues of the Company for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well eight months ended November 30, 2004G and 2005G.

Exhibit 7.4: Breakdown of Revenues (SAR 000s)

	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G
Building Revenues	152,240	355,864	398,905	301,669	261,343
Building Revenues Growth	*13%*	*134%*	*12%*	*(**) 13%*	*(**) (13%)*
% of Total Revenues	*86%*	*90%*	*95%*	*98%*	*96%*
Rental Revenues	24,886	38,899	22,719	6,012	11,841
Rental Revenues Growth	*217%*	*56%*	*(42%)*	*(**) (60%)*	*(**) 97%*
% of Total Revenues	*14%*	*10%*	*5%*	*2%*	*4%*
Total Revenues	**177,126**	**394,763**	**421,624**	**307,681**	**273,184**
Total Revenues Growth	***24%***	***123%***	***7%***	*(**)**17%***	*(**)* ***(3%)***

**Unaudited Financials, ** Percentages are computed by annualising the 8-months figures (8-months figures*12/8)*
Source: Red Sea, Figures are rounded

Building revenues mainly comprise four main categories namely (i) revenues from factory-built modular housing, (ii) revenues from cabins for water and sewage treatment plants, (iii) revenues from cabins for power generation plants, and (iv) revenues from site developments.

The first category, revenues from factory-built modular housing, is the major contributor to the building revenues (75%), and consists of empty manufactured building modules (sometimes includes furniture according to the customer specifications) such as housing, offices, schools or hotels.

The second category consists of specially equipped manufactured cabins used at treatment plants and contributes 10% to the building revenues.

The third category comprises manufactured cabins built to house power generation units and contributes 5% of the building revenues.

The fourth category consists of manufactured building modules in remote areas where Red Sea performs all additional work to improve the site, and accounts for 10% of revenues.

The majority of contracts are short-term, however, in case of a long term contract; a percentage of completion method is applied to calculate the building revenues.

To date, product rentals have been carried out on a small scale basis. However, Red Sea is finding more and more customers interested in renting complete camps. An increasing number of customers ask to rent ready-made manufactured buildings over a period of time at the end of which, the manufactured buildings are returned to the storage area. The customer has to provide Red Sea with bank guarantees to ensure the return of these units. After the buildings return to the storage area Red Sea does the repair and cleaning to make them ready for the next tenant or put them up for sale.

Rental services are not major contributors to the total revenue, however, management intends to increase them in the future as there is a strong potential for greater market share and increased profits especially in Saudi Arabia in the energy and mining sector.

The following table gives a breakdown of the Company's revenues by customer segment for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.5: Breakdown of Revenues by Customer Segment (SAR 000s)					
	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G
Oil & Gas / Construction	130,126	115,637	203,624	184,930	212,650
Mining	22,000	0	10,000	0	19,515
Government and Multilateral Organizations	25,000	279,126	208,000	122,751	41,019
Total Reveues	**177,126**	**394,763**	**421,624**	**307,681**	**273,184**

**Unaudited Financials*
Source: Red Sea, figures are rounded

Demand for the company's products was driven by increased exploration activity which resulted in higher revenues for the fiscal year ended March 31, 2005G. Revenues for the fiscal year ended March 31, 2004G for the oil & gas sector dropped compared to fiscal year ended March 31, 2003G due to the fact that great emphasis was placed by Red Sea on higher margin Government and Multilateral Organizations orders.

The following table gives a geographic breakdown of the Company's revenues for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.6: Breakdown of Revenues by Geography (SAR 000s)								
	Fiscal Year Ended March 31					Eight months ended November 30		
	2003G	2004G		2005G		2004G*	2005G	
Middle East	99,864	331,962	84.1%	252,815	60.0%	160,135	119,398	43.7%
Africa	24,268	8,288	2.1%	97,921	23.2%	71,477	77,775	28.5%
Asia	52,994	54,513	13.8%	70,888	16.8%	76,069	76,011	27.8%
Total Revenues	**177,126**	**394,763**	**100%**	**421,624**	**100%**	**307,681**	**273,184**	**100%**

**Unaudited Financials*
Source: Red Sea, figures are rounded

The variance in revenues among the different customer segments and geographies reflects the management strategy of seeking the most profitable business regardless of location and industry sector.

The following table gives a breakdown of the Company's revenues by operation for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.7: Breakdown of Revenues by Operation (SAR 000s)					
	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G
Jubail Operation	62,664	290,877	226,135	160,650	113,003
Jebel Ali Free Zone Operation	107,398	102,316	195,489	147,031	159,436
Accra Operation				0	745
Property Management	7,064	1,570	0	0	0
Total Revenues	**177,126**	**394,763**	**421,624**	**307,681**	**273,184**

**Unaudited Financials*
Source: Red Sea, figures are rounded

Revenues from the Jubail Factory and the Jebel Ali Free Zone Factory increased in 2004G and 2005G as they were the major providers of manufactured housing to Government and Multilateral Organizations customers. The Jebel Ali Free Zone factory sells its products to other countries in the Middle East and Africa while the Jubail factory sells its products to customers inside Saudi Arabia. The Property Management activities were slowed down during 2004G and 2005G to focus on the production of prefabricated housing and respond to the increasing demand for these products. In 2006G, Red Sea decided to increase its Property Management activity level.

7.3.2 COST OF REVENUES AND GROSS PROFIT

The following table summarizes the Company's cost of revenues and gross profit for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.8: Cost of Revenues and Gross Profit (SAR 000s)

	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G
Cost of Building Revenues	114,573	260,993	263,308	191,690	155,300
% of Building Revenues	*75%*	*73%*	*66%*	*64%*	*59%*
Cost of Rental Revenues	11,753	26,493	15,263	9,034	7,780
% of Rental Revenues	*47%*	*68%*	*67%*	*150%*	*66%*
Total Cost of Revenues	**126,326**	**287,486**	**278,571**	**200,724**	**163,080**
% of Total Revenues	**71%**	**73%**	**66%**	**65%**	**60%**
Gross Profit on Building Revenues	37,667	94,871	135,597	109,979	106,043
% of Building Revenues	*25%*	*27%*	*34%*	*36%*	*41%*
Gross Profit on Rental Revenues	13,133	12,406	7,456	(3,022)	4,061
% of Rental Revenues	*53%*	*32%*	*33%*	*(50%)*	*34%*
Total Gross Profit	**50,800**	**107,277**	**143,053**	**106,957**	**110,104**
% of Total Revenues	***29%***	***27%***	***34%***	***35%***	***40%***

**Unaudited Financials*

Source: Red Sea, figures are rounded

As may be observed from the Exhibit above, the gross profit varies from 25% to 41% for the building revenues and from 32% to 53% for the rental services during the three fiscal years under review. This variance can be attributed to the following reasons:

- In 2004G, the gross profit margin for Buildings Revenues increased from 25% to 27%. This is due to the increased prices to local customers, while Management kept prices for overseas customers relatively stable. The gross profit margin for Rental Revenues decreased from 53% to 32% in 2004G mainly due to the fact that Red Sea decided to discontinue the Property Management division during 2004G to focus on the production of prefabricated housing and respond to the increasing demand for these products. In 2006G, Red Sea decided to increase its Property management activity level.
- The gross profit for Buildings Revenues increased in 2005G compared to the gross profit for Buildings Revenues in 2004G due to the decrease in the raw material cost of approximately 6% and the significant savings on labor costs due to more hiring from the labor supplying companies.

The rental cost mainly consists of the depreciation of the cost of the manufactured buildings that are being leased. Some of the houses that were used for leasing have now been sold. Red Sea priced those houses according to their book value with an appropriate mark up.

The following table summarizes the breakdown of cost of revenues of the Company for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.9: Breakdown of Cost of Revenues (SAR 000s)

	Fiscal Year Ended March 31						Eight months ended November 30	
	2003G		2004G		2005G		2004G*	2005
Raw Material Cost	98,144	77.7%	225,030	78.3%	211,529	75.9%	151,704	108,329
Direct Labor Cost	15,104	12.0%	26,307	9.1%	28,137	10.1%	24,495	18,745
Factory Overhead Cost	13,078	10.3%	36,149	12.6%	38,905	14.0%	24,525	36,006
Total Cost of Revenues	**126,326**	**100%**	**287,486**	**100%**	**278,571**	**100%**	**200,724**	**163,080**

**Unaudited Financials*

Source: Red Sea, figures are rounded

The total raw material costs increased significantly during 2004G reflecting the large increase in sales. The 6% decrease in 2005 resulted from the decrease in raw material prices, especially in PVC, Wood, and Paint. Please refer to "Major Raw Material Prices" in Exhibit 7.10 below.

The Direct Labor costs, as shown in Exhibit 7.9, consist of the basic salaries of the laborers, laborers' allowances, and bonuses. The following is an explanation of the variances:

- In order to meet increased production demand, Red Sea signed contracts with agencies to provide them with factory laborers in return for hourly wages paid directly to the agencies. Red Sea included these costs in the basic salaries cost causing it to increase by 116% in 2004G and by 4% in 2005G. At the same time, the housing and transportation allowances did not increase by the same percentage as the basic salaries since outside workers are not paid extra allowances.
- Red Sea distributes 10% of the profits as bonuses to all its employees including the factory laborers and since the profit increased considerably in 2004G and 2005G, bonuses therefore increased in line with profits. The bonus expenses are charged to the income statement and are allocated among Cost of Revenues, General and Administrative and Selling and Marketing based on each employee or laborer department. The bonus expenses charged for the year ended March 31, 2003G amounted to SAR 3.512 million, SAR 9.762 million in 2004G, SAR 12.144 million in 2005G, and SAR 10.025 million for the period ended November 30, 2005.
- Other allowances such as vacation pay, tickets, etc. decreased by 34% in 2004G due to the closure of the property management division in Jeddah at the beginning of 2004G.

The increases and decreases of the components of the Direct Labor cost caused the totals to increase by 74% in 2004G and by 7% in 2005G.

Factory overhead consists of fixed costs such as depreciation, indirect salaries, factory rent, etc. and variable costs such as electricity bills, water bills, factory cleaning expenses etc. As can be noticed in Exhibit 7.9, the factory overhead cost increased by 176% in 2004G and by 7% in 2005G. This was mainly due to the increase in the variable costs, which increased in line with revenues.

The following table summarizes the prices of major raw materials used in the Company's operations for the fiscal years ended March 31, 2003G, 2004G, and 2005G.

Exhibit 7.10: Raw Material Prices (SAR)

Category (Unit of Measurement)	Fiscal Year Ended March 31		
	2003G	2004G	2005G
Lumber (CBM)	423.75	630.00	648.00
Steel (MT)	214.00	214.00	229.00
PVC (KGS)	2.70	3.68	3.41
Wood (CBM)	58.91	58.91	48.90
Paint (20 LTR)	365.00	370.50	352.00

Source: Red Sea

Most of the products utilized for production by Red Sea are commodities. Accordingly, the prices of these products are a function of the global changes in the supply and demand forces. In addition, PVC is an oil derivative product, thus the price of PVC is highly correlated to the price of oil which has been rising rapidly. Based on the trend analysis presented above, it is highly evident that the prices of Lumber, Steel, and PVC have been increasing significantly, while the prices of Wood, and Paint fluctuated in narrow ranges.

7.3.3 GENERAL AND ADMINISTRATIVE EXPENSES

The following table summarizes the breakdown of general and administrative expenses of the Company for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.11: Breakdown of General and Administrative Expenses (SAR 000s)					
	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G
Employee Salaries, Benefits, and Bonus	13,984	26,778	15,747	11,947	12,159
Other Expenses	1,502	3,101	2,535	1,403	2,066
Total General and Administrative Expenses	**15,486**	**29,879**	**18,282**	*13,350*	*14,225*
% of Total Revenues	*9%*	*8%*	*4%*	*4%*	*5%*

**Unaudited Financials*

Source: Red Sea, figures are rounded

Employee related costs have increased in 2004G compared to 2003G and decreased in 2005G. The reason is related to accruals of SAR 14.7 million for management bonus in 2004G, which subsequently was determined to have been estimated in excess of the actual bonus that was agreed on. Due to the fact that the actual amount of the bonus was agreed on with the related employees' subsequently, the reversal was made during the eight months ended November 30, 2005G and credited to Other Income (Please refer to section "Other Income and Financial Income (charges) -Net").

Other expenses comprise mainly of office supplies, utilities, professional fees, travel expenses, insurance, depreciation, bad debts, and rental expenses. Other expenses increased by 105% in 2004G compared to 2003G due mainly to higher insurance expenses, office supplies expenses, professional fees, utilities expenses, and bad debts amounted to SAR 447 thousands in 2004G. Other expenses declined by 18% in 2005G compared to 2004G due mainly to lower utilities expenses, office supplies expenses, and bad debts that amounted to SAR 79 thousands in 2005G.

7.3.4 SELLING AND MARKETING EXPENSES

The following table summarizes the breakdown of selling and marketing expenses of the Company for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.12: Breakdown of Selling and Marketing Expenses (SAR 000s)					
	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G
Employee Salaries and Benefits	2,303	3,296	5,673	3,986	4,509
Freight Expenses	8,934	10,564	18,434	14,316	10,243
Commission on revenues	2,036	1,609	3,319	2,394	1,537
Others	715	500	406	302	485
Total Selling and Marketing Expenses	**13,988**	**15,969**	**27,832**	**20,998**	**16,774**
% of Total Revenues	*8%*	*4%*	*7%*	*7%*	*6%*

**Unaudited Financials*

Source: Red Sea, figures are rounded

Employee salaries and related benefits increased by SAR 1 million from 2003G to 2004G and by SAR 2.4 million from 2004G to 2005G. The main reason for the increase in this account is due to the increase in the bonus account in line with the increase in the net income.

Commission on revenues decreased by SAR 427 thousand from 2003G to 2004G and increased by SAR 1.7 million from 2004G to 2005G. The main reason for this change is that the customers during 2004G purchased from Red Sea directly and not through the agencies. The main reason for the increase in 2005G is a sales agency introducing new customers, which had a significant impact on the revenues.

The Freight expenses increased by SAR 1.6 million from 2003G to 2004G and by SAR 7.9 million from 2004G to 2005G. The main reason for these increases is the increase in the international revenues during the years ended March 31, 2003G, 2004G, and 2005G. International revenues increased from SAR 102 million in 2004G to SAR 195 million in 2005G, an increase of 91%.

7.3.5 OTHER INCOME AND FINANCIAL INCOME (CHARGES) - NET

The following table summarizes the breakdown of other income and financial income (charges) - net of the Company for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.13: Breakdown of Other Income and Financial Income (Charges) - Net (SAR 000s)

	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G
Miscellaneous Income	474	418	443	223	635
Profit on Sale of Fixed Assets	1,590	3,317	1,882	1,427	2,356
Total Other Income	**2,064**	**3,735**	**2,325**	1,650	2,991
Total Financial Income (Charges) - Net	**(44)**	**(154)**	**1,180**	**332**	**835**

**Unaudited Financials*

Source: Red Sea, figures are rounded

In 2004G, the Company had accrued for management bonus, which was made based on management's estimates and underlying agreements. However, based on on-going discussions and agreements reached with the concerned management personnel during the eight months ended November 30, 2005G, it was determined that an amount of SAR 14.7 million was accrued by the Company in excess of the amount due to the management. Since the excess accrual is no longer valid, such amount was reversed and credited to the statement of income for the eight months ended November 30, 2005G.

Miscellaneous income includes scrap sale such as scrap containers and scrap steel. The profit on sale of fixed assets is mainly from the sale of buildings that were used for leasing. It varies from one year to another due to the fact that each year a different leasing contract is closed with a different amount of buildings returned that will either be used for another leasing period or put up for sale.

7.4 BALANCE SHEET

The following table summarizes the balance sheet of the Company for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.14: Balance Sheet Summary (SAR 000s)

	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G**
Current Assets	81,973	186,283	220,326	219,926	390,414
Fixed Assets	56,319	48,336	45,955	41,167	67,062
Total Assets	**138,292**	**234,619**	**266,281**	**261,093**	**457,476**
Current Liabilities	59,720	124,651	106,150	77,844	94,287
Non-Current Liabilities	4,873	4,863	5,732	5,407	6,230
Shareholders' Equity	73,699	105,105	154,399	177,842	356,959
Total Shareholders' Equity and Liabilities	**138,292**	**234,619**	**266,281**	**261,093**	**457,476**

**Unaudited Financial*

** Unaudited *pro-forma condensed consolidated financial statements for the eight months ended November 30, 2005G*

Source: Red Sea, figures are rounded

7.4.1 CURRENT ASSETS

The following table presents a breakdown of the current assets of the Company for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.15: Breakdown of Current Assets (SAR 000s)

	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G**
Cash and Cash Equivalent	19,468	55,830	100,815	89,000	198,451
Trade Accounts Receivable-Net	40,090	65,625	65,954	65,442	97,455
Due from Related Parties	823	101	100	21,730	100
Advances to Suppliers	0	8,019	5,308	3,762	8,991
Prepayments and Other	4,503	5,024	3,952	7,150	9,795
Inventories-Net	17,089	51,684	44,197	32,842	75,622
Total Current Assets	**81,973**	**186,283**	**220,326**	**219,926**	**390,414**

**Unaudited Financials*

** Unaudited *pro-forma condensed consolidated financial statements for the eight months ended November 30, 2005G*

Source: Red Sea, figures are rounded

Trade Accounts Receivable

The following table summarizes the trade accounts receivable of the Company for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.16: Summary of Trade Accounts Receivable - Net (SAR 000s)

	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G
Trade Accounts Receivable	40,590	67,366	67,199	66,951	98,700
Allowance for doubtful debts	(500)	(1,741)	(1,245)	(1,509)	(1,245)
Trade Accounts Receivable - Net	**40,090**	**65,625**	**65,954**	**65,442**	**97,455**

**Unaudited Financials*

Source: Red Sea, figures are rounded

Trade accounts receivable are stated at original invoice amounts less any provisions for uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.
The outstanding allowance as of March 31, 2005G and November 30, 2005G represent doubtful receivables from two customers. As the Company enjoyed an excellent collections position, the Company maintains a provision for each customer independently when his balance is considered doubtful. The net accounts receivable balance as of November 30, 2005G represents less than one year ageing.

Trade accounts receivable increased in absolute terms by 66% in 2004G compared to 2003G mainly as a result of higher business volumes and remained stable in 2005G compared to 2004G. However, in proportion to revenues, trade accounts receivable declined from a level of 83 days of revenues in 2003G to 61 days of revenues in 2004G and 57 days of revenues in 2005G. This was mainly a result of significant improvement in the trade accounts receivable collection by the Company thanks to Management initiatives taken in this regard over this period. As for the period ended November 30, 2005G Trade accounts receivable increased by 47% compared to March 31, 2005G. Accordingly, the accounts receivable turnover increased from 57 days in March 31, 2005G to 130 days in November 30, 2005G. This increase is due to the increase in sales, in November 30, 2005G, of SAR 48 million and the issuance of the related invoices to customers in the same month.

The following table presents trade accounts receivable turnover of the Company for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.17: Turnover of Trade Accounts Receivable - Net (SAR 000s)					
	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G
Revenues	177,126	394,763	421,624	307,681	273,184
Trade Accounts Receivable - Net	40,090	65,625	65,954	65,442	97,455
Turnover (Days of Revenue)	**83**	**61**	**57**	**78**	**130**

**Unaudited Financials*

Source: Red Sea, figures are rounded

The total amount of trade accounts receivable as of the end of fiscal year 2005G that is due for more than one year is SAR 1.4 million representing 2% of total trade accounts receivable. The allowance for doubtful debts as of the end of fiscal year 2005G of SAR 1.745 million provides 100% to cover for these trade accounts receivable due for more than one year. The Company has not encountered any major problem in collecting its receivables in the past.

Due from Related Parties

The only related parties of the Company are the subsidiaries of Dabbagh Group. Due from related parties arise from a related party buying the Company's products. Such transactions are however carried out on an arms length basis. The following table summarizes due from related parties of the Company for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.18: Due from Related Parties (SAR 000s)					
	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G
Total Due from Related Parties	**823**	**101**	**100**	**21,730**	**100**

**Unaudited Financials*

Source: Red Sea, figures are rounded

There were no significant related party transactions during the years ended March 31, 2005G, 2004G, and 2003G.

Inventories

Inventories are stated at the lower of cost or net realizable value, net of provisions for slow moving and obsolete items. Net realizable value is based upon estimated selling prices less anticipated costs of disposal. Finished goods and work in progress cost is comprised of direct material, direct labor and appropriate allocation of manufacturing overheads. Cost is arrived at using the first in first out method.

The following table presents a breakdown of inventories of the Company for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.19: Breakdown of Inventories (SAR 000s)					
	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G
Raw Material	10,616	24,186	33,387	25,375	64,085
Work in Progress	7,427	26,153	10,120	82,86	10,886
Finished Goods	153	2,657	2,398	493	2,359
Allowance for Slow Moving Inventories	(1,108)	(1,312)	(1,708)	(1,312)	(1,708)
Total Inventories - Net	**17,088**	**51,684**	**44,197**	**32,842**	**75,622**

**Unaudited Financials*

Source: Red Sea, figures are rounded

Most of the raw materials comprised steel, wood, PVC, paints and gypsum. Raw material increased by SAR 13 million from 2003G to 2004G and by SAR 9 million from 2004G to 2005G. The main reason for this was the Management decision to purchase large quantities of raw materials to take advantage of good prices from the suppliers and as a precaution for expected market price increases. The work in progress increased by SAR 19 million from 2003G to 2004G and decreased by SAR 16 million from 2004G to 2005G. The increase from 2003G to 2004G was related to three projects that were under production up to year end and delivered subsequently. As of November 30, 2005G the Raw material increased by SAR 30.698 million, the main reason for this increase was due to the startup of the Company's plant in the Republic of Ghana which required the purchase of large quantities of raw materials to transfer to the Republic of Ghana in order to meet the production requirements.

The following table presents inventories turnover of the Company for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.20: Turnover of Inventories (SAR 000s)

	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G
Cost of Revenues	126,326	287,486	278,571	200,724	163,080
Ending Inventory - Net	17,088	51,684	44,197	32,842	75,622
Inventory Turnover (Days of Cost of Revenues)	**49**	**66**	**57**	**40(**)**	**113(**)**

**Unaudited Financials ** Computed by annualising the 8-months figures (8-months figures*12/8)*
Source: Red Sea, figures are rounded

The inventory turnover in Exhibit 7.20 above estimates the number of days needed for the company to sell the current inventory. The inventory turnover increased from 49 days in 2003G to 66 days in 2004G mainly as a result of the bulk purchase of raw materials to take advantage of the attractive prices available. The inventory turnover decreased to 57 days in 2005G as the raw materials were used in production and inventories returned back to normal levels. The average inventory turnover in the three years under review was within 60 days. The inventory turnover increased from 57 days in March 31, 2005G to 113 days in November 30, 2005G mainly due to the increase in the inventory balance as a result of the Republic of Ghana plant start-up in October 2005G.

Prepayments and Other

The following table summarizes the prepayments and other debit balances of the Company for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.21: Prepayments and Other (SAR 000s)

	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G
Total Prepayments and Other	**4,503**	**5,024**	**3,952**	**7,150**	**9,795**

**Unaudited Financials*
Source: Red Sea, figures are rounded

Prepayments mainly include prepaid housing allowances, prepaid rent for factories and land, prepaid insurance, and margins on letters of guarantee.

7.4.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation. The cost of property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets. Fixed assets of the Company consist only of property, plant and equipment.

The following table presents a breakdown of the net book value of property plant and equipment of the Company for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.22: Breakdown of Property, Plant and Equipment (SAR 000s)

	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G
Land	6,478	6,478	6,478	6,478	7,794
Buildings and Residential Houses	45,526	35,842	28,748	28,877	45,894
Machinery and Equipment	3,124	4,339	3,679	3,814	10,649
Motor Vehicles	475	526	789	823	1,230
Furniture and Fixtures	322	534	415	518	441
Leasehold Improvements	66	22	0	22	0
Projects under Construction	328	595	5,846	635	1,053
Total Property, Plant and Equipment	**56,319**	**48,336**	**45,955**	**41,167**	**67,061**

**Unaudited Financials*
Source: Red Sea, figures are rounded

The following table presents a summary of the depreciation charge of the Company for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.23: Summary of Depreciation Charge (SAR 000s)

	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G
Total Depreciation Charge	7,187	10,058	7,044	4,133	4,862
Total Property, Plant and Equipment	56,319	48,336	45,955	40,588	67,061

**Unaudited Financials*
Source: Red Sea, figures are rounded

Land and some of the buildings and residential houses, recorded at a cost of SAR 59.9 million, are considered to be investment properties. Red Sea is currently using these investment properties for long term rental fields. The major portion of property, plant and equipment comprises building and residential houses which are depreciated over a period of five to twenty years using the straight-line method. The major additions during the period under review were buildings for SAR 3.6 million and projects under construction for SAR 5.8 million.

The change in the yearly depreciation charge results from annual additions and disposals of assets and the fact that some assets are fully depreciated.

The following table presents a summary of property, plant and equipment additions and disposals of the Company for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.24: Summary of Property, Plant and Equipment Additions and Disposals (SAR 000s)

	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G
Additions	14,042	13,530	10,730	1,565	29,830
Disposals	5,776	18,341	18,128	6,901	8,564
Gain on Disposals	1,590	3,317	1,882	1,427	2,356

**Unaudited Financials*
Source: Red Sea, figures are rounded

The Company's property, plant and equipment are covered under a comprehensive insurance policy and a review of insurance is usually carried out at the time of policy renewal. Management takes many aspects into account when considering what should be adequate coverage. Red Sea's general rule is to cover only major casualties considering the cost of the various amounts of coverage and the degree of risk the Management deems appropriate. The plant and equipment are not mortgaged to any third party and are fully owned by the Company.

The following breakdown represents the Insurance Contracts as of November 30, 2005G:

Exhibit 7.25: Breakdown of Assets and Inventory Insurance (SAR 000s)

Asset	Nature of Insurance	Insurance Limit
Motor Vehicles	Accidents	2,462
Buildings and Residential Houses	Fire	36,807
Furniture and Fixture	Fire	1,446
Machinery and Equipment	Fire & Burglary	11,025
Inventory	Fire & Burglary	32,500
Total		**84,240**

Source: Red Sea, Figures are rounded

7.4.3 CURRENT LIABILITIES

The following table presents a summary of current liabilities of the Company for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.26: Breakdown of Current Liabilities (SAR 000s)

	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G
Bank Overdrafts and Short Term Loans	0	2,145	5,000	5,000	741
Trade Accounts Payable	30,542	50,572	39,811	24,344	53,641
Due to Related Parties	0	15	15	15	15
Advances From Customers	2,439	17,673	8,157	3,940	5,705
Accrued Expenses and Other	24,912	43,516	37,441	42,403	27,209
Accrued Zakat	636	1,951	2,799	2,142	4,165
Shareholders' Accounts	1,189	8,780	12,927	0	2,811
Total Current Liabilities	**59,718**	**124,652**	**106,150**	**77,844**	**94,287**

**Unaudited Financials*

Source: Red Sea, figures are rounded

The following table presents a summary analysis of current liabilities of the Company for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.27: Analysis of Current Liabilities

	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G**
Current Ratio (Times)	1.4	1.6	2.0	2.8	2.5
Quick Ratio (Times)	1.1	1.1	1.6	2.4	1.7
Debt Ratio (%)	47%	55%	42%	32%	33%

**Unaudited Financials*

** Ratios for the eight months ended November 30 2005G are computed without taking into account the SAR 150 million injection in new capital.

Source: Red Sea, figures are rounded

Current Ratio (Current Assets / Current Liabilities): This ratio is used to determine short-term debt paying ability of the Company. It has increased from 1.6 times in the year 2004G to 2.0 times in 2005G.

Quick Ratio ((Current Assets – Inventory) / Current Liabilities): This ratio best determines the Company's ability to pay its short-term obligations without sale of inventory. The ratio has increased from 1.1 times in the year 2004G to 1.6 times in the year 2005G.

Debt Ratio (Total Liabilities / Total Assets): This ratio determines the Company's long-term debt paying ability. It indicates the percentage of assets financed by creditors, thus it helps to determine how well creditors are protected in case of insolvency. From the perspective of long-term debt paying ability, the lower this ratio, the better the Company's position. This ratio remained close to 0% in the years 2004G and 2005G due to very small level of debt at the Company during this period.

Bank Overdrafts and Short-Term Loans

The following table presents a summary of bank overdrafts and short-term loans of the Company for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.28: Summary of Bank Overdrafts and Short-term Loans (SAR 000s)

	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G
Short-term Bank Loans	0	2,000	5,000	5,000	0
Bank Overdrafts	0	145	0	0	741
Total Bank Overdrafts and Short-term Loans	**0**	**2,145**	**5,000**	**5,000**	**741**

**Unaudited Financials*
Source: Red Sea, figures are rounded

In 2004G, the Short-term loan represents a loan taken from Riyadh Bank on November 10, 2003G and was scheduled to be repaid over a one year period. In 2005G, another short-term loan for SAR 5 million was obtained. In April 2005G, the Company paid the full amount of SAR 5 million to Riyadh Bank.

Red Sea has credit facilities for bank overdrafts, letters of credit and guarantee, long and short-term loans with Riyadh Bank, Saudi Hollandi Bank, and Emirates Bank. Short-term bank borrowings bear financing charges at market rates, which are generally based on Saudi Inter Bank Offer Rate ("SIBOR +"). Unused short-term bank credit facilities available to the company at March 31, 2005G were approximately SAR 138 million (2004G SAR 45 million).

Trade Accounts Payable

Trade accounts payable are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. Provisions are recognized when the company has an obligation (legal or constructive) arising from the past event, and the costs to settle the obligation are both probable and able to be reliably measured. The company's normal credit period ranges from 30-90 days from the date of the invoice based on the contracts with the suppliers and sub-contractors, and in accordance with the Company's payment policy.

The following table presents a breakdown of the trade accounts payable of the Company by operation for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.29: Breakdown of Trade Accounts Payable by Operation (SAR 000s)					
	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G
Jubail Operation	15,267	27,773	24,730	21,776	30,057
Jebel Ali Free Zone Operation	12,713	22,405	15,081	2,266	14,794
Accra Operation				0	8,541
Head Office	2,562	394	0	302	249
Total Accounts Payable	**30,542**	**50,572**	**39,811**	**24,344**	**53,641**

**Unaudited Financials*

Source: Red Sea, figures are rounded

The trade accounts payable increased by SAR 20 million from 2003G to 2004G and decreased by SAR 11 million from 2004G to 2005G. The main reason for the increase from 2003G to 2004G is the increase in business volumes in 2004G as well as bulk purchase of raw materials to take advantage of attractive prices, which increased the level of dealings with suppliers. The decrease from 2004G to 2005G is due to a decrease in inventory holding coupled with an increase in payments to the suppliers.

Management deals with different suppliers to optimize prices and to meet its requirements. The average payment period decreased from 65 days in 2004G to 51 days in 2005G.

Advances from Customers

Advances from customers amounted to SAR 2.4 million in 2003G, SAR 17.7 million in 2004G, and SAR 8.1 million in 2005G. The increase in this account in 2004G which is almost a 624% increase was due mainly to the advance payments received on projects related to Alba phase 3 in Malabo, Equatorial. Guinea at the end of 2003G and the beginning of 2004G.

Accrued Expenses and Other

The following table presents a breakdown of accrued expenses and other credit balances of the Company for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.30: Breakdown of Accrued Expenses and Other (SAR 000s)					
	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G
Employee-related	12,964	35,137	30,422	38,196	22,651
Unearned Revenue	6,749	2,439	1,251	1,434	1,770
Other	5,199	5,940	5,768	2,773	2,788
Total Accrued Expenses and Other	**24,912**	**43,516**	**37,441**	**42,403**	**27,209**

**Unaudited Financials*

Source: Red Sea, figures are rounded

Please refer to section "Other Income and Financial Income (charges) -Net" for further details and explanation of the fluctuation of the employee related cost accruals, as of November 30 2005.

Unearned revenue is related to the Company's rental revenues contracts. The reason for the decrease in this account over the years ending March 31 2004G and 2005G and for the period ending November 30 2005G is related to discontinuing the property management division in 2004G. The balance as of March 31, 2005G and November 30 2005G is related to Desert Palm Compound in Jubail which is owned by the Company.

Shareholders' Accounts

The following table presents a summary of the shareholders' accounts of the Company for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.31: Summary of the Shareholders' Accounts (SAR 000s)

	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G
Balance at Beginning of the Year	0	1,189	8,780	8,780	12,927
Dividends Transferred During the Year	10,987	31,624	48,639	0	40,500
Withdrawals During the Year	(9,798)	(24,033)	(44,492)	(8,780)	(50,616)
Balance at the End of the Year	**1,189**	**8,780**	**12,927**	**0**	**2,811**

**Unaudited Financials*

Source: Red Sea, figures are rounded

Dividends are declared and distributed every year in accordance with the Company's Articles of Associations related to dividends distribution. In the past, the policy has been to pay out 50% of net income as dividends and to retain 50% for working capital and capital investment needs.

7.4.4 NON-CURRENT LIABILITIES

Non-current liabilities comprise only end of service benefits to employees, due under the Labor law.

End of Service Benefits

The following table presents a breakdown of the end of service benefits of the Company by operation for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.32: Breakdown of End of Service Benefits (SAR 000s)

	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G
Jubail Operation	4,470	4,320	5,036	4,817	5,402
Jebel Ali Free Zone Operation	403	543	696	589	828
Total End of Service Benefits	**4,873**	**4,863**	**5,732**	**5,406**	**6,230**

**Unaudited Financials*

Source: Red Sea, figures are rounded

Since Red Sea is incorporated in Saudi Arabia, it must abide by the prevailing labor laws and regulations of Saudi Arabia. The Jebel Ali Free Zone branch in Dubai follows the laws and regulations of the Jebel Ali Free Zone Authority ("JAFZA") which require that seven days of the employee's basic salary is accrued every year for all the years the employee works for the Company. Regarding the Republic of Ghana employees, no End of Service Benefits provision was required as of November 30, 2005G due to the fact that the plant start-up was in October 2005G.

The end of service benefits remained stable between 2003G and 2004G while this account increased by SAR 0.9 million in 2005G which is an 18 % increase. This increase was due to the increase in number of employees from 609 in 2004G to 630 in 2005G. Estimated monthly provisions were made during the year and recalculated at year end.

7.4.5 SHAREHOLDERS' EQUITY

The following table presents a breakdown of the shareholders' equity of the Company for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.33: Breakdown of Shareholders' Equity (SAR 000s)

	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G**
Share Capital	3,000	3,000	3,000	3,000	300,000
Statutory Reserves	1,500	1,500	1,500	1,500	1,500
Retained Earnings	69,199	100,605	149,899	173,342	55,459
Total Shareholders' Equity	**73,699**	**105,105**	**154,399**	**177,842**	**356,959**

**Unaudited Financials*

*** Unaudited pro-forma condensed consolidated financial statements for the eight months ended November 30, 2005G. In addition to the amount transferred from retained earnings for the increase in capital of SAR 147 million, the Partners injected SAR 150 million on December 4 2005G, which was deposited at Saudi Hollandi Bank for the capital increase. Accordingly, the total capital of the Company after the proposed increase will be SAR 300 million.*

Source: Red Sea, figures are rounded

The shareholders' equity of the Company increased by 43% in 2004G compared to 2003G and by 46% in 2005G compared to 2004G. This was due mainly to the healthy profitability of the Company and the resulting retained earnings over this period.

The following table summarizes the movements in retained earnings of the Company for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.34: Movement in Retained Earnings (SAR 000s)

	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G
Opening Balance	57,453	69,199	100,605	100,605	149,899
Net Income for the Year	22,733	63,030	97,933	72,737	93,060
Dividends Paid During the Year	(10,987)	(31,624)	(48,639)	0	(40,500)
Proposed increase in capital	0	0	0	0	(147,000)
Ending Balance	**69,199**	**100,605**	**149,899**	**173,342**	**55,459**

**Unaudited Financials*

Source: Red Sea, figures are rounded

7.5 CASH FLOWS

The following table presents a summary of the cash flows of the Company for the fiscal years ended March 31, 2003G, 2004G, and 2005G as well as eight months ended November 30, 2004G and 2005G.

Exhibit 7.35: Cash Flows (SAR 000s)					
	Fiscal Year Ended March 31			Eight months ended November 30	
	2003G	2004G	2005G	2004G*	2005G**
Cash Flow from Operating Activities	36,116	57,008	89,403	56,261	26,123
Cash Flow from Investing Activities	(8,189)	1,242	(2,781)	4,464	(23,612)
Cash Flow from Financing Activities	(17,924)	(21,888)	(41,637)	(27,555)	95,125
Net Change in Cash and Cash Equivalents	10,003	36,362	44,985	33,170	97,636
Opening Cash and Cash Equivalents Balance	9,465	19,468	55,830	55,830	100,815
Closing Cash and Cash Equivalents Balance	**19,468**	**55,830**	**100,815**	**89,000**	**198,451**

**Unaudited Financials*

** Unaudited *pro-forma condensed consolidated financial statements for the eight months ended November 30, 2005G*

Source: Red Sea, figures are rounded

2005G Cash flow

The contribution of cash from operations for the year 2005G was SAR 89.4 million. This is related to the record level of profits before depreciation charge (non-cash) of SAR 105 million. As the company enjoyed excellent cash inflow, it reduced the payable balance levels which brought the net cash flow from operations to SAR 89.4 million.

The net cash used in investing activities for the year 2005G amounted to SAR 2.7 million. This resulted mainly from property and equipments additions of SAR 10.6 million that includes SAR 6.5 million for the construction of the Republic of Ghana plant and the rest mainly for rental properties to clients. Cash proceeds, which were generated mainly from sale of buildings and residential houses to customers, amounted to SAR 7.9 million, which had a net book value of SAR 6 million.

The cash used in financing activities for the fiscal year 2005G amounts to SAR 41.6 million, mainly related to dividends paid to the Company's shareholders.

2004G Cash flow

The year 2004G cash flow from operations of SAR 57 million was mainly derived from the substantial increase in profits before depreciation of SAR 73 million. The difference of SAR 16 million in cash from operations was utilized to finance the Company's working capital requirements, related mainly to the increase in trade accounts receivable and inventories. The increase in the working capital requirements was due mainly to the substantial increase in the Company's business activity.

The net cash flow from investing activities in 2004G contributed to SAR 1.2 million resulting from buildings and residential houses and machinery and equipment additions of SAR 13.5 million and proceeds from sale of camps due to discontinuing the property management division of SAR 14.7, which had a net book value of SAR 11.5 million.

The cash used in financing activities in 2004G of SAR 22 million resulted from withdrawal of SAR 24 million by the Company's shareholders as dividends and receipt of short term loan of SAR 2 million.

2003G Cash flow

The contribution to cash from operations for the year 2003G was SAR 36 million. This was mainly derived from profits before depreciation charge of SAR 30 million, with the remaining SAR 6 million resulting from efficient control over working capital mainly extending supplier's credits.

The Company's net investing activities in 2003G had a negative cash flow of SAR 8 million. This resulted from additions to property and equipment of SAR 14 million which was partially offset by SAR 5.9 million from proceeds from sales of mainly building and residential houses and other assets at net book value of SAR 4.3 million.

The cash used in financing activities in 2003G of SAR 17.9 million was mainly used for settlement of short term debts of SAR 8 million with the balance of SAR 9.9 million withdrawn by the shareholders of the Company in the form of dividends.

Working Capital

Generally, the working capital requirements of Red Sea would be expected to rise in line with the growth in the Company's business and revenues. Such longer-term trends may however be distorted by short-term increases or decreases in inventories, receivables, and payables.

7.6 OFF BALANCE SHEET ITEMS (CONTINGENT LIABILITIES)

Off balance sheet items comprise mainly letters of guarantee and letters of credit. The tables below present breakdowns of letters of guarantee and letters of credit, by bank and value outstanding as of March 31, 2005G.

Exhibit 7.36: Breakdown of Letters of Guarantee (SAR 000s)

Bank	Value Outstanding	Margin
Riyadh Bank – Jeddah	1,803	236
Saudi Hollandi Bank	1,154	0
Emirates Bank - Dubai	1,870	595
Total	**4,827**	**831**

Source: Red Sea, Figures are rounded

Exhibit 7.37: Breakdown of Letters of Credit (SAR 000s)

Bank	Value Outstanding	Margin
Emirates Bank - Dubai	6,145	0
Total	**6,145**	**0**

Source: Red Sea, Figures are rounded

The outstanding guarantees mainly relate to performance bonds, guarantees against advance payments and bid bonds given to customers. The majority of these expired in 2005G. Only Riyadh Bank and Emirates Bank charge a cash margin on the guarantee issued.

As of March 31, 2005G, 2004G and 2003G the Company had the following commitments and contingencies outstanding:

- Letters of guarantee amounting to SAR 4.8 million (SAR 4.1 million in 2003G and SAR 9.6 million in 2004G) on which margins of SAR 0.8 million were paid (SAR 0.1 million in 2003G and SAR 0.7 million in 2004G).
- Letters of credit amounting to SAR 6.1 million (SAR 0.4 million in 2003G and SAR 11.7 million in 2004G) on which no margins were paid.

7.7 CURRENT TRADING AND PROSPECTS

Red Sea' operations have achieved consistent and healthy profitability which has grown over the years with a net income margin averaging 17% over the last three fiscal years 2003G-2005G. Red Sea has been able to successfully improve its profitability while also growing its revenues and improving its market position resulting in high levels of cash generation. The latest financials for the 8 months ended November 30, 2005 released by the Company show a net profit of SAR 93 million which represents a record net income margin of 34%.

Long-term growth prospects of Red Sea appear positive with expectations of continuing high levels of project activity and industrialization across the Middle East, driven especially by (i) high oil prices (ii) government efforts aimed at economic diversification and (iii) massive development potential in Africa in the face of increasing international efforts and development aid. Red Sea intends to continue its policy of providing the most suitable products to its customers supported by the state of the art technology, equipment, and practices which will require continuous investments in the facilities and human resource capabilities.

Currently the Company does not have any plans to undertake any material change to the nature of its business.

7.8 STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") has been drafted by the Management of Red Sea and approved by the Board of Directors. Except as set forth in this Prospectus, Management believes that there has been no material adverse change in the financial position or prospects of the Company as of the date of this Prospectus and accepts full responsibility for the authenticity and accuracy of the information and analysis of financial results and confirms, after making all reasonable inquiries, that full and fair disclosure has been made and there are no other information or documents the omission of which make any information or statements therein misleading.

8 DIVIDEND RECORD AND POLICY

The Company intends to pay dividends to its shareholders with a view to maximizing shareholder value depending on the Company's income, its financial condition, market conditions, general economic conditions, and other factors, including available investment opportunities, and reinvestment needs, cash and capital needs, business prospects, as well as other legal and regulatory considerations. Dividends will be distributed in Saudi Arabian Riyals ("SAR").

Although the Company intends to pay annual dividends to its shareholders, it does not make any assurance that any dividends will actually be paid nor any assurance as to the amount, which will be paid in any given year. The distribution of dividends is subject to certain limitations contained in the Company's By-Laws.

The Offer Shares will be entitled to receive dividends declared by the Company from the date of commencement of the Offering Period and for subsequent fiscal years. The following table summarizes the Company's net income and dividends declared by the Company for the fiscal years ending March 31, 2003G, 2004G, and 2005G.

Exhibit 8.1: Dividend Record of the Company (SAR 000s)

Year	Net Income	Dividends Declared
2003G	22,733	10,987
2004G	63,030	31,624
2005G	97,933	48,639

Source: Red Sea

It should be noted that the Company is expected to pay approximately SAR 60 million in dividends to the Existing Shareholders for the fiscal year ending March 31 2006G.

9 CAPITALIZATION

The table below sets out the capitalization of Red Sea as derived from the audited financial statements of the Company for the eight months ended November 30, 2005G. The following table should be read in conjunction with the financial statements, and the notes thereto, included in the section "Auditor's Report" of this Prospectus.

Exhibit 9.1: Red Sea Capitalization as of November 30, 2005G (SAR 000s)	
Debt:	
Short Term	741
Long Term	0
Shareholder Loans	2,811
Total Debt and Shareholders Accounts	**3,552**
Shareholders' Equity	
Share Capital	3,000
Transferred from retained earnings for the increase in capital *	147,000
Legal Reserves	1,500
Retained Earnings	55,459
Total Shareholders' Equity	**206,959**
Total Capitalization	**210,511**

Source: Red Sea, Figures are rounded

*** In addition the amount transferred from retained earnings for the increase in capital of SAR 147 million, the Dabbagh Group injected SAR 150 million on December 4 2005G, which was deposited at Saudi Hollandi Bank for the capital increase. Accordingly, the total capital of the Company after the proposed increase will be SAR 300 million.*

Pursuant to the Partners Resolution signed by the Existing Shareholders and notarized before the Notary Public of the Chamber of Commerce and Industry in the Eastern Province on 29/6/1427H (Corresponding to 25/7/2006G), the Capital of the company was increased from SAR 3 million (consisting of 3,000 Shares at a nominal value of SAR 1,000 each) to SAR 300 million (consisting of 30,000,000 Shares at a nominal value of SAR 10 each) through a transfer of SAR 147 million from retained earnings as of November 30, 2005G and the injection of SAR 150 million in new capital by the Dabbagh Group, on December 4, 2005G.

The table below sets out the Pro Forma capitalization of Red Sea including SAR 147 million transferred for retained earnings as of November 30, 2005G 2005G and the injection of SAR 150 million in new capital by the Dabbagh Group.

Exhibit 9.2: Red Sea Pro Forma Capitalization after Injection of SAR 150 Million in New Capital (SAR 000s)	
Debt:	
Short Term	741
Long Term	0
Shareholder Loans	2,811
Total Debt and Shareholders Accounts	**3,552**
Shareholders' Equity	
Share Capital	3,000
Transferred from retained earnings for the increase in capital *	147,000
Capital Injection	150,000
Legal Reserves	1,500
Retained Earnings	55,459
Total Shareholders' Equity	**356,959**
Total Capitalization	**360,511**

Source: Red Sea, Figures are rounded

The Existing Shareholders injected SAR 150 million to increase the capital for the following reasons:

- A strengthening of the Company's balance sheet was deemed necessary to ensure Red Sea could capitalize on attractive opportunities for continued growth. Red Sea is bidding on an increasing number of large-scale projects and since the services provided by Red Sea are critical to the ability of its clients to commence operations, its customers are increasingly demanding sizeable bid bonds, performance bonds, warranties or other evidence that bidders have the capability to deliver on their projects. Such bonds frequently amount to around 10% - 15% of the amount of the underlying contract size.

- Red Sea continues to invest in high levels of inventory to ensure that it may compete aggressively on delivery times for large and profitable projects. The absence of a down-payment in many contracts requires significant availability of funds to finance the start-up phase of such projects. Such projects also require additional investment in other areas, including additional personnel to meet project strict specifications (e.g. safety officers).

- The establishment of the Republic of Ghana plant constituted an important strategic milestone for Red Sea but required significant financial investment. In addition to the SAR 6.5 million for the plant construction, Red Sea also invested heavily in inventories, and purchases to meet production requirements in Ghana constituted the main driver of the SAR 30.698 million increase in raw materials as of November 30, 2005G. The capital injection serves to ensure the Company retains sufficient levels of liquid capital to meet its further expansion objectives.

- Red Sea has recently been successful in obtaining an important contract related to the Qatargas 3 and Qatargas 4 LNG gas projects following a bidding process which dates back several months. In addition to the sizeable working capital requirements to fund inventories to carry out this contract, Red Sea has also taken the decision to establish a new manufacturing plant in Qatar. The Company is in the process of acquiring land in Qatar and the total investment costs are expected to be broadly similar to the investment in Ghana.

- The Company has been developing an important new initiative relating to a housing compound in Algeria which would represent a total investment cost of approximately US$ 9 million (SAR 33.75m). If successful, the Company would seek to roll this concept out in other markets, with a project in South East Asia already under review.

- In addition to the considerable opportunities for organic growth, Red Sea may also consider other opportunities to expand its core activities. These could include diversification into related sectors (such as the water treatment sector) and strategic acquisitions of other industry players.

All ordinary shares of the Company are issued and fully paid. Red Sea confirms that neither the Company's capital nor the capital of any affiliates is under option.

As of 31/03/2005G, the Company had no contingent liabilities other than as disclosed in the Financial Statements.

Exhibit 9.3: Ownership Structure of Red Sea

	Pre-Offering			Post-Offering		
	Shares	Percent	Capital (SAR)*	Shares	Percent	Capital (SAR)*
Dabbagh Group Holding Company Limited	24,300,000	81.00%	243,000,000	15,300,000	51.00%	153,000,000
Tanmiah Commercial Group	1,200,000	4.00%	12,000,000	1,200,000	4.00%	12,000,000
Supreme Foods Company Limited	1,500,000	5.00%	15,000,000	1,500,000	5.00%	15,000,000
National Scientific Company Limited	1,500,000	5.00%	15,000,000	1,500,000	5.00%	15,000,000
Marketing and Commercial Agencies Company Limited	1,500,000	5.00%	15,000,000	1,500,000	5.00%	15,000,000
Offering Subscribers	0	0.00%	0	9,000,000	30.00%	90,000,000
Total	**30,000,000**	**100.00%**	**300,000,000**	**30,000,000**	**100.00%**	**300,000,000**

**SAR 10 par value/share*
Source: Red Sea

The Company's liquidity is strong, as evidenced by its consistent capacity to generate positive operating cash flows and as a consequence, claims have traditionally been met from current cash flows. However, in the event of short-term liquidity being required, Red Sea has unused bank facilities, in aggregate of SAR 138.1 million. The Company's policy is to use its bank facilities primarily to fund the working capital requirements on a short term basis. For additional information of the Company's borrowings and repayments, please refer to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this Prospectus.

10 USE OF PROCEEDS

The total proceeds from the Offering are estimated at SAR 522,000,000, of which an estimated SAR 23,000,000 will be applied towards issue expenses, which includes fees due to the financial advisor, legal advisor, accounting advisor, media and public relations consultants, in addition to underwriting expenses, receiving bank expenses, printing and distribution expenses, and other issue related expenses. The estimated net proceeds of SAR 499,000,000 will be distributed to the Selling Shareholder. The Company will not receive any part of the proceeds from the Offering. The Selling Shareholder will bear all Offering expenses.

11 DESCRIPTION OF THE SHARES

11.1 SHARE CAPITAL

The share capital of Red Sea shall be SAR 300 million consisting of thirty (30) million Shares with a nominal value of SAR 10 each, all of which are cash shares representing the entire paid in capital of the Company upon conversion.

Once it is ascertained to be economically feasible and after obtaining the approval of the competent authorities, the General Assembly may, in an Extraordinary Meeting, adopt a resolution to increase the Company's capital once or several times by issuing new shares having the same nominal value as the original shares, provided that the original capital shall have been paid in full, with due consideration to the requirements of the Companies Regulations. The said resolution shall specify the mode of increasing the capital, and the Shareholders shall have pre-emptive rights to subscribe for the new cash shares. The said shares shall be allotted to the original Shareholders who have expressed their desire to subscribe thereto, in proportion to the original shares owned by them, provided that the number of shares allotted to them shall not exceed the number of new shares they have applied for. The remaining new shares shall be allotted to the original Shareholders who have asked for more than their proportionate share, in proportion to the original shares they own, provided that that their total allotment does not exceed the number of new shares they have asked for. Any remaining new shares shall be offered for public subscription.

The Company may, based on certain justifiable causes, reduce its capital if it proves to be in excess of the Company's needs or if the Company sustains losses. This decision must be made through a resolution adopted by the General Assembly in an Extraordinary Meeting, and requires approval of the Minister of Commerce and Industry. Such resolution shall be issued only after reading the auditor's report on the reasons calling for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations, with due consideration to the provisions of the Companies Regulations. The resolution shall provide for the manner in which the reduction shall be made. If the reduction of the capital is due to its being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later dates.

11.2 THE SHARES

The Shares shall be nominal shares and may not be issued at less than their nominal value. However, the shares may be issued at a value higher than their nominal value, in which case, the difference in value shall be added to the legal reserve, even if the reserve has reached its maximum limit. A share shall be indivisible. If a share is held by several persons, they shall designate one person to act on their behalf in exercising the rights connected with the share. In such a case, they shall be jointly responsible for the obligations resulting from the share ownership.

The transfer of Shares shall be governed by and comply with the regulations governing companies listed on Tadawul. Transfers made other than in accordance with these Articles shall not be valid.

11.3 SHAREHOLDERS' RIGHTS

Each Share shall give its holder equal rights in the Company's assets and dividends as well as the right to attend and vote at meetings of the General Assembly.

11.4 VOTING RIGHTS

Each shareholder holding twenty (20) Shares or more shall have the right to attend the General Assembly. A shareholder may delegate in the form of a written proxy, another shareholder, other than the members of the Board of Directors, to attend the General Assembly on his/her behalf. The votes in the Ordinary General Assembly as well as in the Extraordinary General Assembly shall be counted on the basis of one vote for every share.

Resolutions of the Ordinary General Assembly shall be made only by an absolute majority vote of the shares represented therein.

Resolutions of the Extraordinary General Assembly shall be made by a majority vote of two thirds (2/3) of the shares represented at the meeting, except for resolutions pertaining to the increase or the reduction of the capital, the extension of the duration of the Company before its term or the merger into another company or establishment. In such cases, the resolution shall not be considered as valid unless issued by the majority vote of three quarters (3/4) of the shares represented at the meeting.

Each shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to raise questions to the members of the Board and the Auditor in this respect. The Board of Directors or the Auditor shall answer the Shareholders' questions to the extent that does not risk harming the interest of the Company. Should a shareholder feel unsatisfied with the reply, he can raise the issue with the General Assembly whose resolution is to be considered as final.

11.5 SHAREHOLDERS ASSEMBLIES

A General Assembly duly convened shall be considered representing all the Shareholders, and shall be held in the city where the Company's head office is located.

Meetings of the General Assembly may be conducted by way of ordinary or extraordinary meetings. Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be in charge of all matters concerning the Company. The Ordinary General Assembly Meeting must be held at least once per year during the six months following the end of the Company's fiscal year. Other ordinary assemblies may be convened as often as needed.

The Extraordinary General Assembly shall have the power to amend the Company's By- Laws, except for such provisions as may be impermissible to be amended under the Regulations. Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly under the same conditions applicable to the latter.

A notice of the date and agenda of the General Assembly shall be published in the Official Gazette as well as in a daily newspaper, distributed in the city of the Company's headquarters, at least twenty five (25) days prior to the date of meeting. Alternatively, it is sufficient to send invitations by registered mail to all the Shareholders. A copy of the invitation and the agenda is to be sent to the Companies General Department at the Ministry of Commerce and Industry.

The Board of Directors shall convene a meeting of the Ordinary General Assembly if requested to do so by the Auditors or by a number of Shareholders representing at least five percent (5%) of the Company's capital.

The meeting of the Ordinary General Assembly shall not be considered representative unless attended by Shareholders representing 51% of the Company's capital at the minimum. Should such participation level not be achieved in the first meeting, the Assembly shall be convened once again within the following thirty (30) days. The invitation shall be issued as determined by Article (32) of the Company's By-Laws. The second meeting shall be considered representative irrespective of the number of shares represented.

To be considered representative, the meeting of the Extraordinary General Assembly should be attended by a number of Shareholders representing at least 51% of the Company's capital. If such requirement is not met in the first meeting, the Assembly shall be summoned once again within the following thirty (30) days. The second meeting shall be considered representative if attended by a number of Shareholders representing at least one quarter (1/4) of the Company's capital.
The General Assembly shall be presided over by the Chairman of the Board of Directors or, in his absence, the Director designated by him. The Chairman shall appoint a secretary for the meeting and a canvasser. Minutes shall be prepared for the meeting showing the names of Shareholders present in person or represented by proxy, the number of the shares held by each, the number of votes attached to such shares, the resolutions adopted at the meeting, the number of votes assenting or

dissenting to such resolutions and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman of the Assembly, the secretary and the canvasser.

11.6 ZAKAT

The Company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). Zakat is accrued and charged to the statement of income currently. The Jebel Ali branch is not subject to any zakat or income taxes in the country of operations.

11.7 DURATION AND WINDING-UP OF THE COMPANY

The duration of the Company shall be 99 years commencing on the date of issuance of the Minister of Commerce's resolution announcing the conversion of the Company. The duration may be extended by a resolution of the Extraordinary General Assembly taken, at least, one year prior to the expiration of the term of the Company.

Upon the expiration of the Company's period, or in case of dissolution before its term, the Extraordinary General Assembly shall decide upon the method of liquidation based on the Board of Directors' recommendation. It shall also appoint one or more liquidators and determine their functions and fees.

The powers of the Board of Directors shall cease upon the Company's expiry. However, the Board of Directors shall remain responsible for the management of the Company until the liquidators are specified. The Company's administrative departments shall maintain their powers to the extent that they do not interfere with the powers of the liquidators.

12 SUMMARY OF THE COMPANY'S PROPOSED BY-LAWS

Name of the Company: The name of the Company shall be "Red Sea Housing Services Company", a Saudi joint stock company.

Objectives of the Company: The objectives of the Company are:

1. To purchase lands and real estates with the object of developing and improving same, to construct residential and commercial buildings thereon and to exploit same by sale or lease for the benefit of the Company.
2. Buildings General Contracting: "Construction-Repair-Demolition and Renovation". This includes general buildings – residential, commercial and industrial buildings – educational facilities – entertainment and sports facilities – health facilities – airport buildings and manufactured buildings.
3. Undertake maintenance and operation of buildings, roads, water and sewerage facilities, medical centers, sports centers, maintenance and operation of electrical and mechanical installations, city cleaning.
4. Manufacturing of pre-fabricated buildings and building components utilizing metal, wood, lightweight concrete, PVC and fiberglass including but not limited to single and multistory houses, offices, dormitories, recreation buildings, dining halls, kitchens, chiller/freezer rooms, laundry rooms, store rooms, security rooms, schools, clinics and hotels.
5. Manufacturing of transportable waste water treatment plants, potable water treatment plants, shipping containers and power generation plants.
6. Manufacturing of molded fiberglass plumbing fixtures such as but not limited to, sinks, shower surrounds, bathtubs, countertops, tanks and associated moldings.
7. Maintenance of oil field and petrochemical steel structures of all types including on-shore and off-shore equipment.
8. Extrusion manufacturing of all types of PVC and polystyrene shapes.
9. To undertake the construction of utility and civil works including but not limited to concrete, plumbing, electrical, waste collection treatment and removal, recreational facilities such as sports courts, swimming pools, roadways, walkways, lighting, communication systems, fire detection and fire fighting systems and any other related civil works.
10. Management of residential and commercial real estate properties.
11. To engage in retail and wholesale trade of building materials, industrial equipment and road construction equipment.
12. To engage in sub-contracting of specialized works such as but not limited to decorations of all types, earth removal filling and compacting, finishings, buildings erections and installations, construction equipment hire and operation.

The Company shall obtain the necessary licenses from the relevant authorities prior to performing any of the activities listed above which require a license.

The Company may have an interest in, or participate in any manner with, other organizations or companies which perform activities similar to those it undertakes or which may help it to realize its objectives. The Company may also own shares in other existing companies and may merge with, be taken over by, or purchase other companies. The Company may also own shares in such companies and other existing companies, may merge with, be taken over by, or purchase these companies. The Company may participate in any form with other companies provided that its level of participation shall not exceed 20% of the Company's free reserves and 10% of the share capital of the company in which it invests. The General Assembly shall be notified of any such participation at its first meeting.

Head Office of the Company: The Company's head office shall be in the city of Jubail, Saudi Arabia. The Board of Directors may transfer the head office to any other city in the Kingdom of Saudi Arabia and may establish branches, offices or agencies for the Company within or outside the Kingdom of Saudi Arabia.

Duration of the Company: The duration of the Company shall be ninety-nine (99) years commencing on the date of issuance of the Minister of Commerce's resolution announcing the conversion of the Company. The Company's period may always be extended by a resolution of the Extraordinary General Assembly taken at least one year prior to the expiration of the term of the Company.

Capital of the Company: The share capital of the Company shall be three hundred million Saudi Riyals (SAR 300,000,000), divided into thirty million (30,000,000) registered shares of equal value of ten Saudi Riyals (SAR 10) each, all of which are cash shares representing the entire paid in capital of the Company upon conversion.

Shareholders of the Company: The owners of the Shares upon conversion are as follows:

No.	Name	Percentage	Number of Shares	Value in Saudi Riyals
1	Dabbagh Group Holding Company Limited	51%	15,300,000	153,000,000
2	Tanmiah Commercial Group	4%	1,200,000	12,000,000
3	Supreme Foods Company Limited	5%	1,500,000	15,000,000
4	National Scientific Company Limited	5%	1,500,000	15,000,000
5	Marketing and Commercial Agencies Company Limited	5%	1,500,000	15,000,000
	Total	**70%**	**21,000,000**	**210,000,000**

The remaining shares, amounting to nine million (9,000,000) shares and representing 30% of the Company's capital, shall be offered for public subscription through participating banks in Saudi Arabia in accordance with the Companies Regulations and the Capital Market Law and its Implementing Regulations.

Preferred Shares: Upon approval of, and in accordance with guidelines set by, the Minister of Commerce and Industry, the Company may issue non-voting preferred shares in an amount not to exceed fifty percent (50%) of the Company's capital. In addition to their right to receive dividends, holders of such shares shall be granted the following:

a) The right to a specified percentage of net income, after deducting statutory reserves and before distributing any of the Company's profits, in an amount not less than five percent (5%) of the par value of each share,

b) Preference in recovery of the value of their shares upon liquidation of the Company, and in receiving any specified proceeds from such liquidation.

The Company may purchase these shares in accordance with a resolution of the Board of Directors. These shares do not factor into calculation of the quorum required to hold a General Assembly, pursuant to Articles (34) and (35) of the Company's By-Laws.

Bonds: The Company may issue negotiable and indivisible bonds of equal value against the borrowings it contracts in accordance with the Companies Regulations and the Capital Market Law and its Implementing Regulations.

Non-Payment of Shares: If a Shareholder fails to pay the value of the shares at the times set therefore, then the Board of Directors may sell such shares in a public auction, after having warned the Shareholder by means of a registered letter to the address stated in the Shareholders Register. However, the Shareholder may still, in such a situation, pay the value due plus the expenses incurred by the Company up to the day set for the auction. The Company shall recover what is due to it from the sale proceeds and refund the balance to the Shareholder. If the sale proceeds are insufficient to cover the Company's dues, then the Company may recover the entire amount due from the Shareholders' wealth. If this is done, then the Company shall cancel the share sold and give the purchaser a new share bearing the same number of the cancelled share, a notation of which shall be made in the Shareholders Register.

The Shares: The shares shall be nominal shares and may not be issued at less than their nominal value. However, the shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to the statutory reserve, even if the reserve has reached its maximum limit. A share shall be indivisible vis-à-vis the Company. In the event that a share is owned by several persons, they shall select one person from amongst them to exercise, on their behalf, the rights pertaining to the share, and they shall be jointly responsible for the obligations arising from the ownership of the share.

Transfer of Shares: The shares shall be transferable in accordance with the rules, regulations and directives issued by the Capital Market Authority.

Shareholders Register: The nominal shares shall be transferred by being recorded in the Shareholders Register which shall contain the names of the Shareholders, their nationalities, their occupations, their domicile and address, the serial numbers of the shares and the value paid-up on such shares. An annotation of such recording shall be made on the share certificates. The transfer of title to a share shall not be effective vis-à-vis the Company or any third party except from the date of such recording in the said Register or the completion of the transfer procedures through the Shares Information Computerized system. The subscription or ownership of the shares by a Shareholder shall mean the acceptance by the Shareholder of the Company's By-Laws and his submission to the resolutions duly passed by the General Assembly of the Shareholders in accordance with the Company's By-Laws, whether the Shareholder was present or absent and whether the Shareholder agreed to such resolutions or objected to them.

Share Certificates: The Company shall issue share certificates with serial numbers. The shares shall be signed by the Chairman of the Board of Directors, or by a member of the Board authorized on the Chairman's behalf and stamped with the Company's stamp. The Share certificate shall, in particular, show the number and date of the Ministerial Resolution announcing the conversion of the Company, the value of the capital, the number of shares, the share's nominal value, the paid-up value, a summary of the Company's objectives and the Company's head office and term. The shares may have coupons with serial numbers, and each coupon shall bear the number of the share to which it is attached.

Increase of Capital: Once it is ascertained to be economically feasible and after obtaining the approval of the competent authorities, the General Assembly may, in an Extraordinary Meeting, adopt a resolution to increase the Company's capital once or several times by issuing new shares having the same nominal value as the original shares, provided that the original capital shall have been paid in full, with due consideration to the requirements of the Companies Regulations and the Capital Market Law and its Implementing Regulations. The said resolution shall specify the mode of increasing the capital, and the Shareholders shall have preemptive rights to subscribe for the new cash shares. The Shareholders shall be notified of the preemptive rights vested in them by notice to be published in a daily newspaper addressing the capital increase resolution and the conditions of subscription, or by written notice to the shareholder by registered mail. Each Shareholder shall express the desire to exercise such preemptive rights, if they so wish, within fifteen (15) days of the publication of such notice or receipt of such notice by registered mail.

The said shares shall be allotted to the original Shareholders who have expressed their desire to subscribe thereto, in proportion to the original shares owned by them, provided that the number of shares allotted to them shall not exceed the number of new shares they have applied for. The remaining new shares shall be allotted to the original Shareholders who have asked for more than their proportionate share, in proportion to the original shares they own, provided that that their total allotment does not exceed the number of new shares they have asked for. Any remaining new shares shall be offered for public subscription. Article (10) of the Company's By-Laws shall apply to payment of the value of shares issued pursuant to Article (15) of the Company's By-Laws.

Decrease of Capital: The Company may, based on certain justifiable causes, reduce its capital if it proves to be in excess of the Company's needs or if the Company sustains losses. This decision must be made through a resolution adopted by the General Assembly in an Extraordinary Meeting, and requires approval of the Minister of Commerce and Industry. Such resolution shall be issued only after reading the auditor's report on the reasons calling for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations, with due consideration to the provisions of the Companies Regulations. The resolution shall provide for the manner in which the reduction shall be made. If the reduction of the capital is due to its being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

Constitution of the Board of Directors: The Company shall be managed by a Board of Directors composed of nine (9) members to be appointed by the Ordinary General Assembly for a term of three years commencing as of the date of the Ministerial Resolution declaring the Company's conversion.

Qualification Shares: Each member of the Board of Directors shall be a holder of a number of the Company's shares having a nominal value of no less than ten thousand Saudi Riyals (SAR 10,000). Such shares shall be deposited in a bank designated by the Minister of Commerce and Industry within thirty (30) days from the date of the appointment of the director. Such shares shall be kept aside to guarantee the liability of the Board members and shall remain non-negotiable until the expiry of the period specified for hearing the liability action provided for under Article 76 of the Companies Regulations or until a judgment is passed on said action. Each Shareholder in the Company with a legal personality shall provide the qualification shares for the director representing it or his replacement. Should a member of the Board of Directors fail to submit such qualification shares within the period specified therefore, his membership in the Board shall be deemed null and void.

Vacancies: Membership of the Board of Directors shall be terminated upon the expiration of the appointment period, or resignation of the Director, or death of the Director, or if he is removed from his office by a resolution passed by a majority of 51% of the shares represented at an Ordinary General Assembly meeting or if he is convicted of an offence involving dishonesty, fraud or moral turpitude, or if he becomes bankrupt or makes any arrangement or compounds with his creditors. Termination of membership shall also occur under any law or regulations prevailing in Saudi Arabia. Termination of membership shall also occur if the member becomes unsuitable for membership under any law or regulations prevailing in the Kingdom.

If the office of a Board member becomes vacant, the Board may appoint a member in the vacant position temporarily, provided that such appointment is put forward before the first meeting of the Ordinary General Assembly for endorsement. The term of office of the new member designated to fill a vacancy shall only extend to the term of office of his predecessor. In case the number of the members of the Board of Directors falls below the quorum required for the proper convening of the Board meetings, the General Assembly shall be called for an Ordinary Meeting as soon as possible in order to appoint the necessary number of Board members.

Powers of the Board of Directors: Without prejudice to the powers conferred on the General Assembly, the Board of Directors shall be vested with full powers to manage the business of the Company and supervise its affairs within and outside the Kingdom of Saudi Arabia.

The Board of Directors is empowered, for example and without limitation, to represent the Company in its relationship with others and before all Government departments, the Shariah Courts, the Board of Grievances, Labour Offices, Primary and Supreme Committees of Settlement of Labour Disputes, the Committee for the Enforcement of Negotiable Instruments, and all other courts of law or judicial bodies, Boards of Arbitration, Police Departments, the Directorate of Civil Rights, Chambers of Commerce and Industry, all companies and establishments, commercial banks, exchanges, financial institutions, government funds and other lenders; to plead, raise, defend, ask for, accept and settle claims, enforce and defend against judgments, participate in tenders, to sign on behalf of the Company all documents including articles of association of companies in which the Company shall participate, and to amend the same, to sign winding-up resolutions, as well as any other contracts, deeds, and declarations before public notaries or other official bodies, to sign loan agreements, guarantees, mortgages, leases and deeds for the sale and purchase of land and buildings and all other contracts and agreements, and to delegate some or all of these powers, under powers of attorney or any other written authorizations to any other person or persons; to open, operate and close bank accounts, to receive and issue checks and to sign receipts, discharges, acknowledgments, bills of exchange, promissory notes, checks, and all negotiable instruments; to buy, sell, and mortgage real estate.

The Board of Directors is specifically empowered to contract loans with government financial funds and institutions and commercial loans with commercial banks and financial institutions for any term including terms exceeding three (3) years.
The Board of Directors may provide financial support to any of the companies in which the Company participates or any of the Company's affiliates or sister companies and may guarantee the credit facilities obtained by any of the companies in which the Company participates or any of the Company's affiliates or sister companies provided that the other shareholders in these companies provide such financial support each in proportion to its ownership in that company.

The Board of Directors may release the Company's debtors from their obligations as it deems necessary.

The Board of Directors may, within the limits of its jurisdiction, authorize and delegate one or more of its members or a third party to undertake a specific function or functions, and revoke such delegations in whole or in part.

Remuneration of Board of Directors: Remuneration of the members of the Board of Directors (if any) shall be determined by the Ordinary General Meeting in accordance with the official decisions and instructions issued in this regard, within the limits of the provisions of the Companies Regulations and the laws or regulations complementary thereto. Directors may in addition be paid an attendance and transportation allowance as determined by the Board of Directors and the regulations and decisions issued in this respect. The report submitted by the Board of Directors to the Ordinary General Assembly shall contain a statement of all payments made to the members of the Board during the fiscal year; salaries, share in profits, attendance allowance, expenses and other benefits. It shall as well contain a statement of payments made in consideration for technical, administrative or consultancy assignments carried out by the Board's members.

Chairman, Managing Director and Secretary: The Board of Directors shall appoint a Chairman from among its members. The Board of Directors may also appoint a Managing Director from among its members. The Board may choose one person to be the Chairman and the Managing Director at the same time. The Chairman shall have the powers to convene the Board to meet and preside over its meetings.

The Chairman and the Managing Director (in the event that one is appointed) shall be authorized to individually or jointly represent the Company in its relationship with others and before judicial bodies, Government departments, Notaries Public, courts of law, Commissions for settlements of disputes, Boards of Arbitration, Directorate of Civil Rights, Police Departments, Chambers of Commerce and Industry, all companies and establishments; to issue powers of attorney and to appoint and remove agents and attorneys; to raise, defend, plead, settle, acknowledge and arbitrate; to accept and reject judgments on behalf of the Company; to sign and execute all agreements, certificates and instruments including articles of association of companies in which the Company shall participate, and to amend the same, and to sign winding-up resolutions, as well as any other contracts, deeds, and declarations, before public notaries or other official bodies, loan agreements with government financial funds and institutions and commercial banks and financial institutions, guarantees, mortgages, leases, and terminating them; to collect entitlements and settle obligations on behalf of the Company; to buy, sell, make and accept transfers, receive, deliver, rent, lease, collect and make payments, and to participate in tenders; to open bank and credit accounts and to withdraw and deposit from the same; to issue instruments, checks and all negotiable instruments; to hire, contract with and appoint employees and workmen and to specify their salaries and remunerations and remove them, to request visas for employees and workmen from abroad, grant residency permits and work visas, and transfer and terminate their sponsorship; to authorize or delegate some or all of these powers to any other person or persons to do or cause to be done any act mentioned hereinabove, and to revoke such authorization or delegation in whole or in part.

The Managing Director shall have such other powers as are specified by the Board of Directors, shall carry out such directives as are given to him by the Board of Directors.

The Board of Directors shall, under a resolution to be adopted thereby, specify the compensation to be given to each of the Chairman and the Managing Director.

The Board of Directors shall appoint a secretary from among its members or others, and shall specify his duties, remuneration and terms of service. The Secretary's duties shall include having the proceedings and resolutions of the Board of Directors written in minutes and recorded in a special register, intended for the said purpose, as well as maintaining and keeping such register.

The term of the office of the Chairman, the Managing Director and the Secretary – if the Secretary is a Board member – shall not exceed their respective term of service as Directors. The term of the Chairman, the Managing Director and the Secretary of the Board may be renewed.

Board Meetings: The Board of Directors shall be convened at least twice a year upon a call by the Chairman. Such call shall be made in writing and delivered by hand or fax or sent by registered mail not less than two weeks prior to the date set for the meeting, unless otherwise agreed by the Board members. The Chairman of the Board shall call for a meeting if so requested by any two (2) Board members.

Quorum and Representation: A Board meeting shall be valid only if attended by at least four (4) members, three (3) of whom must attend in person. In the event that a member of the Board of Directors gives a proxy to another member to attend the Board meetings on his behalf, then such proxy shall be given in accordance with the following:

a) A member of the Board of Directors may not act on behalf of more than one Board member as to attending the same meeting.

b) A proxy shall be made in writing.

c) A Board member acting by proxy may not vote on resolutions on which his principal is prohibited from voting under the law.

The Board resolutions shall be adopted with the approval of the majority vote of the members present in person or represented by proxy and otherwise eligible to vote on the matter in question. In case of a tie, the Chairman of the Board or the Director presiding over the Board in the absence of the Chairman shall have a casting vote.

The Board may adopt its resolution by circulation unless one Board member requests a meeting for deliberations on such a resolution. Such Resolutions shall be adopted with the approval of the majority vote of the Board members and shall be laid before the Board in its first following meeting.

Minutes of Meetings: The Board deliberations and resolutions shall be drawn in minutes to be signed by the Board Chairman and the Secretary. Such minutes shall be recorded in a special register to be signed by the Board Chairman and the Secretary.

Conflicts of Interest: Members of the Board of Directors must declare to the Board of Directors or Executive Committee, as the case may be, any personal interest, whether direct or indirect, in any proposal, transaction or contract made for the account of the Company. Such declaration must be recorded in the minutes of the Board or Executive Committee meeting, as the case may be, and the interested Board member shall not participate in the deliberation or voting on the resolution to be adopted in this respect.

Executive Committee: The Board of Directors may appoint from among its members an Executive Committee. The Board of Directors shall appoint a Chairman from among the members of the Committee and shall specify the number of members of the Committee and the required quorum for its meetings. In accordance with the directions and guidelines prescribed by the Board from time to time, the Committee may exercise all of the powers authorised by the Board. The Executive Committee may not revoke or alter any of the resolutions adopted, or rules laid down, by the Board of Directors.

General Assembly: A General Assembly duly convened shall be deemed representing all the Shareholders, and shall be held in the city where the Company's head office is located.

Each shareholder owning twenty or more shares shall have the right to attend the General Assembly, whether in person or by proxy. Each shareholder, regardless of the number of shares held, shall have the right to attend the General Assembly.

Each Shareholder may authorize in writing another Shareholder, other than the members of the Board of Directors or employees of the Company, to attend the General Assembly on his/its behalf.

Conversion General Assembly: The Conversion General Assembly shall be competent to deal with the following matters:

1) To ascertain that the capital of the Company has been fully subscribed for.

2) To approve the final text of the Company's By-Laws.

3) To deliberate on the report in respect of the activities and expenses required by the Company's conversion.

The Conversion General Assembly shall be valid only if attended by a number of Shareholders representing at least fifty-one percent (51%) of the Company's capital.

Ordinary General Assembly: Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be in charge of all matters concerning the Company. The Ordinary General Assembly shall be convened at least once a year, within six (6) months following the end of the Company's fiscal year. Additional Ordinary General Assembly meetings may be convened whenever needed.

Extraordinary General Assembly: The Extraordinary General Assembly shall have the power to amend the Company's By-Laws, except for such provisions as may be impermissible to be amended under the law. Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly under the same conditions applicable to the latter.

Manner of Convening General Assemblies: The General Assembly shall be convened by the Board of Directors. The Board of Directors shall convene a meeting of the Ordinary General Assembly if requested to do so by the Auditors or by a number of Shareholders representing at least five percent (5%) of the Company's capital. The summons shall be published in the Official Gazette and in a daily newspaper circulated in the city where the Company's head office is located at least twenty-five (25) days prior to the time set for such meeting. The summons shall include the agenda of the meeting. However, so long as the Company's shares remain nominal, notice may be given at the time fixed above by registered letters. A Copy of the notice and the agenda shall be sent, within the period set for publication, to the Companies Department at the Ministry of Commerce and Industry.

Record of Attendance at the Meetings of the General Assembly: At the start of the General Assembly, a statement shall be prepared showing the names of the Shareholders, present or represented, and their addresses, as well as the number of shares hold by them and the number of votes to which they are entitled. Any interested party shall have the right to examine such list.

Quorum of Ordinary General Assembly: A meeting of the Ordinary General Assembly shall be valid only if attended by Shareholders representing at least fifty-one percent (51%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be held within thirty (30) days following the time set for the preceding meeting. Such notice shall be published in the manner prescribed in Article (32) of the Company's By-Laws. The second meeting shall be deemed valid irrespective of the number of shares represented therein.

Quorum of Extraordinary General Assembly: A meeting of the Extraordinary General Assembly shall be valid only if attended by Shareholders representing at least fifty-one percent (51%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened in the same manner provided for in Article (34) of the Company's By-Laws. The second meeting shall be valid only if attended by a number of Shareholders representing at least one-quarter (1/4) of the Company's capital.

Voting Rights: Each shareholder shall have one vote for each share he/it represents at the Conversion General Assembly. Votes at the meetings of Ordinary and Extraordinary General Assemblies shall be computed on the basis of one vote for each share represented at the meeting.

Voting Majorities: Resolutions of the Conversion General Assembly and Ordinary General Assembly shall be adopted by an absolute majority of the shares represented thereat.

Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two thirds of the shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's period, dissolving the Company prior to the expiry of the period specified therefore under the Company's By-Laws or merging the Company with another company or establishment, then such resolution shall be valid only if adopted by a majority of three-quarters (3/4) of the shares represented at the meeting.

Rights of Shareholders at the Meetings of the General Assembly: Each shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions in respect thereof to the members of the Board and the auditors in this respect. The members of the Board or the auditors shall answer the Shareholders' questions to the extent that does not expose the Company's interest to any damage. If the Shareholder deems the answer to the question unsatisfactory, then he/it may refer the issue to the General Assembly and its decision in this regard shall be conclusive and binding.

Proceedings of the General Assembly: The General Assembly shall be presided over by the Chairman of the Board of Directors or, in his absence, the Director designated by him. The Chairman shall appoint a secretary for the meeting and a canvasser. Minutes shall be written for the meeting showing the names of the Shareholders present in person or represented by proxy, the number of the shares held by each, the number of votes attached to such shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting to such resolutions and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman of the Assembly, the secretary and the canvasser.

Appointment of Auditor: The Company shall have one or more auditors to be selected from among the auditors licensed to work in the Kingdom of Saudi Arabia. The auditor shall be appointed annually and its compensation shall be fixed by the General Assembly. The General Assembly may further reappoint the same auditor. The existing shareholders have appointed Al Juraid & Company, member firm of PricewaterhouseCoopers, as the Company's first auditor for the first financial year following conversion to a joint stock company.

Access to Records: The auditor shall have access at all times to the Company's books, records and any other documents, and may request information and clarification as it deems necessary. It may further check the company's assets and liabilities.

Auditor's Report: The auditor shall submit to the annual General Assembly a report showing how far the Company has enabled it to obtain the information and clarifications it has requested and what it has discovered of violations of the Companies Regulations and these By-Laws and its opinion as to whether the Company's accounts conform to the facts.

Financial Year: The Company's fiscal year shall commence as on the 1st of January and expire on the 31st of December of each Gregorian year. However, the Company's first fiscal year shall cover the period commencing as of the date of issuance of the Ministerial Resolution announcing the conversion of the Company and expiring on the 31st of December of the same year.

Annual Accounts: The Board of Directors shall prepare at the end of each fiscal year an inventory of the Company's assets and liabilities on such date, the Company's balance sheet and profit and loss account, a report on the Company's activities and its financial position for the preceding year. The report shall include the method proposed by the Board for the distribution of net income for that financial year and shall be ready within a period not exceeding forty (40) days after the end of the annual financial period to which they relate. The Board of Directors shall place such documents at the auditor's disposal at least fifty-five (55) days prior to the time set for convening the General Assembly. Such documents shall be signed by the Chairman of the Board of Directors and a set thereof shall be available at the Company's head office for the Shareholders' review at least twenty-five (25) days prior to the time set for convening the General Assembly. The Chairman of the Board of Directors shall cause the Company's balance sheet, profit and loss account, a comprehensive summary of the Board of Directors' report and the full text of the auditor's report to be published in a newspaper circulated in the city where the Company's head office is located, and shall send copies of such documents to the Companies Department at the Ministry of Commerce at least twenty-five (25) days prior to the date set for convening the General Assembly.

Distribution of Annual Profits: After deducting all general expenses and other costs, the Company's annual net income shall be allocated as follows:

a) Ten percent (10%) of the annual net income shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when said reserve totals one-half (1/2) of the Company's capital.
b) There shall be paid to the holders of preferred shares the specified percentage pertaining to such shares.
c) The Ordinary General Assembly may, upon request of the Board of Directors, set aside a percentage of the annual net income to form an additional reserve to be allocated for the purpose or purposes decided by the Ordinary General Assembly.
d) Out of the balance of the profits, if any, there shall be paid to the Shareholders an initial payment of not less than five percent (5%) percent of the paid-up capital.
e) No more than five percent (5%) of the remaining amount shall be paid as compensation to the members of the Board of Directors.
f) The balance shall be distributed among the Shareholders as an additional share of the profits or transferred to retained profits account.

The Company may distribute semi-annual and quarterly profits after it has completed the necessary procedures put in place by the competent authorities.

Distribution of Dividends: The Company shall notify the Capital Market Authority without delay of any decisions to distribute profits or any recommendation to do so. The profits to be distributed among the Shareholders shall be paid at such place and times as determined by the Board of Directors, in accordance with the instructions issued by the Ministry of Commerce and Industry.

Non-Distribution of Dividends: In the event of non-distribution of profits in any fiscal year, profits of forthcoming years shall not be distributed before the portion specified in Part (a) of Article (8) of the Company's By-Laws is paid to the owners of non-participatory shares for that year. If the Company fails to pay this portion of the profits for a period of three consecutive years, the Private Assembly of these interest holders may, in accordance with Article 86 of the Companies Regulations, resolve to either attend the General Assemblies of the Company and participate in the voting thereof, or to designate representatives on their behalf in the Board of Directors, in accordance with their share of the Company capital. This shall remain the case until the Company manages to fully pay the initial profits for past years specified for the owners of such shares.

Company Losses: If the Company's losses total three-quarters (3/4) of its capital, then the members of the Board of Directors shall call the Extraordinary General Assembly for a meeting to consider whether the Company shall continue to exist or be dissolved prior to the expiry of the period specified therefore under Article (5) of the Company's By-Laws. In all cases the Assembly's resolution shall be published in the Official Gazette.

Disputes: Each Shareholder shall have the right to file a liability action, vested in the Company, against the members of the Board of Directors if they have committed a fault which has caused some particular damage to such Shareholder, provided that the Company's right to file such action shall still be valid. The Shareholder shall notify the Company of his/its intention to file such action.

Dissolution and Winding up of the Company: Upon the expiry of the Company's period, or if it is dissolved prior to the time set for the expiry thereof, the Extraordinary General Assembly shall, based on a proposal by the Board of Directors, decide the method of liquidation, appoint one or more liquidators and specify their powers and fees. The powers of the Board of Directors shall cease upon the Company's expiry. However, the Board of Directors shall remain responsible for the management of the Company until the liquidators are specified. The Company's administrative departments shall maintain their powers to the extent that they do not interfere with the powers of the liquidators.

Application of the Companies Regulations: The Companies Regulations shall apply to all other matters not specifically provided for in the Company's By-Laws.

Filing and Publication of the Company's By-Laws: These By-Laws shall be filed and published in accordance with the Companies Regulations

13 SUMMARY OF MATERIAL CONTRACTS

13.1 PROJECT AGREEMENTS

Red Sea is party to project agreements with a number of oil & gas, construction, and mining companies as well as government agencies and multilateral organizations. The current material project agreements can be summarized as follows:

- Letter of Intent with Chiyoda Technip Joint Venture dated 26 October 2005 in respect of the manufacture, supply, delivery & installation of various buildings for RasGas onshore / onplot expansion.
- Master Worldwide Construction Contracts with Equatorial Guinea LNG Train 1 S. A. dated 29 July 2004 and 21 August 2004 in respect of the manufacture, supply, delivery & installation of various buildings for OCN Village, East Site Project – Malabo, Equatorial Guinea.
- Various Purchase Orders with PAE Government Services in respect of the supply of manufactured camp buildings, clinics, offices and other facilities.
- Onshore Construction Subcontract with Bechtel International Inc. dated 3 October 2003 in respect of the performance of all work and supply of all materials, services, tools, consumables and equipment necessary to receive, erect and commission a construction camp and an office Complex.
- Offshore Subcontract with Overseas Bechtel, Inc. dated 10 October 2003 in respect of the performance of all work and supply of all materials, services, tools, consumables and equipment necessary to engineer, provide and deliver a construction camp and an office complex.
- Contract with BGP International Equipment (ME) FZE dated 7 June 2005 in respect of the manufacture, delivery, installation and commission of seismic camp buildings for Saudi S-51 Camp Project.
- Sales Order with Ministry of Mines and Energy E.G. in Equatorial Guinea dated 27 March 2004 in respect of the manufacture, supply, delivery & installation of 160-person camp.
- Various Purchase Orders with Nabors Drilling International Limited in respect of the manufacture and delivery of buildings for several camps.
- Sales Order with Bechtel Corporation dated 8 July 2005 in respect of the manufacture, supply, delivery & installation of various buildings for camp expansion project.
- Letter of Intent with Nesam & Partners Contracting Co., Ltd dated 18 June 2006 in respect of the fabrication, supply and installation of prefabricated portable units for the Saudi Aramco temporary camp and offices facilities in Khurais, Saudi Arabia.

The project agreements provide in most cases for fixed pricing for the duration of the relevant agreement and prices are normally not subject to escalation. Payment terms vary from one agreement to the other, but generally provide for progress payments to be made to Red Sea as specific project milestones are met. In certain cases, liquidated damages are assessed against Red Sea in case of performance or milestone delays, calculated either on a daily or percentage basis. Most of the agreements provide that the relevant customer may terminate the agreement at any time, and in certain cases, with prior notice.

13.2 BANKING AGREEMENTS

Red Sea is party to a number of banking related agreements with various commercial banks in Saudi Arabia and the UAE. Through these agreements, the banks have made various credit facilities available to Red Sea, including the provision of overdraft facilities, letters of credit and guarantee facilities, long and short-term loans and foreign exchange contracts with Riyadh Bank, Saudi Hollandi Bank, and Emirates Bank. Certain borrowings are guaranteed jointly by Sheikh Abdullah Mohamed Ali Al-Dabbagh and certain of his sons. In most cases, however, corporate guarantees and promissory notes are issued by Dabbagh Group Holding Company.

Short-term bank borrowings bear financing charges at market rates, which are generally based on Saudi Inter Bank Offer Rate (SIBOR). Unused short-term bank credit facilities available to the company at March 31, 2005 were approximately SAR 138 million (2004 SAR 45 million). The following table summarizes the key aspects of these facilities:

Exhibit 13.1: Details of Banking Facilities (SAR 000s)

	Facility	Start Date	End Date	Used Amount	Used Amount L/C and L/G	Total Unused Amount
Riyadh Bank	34,500	17/3/2003	Renewal every year Automatically	5,000	1,803	27,697
Saudi Hollandi Bank	25,000	10/2/2002	Renewal every year Automatically	0	1,154	23,846
Emirates Bank	14,600	13/4/2005		0	8,015	6,585
Total	**74,100**			**5,000**	**10,972**	**58,128**

Source: Red Sea

13.3 REAL ESTATE LEASE AGREEMENTS

Red Sea is party to a number of lease agreements in connection with its manufacturing facilities and staff accommodations. The principal lease agreements currently in place are as follows:

- Lease Agreement with Jebel Ali Free Zone Authority dated 1 June 1997, as amended, pursuant to which Red Sea leases 44,208 square meters of land in Jebel Ali, UAE on which a manufacturing plant resides.
- Lease Agreement with the Government of Dubai dated 8 August 2005, pursuant to which Red Sea leases 9,982 square meters of premises in Jebel Ali, UAE.
- Sublease Agreement dated 3 May 2005 pursuant to which Red Sea subleases certain leasehold property covering approximately 18 acres in the Tema Industrial Part Free Zone in Accra, Republic of Ghana (on which Red Sea's manufacturing facility resides) from International Land Development Company ("ILDC") Limited for the remaining term (approximately 46 years) of the lease agreement entered into between ILDC and Republic of Ghana Free Zones Board dated 7 November 2000.
- Lease Agreement with Dubai Investments Park Development Company LLC dated 25 October 2003, pursuant to which Red Sea leases 5,780 square meters of premises in Dubai Investments Park used as accommodation for its employees.
- Land Lease Agreement with Khonaini International Company Ltd. dated 25 November 2002, as amended, pursuant to which Red Sea leases 44,000 square meters of land in Jubail on which a manufacturing plant resides at an annual rent of SAR 737,625 for a term of five (5) years renewable for similar term(s).

- Lease Agreement with Lootah Real Estate Development Est. dated 17 December 2005, pursuant to which Red Sea leases approximately 1006 square meters of land located in the Dubai Investments Park on which an employee accommodation owned by Red Sea sits.

- Tenancy Contracts with Jebel Ali Free Zone Authority dated 3 December 2003 pursuant to which Red Sea leases accommodation for its staff.

The lease agreements are in most cases long-term in nature and contain customary provisions covering improvements, termination and permitted assignments by Red Sea.

13.4 SUBCONTRACTOR AGREEMENTS

Red Sea has subcontracted certain of the services it provides under the project agreements described in section "Project Agreements" above pursuant to subcontractor agreements with a number of third party services providers. The material subcontract agreements can be summarized as follows:

- Service Contract with Nova Engineering Works dated 1 June 2005 in respect of the provision of welding, fabrication, electrical, mechanical and other related work.

- Service Contract with Essa Al Muhairi Technical Cont. dated 6 June 2005 in respect of the provision of welding, fabrication, electrical, mechanical and other related work by suitable experienced personnel provided by Essa Al Muhairi Technical Cont.

- Service Contract with Al Arabia Al Emiratia Elect. Paint Cont. dated 6 June 2005 in respect of the provision of welding, fabrication, electrical, mechanical and other related work by suitable experienced personnel provided by Al Arabia Al Emiratia Elect. Paint Cont.

- Service Contract with Al Hooti Technical Services LLC dated 6 June 2005 in respect of the provision of welding, fabrication, electrical, mechanical and other related work by suitable experienced personnel provided by Al Hooti Technical Services LLC.

- Service Contract with BYSSM General Maintenance dated 1 June 2005 in respect of the provision of various kinds of steel fabrication, mechanical, electrical and other technical services.

The subcontractor agreements are generally valid for one (1) year and renewable for further periods. The agreements may be terminated by either party for any reason with 10 days prior written notice.

13.5 SALES REPRESENTATION AND AGENCY AGREEMENTS

Red Sea has agreements with sales representatives and agents located in in Houston (USA), Calgary (Canada), Luanda, (Angola), Sanaa (Yemen), Doha (Qatar), and Tripoli (Libya).:

- Sales Representation Agreement with Falcon Marketing Services LLC dated 17 August 2005 pursuant to which Falcon Marketing Services LLC is granted the non-exclusive right to solicit orders from purchasers of the products manufactured or supplied by Red Sea and to act upon sales inquiries and leads introduced to Falcon Marketing Services LLC by Red Sea.

- Agency Agreement with Alhutheily dated 13 March 2005 pursuant to which Red Sea appoints Alhutheily as its agent in Yemen and grants it the authority to represent, market, and sell the Company's products in Yemen.

- Agency Agreement with Transorga AG dated 3 April 2005 pursuant to Red Sea appoints Transorga AG as its agent in Angola and grants it the authority to represent, market, and sell the Company's products in Angola.

- Dealership Agreement with Alimaz for Metal Structure & Oil Field Services dated 1 July 2002 pursuant to which Red Sea appoints Alimaz for Metal Structure & Oil Field Services as its exclusive dealer in Libya and grants it the authority to market, distribute, resell and install the Company's products in Libya.

- Sales Representation Agreement with George Fernandez dated 1 July 2003 pursuant to which Mr. Fernandez is appointed as sales representative for the Company's products in Canada.

- Agency Agreement with Euro Tec Projects Development Company dated 1 November 2005 pursuant to which Red Sea appoints Euro Tec Projects Development Company as its exclusive agent in Qatar and grants it the authority to represent, market, and sell the Company's products in Yemen.

The sales representation and agency agreements provide, in certain cases, for Red Sea to make payments to the relevant counterparty on a commission basis, while in other cases the agreements provide an undertaking by Red Sea to sell the relevant counterparty products of Red Sea in the amount ordered and accepted by Red Sea at the wholesale prices established by Red Sea for such products.

The agreements are generally valid for one (1) year and renewable automatically unless terminated by either party for material breach, and in certain other circumstances. The agreements contain territorial restrictions and strict confidentiality restrictions which prohibit unauthorized disclosure of technical and non-technical information relating the Red Sea to third parties.

13.6 INSURANCE AGREEMENTS

Red Sea maintains various insurance policies with respect to its business, properties or employees inside and outside Saudi Arabia include public and products liability, fire, burglary, money, personal accident, medical, vehicle and workmen's compensation, in addition to project-specific insurance policies issued from time to time. These policies have been issued by various insurers including Gulf Cooperation Insurance Co., Ltd E.C., Royal & Sun Alliance Insurance (Middle East) Ltd. E.C., Norwich Union Insurance (Gulf) BSC, Arab Orient Insurance Company P.S.C. and Oman Insurance Company (P.S.C.). Contractors' general liability policies are arranged individually for each project undertaken by Red Sea depending on the terms of the particular project contract.

The policies are in accordance with normal prudent business practices and in full force and effect. Red Sea has not received notice of termination of such policies.

Gulf Cooperation Insurance Co. is wholly owned by Dabbagh Group, the principal shareholder in Red Sea.

14 LITIGATION

The Directors and management of Red Sea confirm that the Company is not involved, as of the date of this Prospectus, in any litigation, arbitration or administrative proceedings that would, individually or in aggregate, have a material adverse effect on its financial condition and results of operations.

15 UNDERWRITING

15.1 UNDERWRITERS

Saudi Hollandi Bank (Lead Underwriter), Banque Saudi Fransi and National Commercial Bank will be the underwriters (the "Underwriters") for the Offering.

15.2 SUMMARY OF UNDERWRITING ARRANGEMENT

15.2.1 SALE AND UNDERWRITING OF THE OFFER SHARES

Under the terms and subject to the conditions contained in the Underwriting Agreement between the Selling Shareholder, the Company and the Underwriters:

a) The Selling Shareholder undertakes to the Underwriters that on the Completion Date (as defined in the Underwriting Agreement) they will sell the Offer Shares to purchasers procured by the Underwriters or to the Underwriters themselves

b) The Underwriters undertake to the Company and the Selling Shareholder that they will on the Completion Date purchase the number of Offer Shares not subscribed for, if any, at the Offer Price

15.2.2 GROUNDS FOR TERMINATION

The Lead Underwriter may terminate the Underwriting in specified circumstances prior to the admission of the Shares to the Official List, including as follows:

a) If, at or prior to 10.00 am on the Completion Date or such other time as the Lead Underwriter may determine, there has occurred:

   i. A suspension or material limitation in trading in securities generally on Tadawul;
   ii. A moratorium on commercial banking activities in Riyadh declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in the Kingdom of Saudi Arabia;
   iii. A change or development involving a prospective change in law, regulations or taxation adversely affecting the Company, the Shares, the transfer of Shares or the Offering;
   iv. An outbreak or escalation of hostilities or a terrorist incident involving the Kingdom of Saudi Arabia or the declaration by the Kingdom of Saudi Arabia of a national emergency or war;
   v. Any material adverse change, disruption or other condition in the international or domestic money, debt, capital or any other financial markets whether in the Kingdom of Saudi Arabia or elsewhere including without limitation any material adverse change to the Tadawul All Share Index; or
   vi. Other calamity or crisis or any change in financial, political, monarchical or economic conditions or currency exchange rates or controls in the Kingdom of Saudi Arabia or elsewhere effecting the Kingdom of Saudi Arabia that may, in the sole opinion of the Underwriters, prejudice or make it impractical or inadvisable to proceed with the Offering or delivery of the Offer Shares as contemplated by the Prospectus, the Underwriters may, in their absolute discretion, by notice to the Company terminate the Underwriting Agreement.

b) If, at or prior to 10.00 am on the Completion Date or such other time as the Lead Underwriter may determine, an internationally recognized rating agency has in respect of any sovereign securities relating to the Kingdom of Saudi Arabia issued any notice:

i. downgrading such securities;
ii. indicating that it intends to downgrade, or is considering the possibility of downgrading, such securities; or
iii. indicating that it is reconsidering the rating of such securities without stating that this is with a view to upgrading them,

that, in any such case, in the opinion of the Lead Underwriter makes the success of the Offering doubtful or which, in the opinion of the Lead Underwriter would make it impracticable or inadvisable to proceed with the Offering, then the Lead Underwriter will consult with the Company and the Selling Shareholder to the extent practicable, but the Lead Underwriter may, in their absolute discretion, by notice to the Company terminate the Underwriting Agreement.

15.2.3 COMMISSION AND EXPENSES

The Selling Shareholder will pay to the Lead Underwriter (on behalf of the Underwriters) an underwriting fee based on the gross proceeds from the Offering. Moreover, the Selling Shareholder will pay to the Lead Underwriter fees, costs and expenses in connection with the Offering.

16 SUBSCRIPTION TERMS AND CONDITIONS

All Subscribers must carefully read the Subscription Terms and Conditions prior to completing the Subscription Application Form, since the execution of the Subscription Application Form constitutes acceptance and agreement to the Subscription Terms and Conditions.

16.1 SUBSCRIPTION TO OFFER SHARES

The Selling Shareholder is soliciting applications from Subscribers for acquiring the Offer Shares. A signed Subscription Application Form submitted to the Lead Manager or Receiving Banks represents a legally binding agreement between the Selling Shareholder and the Subscriber.

The Selling Shareholder owns 81% of the issued share capital of the Company prior to the Offering. 30% of the total number of Shares of the Company will be available to Saudi nationals under this Offering. Potential investors may obtain both the main and abridged Prospectus in addition to the Subscription Application Form from:

Saudi Hollandi Bank Al-Dhabab Street P.O. Box 1467 Riyadh-11431 Kingdom of Saudi Arabia	Banque Saudi Fransi P.O. Box 56006 Riyadh-11554 Kingdom of Saudi Arabia	National Commercial Bank P.O. Box 3555 Riyadh-21481 Kingdom of Saudi Arabia	Al Rajhi Banking and Investment Corp. P.O. Box 28 Riyadh-11411 Kingdom of Saudi Arabia
Arab National Bank P.O. Box 9806 Riyadh-11423 Kingdom of Saudi Arabia	Bank Albilad P.O. Box 140 Riyadh-11411 Kingdom of Saudi Arabia	Bank Aljazira P.O. Box 6277 Riyadh-21442 Kingdom of Saudi Arabia	Riyad Bank P.O. Box 22622 Riyadh-11416 Kingdom of Saudi Arabia
Saudi British Bank P.O. Box 9084 Riyadh-11413 Kingdom of Saudi Arabia	Samba Financial Group P.O. Box 833 Riyadh-11421 Kingdom of Saudi Arabia	The Saudi Investment Bank P.O. Box 3533 Riyadh-11481 Kingdom of Saudi Arabia	

The Lead Manager and Receiving Banks will commence receiving Subscription Application Forms at their branches throughout Saudi Arabia from Saturday 18/7/1427H (corresponding to 12/8/2006G) up to and including Monday 27/7/1427H (Corresponding to 21/8/2006G). Once the Subscription Application Form is signed and submitted, the Lead Manager and Receiving Banks will stamp it and provide the Subscriber a copy of the completed Subscription Application Form. In the event the information provided in the Subscription Application Form is incomplete or inaccurate, or not stamped by the Lead Manager and/or Receiving Banks, the Subscription Application Form will be considered void.

Each Subscriber is required to specify the number of Offer Shares applied for in the Subscription Application Form. The amounts due from each Subscriber shall be equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR 58 per New Share. Subscriptions for less than ten (10) Offer Shares or fractional numbers will not be accepted. In addition, each Subscriber may not apply for more than twenty five thousand (25,000) Offer Shares.

Each Subscriber is required to submit the Subscription Application Form during the Offering Period accompanied by the original and a copy of the national identification card, family identification card in addition to sufficient funds in an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR 58 per Share. In the event an application is made on the behalf of a Subscriber (parents and children only), the name of the person signing on behalf of the Subscriber should be stated in the Subscription Application Form accompanied by the original and a copy of the power of attorney supporting such person's authority to act on the behalf of the Subscriber. The power of attorney must be issued before a notary for those who are in Saudi Arabia and must be legalised through the Saudi Embassy or Consulate in the relevant country for those who are outside Saudi Arabia. The Lead Manager and Receiving Banks will verify all copies against the originals and will return the originals to the Subscriber.

One Subscription Application Form should be completed for each household (i.e. family members appearing on the family identification card) if dependent Subscribers apply for the same number of Offer Shares as the prime Subscriber. In this case: (i) all Offer Shares allocated to the prime Subscriber and dependent Subscribers will be registered in the prime Subscribers' name; (ii) the prime Subscriber will receive any refund in respect of amounts paid for Offer Shares applied by the prime Subscriber and dependent Subscribers and not allocated, and (iii) the prime Subscriber will receive all dividends distributed in respect of the Offer Shares allocated to the prime Subscriber and dependent Subscribers (in the event the Shares are not sold or transferred). If a wife wishes to subscribe for the shares in her name / account, she must complete a separate Application Form as a prime subscriber. In such case, applications made by the husbands on behalf of their spouses will be cancelled and the independent application of the wives will be processed by the Receiving Bank.

Separate Subscription Application Forms must be used if: (i) the Shares that will be allocated are to be registered in a name other than the name of the prime Subscriber; or (ii) dependent Subscribers are to apply for a different quantity of Offer Shares than the prime Subscriber; or (3) the wife wishes to subscribe in her name and wishes to add allocated shares to her account, however, she must complete a separate Application Form as a prime subscriber (in such case, applications made by the husband on behalf of his wife will be cancelled and the independent application of the wife will be processed by the Receiving Bank.

Each Subscriber agrees to subscribe for and purchase that number of Offer Shares specified in the Subscription Application Form submitted by the Subscriber for an amount equal to the number of Shares applied for multiplied by the Offer Price of SAR 58 per Share. Each Subscriber shall have purchased the number of Offer Shares allotted to him upon: (a) delivery by the Subscriber of the Subscription Application Form to the Lead Manager or Receiving Banks, (b) payment in full by the Subscriber to the Lead Manager or Receiving Banks of the total value of Offer Shares subscribed for; and (c) delivery to the Subscriber by the Lead Manager or Receiving Banks the allotment letter specifying the number of Offer Shares allotted to him.

The Total value of the Offer Shares subscribed for must be paid in full to a branch of the Lead Manager or Receiving Banks by authorising a debit of his/her account held with the Lead Manager or Receiving Banks where the Subscription Application Form is being submitted. If the Subscriber is not an account holder with the Manager, he must open an account with the Manager to submit his application.

If a submitted Subscription Application Form is not in compliance with the terms and conditions of the Offering, the Company shall have the right to reject, in full or in part, such an application. The Subscriber shall accept any number of Shares allocated to him or her so long as such Shares do not exceed the number of Shares applied for.

16.2 ALLOCATION AND REFUNDS

The Lead Manager and Receiving Banks shall open and operate an escrow account named as follows:

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

Each of the Lead Manager and Receiving Banks shall deposit all amounts received by the Subscribers into the escrow account "Saudi Hollandi Bank – Red Sea IPO".

Each Subscriber must apply for a minimum of ten (10) Offer Shares. Each Subscriber may not apply for more than twenty five thousand (25,000) Offer Shares. Each Subscriber will be allocated a minimum of ten (10) Offer Shares with the remaining Offer Shares being allocated on a pro-rata basis. The Company does not guarantee the minimum allocation of ten (10) Offer

Shares in the event that the number of Subscribers exceeds nine hundred thousand (900,000). In that case, the Offer Shares will be allocated equally between all Subscribers. If the number of Subscribers exceeds the number of Offer Shares, the allocation will be determined at the discretion of the CMA.

The final number of Offer Shares allocated to each Subscriber, together with any refund due to the Subscriber, is expected to be announced no later than Monday 4/8/14727H (Corresponding to 28/8/2006G). The Company will make an announcement in the national newspapers in Saudi Arabia informing the Subscribers of the above and instructing the Lead Manager and Receiving Banks to begin the refund process.
The Lead Manager and Receiving Banks will send confirmation/notification letters, to the Subscribers informing them of the final number of Offer Shares allocated together with the amounts, if any, to be refunded. The Lead Manager and Receiving Banks will also refund to the Subscribers any funds in respect of which no Offer Shares have been allocated to the relevant Subscribers, as provided in the confirmation/notification letters. Refunds will be made in full without any charge or withholding by crediting Subscribers' accounts at the bank. Subscribers should communicate with the branch of the Lead Manager or Receiving Banks where they submitted their Subscription Application Form for any further information.

16.3 ACKNOWLEDGEMENTS

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

- Accepts subscribing for the Company's shares with the number of shares specified in the Subscription Application Form.
- Warrants that he had read the Prospectus and understood all its contents.
- Accepts the By-Laws of the Company and all subscription instructions and terms mentioned in the Prospectus.
- Keeps his right to sue the Company for damages caused by incorrect or incomplete information contained in the Prospectus, or by ignoring major information that should have been part of the Prospectus and could affect the Subscribers' decision to invest.
- Declares that neither himself nor any of his family members included in the Subscription Application Form has previously subscribed to the Company's shares and the Company has the right to reject all applications.
- Accepts the number of shares allocated to him and all other subscription instructions and terms mentioned in the Prospectus and the Subscription Application Form.
- Warrants not to cancel or amend the Subscription Application Form after submitting it to the Lead Manager or Receiving Banks.

16.4 MISCELLANEOUS

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

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

16.5 THE SAUDI ARABIAN STOCK EXCHANGE (TADAWUL)

Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. In 1999G, full electronic trading in Saudi Arabia equities was introduced. The market capitalisation was in excess of SAR 1.96 trillion as of July 6, 2006G. 81 companies are currently listed and traded on Tadawul.

Trading on Tadawul occurs through a fully integrated trading system covering the entire process from trade order through settlement. Trading occurs each business day between 10:00 am to 12:00 p.m. and 4:30 p.m. to 6:30 p.m. After close of exchange trading, orders can be entered, amended or deleted until 8:00 p.m. From 8:00 a.m. (the system is not available between 8:00 p.m. and 8:a.m) new entries and inquiries can be made. For the opening phase (starting at 10:00 a.m.) the system starts opening procedures, it establishes the opening prices and determine orders to be executed according to the matching rules.

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

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

Exchange transactions are settled on a T+0 basis, meaning that ownership transfer takes place immediately after the trade executes.

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

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

16.6 TRADING ON TADAWUL

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

Furthermore, Shares can only be traded after allocated Shares have been credited to Subscribers' accounts at Tadawul and the Company has been registered in the Official List and its Shares listed on the Exchange. Pre-trading is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk. The Company shall have no legal responsibility in such an event.

17 DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at Red Sea's head office in Red Sea Housing Services Company (under conversion) P.O. Box 1531, Jubail 31952, Kingdom of Saudi Arabia, between the hours of 8:30 a.m. to 5:00 p.m. one week prior to and during the Offer Period:

- The Company's proposed Bylaws
- Partners Resolution concerning the conversion of the Company into a joint stock company
- Resolution of the Minister of Commerce and Industry No. 1801 dated 5/7/1427H (Corresponding to 30/7/2006G) authorizing the conversion of the Company into a joint stock company
- CMA approval to the Offering
- Audited Financial Statements for the fiscal years ended March 31, 2003, 2004 and 2005 and eight months ended November 30, 2005
- The pro-forma condensed consolidated financial statements for the eight months ended November 30, 2005G and the special purpose auditors' report
- ISO certification documents
- Al Juraid & Company's written consent to the inclusion in the Prospectus of their Audit Report for the fiscal year ended March 31, 2005G as well as the eight months ended November 30, 2005G, and the review report for the eight months ended November 30, 2004G
- Ernst & Young written consent to the inclusion in the Prospectus of their Audit Report for the fiscal years ended March 31, 2003G and 2004G
- Report of the Commission for Africa, March 2005
- Article from the "Norwegian State Department" website summarizing the conclusions of the Oslo Donors' Conference on Sudan 2005
- Article from "AME Info" describing the expected investment in Jubail 2 industrial city in Saudi Arabia
- Article from "AME Info" describing the expected investment in Yanbu 2 industrial city in Saudi Arabia
- Valuation Report prepared by the Financial Advisor
- Icon Group International report